Anglo Irish Bank

Annual Report & Accounts 2009

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Anglo Irish Bank

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Introduction

The 15 months to 31 December 2009 has been an exceptionally difficult period for Anglo Irish Bank and for all its stakeholders. The Bank, which was nationalised on 21 January 2009, is reporting a loss of €12.7 billion for that 15 month period. This loss is primarily due to an impairment charge of €15.1 billion which reflects the very significant deterioration in asset quality since September 2008, offset somewhat by the profit of €1.8 billion realised on buying back some of the Bank's subordinated debt.

Of the impairment provision, €10.1 billion relates to the €35.6 billion of loans that are expected to transfer to the National Asset Management Agency ('NAMA'). This represents a provision of some 28%, which means the Bank has taken a significant proportion of the discount expected to be applied to these loans. However, impairment provisions are not intended to predict future loan discounts on transfer, which are subject to a separate valuation process directed by NAMA.

The gross amount of loans expected to transfer has increased from last autumn's estimate of €28 billion as more associated loans than originally anticipated are being included. A number of additional cases, where the development element of the facilities is very small, are now included, as well as non-development loans to borrowers which are expected to transfer to NAMA as a result of the borrowers' sizeable land and development exposures with other participating institutions.

In our Interim Report, we indicated that impairment losses were likely to reach €7.5 billion with disclosed stress scenarios of an additional €3.5 billion on post NAMA loans and an additional €1.5 billion for every 10% reduction in the value of land and development assets. Unfortunately, our stress scenarios have been more than realised and reflect the very severe deterioration in asset values in the marketplace since March 2009. Further analysis of the impairment provisions and the outlook for the future are set out in the Group Chief Executive's review and the Business review.

The results for 2009 clearly reflect the costly mistakes in lending decisions that the Bank made in the past. Our focus is now on seeking the most effective means of overcoming the impact of past mistakes and on becoming a constructive component of a reformed and modernised Irish banking structure.

Our Interim Report for the six months to 31 March 2009 also referred to a number of key objectives that we had over the months to follow. Significant progress has been made on many of these objectives including:

- The balance sheet will have been significantly reduced with loans and advances to customers down by more than 50% from the September 2008 level when the proposed transfers to NAMA are completed;
- The cost reduction programme, the first phase of which has already been completed, will reduce the number of people in the Bank to below 1,300, compared with 1,777 as at 30 September 2008;
- A Restructuring Plan has been submitted to the European Commission and, very importantly;
- A new senior management team with six external appointments; Chief Executive, Chief Risk Officer, Chief Financial Officer, Head of Financial Markets, Head of Corporate Development and Head of Group Balance Sheet Management, has been put in place.

Capital position

As a result of the losses incurred during the period there has been a significant deterioration in the Bank's regulatory capital base. In order to protect the capital position of the Group the Minister for Finance provided €4 billion in capital between June and September 2009. A liability management exercise was also undertaken in August 2009 and, as noted earlier, €1.8 billion of equity was realised on the buyback, at a significant discount, of subordinated debt instruments. In December 2009, the Minister committed to safeguard the Bank's regulatory capital position which resulted in the issuance of a promissory note for €8.3 billion on 31 March 2010. We thank the Minister and the Government for their continued support.

The Bank's Total capital ratio is shown in the accounts at 10.7%. The transfer of loans to NAMA will result in a reduction in risk weighted assets and, importantly, a significantly improved liquidity position, allowing the Bank to reduce and eventually eliminate its reliance on special Central Bank funding.

Legacy matters

The Bank is continuing to co-operate fully with each of the investigations that are being carried out by external authorities. Given the nature of these investigations it would be inappropriate to comment further on them.

Significant disclosures in relation to Directors' loans, including amounts due by individual Directors and related impairment provisions, which amounted to €155 million and €109 million respectively, at 31 December 2009 are provided in note 55 to the accounts.

None of the current Directors have any loans from the Bank and the Board has decided that, in future, Directors will not be permitted to borrow from the Bank.

Board of Directors

There has been virtually a complete change in the composition of the Board as none of the current Directors were on the Board prior to June 2008. As has already been announced, I will step down from the Board in June 2010 and Alan Dukes will succeed me as Chairman.

In line with normal practice in State owned entities, there is only one Executive Director on the Board; the Bank's new Chief Executive, Mike Aynsley, who was appointed on 7 September last.

We expect to announce the appointment in the near future of a number of additional Non-executive Directors to the Board.

I would like to acknowledge the support of my colleagues on the Board during my tenure as Chairman and, in particular, to thank Frank Daly, who resigned from the Board in December 2009 to take on the chairmanship of NAMA, for his contribution to the Bank.

Restructuring plan

In the Interim Report we noted that, having reviewed our strategic options, a wind-down scenario, even over a lengthy period, would be very costly to the Irish taxpayer. In the intervening period, further extensive work has been carried out which strongly reinforces that view.

The option that provides the best outcome for the Irish taxpayer is for the Bank to be split into two entities: '*old Anglo*', which will be wound down, and a *'new bank'*, which will support the Irish economy as part of a third banking force or as a standalone business bank. *'Old Anglo'* will include legacy issues, loans to former Directors, significantly impaired loans which did not transfer to NAMA, subordinated debt and NAMA bonds. The *'new bank'* will include deposits, senior debt, investments and loans not transferring to NAMA or remaining in *'old Anglo'*. Further details of the plan, on which the European Commission is expected to conclude over the next few months, are provided in the Group Chief Executive's review.

Conclusion

On behalf of the Board I would like to thank the Minister for Finance, his officials and the people in the Bank for their help and support during 2009.

Many further challenges lie ahead, particularly minimising the cost of Anglo to the taxpayer. I have every confidence that the Board, under the chairmanship of Alan Dukes, and the new management team, under the leadership of Chief Executive, Mike Aynsley, will meet them successfully.

Donal O'Connor
Chairman
31 March 2010

Group Chief Executive's review

Introduction

2009 has proven to be an extremely difficult year both for the Bank and the Irish economy. I was appointed Chief Executive Officer on 7 September 2009 and have begun vigorously tackling the considerable challenges that face the Bank.

The loss for the 15 month period is €12.7 billion, reflecting a further deterioration in asset quality during the period as a result of severe economic conditions in all of the Bank's markets, most particularly in Ireland. Further details of the financial results are provided in the Business review, with the key points being:

- The Minister for Finance recapitalised the Bank with a further €8.3 billion effective 31 December 2009, bringing total capital support to €12.3 billion in 2009. The additional capital support reaffirms the Shareholder's previous commitments to ensuring the Bank remains adequately capitalised;
- Impairment charges total €15.1 billion for the period, including €10.2 billion relating to assets to be transferred to the National Asset Management Agency ('NAMA');
- Operating profit before impairment of €2.4 billion, includes the €1.8 billion gain on the repurchase of capital securities;
- Core Tier 1 capital at 31 December 2009 is €4.6 billion. With total regulatory capital of €7.8 billion and risk weighted assets of €73 billion, the Total capital ratio is 10.7% at 31 December 2009;
- NAMA transfers will reduce risk weighted assets by approximately €30 billion during 2010;
- €35.6 billion[1] of nominal loans with a carrying value of €25.5 billion are expected to be transferred to NAMA in 2010;
- Post NAMA customer loans will be approximately €36.5 billion[2] with cumulative specific provisions of €3.7 billion;
- Funding balances at 31 December 2009 include central bank funding of €23.7 billion of which €11.5 billion relates to a special liquidity facility.

Substantial progress was made during the period to put in place the senior leadership team who will lead the process of stabilising and re-positioning the Bank for the future. The introduction of additional Government capital and the anticipated approval of the Group's restructuring plan by the European Commission ('EC') will add to the progress already made and will improve access to funding markets over time. The economic recovery beginning to emerge in the UK and the US will take longer to be seen in Ireland.

New leadership team

The new leadership team, which was announced in November and December 2009, includes a number of external as well as internal appointments. I welcome all new members of the leadership team and look forward to working with them through the challenges we face.

Maarten van Eden was appointed as *Chief Financial Officer.* Prior to joining the Bank he worked in the UK, the US, Asia and the Netherlands and brings over 30 years of international capital markets, treasury and capital management experience to the role.

Robert Cameron, who previously worked with the UK Financial Services Authority, was appointed *Head of Group Balance Sheet Management*. Robert brings significant international experience to the Group having worked in the UK, Asia, Australia and the Middle East.

Peter Rossiter was appointed as *Chief Risk Officer* in November 2009 following an international selection process. Peter has extensive banking and risk management experience and will bring significant enhancements to the Group's risk management framework.

Head of Corporate Development, Tom Hunersen, has also been appointed and brings expertise in corporate finance as well as restructuring and developing businesses which will prove important for the Bank as it undergoes significant change over the coming years.

Jim Bradley was appointed *Head of Financial Markets*. Jim's expertise is in wholesale banking, treasury and balance sheet management and capital market activities, having spent over 30 years working in the UK, the US, Canada and Mexico.

[1] NAMA has discretion as to which assets will be acquired and has not confirmed the final amount to the Bank.

[2] Includes lending associated with the Group's assurance company of €0.8 billion.

Jim Brydie was appointed *Head of Group Lending* and has responsibility for current lending activities across Ireland, the UK and the US. Jim joined the Bank in March 2007 and since October 2008 had overall responsibility for the UK lending business.

A number of other internal appointments were confirmed in December 2009 including the positions of *Head of Technology and Operations, Company Secretary, Head of Group Legal, Head of Human Resources, Head of Retail Funding, Head of NAMA unit* and *Head of Internal Audit*.

I am confident that the new leadership team has the experience and quality to lead the Bank successfully into the future.

Stabilisation and risk reduction

Stabilisation and risk reduction initiatives have focused on a number of key areas:

NAMA - The expected transfer of assets to NAMA is a fundamental element of the Bank's restructuring process and will serve as a mechanism for de-leveraging the balance sheet and reducing risk exposure. Total loans of €35.6 billion are expected to be transferred to NAMA over the coming months with 46% of the total balance representing land and development loans and the remaining 54% representing associated loans.

Funding and Liquidity - The transfer of loans to NAMA, in exchange for government guaranteed bonds, will provide essential relief that should significantly enhance the Group's liquidity position and its ability to source market funding. The introduction of the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 will also enhance liquidity by facilitating the ability of the Bank to issue debt securities with a maturity post September 2010. The lengthened guarantee period will enhance the Bank's ability to extend the duration of its funding profile.

Risk Management and Oversight - Significant advances have been made over the period in improving the governance and control framework of the Bank and this work is continuing. Enhancements have been made to the Bank's risk management approach including an increased focus on risk management oversight processes, establishment of a Credit Quality Assurance division reporting directly to the Chief Risk Officer and revision of the Bank's risk appetite statement. A re-pricing of the loan book to adequately reflect the pricing of risk is ongoing and work-out units have been established in each of our main markets. A review of the Group's systems and management information infrastructure is also under way.

Impairments and Provisioning – The extent of loan impairment and provisioning truly reflects the scale of market dislocation during the period in the commercial property sector. A thorough and detailed process of identification of loan impairments and calculation of provisioning was undertaken on a comprehensive basis across the Bank's portfolios in all geographies and covered both NAMA bound loans and the Bank's post NAMA portfolio. Given the current stressed environment, particularly in Ireland, it is difficult to estimate with accuracy what the future levels of impairment on post NAMA loans are likely to be. However, the Bank will continue to vigorously monitor its loan book and work with borrowers to maximise recovery on all impaired loans. A return of liquidity to the marketplace will play a significant role in this regard with the early signs of such a recovery already being seen in the UK and US markets.

Capital Management - Since March 2009 the Group's capital resources have remained under severe strain. During this period the Group's regulatory capital position has benefited from derogations from certain regulatory capital requirements granted, following requests by the Bank, on a temporary basis by the Financial Regulator. Notwithstanding these derogations the Group reported a temporary breach of minimum regulatory capital requirements at 31 May 2009. The Group realised €1.8 billion of equity on the buyback of subordinated debt instruments as part of the liability management exercise undertaken in August 2009 and received €12.3 billion of capital support during the year. The ongoing support of the Minister for Finance has been essential to the Bank's continued solvency and we are extremely grateful for this support. The emphasis in the new leadership structure on capital management is indicative of the importance of ongoing vigilance in all areas of balance sheet management and will become a mainstay of the Group's strategy going forward.

Efficiency and Cost Management - The Bank and its advisers completed an extensive review of the business during the year which identified a number of areas where cost savings could be made. As a result it was necessary to introduce a voluntary redundancy scheme which is a key factor in rightsizing and restructuring the business. I acknowledge and appreciate the efforts and commitment of our loyal staff over what has been a very difficult year. We will continue to focus on the sensible management of the Bank's cost base and on opportunities to automate certain processes to reduce risk and increase efficiency.

Restructuring plan

In November 2009 the Bank submitted a draft restructuring plan to the EC. The leadership team is currently engaged in discussions with the EC and the Department of Finance regarding various aspects of the plan with a view to revising and updating it.

In framing the restructuring plan an extensive review of the Bank and its business was undertaken with all strategic options, including a wind-down and liquidation, considered. The review concluded that the burden on the Irish taxpayer was best minimised through a radical restructuring of the Bank, involving the creation of a *'new bank'* and a longer term run-off of the '*old Anglo'* which will act as an asset management company. The *'new bank'* will in time be profitable, well funded and maintain strong capital and liquidity ratios.

This approach will result in the transformation of the Group and its activities, resulting in a bank with a significantly reduced balance sheet that can play an important role in the recovery and future growth of the Irish economy. Our aim is to create a medium-sized commercial bank with a well contained risk appetite and stable funding base, operating in Ireland, the UK and the US. Our focus will be on making the Group viable again, then gradually growing the Ireland business while maintaining our share in other markets. This will provide the Minister for Finance, as Shareholder, with future options including the ability to ultimately transfer the Bank back to private ownership.

The future

Looking to the future, the Bank has an obligation to regain the trust of all its stakeholders, rebuild its reputation and make a significant contribution to the recovery of the Irish economy. I am confident we have the right leadership team in place to achieve these objectives and, although 2010 will be a difficult year with many challenges remaining for both the Bank and the wider economy, we will seek to build on the measures already taken to stabilise and de-risk the Bank. The completion of the transfer of assets to NAMA will mark a milestone and will generate a capital and liquidity benefit for the Bank.

The level of capital that banks are required to hold will increase in future with a Core Tier 1 capital requirement of 8% - 9% emerging as the market benchmark. The Group will shortly begin sourcing longer term funding under the Eligible Liabilities Guarantee Scheme which was announced in September 2009.

2010 will also see the beginning of the implementation of the Group's restructuring plan. The restructured organisation will have a role to play in the national recovery, acting as a domestic and international fundraising platform for the Irish economy and providing commercial banking services to assist Ireland's recovery and growth. Greater diversification of the Bank's assets and a wider funding base will see a broader and more resilient range of income sources in the future. Consumers will also benefit in the medium term by maintaining competition within the industry.

Finally, I would like to thank the Minister for Finance, the Chairman and Board, and our customers and staff for their support since I joined the Bank and look forward to working with them in the future.

A.M.R. (Mike) Aynsley
Group Chief Executive
31 March 2010

Business review

This business review covers the 15 months to 31 December 2009 and includes commentary on key areas of financial and operating performance of the Group during that period. The Bank extended its financial year by three months from September 30 to December 31 in line with the reporting dates of other State bodies.

The Bank reports a loss for the period of €12.7 billion (2008: profit of €664 million), driven by impairment charges of €15.1 billion. The quantity and quality of the Bank's customer and market funding has deteriorated resulting in an increased reliance on support from central banks. During the financial period, the Shareholder invested €4 billion of ordinary share capital in the Bank. The regulatory Total Capital ratio at 31 December 2009 was 10.7%, including temporary derogations granted by the Financial Regulator and is also inclusive of an additional €8.3 billion capital contribution from the Shareholder. On 31 March 2010, the €8.3 billion due from the Shareholder at year end was settled via receipt of a promissory note.

Customer lending and asset quality

The period ending 31 December 2009 has been a very difficult period for the Bank's Lending division. Property markets were severely impacted by a lack of confidence and liquidity which has led to a significant reduction in property values across all of the Bank's markets. This together with an extremely difficult operating environment in our core markets, particularly in Ireland, and the rapid erosion of our clients' net worth has resulted in a substantial deterioration in the asset quality of the loan book. The specific impairment charge for the fifteen months to December 2009 is €13.9 billion, of which €10.2 billion or 73% relates to assets identified as eligible for transfer to NAMA. The balance of impaired loans at that date is €34.6 billion representing 48% of the loan book, €25.1 billion of which are NAMA eligible loans.

NAMA

In April 2009 the Irish Government announced the establishment of NAMA for the purposes of acquiring certain assets from Irish banks, holding, managing and realising those assets and facilitating the restructuring of credit institutions of systemic importance to the Irish economy. On 9 February 2010, the Bank applied to be designated as a participating institution in NAMA. This application was accepted by the Minister for Finance on 12 February 2010 and the Bank was designated accordingly. The transfer of assets to NAMA is a fundamental aspect of the Bank's restructuring process. On the Consolidated statement of financial position, loans which the Bank expects to transfer to NAMA have been categorised as held for sale assets and are shown separately from loans and advances to customers. In total €25.5 billion of customer loans net of associated provisions of €10.1 billion are anticipated to transfer to NAMA. However, NAMA has discretion as to which assets will be acquired and has not confirmed to the Bank the total value of loans that it expects to purchase and therefore not all loans currently classified as held for sale may ultimately transfer to NAMA. Impairment provisions are not intended to predict future loan discounts on transfer, which are subject to a separate valuation process directed by NAMA.

Analysis of customer lending[1] - €bn

	Held for sale	%	Loans and advances to customers	%	Total	%
Ireland	26.8	75%	17.2	47%	44.0	61%
UK	6.8	19%	12.0	33%	18.8	26%
US	2.0	6%	7.3	20%	9.3	13%
Total	**35.6**	**100%**	**36.5**	**100%**	**72.1**	**100%**
Impairment provisions - balance sheet	(10.1)		(4.9)		(15.0)	
Customer lending net of impairment	**25.5**		**31.6**		**57.1**	
Provisions as a % of loan balances	28%		13%		21%	

Total held for sale assets (loans expected to transfer to NAMA) can be broken down as follows; €26.8 billion relates to Ireland representing 61% of total Irish lending, €6.8 billion relates to the UK representing 36% of total UK lending and €2.0 billion relates to the US representing 22% of total US lending. Of the total gross held for sale assets €16.3 billion are land and development loans, which amounts to 94% of the Group's land and development exposure with a further €19.3 billion of associated lending.

Customer lending

The Bank's lending focus during the period under review has been to work with clients to de-risk the Bank's exposure, the ongoing monitoring of asset quality and preparation for the transfer of assets to NAMA.

Customer lending balances by division[1] - €bn

	31 December 2009	%	30 September 2008[2]	%
Ireland	44.0	61%	42.6	60%
UK	18.8	26%	19.2	27%
US	9.3	13%	9.3	13%
Total	**72.1**	**100%**	**71.1**	**100%**

During the period new lending remained low bringing total customer loans pre-impairment to €72.1 billion. The Bank's Ireland division accounts for 61% of all lending with 26% and 13% in the UK and US respectively. Loan balances include €14.8 billion to the Bank's top 20 regulatory customer groups at the end of December 2009 (30 September 2008: €13.9 billion). Each of these groups consists of a number of connected entities and the balances represent multiple individual loans secured by diverse portfolios of assets and multiple contracted cash flows.

During 2009 the Bank entered into a Subscription Agreement with the Irish Government, which in line with EC guidance requires that all new lending is solely to the Bank's existing customer base, confined to amounts which were previously committed or approved to protect asset quality and is aimed at reducing overall risk to the Bank. Included in lending balances is an amount of €1.2 billion of interest capitalised during the period. The Bank's Credit Policy has recently been revised to significantly restrict interest roll-up facilities going forward.

Interest on loans and advances to customers includes margin interest and arrangement fees amortised over the expected lives of the related loans and has reduced materially during the period reflecting the increase in the portion of the loan book transferring to impaired loans.

Divisional lending balances by sector[1] - €bn

	Investment, Business Banking & Other	Commercial Development	Residential Development	Total
Held for sale	19.3	8.4	7.9	35.6
Loans and advances to customers				
Ireland	16.8	0.2	0.2	17.2
UK	11.7	0.1	0.2	12.0
US	7.0	0.2	0.1	7.3
	35.5	0.5	0.5	36.5
Total	**54.8**	**8.9**	**8.4**	**72.1**

Investment, business banking and other lending across the Group totals €54.8 billion and comprises investment property lending across all sectors including retail, office, leisure and industrial, together with business lending to the SME and corporate sector and lending for personal investment. Post NAMA it is anticipated that this type of lending will represent 97% of customer loans. A detailed geographic and sectoral analysis of the post NAMA loan book is contained in note 51 to the Annual Report.

94% of the Group's total development lending of €17.3 billion is scheduled to transfer to NAMA. The remaining balances consist of smaller relationships (less than €5 million) and relationships where development exposure represents a low percentage of the total client exposure. Impairment provisions on the balance sheet held against development loans total €5.9 billion or 34% of loan balances and 80% of this portfolio is impaired at 31 December 2009.

At 31 December 2009 committed lending work in progress ('WIP') totalled €1.9 billion (30 September 2008: €6.3 billion). The substantial reduction in the period reflects the conditions of the Subscription Agreement, the re-evaluation by both clients and the Bank of previously approved projects due to the changed economic environment, and the expiry of previously approved facilities.

Lending asset quality

Grading analysis - €bn

	Held for sale	%	Loans and advances to customers	%	Total	%	30 September 2008[2]
Good quality	5.2	15%	16.3	45%	21.5	30%	59.9
Satisfactory quality	0.4	1%	0.7	2%	1.1	2%	6.1
Lower quality but not past due or impaired	1.0	3%	5.2	14%	6.2	8%	2.6
Total neither past due or impaired	**6.6**	**19%**	**22.2**	**61%**	**28.8**	**40%**	**68.6**
Past due but not impaired	3.9	11%	4.8	13%	8.7	12%	1.6
Impaired loans	25.1	70%	9.5	26%	34.6	48%	0.9
	35.6	**100%**	**36.5**	**100%**	**72.1**	**100%**	**71.1**
Provisions for impairment	(10.1)		(4.9)		(15.0)		(0.9)
Total	**25.5**		**31.6**		**57.1**		**70.2**

The grading of the Bank's loan book across all sectors and locations has been adversely impacted by the deterioration in economic and market conditions, with a significant increase in the amount of loans classified as impaired or as past due but not impaired.

In the nine month period since the Bank previously reported, impaired loans have increased from €10.7 billion as at 31 March 2009, (September 2008: €0.9 billion[2]) to €34.6 billion as at 31 December 2009. NAMA eligible assets represent 73% or €25.1 billion of the total impaired loans.

Specific capital provisions on NAMA eligible assets (€35.6 billion) total €10.1 billion. This amount represents a provision of 28% on NAMA eligible assets.

The amount of loans classified as past due but not impaired has increased to €8.7 billion from €1.6 billion[2] at 30 September 2008, reflecting the impact on business cash flows caused by the general economic downturn. Ireland accounts for €7.0 billion (80%) of the total past due but not impaired amount, the UK €1.0 billion (12%), and the US €0.7 billion (8%). Amounts past due for between 1 and 30 days total €2.5 billion. Loans past due for more than 90 days have increased to €3.8 billion from €1.0 billion[2] at 30 September 2008 and represent the highest risk element of past due. Of this total €1.9 billion is attributable to NAMA eligible loans. A full aged analysis is included within note 51 to the Annual Report for loans and advances to customers and note 24 for assets held for sale.

Lower quality but not past due or impaired loans at 31 December 2009 totalled €6.2 billion. Although currently not past due or impaired, these loans represent those which management deems to have a high risk of deterioration. These have increased from €2.6 billion[2] at 30 September 2008, affected by the same factors giving rise to the increase in impaired and past due loans.

The post NAMA book has also been impacted by the exceptionally difficult economic environment, particularly in Ireland, which is currently experiencing a severe recession. Tenant defaults across all sectors, but especially in retail and leisure, have resulted in a significant amount of unoccupied space and a decrease in rental flows available to service loans. In addition, commercial property values have declined by approximately 50% and any new leases are at significantly lower rental rates. The amount of loans classified as impaired on the post NAMA book amounts to €9.5 billion, 26% of the overall portfolio. A further €4.8 billion of the post NAMA book is past due but not impaired and €5.2 billion considered lower quality but not past due or impaired.

Lending impairment

Income statement - lending impairment - €bn

	15 Months ended 31 December 2009	Year ended 30 September 2008
Specific charge – lending	13.9	0.2
Collective charge	0.6	0.5
Total lending impairment	**14.5**	**0.7**
% of closing loan balances	20.1%	1.0%

Balance sheet - €bn

	31 December 2009	30 September 2008[2]
Impaired loans	34.6	0.9
% of closing loan balances	48.0%	1.3%
Specific provision	13.8	0.3
Collective provision	1.2	0.6
Total provisions	**15.0**	**0.9**

The lending impairment charge for the period of €14.5 billion or 20.1% of closing loan balances (charge of €724 million or 1.0% for the year ended 30 September 2008), includes €13.9 billion of specific charges and a collective charge of €0.6 billion. The closing balance sheet impairment provision totals €15.0 billion. A reconciliation of opening and closing provisions is detailed in note 27 to the Annual Report. Impairment is calculated in accordance with IFRS and reflects losses incurred in the period based on conditions existing at 31 December 2009. The specific charge was determined following a detailed loan by loan assessment by Group Risk Management, completed during the period November 2009 to January 2010. This charge is calculated based on discounting estimated future cash flows on loans and reflects the substantial price reductions in development assets and land holdings, reduced investment cash flows and asset values, much reduced borrower net worth and the increased time envisaged to sell assets and realise investments.

IFRS requires that where there is objective evidence of impairment at the period end an analysis of the present value of all the expected cash flows associated with the loan is undertaken to assess whether the loan is impaired. As a result of this, loans in respect of investment property assets originally purchased at low yields during the years 2005-2007, which may, in the current low interest rate environment, be fully servicing interest but on a discounted cash flow basis show an inability to fully repay the loan principal, are deemed to be impaired.

During the 15 months to 31 December 2009 the value of property held as security for investment property loans has fallen significantly and the value of the security in a large number of cases is no longer sufficient to fully secure the loan in the event of default. This does not impact loans that continue to perform in accordance with facility terms and where there are no indicators of impairment. However, the loss rate on non-performing loans has increased very substantially as a result.

The significant fall in values across the majority of asset classes, and most especially property over the last 18 months has eroded clients' net worth and as a result recourse previously available under personal guarantees and through cross collateralisation is now of very limited value in protecting the Bank's interests.

Income statement – specific lending impairment - €m

	Held for sale	Loans and advances to customers	Total
Ireland	8,164	2,651	10,815
UK	1,537	711	2,248
US	459	339	798
Total	**10,160**	**3,701**	**13,861**
% of closing loan balances	28.5%	10.1%	19.2%

The specific lending impairment charge for the 15 months to 31 December 2009 totals €13.9 billion (6 months to 31 March €3.7 billion, 9 months to 31 December 2009 €10.2 billion). Of this charge €10.2 billion (73%) relates to held for sale assets expected to transfer to NAMA with the balance of €3.7 billion attributable to the expected post NAMA portfolio. Impairment charges at 31 March 2009 reflected losses incurred up to that point, based on the expected cash flows at that date on the underlying loans, in accordance with accounting standards. The economic and property market deterioration between March and December 2009 resulted in a further significant reduction in asset values and borrowers' net worth. Property markets have continued to be highly stressed with very limited activity and uncertain pricing levels, particularly in Ireland which experienced a fall of approximately 20% in property values in that period.

Losses relating to land and development loans amount to €5.9 billion (42%) of the total specific charge of €13.9 billion. This charge covers loans related to all phases of development from unzoned land to completed units available for sale. 75% of the land and development charge relates to the Irish lending division and reflects the very substantial declines in land values, in some cases up to 90%, the uncertainty regarding the timing and availability of funding to complete partially completed developments and the significant overhang of supply in both the commercial and residential markets.

A further €5.4 billion relates to property investment assets with 56% of this attributable to the leisure and retail sectors. Operating conditions for businesses in these sectors have been particularly hard hit by the decline in retail sales and the increase in unemployment across Ireland, the UK and the US. Ireland, which has experienced a fall in retail sales of approximately 20% and rapid rise in unemployment to 12.5% over the last 12 months, was the worst affected and accounted for €3.9 billion of the €5.4 billion charge. The remaining specific charge of €2.6 billion is attributable to business banking, personal and other lending of which 96% relates to Ireland.

On an overall geographic basis €10.8 billion of the specific impairment charge relates to Ireland with €2.3 billion and €0.8 billion to the UK and US respectively.

Ireland
Losses in Ireland, which represent 78% of the total charge in the 15 months, include €4.4 billion related to development lending, €3.9 billion related to investment lending and €2.5 billion related to business banking and other lending. Included in this charge is an amount of €0.4 billion in relation to losses incurred in respect of lending where the security consisted solely of shares in the Bank. In addition the charge includes €0.1 billion of losses relating to the former Chairman

and certain Directors of the Bank who resigned during the period. Detailed information in respect of the provisions on these loans is contained in note 55 to the Annual Report.

In Ireland, the overall economic environment experienced an unprecedented level of stress during the period under review, resulting in declining property values, restricted availability of new credit, and reduced repayment capacities of borrowers. The current lack of liquidity in the Irish property market has also made the valuation and realisation of underlying security more difficult.

UK
In the UK 53% of the 15 month charge relates to development lending. Commercial and residential development values have declined significantly in the last 15 months. Losses of €1.0 billion on the UK investment portfolio, representing 7% of the portfolio, were lower than those experienced in Ireland. While the UK economy also suffered a downward adjustment during the period, the decline in the value of Sterling, low interest rates and government support in the form of quantitative easing has helped stabilise the property environment resulting in reasonable levels of activity.

US
Impairment charges on the Bank's US loan portfolio totalled 8.6% of closing loan balances, the lowest level of charge across the three geographies. The US economy benefited from a large government stimulus package, which impacted favourably on the residential housing market and general liquidity in the market during the period. These measures helped mitigate the decline in values resulting from the global downturn. Impairment losses on the Bank's US portfolio were primarily on development assets and in the hotel sector.

Collective lending impairment provision

A collective provision of €0.6 billion has also been charged in the period. This reflects an allowance for loan losses existing in the performing loan book where there is currently no specific evidence of impairment on individual loans. The provision has been calculated with reference to historical loss experience supplemented by observable market evidence and management's judgement regarding market conditions at 31 December 2009. Cumulative collective provisions total €1.2 billion or 3.2% of total loan balances (excluding impaired loans).

Treasury

Funding overview

The composition of the Bank's funding profile has deteriorated since 30 September 2008. Material declines in customer funding balances and unsecured deposits from market counterparts have resulted in an increased reliance on funding support from central banks and monetary authorities. Reliance on borrowings from central banks has increased significantly during the period to total €23.7 billion at 31 December 2009 from €7.5 billion[2] at 30 September 2008. The decrease in customer and market balances has been driven by market wide risk aversion towards the banking sector in general, Bank specific ratings actions and reputational issues. The Bank successfully issued €7.4 billion of Government guaranteed Medium Term Notes ('MTN') during the period, including €5.4 billion in the latter half of 2009. This issuance more than offset the impact of maturing term deals.

The Bank is a participating institution in both the Credit Institutions (Financial Support) ('CIFS') and the Credit Institutions (Eligible Liabilities Guarantee) ('ELG') Government guarantee schemes. The CIFS scheme continues to cover pre-existing deposits and certain other liabilities (senior unsecured debt, asset covered securities and dated subordinated debt (Lower Tier 2)) until 29 September 2010. The Group applied to participate in the ELG scheme on 28 January 2010 and certain new qualifying deposits and securities issued by the Group from this date onwards are covered by this scheme. The presence of these Government guarantees has been a key factor in ensuring the Bank's funding capacity.

Customer funding

Customer funding - €bn

	31 December 2009	30 September 2008[2]
Retail	14.7	17.7
Non-retail	12.5	31.0
Total	**27.2**	**48.7**

Customer funding balances account for 36% of total funding at 31 December 2009, down from 58% at

30 September 2008. Average total customer deposits for the 15 months to 31 December 2009 were €35.2 billion (2008: €50.1 billion).

Customer accounts have decreased by €21.5 billion[2] since September 2008. The deterioration in balances was primarily as a result of disclosures early in the period that damaged the Bank's reputation as well as adverse Bank specific ratings action in the second half of the year which negatively impacted non-retail customer sources.

Retail balances have decreased by €3 billion[2], notwithstanding a strong start to the financial period. Retail balances in Ireland have grown by €0.2 billion[2] since September 2008 but balances in the UK and the Isle of Man have declined by €2.1 billion[2] and €0.5 billion[2] respectively primarily as a result of maturing deposits and a reduced ability to price competitively in retail markets. The sale of the Group's Austrian private banking business also resulted in the loss of €0.6 billion of retail deposits. At 31 December 2009 40% of retail balances were sourced in Ireland, 42% in the UK and 18% in the Isle of Man.

Non-retail balances have decreased by €18.5 billion[2]. There has been a decline in funding from non-bank financial institutions (insurance companies, asset managers, pension funds) and more granular corporate deposits due to a reduction in corporate cash balances, banking sector risk aversion and adverse ratings action. In addition, €7.3 billion of customer deposits received from Irish Life Assurance plc over 30 September 2008 matured in early October 2008.

The cost of customer funding has increased significantly in the period for both retail and corporate deposits and remains at elevated levels reflecting the intensely competitive market conditions.

The Bank recognises the importance of maintaining a diverse funding platform and remains committed to growing and developing a strongly branded, geographically diversified customer deposit business.

Market funding

Market funding - €bn

	31 December 2009	30 September 2008[2]
Debt securities in issue	15.1	17.1
Deposits from banks	33.0	20.3
Total	**48.1**	**37.4**

Market funding, including borrowings from central banks, accounts for 64% of total funding, up from 42% at 30 September 2008.

Debt securities in issue have decreased by €2.0 billion[2] primarily due to a decline in short term programme (commercial paper and certificates of deposit) balances of €3.5 billion[2]. MTN and covered bond balances increased by €1.5 billion[2] during the period.

MTN issuance in the period totalled €7.4 billion against maturities and redemptions of €5.2 billion. €0.7 billion of the Bank's covered bonds also matured during the period. All issuance during the period is Government guaranteed and will mature by 29 September 2010. Between April 2009 and December 2009 the Bank issued €5.4 billion of Government guaranteed notes. Of the December 2009 MTN and covered bond outstanding balances of €13.7 billion, €9.7 billion is scheduled to mature by December 2010. The overall cost of term debt has increased as new issuance is priced at higher margins than maturing amounts.

Short term balances were varied during the period declining from €5.0 billion[2] at 30 September 2008 to €1.5 billion at 31 December 2009. The outstanding balances at the end of December have an average residual duration of 27 days (30 September 2008: 47 days).

Deposits from banks and central banks have increased by €12.7 billion[2] to €33 billion, and represent 44% of total funding at 31 December 2009, compared to 23% at September 2008. The significant decline in customer, interbank and short term debt market funding has been offset by increased borrowings from central banks.

The Bank continues to receive funding from central banks and monetary authorities under open market operations and other secured liquidity facilities. Total borrowings from central banks as at 31 December 2009 of €23.7 billion includes a special short term liquidity facility arranged through the Central Bank of Ireland in the early part of 2009. This facility stood at €11.5 billion at 31 December 2009. The interest rate on the facility is set by the Central Bank and advised at each rollover, and is currently linked to the European Central Bank marginal lending facility rate.

Placements with banks and central banks have decreased by €7.8 billion[2] in the period. The total balance of €7.7 billion at 31 December 2009 includes €5.9 billion of primarily short term placements and secured repo agreements with banks, and

€1.5 billion of cash collateral placed with counterparties to offset credit risk arising from derivative contracts. At 30 September 2008 placements with banks included €7.5 billion of short term placements with Irish Life & Permanent plc.

During the period the Group increased the amount of assets eligible for open market repo transactions through the expansion of the Bank's covered bond and commercial mortgage backed security programmes as well as the establishment of Anglo Irish Mortgage Bank in October 2008. The total amount of loan assets assigned as collateral under rated securitisation programmes and secured central bank borrowings as at 31 December 2009 was €29.7 billion (30 September 2008: €11.8 billion).

Yen financing structure

Included within foreign exchange contracts is the impact of a non-trading Japanese Yen financing arrangement, which was first entered into in May 2008 and ended during December 2008 and January 2009. The financing arrangement was intended to reduce the Group's overall net cost of funding and was structured in a manner which was anticipated to result in no net after tax loss for the Group arising from currency fluctuations. In the six months to 31 March 2009 the arrangement resulted in a pre-tax loss of €181 million and an after tax benefit of €17 million. However, because of the significant operating losses incurred by the Group in the nine months to 31 December 2009, €97 million of taxation benefit has not been recognised resulting in a pre-tax loss for the fifteen month period to 31 December 2009 of €181 million (2008: €31 million) and an after tax cost of €80 million (2008: gain of €6 million).

Treasury assets

The Bank maintains a portfolio of debt securities that are held for investment purposes or liquidity reasons. Most debt securities are classified as available-for-sale ('AFS') though certain investments with embedded derivatives are included within Financial assets at fair value through profit or loss. The debt securities portfolio comprises sovereign investments, debt issued by financial institutions, residential mortgage backed securities and other asset backed securities. Debt securities are marked to market using independent prices obtained from external pricing sources including brokers/dealers and other independent third parties. The Bank does not use internal models to value its debt securities for financial reporting purposes.

The Group recognised gains of €25 million on the sale of €0.8 billion of government bonds during the period. Capital gains were offset by capital losses of €20 million on the disposal of asset backed securities ('ABS') and investments in bank subordinated debt. A net capital gain of €5 million is reported in Other operating income.

Available-for-sale financial assets - €m

	31 December 2009	30 September 2008
AAA / AA	6,228	6,742
A	1,346	1,213
BBB+ / BBB / BBB-	206	153
Sub investment grade	105	37
Unrated	5	7
Total	**7,890**	**8,152**

Of the Bank's holdings of AFS securities 79% are graded AA or above, with 96% graded A and above, and €110 million being sub investment grade or unrated. These ratings are from independent third party agencies. High quality euro denominated sovereign bonds account for 41% of holdings, bank bonds another 43%, residential mortgage backed securities 10% and asset backed securities 6%. All bonds are reviewed for impairment on an individual basis, with any appropriate charge reflected in the income statement. In the 15 months to 31 December 2009 the Bank has not elected to reclassify securities from available-for-sale to loans and receivables. The option to reclassify, which is available under IFRS, would avoid the marking to market of assets being presented through reserves and affecting the amount of reported Shareholders' funds. It has no impact on the requirement to review and charge any impairment to the income statement.

Income statement - treasury impairment - €m

	15 Months ended 31 December 2009	Year ended 30 September 2008
Available-for-sale securities	(471)	(155)

The Group incurred an impairment charge of €471 million on its portfolio of AFS assets during the current financial period. €141 million was incurred in the six months ending 31 March 2009 and an additional €330 million in the nine months to 31 December 2009. The charge for the full period comprises €150 million in relation to collateralised debt obligations (CDOs) on commercial real estate (CRE), €111 million in relation to CDO investments with US bank capital instruments as the underlying collateral, €112 million in respect of CDOs of ABS indirectly linked to the US sub-prime mortgage market, €42 million in relation to collateralised loan obligations (CLOs) and the remainder primarily relating to other investment securities with varied classes of underlying collateral.

Non-impaired AFS debt securities on watch total €91 million at 31 December 2009 (30 September 2008: €93 million). The carrying value of impaired AFS assets is €106 million (30 September 2008: €8 million).

Income statement - Fair value movements on financial assets (debt securities) - €m

	15 Months ended 31 December 2009	Year ended 30 September 2008
Net change in value of financial assets (debt securities)	(51)	(128)

Investment securities containing embedded derivatives are designated at fair value through profit or loss at inception in accordance with IFRS and form part of a portfolio of assets held for investment purposes. Market valuations for these assets have been adversely impacted during the period by weakening underlying credit fundamentals in certain structured finance transactions as well as market illiquidity for these assets. The charge in the current period primarily relates to fair value movements on asset backed securities indirectly linked to residential and commercial mortgage markets and collateralised loan obligations. The residual carrying value of these securities is €76 million (30 September 2008: €163 million), of which €62 million (30 September 2008: €151 million) is investment grade.

Treasury revenue

Treasury net interest income (excluding customer lending margin and arrangement fees) has declined relative to the prior period primarily due to a significant increase in funding costs, especially with respect to customer deposits and the short term liquidity facility arranged through the Central Bank of Ireland. Funding costs are likely to remain elevated in the near term.

Corporate treasury commissions are down by 16% to €61 million due to a lack of new deal flows on interest rate derivatives given reduced new lending volumes. This was mitigated somewhat in the earlier part of the period primarily due to increased derivative activity by customers as they hedged interest rate risk on existing loans at favourable low rates prevailing in the market.

Net trading income includes credit fair value losses of €212 million on lending client originated derivative transactions. These derivatives, whereby customers pay a fixed rate, were put in place to hedge the interest rate exposure on their borrowings. Interest rate swap contracts have increased in value during the period given the significant decline in long term market interest rates and therefore give rise to increased counterparty risk from the Bank's perspective. The equivalent charge calculated with respect to the year ending 30 September 2008 was €nil.

The cost of the CIFS Government guarantee scheme for the 15 months to 31 December 2009 was €134 million.

Liability management exercise

The Bank completed a liability management exercise ('LME') in August 2009. €1.8 billion of Tier 1, €0.3 billion of Upper Tier 2 and €0.4 billion of Lower Tier 2 securities were re-purchased at prices of 27%, 37% and 55% of par value respectively. This generated a gain for the Group of €1.8 billion which is included within the Gain on repurchase of financial liabilities measured at amortised cost line in the income statement. This programme effectively improved the quality of the Group's capital base by increasing the amount of equity Tier 1 relative to non-core Tier 1 and Tier 2.

Capital

Losses incurred by the Bank during the period to 31 December 2009 resulted in a significant deterioration in the Bank's regulatory capital base. The €8.3 billion capital contribution from the Bank's Shareholder as at 31 December 2009 was included in the Bank's regulatory capital resources at that date. The inclusion of this capital contribution, which was approved by the Financial Regulator, restored the Bank's regulatory capital position resulting in a Tier 1 Capital ratio of 6.6% and a Total Capital ratio of 10.7% as at 31 December 2009.

On 31 March 2010, the €8.3 billion due from the Shareholder at year end was settled via receipt of a promissory note. The principal amount of the note is €8.3 billion and is adjustable allowing for the Bank to continue to meet its regulatory capital requirements. Note 58 to the Annual Report provides further details on the promissory note.

The Bank reported a total capital ratio of 7.8% as at 31 May 2009 in its regulatory returns, a breach of the minimum requirement at that reporting date. This breach was temporary as the Minister for Finance, following his commitment made on 28 May 2009, invested €3 billion of share capital on 29 June 2009, restoring the Bank's Total Capital ratio to above the minimum required. The Minister for Finance invested a further €1 billion of share capital in two subsequent tranches: €0.8 billion on 6 August 2009 and €0.2 billion on 25 September 2009. The €0.8 billion investment was made following the completion of the LME undertaken by the Bank on 4 August 2009 where €1.8 billion of equity was realised on the buyback of subordinated debt instruments. Further details of the LME are provided in notes 7 and 42 to the Annual Report.

The Bank's regulatory capital position during the period to 31 December 2009 has benefited from derogations from certain regulatory capital requirements which were granted on a temporary basis by the Financial Regulator following requests from the Bank. These derogations have been granted in five tranches and full details of all derogations granted are disclosed in note 53 to the Annual Report. The latest derogations are applicable until 30 April 2010 or such shorter period if the Bank's capital ratios are restored to a level adequate to enable it to comply with its existing capital ratio requirements in place prior to the granting of these derogations.

The capital investments and capital contribution made to date by the Minister for Finance are evidence of the Shareholder's stated commitment to ensuring that the Bank remains adequately capitalised. As indicated in note 24 to the Annual Report, the Bank expects to transfer €35.6 billion of loans (gross of specific impairment charges) to NAMA during 2010. While the final determined transfer price may trigger additional losses and further capital requirements in the short term, these transfers will significantly reduce the level of risk weighted assets, easing pressure on the Bank's overall capital requirement going forward.

The Chairman's statement and the Group Chief Executive's review contain details on how the Bank aims to manage its capital base going forward. In addition, note 53 to the Annual Report provides details on the Bank's regulatory capital position as at 31 December 2009.

Private Banking

The Group's Private Banking business operated against a backdrop of poor economic conditions and depressed asset markets throughout the period under review. Income in the period mainly comprised recurring interest and fee income with minimal structuring and set up fees in the absence of new business. Recurring asset under management fees were lower as a result of declines in the value of client assets under management. Asset management and related fees have declined by €13 million from 2008.

Trust and fiduciary fees are earned where the Bank provides custody, trustee, investment management and advisory services to third parties, but where the related assets are not carried on the Group's balance sheet. Following the sale of the Austrian private banking business in December 2008 these activities no longer represent a significant revenue stream for the Private Banking business. The Group realised a profit of €49 million from this sale which saw the Bank provide the purchaser with a €24 million long term subordinated loan to part fund the purchase price of €141 million.

As part of normal business activity the Bank previously acquired property assets with the intention of placing these investments with Private Banking clients. However, due to wider market conditions a lack of investor appetite has resulted in these assets now being held on the Group's balance sheet. Depending on the investment structure used to acquire these assets they are included on the balance sheet as either investment property held on own account or interests in associate and joint ventures. Given the significant decline in property values since these assets were acquired the Group does not expect to recover all of its initial investment in these assets. Accordingly, losses of €247 million have been recognised due to the decline in the recoverable amounts of the assets in the period. In addition, pay fixed swaps were put in place to hedge interest payments on these investments. Negative fair value movements of €47 million have been incurred by the Bank on these swaps due to the decline in long term market interest rates over the financial period. The Group is currently exploring its strategic options regarding these assets.

Costs

Operating expenses - €m

	15 Months ended 31 December 2009	Year ended 30 September 2008
Staff costs	155	185
Share based payments	31	21
Other administrative expenses	117	95
Depreciation & amortisation	35	27
Recurring operating expenses	**338**	**328**
Exceptional costs	42	–
Total operating expenses	**380**	**328**

Total recurring operating expenses for the 15 months to December 2009 are €338 million compared to €328 million in the 12 months to September 2008, a reduction of €58 million (18%) on an annualised basis.

On an annualised basis staff costs for the 15 months to December 2009 reduced by €61 million (33%) compared to the 12 months to September 2008. These savings were achieved due to a number of cost saving initiatives including the elimination of the variable component of staff remuneration, a reduction in average headcount of 183 (10%) and reversal of €22 million of September 2008 accruals mainly in respect of performance related compensation. The savings in staff costs are partially offset by an increase in the share based payment scheme costs. This includes an accelerated charge following the extinguishment of share options upon nationalisation. This is an accounting charge recognised in accordance with IFRS and does not represent any value or payments to affected employees for the termination of their share options.

The reduction in average staff numbers from 1,864 to 1,681 is due to the sale of the Austrian private banking business, (99 people), non–replacement of departing staff and a small number of early leavers in the voluntary redundancy programme announced in November 2009. Group headcount at 31 December 2009 is 1,537. The full effect of the voluntary redundancy programme is not reflected in this number. After completion of the redundancy programme the headcount will have fallen by approximately five hundred from that of September 2008.

Cost management and control of discretionary spending has seen other recurring administrative expenses fall by 2% on a like for like annualised basis.

Exceptional costs of €42 million were incurred in 2009 (2008: nil) and primarily relate to redundancy costs and professional fees associated with the Bank's restructuring process, and investigations and reviews into legacy issues. These exceptional costs can be broken out as follows:

Exceptional costs - €m

	15 Months ended 31 December 2009	Year ended 30 September 2008
Redundancy & other staff costs	13	–
Professional fees	25	–
Provision for onerous lease contracts	4	–
Total exceptional costs	**42**	**–**

A detailed cost review was undertaken as part of the Bank's restructuring process to ensure alignment of the cost base with revised business and activity levels. As a consequence a voluntary redundancy programme was announced in November 2009. A key component of the Bank's restructuring process is the sale of eligible assets to NAMA which has resulted in significant professional fees for valuations and due diligence. Professional fees have also been incurred as external consultants have been employed to assist the Bank's restructuring process, as well as obtaining legal counsel for investigations and reviews into the legacy issues and payment of related expenses to the Financial Regulator. A provision of €4 million was charged for onerous lease contracts. This is in relation to offices that are no longer occupied by the Bank and where the future economic benefits associated with the lease are less than the future obligations.

Taxation

The taxation credit of €120 million within the income statement includes a tax credit of €91 million as a result of the carry back of losses against taxable profits in the prior year. In addition, the Bank has recognised a deferred tax credit within the income statement relating to the ability to utilise losses in the current year against future taxable profits at subsidiary level. The decrease in the deferred tax asset from 31 March 2009 is due to the release of the asset which was created in the period to 31 March 2009 in the expectation of future taxable profits on the liability management exercise.

Risks and uncertainties

The Group is subject to a variety of risks and uncertainties in the normal course of its business activities. The principal risks and uncertainties facing the Bank at present are those related to general economic conditions, NAMA, restructuring, liquidity risk, credit risk, operational risk, capital and regulatory compliance, market risk and litigation risk. The potential impact of these risks is mitigated by the Government's explicit ongoing support for the Bank. More detail is contained in the Principal risks and uncertainties statement on pages 23 to 26.

Subsequent events and likely future developments

The key events that have occurred since the end of the period are reviewed in note 58 to the Annual Report. The Group Chief Executive's review and the Chairman's statement review the outlook and likely future development of the Group.

[1] Gross of impairment provisions and including lending associated with the Group's assurance company

[2] On a constant currency basis

Board of Directors

Donal O'Connor (59), was appointed Chairman of the Bank in December 2008 having joined the Board in June 2008. He was the Senior Partner of PricewaterhouseCoopers (PwC) in Ireland from 1995 to 2007 and was a member of the PwC Global Board and Chairman of the Eurofirms Board. He is a Non-executive Director of Elan Corporation plc, Readymix plc and is also the Administrator of Icarom plc.

Member of the Nomination and Succession Committee

A.M.R. (Mike) Aynsley (52), was appointed Chief Executive Officer and joined the Board in September 2009. He has previously been Chief Risk Officer – New Zealand for ANZ Bank & National Bank of New Zealand. Prior to that he was a Global Partner, Banking and Financial Services with Deloitte Consulting and General Manager – Global Markets, Global Wholesale Financial Services for National Australia Bank. He holds a Master of Business Administration degree from Macquarie University, which he obtained in 2007.

Member of the Nomination and Succession Committee

Alan Dukes (64), who joined the Board on 18 December 2008, is a Director and Public Affairs Consultant of Wilson Hartnell Public Relations Limited. He has served at various times as Minister for Agriculture, Finance, Justice, and Transport, Energy and Communications. He is a former leader of Fine Gael. He was Director General of the Institute of European Affairs from 2003 to 2007.

Chairman of the Remuneration Committee
Chairman of the Nomination and Succession Committee
Member of the Audit Committee
Member of the Risk and Compliance Committee

Maurice Keane (68), who joined the Board on 21 January 2009, is a former Group Chief Executive and member of the Court of Directors of Bank of Ireland. He is a Director of DCC plc and Axis Capital Holdings Limited and is also a member of the National Pension Reserve Fund Commission. He is a former Chairman of BUPA Ireland Limited and Bristol & West plc.

Chairman of the Audit Committee
Chairman of the Risk and Compliance Committee
Member of the Remuneration Committee
Member of the Nomination and Succession Committee

Corporate Responsibility

At Anglo Irish Bank we recognise our corporate obligations and responsibilities and are committed to fulfilling them.

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 Corporate Responsibility ('CR') strategy has been our commitment to supporting the development of the wider community.

We continually invest in the development and training of our staff, as well as maintaining quality relationships with our stakeholders.

Environment

Global warming and climate change are substantial concerns in today's world. As a corporate citizen Anglo Irish Bank recognises its responsibility to the environment and aims to operate in a way which minimises its carbon footprint.

The Bank has an Energy Policy which recognises the importance of practising energy efficiency to minimise costs and impact on the environment and has appointed an Energy Manager with responsibility for promoting and managing this agenda throughout the Bank.

We are seeking to monitor, and would like to be in a position to report on, our carbon footprint as an organisation. In this regard we have initiated measurement within the Bank on aspects of the Bank's impact on the environment and we have started to obtain carbon tracking reports from a range of our suppliers. It is the Bank's preference to source and deal with environmentally focused and aware suppliers. The Bank has incorporated this preference into its tendering processes.

In 2009, to track three elements of the Bank's impact on the environment, the Bank commenced measuring electrical, gas and water consumption in our Irish offices and where possible in our overseas offices. On 28 March 2009, coinciding with Environmental Awareness Week, our Irish offices participated in Earth Hour 2009 with staff members being made aware of the need to conserve energy, reduce carbon emissions and reduce light pollution in the night skies.

The Bank has replaced its entire printer and photocopier fleet with a smaller number of new higher specification multi-function devices which conform to the best in class standards for minimising carbon footprint and energy consumption. The new multi-function devices support secure printing through the use of swipe cards and this has helped to reduce the volume of print output.

The Bank has now virtualised all of its production servers on to a smaller number of higher specification servers which consume less power. All of the Bank's production server and storage infrastructure is now stored in purpose-built data centres where best in class air and water cooling are used to reduce power consumption, recycle water and reduce carbon footprint.

The Bank continues to use an energy company which is committed to sourcing most of its energy supplies from renewable sources. In Ireland, the Bank participated in the Electricity Winter Demand Reduction Scheme ('WDRS') from December 2009 to March 2010. Available information to date confirms that we achieved our committed reduction in electrical consumption.

It is Bank policy to recycle paper, cardboard, glass and computer consumables where possible. All electronic and electrical equipment is disposed of in a safe and environmentally responsible way as stipulated in the EU Waste Electrical and Electronic Equipment Directive. The use of technology such as email and electronic payments across the Group has significantly reduced paper usage. The Bank encourages its customers to receive electronic statements and to utilise electronic payments. In addition, the use of video, web meetings and teleconferencing facilities across all offices is reducing our business travel and therefore minimising our carbon footprint.

It is important to the Bank to continue to increase the environmental awareness of the Group's staff. In 2009, we increased our waste recycling rates through improved waste segregation methods and awareness amongst staff in our Dublin offices. To enable us to monitor these waste flows, they are now being formally measured and reported on by our service provider. We will continue to focus our attention in 2010 on further reducing resource consumption and maintaining responsible methods of waste disposal.

The Bank has actively promoted the Government's Cycle to Work Scheme which was introduced in January 2009.

In keeping with our environmental policies, we have worked with our print partner to minimise the environmental impact of our Annual Report publication. The paper selected for the Annual Report comes from certified well managed forests, accredited by the Programme for the Endorsement of Forest Certification ('PEFC') to a standard known as Chain of Custody. These certified forests are managed to ensure long term timber supplies while protecting the environment and the lives of forest dependent people. The Bank is pleased to be able to add the PEFC logo to this report as evidence of achieving this standard.

In addition, the Bank provides an online version of its Annual Report in Adobe® format which is available on www.angloirishbank.com.

Community

Our community strategy seeks to ensure that the Bank does its part in encouraging social inclusiveness and supporting the young and disadvantaged. Our approach to CR in the community is rooted in the generosity and commitment of our staff, who give their time and effort to support a wide range of worthwhile causes.

The Bank is a founding member of Business in the Community ('BITC') which works with Irish companies seeking to make a positive impact on society through numerous initiatives which focus on community involvement. The Bank has teamed up with BITC in Ireland and the UK to develop various educational initiatives in our community.

In Ireland, the Bank continues to support and develop our mentoring programmes for 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 120 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 programmes with St. Vincent's Secondary School in Cork, St. Paul's Community College in Waterford and Coláiste Chiaráin in Limerick.

Our Irish regional offices have also taken a proactive role in supporting education in their local areas. Our staff in Cork, Galway and Waterford have teamed up with Junior Achievement Ireland to educate students about the various career opportunities open to them. This initiative reinforces to students the link between education and developing a future career in the work place.

The Bank has an extensive programme of community activity in the UK, reflective of having operated in the market for over twenty years. Over 250 management and staff have participated in the many programmes the Bank supports. These include mentoring London primary school children through a year-long reading programme, advising school-leavers in pre-employment workshops, and volunteering their time on selected community days for various charities through our membership of BITC.

The management and staff of the Bank feel that supporting the disadvantaged to attain a third level education is of great benefit to both the individual and the wider community. It is an investment that continues to benefit the entire community long after the initial support or funding is provided. To this end, we are pleased to continue our significant Access Scholarship Programmes for disadvantaged students in Dublin City University and University of Limerick. In close cooperation with the universities, these programmes are structured to ensure the participating students are supported throughout the duration of their chosen degree course.

The Bank has also partnered with University College Dublin and Belvedere College in Dublin on individual scholarship funds. The Bank is delighted to invest in the future development of so many talented young people in our communities.

The Bank has a history of supporting a number of charities. In addition to our continued support of the Barnardos' initiative 'Leaving Poverty through Learning', a significant number of our Irish employees participate 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 made by staff are matched by the Bank.

The Social Finance Foundation ('SFF'), a not-for-profit company limited by guarantee, was created in 2006. SFF has become a significant wholesale supplier of funding for social finance through Social Lending Organisations who make micro-finance available for borrowers. In 2007, Anglo Irish Bank was one of a number of banks who contributed seed capital totalling €25 million to launch this initiative.

In April 2009, new arrangements were agreed and put in place regarding the SFF's resourcing by banking institutions to ensure that it will continue to operate on a sustainable, long-term footing. Anglo Irish Bank is one of the contributing institutions making €72 million available in loans over the next 12 years at very competitive interest rates appropriate for social finance.

Workplace

The skill of our people is important to the Bank. We aim to develop our people by furthering their technical and specialist competencies. This ensures that our employees receive the appropriate training to help them undertake their role within the Bank.

In order to further support up-skilling, the Bank is committed to assisting employees in furthering their education. This includes funding to cover approved course fees and study leave in advance of exams.

Employee well-being is of continual importance to us. The Bank runs an Employee Well-Being scheme, which is available to staff in Ireland and is operated in conjunction with an independent consultancy firm. This service offers confidential support to staff on any issues facing them in their personal lives. Similar programmes exist for UK staff (Employee Assistance Programme) and US staff (Ability Assist).

From the date they join, all employees are covered under the Bank's life assurance and disability insurance policies, giving staff members and their families a reassuring level of financial protection. As well as supporting our staff during their careers, we are committed to safeguarding their future later in life. We therefore 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 matches, on a one-for-one basis, AVCs made by staff up to a pre-defined level.

In conclusion, the staff, new management team and Board of the Bank aspire to uphold a set of core values and principles by which to operate in the best interests of all our stakeholders – the Minister for Finance, customers, staff, suppliers, regulatory bodies and the community.

Further information on the Bank's CR activity can be viewed on www.angloirishbank.com.

Principal risks and uncertainties

The Group is subject to a variety of risks and uncertainties in the normal course of its business activities. The Transparency (Directive 2004/109/EC) Regulations 2007 require a description of the principal risks and uncertainties facing the Group.

The Board of Directors and senior management have ultimate responsibility for the governance of all risk taking activity and have established a framework to manage risk throughout the Group. Details of the risk management policies and processes that the Group adopts are contained in note 51 to the financial statements.

The principal business risks and uncertainties below are those risks which the Directors currently believe to be material to the Group. The precise nature of all the risks and uncertainties that the Group faces cannot be predicted and many of these risks are outside the Group's control. The principal risks and uncertainties outlined below should be read in conjunction with the Chairman's statement and Group Chief Executive's review.

General economic conditions

The Group's results are influenced by general economic and other business conditions. The economic outlook remains challenging in the Group's three key markets: Ireland, the UK and the US. These markets have experienced higher unemployment, reduced consumer and business confidence and a contraction in housing markets, all of which have contributed to a decline in economic growth.

Global financial markets deteriorated dramatically after the bankruptcy filing of Lehman Brothers in September 2008. Despite measures taken by governments and the European Central Bank to stabilise the financial markets, the volatility and disruption of the capital and credit markets continued through the first half of the year. Together with the significant declines in the property markets in Ireland, the United Kingdom and the United States these events have contributed to significant write-downs of asset values by financial institutions, including the Bank.

These write-downs have caused many financial institutions to seek additional capital, to merge with larger and stronger institutions, to be nationalised and, in some cases, to fail. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors have substantially reduced and, in some cases, stopped providing funds to borrowers, including other financial institutions.

The results of the Group have been adversely affected by the deterioration in general economic conditions in the economies in which it operates, as well as by the decrease in the availability and increased costs of funding. While recent economic forecasts are being revised upwards, any such growth is expected to be modest and slow, which may affect the Group's future earnings and financial condition.

NAMA

In April 2009 the Irish Government announced the establishment of the National Asset Management Agency ('NAMA') for the purposes of acquiring certain assets from Irish banks, holding, managing and realising those assets and facilitating the restructuring of credit institutions of systemic importance to the Irish economy. On 9 February 2010, the Bank applied to be designated as a participating institution in NAMA. This application was accepted by the Minister for Finance on 12 February 2010.

The NAMA Act provides for the acquisition by NAMA from participating institutions of eligible bank assets, which may include performing and non-performing loans made for the purpose, in whole or in part, of purchasing, exploiting or developing development land and loans associated with those loans.

The Group does not have full control over the nature, number, timing and valuation of the assets that are to be transferred. A significant discount on the price that NAMA will pay for the portfolio of loans could impact the Group's ability to meet its financial obligations without further Government support.

The Group may be required to indemnify NAMA in respect of various matters, including NAMA's potential liability arising from any error, omission or misstatement on the part of the Group of information provided to NAMA.

The NAMA Act provides that up to five per cent of the debt securities that will be issued to a participating institution may be subordinated. If the Group is issued with subordinated NAMA bonds and if NAMA ultimately makes a loss, the Group may not recover the full value of those subordinated bonds.

Notwithstanding these uncertainties, the transfer of assets to NAMA is a fundamental part of the Bank's restructuring process and will serve as the primary mechanism for de-leveraging the balance sheet, reducing risk exposure and providing additional liquidity. Clearly, any potential delay in the NAMA process will impact on the timing of such benefits.

Restructuring

Financial support provided by the Government to the Group is subject to review by the European Commission ('EC') under EU state aid rules. The Group has submitted a restructuring plan to the EC and the review of that plan by the EC is ongoing. The EC will consider whether the plan demonstrates the Group's long-term viability, that the Group (and its capital holders) make an appropriate contribution to the restructuring costs from their own resources and that measures are taken to limit distortions to competition arising from the financial support provided by the Government to the Group.

No decision in relation to the form of the restructuring has been announced by the EC. The EC may require the Group to limit its operations or restrict its commercial activities in such a way that could have a material adverse effect on the results of its operations, financial condition and future prospects.

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. This risk is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events. The Group's liquidity may be adversely affected by a number of factors, including significant unforeseen changes in interest rates, ratings downgrades, higher than anticipated losses on loans and disruptions in the financial markets generally.

The crisis in the global financial system has resulted in a period of significant turbulence and uncertainty, with unprecedented levels of illiquidity, resulting in considerable problems at many financial institutions. The terms on which funding is available have also become more onerous and expensive.

While liquidity in wholesale markets improved in the second half of the year, the perception of counterparty and country risk has remained high. This negative perception has led to reductions in, and increased costs of, wholesale funding. Accordingly, in common with many other banks, the Group's access to traditional sources of liquidity has been constrained. In addition, negative sentiment towards the Irish market has created additional funding challenges for Irish institutions. This has resulted in an overall reduction in liquidity and the Group has increased its recourse to liquidity schemes provided by central banks as a result.

In response to major market instability and illiquidity, governments and central banks around the world have intervened in order to inject liquidity and capital into financial markets, and, in some cases, to prevent the failure of systemically important financial institutions. These various initiatives to stabilise financial markets are subject to revocation or change, which could have an adverse effect on the availability of funding to the Group. The Bank is a participating institution in both the guarantee scheme pursuant to the Credit Institutions (Financial Support) Scheme 2008 and the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009. The financial position of the Group could be impacted by the termination, amendment or cancellation of these schemes or the removal of the Group from these schemes, prior to their termination.

Furthermore, the Group relies on customer deposits to meet a considerable portion of its funding requirements and those deposits are subject to fluctuation due to certain factors, such as a loss of confidence, reputational damage or competitive pressures, which could result in a significant outflow of deposits within a short period of time. The availability of commercial deposits is often dependent on credit ratings and any further downgrade could limit the Group's liquidity and therefore increase liquidity risk.

Within the banking industry the default of any institution could lead to defaults by other institutions. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions because the commercial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships. This risk is sometimes referred to as systemic risk and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which the Group interacts on a daily basis, which could have an adverse effect on the Group's ability to raise funding and on the Group's results, financial condition and prospects.

Credit risk

Credit risk is the risk of suffering financial loss, should any of the Group's customers or counterparties fail to fulfil their contractual obligations to the Group. The principal credit risk that the Group faces arises mainly from loans and advances to customers.

Adverse changes in the credit quality of the Group's borrowers, counterparties and their guarantors, and adverse changes arising from the general deterioration in global economic conditions, have reduced the recoverability of the Group's loan assets and have increased the quantum of impaired loans and impairment charges during the period.

The Group has exposures to a range of customers in different geographies, including exposures to investors in, and developers of, commercial and residential property. Property prices have shown significant declines throughout the last year and developers of commercial and residential property are facing particularly challenging market conditions, including substantially lower prices and volumes. In addition, the Group's exposure to credit risk is exacerbated when the collateral it holds cannot be realised or is liquidated at prices that are not sufficient to recover the full amount of the loan, which is most likely to occur during periods of illiquidity and depressed asset valuations, such as those currently being experienced.

The Group's asset quality deteriorated significantly in the 15 months to 31 December 2009. Property markets were severely impacted by a lack of confidence and liquidity which has led to a significant reduction in property values across all of the Bank's markets. This, together with an extremely difficult operating environment in the Group's markets, particularly in Ireland, and the rapid erosion of the Group's clients' net worth has resulted in a substantial deterioration in the asset quality of the Bank's loan book.

There is continuing uncertainty surrounding the depth of the slowdown in the global economy and the direction of property markets. While there are signs that the global economic downturn is bottoming out, any recovery is expected to be slow. In particular, as a result of Ireland's significant reliance on the construction industry, the recovery is expected to lag behind that of the wider European Union.

Operational risk

Operational risk is the risk of loss arising from inadequate controls and procedures, unauthorised activities, outsourcing, human error, systems failure and business continuity. Operational risk is inherent in every business organisation and covers a wide spectrum of issues. The Group's management of its exposure to operational risk is governed by a policy prepared by Group Risk Management and approved by the Risk and Compliance Committee.

Capital and regulatory compliance risk

Capital risk is the risk that the Group has insufficient capital resources to meet its minimum regulatory capital requirements. Regulatory compliance risk arises from a failure or inability to comply fully with the laws, regulations or codes applicable specifically to the financial services industry.

Changes in government policy, legislation or regulatory interpretation applying to the financial services industry may adversely affect the Group's capital requirements and, consequently, reported results and financing requirements. These changes include possible amendments to government and regulatory policies and solvency and capital requirements.

The Group's ability to maintain its targeted regulatory capital ratios could be affected by a number of factors, including the price NAMA will pay for the portfolio of loans to be transferred, the level of risk weighted assets and the credit quality of the Group's loan portfolio following the NAMA transfer. Non-compliance with capital and other regulatory requirements could lead to fines, public reprimands, damage to reputation, enforced suspension of operations or, in extreme cases, withdrawal of authorisations to operate. If the Group is required to strengthen its capital position it will necessitate further capital contributions by its Shareholder.

As a result of the losses incurred during the period there has been a significant deterioration in the Bank's regulatory capital base. The Minister for Finance, having acknowledged the Group's systemic importance to the Irish economy, has taken a number of measures to ensure the Bank is appropriately capitalised. The Shareholder provided €4 billion in capital between June and September 2009. A liability management exercise was also undertaken in August 2009 and €1.8 billion of equity was realised on the buyback of subordinated debt instruments. In December 2009, the Minister again committed to safeguarding the Bank's regulatory capital position which resulted in the issuance of a promissory note for €8.3 billion on 31 March 2010.

The capital investments and capital contribution made to date by the Minister for Finance are evidence of the Shareholder's stated commitment to ensuring that the Bank remains adequately capitalised. The Bank expects to transfer €35.6 billion of assets to NAMA during 2010. While the final determined transfer price may trigger additional losses and further capital requirements in the short term, the asset transfers are expected to significantly reduce the level of risk weighted assets, easing pressure on the Bank's overall capital requirement in the future.

Market risk

Market risk is the risk that the Group's earnings will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates. Changes in interest rates and spreads may affect the interest rate margin realised between lending and borrowing costs.

Litigation risk

The Group's business is subject to the risk of litigation by customers, employees, shareholders or other third parties through private actions, class actions, administrative proceedings, regulatory actions, criminal proceedings or other litigation. The outcome of any such litigation, proceedings or actions is difficult to assess or quantify. The cost to defend future proceedings or actions may be significant. There may also be adverse publicity associated with any such litigation, proceedings or actions that could impact the Group and result in a decrease in customer acceptance of the Group's services, regardless of whether the allegations are valid or whether the Group is ultimately found liable. As a result, such litigation, proceedings or actions may adversely affect the Group's business, financial condition, results, operations or reputation.

In the period since December 2008, various regulatory bodies in Ireland have initiated investigations (including in some cases, criminal investigations) into certain aspects of the Bank's business, including certain loan and other transactions involving Directors and certain third parties. These investigations are ongoing and it is not possible at this stage to give any indication as to whether these investigations will result in civil, administrative or criminal proceedings against the Bank or any of its current or former Directors or officers.

Report of the Directors

The Directors present their report and the audited financial statements for the 15 months ended 31 December 2009.

Under the Anglo Irish Bank Corporation Act, 2009, which was enacted under Irish law on 21 January 2009, the Minister for Finance took the Group into State ownership. All of the Bank's share capital was transferred to the Minister on that date.

Results
The Group loss attributable to the owner of the parent amounted to €12,699m (30 September 2008: profit of €670m) as set out in the Consolidated income statement on page 36.

Review of activities
The principal activity of the Group is the provision of banking services. The Chairman's statement, the Group Chief Executive's review and the Business review on pages 2 to 18 report on developments during the period, recent events and likely future developments. The financial statements for the 15 months ended 31 December 2009 are set out in detail on pages 36 to 174.

Dividends
No dividends were paid during the period. It is not proposed to pay a dividend in respect of the 15 months ended 31 December 2009.

Capital
During the period the Minister for Finance subscribed for an additional €4bn of ordinary share capital in the Bank.

On 22 December 2009 the Minister for Finance (the Bank's sole Shareholder) wrote to the Chairman restating his previous commitments in relation to ensuring that the Bank had sufficient capital to continue to meet its regulatory capital requirements. Specifically, the letter confirmed the Minister's commitment to implement a proposal effective 31 December 2009 which would conform with EC State Aid rules. On 23 December 2009 the Board accepted the Minister's commitment and subsequently on 31 March 2010 the Minister fulfilled this commitment by providing the Bank with a promissory note to the value of €8.3bn.

Details of changes in capital and treasury shares during the period are included in notes 42 to 48 to 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 to the financial statements.

Directors and Secretary
The names of the Bank's Directors, together with a short biographical note on each, appear on page 19.

Donal O'Connor was appointed as Chairman on 18 December 2008. He served as Executive Chairman from 19 February 2009 to 7 September 2009, and thereafter reverted to the role of Non-executive Chairman.

A.M.R. (Mike) Aynsley was appointed as Group Chief Executive and as an Executive Director on 7 September 2009.

Under the terms of the Credit Institutions (Financial Support) Scheme 2008, Frank Daly and Alan Dukes were appointed as Non-executive Directors on 18 December 2008. Maurice Keane was appointed as a Non-executive Director on 21 January 2009. Frank Daly resigned from the Board on 22 December 2009.

Sean FitzPatrick, former Chairman, and Lar Bradshaw, Non-executive Director, resigned from the Board on 18 December 2008. David Drumm, former Group Chief Executive, and William McAteer, former Group Finance Director and Chief Risk Officer, resigned as Executive Directors on 19 December 2008 and 7 January 2009 respectively. Noël Harwerth, Anne Heraty, Michael Jacob, Gary McGann and Ned Sullivan resigned as Non-executive Directors on 19 January 2009. Pat Whelan and Declan Quilligan resigned as Executive Directors on 19 February 2009 and 7 September 2009 respectively.

The interests of the Directors and Secretary who held office at 31 December 2009 in the share capital of the Bank are shown in the Remuneration Committee's report on behalf of the Board, set out in note 54 to the financial statements.

Substantial shareholdings
On 21 January 2009, under the terms of the Anglo Irish Bank Corporation Act, 2009, all of the Bank's ordinary and preference share capital was transferred to the Minister for Finance. As at the date of this Report, all of the Bank's issued share capital is held by the Minister.

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 30. The Bank has established branches, within the meaning of EU Council Directive 89/666/EEC, in Austria, Germany, Jersey and the United Kingdom.

Corporate governance
The Directors' Corporate governance statement appears on pages 30 to 33.

Principal risks and uncertainties
Information concerning the principal risks and uncertainties facing the Bank and the Group is set out in the Principal risks and uncertainties section on pages 23 to 26. The Group's financial risk management objectives and policies and its use of financial instruments are discussed in notes 21 and 51 to the financial statements.

Books of account
The Directors are responsible for ensuring that proper books of account, 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 of account of the Bank are maintained at the Bank's registered office at Stephen Court, 18/21 St. Stephen's Green, Dublin 2.

Auditors
Ernst & Young, Chartered Accountants, resigned as Auditors on 1 September 2009. On 21 September 2009 Deloitte & Touche, Chartered Accountants, were appointed in their place. Deloitte & Touche have expressed their willingness to continue in office in accordance with Section 160(2) of the Companies Act, 1963.

Directors:
Donal O'Connor (Chairman),
A.M.R. (Mike) Aynsley (Group Chief Executive),
Alan Dukes (Non-executive Director),
Maurice Keane (Non-executive Director).

Secretary:
Natasha Mercer.

31 March 2010

Statement of Directors' responsibilities

The following statement, which should be read in conjunction with the Auditors' report on pages 34 and 35, is made with a view to distinguishing for the Shareholder 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 period 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 period and of the profit or loss of the Group for that period. With regard to the financial statements on pages 36 to 174, 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 ('IFRS').

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 IFRS, as adopted by the European Union, and comply with the Companies Acts, 1963 to 2009 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 Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Irish Financial Regulator require the Directors to include a fair review of the business as well as a description of the principal risks and uncertainties faced by the Bank and the Group.

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.

The Directors confirm that, to the best of their knowledge, they have complied with these requirements in preparing the financial statements, including preparation of these financial statements in accordance with IFRS, as adopted by the European Union, to give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2009 and of the loss of the Group for the period then ended. They also confirm that the management reports contained in the Annual Report and Accounts include a fair review of the development and performance of the business and the position of the Bank and the Group, together with a description of the principal risks and uncertainties that they face.

Directors:
Donal O'Connor (Chairman),
A.M.R. (Mike) Aynsley (Group Chief Executive),
Alan Dukes (Non-executive Director),
Maurice Keane (Non-executive Director).

Secretary:
Natasha Mercer.

Corporate governance statement

On 15 January 2009 the Government announced that it would take steps that would enable the Bank to be taken into State ownership. The Anglo Irish Bank Corporation Act, 2009 ('the Act') provided for the transfer of all the shares of the Bank to the Minister for Finance ('the Minister' and 'the Shareholder') and was enacted under Irish law on 21 January 2009. On the same date, the Bank was re-registered as a private limited company. During 2009 the Bank adopted the Code of Practice for the Governance of State Bodies and is working with the Department of Finance towards full compliance, where applicable. The Bank has also adopted, and is in compliance with, the corporate governance and other obligations imposed by the Ethics in Public Office Act, 1995 and the Standards in Public Office Act, 2001.

The Combined Code on Corporate Governance (the 'Combined Code') issued by the Financial Reporting Council in June 2008 sets out the principles of good governance and a code of best practice. Companies listed on the Irish Stock Exchange are required to report on their compliance with the provisions of the Combined Code. Although the Bank's shares are no longer listed on the Irish and London Stock Exchanges, the Board supports the principles and provisions of the Combined Code.

This corporate governance statement describes how the Bank applied the principles of the Combined Code throughout the financial period ended 31 December 2009.

Except where otherwise stated the Directors believe that the Group has complied with the provisions of the Combined Code throughout the financial period ended 31 December 2009.

Relationship with the Shareholder
In addition to the Act, a Relationship Framework between the Minister and the Bank was formally approved by the Board in June 2009. This provides a framework under which the relationship between the Minister and the Bank shall be governed. Under the Relationship Framework, certain key matters are reserved to the Minister, and in which the Board shall only engage on the instructions of, or with the prior consent of, the Minister.

There has been regular two way communication between the Shareholder and the Directors during the financial period on a wide range of issues, with the Directors being kept informed of the Shareholder's views through regular reports to the Board by the Chairman and the Group Chief Executive and through meetings between the Board and the Minister.

Board of Directors and Membership
The Board of Directors recognises its responsibility for the leadership, direction and control of the Bank and the Group and its accountability to the Shareholder for financial performance. As at 31 December 2009, the Board comprised the Chairman, two Non-executive Directors and the Group Chief Executive. It is a priority for the Board to increase the number of Non-executive Directors.

The Non-executive Directors are independent of management with varied backgrounds, skills and experience.

There have been a total of 59 board meetings during the financial period, 10 of which were scheduled. The purpose of the 49 unscheduled meetings was primarily to discuss the difficult market conditions that existed during the financial period, capital matters, legacy related matters and the Bank's Restructuring Plan.

All Directors are expected to attend each meeting and the attendance at scheduled board meetings during the financial period is set out on page 33. Directors are provided with relevant papers in advance of each meeting. In addition, electronic copies of meeting papers and other relevant information are available to Directors via a dedicated Directors' extranet.

If any Director is unable to attend a meeting, he will still receive the supporting papers and will usually discuss any matters he wishes to raise with the Chairman to ensure his views are given due consideration. During the financial period many of the unscheduled meetings were arranged at short notice and it was not always possible for all Directors to attend. The average attendance rate was 93%.

The Board keeps a formal schedule of matters specifically reserved for its decision. These are matters which are significant to the Bank because of their strategic, financial or reputational implications and 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. The schedule of matters reserved for the Board was reviewed, updated and approved by the Board in March 2010, having also been previously reviewed in 2009.

Ned Sullivan was the Senior Independent Non-executive Director until 19 January 2009. Given its current size and composition, the Board has not considered it necessary to appoint a new Senior Independent Director to replace Ned Sullivan. On the appointment of additional Non-executive Directors it is the Board's intention to reconsider the appointment of a Senior Independent Director.

The Bank has insurance in place to cover the Directors and Officers in respect of legal actions which may be brought against them in the course of their duties.

Roles of Chairman and Group Chief Executive
Donal O'Connor was appointed Chairman of the Bank on 18 December 2008 and Executive Chairman, on an interim basis, on 19 February 2009.

Following a comprehensive search and selection process, A.M.R. (Mike) Aynsley was appointed Group Chief Executive on 7 September 2009, at which point Donal O'Connor resumed his role as Non-executive Chairman and since that date the roles of Chairman and Group Chief Executive have been distinct and separate.

The Chairman's main responsibility is to lead and manage the Board, and to promote corporate governance and effective communication with the Shareholder. The Board has delegated the day to day responsibility of the Bank's operations to the Group Chief Executive who in turn delegates the implementation of operational decisions to the senior management team.

Independence of the Board
The Board has carried out its annual evaluation of the independence of each of its Non-executive Directors, taking into account the relevant provisions of the Combined Code, namely whether the Directors are independent in character and judgement and free from relationships or circumstances which are likely to affect, or could appear to affect, the Directors' judgement. The Board is satisfied that each of the current Non-executive Directors fulfilled the independence provisions of the Combined Code.

Appointments to the Board
The Board appoints new Directors on the recommendation of the Nomination and Succession Committee. Directors are appointed initially for three years and, subject to satisfactory performance, may be re-appointed for additional terms.

Following nationalisation, the Minister has additional powers to appoint Directors of the Bank under the Act.

Alan Dukes and Frank Daly were appointed to the Board on 18 December 2008, under the terms of the Irish Government's Credit Institutions (Financial Support) Scheme 2008 (S.I. No. 411 of 2008). Maurice Keane was appointed as a Director on 21 January 2009 following consultation with the Minister for Finance.

Donal O'Connor was appointed as Chairman of the Board on 18 December 2008 following the resignation of the former Chairman. The Board assessed the requirements for the role and the urgency of making an appointment and, having consulted with the Minister, unanimously agreed that Donal O'Connor was the best candidate for the position. Accordingly, the role was not openly advertised and external search consultants were not used in the appointment process.

External search consultants were utilised in the process leading to the appointment of Mike Aynsley as Group Chief Executive.

The terms and conditions of appointment of Non-executive Directors are available for inspection at the registered office during normal business hours as well as at the 2009 Annual General Meeting.

Re-election
At the 2009 Annual General Meeting all Directors retired in accordance with the provisions contained in the Articles of Association and were re-elected by the Shareholder. Subsequently, following an amendment to the Articles of Association by shareholder resolution, the requirement to retire by rotation has been dispensed with.

Induction
On joining the Board, new Directors receive an induction presentation, which explains their responsibilities as a Director and provides an overview of the Group and its business. Each Director receives an information pack which provides details of the disclosures that each is obliged to make to the Bank in order to comply with applicable laws and regulations. The programme also includes briefing sessions with senior management from each of the main business units.

Performance review
A formal performance evaluation of the Board, its Committees, individual Directors and the Chairman is completed annually. The 2009 evaluations took the form of detailed questionnaires, which were completed by each Director, complemented by individual interviews as appropriate. The Board reviewed the results of the evaluations and has agreed action plans to progress improvements in 2010, in particular the requirement to significantly augment the number of Non-executive Directors.

With regard to individual performance, the Chairman met with each of the Directors to discuss their performance. In the absence of an appointed Senior Independent Director, the Chairman of the Nomination and Succession Committee met privately with the other Directors with respect to the Chairman's performance and the results were shared with the Chairman.

The Directors can avail of the advice and services of the Group Company Secretary. The Directors and Committees of the Board can also seek independent professional advice if required, at the Bank's expense.

Board Committees
In accordance with the provisions of the Combined Code, the Board has established four Committees operating under their own specific terms of reference which were approved by the Board. These terms of reference, setting out the roles and responsibilities of each Committee, are available on request through the Group Company Secretary and on the Bank's website.

The minutes of all meetings of Board Committees are circulated to all Directors for information with their board papers and are formally noted by the Board.

There were short intervals during the financial period when the requisite number of members for the Committees fell below the minimum requirement as set out in the Combined Code. This was rectified as and when additional Directors were appointed. Following the resignation of Frank Daly on 22 December 2009, and with the exception of the Nomination and Succession Committee, the Board Committees do not have the requisite number of independent Non-executive Directors to comply with the provisions of the Combined Code. It is the intention of the Board to increase the number of committee members with the appropriate skill sets as and when additional Directors are appointed.

A description of each of these committees is given below.

Remuneration Committee
Members at 31 December 2009:
Alan Dukes (Chairman) and Maurice Keane.
Frank Daly (Member until 22 December 2009).

The Remuneration Committee is responsible for the formulation of the Group's policy on remuneration in relation to the Group Chief Executive and other senior executives. The Committee's report on behalf of the Board on Directors' remuneration and interests is set out in note 54 to the financial statements.

Audit Committee
Members at 31 December 2009:
Maurice Keane (Chairman since 23 December 2009) and Alan Dukes.
Frank Daly (Chairman and member until 22 December 2009).

The Audit Committee reviews the Group's annual and interim financial statements, considers the significant financial reporting issues and judgements which they contain and makes recommendations to the Board concerning their approval and content. The Committee also monitors the integrity and effectiveness of the Group's system of internal financial control. It reviews the scope of the audits and the plans, findings and recommendations of the Group Internal Auditor and External Auditors.

The Committee is responsible for making recommendations to the Board regarding the appointment and removal of the External Auditors. During the financial period, the Committee led the competitive tender process for the award of the External Auditors' appointment, for which a number of accountancy firms were invited to participate. Following the conclusion of the tender process, Deloitte & Touche were appointed as External Auditors. The Committee is responsible for monitoring the independence of the External Auditors.

The Group Internal Auditor and External Auditors have unrestricted access to the Committee. The Committee meets privately with both the External Auditors and the Group Internal Auditor at least once a year without management present.

There is a process in place for the Audit Committee to review the nature and extent of all non-audit services provided by the External Auditor and, if appropriate, approves such services and the related fees. The Committee has recently strengthened this process with the introduction of a permitted non-audit service policy.

The Board has determined that Maurice Keane is the Committee's financial expert.

Risk and Compliance Committee
Members at 31 December 2009:
Maurice Keane (Chairman) and Alan Dukes.
Frank Daly (Member until 22 December 2009).

The Risk and Compliance Committee's role is to oversee risk management and compliance within the Group. 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. This involves oversight of management's responsibility to assess and manage the Group's risk profile and key risk exposures covering credit, market, funding/liquidity, operational, litigation and compliance risks.

The Committee makes recommendations to the Board regarding the Group's risk appetite and all material policies relating to the Group's risk profile. The Committee oversaw a number of independent external reviews of the risk management function, implementing the recommendations arising from these reviews. The Committee has also monitored progress of the Bank's internal NAMA project team on an ongoing basis.

Nomination and Succession Committee
Members at 31 December 2009:
Alan Dukes (Chairman), Maurice Keane,
Donal O'Connor and Mike Aynsley.
Frank Daly (Member until 22 December 2009).

The Nomination and Succession Committee is responsible for recommending candidates to the Board for appointment as Directors and to senior management positions, and for ensuring that a suitable induction programme is in place for all new Directors. Three new Non-executive Directors were inducted during the financial period. The structure and composition of the Board has been the subject of ongoing assessment throughout the financial period.

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 due to the nature of the Group's business in undertaking a wide range of financial services that inherently involve varying degrees of risk.

Following the circumstances relating to the resignation of the former Chairman, the Board has adopted a policy which prohibits the provision of loans to Directors.

The Group's system of internal control includes:

- An organisation structure with clearly defined authority limits and reporting mechanisms to senior levels of management and to the Board;

- Divisional management in conjunction with the Group Risk Management and the Group Compliance functions have 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;

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

The Group Internal Audit function reports to the Group Chief Executive and the Audit Committee. The system of internal control is reviewed by Group Internal Audit. Emphasis is focused on areas of greatest risk as identified by risk analysis. During the financial period, resources from Group Internal Audit, with the support of the Audit Committee, were diverted to carry out investigations and complete specific reviews both for the Board and in relation to the ongoing regulatory investigations. The internal control systems are subject to regulatory supervision by the Financial Regulator and overseas regulators.

The Board confirms that there is a framework in place (which is described in note 51) for identifying, evaluating and managing the significant risks faced by the Group. This framework is regularly reviewed and is in accordance with the Turnbull guidance.

Following an independent external review of the Group's credit structure and processes, the governance of the credit risk management process has been strengthened through the implementation of the recommendations arising from this review. The Board has approved a new Risk Appetite Statement, an amended Group Credit Policy and resources have been enhanced within the Risk Management function.

The Directors confirm that they have reviewed the effectiveness of the Group's system of internal controls for the period ended 31 December 2009 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. Any significant weaknesses identified from this review will be addressed by the Directors.

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, as described in note 1.2. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Annual General Meeting
Following the nationalisation of the Bank and the transfer of all shares to the Minister the provisions of the Combined Code relating to shareholder relations and conduct at the Annual General Meeting are no longer applicable.

The Group uses its internet site (www.angloirishbank.com) to provide the full text of each annual and interim report for the previous five years. The website also provides detailed financial data, Bank information, information on credit ratings and other press releases.

Attendance at scheduled and unscheduled meetings during the period ended 31 December 2009:

Name	Board		Audit		Remuneration		Risk and Compliance		Nomination and Succession	
	A*	B*	A*	B*	A*	B*	A*	B*	A*	B*
Donal O'Connor (1)	59	58	2	2	4	3	-	-	12	12
Mike Aynsley (2) (Appointed 7 September 2009)	12	12	-	-	-	-	-	-	1	1
Alan Dukes (3) (Appointed 18 December 2008)	50	44	18	18	10	10	9	9	9	7
Maurice Keane (4) (Appointed 21 January 2009)	38	35	18	17	6	6	9	9	9	9
Frank Daly (5) (Appointed 18 December 2008) (Resigned 22 December 2009)	49	47	20	20	6	6	9	9	9	9
Lar Bradshaw (6) (Resigned 18 December 2008)	11	11	-	-	-	-	1	1	2	2
David Drumm (7) (Resigned 19 December 2008)	12	12	-	-	-	-	-	-	2	2
Sean FitzPatrick (8) (Resigned 18 December 2008)	10	10	-	-	-	-	-	-	1	1
Noël Harwerth (9) (Resigned 19 January 2009)	21	15	-	-	-	-	1	1	1	1
Anne Heraty (10) (Resigned 19 January 2009)	21	20	-	-	5	5	-	-	3	3
Michael Jacob (11) (Resigned 19 January 2009)	21	21	4	4	-	-	-	-	-	-
William McAteer (Resigned 7 January 2009)	19	13	-	-	-	-	-	-	-	-
Gary McGann (12) (Resigned 19 January 2009)	21	19	4	4	5	1	-	-	-	-
Declan Quilligan (Resigned 7 September 2009)	47	46	-	-	-	-	-	-	-	-
Ned Sullivan (13) (Resigned 19 January 2009)	21	21	-	-	5	5	1	1	-	-
Pat Whelan (Resigned 19 February 2009)	27	25	-	-	-	-	-	-	-	-

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

(1) Donal O'Connor was appointed to the Remuneration Committee on 22 December 2008. He resigned from the Audit Committee on 22 December 2008 and from the Remuneration Committee on 19 February 2009.

(2) Mike Aynsley was appointed to the Nomination and Succession Committee with effect from 3 November 2009.

(3) Alan Dukes was appointed to the Remuneration Committee and the Risk and Compliance Committee on 22 December 2008. He was also appointed to the Audit Committee and the Nomination and Succession Committee on 22 January 2009.

(4) Maurice Keane was appointed to the Audit Committee, Risk and Compliance Committee, Nomination and Succession Committee and the Remuneration Committee on 22 January 2009.

(5) Frank Daly was appointed to the Audit Committee and the Nomination and Succession Committee on 22 December 2008. He was also appointed to the Risk and Compliance Committee and the Remuneration Committee on 22 January 2009. He resigned from all committees on 22 December 2009.

(6) Lar Bradshaw resigned from the Risk and Compliance Committee and the Nomination and Succession Committee on 18 December 2008.

(7) David Drumm resigned from the Nomination and Succession Committee on 19 December 2008.

(8) Sean FitzPatrick resigned from the Remuneration Committee and the Nomination and Succession Committee on 18 December 2008.

(9) Noël Harwerth was appointed to the Nomination and Succession Committee on 22 December 2008. She resigned from the Risk and Compliance Committee and the Nomination and Succession Committee on 19 January 2009.

(10) Anne Heraty resigned from the Nomination and Succession Committee and the Remuneration Committee on 19 January 2009.

(11) Michael Jacob resigned from the Audit Committee on 19 January 2009.

(12) Gary McGann resigned from the Audit Committee and the Remuneration Committee on 19 January 2009.

(13) Ned Sullivan resigned from the Risk and Compliance Committee and the Remuneration Committee on 19 January 2009.

Independent Auditors' report to the Shareholder of Anglo Irish Bank Corporation Limited

We have audited the financial statements of Anglo Irish Bank Corporation Limited ('the Bank') and its subsidiaries (together 'the Group') for the 15 month period ended 31 December 2009 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and the Bank statements of financial position, the Consolidated and the Bank statements of changes in equity, the Consolidated and the Bank statements of cash flows, and the related notes 1 to 59. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Bank's Shareholder, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the Bank's Shareholder those matters we are required to state to it 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 Bank's Shareholder, 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 preparing the financial statements, including the preparation of the Group financial statements and the Bank financial statements, in accordance with applicable law and International Financial Reporting Standards ('IFRS') as adopted by the European Union.

Our responsibility, as Independent Auditor, 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 Group financial statements and the Bank financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2009, the European Communities (Credit Institutions: Accounts) Regulations, 1992 as amended by the European Communities (International Financial Reporting Standards and Miscellaneous Amendments) Regulations, 2005, and Article 4 of the IAS Regulation.

We also report to you whether in our opinion: proper books of account have been kept by the Bank; whether, at the end of the reporting period, there exists a financial situation requiring the convening of an extraordinary general meeting of the Bank; and whether the information given in the Annual Report is consistent with the financial statements. In addition, we state whether we have obtained all information and explanations necessary for the purposes of our audit and whether the Bank's statement of financial position is in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding Directors' remuneration and Directors' transactions is not disclosed and, where practicable, include such information in our report.

We read the 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 Business review, the Report of the Directors, and the Corporate governance statement. 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 judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Bank's and the Group'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 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 IFRS as adopted by the European Union, of the state of the affairs of the Group as at 31 December 2009 and of its loss for the 15 month period then ended;

- the Group financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009, the European Communities (Credit Institutions: Accounts) Regulations, 1992 as amended by the European Communities (International Financial Reporting Standards and Miscellaneous Amendments) Regulations, 2005, and Article 4 of the IAS Regulation;

- the Bank's financial statements give a true and fair view, in accordance with IFRS, as adopted by the European Union as applied in accordance with the provisions of the Companies Acts, 1963 to 2009, of the state of the Bank's affairs as at 31 December 2009; and

- the Bank's financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009.

We have obtained all the information and explanations we considered necessary for the purpose of our audit. In our opinion proper books of account have been kept by the Bank and the Bank's statement of financial position is in agreement with the books of account.

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

The net assets of the Bank, as stated in the Bank's statement of financial position, are more than half the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2009 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.

Deloitte & Touche
Chartered Accountants and Registered Auditors
Dublin

31 March 2010

Consolidated income statement

For the 15 months ended 31 December 2009

	Note	15 months ended 31 December 2009 €m	Year ended 30 September 2008 €m
Interest and similar income		**4,634**	6,324
Interest expense and similar charges		**(3,109)**	(4,436)
Net interest income	3	**1,525**	1,888
Fee and commission income	4	**98**	143
Fee and commission expense	4	**(142)**	(11)
Net trading (expense)/income	5	**(427)**	4
Financial assets designated at fair value	6	**(53)**	(128)
Gains on repurchase of financial liabilities measured at amortised cost	7	**1,758**	30
Other operating income	8	**15**	46
Other income		**1,249**	84
Total operating income		**2,774**	1,972
Administrative expenses	9	**(345)**	(301)
Depreciation		**(22)**	(11)
Amortisation of intangible assets - software	31	**(13)**	(16)
Total operating expenses		**(380)**	(328)
Operating profit before provisions for impairment		**2,394**	1,644
Provisions for impairment	13	**(15,105)**	(879)
Operating (loss)/profit		**(12,711)**	765
Share of results of associate and joint ventures	29	**(167)**	(1)
Profit on disposal of businesses	14	**49**	20
(Loss)/profit before taxation		**(12,829)**	784
Taxation	15	**120**	(120)
(Loss)/profit for the period		**(12,709)**	664
Attributable to:			
Owner of the parent	16	**(12,699)**	670
Non-controlling interests	17	**(10)**	(6)
		(12,709)	664

Directors: Donal O'Connor (Chairman), A.M.R. (Mike) Aynsley (Group Chief Executive), Alan Dukes (Non-executive Director), Maurice Keane (Non-executive Director).

Secretary: Natasha Mercer.

Consolidated statement of comprehensive income

For the 15 months ended 31 December 2009

	Note	15 months ended 31 December 2009 €m	Year ended 30 September 2008 €m
(Loss)/profit for the period		**(12,709)**	664
Other comprehensive income			
Net actuarial gains/(losses) in retirement benefit schemes, after tax	11	**2**	(18)
Net change in cash flow hedging reserve, after tax	45	**119**	10
Net change in available-for-sale reserve, after tax	45	**356**	(463)
Foreign exchange translation		**(47)**	(3)
Other comprehensive income for the period, after tax	47	**430**	(474)
Total comprehensive income for the period		**(12,279)**	190
Attributable to:			
Owners of the parent		**(12,269)**	196
Non-controlling interests		**(10)**	(6)
		(12,279)	190

Consolidated statement of financial position

As at 31 December 2009

	Note	31 December 2009 €m	30 September 2008 €m
Assets			
Cash and balances with central banks	19	**302**	1,822
Financial assets at fair value through profit or loss			
- held on own account	20	**118**	233
- held in respect of liabilities to customers under investment contracts	20	**244**	469
Derivative financial instruments	21	**2,483**	1,995
Loans and advances to banks	22	**7,360**	14,002
Assets classified as held for sale	23	**25,892**	12
Amount due from Shareholder	25	**8,300**	-
Available-for-sale financial assets	26	**7,890**	8,158
Loans and advances to customers	27	**30,852**	72,151
Interests in joint ventures	29	**142**	284
Interest in associate	29	**-**	16
Intangible assets - software	31	**21**	21
Investment property			
- held on own account	32	**267**	108
- held in respect of liabilities to customers under investment contracts	33	**1,143**	1,796
Property, plant and equipment	34	**24**	38
Current taxation		**74**	21
Retirement benefit assets	11	**7**	9
Deferred taxation	35	**46**	107
Other assets	36	**29**	33
Prepayments and accrued income		**18**	46
Total assets		**85,212**	101,321
Liabilities			
Deposits from banks	37	**32,971**	20,453
Customer accounts	38	**27,214**	51,499
Derivative financial instruments	21	**2,669**	1,490
Debt securities in issue	39	**15,148**	17,280
Liabilities to customers under investment contracts	40	**383**	1,191
Current taxation		**2**	-
Other liabilities	41	**170**	156
Accruals and deferred income		**102**	140
Retirement benefit liabilities	11	**-**	6
Deferred taxation	35	**-**	26
Subordinated liabilities and other capital instruments	42	**2,383**	4,948
Total liabilities		**81,042**	97,189
Share capital	43	**4,123**	123
Share premium		**1,156**	1,156
Capital reserve	44	**8,300**	-
Other reserves	45	**(152)**	(543)
Retained earnings		**(9,258)**	3,389
Shareholders' funds		**4,169**	4,125
Non-controlling interests	46	**1**	7
Total equity		**4,170**	4,132
Total equity and liabilities		**85,212**	101,321

Directors: Donal O'Connor (Chairman), A.M.R. (Mike) Aynsley (Group Chief Executive), Alan Dukes (Non-executive Director), Maurice Keane (Non-executive Director).

Secretary: Natasha Mercer.

Bank statement of financial position

As at 31 December 2009

	Note	31 December 2009 €m	30 September 2008 €m
Assets			
Cash and balances with central banks	19	**302**	1,809
Financial assets at fair value through profit or loss			
- held on own account	20	**92**	186
Derivative financial instruments	21	**2,644**	2,233
Loans and advances to banks	22	**13,152**	12,359
Assets classified as held for sale	23	**21,828**	12
Amount due from Shareholder	25	**8,300**	-
Available-for-sale financial assets	26	**7,857**	8,143
Loans and advances to customers	27	**35,263**	77,311
Interests in joint ventures	29	**-**	31
Investments in Group undertakings	30	**3,236**	821
Intangible assets - software	31	**21**	21
Property, plant and equipment	34	**12**	21
Current taxation		**123**	74
Retirement benefit assets	11	**7**	6
Deferred taxation	35	**-**	104
Other assets	36	**1**	-
Prepayments and accrued income		**13**	35
Total assets		**92,851**	103,166
Liabilities			
Deposits from banks	37	**39,136**	24,526
Customer accounts	38	**28,896**	52,410
Derivative financial instruments	21	**3,584**	2,202
Debt securities in issue	39	**15,143**	17,280
Current taxation		**-**	-
Other liabilities	41	**126**	77
Accruals and deferred income		**93**	133
Deferred taxation	35	**-**	1
Subordinated liabilities and other capital instruments	42	**2,109**	2,869
Total liabilities		**89,087**	99,498
Share capital	43	**4,123**	123
Share premium		**1,156**	1,156
Capital reserve	44	**8,300**	-
Other reserves	45	**(108)**	(550)
Retained earnings		**(9,707)**	2,939
Total equity		**3,764**	3,668
Total equity and liabilities		**92,851**	103,166

Directors: Donal O'Connor (Chairman), A.M.R. (Mike) Aynsley (Group Chief Executive), Alan Dukes (Non-executive Director), Maurice Keane (Non-executive Director).

Secretary: Natasha Mercer.

Consolidated statement of changes in equity

For the 15 months ended 31 December 2009

	Attributable to owner of the parent											
				Other reserves								
	Share capital €m	Share premium €m	Capital reserve €m	Non-distributable capital €m	Exchange translation €m	Cash flow hedging €m	Available-for-sale €m	Share-based payments €m	Retained earnings €m	Total €m	Non-controlling interests €m	Total equity €m
2008												
Balance at 30 September 2007	122	1,139	-	1	(6)	(19)	(100)	32	2,883	4,052	13	4,065
Total comprehensive income for the year	-	-	-	-	(3)	10	(463)	-	652	196	(6)	190
Equity dividends	-	-	-	-	-	-	-	-	(159)	(159)	-	(159)
Options exercised and scrip dividends	1	17	-	-	-	-	-	(5)	24	37	-	37
Net movement in own shares	-	-	-	-	-	-	-	-	(11)	(11)	-	(11)
Share-based payments	-	-	-	-	-	-	-	12	-	12	-	12
Other movements	-	-	-	-	-	-	-	(2)	-	(2)	-	(2)
Balance at 30 September 2008	123	1,156	-	1	(9)	(9)	(563)	37	3,389	4,125	7	4,132
2009												
Balance at 30 September 2008	123	1,156	-	1	(9)	(9)	(563)	37	3,389	4,125	7	4,132
Total comprehensive income for the period	-	-	-	-	(47)	119	356	-	(12,697)	(12,269)	(10)	(12,279)
Issue of share capital	4,000	-	-	-	-	-	-	-	-	4,000	-	4,000
Capital contribution	-	-	8,300	-	-	-	-	-	-	8,300	-	8,300
Net movement in own shares	-	-	-	-	-	-	-	-	(5)	(5)	-	(5)
Share-based payments	-	-	-	-	-	-	-	22	-	22	-	22
Extinguishment of share options and awards	-	-	-	-	-	-	-	(55)	55	-	-	-
Other movements	-	-	-	-	-	-	-	(4)	-	(4)	4	-
Balance at 31 December 2009	4,123	1,156	8,300	1	(56)	110	(207)	-	(9,258)	4,169	1	4,170

Bank statement of changes in equity

For the 15 months ended 31 December 2009

				Other reserves						
	Share capital €m	Share premium €m	Capital reserve €m	Non-distributable capital €m	Exchange translation €m	Cash flow hedging €m	Available-for-sale €m	Share-based payments €m	Retained earnings €m	Total equity €m
2008										
Balance at 30 September 2007	122	1,139	-	1	(4)	(19)	(100)	32	2,452	3,623
Total comprehensive income for the year	-	-	-	-	(4)	10	(471)	-	622	157
Equity dividends	-	-	-	-	-	-	-	-	(159)	(159)
Options exercised and scrip dividends	1	17	-	-	-	-	-	(5)	24	37
Share-based payments	-	-	-	-	-	-	-	12	-	12
Other movements	-	-	-	-	-	-	-	(2)	-	(2)
Balance at 30 September 2008	123	1,156	-	1	(8)	(9)	(571)	37	2,939	3,668
2009										
Balance at 30 September 2008	123	1,156	-	1	(8)	(9)	(571)	37	2,939	3,668
Total comprehensive income for the period	-	-	-	-	17	119	343	-	(12,788)	(12,309)
Issue of share capital	4,000	-	-	-	-	-	-	-	-	4,000
Capital contribution	-	-	8,300	-	-	-	-	-	-	8,300
Share-based payments	-	-	-	-	-	-	-	22	-	22
Extinguishment of share options and awards	-	-	-	-	-	-	-	(55)	55	-
Other movements	-	-	-	-	-	-	-	(4)	87	83
Balance at 31 December 2009	4,123	1,156	8,300	1	9	110	(228)	-	(9,707)	3,764

Statement of cash flows

For the 15 months ended 31 December 2009

		The Group		The Bank	
	Note	**15 months ended 31 December 2009 €m**	Year ended 30 September 2008 €m	**15 months ended 31 December 2009 €m**	Year ended 30 September 2008 €m
Cash flows from operating activities					
(Loss)/profit before taxation		**(12,829)**	784	**(12,884)**	788
Provisions for impairment		**15,105**	879	**14,010**	718
Gains on repurchase of financial liabilities measured at amortised cost		**(1,758)**	(30)	**(383)**	(2)
Interest earned on available-for-sale financial assets		**(336)**	(476)	**(335)**	(475)
Financing costs of subordinated liabilities and other capital instruments		**131**	331	**102**	172
Other non-cash items	50	**69**	(128)	**(33)**	(58)
		382	1,360	**477**	1,143
Changes in operating assets and liabilities					
Net increase in deposits from banks		**12,001**	12,973	**14,610**	11,798
Net (decrease)/increase in customer accounts		**(23,710)**	(1,152)	**(23,514)**	5,710
Net decrease in debt securities in issue		**(2,126)**	(6,308)	**(2,131)**	(6,308)
Net decrease/(increase) in loans and advances to customers (1)		**964**	(6,961)	**6,834**	(13,058)
Net (increase)/decrease in loans and advances to banks		**(1,654)**	724	**(8,579)**	757
Net decrease in assets held in respect of liabilities to customers under investment contracts		**878**	469	**-**	-
Net decrease in investment contract liabilities		**(808)**	(588)	**-**	-
Net decrease in financial assets at fair value through profit or loss held on own account		**127**	197	**106**	200
Net movement in derivative financial instruments		**1,004**	(294)	**1,104**	175
Net (increase)/decrease in other assets		**(2)**	110	**(1)**	1
Net (decrease)/increase in other liabilities		**(69)**	(17)	**(28)**	22
Exchange movements		**87**	484	**43**	468
Net cash flows from operating activities before taxation		**(12,926)**	997	**(11,079)**	908
Tax refunded/(paid)		**22**	(222)	**33**	(227)
Net cash flows from operating activities		**(12,904)**	775	**(11,046)**	681
Cash flows from investing activities (note a)		**375**	3,964	**(1,779)**	4,075
Cash flows from financing activities (note b)		**2,998**	(530)	**3,561**	(318)
Net (decrease)/increase in cash and cash equivalents		**(9,531)**	4,209	**(9,264)**	4,438
Opening cash and cash equivalents		**14,535**	10,832	**13,041**	8,893
Effect of exchange rate changes on cash and cash equivalents		**(225)**	(506)	**(63)**	(290)
Closing cash and cash equivalents	50	**4,779**	14,535	**3,714**	13,041

(1) Net decrease/(increase) in loans and advances to customers includes loans classified as held for sale.

	The Group		The Bank	
	15 months ended 31 December 2009 €m	Year ended 30 September 2008 €m	**15 months ended 31 December 2009 €m**	Year ended 30 September 2008 €m
(a) Cash flows from investing activities				
Purchases of available-for-sale financial assets	**(3,252)**	(3,571)	**(3,237)**	(3,593)
Sales and maturities of available-for-sale financial assets	**3,471**	6,997	**3,464**	6,997
Interest received on available-for-sale financial assets net of associated hedges	**338**	545	**337**	543
Purchases of assets classified as held for sale	**-**	(46)	**-**	-
Proceeds on disposals of assets classified as held for sale	**-**	187	**-**	133
Proceeds on disposals of businesses	**141**	114	**-**	-
Purchases of property, plant and equipment	**(3)**	(15)	**(2)**	(12)
Proceeds on disposals of property, plant and equipment	**-**	2	**-**	2
Additions to intangible assets - software	**(14)**	(21)	**(13)**	(21)
Investments in associate and joint venture interests	**(37)**	(149)	**-**	(31)
Proceeds on disposals of joint venture interests	**5**	-	**-**	-
Distributions received from joint venture interests	**5**	7	**-**	-
Purchases of investment property held on own account	**(279)**	(87)	**-**	-
Proceeds on disposals of investment property held on own account	**-**	1	**-**	-
Net (increase)/decrease in investments in Group undertakings	**-**	-	**(2,328)**	57
Net cash flows from investing activities	**375**	3,964	**(1,779)**	4,075
(b) Cash flows from financing activities				
Proceeds of equity share issues	**4,000**	18	**4,000**	18
Repurchase of subordinated liabilities and other capital instruments	**(827)**	(72)	**(347)**	(35)
Coupons paid on subordinated liabilities and other capital instruments	**(175)**	(325)	**(92)**	(161)
Equity dividends paid	**-**	(140)	**-**	(140)
Net movements in own shares	**(5)**	(11)	**-**	-
Additions to non-controlling interests	**10**	-	**-**	-
Distributions paid to non-controlling interests	**(5)**	-	**-**	-
Net cash flows from financing activities	**2,998**	(530)	**3,561**	(318)

Notes to the financial statements

Index to the notes to the financial statements

1. General information and accounting policies

The principal accounting policies that the Group applied in preparing its financial statements for the period ended 31 December 2009 are set out below.

1.1 General information
Anglo Irish Bank Corporation Limited ('the Bank') and its subsidiaries (collectively, 'the Group') provide banking services in three core areas: business lending, treasury and private banking. The Bank is a limited liability company incorporated and domiciled in Ireland. Its registered office is at Stephen Court, 18/21 St. Stephen's Green, Dublin 2, Ireland. Before the Anglo Irish Bank Corporation Act, 2009 became law on 21 January 2009, the Bank had a primary listing on the Irish Stock Exchange. On the same date the Bank was re-registered as a private limited company and its name was changed from Anglo Irish Bank Corporation plc to Anglo Irish Bank Corporation Limited.

The collapse of Lehman Brothers in mid September 2008 and the unprecedented events in subsequent weeks led to intense turmoil in global financial markets. The resultant stress on all Irish banks' funding led to the Irish Government's decision on 30 September 2008 to introduce a guarantee scheme to stabilise the banking sector. On 24 October 2008 the Group executed the necessary documentation to participate in this scheme. Under the scheme the Irish Government has guaranteed all deposits and other specified liabilities of certain credit institutions operating in Ireland until 29 September 2010. This Government guarantee covers all relevant liabilities of the Bank (Irish, UK, Jersey, Austrian and German branches) and also Anglo Irish Bank Corporation (International) PLC (the Bank's Isle of Man subsidiary).

On 21 December 2008 the Minister for Finance announced a framework to provide additional capital to certain Irish credit institutions including the Bank. The Government's proposed investment of €1.5bn in the Bank was to be in the form of perpetual preference shares ranking pari passu to ordinary share capital on liquidation.

The Bank's funding position weakened in late 2008 as a result of reputational damage relating to Directors' loans and adverse ratings actions which further weakened the Bank's competitive position in funding markets at a time when overall market sentiment was negative.

On 15 January 2009 the Government announced that it had decided not to proceed with its original recapitalisation proposal and advised of its intention to take the Bank into State ownership. The Bank's shares were subsequently suspended from trading on the Irish and London Stock Exchanges on 16 January 2009. The Anglo Irish Bank Corporation Act, 2009, which provided for the transfer of all the shares of the Bank to the Minister for Finance, was enacted under Irish law on 21 January 2009.

As a result of the losses incurred during the period there has been a significant deterioration in the Bank’s regulatory capital base. In order to protect the capital position of the Group the Minister for Finance provided €4bn in capital between June and September 2009. A liability management exercise was also undertaken in August 2009 and €1.8bn of equity was realised on the buyback, at a significant discount, of subordinated liabilities and other capital instruments.

In April 2009 the Irish Government announced the establishment of the National Asset Management Agency (‘NAMA’) for the purposes of acquiring certain assets from Irish banks, holding, managing and realising those assets and facilitating the restructuring of credit institutions of systemic importance to the Irish economy. On 9 February 2010, the Bank applied to be designated as a participating institution in NAMA. This application was accepted by the Minister for Finance on 12 February 2010 and the Bank was designated a participating institution.

In November 2009 the Bank submitted a draft restructuring plan to the European Commission (‘EC’). The leadership team is currently engaged in discussions with the EC and the Department of Finance regarding various aspects of the plan with a view to revising and updating it.

In December 2009, the Minister committed to safeguard the Bank’s regulatory capital position which resulted in the issuance of a promissory note for €8.3bn on 31 March 2010.

1.2 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 31 December 2009. The financial statements also comply with the requirements of relevant Irish legislation including the Companies Acts, 1963 to 2009, the Asset Covered Securities Acts, 2001 and 2007 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 line with the financial reporting periods of other commercial State bodies, the Group has changed its reporting period end from 30 September to 31 December. Accordingly, the consolidated and parent Bank financial statements include 15 months of operations and cash flows to 31 December 2009, and therefore are not directly comparable to the amounts disclosed for the prior period.

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. General information and accounting policies continued

1.2 Basis of preparation continued
Following an assessment, the Directors have determined that it is reasonable to conclude that the Bank will continue in operational existence for the foreseeable future and therefore the financial statements have been prepared on a going concern basis. This assessment is underpinned by the Minister's consistent statements that the Government will ensure the continued viability of all systemic financial institutions, including the Bank, in a manner which is consistent with EU state aid rules. In making this assessment the Directors considered the potential impact that the following risk factors and uncertainties could have on the future performance and financial position of the Bank: the NAMA process (note 24), liquidity (note 51), credit quality (notes 27 and 51), regulatory capital (note 53), EU state aid considerations and political factors impacting both the Group and the industry. The timing of the NAMA asset transfers and the valuation discounts applied are important considerations. Liquidity risk considerations take into account the Group's ability to continue to access wholesale and money market lines, the ability to continue to access essential central bank and other special funding facilities, potential re-finance risks and the behaviour of the Bank's retail and corporate depositors. Credit quality will largely follow trends in the main economic environments in which the Group operates, which are uncertain. In addition, decisions by regulatory authorities, the EU or the body politic could adversely impact on the Bank's ability to continue as a going concern.

Notwithstanding the existence of such uncertainties, the Directors in making the determination have taken into account the following mitigating factors: the capital injection of €4bn in 2009, the Minister's letter of 22 December 2009 which restated his previous commitments in relation to ensuring that the Bank has sufficient capital to continue to meet its regulatory capital requirements, the subsequent receipt of a promissory note to the value of €8.3bn in fulfilment of the Minister's commitment, the forecast receipt of senior NAMA bonds in 2010 which will be liquidity enhancing, an improving outlook for both the UK and US commercial property markets, the continued support of the Government in relation to funding, and the introduction of measures by the Government to improve liquidity including the Government guarantee introduced in September 2008 and the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 ('the ELG Scheme') introduced in December 2009. In making the determination the Board has assumed the continuing availability of secured funding facilities with the Central Bank and other special funding facilities if required. As a result the Directors are satisfied that it is appropriate that the Group's financial statements continue to be prepared on a going concern basis.

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. A description of the significant accounting estimates and judgements is set out in note 1.33 on pages 56 to 58.

1.3 Adoption of new accounting standards
From 1 October 2008 the Group has adopted the following amendments to standards and interpretations:

- Amendment to IAS 1 - Presentation of Financial Statements;
- IFRIC Interpretation 12 - Service Concession Arrangements;
- IFRIC Interpretation 13 - Customer Loyalty Programmes;
- IFRIC Interpretation 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction;
- IFRIC Interpretation 16 - Hedges of a Net Investment in a Foreign Operation; and
- IFRIC Interpretation 18 - Transfers of Assets from Customers.

Other than the application of the amendment to IAS 1 which the Bank has early adopted, the adoption of the above has had no impact on the financial statements. The amendment to IAS 1 has resulted in certain changes in the names and presentation of the financial statements.

Recent amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures permit the reclassification of certain financial instruments from held for trading and available-for-sale financial assets. The Group has not made any such reclassifications.

Details of those standards, amendments to standards and interpretations that have been issued by the International Accounting Standards Board but which are not yet applicable to the Group are set out in note 1.34 on page 58.

1.4 Basis of consolidation
The consolidated financial statements include the financial statements of Anglo Irish Bank Corporation Limited and all of its subsidiary undertakings (including special purpose entities) prepared to the end of the financial period. 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.

Non-controlling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Bank and are presented in the consolidated income statement and statement of financial position separately to amounts attributable to owners of the parent.

The accounting policies have been consistently applied by Group entities.

1.5 Interest income and expense recognition
Interest income and expense is recognised in profit or loss 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.

1.6 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.

1.7 Fair value of financial instruments
The Group recognises trading securities, other financial assets and liabilities designated at fair value through profit or loss, derivatives and available-for-sale financial assets at fair value in the statement of financial position.

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 prices obtained from independent third party pricing service providers, 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 best evidence of the fair value of a financial instrument at initial recognition is the transaction price unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique which primarily uses observable market inputs. When such evidence exists, the initial valuation of the instrument may result in the Group recognising a profit in initial recognition. In the absence of such evidence, the instrument is initially valued at the transaction price.

Where non-observable market data is used in valuations, any resulting difference between the transaction price and the valuation is deferred. The deferred day one profit or loss is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement, depending on the nature of the instrument and availability of market observable inputs.

An analysis of the fair values of financial instruments and further details on their measurement is provided in note 52.

1.8 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.

1. General information and accounting policies continued

1.8 Financial assets continued

Financial assets at fair value through profit or loss continued

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.

The principal categories of financial assets designated at fair value through profit or loss are (a) policyholders' assets underpinning investment contracts issued by the Group's assurance company - fair value designation significantly reduces the measurement inconsistency that would arise if these assets were classified as available-for-sale; and (b) certain investment securities containing embedded derivatives that are not closely related to the host contracts.

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 financial assets designated at fair value.

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. Loans and receivables are initially recognised at fair value including direct and incremental transaction costs, and are subsequently carried on an amortised cost basis.

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.

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 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 the asset. Loans and receivables are recognised when funds are advanced to the borrowers. Financial assets are initially recognised at fair value plus directly attributable 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 fair value movements in the income statement in the period in which they arise. 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 on both financial assets at fair value through profit or loss held on own account and available-for-sale financial assets is reported in interest and similar income.

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

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

Reclassification of financial assets

Recent amendments to IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' (effective from 1 July 2008) permit the reclassification of certain financial instruments from held for trading and available-for-sale financial assets. The Group has not made any such reclassifications.

1.9 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 profit and loss 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 principal categories of financial liabilities designated at fair value through profit or loss are (a) investment contracts issued by the Group's assurance company: fair value designation significantly reduces the measurement inconsistency that would arise if these liabilities were measured at amortised cost; and (b) structured liabilities issued by the Group: designation significantly reduces the measurement inconsistency between these liabilities and the related derivatives carried at fair value.

Net gains and losses on financial liabilities designated at fair value through profit or loss are recognised in net trading income. Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with financial liabilities designated at fair value through profit or loss are included in net trading income.

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 profit or loss as interest expense using the effective interest rate method.

1.10 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 the guaranteed party fails to meet a contractual obligation or 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 end of the reporting period.

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.

1.11 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 end of the reporting period.

The Group assesses at the end of each reporting period 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.

1. General information and accounting policies continued

1.11 Impairment of financial assets continued
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.

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 profit or loss.

When a borrower fails to make a contractually due payment of interest or principal but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collections of amounts owed to the Group, a loan is classified as past due but not impaired. In this instance the entire exposure is reported as past due but not impaired, rather than just the amount in arrears.

Renegotiated loans are those loans and receivables outstanding at the end of the reporting period whose terms have been renegotiated during the financial period, resulting in an upgrade from impaired to performing status. This is based on subsequent good performance and/or an improvement in the profile of the borrower.

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 profit or loss. Impairment losses recognised in profit or loss 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 for all other financial assets. Impairment charges are made where there is objective evidence to suggest that the recovery value of the debt instrument will be permanently lower than its cost. A significant or prolonged decline in the fair value of such an instrument below its cost is considered in determining whether an impairment loss has been incurred. Other factors for asset backed securities ('ABS') include evidence of deterioration in the quantum or quality of the collateral pools underlying the investments and the non-payment or deferral of interest. Reversals of impairments of debt securities are recognised in profit or loss if the increase in fair value can be objectively related to an event occurring after the impairment loss was recognised.

1.12 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. Derivatives are classified 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 profit or loss.

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 profit or loss. 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 profit or loss 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. Interest income and expense on economic hedges that no longer meet the criteria for hedge accounting are recognised in net interest income.

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 profit or loss. 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. These derivatives are classified as held for trading. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

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. Embedded derivatives separated from the host contract are measured at fair value with changes in fair value recognised in net trading income.

1.13 Collateral and netting
Collateral
The Group obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for both existing and future liabilities. The collateral is, in general, not recorded in the Group's statement of financial position.

The Group also pays and receives collateral in the form of cash or securities in respect of other credit instruments, such as stock borrowing or derivative contracts, in order to reduce credit risk. Collateral received in the form of securities is not recorded in the statement of financial position. Collateral paid or received in the form of cash is recognised in the statement of financial position with a corresponding asset or liability. These items are typically assigned to loans and advances to banks and deposits from banks accordingly. Any interest receivable or payable arising is recorded as interest expense or interest income respectively.

Netting
The Group enters into master netting agreements with counterparties whenever possible and, when appropriate, obtains collateral. Master netting agreements provide that, if an event of default occurs, all outstanding transactions with the counterparty will fall due and all amounts outstanding will be settled on a net basis.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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.

1.14 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 statement of financial position or in the notes thereto.

1. General information and accounting policies continued

1.14 Investment contracts continued
Premiums received and claims paid are accounted for directly in the statement of financial position 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.

1.15 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 in the statement of financial position. 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 statement of financial position when the obligation is discharged, cancelled or expires.

1.16 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 the end of each reporting period. 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.

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

1.18 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.

1.19 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 statement of financial position at cost less accumulated depreciation and provisions for impairment losses, if any. Freehold buildings are depreciated on a straight-line basis over fifty years. Fixtures and fittings are depreciated on a straight-line basis to their residual values over their estimated useful economic lives. 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 statement of financial position at fair value. Fair values are based on valuations by independent registered valuers using, where relevant, accepted Royal Institution of Chartered Surveyors guidelines or equivalent local guidelines appropriate to the location of the property. Fair values are reviewed and agreed by management.

1.20 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. The Group's defined benefit plans have been closed to new members since January 1994. 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 statement of financial position 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 end of the reporting period. 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 comprehensive income.

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.

Termination Payments
Termination payments are recognised as an expense when the Group is demonstrably committed to a formal plan to terminate employment before the normal retirement date. A provision is made for the anticipated cost of restructuring, including redundancy costs, when an obligation exists. An obligation exists when the Group has a detailed formal plan for restructuring and has raised valid expectations in those affected by the restructuring by starting to implement the plan or has announced its main features.

Share-based payments to employees
The Group used a number of share-based payment schemes to incentivise its employees. Following the signing into Irish law of the Anglo Irish Bank Corporation Act, 2009 all rights granted under the various share-based incentive plans were extinguished and any shares held in trust under these plans were transferred to the Minister for Finance. 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 profit or loss 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 retained earnings reflecting the accumulated cost of the share-based payment recognised in profit or loss.

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 retained earnings reflecting the accumulated cost of the share-based payment recognised in profit or loss.

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

1. General information and accounting policies continued

1.21 Assets classified as held for sale
Loans which are due to be transferred from the Group to NAMA are classified as held for sale. These assets meet the definition of a disposal group under IFRS 5 as their carrying amount is expected to be recovered principally through a sale transaction and the sale is highly probable within one year. These loans continue to be carried at amortised cost less provisions for impairment. Derivatives associated with loans classified as held for sale continue to be carried at fair value. See note 23.

Other assets are classified as held for sale if they are primarily acquired for the purpose of selling in the near term and where a sale is highly probable and is expected to occur within one year. These assets 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 profit or loss.

1.22 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 end of the reporting period. 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 profit or loss 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 end of the reporting period;
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 profit or loss as part of the gain or loss on disposal.

1.23 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.

1.24 Taxation (current and deferred)
Current tax is the expected tax payable (shown as a liability) or the expected tax receivable (shown as an asset) on the taxable income for the period 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 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 end of the reporting period 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 profit or loss 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.

1.25 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 in the Group's statement of financial position, 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 profit or loss on a straight-line basis over the non-cancellable term of the lease.

1.26 Interests in joint ventures and associates

Joint ventures are contractual arrangements whereby two or more parties undertake an economic activity that is subject to joint control.

An associate is an entity in which the Group has significant influence, but not control, holding between 20% and 50% of the voting rights. The determination of significant influence includes a consideration of the Group's ability to participate in the financial and operating policies of the entity.

The Group's interests in joint ventures and associates are recognised using the equity method of accounting and are initially recognised at cost, with the exception of interests in joint ventures or associates 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 and associates is recognised in profit or loss 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.

Where the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealised gains on transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associate or joint venture. Unrealised losses are also eliminated to the extent of the Group's interest in the associate or joint venture unless they provide evidence of impairment of the Group's interest in the associate or joint venture.

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

1.27 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 net trading income as they arise.

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

1.28 Sale and repurchase agreements

Debt securities sold subject to a commitment to repurchase them are retained in the statement of financial position when substantially all the risks and rewards of ownership remain with the Group. The liability to the counterparty is included separately in the statement of financial position 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 statement of financial position.

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.

1.29 Share capital

On 21 January 2009, under the terms of the Anglo Irish Bank Corporation Act, 2009, all of the Bank's ordinary and preference share capital was transferred to the Minister for Finance.

Share issue costs

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

1. General information and accounting policies continued

1.29 Share capital continued

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 end of the reporting period are not recognised as a liability until they have been approved by ordinary shareholders. They are disclosed in the events after the reporting period note.

When scrip shares are issued in lieu of dividends the cash equivalent, net of withholding tax when applicable, is written back to retained earnings. 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.

As permitted under Irish legislation, a Group subsidiary held 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 resulted in a loss being reflected in the income statement. Conversely, a fall in the ordinary share price resulted in a gain being reflected in the income statement.

1.30 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.

Business segmental information is based on analysis contained in the Group management accounts. Transactions between business segments are on normal commercial terms and conditions. Internal charges and transfer pricing adjustments are reflected in the performance of each segment. Revenue sharing agreements are used to allocate external customer revenues to the relevant business segment on a reasonable basis.

1.31 Cash and cash equivalents

For the purposes of the statement of cash flows, 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.

1.32 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.

1.33 Significant 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.

Loan impairment

The estimation of potential loan losses is inherently uncertain and dependant upon many factors. On an on-going basis potential issues are identified as a result of individual loans being regularly monitored. The Group also performs semi-annually a formal bottom up review of its loan portfolios. This loan monitoring and review process determines whether there is any objective evidence of incurred impairment. Impairment under IFRS is only recognised in respect of incurred losses. Future potential losses cannot be provided for. If there is objective evidence that a loan is currently impaired, a provision is recognised equating to the amount by which the carrying 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 requires the exercise of considerable subjective judgement by management involving matters such as future economic conditions, trading performance of client businesses and the valuation of the underlying collateral held. Provision calculations are highly sensitive to the underlying assumptions made in relation to the amount and timing of future cash flows, including the sale of assets held as collateral. The Group’s assessment, in cases where it plans to continue to support the borrower, is primarily based on the strategy and business model of the client, and these may make assumptions in relation to a return to more normalised property market conditions and higher asset values over time. The majority of the Group’s collateral consists of property assets. The values of these assets have declined significantly as a result of the economic downturn. In the current market, where there is limited transactional activity, there may be a wide range of valuation estimates. Changes in estimated realisable collateral values and the timing of their realisation could have a material effect on the amount of impairment provisions reflected in the income statement and the closing provisions in the statement of financial position.

The Group has evaluated the impact on its specific impairment charge, for both loans and advances to customers and loans classified as held for sale, of applying a lower estimate of the realisable value of collateral and of a change in the timing of the realisation of these assets. The Bank estimates that a decrease of 10% in realisable collateral values on currently impaired loans would have increased the impairment charge for the period by approximately €2.0bn. Similarly, an extension of one year in the timing of the realisation of these assets would have increased the impairment charge by approximately €0.6bn. These estimates are based on impaired loans at 31 December 2009. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly.

An additional incurred but not reported ('IBNR') collective provision is required to cover losses inherent in the loan book where there is objective evidence to suggest that it contains impaired loans, but the individual impaired loans cannot yet be identified. 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 incurred loss factors to groups of loans sharing common risk characteristics. Loss factors are determined by historical loan loss experience as adjusted for current observable market data. Adjustments reflect the impact of current conditions that did not affect the years on which the historical loss experience is based and remove the effects of conditions in the historical period that do not exist currently. The provision amount is also adjusted to reflect the appropriate loss emergence period. The loss emergence period represents the time it takes following a specific loss event on an individual loan for that loan to be identified as impaired. The loss emergence period applied in the period was six months (30 September 2008: twelve months).

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. For loan impairment details, see note 27.

Assets classified as held for sale
Assets that the Bank believes will be transferred to NAMA are classified as held for sale in the statement of financial position. The Bank has no control over the quantity of eligible assets that NAMA will acquire or over the valuation NAMA will place on those assets. NAMA has not confirmed to the Bank the total value of eligible assets it expects to purchase or the consideration it will pay in respect of those assets. Assets continue to be measured on the same basis as prior to their reclassification as held for sale.

Assets will continue to be carried in the statement of financial position until they legally transfer to NAMA. The amount of consideration received from NAMA will be measured at fair value and any difference between the carrying value of the asset on the date of transfer and the consideration received will be recognised in the income statement.

Impairment of available-for-sale financial assets
In the case of debt instruments classified as available-for-sale financial assets the Group has considered the decline in fair values to ascertain whether any impairment has occurred. Impairment is recognised when there is objective evidence that a specific financial asset is impaired. Evidence of impairment is assessed by reference to the underlying assets of the debt instrument, the most up to date market valuations and whether there is evidence of a significant or prolonged decline in fair value, and all other available information. The determination of whether or not objective evidence of impairment is present requires the exercise of management judgement, particularly in relation to asset backed securities ('ABS') where exposures are not to a single obligor but rather to a diverse pool of underlying collateral. In addition, these investments also include credit enhancement features such as over-collateralisation or subordination that must also be evaluated in the impairment assessment.

Carrying amount of investment property
Investment properties held at cost are reviewed regularly to determine their recoverable values and to assess impairment, if any. Where a value in use calculation is performed as part of this review, management estimates the future cash flows expected to be derived from the asset. Expectations of future cash flows, and any variations in their amount or timing, are subject to management judgement. In some cases, recoverable amount is based on management estimates.

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 prices obtained from independent third party pricing service providers, 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. Where non-observable market data is used in valuations, any resulting difference between the transaction price and the valuation is deferred. The deferred day one profit or loss is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs or realised through settlement, depending on the nature of the instrument and availability of market observable inputs. The accuracy of fair value calculations could be affected by unexpected market movements when compared to actual outcomes. Due to the increasing significance of credit related factors, determining the fair value of corporate interest rate derivative financial assets requires considerable judgement. In the absence of unadjusted quoted market prices, valuation techniques take into consideration the credit quality of the underlying loans when determining fair value.

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 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.

1. General information and accounting policies continued

1.33 Significant accounting estimates and judgements continued

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 future profits and 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. The Group's two schemes have been closed to new members since January 1994. 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 statement of financial position could be materially different if an alternative set of assumptions was used.

1.34 Prospective accounting changes

Details of amendments to standards and interpretations adopted during the period are set out in note 1.3. The Group has not applied the following new standards, amendments to standards and interpretations that have been approved 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.

The following will be applied in 2010:

- Amendments to IFRS 2 - Share-based Payment;
- IFRS 3 Revised - Business Combinations;
- Amendments to IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations;
- Amendment to IFRS 7 - Financial Instruments: Disclosures;
- IFRS 8 - Operating Segments;
- Further amendments to IAS 1 - Presentation of Financial Statements;
- Amendment to IAS 7 - Statement of Cash Flows;
- Amendment to IAS 16 - Property, Plant and Equipment;
- Amendment to IAS 17 - Leases;
- Amendment to IAS 19 - Employee Benefits;
- Amendment to IAS 20 - Government Grants and Disclosure of Government Assistance;
- Amendments to IAS 23 - Borrowing Costs;
- Amendments to IAS 27 - Consolidated and Separate Financial Statements;
- Amendments to IAS 28 - Investments in Associates;
- Amendments to IAS 31 - Interest in Joint Ventures;
- Amendments to IAS 36 - Impairment of Assets;
- Amendments to IAS 38 - Intangible Assets;
- Amendments to IAS 39 - Financial Instruments: Recognition and Measurement – Eligible Hedged Items;
- Amendment to IAS 40 - Investment Property; and
- IFRIC Interpretation 17 - Distributions of Non-cash Assets to Owners.

The following will be applied in 2011:

- Amendment to IAS 24 - Related Party Disclosures;
- Amendments to IAS 32 - Financial Instruments: Presentation;
- Amendment to IFRIC Interpretation 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction; and
- IFRIC Interpretation 19 - Extinguishing Financial Liabilities with Equity Instruments.

The following will be applied in 2013:

- IFRS 9 - Financial Instruments: Classification and Measurement.

These will be adopted in future years and, with the exception of IFRS 9 and the amendments to IFRS 7 and IAS 24, are not expected to have a material impact on the Bank's results or financial statements.

IFRS 9 will ultimately replace IAS 39 - Financial Instruments: Recognition and Measurement. Its aim is to reduce the complexity of accounting for financial assets and in so doing to aid investors' and other users' understanding of financial information. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. It also requires a single impairment method to be used which replaces the various methods currently prescribed in IAS 39.

The amendment to IFRS 7 requires the use of a three-level fair value hierarchy to provide additional disclosures about the relative reliability of measurement bases used to calculate financial instrument fair values. In addition, the amendment requires enhanced disclosures in respect of liquidity risk.

The amendment to IAS 24 simplifies the disclosure requirements for Government-related entities and clarifies the definition of a related party.

2. Segmental reporting

Business segments

	15 months ended 31 December 2009					
	Business Lending €m	Treasury €m	Private Banking €m	Group items €m	Inter-segment eliminations €m	Group €m
Revenue from external customers	3,777	482	113	1,653	-	6,025
Inter-segment revenue	-	1,918	-	-	(1,918)	-
Total revenue	3,777	2,400	113	1,653	(1,918)	6,025
Operating loss	(12,370)	(1,465)	(440)	1,564	-	(12,711)
Share of results of associate and joint ventures	-	-	(167)	-	-	(167)
Profit on disposal of Anglo Irish Bank (Austria) A.G.	-	-	49	-	-	49
Loss before taxation	(12,370)	(1,465)	(558)	1,564	-	(12,829)
External assets	55,440	18,069	3,211	8,492	-	85,212
Inter-segment assets	753	59,301	-	-	(60,054)	-
Total assets	56,193	77,370	3,211	8,492	(60,054)	85,212
External liabilities	83	77,370	1,106	2,483	-	81,042
Equity	-	-	-	4,170	-	4,170
Inter-segment liabilities	56,110	-	2,105	1,839	(60,054)	-
Total equity and liabilities	56,193	77,370	3,211	8,492	(60,054)	85,212
Additional information:						
Capital expenditure	7	3	-	7	-	17
Depreciation and amortisation	18	5	3	9	-	35
Provisions for impairment	14,194	471	440	-	-	15,105
Other non-cash expenses	10	5	2	5	-	22
Interests in joint ventures	-	-	142	-	-	142

Geographical segments

	15 months ended 31 December 2009				
	Republic of Ireland €m	UK & IOM €m	USA €m	Rest of the World €m	Group €m
Revenue from external customers	3,315	2,328	369	13	6,025
Total external assets	58,102	17,368	9,699	43	85,212
Capital expenditure	14	3	-	-	17

2. **Segmental reporting** continued

Business segments — Year ended 30 September 2008

	Business Lending €m	Treasury €m	Private Banking €m	Group items €m	Inter-segment eliminations €m	Group €m
Revenue from external customers	5,152	1,011	269	(13)	-	6,419
Inter-segment revenue	-	3,551	-	-	(3,551)	-
Total revenue	5,152	4,562	269	(13)	(3,551)	6,419
Operating profit	912	(228)	62	19	-	765
Share of results of associate and joint ventures	-	-	(1)	-	-	(1)
Profit on disposal of Anglo Irish Bank (Suisse) S.A.	-	-	20	-	-	20
Profit before taxation	912	(228)	81	19	-	784
External assets	69,940	26,099	5,040	242	-	101,321
Inter-segment assets	938	62,780	-	9,088	(72,806)	-
Total assets	70,878	88,879	5,040	9,330	(72,806)	101,321
External liabilities	-	88,879	3,112	5,198	-	97,189
Equity	-	-	-	4,132	-	4,132
Inter-segment liabilities	70,878	-	1,928	-	(72,806)	-
Total equity and liabilities	70,878	88,879	5,040	9,330	(72,806)	101,321
Additional information:						
Capital expenditure	14	6	6	10	-	36
Depreciation and amortisation	10	5	2	10	-	27
Provisions for impairment	722	155	2	-	-	879
Other non-cash expenses	5	2	1	4	-	12
Interests in joint ventures	-	-	284	-	-	284
Interest in associate	-	-	16	-	-	16

Geographical segments — Year ended 30 September 2008

	Republic of Ireland €m	UK & IOM €m	USA €m	Rest of the World €m	Group €m
Revenue from external customers	4,066	1,810	509	34	6,419
Total external assets	68,350	23,466	9,391	114	101,321
Capital expenditure	28	7	-	1	36

Revenue includes interest and similar income, fee and commission income, net trading (expense)/income, the net change in value of financial assets designated at fair value, gains on repurchase of financial liabilities measured at amortised cost and other operating income. Inter-segment transactions are conducted on an arm's length basis. Group items include gains on repurchase of financial liabilities measured at amortised cost, the return earned on the Group's equity capital, the margin cost of subordinated liabilities and other capital instruments, and other central items. The geographical segments are based primarily on the location of the office sourcing the transaction.

3. Net interest income

	15 months ended 31 December 2009 €m	Year ended 30 September 2008 €m
Interest and similar income		
Interest on loans and advances to banks	**194**	524
Interest on loans and advances to customers	**4,091**	5,306
Interest on available-for-sale financial assets	**336**	476
Finance leasing and hire purchase income	**5**	8
	4,626	6,314
Interest on financial assets at fair value through profit or loss held on own account	**8**	10
	4,634	6,324
Interest expense and similar charges		
Interest on deposits from banks	**(758)**	(528)
Interest on customer accounts	**(1,716)**	(2,574)
Interest on debt securities in issue	**(504)**	(1,003)
Interest on subordinated liabilities and other capital instruments	**(131)**	(331)
	(3,109)	(4,436)
Net interest income	**1,525**	1,888

A reduction in benchmark interest rates across the Bank's three core operating currencies of EUR, GBP and USD has resulted in a decrease in the amounts of gross interest income and expense relative to the prior period.

Group net interest income has declined primarily reflecting an increase in funding costs due to greater competition for customer deposits, drawings on central bank funding, a reduction in lending arrangement fee income due to the extension of expected lives of underlying loans and reduced levels of new business.

Interest on loans and advances to customers includes €1,212m (30 September 2008: €1,371m) which has been capitalised on customer loan balances in accordance with approved credit facilities. The capitalisation or roll-up of interest is an integral feature of development lending, which totals €17.3bn (30 September 2008: €18.3bn) of the gross loan book. Approximately 94% of development lending balances are currently classified as held for sale.

In July 2009, the European Commission, as a condition of its approval of the Government’s capitalisation of the Bank, required that no further coupon payments be made on the Group’s Tier 1 securities (note 42).

Included within net interest income is €236m (30 September 2008: €13m) in respect of impaired loans and advances to customers.

Interest and similar income includes net exchange gains of €47m (30 September 2008: €13m).

4. Fee and commission income and expense

	15 months ended 31 December 2009 €m	Year ended 30 September 2008 €m
Fee and commission income		
Corporate treasury commissions	**61**	73
Asset management and related fees	**15**	28
Financial guarantee fees	**12**	13
Trust and other fiduciary fees	**1**	8
Other fees	**9**	21
	98	143
Fee and commission expense	**(142)**	(11)

Fees which are an integral part of the effective interest rate of a financial instrument are included in net interest income.

The Corporate Treasury division provides foreign exchange and interest rate management services to the Bank's corporate clients. Corporate treasury commissions have reduced in the current financial period due to decreased sales of interest rate derivatives as a result of a reduction in new lending volumes.

Asset management and related fees are earned for the sourcing, structuring and on-going management of investments on behalf of clients. The decline in these fees in the current period reflects the significant reduction in new client investment activity and a decrease in the value of assets under management. The decrease in both trust and other fiduciary fees and other fees is primarily due to the disposal of Anglo Irish Bank (Suisse) S.A. in February 2008 and Anglo Irish Bank (Austria) A.G. in December 2008 (note 14).

Fee and commission expense includes €134m (30 September 2008: €nil) in relation to the Irish Government guarantee scheme. Further details of the scheme are provided in note 55.

5. Net trading (expense)/income

	15 months ended 31 December 2009 €m	Year ended 30 September 2008 €m
Interest rate contracts	**(251)**	24
Foreign exchange contracts	**(179)**	(10)
Credit contracts	**1**	(9)
Hedge ineffectiveness	**2**	(1)
	(427)	4

The Group's corporate lending clients typically enter into interest rate swaps with the Bank to hedge their exposure to rising interest rates. Interest rate contracts include credit fair value losses of €212m (30 September 2008: €nil) relating to these swaps, reflecting the deterioration in corporate counterparty credit quality (note 21).

Interest rate contracts also include negative mark-to-market movements of €47m (30 September 2008: €8m) in respect of interest rate swaps entered into in connection with the acquisition of investment assets by the Group's Private Banking business that have not been allocated to policyholders under investment contracts or sold to Private Banking clients.

Included within foreign exchange contracts is the impact of a non-trading Japanese Yen financing arrangement, which was first entered into in May 2008 and ended during December 2008 and January 2009. The financing arrangement was intended to reduce the Group's overall net cost of funding and was structured in a manner which was anticipated to result in no net after tax loss for the Group arising from currency fluctuations. In the six months to 31 March 2009 the arrangement resulted in a pre-tax loss of €181m but an after tax benefit of €17m. However, due to the significant operating losses incurred by the Group in the nine months to 31 December 2009, €97m of taxation benefit has not been recognised resulting in a pre-tax loss for the fifteen month period to 31 December 2009 of €181m (30 September 2008: €31m) and an after tax cost of €80m (30 September 2008: gain of €6m). The potential benefit of these losses carried forward is a component of unrecognised deferred tax assets in note 35.

6. Financial assets designated at fair value

	15 months ended 31 December 2009 €m	Year ended 30 September 2008 €m
Net change in value of financial assets designated at fair value through profit or loss held on own account	**(53)**	(128)

The net change in value includes negative fair value movements on debt securities of €51m (30 September 2008: €128m) and net losses on equity shares of €2m (30 September 2008: €nil).

The charge in the current period primarily relates to negative fair value movements on asset backed securities indirectly linked to residential and commercial mortgage markets and collateralised loan obligations. Market valuations of these securities have been adversely impacted during the period by continued weakening underlying credit fundamentals in certain structured finance investments as well as illiquidity for these assets. The residual carrying value is €76m (30 September 2008: €163m (note 20)).

7. Gains on repurchase of financial liabilities measured at amortised cost

	15 months ended 31 December 2009 €m	Year ended 30 September 2008 €m
Gains on repurchases under the Group's liability management exercise ('LME')	**1,752**	-
Gains on other repurchases	**6**	30
	1,758	**30**

The Group repurchased certain subordinated liabilities in August 2009 as part of its ongoing capital management activities. €1,805m of Tier 1, €307m of Upper Tier 2 and €388m of Lower Tier 2 securities were bought back at prices of 27%, 37% and 55% of par respectively (note 42).

The net gain of €1,752m results from consideration paid of €819m extinguishing securities with a carrying value of €2,571m. The gain includes the release of hedge accounting fair value adjustments following termination of the related interest rate swaps.

8. Other operating income

	15 months ended 31 December 2009 €m	Year ended 30 September 2008 €m
Decrease in value of assets designated at fair value held in respect of liabilities to customers under investment contracts	**(534)**	(308)
Decrease in value of liabilities designated at fair value held in respect of liabilities to customers under investment contracts	**539**	329
Net gains on disposal of available-for-sale financial assets	**5**	17
Rental income	**11**	5
Net losses on disposal of trade finance assets	**(6)**	-
Other	**-**	3
	15	46

The decrease in the value of assets held in respect of liabilities to customers under investment contracts in the current period (see note 40) results from the decline in the market values of property and financial assets held on behalf of policyholders, in particular the declines in the market value of UK commercial property and in equity markets.

The elimination of negative investment returns on own shares and subordinated liabilities held for the benefit of policyholders gave rise to a credit of €5m (30 September 2008: €28m).

The Group recognised gains of €25m on the sale of €0.8bn of government bonds during the period. These capital gains were offset by capital losses of €20m on the disposal of asset backed securities and investments in bank subordinated debt.

9. Administrative expenses

	15 months ended 31 December 2009 €m	Year ended 30 September 2008 €m
Staff costs:		
Wages and salaries	**114**	143
Share-based payment schemes (note 10)	**31**	21
Retirement benefits cost - defined contribution plans	**17**	14
Retirement benefits cost - defined benefit plans (note 11)	**4**	2
Social welfare costs	**14**	18
Other staff costs	**6**	8
	186	206
Other administrative costs	**117**	95
Exceptional costs	**42**	-
	345	301

The decrease in wages and salaries and related social welfare costs reflects a reduction in variable employee compensation and a fall in average staff numbers from 1,864 to 1,681 primarily due to the disposal of the Bank's Austrian and Swiss private banking businesses.

Share-based payment schemes includes an equity settled share-based payment expense of €22m relating to share options and awards granted in previous years. This accounting charge is determined by reference to the fair value of the options or share awards calculated on the date of grant and does not reflect the current value to employees which is nil. The expense has no impact on the Bank's total equity as an equivalent amount is credited to the share-based payment reserve. As required by IFRS the expense includes an accelerated charge of €21m following nationalisation. No options or share awards were granted to employees in the current period and all rights outstanding were extinguished for zero benefit following the Bank's nationalisation in January 2009.

During the period the Group completed an extensive review of its business and activities, which formed the basis for a restructuring plan that was submitted to the European Commission ('EC') in November 2009. Among the key elements of the restructuring plan is a redundancy programme to reduce the cost base of the operation and a plan to sell certain eligible assets to NAMA.

Exceptional costs are those incurred in relation to the Bank's EC restructuring plan, the NAMA process and nationalisation. The figure includes €13m in respect of redundancy and other staff costs and €4m in respect of provisions for onerous contracts. The balance primarily relates to professional and legal fees, €11m of which were incurred by external parties and have been, or are due to be, recharged to the Bank.

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

	15 months ended 31 December 2009 number	Year ended 30 September 2008 number
Republic of Ireland	**968**	1,024
United Kingdom and Isle of Man	**573**	575
United States of America	**106**	120
Rest of the World	**34**	145
	1,681	1,864

As part of the Group's restructuring process a voluntary redundancy programme commenced in November 2009, the effect of which is not reflected in the above headcount numbers. Once the redundancy programme is complete, it is expected that the Group headcount will be below 1,300.

10. Share-based payment schemes

Following the Bank’s nationalisation in January 2009 the actual value of share options and awards previously granted to employees and former Directors amounted to nil. No options or share awards were granted to employees in the current period and all rights outstanding were extinguished for zero benefit under the Anglo Irish Bank Corporation Act, 2009.

The share-based payment cost includes an equity settled share-based payment expense of €22m relating to share options and awards granted in previous years. This accounting charge is determined by reference to the fair value of the options or share awards calculated on the date of grant and does not reflect the current value to employees which is nil. The expense has no impact on the Bank’s total equity as an equivalent amount is credited to the share-based payment reserve. As required by IFRS the expense includes an accelerated charge of €21m following nationalisation.

Further details in respect of the share-based incentive plans that were operated by the Group are given below.

Employee Share Option Scheme

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

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

Basic tier options could 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 could be exercised only between the fifth and tenth anniversaries of their grant, or at such earlier time as approved by the Directors.

The exercise of basic tier options granted since 15 January 1999 was 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 was 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 ranking in the top quartile of companies in the ISEQ Index of the Irish Stock Exchange as regards growth in earnings per share.

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 could purchase ordinary shares of the Bank in the open market. Eligible employees could 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.

Save As You Earn Scheme

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

The Irish version permitted eligible employees to enter into a savings contract with the Bank for a three or five year period saving a maximum of €500 (€320 for contracts entered into prior to 1 February 2008) 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 were granted at a 25% discount to the market price on the date that employees were invited to enter into these contracts. These options became exercisable when the participants' savings contracts were completed. Participants were entitled to withdraw their savings at any stage at which point the savings contract was terminated and the options lapsed.

A variation of the Anglo Irish Bank SAYE scheme was introduced for all UK staff of the Group in 2001. This scheme permitted 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 were 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.

10. Share-based payment schemes continued

Save As You Earn Scheme continued

A US sub-plan complying with US legislation was put in place during 2006. This scheme permitted eligible employees to enter into a three or five year savings contract for three, five or seven year options. Employees were permitted to save a maximum of US$400 per month. Options were granted at a 25% discount to the market price on the date that employees were invited to enter into these contracts.

All options outstanding in relation to the Swiss and Austrian versions of the scheme were either exercised or forfeited on the disposal of Anglo Irish Bank (Suisse) S.A. in February 2008 and Anglo Irish Bank (Austria) A.G. in December 2008.

Following the Anglo Irish Bank Corporation Act, 2009, which extinguished all options under the SAYE scheme, participants were entitled to continue with their savings contract but were no longer able to use the proceeds to fund the exercise of options.

Performance Share Plan ('PSP')

On 1 February 2008 the shareholders approved the establishment of the Anglo Irish Bank Performance Share Plan ('PSP'). The Remuneration Committee granted conditional awards of ordinary shares to eligible employees under the terms of the scheme.

PSP awards would only vest on the third anniversary of their grant if the financial performance, strategic risk and capital management of the Group over the performance period was satisfactory. Performance would be judged by the Remuneration Committee having considered the relevant performance measures over the period. The percentage of the original award which would vest was based on the Group’s Total Shareholder Return ('TSR') over the three-year period relative to a comparator group of financial services companies. TSR represents share price growth plus dividends. The percentage of awards that would vest was calculated as follows:

Percentile TSR ranking of Group	Percentage of total award shares to vest
Less than 50%	0%
Exactly 50%	50%
Between 50% and 75%	Between 50% and 100% on a straight-line interpolation basis
Exactly 75%	100%
Between 75% and 100%	Between 100% and 125% on a straight-line interpolation basis

Approved Profit Sharing Scheme ('APSS')

The Group operated a share acquisition scheme on terms approved by the Irish Revenue. There were no vesting conditions and the scheme was 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 was paid to employees. Eligible employees could elect to receive their profit share allocations either in the form of shares or in cash. Such shares were purchased in the open market and held by trustees for a minimum period of two years.

The shares were 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 could also elect to forgo an amount of salary, subject to certain limitations, and use the amount of salary forgone to fund the acquisition of additional shares. The maximum market value of shares that could be appropriated by any employee in a year could not exceed €12,700. Included in the share-based payment cost for the period is a cash settled share-based payment expense of €9m (30 September 2008: €9m) in relation to the profit sharing scheme, €2m (30 September 2008: €5m) of which was paid in shares, resulting in the trustees acquiring 4,048,938 (30 September 2008: 504,290) shares at a purchase price of €0.38 (30 September 2008: €10.74).

Deferred Share Scheme ('DSS')

Under this scheme conditional share awards were granted to eligible Group employees as part of their remuneration package. These share awards were conditional on the relevant employees remaining in the Group's employment for three years from their grant date. The cost of the DSS was expensed evenly to the income statement over the three year vesting period.

Movements in share awards

Movements in share awards granted under Group share incentive plans were as follows:

PSP	**15 months ended 31 December 2009**		Year ended 30 September 2008	
	Number of conditional awards '000	**Weighted average grant price €**	Number of conditional awards '000	Weighted average grant price €
Outstanding at beginning of period	**498**	**9.37**	-	-
Granted	**-**	**-**	498	9.37
Forfeited	**(293)**	**9.37**	-	-
Extinguished	**(205)**	**9.37**	-	-
Outstanding at end of period	**-**	**-**	498	9.37

DSS	**15 months ended 31 December 2009**		Year ended 30 September 2008	
	Number of conditional awards '000	**Weighted average grant price €**	Number of conditional awards '000	Weighted average grant price €
Outstanding at beginning of period	**1,125**	**11.98**	1,104	11.65
Granted	**-**	**-**	478	10.64
Vested	**(358)**	**11.53**	(278)	8.32
Forfeited	**(25)**	**12.87**	(179)	12.06
Extinguished	**(742)**	**12.16**	-	-
Outstanding at end of period	**-**	**-**	1,125	11.98

10. **Share-based payment schemes** continued

Movements in options

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

ESOS	15 months ended 31 December 2009		Year ended 30 September 2008	
	Number of options '000	Weighted average exercise price €	Number of options '000	Weighted average exercise price €
Outstanding at beginning of period	**14,401**	**9.82**	16,219	8.91
Granted	-	-	1,976	9.93
Exercised	-	-	(3,118)	5.01
Forfeited	**(1,200)**	**6.72**	(676)	10.51
Extinguished	**(13,201)**	**10.10**	-	-
Outstanding at end of period	-	-	14,401	9.82
Exercisable at end of period	-	-	3,129	5.37

ESOP	15 months ended 31 December 2009		Year ended 30 September 2008	
	Number of options '000	Weighted average exercise price €	Number of options '000	Weighted average exercise price €
Outstanding at beginning of period	**3,264**	**11.65**	3,200	11.54
Granted	-	-	662	9.92
Exercised	-	-	(399)	7.60
Forfeited	-	-	(199)	12.28
Extinguished	**(3,264)**	**11.65**	-	-
Outstanding at end of period	-	-	3,264	11.65
Exercisable at end of period	-	-	727	7.90

SAYE	15 months ended 31 December 2009		Year ended 30 September 2008	
	Number of options '000	Weighted average exercise price €	Number of options '000	Weighted average exercise price €
Outstanding at beginning of period	**3,895**	**5.08**	2,574	7.76
Granted	-	-	4,688	5.61
Exercised	-	-	(641)	3.43
Forfeited	**(3,331)**	**4.96**	(2,726)	8.69
Extinguished	**(564)**	**5.19**	-	-
Outstanding at end of period	-	-	3,895	5.08
Exercisable at end of period	-	-	71	6.64

11. 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. The Group's liability in respect of the Austrian unfunded defined benefit pension plans was transferred on the sale of Anglo Irish Bank (Austria) A.G. on 19 December 2008.

Neither the Group nor the Bank operates a post-employment medical benefit scheme.

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 the two 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 31 December 2009 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	**31 December 2009 % p.a.**	30 September 2008 % p.a.
Discount rate for liabilities of the schemes	**6.00**	6.00
Rate of increase in salaries	**3.00**	4.00
Rate of increase in pensions	**2.00 to 3.00**	2.50 to 3.00
Inflation rate	**2.00**	2.50

Mortality assumptions

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

	31 December 2009	30 September 2008
Longevity at age 60 for current pensioners (years)		
Males	**26.2**	25.3
Females	**29.3**	28.4
Longevity at age 60 for future pensioners (years)		
Males	**27.4**	26.5
Females	**30.5**	29.6

Sensitivity analysis

Sensitivity analysis for each of the principal assumptions used to measure the schemes' liabilities at 31 December 2009 is as follows:

		Impact on scheme liabilities	
	Change in assumption	**increase by %**	**increase by €m**
Discount rate	Decrease 0.5%	9.8%	9
Rate of increase in salaries	Increase 0.5%	1.5%	1
Inflation rate	Increase 0.5%	3.7%	3
Life expectancy	Increase by 1 year	2.2%	2

11. Retirement benefits continued

Assets

The expected long term rate of return on assets of 5.4% (30 September 2008: 6.0%) at the period 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 31 December 2009 %	**% of scheme assets 31 December 2009 %**	**Market value of assets 31 December 2009 €m**	Expected return 30 September 2008 %	% of scheme assets 30 September 2008 %	Market value of assets 30 September 2008 €m
Equities	**7.8**	**34**	**33**	8.3	38	41
Bonds	**4.0**	**60**	**59**	4.1	44	47
Property	**6.8**	**3**	**3**	7.3	3	3
Hedge funds	**6.8**	**1**	**1**	7.3	7	8
Cash	**2.5**	**2**	**2**	4.0	8	9
Total market value of schemes' assets			**98**			108
Actuarial value of liabilities of funded schemes			**(91)**			(102)
Surplus in the funded schemes - parent Bank			**7**			6
Pension reimbursement right in subsidiary			**-**			3
Retirement benefit assets - Group			**7**			9

At 31 December 2009, the assets of the pension schemes included ordinary shares in the parent Bank amounting to €nil (30 September 2008: €0.1m).

Retirement benefit liabilities - Group	**31 December 2009 €m**	30 September 2008 €m
Present value of unfunded obligations in subsidiary	**-**	(6)

The present value of unfunded obligations of €6m at 30 September 2008 and the related reimbursement right of €3m were transferred on the sale of Anglo Irish Bank (Austria) A.G. on 19 December 2008.

Components of pension expense

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

	Group and Bank	
	15 months ended 31 December 2009 €m	Year ended 30 September 2008 €m
Included in administrative expenses:		
Current service cost	**2**	3
Past service cost	**-**	2
Expected return on assets of pension schemes	**(8)**	(8)
Interest on liabilities of pension schemes	**8**	5
Settlement loss	**2**	-
Cost of providing defined retirement benefits (note 9)	**4**	2

The actual return on assets during the period ended 31 December 2009 was €2m (year ended 30 September 2008: loss of €17m).

Amount recognised in statement of comprehensive income

	The Group		The Bank	
	15 months ended 31 December 2009 €m	Year ended 30 September 2008 €m	**15 months ended 31 December 2009 €m**	Year ended 30 September 2008 €m
Change in assumptions underlying the present value of schemes' liabilities	**4**	2	**4**	1
Experience gains on liabilities of the pension schemes	**4**	2	**4**	2
Actual return less expected return on assets of the pension schemes	**(6)**	(25)	**(6)**	(25)
Actuarial gains/(losses) recognised under IAS 19	**2**	(21)	**2**	(22)
Deferred tax on actuarial (gains)/losses	**-**	3	**-**	3
Actuarial gains/(losses) after tax	**2**	(18)	**2**	(19)
Cumulative amount of after tax actuarial losses recognised since 1 October 2004 in statement of comprehensive income to end of period	**(11)**	(13)	**(12)**	(14)

The change in assumptions underlying the present value of schemes' liabilities for the Group in the prior year includes a gain of €1m in respect of the unfunded scheme in the Group's Austrian subsidiary.

Employer contributions to funded schemes

The expected employer contributions for defined benefit schemes for the year ending 31 December 2010 are €2m.

The following tables provide information in respect of the assets and obligations of the Group's funded defined benefit pension schemes. The pension obligations in the Group's former Austrian subsidiary were unfunded.

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

	31 December 2009 €m	30 September 2008 €m
Fair value of schemes' assets at beginning of period	**108**	123
Expected return	**8**	8
Contributions paid by employer	**3**	4
Benefit payments	**(15)**	(2)
Actuarial loss during period	**(6)**	(25)
Fair value of schemes' assets at end of period	**98**	108

11. Retirement benefits continued

Reconciliation of defined benefit obligations during the period

	31 December 2009 €m	30 September 2008 €m
Defined benefit obligation at beginning of period	**102**	97
Current service cost	**2**	3
Past service cost	**-**	2
Interest cost	**8**	5
Benefit payments	**(15)**	(2)
Settlement loss	**2**	-
Actuarial gain during period	**(8)**	(3)
Defined benefit obligation at end of period	**91**	102

History of experience gains and losses in funded and unfunded schemes	31 December 2009 €m	30 September 2008 €m	30 September 2007 €m	30 September 2006 €m
Difference between actual and expected return on assets:				
Amount	**(6)**	(25)	(1)	3
Percentage of schemes' assets at period end	**6%**	23%	1%	3%
Experience gains/(losses) on liabilities:				
Amount	**4**	2	(4)	(1)
Percentage of schemes' liabilities at period end	**4%**	2%	4%	1%
Total gross amount recognised in statement of comprehensive income	**2**	(21)	14	6

Defined benefit pension schemes

	31 December 2009 €m	30 September 2008 €m	30 September 2007 €m	30 September 2006 €m
Scheme assets	**98**	108	123	118
Funded defined benefit obligation	**(91)**	(102)	(97)	(105)
Surplus within funded schemes	**7**	6	26	13

12. Auditors' remuneration (including irrecoverable VAT)

On 1 September 2009 Ernst & Young resigned as auditors of the Group, and on 21 September 2009 Deloitte & Touche were appointed.

	15 months ended 31 December 2009 €m
Current auditors:	
Statutory audit	**1.0**
Audit related services	**0.2**
Other services	**1.0**
	2.2

Other fees for Deloitte & Touche relate primarily to advisory work in respect of the restructuring of the Bank, and include all fees earned since 1 October 2008. Of this amount, €0.3m was earned prior to their appointment as auditors on 21 September 2009.

	15 months ended 31 December 2009 €m	Year ended 30 September 2008 €m
Former auditors:		
Statutory audit	**1.4**	1.3
Audit related services	**0.2**	0.5
Other services	**0.3**	0.4
	1.9	2.2

Statutory audit fees charged by Ernst & Young during the current period include fees for additional work performed in respect of the 2008 audit and fees in respect of their review of the Bank's 2009 Interim Report.

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 and letters of comfort. Auditors' remuneration is included within administrative expenses.

13. Provisions for impairment

	15 months ended 31 December 2009 €m	Year ended 30 September 2008 €m
Loans and advances to customers (note 27)		
Specific	**13,861**	224
Collective	**583**	500
	14,444	724
Debt securities - available-for-sale ('AFS') financial assets (note 26)		
Financial institutions	**4**	27
Residential mortgage backed securities	**31**	-
Other asset backed securities ('ABS')	**436**	128
	471	155
Investment property - held on own account (note 32)		
Attributable to owners of the parent	**92**	-
Attributable to non-controlling interests	**9**	-
	101	-
Financial guarantee contracts and other credit provisions (note 41)	**89**	-
Total provisions for impairment	**15,105**	879

The increase in provisions for impairment on loans and advances to customers in the current period reflects extremely difficult economic conditions and significant declines in property valuations across the Group's key lending markets of Ireland, the UK and North America. The specific charge comprises €10,815m (30 September 2008: €112m) in respect of Ireland, €2,248m (30 September 2008: €101m) in respect of the UK and €798m (30 September 2008: €11m) in respect of North America.

The specific charge for the period includes provisions in respect of loans eligible for transfer to NAMA. Closing specific provisions of €10,120m in respect of these loans have been reclassified as held for sale. NAMA loans continue to be carried at amortised cost less provisions for impairment.

By loan category, the specific charge comprises €8,040m (30 September 2008: €35m) in respect of commercial lending, €2,871m (30 September 2008: €181m) in respect of residential lending, €1,078m (30 September 2008: €nil) in respect of business banking and €1,872m (30 September 2008: €8m) in respect of other lending.

The collective provision is applied to portfolios of customer loans for which there is no evidence of specific impairment. It has been calculated with reference to historical loss experience supplemented by observable market evidence and management's judgement regarding current market conditions. The provision amount is also adjusted to reflect the appropriate loss emergence period. The loss emergence period represents the time it takes following a specific loss event on an individual loan for that loan to be identified as impaired. This is determined by taking account of current credit risk management practices together with historical loss experience. The loss emergence period applied for the current period is six months (30 September 2008: twelve months).

Additional information explaining the increase in lending impairment is provided in the Business review.

The Group incurred an impairment charge of €471m on its portfolio of AFS financial assets during the current period. €141m was incurred in the six months ending 31 March 2009 and an additional €330m in the remainder of the period. While the prices of certain asset classes have improved in the latter half of 2009, others have shown further signs of deterioration. The charge for other ABS for the period comprises €150m in relation to collateralised debt obligations ('CDO') on commercial real estate ('CRE'), €111m in relation to CDO investments with US bank capital instruments as the underlying collateral, €112m in respect of CDO of ABS indirectly linked to the US sub-prime mortgage market, €42m in relation to collateralised loan obligations ('CLO') and the remainder primarily relating to other investment securities with varied classes of underlying collateral. The Bank's residual exposure to other asset backed securities (including amounts in the AFS reserve) is €572m and includes the following asset classes: CLO €306m, CMBS €93m, CDO CRE €64m, Student loan ABS €64m.

Impairment on investment property held on own account reflects weakening economic conditions in the markets where the assets are located and a reduction in the recoverable amounts of the assets, based on the estimated future cash flows to be derived from those assets.

Financial guarantee contracts and other credit provisions primarily represent obligations which arose during the period under guarantees provided by the Group in respect of certain lending to customers. €78m of the charge relates to customer facilities which are eligible for transfer to NAMA.

14. Profit on disposal of businesses

	15 months ended 31 December 2009 €m	Year ended 30 September 2008 €m
Cash consideration received	**141**	114
Carrying value of net assets on date of disposal excluding goodwill	**(92)**	(46)
	49	68
Goodwill recovered (note 31)	**-**	(48)
Profit on disposal	**49**	20

On 19 December 2008 the Group completed the sale of Anglo Irish Bank (Austria) A.G. for a consideration of €141m. The consideration was part financed by a subordinated loan of €24m from the Group to the purchaser and the transaction gave rise to a profit on disposal of €49m.

On 29 February 2008 the Group disposed of Anglo Irish Bank (Suisse) S.A. for a consideration of €114m, which gave rise to a profit on disposal of €20m.

15. Taxation

	15 months ended 31 December 2009 €m	Year ended 30 September 2008 €m
Current taxation		
Irish corporation tax - current period	**(91)**	105
- prior year	**-**	1
Double taxation relief	**-**	(6)
Foreign tax - current period	**13**	39
- prior year	**7**	(1)
	(71)	138
Deferred taxation		
Current period - temporary timing differences (note 35)	**(49)**	(18)
Taxation (credit)/charge for period	**(120)**	120
Effective tax rate	**(0.9%)**	15.3%

The reconciliation of taxation on (losses)/profits at the standard Irish corporation tax rate to the Group's actual tax (credit)/charge is analysed as follows:

	15 months ended 31 December 2009 €m	Year ended 30 September 2008 €m
(Loss)/profit before taxation at 12.5%	**(1,604)**	98
Effects of:		
Deferred tax asset not recognised on losses available for carry forward	**1,487**	-
Foreign earnings subject to different tax rates including the impact of a Japanese Yen financing arrangement (note 5)	**(47)**	12
Deferred tax adjustments in respect of prior periods	**15**	-
Unrealised losses on investments	**10**	-
Under-provision in prior periods	**7**	-
Other	**12**	10
Taxation (credit)/charge for period	**(120)**	120

A current tax credit has been recognised to the extent that losses can be carried back against prior period profits.

A deferred tax credit has been recognised to the extent that it is probable that future taxable profits will be available against which losses can be utilised.

16. (Loss)/profit attributable to owner of the parent

The Group loss for the period attributable to the owner of the parent includes €12,790m (30 September 2008: profit of €641m) which 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.

17. Non-controlling interests

The loss attributable to non-controlling interests is analysed as follows:

	15 months ended 31 December 2009 €m	Year ended 30 September 2008 €m
Impairment attributable to non-controlling interests	**(9)**	-
Decrease in fair value of net assets held under investment contracts attributable to non-controlling interests (note 8)	**-**	(7)
Other non-controlling interests	**(1)**	1
	(10)	(6)

18. Distributions on equity shares

	15 months ended 31 December 2009 €m	Year ended 30 September 2008 €m
Ordinary shares of €0.16 each		
2007 final dividend of 13.01c per share	**-**	99
2008 interim dividend of 7.78c per share	**-**	60
	-	159
Final dividend scrip	**-**	(12)
Interim dividend scrip	**-**	(7)
Equity dividends paid	**-**	140

Dividends on ordinary shares are recognised in equity in the period in which they are approved.

19. Cash and balances with central banks

	The Group		**The Bank**	
	31 December 2009 €m	30 September 2008 €m	**31 December 2009 €m**	30 September 2008 €m
Cash and balances with central banks	**302**	1,822	**302**	1,809

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

Cash and balances with central banks primarily relate to the Bank's minimum reserve requirement held with the Central Bank and Financial Services Authority of Ireland. Irish credit institutions must maintain a minimum reserve requirement over a specified maintenance period. Balances can be withdrawn as long as the requirement is met on average over this maintenance period. As a result, period end balances do not necessarily indicate the level of this minimum requirement.

20. Financial assets at fair value through profit or loss

	The Group		The Bank	
	31 December 2009 €m	30 September 2008 €m	**31 December 2009 €m**	30 September 2008 €m
Held on own account				
Debt securities	**76**	163	**76**	163
Equity shares	**42**	70	**16**	23
	118	233	**92**	186
Of which listed	**76**	163	**76**	163
Of which unlisted	**42**	70	**16**	23
	118	233	**92**	186

All of the above financial assets are designated at fair value through profit or loss.

Debt securities which contain embedded derivatives were designated at fair value through profit or loss at inception in accordance with IFRS.

Net fair value losses of €51m and €2m (30 September 2008: €128m and €nil) have reduced the carrying values of debt securities and equity shares respectively (note 6).

The external ratings profile of financial assets at fair value through profit or loss held on own account, excluding equity shares, is as follows:

	The Group		The Bank	
	31 December 2009 €m	30 September 2008 €m	**31 December 2009 €m**	30 September 2008 €m
AAA / AA	**36**	94	**36**	94
A	**13**	26	**13**	26
BBB+ / BBB / BBB-	**13**	31	**13**	31
Sub investment grade	**14**	12	**14**	12
	76	163	**76**	163

	The Group	
	31 December 2009 €m	30 September 2008 €m
Held in respect of liabilities to customers under investment contracts (note 40)		
Investments in property structures	**121**	259
Equity shares	**115**	200
Debt securities	**8**	10
	244	469
Of which listed	**116**	165
Of which unlisted	**128**	304
	244	469

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.

21. Derivative financial instruments

Derivative financial instruments derive their value from the price of underlying variables such as interest rates, foreign exchange rates, credit spreads or equity or other indices. Such instruments enable users to efficiently reduce or alter exposure to market risks. The Group uses derivatives for two primary purposes: to manage and hedge the market risks that arise naturally in its banking and other activities, and to provide risk management solutions for corporate clients for the purpose of assisting these clients in managing their exposures to changes in interest rates and foreign exchange rates. The Group also transacts derivatives on a limited basis for discretionary trading purposes.

With the exception of designated hedging derivatives, as defined by IAS 39, derivatives are treated as held for trading. The held for trading classification comprises corporate sales derivatives, economic hedges which do not meet the strict qualifying criteria for hedge accounting, derivatives managed in conjunction with financial instruments designated at fair value and the Group's trading book.

The notional amount of a derivative contract does not necessarily represent the Group's real exposure to credit risk, which is limited to the current replacement cost of contracts with a positive fair value to the Group should the counterparty default. To reduce credit risk on interbank derivatives the Group uses a variety of credit enhancement techniques such as master netting agreements and collateral support agreements ('CSAs'), where cash security is provided against the exposure. Derivatives are carried at fair value and shown in the balance sheet as separate totals of assets and liabilities.

Details of the objectives, policies and strategies arising from the Group's use of financial instruments, including derivative financial instruments, are presented in note 51 on risk management and control.

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

	The Group					
	31 December 2009			30 September 2008		
	Contract notional amount €m	**Fair values Assets €m**	**Fair values Liabilities €m**	Contract notional amount €m	Fair values Assets €m	Fair values Liabilities €m
Derivatives held for trading						
Interest rate contracts	**127,702**	**1,709**	**(2,392)**	203,604	930	(963)
Foreign exchange contracts	**15,931**	**240**	**(133)**	22,159	507	(311)
Credit derivatives	**20**	**-**	**(3)**	125	-	(5)
Equity index options - held and written	**636**	**14**	**(11)**	658	49	(44)
Total trading derivatives	**144,289**	**1,963**	**(2,539)**	226,546	1,486	(1,323)
Derivatives held for hedging						
Fair value hedges	**7,054**	**345**	**(44)**	8,878	345	(108)
Cash flow hedges	**14,650**	**175**	**-**	11,612	151	(51)
Total hedging derivatives	**21,704**	**520**	**(44)**	20,490	496	(159)
Derivatives held in respect of liabilities to customers under investment contracts (note 40)	**1,100**	**-**	**(86)**	1,207	13	(8)
Total derivative financial instruments	**167,093**	**2,483**	**(2,669)**	248,243	1,995	(1,490)

21. Derivative financial instruments continued

	The Bank					
	31 December 2009			30 September 2008		
	Contract notional amount	**Fair values Assets**	**Fair values Liabilities**	Contract notional amount	Fair values Assets	Fair values Liabilities
	€m	**€m**	**€m**	€m	€m	€m
Derivatives held for trading						
Interest rate contracts	**138,592**	**1,806**	**(2,501)**	219,269	1,067	(1,076)
Foreign exchange contracts	**23,615**	**522**	**(1,025)**	31,097	886	(989)
Credit derivatives	**20**	**-**	**(3)**	125	-	(5)
Equity index options - held and written	**636**	**14**	**(11)**	658	49	(44)
Total trading derivatives	**162,863**	**2,342**	**(3,540)**	251,149	2,002	(2,114)
Derivatives held for hedging						
Fair value hedges	**6,362**	**127**	**(44)**	5,510	80	(37)
Cash flow hedges	**14,650**	**175**	**-**	11,612	151	(51)
Total hedging derivatives	**21,012**	**302**	**(44)**	17,122	231	(88)
Total derivative financial instruments	**183,875**	**2,644**	**(3,584)**	268,271	2,233	(2,202)

The increase in the fair value of derivative assets and derivative liabilities since 30 September 2008 is largely attributable to the reduction in interest rates over the period.

The Group's corporate lending clients typically enter into interest rate swaps with the Bank to hedge their exposure to rising interest rates. The fair value of these contracts, excluding credit quality considerations, increased substantially since 30 September 2008 following a sustained reduction in benchmark interest rates in the period across the Bank's three core operating currencies of EUR, GBP and USD. However, the value of the related collateral, which is mostly in the form of investment property, has declined significantly and accordingly interest rate contracts include negative fair value adjustments reflecting the deterioration in corporate counterparty credit quality (note 5). The Bank manages the market risk arising on the interest rate swaps with corporate counterparties through offsetting interbank derivatives.

Included within interest rate contracts held for trading are assets of €1,065m in relation to transactions with corporate clients. Client originated derivative transactions totalling €410m which have been identified for potential transfer to NAMA are included within assets classified as held for sale (note 23). Both of these amounts are net of credit fair value adjustments that have been applied, totalling €216m.

The majority of the Bank’s derivative transactions with interbank counterparties are covered under CSAs, with cash collateral exchanged on a daily basis (see notes 22 and 37). This significantly reduces the credit risk on interbank derivatives. Were the Bank to net outstanding derivative contracts with counterparties covered under CSAs, this would lead to a reduction in derivative assets and derivative liabilities of €1.0bn (30 September 2008: €0.6bn).

Hedging activities

The Group uses derivatives for hedging purposes to mitigate the market risk exposures arising from its banking and other activities. For accounting purposes the Group uses derivatives which may qualify as fair value hedges or cash flow hedges.

Fair value hedges

The Group uses interest rate swaps and cross-currency interest rate swaps to hedge the interest rate risk and foreign exchange risk resulting from potential changes in the fair value of certain fixed rate assets and liabilities. Hedged assets include fixed rate investment securities held. Hedged liabilities include fixed rate medium term notes and subordinated liabilities issued.

For the period ended 31 December 2009 the Group recognised a net gain of €138m (year ended 30 September 2008: €38m) in net trading income in respect of fair value movements on hedging instruments designated as fair value hedges. The corresponding net loss attributable to the hedged risk on the hedged items also recognised in net trading income was €136m (30 September 2008: €39m).

Cash flow hedges

The Group uses interest rate swaps and forward rate agreements to hedge its exposure to variability in future cash flows on variable rate non-trading assets and liabilities. The Group also hedges certain forecast foreign currency cash flows using forward foreign exchange contracts. Gains and losses are initially recognised directly in equity, in the cash flow hedging reserve (note 45), and are subsequently recognised in profit or loss when the forecast cash flows affect the income statement.

The Group has hedged the following forecast cash flows on operating assets and liabilities. These cash flows are expected to affect the income statement in the following periods, excluding any hedge adjustments that may be applied:

Group and Bank	**31 December 2009**				
	Within one year €m	**Between one to three years €m**	**Between three to five years €m**	**After five years €m**	**Total €m**
Forecast receivable cash flows	**96**	**55**	**27**	**8**	**186**
Forecast payable cash flows	**-**	**-**	**-**	**-**	**-**
	96	**55**	**27**	**8**	**186**

	30 September 2008				
	Within one year €m	Between one to three years €m	Between three to five years €m	After five years €m	Total €m
Forecast receivable cash flows	806	147	65	45	1,063
Forecast payable cash flows	(3)	(5)	(5)	(26)	(39)
	803	142	60	19	1,024

In the period to 31 December 2009 the Group transferred income of €221m (year ended 30 September 2008: income of €16m) from the cash flow hedging reserve to net interest income. There are no forecast transactions for which hedge accounting had previously been used, but that are now no longer expected to occur.

Total hedge ineffectiveness on cash flow hedges credited to net trading income amounted to €0.4m (30 September 2008: charge of €0.1m).

22. Loans and advances to banks

	The Group		The Bank	
	31 December 2009 €m	30 September 2008 €m	**31 December 2009 €m**	30 September 2008 €m
Placements with banks	**3,696**	11,181	**9,488**	9,538
Securities purchased with agreements to resell	**3,664**	2,821	**3,664**	2,821
	7,360	14,002	**13,152**	12,359
Amounts include:				
Due from Group undertakings			**6,848**	-

A credit ratings profile of loans and advances to banks is as follows:

	The Group		The Bank	
	31 December 2009 €m	30 September 2008 €m	**31 December 2009 €m**	30 September 2008 €m
AAA / AA	**1,586**	3,404	**5,732**	3,171
A	**3,447**	9,867	**2,565**	8,618
BBB+ / BBB / BBB-	**2,309**	583	**2,309**	570
Unrated - due from Group undertakings	**-**	-	**2,546**	-
Total held on own account	**7,342**	13,854	**13,152**	12,359
Policyholders' assets (note 40)	**18**	148	**-**	-
	7,360	14,002	**13,152**	12,359

The ratings above are counterparty ratings and do not reflect the existence of government guarantees, where applicable, or the credit risk mitigation provided by collateral received under reverse repurchase agreements.

Loans and advances to banks include short term placements of €2.8bn with entities covered under the Irish Government guarantee scheme (30 September 2008: €7.6bn, including short term placements of €7.5bn with Irish Life & Permanent plc (note 38)). €2.8bn (30 September 2008: €0.2bn) of these placements are secured and included within securities purchased with agreements to resell.

Placements with banks include €1.5bn (30 September 2008: €0.1bn) of cash collateral placed with counterparties to offset credit risk arising from derivative contracts and €0.1bn (30 September 2008: €0.1bn) held with central banks which cannot be withdrawn on demand.

The fair value of securities accepted under reverse repurchase agreements, which can be sold or repledged, is €3,676m (30 September 2008: €2,756m). The fair value of such collateral sold or repledged is €3,573m (30 September 2008: €2,543m).

23. Assets classified as held for sale

	The Group		The Bank	
	31 December 2009 €m	30 September 2008 €m	**31 December 2009 €m**	30 September 2008 €m
Loans classified as held for sale	**35,602**	-	**30,552**	-
Less: provision for impairment (note 27)	**(10,120)**	-	**(9,134)**	-
	25,482	-	**21,418**	-
Derivative financial instruments	**410**	-	**410**	-
NAMA assets held for sale	**25,892**	-	**21,828**	-
Other assets classified as held for sale	**-**	12	**-**	12
Total assets classified as held for sale	**25,892**	12	**21,828**	12

Loans classified as held for sale represent those loans which have been identified for transfer to NAMA (note 24). In total, €25,482m of customer loans, net of associated provisions of €10,120m, are anticipated to transfer to NAMA.

Derivatives linked to loans which are eligible for transfer to NAMA are also included in NAMA assets held for sale. The €410m represents the fair value of interest rate contracts linked to NAMA eligible assets at 31 December 2009. The total notional amount of these contracts is €11,195m and the transactions consist primarily of interest rate swap agreements.

Certain provisions for obligations under financial guarantees (note 41) relate to loans eligible for transfer to NAMA.

Other assets classified as held for sale at 30 September 2008 included assets that had been acquired by the Group with a view to sale to clients of the Group's Private Banking business. During the period assets totalling €12m (30 September 2008: €135m) ceased to be classified as held for sale. This has had no impact on the results of the Group.

24. National Asset Management Agency ('NAMA')

On 7 April 2009 the Irish Government announced its intention to establish the National Asset Management Agency ('NAMA') and, on 22 November 2009, the National Asset Management Agency Act, 2009 ('the Act') provided for its establishment. Under the Act, NAMA will acquire certain assets from Irish banks, hold, manage and realise these assets, and facilitate the restructuring of credit institutions of systemic importance to the Irish economy. On 9 February 2010 the Bank applied to be designated as a participating institution in NAMA. This application was accepted by the Minister for Finance on 12 February 2010. The Bank is now legally bound to participate in NAMA and is subject to NAMA's statutory powers.

The transfer of assets to NAMA is a fundamental aspect of the Bank's restructuring process. The Bank estimates that NAMA will acquire land and development loans and certain associated loans with a gross value of approximately €35.6bn (before taking account of €10.1bn of loan loss provisions), together with related derivatives which have a fair value of €0.4bn (notional principal of €11.2bn). The Bank has no control over the quantity of eligible assets that NAMA will acquire or over the valuation NAMA will place on those assets. NAMA has not confirmed to the Bank the total value of eligible assets it expects to purchase or the consideration it will pay in respect of those assets.

The consideration for assets acquired by NAMA will comprise the issuance to the Bank of NAMA bonds and subordinated NAMA bonds. Subordinated bonds will represent not more than 5% of the total consideration paid. Payments on the subordinated bonds will be determined by the overall long term financial performance of NAMA and this may result in these bonds being carried in the financial statements at an amount less than their nominal value.

Details in respect of the first tranche of eligible assets scheduled to transfer to NAMA are provided in note 58.

24. **National Asset Management Agency ('NAMA')** continued

Asset quality

The asset quality of the Group's loans and advances classified as held for sale to NAMA is analysed as follows:

	The Group 31 December 2009				
	Commercial €m	Residential €m	Business Banking €m	Other Lending €m	Total €m
Good quality	**4,160**	**830**	**34**	**136**	**5,160**
Satisfactory quality	**145**	**201**	**3**	**20**	**369**
Lower quality but not past due or impaired	**813**	**198**	**-**	**28**	**1,039**
Total neither past due or impaired	**5,118**	**1,229**	**37**	**184**	**6,568**
Past due but not impaired	**3,030**	**513**	**69**	**352**	**3,964**
Impaired loans	**15,754**	**6,728**	**515**	**2,073**	**25,070**
	23,902	**8,470**	**621**	**2,609**	**35,602**
Provisions for impairment	**(5,841)**	**(2,813)**	**(292)**	**(1,174)**	**(10,120)**
Total	**18,061**	**5,657**	**329**	**1,435**	**25,482**

The definition of each asset quality class is provided in note 27.

The asset quality of the parent Bank's loans and advances classified as held for sale is analysed in note 56.

Aged analysis of loans classified as held for sale past due but not impaired

The following tables present an analysis of loans classified as held for sale where contractual interest or principal payments are past due but impairment is not appropriate as the level of collateral and the present value of estimated future cash flows available to the Group is sufficient.

	The Group 31 December 2009				
	Commercial €m	Residential €m	Business Banking €m	Other Lending €m	Total €m
Past due 1 to 30 days	**675**	**215**	**3**	**168**	**1,061**
Past due 31 to 60 days	**284**	**11**	**1**	**1**	**297**
Past due 61 to 90 days	**593**	**46**	**-**	**21**	**660**
Past due 91 days and over	**1,478**	**241**	**65**	**162**	**1,946**
Total	**3,030**	**513**	**69**	**352**	**3,964**

Risk concentrations

A geographical analysis of risk concentrations for loans classified as held for sale by sector is as follows:

	The Group 31 December 2009				
	Ireland €m	**United Kingdom €m**	**USA €m**	**Total €m**	%
Retail	**4,076**	**985**	**142**	**5,203**	**15%**
Office	**2,718**	**548**	**157**	**3,423**	**10%**
Mixed use	**1,898**	**469**	**233**	**2,600**	**7%**
Industrial	**192**	**353**	**34**	**579**	**2%**
Residential investment	**718**	**407**	**155**	**1,280**	**4%**
Residential development	**5,120**	**1,857**	**213**	**7,190**	**20%**
Business banking	**581**	**26**	**14**	**621**	**2%**
Personal	**1,598**	**2**	**21**	**1,621**	**4%**
Leisure	**2,718**	**296**	**362**	**3,376**	**9%**
Commercial development	**5,746**	**1,747**	**678**	**8,171**	**23%**
Other property investment	**482**	**68**	**-**	**550**	**1%**
Other	**984**	**4**	**-**	**988**	**3%**
Total loans classified as held for sale	**26,831**	**6,762**	**2,009**	**35,602**	**100%**

The amounts above are stated gross of provisions.

25. Amount due from Shareholder

	The Group		**The Bank**	
	31 December 2009 €m	30 September 2008 €m	**31 December 2009 €m**	30 September 2008 €m
Amount due from Shareholder	**8,300**	-	**8,300**	-

On 22 December 2009, the Bank's sole Shareholder, the Minister for Finance, wrote to the Chairman restating his previous commitments in relation to ensuring that the Bank had sufficient capital to continue to meet its regulatory capital requirements. Specifically, the letter confirmed the Minister's commitment to implement a proposal effective 31 December 2009 which would conform with EC State Aid rules. On 23 December 2009 the Board accepted the Minister's commitment and subsequently on 31 March 2010 the Minister fulfilled his December 2009 commitment by providing the Bank with a promissory note to the value of €8.3bn.

On the basis of advice received and assurances provided, the Board determined that the commitment under the Minister's letter represented a legally binding commitment, and consequently, a receivable which was virtually certain and appropriate to recognise as an Amount due from Shareholder at 31 December 2009. The prior knowledge that the EC had approved the earlier emergency recapitalisation in June 2009 of €4bn and assurances received from the Department of Finance regarding conformity with State Aid requirements were significant factors in the determination.

Accordingly, at 31 December 2009 the Board has recognised a receivable of €8.3bn and a corresponding credit to a capital reserve (note 44). The fair value of the promissory note received on 31 March 2010 has been used in determining the value of the receivable at period end.

26. Available-for-sale financial assets

	The Group		The Bank	
	31 December 2009 €m	30 September 2008 €m	**31 December 2009 €m**	30 September 2008 €m
Listed				
Government bonds	**3,211**	3,159	**3,170**	3,134
Financial institutions	**3,330**	3,224	**3,343**	3,241
Residential mortgage backed securities	**804**	970	**804**	970
Asset backed securities	**423**	653	**423**	653
Equity shares	**-**	6	**-**	6
	7,768	8,012	**7,740**	8,004
Unlisted				
Financial institutions	**68**	68	**68**	68
Residential mortgage backed securities	**17**	28	**17**	28
Asset backed securities	**37**	50	**32**	43
	122	146	**117**	139
Total	**7,890**	8,158	**7,857**	8,143
Amounts include:				
Due from Group undertakings			**13**	22

The movement on available-for-sale ('AFS') financial assets is summarised below:

	The Group		The Bank	
	31 December 2009 €m	30 September 2008 €m	**31 December 2009 €m**	30 September 2008 €m
At beginning of period	**8,158**	12,530	**8,143**	12,502
Additions	**3,252**	3,571	**3,237**	3,593
Disposals (sales and maturities)	**(3,471)**	(6,997)	**(3,464)**	(6,997)
Fair value movements	**(29)**	(667)	**(39)**	(677)
Increase/(decrease) in interest accruals	**3**	(74)	**3**	(74)
Exchange and other movements	**(23)**	(205)	**(23)**	(204)
At end of period	**7,890**	8,158	**7,857**	8,143

In the current period €471m (30 September 2008: €155m) has been recycled from the available-for-sale reserve and recognised as an impairment charge in the income statement (note 13).

The carrying value of available-for-sale financial assets classified as impaired is €106m (30 September 2008: €8m). There are no items in the available-for-sale category that are past due but not impaired.

At 31 December 2009 available-for-sale financial assets of €6,080m (30 September 2008: €5,672m) 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 profit or loss in respect of the disposal of available-for-sale financial assets amounted to €5m (30 September 2008: €17m) for both the Group and the Bank (note 8).

The Bank's portfolio of AFS debt securities are held for investment purposes or for liquidity reasons. The AFS portfolio comprises sovereign investments, debt issued by financial institutions, residential mortgage backed securities ('RMBS') and other asset backed securities ('ABS'). AFS bonds are marked to market using independent prices obtained from external pricing sources including broker/dealer quotes and other independent third party pricing service providers. The Bank does not use models to value AFS securities and does not adjust any external prices obtained.

Market pricing for all asset classes, but especially for structured finance transactions (RMBS and ABS), continues to be adversely impacted by market illiquidity as well as other credit and non-credit factors. These factors are amplified in the current market dislocation and result in transaction prices that may differ from long term fundamental valuations.

Additions to the AFS portfolio during the financial period include €1.5bn of government bond purchases and €0.9bn of debt securities issued by financial institutions. Disposals include €1.7bn of securities that matured during the period as well as €0.8bn of government bond sales and €0.1bn of other sales. Additions and disposals include €0.9bn of short term bank commercial paper investments that were purchased and matured during the period.

The external ratings profile of the Group's available-for-sale financial assets, excluding equity shares, is as follows:

	The Group 31 December 2009				
	Sovereign €m	**Financial Institutions €m**	**Residential Mortgage Securities €m**	**Asset Backed Securities €m**	**Total €m**
AAA / AA	**3,205**	**1,984**	**781**	**258**	**6,228**
A	**6**	**1,269**	**10**	**61**	**1,346**
BBB+ / BBB / BBB-	**-**	**132**	**13**	**61**	**206**
Sub investment grade	**-**	**13**	**17**	**75**	**105**
Unrated	**-**	**-**	**-**	**5**	**5**
	3,211	**3,398**	**821**	**460**	**7,890**

	The Group 30 September 2008				
	Sovereign €m	Financial Institutions €m	Residential Mortgage Securities €m	Asset Backed Securities €m	Total €m
AAA / AA	3,146	2,103	947	546	6,742
A	6	1,120	24	63	1,213
BBB+ / BBB / BBB-	2	64	24	63	153
Sub investment grade	5	5	3	24	37
Unrated	-	-	-	7	7
	3,159	3,292	998	703	8,152

The external ratings profile of the parent Bank's available-for-sale financial assets, excluding equity shares, is set out in note 56.

27. Loans and advances to customers

	The Group		The Bank	
	31 December 2009 €m	30 September 2008 €m	**31 December 2009 €m**	30 September 2008 €m
Amounts receivable under finance leases (note 28)	**51**	72	**51**	59
Amounts receivable under hire purchase contracts (note 28)	**16**	37	**13**	21
Other loans and advances to customers	**35,631**	72,956	**39,952**	77,963
	35,698	73,065	**40,016**	78,043
Provisions for impairment	**(4,846)**	(914)	**(4,753)**	(732)
	30,852	72,151	**35,263**	77,311
Amounts include:				
Due from Group undertakings			**9,087**	11,961

The Group's loans and advances to customers at 31 December 2009 are stated following the reclassification of loans and related provisions to assets classified as held for sale of €35,602m and €10,120m respectively (note 23).

The Bank's loans and advances to customers at 31 December 2009 are stated following the reclassification of loans and related provisions to assets classified as held for sale of €30,552m and €9,134m respectively (note 23).

The Bank's loans and advances to customers include €771m (30 September 2008: €1,006m) lent to fund assets held in respect of liabilities to customers under investment contracts (note 40).

The Group's loans and advances to customers include loans to equity-accounted joint venture interests of €1,045m (30 September 2008: €923m) and loans of €122m (30 September 2008: €99m) to joint venture interests held in respect of liabilities to customers under investment contracts.

Provisions for impairment on loans and advances to customers	The Group		The Bank	
	31 December 2009 €m	30 September 2008 €m	**31 December 2009 €m**	30 September 2008 €m
At beginning of period	**914**	295	**732**	209
Charge against profits - specific (note 13)	**13,861**	224	**12,889**	147
- collective (note 13)	**583**	500	**573**	416
Write-offs	**(83)**	(67)	**(77)**	(23)
Unwind of discount	**(236)**	(13)	**(199)**	(7)
Exchange movements	**(73)**	(25)	**(31)**	(10)
Transfers to assets classified as held for sale (note 23)	**(10,120)**	-	**(9,134)**	-
At end of period	**4,846**	914	**4,753**	732
Specific	**3,647**	272	**3,649**	186
Collective	**1,199**	642	**1,104**	546
Total	**4,846**	914	**4,753**	732
Impaired loans (excludes loans classified as held for sale)	**9,511**	957	**8,851**	684

The collective provision of €1,199m (30 September 2008: €642m) has been calculated based on total performing customer loan balances, including those classified as held for sale.

Loans assigned as collateral

Loans, including those classified as held for sale, of €29,691m (30 September 2008: €11,758m) have been assigned as collateral. Loans assigned include the following:

(a) Loans of €7,594m (30 September 2008: €6,295m) 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 €10bn (30 September 2008: €5bn) UK covered bond programme. Bonds issued externally under this programme are included within debt securities in issue (note 39).

(b) Loans of €3,162m (30 September 2008: €5,463m) which have been assigned as collateral under commercial mortgage backed security ('CMBS') programmes.

(c) Loans of €6,445m (30 September 2008: €nil) which are included in the Anglo Irish Mortgage Bank ('AIMB') cover assets pool as collateral for €4.3bn of bonds issued under its €10bn commercial mortgage asset covered securities programme. AIMB, a wholly owned subsidiary of the Bank, was incorporated on 10 October 2008, and obtained its Irish banking licence on 10 December 2008. Its principal activity is the issuance of commercial mortgage asset covered securities, in accordance with the Asset Covered Securities Acts, 2001 and 2007. AIMB is regulated by the Financial Regulator and is a designated commercial mortgage credit institution.

(d) Loans with a carrying value of €12,490m (30 September 2008: €nil) which have been assigned as collateral under a Master Loan Repurchase Agreement with the Central Bank and Financial Services Authority of Ireland (note 37).

All of the loans above remain in the Group's and the Bank's statements of financial position as substantially all of the risks and rewards relating to them are retained.

Asset quality

The Group monitors lending asset quality on an ongoing basis using the rating categories outlined below. These ratings provide a common and consistent framework for aggregating and comparing exposures across all lending portfolios.

Good quality

Both good and high quality loans are managed similarly from a risk management perspective and consequently have been aggregated in the current reporting period. Good quality ratings apply to exposures that are performing as expected and are of sound financial standing. These exposures are considered low to moderate risk.

Satisfactory quality

This rating applies to exposures that continue to perform satisfactorily, but are subject to closer monitoring.

Lower quality but not past due or impaired

This rating applies to exposures that require increased management attention to prevent any deterioration in asset quality. No evidence of specific impairment exists.

Past due but not impaired

These are loans and receivables where contractual interest or principal payments are one day or more past due. As at the end of the reporting period there is no objective evidence of impairment due to the level of collateral and/or personal recourse available to the Group.

Impaired loans

Loans are classified as 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 loan. The loan is impaired if 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 and can be reliably measured.

27. **Loans and advances to customers** continued

The asset quality of the Group's loans and advances to customers is analysed as follows:

	The Group 31 December 2009				
	Commercial €m	Residential €m	Business Banking €m	Other Lending €m	Total €m
Good quality	12,359	1,113	2,444	387	16,303
Satisfactory quality	570	83	78	4	735
Lower quality but not past due or impaired	4,506	71	565	18	5,160
Total neither past due or impaired	17,435	1,267	3,087	409	22,198
Past due but not impaired	2,916	668	484	692	4,760
Impaired loans	6,249	574	1,762	926	9,511
	26,600	2,509	5,333	2,027	36,469
Provisions for impairment	(2,862)	(315)	(824)	(845)	(4,846)
	23,738	2,194	4,509	1,182	31,623
Less:					
Lending to policyholders in respect of investment contracts (note 40)					(771)
Total					30,852

Provisions for impairment on loans and advances to customers	The Group 31 December 2009				
	Commercial €m	Residential €m	Business Banking €m	Other Lending €m	Total €m
At beginning of period	450	379	31	54	914
Charge against profits	8,441	2,819	1,162	2,022	14,444
Write-offs	(15)	(17)	(22)	(29)	(83)
Unwind of discount	(127)	(79)	(7)	(23)	(236)
Exchange movements	(43)	(21)	(3)	(6)	(73)
Transfers to assets classified as held for sale	(5,844)	(2,766)	(337)	(1,173)	(10,120)
At end of period	2,862	315	824	845	4,846
Specific	2,081	160	731	675	3,647
Collective	781	155	93	170	1,199
Total	2,862	315	824	845	4,846

The charge against profits includes collective provisions for impairment analysed on a portfolio basis.

	The Group 30 September 2008				
	Commercial €m	Residential €m	Business Banking €m	Other Lending €m	Total €m
Good quality	41,822	8,859	7,054	4,559	62,294
Satisfactory quality	4,535	1,070	415	282	6,302
Lower quality but not past due or impaired	1,526	800	276	134	2,736
Total neither past due or impaired	47,883	10,729	7,745	4,975	71,332
Past due but not impaired	1,251	308	33	190	1,782
Impaired loans	146	719	16	76	957
	49,280	11,756	7,794	5,241	74,071
Provisions for impairment	(450)	(379)	(31)	(54)	(914)
	48,830	11,377	7,763	5,187	73,157
Less:					
Lending to policyholders in respect of investment contracts (note 40)					(1,006)
Total					72,151

Provisions for impairment on loans and advances to customers	The Group 30 September 2008				
	Commercial €m	Residential €m	Business Banking €m	Other Lending €m	Total €m
At beginning of year	125	66	25	79	295
Charge against profits	344	347	12	21	724
Write-offs	(7)	(18)	(5)	(37)	(67)
Unwind of discount	(3)	(7)	-	(3)	(13)
Exchange movements	(9)	(9)	(1)	(6)	(25)
At end of year	450	379	31	54	914
Specific	40	191	10	31	272
Collective	410	188	21	23	642
Total	450	379	31	54	914

The charge against profits includes collective provisions for impairment analysed on a portfolio basis.

The asset quality of the parent Bank's loans and advances to customers is analysed in note 56.

28. 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	
	31 December 2009 €m	30 September 2008 €m	**31 December 2009 €m**	30 September 2008 €m
Gross receivables:				
Three months or less	**22**	24	**20**	16
One year or less but over three months	**17**	32	**16**	24
Five years or less but over one year	**33**	60	**33**	46
Over five years	**-**	2	**-**	2
	72	118	**69**	88
Unearned future income	**(5)**	(9)	**(5)**	(8)
Net receivables (note 27)	**67**	109	**64**	80
Present value of minimum lease payments receivable:				
Three months or less	**22**	23	**20**	16
One year or less but over three months	**16**	30	**15**	22
Five years or less but over one year	**29**	54	**29**	40
Over five years	**-**	2	**-**	2
Present value of minimum payments receivable	**67**	109	**64**	80
Provision for uncollectible minimum lease payments receivable *	**4**	4	**3**	3

* Included in provisions for impairment on loans and advances to customers (note 27)

There are no unguaranteed residual values accruing to the benefit of the Bank or the Group (30 September 2008: €nil).

The cost of assets acquired by the Group during the period for letting under finance leases and hire purchase contracts amounted to €15m (30 September 2008: €35m).

29. Interests in associate and joint ventures

Joint ventures	**The Group**		**The Bank**	
	31 December 2009 €m	30 September 2008 €m	**31 December 2009 €m**	30 September 2008 €m
Unlisted				
At beginning of period	**284**	88	**31**	-
Investment in joint ventures	**37**	149	**-**	31
Transfers from assets classified as held for sale	**-**	63	**-**	-
Disposals	**(5)**	-	**-**	-
Share of results	**(151)**	(1)	**(31)**	-
Distributions	**(5)**	(7)	**-**	-
Exchange movements	**(18)**	(8)	**-**	-
At end of period	**142**	284	**-**	31

Joint ventures	**The Group**		**The Bank**	
	31 December 2009 €m	30 September 2008 €m	**31 December 2009 €m**	30 September 2008 €m
Group's share of:				
Current assets	**16**	24	**-**	-
Non-current assets	**813**	874	**43**	71
Current liabilities	**(53)**	(12)	**-**	-
Non-current liabilities	**(634)**	(602)	**(43)**	(40)
Interests in joint ventures	**142**	284	**-**	31
Income	**59**	36	**-**	-
Expenses (including impairment)	**(210)**	(37)	**(31)**	-
Taxation	**-**	-	**-**	-
Share of results of joint ventures	**(151)**	(1)	**(31)**	-

29. Interests in associate and joint ventures continued

Principal joint venture entities and registered offices	Principal activity	Group's interest in equity
Berala Sarl *	Property investment	60%
62 avenue Victor Hugo, L-1750 Luxembourg		
Heywood Park Limited *	Property investment	95%
Jubilee Buildings, Victoria Street, Douglas, Isle of Man IM1 2SH		
Regeneration Developments Limited	Property investment	50%
SCD House, Waterloo Road, Dublin 4, Ireland		
The Met Quarter Property Unit Trust *	Property investment	60%
22 Grenville Street, St. Helier, Jersey JE4 8PX		
The Second Anglo Irish UK Property Fund SLP	Property investment	19%
50 Lothian Road, Festival Square, Edinburgh EH3 9WJ, Scotland		

* The Group's interest in the equity of these entities is greater than 50%. However, the substance and legal form of these ventures is such that they are jointly controlled entities as the approval of all joint venture parties is required for all strategic financial and operating decisions.

Associate

	The Group	
	15 months ended 31 December 2009 €m	Year ended 30 September 2008 €m
Share of results of associate	**(16)**	-

	The Group	
	31 December 2009 €m	30 September 2008 €m
Interest in associate - unlisted	-	16

The Group has written down the value of its interest in its associate to €nil (30 September 2008: €16m).

The Group's share of the assets and shareholders' funds of its associate is €nil (30 September 2008: €16m). The Group has recognised a loss of €16m (30 September 2008: €nil), reflecting the write down of its interest.

At 31 December 2009 the Group had neither capital commitments nor contingent liabilities, whether incurred jointly or otherwise, in relation to its joint ventures or associate.

In accordance with the European Communities (Credit Institutions: Accounts) Regulations, 1992, the Group will annex a full listing of its joint ventures and associates to its annual return to the Companies Registration Office in Ireland.

30. Investments in Group undertakings

	The Bank	
	31 December 2009 €m	30 September 2008 €m
Investments in subsidiary undertakings at cost less provisions for impairment	**3,236**	821

The increase in investments in subsidiary undertakings during the period is primarily due to the Bank's investment in Anglo Irish Mortgage Bank and an additional investment in CDB (U.K.) Limited.

Principal subsidiary undertakings and registered offices	Principal activity
Anglo Irish Asset Finance plc 10 Old Jewry, London EC2R 8DN, England	Finance
Anglo Irish Assurance Company Limited Heritage House, 23 St. Stephen's Green, Dublin 2, Ireland	Life assurance and pensions
Anglo Irish Mortgage Bank Stephen Court, 18/21 St. Stephen's Green, Dublin 2, Ireland	Issuance of mortgage covered securities
Anglo Irish Bank Corporation (International) PLC Jubilee Buildings, Victoria Street, Douglas, Isle of Man IM1 2SH	Banking
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
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
Colligo Funding Limited 5 Harbourmaster Place, IFSC, Dublin 1, Ireland	Secured debt issuance
Mainland Investments GP, Inc. Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, DE 19808, USA	Property investment
Sparta Financial Services Stephen Court, 18/21 St. Stephen's Green, Dublin 2, Ireland	Finance

30. Investments in Group undertakings continued

Principal subsidiary undertakings and registered offices	Principal activity
Steenwal B.V. Locatellikade 1 Parnassustoren, 1076 AZ Amsterdam, The Netherlands	Investment holding
The Anglo Aggmore Limited Partnership 10 Old Jewry, London EC2R 8DN, England	Property investment

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 equity and loan 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 Anglo Irish Capital UK Limited Partnership, Anglo Irish Capital UK (2) Limited Partnership, Anglo Irish Capital UK (3) Limited Partnership and The Anglo Aggmore Limited Partnership have availed of the exemption under paragraph 7 of the UK Partnerships (Accounts) Regulations, 2008 from the requirements to comply with paragraphs 4 to 6 of those regulations.

The Group's interests in Anglo Irish Covered Bonds LLP and Colligo Funding Limited are, in substance, no different than if they were wholly owned subsidiary undertakings. As a result they are consolidated in the Group accounts. There are no other entities which might be considered to be subsidiaries under SIC 12 which have not been consolidated.

Each subsidiary undertaking operates principally in the country in which it is registered. In accordance with the European Communities (Credit Institutions: Accounts) Regulations, 1992, a complete listing of Group undertakings will be annexed to the annual return to the Companies Registration Office in Ireland.

Anglo Irish Mortgage Bank ('AIMB')

AIMB is a wholly owned subsidiary of Anglo Irish Bank Corporation Limited and is regulated by the Central Bank and Financial Services Authority of Ireland ('CBFSAI'). Its principal activity, as a licensed bank, is the issuance of commercial mortgage asset covered securities, in accordance with the Asset Covered Securities Acts, 2001 and 2007.

On 15 January 2009 Anglo Irish Bank Corporation Limited transferred a portfolio of commercial mortgage loans of €6bn to AIMB, and on 21 January 2009 AIMB launched a €10bn Mortgage Covered Securities Programme. At 31 December 2009 the total amount of principal outstanding in respect of mortgage covered securities issued was €4.3bn, all of which is held by the Bank. At the same date the total principal outstanding in the cover assets pool including mortgage loans and cash was €7.7bn.

Guarantees provided to subsidiaries by Anglo Irish Bank Corporation Limited

Each of the companies listed below, and consolidated into these accounts, has availed of the exemption from filing its individual accounts as set out in Section 17 of the Companies (Amendment) Act, 1986 ('the Act'). In accordance with the Act, Anglo Irish Bank Corporation Limited has irrevocably guaranteed the liabilities of Anglo Irish Bank ESOP Limited, Anglo Irish Bank Limited, Anglo Irish Capital Partners Limited, Anglo Irish International Financial Services Limited, Aragone Limited, Buyway Group Limited, Fitzwilliam Leasing Limited, Irish Buyway Limited, Knightsdale Limited, Modify 5 Limited, Sparta Financial Services and Tincorra Investments Limited.

31. Intangible assets

	The Group		The Bank
	Computer software €m	Goodwill €m	Computer software €m
Cost			
At 1 October 2007	**59**	**46**	**42**
Additions	**21**	**-**	**21**
Disposals	**(1)**	**(48)**	**-**
Exchange movement	**(3)**	**2**	**(2)**
At 30 September 2008	**76**	**-**	**61**
Additions	**14**	**-**	**13**
Disposals	**(2)**	**-**	**(2)**
Disposal of Group undertaking (note 14)	**(14)**	**-**	**-**
Exchange movement	**(2)**	**-**	**(2)**
At 31 December 2009	**72**	**-**	**70**
Accumulated amortisation			
At 1 October 2007	**42**	**-**	**26**
Charge for the year	**16**	**-**	**16**
Disposals	**(1)**	**-**	**-**
Exchange movement	**(2)**	**-**	**(2)**
At 30 September 2008	**55**	**-**	**40**
Charge for the period	**13**	**-**	**11**
Disposals	**(2)**	**-**	**(2)**
Disposal of Group undertaking (note 14)	**(14)**	**-**	**-**
Exchange movement	**(1)**	**-**	**-**
At 31 December 2009	**51**	**-**	**49**
Net book value			
At 31 December 2009	**21**	**-**	**21**
At 30 September 2008	**21**	**-**	**21**

The decrease in goodwill in the prior year was due to the sale of Anglo Irish Bank (Suisse) S.A. The sales proceeds exceeded the carrying amount of the Bank's investment including goodwill at the date of sale (note 14).

32. Investment property - held on own account

	The Group	
	31 December 2009 €m	30 September 2008 €m
Cost		
At beginning of period	**110**	26
Additions	**279**	87
Disposals	**-**	(1)
Exchange movement	**(13)**	(2)
At end of period	**376**	110
Accumulated depreciation		
At beginning of period	**2**	1
Charge for the period	**10**	1
Impairment	**101**	-
Exchange movement	**(4)**	-
At end of period	**109**	2
Net book value		
At end of period	**267**	108
At beginning of period	**108**	25

Investment property held on own account includes hotel, office and retail properties, previously acquired by the Group's Private Banking and Lending businesses which were not allocated to policyholders under investment contracts or sold to private clients.

Impairment on investment property reflects weakening economic conditions in the markets where the assets are located and a consequent reduction in the recoverable amounts of the assets, based on the estimated future cash flows to be derived from these assets.

The fair value of investment property held on own account at 31 December 2009 is €173m (30 September 2008: €115m). Fair values are based on valuations provided by independent third party valuers during the period which have been reviewed and agreed by management. These values are based on a sale in current, highly illiquid markets and reflect a lack of recent transactional evidence. The fair values do not represent the expected longer term recoverable value of the properties on which the carrying amount is based.

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

	The Group	
	31 December 2009 €m	30 September 2008 €m
Fair value		
At beginning of period	**1,796**	2,090
Additions	**-**	72
Disposals	**(50)**	(23)
Fair value movements	**(603)**	(343)
At end of period (note 40)	**1,143**	1,796

Investment property held in respect of liabilities to customers under investment contracts is included in the statement of financial position at fair value. Fair values are based on valuations provided by independent third party valuers using, where relevant, accepted Royal Institution of Chartered Surveyors guidelines or equivalent local guidelines appropriate to the location of the property. Fair values are reviewed and agreed by management.

34. Property, plant and equipment

The Group	Freehold properties €m	Leasehold improvements €m	Computer and other equipment €m	Total €m
Cost				
At 1 October 2007	5	31	52	88
Disposal of Group undertaking	-	(3)	(1)	(4)
Additions	-	3	12	15
Disposals	-	(2)	(1)	(3)
Exchange movements	-	-	(2)	(2)
At 30 September 2008	5	29	60	94
Disposal of Group undertaking	(5)	-	(3)	(8)
Additions	-	1	2	3
Disposals	-	-	(1)	(1)
Exchange movements	-	-	(2)	(2)
At 31 December 2009	-	30	56	86
Accumulated depreciation				
At 1 October 2007	1	12	38	51
Disposal of Group undertaking	-	(2)	(1)	(3)
Charge for the year	1	2	7	10
Disposals	-	-	(1)	(1)
Exchange movements	-	-	(1)	(1)
At 30 September 2008	2	12	42	56
Disposal of Group undertaking	(2)	-	(2)	(4)
Charge for the period	-	4	8	12
Disposals	-	-	(1)	(1)
Exchange movements	-	-	(1)	(1)
At 31 December 2009	-	16	46	62
Net book value				
At 31 December 2009	-	14	10	24
At 30 September 2008	3	17	18	38

The Group occupies properties with a net book value of €12m at 31 December 2009 (30 September 2008: €18m) in the course of carrying out its own activities.

34. Property, plant and equipment continued

The Bank	Leasehold improvements €m	Computer and other equipment €m	Total €m
Cost			
At 1 October 2007	**16**	**46**	**62**
Additions	**1**	**11**	**12**
Disposals	**(2)**	**(1)**	**(3)**
Exchange movements	**-**	**(2)**	**(2)**
At 30 September 2008	**15**	**54**	**69**
Additions	**1**	**1**	**2**
Disposals	**-**	**(1)**	**(1)**
Exchange movements	**-**	**(2)**	**(2)**
At 31 December 2009	**16**	**52**	**68**
Accumulated depreciation			
At 1 October 2007	**8**	**33**	**41**
Charge for the year	**2**	**7**	**9**
Disposals	**-**	**(1)**	**(1)**
Exchange movements	**-**	**(1)**	**(1)**
At 30 September 2008	**10**	**38**	**48**
Charge for the period	**3**	**7**	**10**
Disposals	**-**	**(1)**	**(1)**
Exchange movements	**-**	**(1)**	**(1)**
At 31 December 2009	**13**	**43**	**56**
Net book value			
At 31 December 2009	**3**	**9**	**12**
At 30 September 2008	**5**	**16**	**21**

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

	31 December 2009		30 September 2008	
	Property €m	**Equipment €m**	Property €m	Equipment €m
Within one year	**12**	**3**	12	3
One to five years	**49**	**1**	36	2
Over five years	**140**	**1**	161	-
	201	**5**	209	5

In February 2010, the Bank issued a notice to terminate an existing agreement for lease regarding a premises in North Wall Quay, Dublin. The impact on future minimum lease rentals is a reduction of €101m.

The total of future minimum sublease payments expected to be received under non-cancellable subleases at 31 December 2009 was €1m (30 September 2008: €1m).

The Group (loss)/profit before taxation is arrived at after charging operating lease rentals of €18m (30 September 2008: €15m). Sublease income recognised for the period was €1m (30 September 2008: €1m).

As at 31 December 2009 the Group and the Bank had contractual commitments of €1m (30 September 2008: €4m) for the acquisition of property, plant and equipment.

35. Deferred taxation

	The Group		The Bank	
	31 December 2009 €m	30 September 2008 €m	**31 December 2009 €m**	30 September 2008 €m
Analysis of movement in deferred taxation:				
Opening net asset/(liability)	**81**	(2)	**103**	44
Income statement credit/(charge) for period (note 15)	**49**	18	**(18)**	(7)
Movements through equity	**(83)**	68	**(85)**	69
Exchange movements	**(1)**	(3)	**-**	(3)
Closing net asset	**46**	81	**-**	103
Analysis of deferred taxation asset:				
Losses available for offset against future profits	**46**	-	**-**	-
Available-for-sale financial assets	**-**	80	**-**	82
Arrangement fees	**-**	11	**-**	11
Impairment provisions	**-**	5	**-**	4
Employee benefits and share-based payment schemes	**-**	4	**-**	2
Derivatives and cash flow hedges	**-**	3	**-**	3
Other temporary differences	**-**	4	**-**	2
	46	107	**-**	104
Analysis of deferred taxation liability:				
Unremitted profits of subsidiaries	**-**	(16)	**-**	-
Arrangement fees	**-**	(6)	**-**	-
Other temporary differences	**-**	(4)	**-**	(1)
	-	(26)	**-**	(1)
Represented in the statement of financial position as follows:				
Deferred taxation asset	**46**	107	**-**	104
Deferred taxation liability	**-**	(26)	**-**	(1)
	46	81	**-**	103

At 31 December 2009, pending a final decision in relation to the restructuring of the Bank's operations which is subject to EC approval, deferred tax assets of €1,794m (30 September 2008: €nil) and €1,628m (30 September 2008: €nil) have not been recognised in respect of unused losses for the Group and the Bank respectively. The Group and Bank's tax losses do not expire under current tax legislation.

36. Other assets

	The Group		The Bank	
	31 December 2009 €m	30 September 2008 €m	**31 December 2009 €m**	30 September 2008 €m
Trading properties	**10**	12	**-**	-
Sundry debtors	**19**	21	**1**	-
	29	33	**1**	-

37. Deposits from banks

	The Group		The Bank	
	31 December 2009 €m	30 September 2008 €m	**31 December 2009 €m**	30 September 2008 €m
Deposits repayable on demand	**359**	691	**6,211**	5,147
Sale and repurchase agreements - central banks	**23,680**	7,594	**23,680**	7,594
Sale and repurchase agreements - banks	**7,238**	4,803	**7,238**	4,803
Other deposits by banks with agreed maturity dates	**1,694**	7,365	**2,007**	6,982
	32,971	20,453	**39,136**	24,526
Amounts include:				
Due to Group undertakings			**6,423**	4,477

Sale and repurchase agreements with central banks include €12.2bn (30 September 2008: €7.6bn) borrowed under open market operations from central banks and €11.5bn (30 September 2008: €nil) borrowed under a Master Loan Repurchase Agreement ('MLRA') with the Central Bank and Financial Services Authority of Ireland. The interest rate on this facility is set by the Central Bank and advised at each rollover, and is currently linked to the European Central Bank marginal lending facility rate. Collateral assigned under these agreements is derived from the Bank's customer lending assets (note 27).

During the period the Group increased the level of assets eligible for secured funding, primarily through the establishment of Anglo Irish Mortgage Bank and through the expansion of the Group's covered bond and CMBS programmes (note 27). These assets have been pledged as collateral under open market operations with monetary authorities at the period end.

The decrease in other deposits by banks with agreed maturity dates is attributable to a reduction in interbank activity due to Bank specific concerns. In addition, €1.4bn of term bilateral loan agreements were repaid following the nationalisation of the Bank as a result of change of control covenants within those loan agreements.

Deposits from banks include €0.3bn (30 September 2008: €0.6bn) of cash collateral received from counterparties to offset credit risk arising from derivative contracts.

Other deposits by banks with agreed maturity dates in the Group include €258m (30 September 2008: €339m) of funding provided to policyholders by external banks in respect of liabilities to customers under investment contracts (note 40).

38. Customer accounts

	The Group		The Bank	
	31 December 2009 €m	30 September 2008 €m	**31 December 2009 €m**	30 September 2008 €m
Repayable on demand	**7,852**	3,015	**11,932**	8,602
Other deposits by customers with agreed maturity dates	**19,362**	48,484	**16,964**	43,808
	27,214	51,499	**28,896**	52,410
Amounts include:				
Due to Group undertakings			**5,268**	6,514
Customer type				
Retail deposits	**14,715**	19,156	**12,013**	14,744
Non-retail deposits	**12,499**	32,343	**16,883**	37,666
	27,214	51,499	**28,896**	52,410

The movement in balances in the above table includes foreign currency movements. Customer accounts have decreased by €21.5bn on a constant currency basis since 30 September 2008 with non-retail balances decreasing by €18.5bn and retail balances decreasing by €3.0bn.

The decrease in non-retail funding was driven by a fall in deposits from insurance companies, asset managers, pension funds and other more granular corporate deposits due to a reduction in corporate cash balances, and risk aversion towards banking in general, including Bank specific and Ireland concerns. In addition €7.3bn of customer deposits received from Irish Life Assurance plc matured early in the period (note 22).

Average total customer deposits for the fifteen months to 31 December 2009 were €35.2bn (30 September 2008: €50.1bn).

The Group's customer accounts include €304m (30 September 2008: €1,262m) relating to securities sold under agreements to repurchase. Customer accounts also include €10m (30 September 2008: €11m) received from equity-accounted joint venture interests.

The Bank's customer accounts include €129m (30 September 2008: €178m) of deposits held in respect of liabilities to customers under investment contracts (note 40). These deposits eliminate on consolidation in the Group customer accounts balances.

39. Debt securities in issue

	The Group		The Bank	
	31 December 2009 €m	30 September 2008 €m	**31 December 2009 €m**	30 September 2008 €m
Medium term note programme	**13,000**	10,622	**13,000**	10,622
Covered bonds	**670**	1,361	**665**	1,361
Extendible notes	**-**	228	**-**	228
Short term programmes:				
Commercial paper	**776**	3,488	**776**	3,488
Certificates of deposit	**702**	1,581	**702**	1,581
	15,148	17,280	**15,143**	17,280

Debt securities in issue have decreased by €2bn on a constant currency basis due to the challenging capital market environment.

€7.4bn of medium term notes, all of which is Government guaranteed and matures by September 2010, were issued in the period. Maturities and redemptions during the period were €5.9bn.

Short term markets were volatile during the period given market wide risk aversion towards the banking sector and Bank and country specific factors. Balances decreased from €5.1bn at 30 September 2008 to €1.5bn at 31 December 2009.

Bonds issued under the Group's covered bond programme are secured on certain loans and advances to customers (note 27).

40. Liabilities to customers under investment contracts

	The Group	
	31 December 2009 €m	30 September 2008 €m
Assets held in respect of liabilities to customers under investment contracts:		
Investment property	**1,143**	1,796
Financial assets at fair value through profit or loss	**244**	469
Derivative financial instruments	**-**	13
Loans and advances to banks	**18**	148
Ordinary shares in parent Bank	**-**	4
Subordinated liabilities and other capital instruments - Group	**-**	13
Total	**1,405**	2,443
Less:		
Funding provided by parent Bank	**(771)**	(1,006)
Funding provided by external banks	**(258)**	(339)
Derivative financial instruments	**(86)**	(8)
Net asset value attributable to external unitholders	**(36)**	(77)
Add:		
Funds on deposit with parent Bank	**129**	178
Liabilities to customers under investment contracts at fair value	**383**	1,191

40. Liabilities to customers under investment contracts continued

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 non-controlling interests as appropriate.

In accordance with IFRS, obligations under investment contracts are carried at fair value in the statement of financial position 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 in the Group statement of financial position. On consolidation, Group loans and advances to customers are shown net of funding of €771m (30 September 2008: €1,006m) provided by the parent Bank to fund assets held by the life assurance business in respect of liabilities to customers under investment contracts.

Total funding provided by the parent Bank amounts to €933m (30 September 2008: €1,006m). €771m represents the current market value of assets, net of related derivative liabilities, to which the parent Bank holds recourse. In prior periods the market value of assets to which the Bank held recourse exceeded the amount of funding that it had provided in relation to those assets. The Group has assessed these lending facilities for impairment, with any resulting charge included within provisions for impairment on loans and advances to customers.

The decrease in the value of assets held in respect of liabilities to customers under investment contracts in the current period results from the decline in the market values of property and financial assets held on behalf of policyholders, in particular the declines in the market value of UK commercial property and in equity markets.

41. Other liabilities

	The Group		The Bank	
	31 December 2009 €m	30 September 2008 €m	**31 December 2009 €m**	30 September 2008 €m
Obligations under financial guarantees	**83**	-	**76**	-
Amounts attributable to external unitholders linked to investment contracts (note 40)	**36**	77	**-**	-
Sundry liabilities	**36**	79	**35**	77
Provisions for liabilities and charges	**15**	-	**15**	-
	170	156	**126**	77

Provisions for obligations under financial guarantees of €83m have been charged by the Group during the period. Provisions totalling €78m relate to customer facilities which are eligible for transfer to NAMA (note 23).

The Group is in the process of restructuring its activities and reducing its cost base. The provisions of €15m charged to the income statement in the current period in the Group and the Bank include amounts in respect of onerous lease contracts and redundancy costs, largely in connection with a restructuring program which has commenced across the Group. €12m of this provision falls due within one year.

42. Subordinated liabilities and other capital instruments

	The Group		The Bank	
	31 December 2009 €m	30 September 2008 €m	**31 December 2009 €m**	30 September 2008 €m
Dated Loan Capital				
€750m Floating Rate Subordinated Notes 2014 (a)	**325**	722	**325**	722
US$165m Subordinated Notes Series A 2015 (b)	**119**	117	**119**	117
US$35m Subordinated Notes Series B 2017 (c)	**26**	25	**26**	25
€500m Callable Floating Rate Subordinated Notes 2016 (d)	**500**	499	**500**	499
€750m Callable Floating Rate Subordinated Notes 2017 (e)	**749**	749	**749**	749
Undated Loan Capital				
Stg£200m Step-up Callable Perpetual Capital Securities (f)	**23**	262	**-**	-
Stg£250m Tier One Non-Innovative Capital Securities (g)	**38**	336	**-**	-
€600m Perpetual Preferred Securities (h)	**134**	452	**-**	-
Stg£300m Non-Cumulative Preference Shares (i)	**342**	371	**342**	371
Stg£300m Step-up Perpetual Subordinated Notes (j)	**48**	385	**48**	385
€600m Fixed/Floating Perpetual Preferred Securities (k)	**78**	571	**-**	-
Stg£350m Fixed/Floating Perpetual Preferred Securities (l)	**1**	458	**-**	-
Other subordinated liabilities (m)	**-**	1	**-**	1
	2,383	4,948	**2,109**	2,869

All subordinated liabilities and other capital instruments issued by the Group 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.

During the period the following nominal amounts were repurchased under the Group's liability management exercise completed in August 2009. The Group earned a gain on repurchase of €1,752m (note 7).

	Nominal Repurchased
€750m Floating Rate Subordinated Notes 2014 (a)	€388m
Stg£200m Step-up Callable Perpetual Capital Securities (f)	£181m
Stg£250m Tier One Non-Innovative Capital Securities (g)	£220m
€600m Perpetual Preferred Securities (h)	€403m
Stg£300m Step-up Perpetual Subordinated Notes (j)	£261m
€600m Fixed/Floating Perpetual Preferred Securities (k)	€526m
Stg£350m Fixed/Floating Perpetual Preferred Securities (l)	£344m

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

42. Subordinated liabilities and other capital instruments continued

(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) The Stg£200m 8.5325% Step-up Callable Perpetual Capital Securities, issued by Anglo Irish Asset Finance plc, have the benefit of a subordinated guarantee by the Bank, and are perpetual and have no maturity date.

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) The Stg£250m 7.625% Tier One Non-Innovative Capital Securities, issued by Anglo Irish Asset Finance plc, also have the benefit of a subordinated guarantee by the Bank, and are perpetual and have no maturity date.

Interest is payable annually in arrears on 23 July at a rate of 7.625% per annum until 23 July 2027, and thereafter at a rate of 2.4% per annum above six month LIBOR, payable semi-annually in arrears on 23 January and 23 July.

(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 of €1,000 each issued at par, with no maturity date, and with the benefit of a subordinated guarantee by the Bank. 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 Bank.

Cash distributions to the limited partners are payable semi-annually in arrears on 30 March and 30 September. The distribution rate 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. No distributions can be paid if the Bank is not in compliance with applicable regulatory capital adequacy requirements.

(i) The holders of the 300,000 Non-cumulative Preference Shares of Stg£1 each 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.

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.

On 21 January 2009, under the terms of the Anglo Irish Bank Corporation Act, 2009, ownership of the 300,000 Non-Cumulative Preference Shares in issue was transferred to the Minister for Finance. In May 2009 the Bank received correspondence from the Minister stating that dividend payments on these preference shares, including the dividend otherwise payable on 15 June 2009, would be waived until such time as the Minister informs the Bank that dividend payments are to resume.

(j) The Stg£300m Step-up Perpetual Subordinated Notes bear interest at 5.25% per annum fixed to 5 October 2015 and thereafter reset at three month LIBOR plus 1.68% per annum.

(k) 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 issued at par, with no maturity date, and with the benefit of a subordinated guarantee by the Bank. 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 Bank.

Cash distributions to the limited partners are payable annually on 29 September. The distribution rate was fixed at 5.219% per annum to 29 September 2016 and thereafter resets at three month EURIBOR plus 2.20% per annum. No distributions can be paid if the Bank is not in compliance with applicable regulatory capital adequacy requirements.

(l) 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 issued at par, with no maturity date, and with the benefit of a subordinated guarantee by the Bank. 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 Bank.

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. No distributions can be paid if the Bank is not in compliance with applicable regulatory capital adequacy requirements.

(m) Other subordinated liabilities includes €100,000 A Preference Shares issued by Anglo Irish Asset Finance plc.

The European Commission, as a condition of its approval of the Government's capitalisation of the Bank in mid 2009, required that no further coupon payments be made on any of the Group's Tier 1 securities following the payment due on the 7.625% Tier One Non-Innovative Capital Securities on 23 July 2009.

In September 2009, the Board resolved that the non-cumulative distributions on the €600m Fixed Rate/Floating Rate Guaranteed Non-voting Perpetual Preferred Securities of Anglo Irish Capital UK (2) LP ('the LP2 Preferred Securities'), which otherwise would have been payable on 29 September 2009, would not be paid.

The effect of this decision by the Group was to trigger the 'Dividend Stopper' provisions of the LP 2 Preferred Securities, which preclude the Group for a period of one calendar year from and including 29 September 2009, from declaring and paying any distribution or dividend on its 'Junior Share Capital', which comprises the Group's ordinary shares.

The Group is similarly precluded, for the same period of time, from declaring and paying any distribution or dividend on any 'Parity Security', which comprises the following:

(f) 8.5325% Step-up Callable Perpetual Capital Securities issued by Anglo Irish Asset Finance plc on which a semi-annual coupon payment was due on 28 December 2009, and another which would otherwise be due on 28 June 2010;

(g) 7.625% Tier One Non-Innovative Capital Securities issued by Anglo Irish Asset Finance plc on which an annual cumulative coupon payment would otherwise be due on 23 July 2010;

(h) Non-Voting Non-cumulative Perpetual Preferred Securities issued by Anglo Irish Capital UK LP on which a semi-annual distribution was due on 30 September 2009, and another which would otherwise be due on 30 March 2010;

(i) £300m Series A Fixed/Floating Rate Non-cumulative Callable Preference Shares issued by Anglo Irish Bank Corporation Limited;

(l) Fixed Rate/Floating Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities issued by Anglo Irish Capital UK (3) LP on which a semi-annual distribution was due on 1 December 2009, and another which would otherwise be due on 1 June 2010; and

(m) €100,000 A Preference Shares issued by Anglo Irish Asset Finance plc.

43. Share capital

Ordinary share capital	Group and Bank 31 December 2009 €m	30 September 2008 €m
Authorised		
26,200,000,000 ordinary shares of €0.16 each (30 September 2008: 1,200,000,000)	**4,192**	192
Allotted, called up and fully paid		
25,769,150,409 ordinary shares of €0.16 each (30 September 2008: 769,150,409)	**4,123**	123

Movements in allotted, called up and fully paid share capital	31 December 2009 number	30 September 2008 number
Number of ordinary shares:		
At beginning of period	**769,150,409**	763,113,647
Issue of share capital	**25,000,000,000**	-
Scrip dividends	**-**	1,779,275
Options exercised		
- Employee Share Option Scheme	**-**	3,118,400
- Save As You Earn Scheme	**-**	640,665
Performance Share Plan	**-**	498,422
At end of period	**25,769,150,409**	769,150,409

On 21 January 2009, under the terms of the Anglo Irish Bank Corporation Act, 2009, all of the Bank's ordinary share capital was transferred to the Minister for Finance.

During the 15 month period ended 31 December 2009 the allotted, called up and fully paid ordinary share capital was increased from 769,150,409 to 25,769,150,409 shares as follows:

On 29 June 2009 the Bank received €3,000,000,000 of capital from the Irish Government and in return issued 18,750,000,000 ordinary shares of €0.16 each.

On 6 August 2009 the Bank received €827,720,004 of capital from the Irish Government and in return issued 5,173,250,025 ordinary shares of €0.16 each.

On 25 September 2009 the Bank received €172,279,996 of capital from the Irish Government and in return issued 1,076,749,975 ordinary shares of €0.16 each.

Preference share capital

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

	Group and Bank 31 December 2009 €m	30 September 2008 €m
50,000,000 non-cumulative preference shares of €1 each	**50**	50
50,000,000 non-cumulative preference shares of Stg£1 each	**56**	63
50,000,000 non-cumulative preference shares of US$1 each	**35**	35

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 42).

On 21 January 2009, under the terms of the Anglo Irish Bank Corporation Act, 2009, the 300,000 non-cumulative preference shares of Stg£1 each were transferred to the Minister for Finance.

44. Capital reserve

	The Group		The Bank	
	31 December 2009 €m	30 September 2008 €m	**31 December 2009 €m**	30 September 2008 €m
Capital reserve	**8,300**	-	**8,300**	-

On 22 December 2009 the Bank's sole Shareholder, the Minister for Finance, wrote to the Bank outlining his commitment, subject to EU State Aid approval, to ensure that the Bank had sufficient capital to continue to meet regulatory capital requirements at 31 December 2009. On 23 December 2009 the Board accepted the Shareholder's binding commitment. The Bank recognised a receivable from the Shareholder on 31 December 2009 on the basis that it was virtually certain to occur (note 25), and a corresponding credit to a capital reserve. Subsequently on 31 March 2010, the Bank received a promissory note to the value of €8.3bn from the Shareholder in settlement of the receivable. Refer to note 58, Events after the reporting period, for more details.

The Financial Regulator has confirmed that the capital reserve qualifies as eligible Core Tier 1 capital.

45. Other reserves

Non-distributable capital reserve

This 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 statements of financial position of foreign operations using exchange rates ruling at the period 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.

	The Group	
	15 months ended 31 December 2009 €m	Year ended 30 September 2008 €m
Movement in exchange translation reserve		
At beginning of period	**(9)**	(6)
Exchange differences on translation of foreign operations	**(212)**	(113)
Net gain on hedges of net investments in foreign operations	**165**	110
At end of period	**(56)**	(9)

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.

	The Group	
	15 months ended 31 December 2009 €m	Year ended 30 September 2008 €m
Movement in cash flow hedging reserve		
At beginning of period	**(9)**	(19)
Release of deferred taxation	**(1)**	-
Net changes in fair value	**341**	24
Transfers to income statement	**(221)**	(14)
At end of period	**110**	(9)

45. **Other reserves** continued

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 include movements on associated fair value hedges. The reserve is stated net of deferred taxation.

	The Group	
	15 months ended 31 December 2009 €m	Year ended 30 September 2008 €m
Movement in available-for-sale reserve		
At beginning of period	**(563)**	(100)
Release of deferred taxation	**(80)**	-
Net changes in fair value	**(42)**	(584)
Impairment recognised in income statement	**471**	136
Transfers to income statement	**(5)**	(15)
Foreign exchange and other movements	**12**	-
At end of period	**(207)**	(563)

The available-for-sale reserve consists of unrealised losses on asset backed securities of €112m (30 September 2008: €372m), on residential mortgage backed securities of €87m (30 September 2008: €92m) and bank securities of €79m (30 September 2008: €112m), offset by unrealised gains on sovereign securities of €71m (30 September 2008: €13m).

Share-based payments reserve

The share-based payments reserve represented the cumulative income statement expense for unexercised share options and deferred share awards granted on or after 7 November 2002. Following the enactment of the Anglo Irish Bank Corporation Act, 2009, which extinguished all rights outstanding under the various share-based incentive plans, the cumulative balance in the share-based payment reserve was transferred to retained earnings.

46. Non-controlling interests

	The Group	
	31 December 2009 €m	30 September 2008 €m
Equity interests in subsidiary undertakings	**1**	7

47. Income tax effects relating to comprehensive income

	The Group 15 months ended 31 December 2009		
	Before tax amount €m	**Tax benefit/ (expense) * €m**	**Net of tax amount €m**
Net actuarial gains/(losses) in retirement benefit schemes	**2**	**-**	**2**
Net change in cash flow hedging reserve	**119**	**-**	**119**
Net change in available-for-sale reserve	**356**	**-**	**356**
Foreign exchange translation	**(47)**	**-**	**(47)**
	430	**-**	**430**

* All deferred tax recognised in respect of cumulative net actuarial gains/(losses) in retirement benefit schemes, the cash flow hedging reserve and the available-for-sale reserve at 30 September 2008 was released during the current period.

	The Group Year ended 30 September 2008		
	Before tax amount €m	Tax benefit/ (expense) €m	Net of tax amount €m
Net actuarial gains/(losses) in retirement benefit schemes	(21)	3	(18)
Net change in cash flow hedging reserve	11	(1)	10
Net change in available-for-sale reserve	(529)	66	(463)
Foreign exchange translation	(3)	-	(3)
	(542)	68	(474)

48. Treasury shares

	The Group	
	31 December 2009 €m	30 September 2008 €m
Ordinary shares in the Bank ('own shares') at cost	**-**	76
Treasury shares held for the benefit of policyholders	**-**	4
	-	80

Retained earnings for the Group are stated net of treasury shares of €nil (30 September 2008: €80m).

On 21 January 2009, under the terms of the Anglo Irish Bank Corporation Act, 2009, all of the Bank's ordinary share capital, including treasury shares, was transferred to the Minister for Finance. Consequently, at 31 December 2009 there were no treasury shares held in trust in relation to employee share-based incentive plans (30 September 2008: 8,251,193) (note 10) and no treasury shares held by Anglo Irish Assurance Company Limited for the benefit of policyholders (30 September 2008: 958,769) (note 40).

49. Contingent liabilities, commitments and other contingencies

	The Group		The Bank	
	31 December 2009 €m	30 September 2008 €m	**31 December 2009 €m**	30 September 2008 €m
Contingent liabilities				
Guarantees and irrevocable letters of credit	**270**	624	**330**	647
Performance bonds and other transaction related contingencies	**74**	112	**63**	91
	344	736	**393**	738
Commitments				
Credit lines and other commitments to lend	**1,858**	6,282	**1,668**	5,329

A portion of credit lines and other commitments to lend and certain guarantees provided by the Group and the Bank relate to customer facilities which are eligible for transfer to NAMA (note 23).

Regulatory reviews and enquiries

In the period since December 2008, various regulatory bodies in Ireland (including the Financial Regulator, the Office of the Director of Corporate Enforcement, the Chartered Accountants Regulatory Board, the Irish Auditing & Accounting Supervisory Authority and the Irish Stock Exchange) have initiated investigations (including in some cases, criminal investigations) into certain aspects of the Bank's business including certain loan and other transactions involving Directors and certain third parties. These investigations are ongoing and it is not possible at this stage to give any indication as to whether they will result in civil, administrative or criminal proceedings against the Bank or any of its current or former Directors or Officers. In addition, certain correspondence has been received by the Bank and by certain former Directors of the Bank alleging an entitlement to compensation in respect of alleged wrongdoing by the Bank and/or by such former Directors. At this stage, only one such proceeding has been served on the Bank, though no statement of claim has as yet been served by the plaintiff.

Legal claims

In the normal course of the Bank's business and operations, litigation arises from time to time. The Bank has a policy of active management and rigorous defence of legal claims and there are procedures in place to ensure the oversight of claims by the Risk and Compliance Committee. At period end, there are a number of on-going legal proceedings.

Other than the regulatory reviews and enquiries referred to above, the only significant additional proceedings during the period are the Group's initiation of arbitration proceedings in the United Sates seeking the removal of the General Partner in the New York Hotel Fund. The General Partner has counterclaimed seeking damages plus interest and costs. In proceedings brought in the Commercial Court in Dublin, a number of investors in the Fund have sought the return of their investment together with interest and costs. The Bank has raised a full defence in response to both claims. No additional information in respect of these disputes is being provided, as to do so could prejudice the position of the Group in relation to the proceedings.

Guarantees

In the normal course of business, the Group is a party to financial instruments with off balance sheet risk to meet the financing needs of customers. These instruments involve, to varying degrees, elements of risks which are not reflected in the statement of financial position. Guarantee contracts expose the Bank to the possibility of sustaining a loss if the other party to the financial instrument fails to perform in accordance with the terms of the contract. Even though these obligations may not be recognised in the statement of financial position, they do contain risk and are therefore part of the overall risk of the Bank (see note 51).

NAMA

The Group may be required to indemnify NAMA in respect of various matters, including NAMA's potential liability arising from any error, omission or misstatement on the part of the Group in the information provided to NAMA. Any claim by NAMA in respect of those indemnities, depending on its nature, scale and factual context, could have a material adverse effect on the Group.

Other contingencies

In addition to the above, the Bank has given guarantees in respect of certain subsidiaries (note 30).

50. Statement of cash flows

Other non-cash items	The Group 15 months ended 31 December 2009 €m	The Group Year ended 30 September 2008 €m	The Bank 15 months ended 31 December 2009 €m	The Bank Year ended 30 September 2008 €m
Share of results of associate and joint ventures	**167**	1	**31**	-
Loans and advances written-off net of recoveries	**(83)**	(67)	**(77)**	(23)
Profit on disposal of businesses	**(49)**	(20)	**-**	-
Depreciation and amortisation	**35**	27	**21**	25
Share-based payment expense	**22**	12	**19**	12
Net decrease/(increase) in prepayments and accrued income	**25**	(15)	**22**	(17)
Net decrease in accruals and deferred income	**(39)**	(47)	**(40)**	(38)
Net gains on disposal of available-for-sale financial assets	**(5)**	(17)	**(5)**	(17)
Profit on disposal of investment properties held on own account	**-**	-	**-**	-
Other	**(4)**	(2)	**(4)**	-
	69	(128)	**(33)**	(58)

Cash and cash equivalents	The Group 31 December 2009 €m	The Group 30 September 2008 €m	The Bank 31 December 2009 €m	The Bank 30 September 2008 €m
Cash and balances with central banks	**302**	1,822	**302**	1,809
Loans and advances to banks (with a maturity of less than three months)	**4,477**	12,713	**3,412**	11,232
At end of period	**4,779**	14,535	**3,714**	13,041

Loans and advances to banks (with a maturity of less than three months) excludes cash collateral placed with counterparties to offset credit risk arising from derivative contracts (note 22).

51. Risk management and control

The Group is subject to a variety of risks and uncertainties in the normal course of its business activities. A description of the principal risks and uncertainties facing the Group is set out on pages 23 to 26.

In addition to the principal risks and uncertainties identified by the Group, which include general macro-economic conditions, specific risks also arise from the use of financial instruments. The specific risks identified and managed by the Group in its day-to-day business are credit risk, market risk, liquidity and funding risk, and operational risk. The Group has also put policies in place to mitigate reputational risk and compliance and regulatory risk. In order to effectively minimise the impact of these risks, the Board of Directors ('the Board') has established a risk management framework covering accountability, measurement, reporting and management of risk throughout the Group. In accordance with the Subscription Agreement between the Minister for Finance and the Bank, a key objective over the coming years is to reduce the risk profile of the business. Management recognises the importance of the support functions of Group Risk Management, Group Compliance and Group Finance within the Bank in assisting with this process.

This note describes the risk management and control framework in place in the Bank and sets out the key risks which could impact the Bank’s future results and financial position. The risks discussed below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties as there may be risks and uncertainties of which the Bank is not aware or which the Bank does not currently consider significant but which may become significant in the future.

Corporate governance and risk management

Introduction

Current best practice corporate governance standards for banks are set out in the 2006 recommendations of the Basel Committee on Banking Supervision. The recommendations of the Basel Committee that specifically relate to risk management and control state:

- The Board should approve and oversee the Bank’s strategic objectives and corporate values that are communicated throughout the banking organisation;
- The Board should set and enforce clear lines of responsibility and accountability throughout the organisation;
- The Board should ensure that there is appropriate oversight by senior management consistent with Board policy; and
- The Board and senior management should effectively utilise the work conducted by the internal audit function, external auditors, and internal control functions.

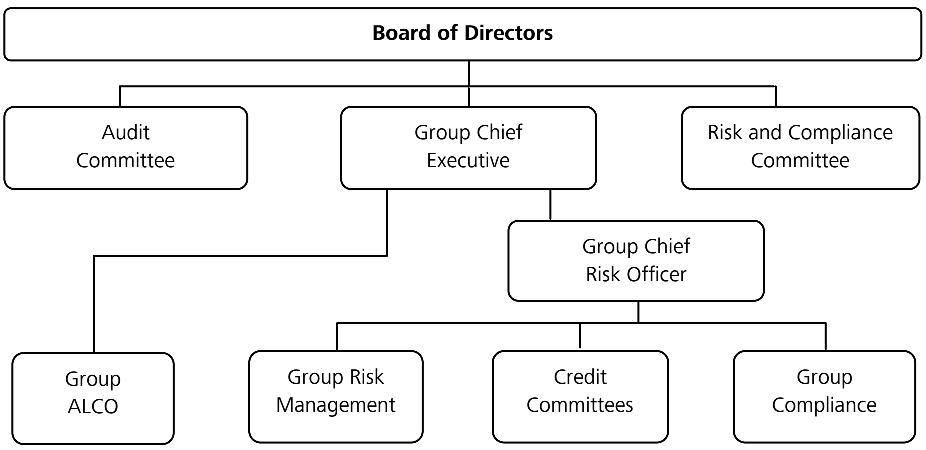
What constitutes sound risk management within financial institutions internationally is currently being examined in light of recent global market failures. The Turner Review (2009) by the UK's Financial Services Authority which was prepared in light of the current banking crisis made a number of further recommendations stating the need for:

- Improved professionalism and independence of risk management functions. Risk management considerations should be embedded in remuneration policy; and
- Need for improvements in the skill level and time commitment of Non-executive Directors.

The Bank aims to build on its current structures and capabilities to ensure it meets all of these requirements.

Risk oversight and corporate governance

The Bank’s approach to corporate governance and risk management is to ensure that there is independent checking of key decisions by management. The Bank has an established Risk Oversight Framework to deliver on this approach. The key elements of this framework are described below.



The Board approves the overall Group strategy and is responsible for approving the Group's risk appetite. The first Risk Appetite Statement was approved by the Board on 26 November 2009. The Risk and Compliance Committee of the Board has the ultimate oversight role on behalf of the Board. The key responsibilities of the committee are as follows:

- Review and oversight of the risk and compliance profile of the Group within the context of the Board determined risk appetite;
- Making recommendations to the Board concerning the Group's risk appetite and particular risk or compliance management practices of concern to the committee;
- Review and oversight of management's plans for mitigation of the material risks faced by the various business units of the Group; and
- Oversight of the implementation and review of risk management and internal compliance and control systems throughout the Group.

The Board delegates its monitoring and control responsibilities to the Credit Committees for credit risk (including banking and treasury credit risk) and to the Group Asset and Liability Committee ('ALCO') for market risk and liquidity and funding risk. These committees comprise senior management from throughout the Group and are supported by a dedicated Group Risk Management function, which is headed by a Group Chief Risk Officer ('CRO').

The CRO reports directly to the Group Chief Executive. The CRO was an external appointment and joined the Bank on 2 November 2009. A further enhancement to the structure during the period was the separation of the CRO and Chief Financial Officer ('CFO') roles. In addition to the appointment of an external candidate to the role of CRO, the Bank has recently appointed a new external CFO.

The Audit Committee's role in the risk management framework includes ensuring Group compliance with regulatory, prudential and financial reporting responsibilities. It also reports to the Board on the effectiveness of both financial and non-financial control processes operating throughout the Group. The committee is supported by Group Finance and Group Internal Audit, which are central control functions independent of the business units. Group Internal Audit provides independent, objective assurance as to whether the Group's risk management and control framework is appropriate and functioning effectively.

Management of risk is the responsibility of staff at all levels. However, primary responsibility for managing risk and for ensuring adequate controls are in place lies with the Group Risk Management function. The Group Risk Management function is responsible for:

- Supporting the senior management team and the Board in setting the Group's risk appetite and policies;
- Supporting management in business decision making through independent and objective challenge to business unit management of risk and exposures in line with agreed risk appetites;
- Developing and communicating risk management policies, practices, appetites and accountabilities; and
- Analysing, monitoring and reporting material risk management information across all risk types and geographies to present an aggregated view of the Group's risk appetite to the senior management team and the Risk and Compliance Committee.

During the second period of 2009 the Group Risk Management function initiated general improvements as part of an ongoing process review. Some examples include:

- Enhancement of Asset Quality teams;
- Establishment of a new Quality Assurance team; and
- Establishment of a Risk Operations team.

Further enhancements will be made in 2010.

51. **Risk management and control** continued

Risk appetite and strategy
Risk appetite can be defined as the total amount of risk the Bank is prepared to accept in pursuit of its strategic objectives. This is outlined in detail in the Bank's Risk Appetite Statement. Risk appetite sets the boundaries that form a dynamic link between the Bank's strategy, restructuring plan, capital management plan and the risk management framework. As the strategy of the Bank changes, the appetite for risk is revisited to confirm that it continues to support the achievement of the Bank's objectives.

The Bank's current risk exposure exceeds its risk bearing capacity. Risk reduction will remain a priority for the Bank both in the short and medium term, until risk exposure is in line with the Bank's risk appetite objective. The Board plans to address this disparity through stabilising and de-risking the Bank, while rebuilding confidence and trust with all stakeholders. In addition, the development and implementation of the Bank's restructuring plan, with leadership focused on ensuring timely execution of the plan and a return to profitability will assist the Bank in achieving its risk appetite objective.

The strategy for risk management is the responsibility of the CRO. The CRO will review the strategy for risk management going forward in conjunction with the senior risk management team, the senior management team and the Risk and Compliance Committee.

Individual risk types
Group Risk Management's independent oversight and analysis covers the following four core areas:
▪ Credit risk;
▪ Market risk;
▪ Liquidity and funding risk; and
▪ Operational risk.

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 and 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 (banking credit risk) but also from interbank lending, investment in securities and its use of derivatives (treasury credit risk).

Banking credit risk
It is the stated aim of the Bank to reduce the Bank's lending credit risk profile as per the Subscription Agreement between the Minister for Finance and the Bank. The Bank's participation in NAMA is a key element in achieving this objective. Further information in respect of NAMA is provided in note 24.

The Group's policy on banking credit risk is set out in a detailed Group Credit Policy (the 'Credit Policy') which is approved annually by the Board following recommendation by the Risk and Compliance Committee. The Credit Policy forms the core of the Bank's credit risk ethos and represents a comprehensive guide to policies and underwriting criteria which govern the way in which the Bank conducts its credit business. The Credit Policy also:

▪ Sets out the process surrounding credit approval;
▪ Outlines the manner in which credit risk is managed; and
▪ Sets out the context for the Bank's business and how the Bank strives to reduce risk.

The current Credit Policy (approved in August 2009 by the Risk and Compliance Committee and noted by the Board in November 2009) has been framed in the context of the Bank's present position in terms of ownership, State guarantees and short/medium term strategy. It is also consistent with the Bank's Risk Appetite Statement.

Consistency of approach to banking credit risk across the Group is ensured through the implementation of the Credit Policy and presence of key personnel at all Credit Committee meetings. Credit Committee is the most senior forum for approving credit exposures and consensus is required before authorising a credit exposure with each individual credit application approved by a valid quorum composed of business and risk management officers.

Credit risk relating to the loan book is identified and assessed on a combination of top-down and bottom-up risk assessment processes on a portfolio-wide basis. Top-down processes focus on broad risk types and common risk drivers, rather than specific individual risk events, and adopt a forward-looking view of perceived threats. Bottom-up risk assessment is performed on a loan-by-loan basis, focusing on risk events that have been identified through specific qualitative or quantitative measurement tools. In particular, the Banking Credit Risk team monitors the Bank's exposure to geographic and industrial sectors within the loan book and proposes sectoral restrictions, where appropriate. In line with the new Credit Policy, the Banking Credit Risk team is taking steps to reduce concentration risk related to single counterparties and/or groups of closely related counterparties. The top obligors are renewed and reported on a monthly basis to senior management and the Risk and Compliance Committee.

With regard to the Bank's transaction approval and review processes, the Banking Credit Risk team in conjunction with the recently established Quality Assurance team within Group Risk Management oversees the Credit Committee meetings and periodic loan reviews. Furthermore, to monitor the ongoing quality of the loan book, the Banking Credit Risk team undertakes monthly asset quality reviews on significant exposures.

The performance of individual facilities is closely monitored by Banking Credit Risk on an ongoing basis, which maintains a list of lower quality cases. These cases, while considered lower quality, are not impaired but require increased management attention to prevent any further deterioration in asset quality. Banking Credit Risk also maintains a list of satisfactory cases for exposures that continue to represent satisfactory quality loans but which are subject to closer monitoring.

Impaired loans are identified where 'objective evidence' exists in accordance with IFRS.

Specific provisions are created where one or more loss events have been recognised and as a result a shortfall is expected between the Group's exposure and the likely recoverable amount. The recoverable amount is calculated by discounting the value of expected future cash flows by the exposure's original effective interest rate.

Incurred but not reported ('IBNR') provisions are created on a collective basis for loans and advances where there is no objective evidence of individual or specific impairment. This provision is calculated with reference to historical loss experience supplemented by observable market evidence and management's experienced judgement regarding current market conditions.

Lending teams, in consultation with Banking Credit Risk, devise and implement action plans in order to minimise losses arising from impaired loans. This may involve working with the borrower to achieve a satisfactory outcome for both the customer and the Bank. However, in certain circumstances the loan may be repaid from the sale proceeds of security held, and/or by availing of recourse to the guarantor. Where the proceeds from collateral are not sufficient to repay the loan, Banking Credit Risk has the authority to write off the outstanding exposure. Banking Credit Risk will make this determination, in line with the Credit Policy, only when it has concluded that the likelihood of further recovery is remote.

Renegotiated loans are those facilities that, during the financial period, have had their terms renegotiated resulting in an upgrade from impaired to performing status. This upgrade can be based on, among other things, subsequent good performance or an improvement in the credit profile of the borrower. Renegotiated loans and advances were €66m as at 31 December 2009 (30 September 2008: €9m).

51. **Risk management and control** continued

Banking credit risk *continued*

Risk concentrations

A geographical analysis of risk concentrations by sector for loans and advances to customers (note 27) is as follows:

	31 December 2009				
	Ireland €m	**United Kingdom €m**	**USA €m**	**Total €m**	%
Retail	**2,422**	**3,127**	**1,409**	**6,958**	**19%**
Office	**2,514**	**2,205**	**2,242**	**6,961**	**19%**
Mixed use	**861**	**1,377**	**492**	**2,730**	**7%**
Industrial	**265**	**592**	**525**	**1,382**	**4%**
Residential investment	**430**	**477**	**1,165**	**2,072**	**6%**
Residential development	**176**	**170**	**91**	**437**	**1%**
Business banking	**5,168**	**163**	**2**	**5,333**	**15%**
Personal	**1,934**	**14**	**64**	**2,012**	**6%**
Leisure	**2,264**	**3,464**	**1,032**	**6,760**	**19%**
Commercial development	**190**	**167**	**185**	**542**	**1%**
Other property investment	**929**	**270**	**68**	**1,267**	**3%**
Other	**3**	**12**	**-**	**15**	**0%**
Total loans and advances to customers	**17,156**	**12,038**	**7,275**	**36,469**	**100%**

An analysis of risk concentrations for loans classified as held for sale is included in note 24.

	30 September 2008				
	Ireland €m	United Kingdom €m	USA €m	Total €m	%
Retail	6,488	4,428	1,480	12,396	17%
Office	5,242	3,175	2,325	10,742	14%
Mixed use	2,667	1,636	1,260	5,563	7%
Industrial	384	902	508	1,794	2%
Residential investment	1,199	737	1,138	3,074	4%
Residential development	5,470	2,675	537	8,682	12%
Business banking	6,234	1,544	16	7,794	11%
Personal	3,616	43	68	3,727	5%
Leisure	4,759	3,439	1,160	9,358	13%
Commercial development	5,360	2,003	777	8,140	11%
Other property investment	930	263	94	1,287	2%
Other	965	549	-	1,514	2%
Total loans and advances to customers	43,314	21,394	9,363	74,071	100%

Total loans and advances to customers are stated gross of provisions and include €771m (30 September 2008: €1,006m) lent to fund assets held in respect of liabilities to customers under investment contracts (note 40).

At 31 December 2009, the top 20 customer groups (as defined by the Irish Financial Regulator), including loans classified as held for sale, represented €14.8bn or 21% (30 September 2008: €13.9bn or 19%) of the Group's total loans and advances to customers and loans classified as held for sale before provisions for impairment. 15 of the top 20 customer groups are scheduled for transfer to NAMA and included in assets classified as held for sale at 31 December 2009. Excluding these loans, the remaining top 20 customer groups represent €8.8bn or 24% of the Group's loans and advances to customers before provisions for impairment.

Treasury credit risk

The Treasury Credit Risk team manages credit risk inherent in all Group Treasury business including interbank activity, derivative transactions and investment in debt securities. The Group's policy on treasury credit risk is set out in a detailed credit policy that has been approved by the Risk and Compliance Committee. Limits are assessed and proposed by an independent credit team within Group Risk Management and are presented for consideration at the weekly Treasury Credit Committee meeting.

The Group uses external ratings and market information, supplemented by internal analysis, to assess the risks associated with treasury assets. The performance of all asset-backed securities is monitored closely through monthly trustee reports and rating agency commentary. Impairment is monitored on a monthly basis and recognised when there is objective evidence that a specific financial asset is impaired. A range of factors are used in recognition of impairment, which can vary depending on the nature of the underlying assets or collateral but will typically include a significant or prolonged decline in the fair value of the security, the level of over-collateralisation, and adverse credit ratings action.

Settlement risk arises in any situation where a payment in cash or securities is made in the expectation of a corresponding receipt in cash or securities. The settlement risk on many transactions, particularly those involving securities, is substantially mitigated when effected via assured payment systems or on a delivery-versus-payment basis. Each counterparty's credit profile is assessed and clearing agents, correspondent banks and custodians are selected with a view to minimising settlement risk. The most significant portion of the Group’s settlement risk exposure arises from foreign exchange transactions. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from foreign exchange transactions on a single day.

For the majority of the Group's interbank counterparties, settlement risk is effectively eliminated through the use of Continuous Linked Settlement ('CLS'). CLS is a real-time, global settlement system which minimises settlement risk and is operated by CLS Bank, which is supervised and regulated by the US Federal Reserve.

Treasury credit risk is also influenced by country risk, where country risk is defined as the risk that circumstances arise in which customers and other counterparties within a given country may be incapable of, or precluded from, fulfilling their obligations to the Group due to economic or political circumstances. Group Risk Management sets appropriate country risk limits, taking into consideration independent credit information from well established international sources. These limits reflect the country’s overall credit worthiness and are monitored on an ongoing basis. Country concentrations are addressed through the country risk policy, which specifies risk appetite by country and avoids excessive geographic risk concentration.

51. **Risk management and control** continued

Treasury credit risk continued

Maximum exposure to credit risk

The following table presents the Group's maximum exposure to credit risk before collateral or other credit enhancements. Included below are contingent liabilities and commitments to lend, which are not recognised in the consolidated statement of financial position, which the Group does not expect to be fully drawn.

	The Group	
	31 December 2009 €m	30 September 2008 €m
Exposures in the consolidated statement of financial position		
Cash and balances with central banks	**302**	1,822
Financial assets at fair value through profit or loss - held on own account *	**76**	163
Derivative financial instruments	**2,483**	1,995
Loans and advances to banks	**7,342**	13,854
Assets classified as held for sale **	**25,892**	-
Available-for-sale financial assets *	**7,890**	8,152
Loans and advances to customers	**31,623**	73,157
Exposures not recognised in the consolidated statement of financial position		
Contingent liabilities	**344**	736
Commitments to lend	**1,858**	6,282
Maximum exposure to credit risk	**77,810**	106,161

* Excludes equity shares

** Excludes non-financial assets of €12m at 30 September 2008

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise as a result of changes in fair value.

Loans and advances to customers include €771m (30 September 2008: €1,006m) lent to fund assets held in respect of liabilities to customers under investment contracts (note 40) as the Group is exposed to credit risk in respect of this lending.

Loans and advances to banks exclude €18m (30 September 2008: €148m) advanced on behalf of policyholders under investment contracts (note 40) as the Group is not exposed to credit risk in respect of these advances.

Contingent liabilities includes €270m (30 September 2008: €624m) in respect of financial guarantees.

Financial assets by credit quality

The following tables include an analysis of financial assets, other than those carried at fair value, by credit quality. Assets classified as held for sale are not included. Other financial assets comprises cash and balances with central banks and loans and advances to banks.

	The Group 31 December 2009					
	Commercial €m	**Residential €m**	**Business Banking €m**	**Other Lending €m**	**Other Financial Assets €m**	**Total €m**
Total neither past due or impaired	**17,435**	**1,267**	**3,087**	**409**	**7,662**	**29,860**
Past due but not impaired	**2,916**	**668**	**484**	**692**	**-**	**4,760**
Impaired assets	**6,249**	**574**	**1,762**	**926**	**-**	**9,511**
Total	**26,600**	**2,509**	**5,333**	**2,027**	**7,662**	**44,131**

	The Group 30 September 2008					
	Commercial €m	Residential €m	Business Banking €m	Other Lending €m	Other Financial Assets €m	Total €m
Total neither past due or impaired	47,883	10,729	7,745	4,975	15,824	87,156
Past due but not impaired	1,251	308	33	190	-	1,782
Impaired assets	146	719	16	76	-	957
Total	49,280	11,756	7,794	5,241	15,824	89,895

51. Risk management and control continued

Aged analysis of financial assets past due but not impaired

The following tables present an analysis of financial assets, other than those carried at fair value, where contractual interest or principal payments are past due but impairment is not appropriate as the level of collateral and the present value of estimated future cash flows available to the Group is sufficient.

	The Group 31 December 2009					
	Commercial €m	**Residential €m**	**Business Banking €m**	**Other Lending €m**	**Other Financial Assets €m**	**Total €m**
Past due 1 to 30 days	**962**	**68**	**263**	**127**	**-**	**1,420**
Past due 31 to 60 days	**665**	**319**	**14**	**52**	**-**	**1,050**
Past due 61 to 90 days	**346**	**19**	**14**	**52**	**-**	**431**
Past due 91 days and over	**943**	**262**	**193**	**461**	**-**	**1,859**
Total	**2,916**	**668**	**484**	**692**	**-**	**4,760**

	The Group 30 September 2008					
	Commercial €m	Residential €m	Business Banking €m	Other Lending €m	Other Financial Assets €m	Total €m
Past due 1 to 30 days	240	76	4	56	-	376
Past due 31 to 60 days	143	31	1	11	-	186
Past due 61 to 90 days	124	46	-	6	-	176
Past due 91 days and over	744	155	28	117	-	1,044
Total	1,251	308	33	190	-	1,782

Collateral

The acceptance of both financial and non-financial collateral is central to the risk mitigation and underwriting policies of the Group. The nature of the collateral held will reflect the transaction being underwritten. Loans and advances to customers are collateralised principally by charges over real estate assets, business assets and liens on cash deposits, and are supplemented by personal guarantees. In the case of clients with more than one transaction, the Bank seeks to cross-collateralise security to strengthen repayment cover.

Due to the significant dislocation in property markets and the lack of transactional activity over the period, it is impracticable for the Bank to obtain reliable fair values for individual collateral held against past due or impaired financial assets as at 31 December 2009. However declines in prices of approximately 50% since the market peak for Irish commercial property reflected in certain market indices would appear to be a fair indicator of the scale of the decline in collateral values over the past twelve months. Ireland, which represents the majority of impaired and past due loan balances, experienced the most significant drop in valuations compared with price declines in the UK and US markets. At 30 September 2008, collateral of €834m was held against impaired loans and advances to customers of €957m.

During the period the Group repossessed collateral, consisting of land and property, of €6m on balances of €20m (2008: €7m on balances of €15m). It is the Group's policy to dispose of repossessed assets in an orderly fashion. The proceeds are used to reduce or repay the outstanding balance. The Group does not use repossessed assets for business purposes.

Loans and advances to banks are generally unsecured except where securities are held as collateral in reverse repurchase agreements (note 22). Credit risk in respect of exposures to certain monetary financial institutions is mitigated by financial guarantees from parent institutions or governments. The Group has executed Collateral Support Agreements ('CSAs') with its principal interbank derivatives counterparties. Under the terms of a CSA, if the aggregate market value of a set of derivative contracts between two parties exceeds an agreed threshold amount, 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.

Netting arrangements

The Group has entered into master netting agreements with counterparties with which it undertakes a significant amount of transactions, primarily in the interbank markets for derivative instruments and repurchase transactions. As these transactions usually settle on a gross basis, the ability to settle on a net basis in the event of a default substantially reduces the overall credit risk.

Parent Bank credit risk

Additional information on the parent Bank's credit risk is contained in note 56.

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 statement of financial position, the execution of customer and interbank business and from trading activities. The Group recognises that the effective management of market risk is essential.

The Group's exposure to market risk is governed by policies prepared by Group Risk Management in consultation with Group Treasury and approved by ALCO and the Risk and Compliance Committee. All risk limits are approved by ALCO and 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 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 business units.

Trading book risk

The trading book consists of positions arising primarily from client transactions in a range of financial instruments. The interest rate trading book includes interest rate swaps, currency swaps, interest rate futures, forward rate agreements and options. Traded foreign exchange risk arises from the Group’s lending and funding activities as well as from its corporate and interbank foreign exchange business. All trading book risks are managed centrally by Group Treasury.

The primary trading book market risk measure is a Value at Risk ('VaR') model that is based on a historical simulation methodology. It is implemented using a 99% confidence level and two years of historic data. The methodology takes into account inter-relationships between different market variables, for instance between interest rates and foreign exchange rates, and captures the risks associated with option positions in interest rate and foreign exchange instruments.

Although an important and industry standard measure of risk, VaR has its limitations as a result of its use of historical data, frequency of calculation and holding periods. Additionally, the use of confidence intervals does not give any information about potential losses when the confidence level is exceeded. For these reasons, the Group also uses a variety of other methodologies in measuring market risk. These include, but are not limited to, stress testing and sensitivity analysis.

The table below summarises the VaR levels of the Group’s trading book for the period using a 99% confidence level.

	1 Day Time Horizon		**10 Day Time Horizon**	
	31 December 2009 €m	30 September 2008 €m	**31 December 2009 €m**	30 September 2008 €m
At end of period	**0.3**	0.4	**0.9**	1.3
Average	**0.5**	0.2	**1.6**	0.6
Minimum	**0.3**	0.1	**0.9**	0.3
Maximum	**0.8**	0.7	**2.5**	2.2

The average VaR for the period ended 31 December 2009 was higher than for the previous year. Risk positioning continued to be low in 2009 in terms of interest rate and foreign exchange risk sensitivities, reflecting a cautious stance in the face of uncertainty in global financial markets. The higher average VaR for the period resulted from the significantly higher volatility in certain key market data for the 15 months to 31 December 2009.

Group Risk Management provides daily reporting of trading book risk positions against all approved VaR, Present Value of a Basis Point ('PVBP'), option sensitivity and stop-loss limits. It provides monthly reporting to ALCO on trading book activity with analysis of all significant risk positions, including stress testing of positions against a range of extreme market scenarios. There is also monthly reporting to the Risk and Compliance Committee on compliance with trading limits.

51. **Risk management and control** continued

Market risk continued

Banking book risk

Banking book positions are those acquired with the intention of holding them to maturity in the normal course of business. Interest rate risk in the banking book arises from a combination of lending, funding and non-trading treasury activities. Group Treasury manages the market risk associated with all of these activities on a consolidated basis.

Market risk in the banking book arises primarily from exposure to changes in interest rates. The Group's financial assets and liabilities have interest rates that are reset at different times or under different bases. There is a potential impact on earnings and value that could occur when liabilities cannot be repriced as quickly as assets in a falling interest rate environment or when assets cannot be repriced as quickly as liabilities in an environment of rising rates.

Banking book interest rate risk is measured by establishing the repricing characteristics of each non-trading asset, liability and derivative instrument. The risk is managed by Group Treasury through basis point sensitivity and nominal position limits.

Group Risk Management provides daily reporting of banking book risk positions against approved PVBP and nominal position limits. It provides monthly reporting to ALCO and the Risk and Compliance Committee on banking book activity with analysis of all significant risk positions, including the results of stress testing.

The following table shows the sensitivity of the Group's banking book, including non-trading book derivatives, to an assumed 100 basis point ('bp') increase in interest rates in terms of the impact on net interest income and profit before taxation over a twelve month period:

	EUR	GBP	USD
	€m	€m	€m
At 31 December 2009	**(23)**	**(4)**	**9**
At 30 September 2008	(13)	27	(22)

This measure assumes that for each of the currencies above, interest rates for all maturities move at the same time and by the same amount. It does not incorporate the impact of management actions that, in the event of an adverse rate movement, could reduce the impact on net interest income. In practice, interest rate risk is actively managed and the impact of yield curve movements on interest income will be different from that calculated by this measure.

Risk measurement using basis point sensitivity is supplemented with regular stress tests assessing the impact of extreme market moves on risk positions. The stress tests include measurement of the sensitivity of positions to extreme yield curve movements. There are also scenario tests based on observed historical occurrences of market volatility, for example the bond market crisis of 1998 or the credit market dislocation of 2008, as well as on a range of hypothetical combinations of market stresses.

The exposure of equity reserves to interest rates arises from two main sources. Included in the Group's available-for-sale portfolio are liquid fixed rate government securities. A one basis point change in market interest rates would result in a change in the value of this portfolio of €0.4m (30 September 2008: €0.5m). These unrealised movements are recognised in the available-for-sale reserve, a component of other reserves. The Group has also designated interest rate swaps and forward rate agreements as cash flow hedges in various relationships (note 21). A one basis point change in market interest rates would result in a change in the cash flow hedging reserve of €1.1m (30 September 2008: €0.7m).

Group Treasury manages interest rate risk on a consolidated Group basis. The following tables analyse the Group's non-trading assets and liabilities into relevant repricing groupings. Assets and related liabilities held in respect of liabilities to customers under investment contracts and non-interest bearing assets and liabilities are not included.

	The Group 31 December 2009				
	Not more than three months €m	**Between three and six months €m**	**Between six months and one year €m**	**Between one and five years €m**	**Over five years €m**
Interest rate sensitivity gap	**(3,441)**	**2,485**	**(4,380)**	**3,288**	**252**
Cumulative interest rate sensitivity gap	**(3,441)**	**(956)**	**(5,336)**	**(2,048)**	**(1,796)**

	The Group 30 September 2008				
	Not more than three months €m	Between three and six months €m	Between six months and one year €m	Between one and five years €m	Over five years €m
Interest rate sensitivity gap	3,513	(1,397)	(309)	3,093	399
Cumulative interest rate sensitivity gap	3,513	2,116	1,807	4,900	5,299

Market risk in the banking book also arises from exposure to changes in exchange rates. Structural foreign exchange risk principally arises from the Group's net investments in its Sterling ('Stg£') and US dollar ('US$') based foreign operations. It is Group policy to mitigate structural foreign exchange risk by matching all material foreign currency investments in operations, whose functional currency is not euro, with funding in the same currency.

The Group has risk weighted assets denominated in non-euro currencies, primarily in Stg£ and US$. The Group has Stg£ and US$ capital resources though capital is predominantly euro based (note 53). As a result, the Group's regulatory capital ratios are sensitive to foreign exchange movements. Management monitor this exposure on an ongoing basis.

The foreign currency denominated funding used to hedge the net investments in the Group's foreign operations has a carrying amount of €1.7bn (30 September 2008: €0.8bn). In the period to 31 December 2009 the ineffectiveness recognised in the income statement in respect of hedges of net investments in foreign operations was €nil (30 September 2008: €nil).

Derivatives

A derivative is a financial instrument which defines certain financial rights and obligations that are contractually linked to interest rates, exchange rates or other market prices. Derivatives are an efficient and cost effective means of managing market risk. As such, they are an indispensable element of risk management for the Group.

It is recognised that certain forms of derivatives can introduce risks which are difficult to measure and control. For this reason it is Group policy to place clear boundaries on the nature and extent of its participation in derivatives markets and to apply industry regulatory standards to all aspects of its derivatives activities. The Group's derivatives activities are governed by policies approved by the Risk and Compliance Committee. These policies relate to the management of the various types of risks associated with derivatives, including market risk, liquidity risk, credit risk and operational risk.

The Group designates certain derivatives as either fair value hedges (where the Group hedges the changes in fair value of recognised assets or liabilities or firm commitments) or 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). With the exception of designated hedging derivatives, as defined by IAS 39, derivatives are treated as held for trading. The held for trading classification comprises the Group's trading book, economic hedges which do not meet the strict qualifying criteria for hedge accounting and derivatives managed in conjunction with financial instruments designated at fair value.

Further details in respect of derivatives are disclosed in note 21. The Group's accounting policy for derivatives is set out in note 1.

51. Risk management and control continued

Liquidity and funding risk
Liquidity and funding risk is the risk that the Group does not have sufficient financial resources available at all times to meet its contractual and contingent cash flow obligations or can only secure these resources at excessive cost.

Funding markets remain challenging for the Group. The Group is currently reliant on central bank borrowings through both open market operations with monetary authorities and through a secured funding facility with the Central Bank and Financial Services Authority of Ireland (note 37). Participation in NAMA will reduce the Group's funding requirements and result in improved liquidity. The senior NAMA bonds that the Group will receive are eligible for sale and repurchase agreements with the European Central Bank. Furthermore, participation in the Credit Institutions (Eligible Liabilities Guarantee) Scheme, 2009 will aid the Bank in issuing term debt with a maturity of up to five years which will assist in improving the duration profile of the Group's liabilities.

Liquidity and funding risk is monitored centrally by ALCO, whose responsibilities in relation to liquidity include, but are not limited to:

- Setting liquidity risk strategy for the Group;
- Approving and maintaining Group funding and liquidity policy;
- Approving and maintaining the Group contingency funding plan;
- Maintaining internal and external liquidity risk limits;
- Liquidity stress testing and scenario analysis; and
- Providing the Board and relevant Board Committees with regular liquidity updates.

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. Cash outflows are assumed to be paid at the earliest time period and cash inflows to be received at the latest potential time period. The Group aims to mitigate liquidity risk through holding a stock of highly liquid assets which can be readily realised for cash and by actively managing the liquidity profile of its assets and liabilities.

Operational liquidity risk is short term liquidity risk, ranging from intraday to one month. Execution of the Group's short term operational liquidity strategy and cash flow management on a daily and real time intra-day basis is the responsibility of Group Treasury, operating within policy set by ALCO. Cash flow requirements are determined using contractual cash flows and conservative assumptions for non contractual cash flows which may fall due. Group Treasury provide updates to ALCO on a regular basis.

Separate liquidity cash flow limits are in place for the management of liquidity in non-euro currencies ensuring foreign currency cash flow exposure is managed within approved risk tolerance limits.

Government guarantee schemes
On 30 September 2008, the Minister for Finance announced that the Irish Government would provide a State guarantee supporting (a) all retail and corporate deposits (to the extent not covered by existing deposit protection schemes in the State or other jurisdictions); (b) interbank deposits; (c) senior unsecured debt; (d) asset covered securities; and (e) dated subordinated debt (Lower Tier 2) of all 'covered institutions'. This guarantee covers all relevant liabilities for a two-year period from 30 September 2008 until 29 September 2010.

In line with the subsequent Credit Institution (Financial Support) Act 2008, the Bank executed a 'Guarantee Acceptance Deed' on 24 October 2008 to become a covered institution. This Government guarantee covers all relevant liabilities of Anglo Irish Bank Corporation Limited (Irish, UK, Jersey, Austrian and German branches) and also Anglo Irish Bank Corporation (International) PLC (the Bank's Isle of Man subsidiary).

The Group is participating in the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009, the ('ELG Scheme'). The ELG Scheme came into effect on 9 December 2009 and is intended to facilitate the ability of credit institutions in Ireland to issue debt securities and take deposits with a maturity date after September 2010, on either a guaranteed or unguaranteed basis. Eligible liabilities under the scheme must have a maturity of less than five years and must be incurred between the commencement date of the scheme and 29 September 2010. All liabilities in existence prior to the ELG Scheme will remain guaranteed until 29 September 2010 under the Government guarantee scheme.

Contractual undiscounted cash flows
The following tables present the cash flows payable by the Group under financial liabilities, and under contingent liabilities and commitments which are not recognised in the statement of financial position, by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the tables for financial liabilities are contractual undiscounted cash flows and therefore differ from the carrying amounts of these liabilities in the consolidated statement of financial position.

Contractual undiscounted cash flows

The Group

31 December 2009

	Demand €m	**Between one and eight days €m**	**Between nine days and one month €m**	**Between one and three months €m**	**Between three months and one year €m**	**Between one and five years €m**	**Over five years €m**	**Total €m**
Deposits from banks	**11,866**	**2,842**	**4,409**	**2,822**	**10,851**	**3**	**-**	**32,793**
Customer accounts	**7,852**	**4,456**	**3,757**	**4,482**	**6,481**	**512**	**34**	**27,574**
Derivative financial instruments (1)	**-**	**(17)**	**21**	**38**	**(139)**	**140**	**18**	**61**
Debt securities in issue	**-**	**16**	**1,069**	**1,174**	**9,080**	**4,036**	**39**	**15,414**
Subordinated liabilities and other capital instruments	**-**	**-**	**-**	**8**	**30**	**565**	**2,182**	**2,785**
	19,718	**7,297**	**9,256**	**8,524**	**26,303**	**5,256**	**2,273**	**78,627**
Contingent liabilities (2)	**-**	**20**	**2**	**21**	**174**	**116**	**11**	**344**
Commitments to lend (2)	**-**	**65**	**99**	**270**	**719**	**671**	**34**	**1,858**
Total financial liabilities, contingent liabilities and commitments	**19,718**	**7,382**	**9,357**	**8,815**	**27,196**	**6,043**	**2,318**	**80,829**

30 September 2008

	Demand €m	Between one and eight days €m	Between nine days and one month €m	Between one and three months €m	Between three months and one year €m	Between one and five years €m	Over five years €m	Total €m
Deposits from banks	691	9,933	1,832	3,626	1,702	2,618	-	20,402
Customer accounts	3,015	21,312	9,844	8,629	8,432	828	112	52,172
Derivative financial instruments (1)	-	(53)	21	(80)	(317)	(141)	55	(515)
Debt securities in issue	-	1,374	1,321	3,030	4,606	7,864	98	18,293
Subordinated liabilities and other capital instruments	-	20	-	56	210	1,118	5,729	7,133
	3,706	32,586	13,018	15,261	14,633	12,287	5,994	97,485
Contingent liabilities (2)	14	16	15	142	226	267	56	736
Commitments to lend (2)	-	387	407	1,270	1,974	1,286	958	6,282
Total financial liabilities, contingent liabilities and commitments	3,720	32,989	13,440	16,673	16,833	13,840	7,008	104,503

(1) Derivative cash outflows are stated net of related inflows.
(2) The Group does not expect all contingent liabilities or commitments to be drawn.

51. Risk management and control continued

Liquidity and funding risk continued
The Group evaluates its longer term liquidity mismatch or structural liquidity risk on a regular basis. The management of structural liquidity risk is important in identifying future funding requirements.

ALCO is responsible for structural liquidity risk management and provides regular formal updates to the Risk and Compliance Committee and the Board.

Structural liquidity risk is managed under the guidelines set out in the Group funding policy and the Risk Appetite Statement. In the medium term the Risk Appetite Statement seeks to build and maintain a funding profile which is well diversified in terms of retail, corporate and wholesale markets on a customer, segmental, geographical and duration basis. It provides both quantitative and qualitative metrics to ensure the liquidity risk appetite is understood and managed within parameters formally approved by the Board.

Liquid assets
An important part of the operational and structural liquidity risk strategy is maintaining a portfolio of liquid treasury assets which are realisable for cash at short notice through sale and repurchase agreements.

The Group's portfolio of liquid assets comprises government bonds and other high quality bank paper which are liquid in the bilateral or tri-party repo market. Details of sale and repurchase agreements secured on available-for-sale financial assets are contained in note 26.

Holding a portfolio of highly liquid assets has always formed part of the Group's liquidity management policy, assisting the Group in receiving and placing cash in the repo market during periods of market volatility.

Contingency planning
The Group maintains a contingency funding plan to deal with periods of liquidity stress such as that experienced during the financial period. The plan includes detailed actions depending on the nature and severity of any potential liquidity stress. The plan is reviewed on a regular basis by ALCO and senior management.

Stress testing
An important element in the identification, management and control of liquidity risk is the use of stress tests and scenario analyses. The stress testing results enable ALCO to analyse the effects of various scenarios on the funding and liquidity position of the Group. The suite of stress tests incorporates both market and Group specific stresses including moderate and severe events over different time horizons.

Some examples of the primary stress tests are the total closure of wholesale funding markets, two notch downgrade stress, Irish market specific stress and market risk stress. The Group has target limits in place which identify the maximum tolerance for the results of the various stress test scenarios, and also pre-defined courses of action which aim to reduce the exposure to a particular stress if deemed appropriate.

Liquidity stress testing results are regularly reviewed by ALCO with updates provided to the Board and the Risk and Compliance Committee.

Regulatory liquidity
The Irish Financial Regulator introduced new regulatory liquidity requirements in 2007, replacing the liquid stock approach with a more advanced cash flow mismatch approach. Irish banks are required to report coverage in the 0 to 8 day and 9 to 30 day periods against which regulatory limits are set with conservative assumptions for certain cash flow types. In addition, the Irish Financial Regulator sets qualitative requirements regarded as best practice for liquidity risk management.

In response to the financial market stress in recent years there have been several papers recently published by regulatory bodies outlining their views on the future of liquidity risk regulation. This will lead to a strengthening of liquidity standards across the industry with more harmonisation in minimum liquidity requirements from a regulatory perspective. The Bank views the Irish regulatory liquidity framework as a good foundation in order to meet future regulatory requirements for the management of liquidity risk.

Operational risk

Operational risk is the risk of loss arising from inadequate controls and procedures, unauthorised activities, outsourcing, human error, systems failure and business continuity. In the case of legal risk, this includes the risk of loss due to litigation arising from errors, omissions and acts by the Bank in the conduct of business. Operational risk is inherent in every business organisation and covers a wide spectrum of issues.

The Group's management of its exposure to operational risk is governed by a policy prepared by Group Risk Management and approved by the Risk and Compliance Committee. The policy specifies that the Group operates such measures of risk identification, assessment, monitoring and management as are necessary to ensure that operational risk management is consistent with the strategic goals of the Group. It is designed to safeguard the Group's assets while allowing sufficient operational freedom to conduct the Group's business. 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, information security and incident management. Where appropriate this strategy is further supported by risk transfer mechanisms such as insurance.

The business units and support functions assess their operational risk profile on a semi-annual basis. The output of these assessments are consolidated by Group Risk Management and presented to the Risk and Compliance Committee. The process serves to ensure that key operational risks are proactively identified, evaluated, monitored and reported, and that appropriate action is taken. In addition, the Risk and Compliance Committee receives monthly information on significant operational risk incidents.

Reputational risk

Reputational risk is the risk of an adverse perception of the Group on the part of any stakeholder arising from an event or transaction of, or related to, the Group.

Directors and employees are made aware of the role they have in maintaining the Bank’s reputation, and of their responsibilities and duties from a customer service, regulatory and ethical perspective. Independent control functions including Group Compliance, Company Secretarial, Group Finance, Group Risk Management and Group Internal Audit are responsible for ensuring compliance with relevant internal and external requirements, and are resourced with appropriately experienced and qualified teams. New products are reviewed by Group Compliance to ensure that they are clear, transparent and comply with both duties of care to customers and regulatory requirements. Comprehensive and timely procedures are in place to deal with customer complaints.

Compliance and regulatory risk

An independent Group Compliance function ('Group Compliance') is responsible for the overall management of compliance and regulatory risk for the Group. The CRO is currently seeking suitably qualified candidates to fulfil the role of Head of Group Compliance who will report to the CRO with oversight by the Risk and Compliance Committee.

Management and Group Compliance are responsible for the Group's compliance with all relevant regulations 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 programme for the Group that includes the implementation and review of specific policies and procedures, and the 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 function liaises with all relevant external supervisory bodies.

The Group is subject to substantial regulation in all of the jurisdictions in which it operates. In addition to prudential regulatory guidelines on capital, liquidity, risk concentrations, deposit protection and consumer protection, banks are also subject to specific legislation regarding, but not limited to, money laundering, insider dealing and market regulation. Group Compliance co-ordinates the Group's regulatory and legal responsibilities and works closely with Group Finance, Group Risk Management, Group Company Secretarial and Group Internal Audit.

51. **Risk management and control** continued

Compliance and regulatory risk continued

The Group engages in discussions with its regulators, including those in Ireland and the United Kingdom, on an ongoing basis and it is possible that items discussed or identified may result in investigatory actions by the regulators and may result in sanctions or fines. These events in turn could have an adverse impact on the Group's results, its business and its reputation. Government intervention in global financial markets during the current banking crisis is expected to significantly increase the level of banking regulation by national and international regulatory bodies. The nature and impact of future regulatory policies and practices are not predictable and are beyond the Group's control but could have an adverse impact on the Group's businesses.

Legal risk

The Bank has recently established an independent Legal Department reporting directly to the Group Chief Executive. The Bank is in the process of developing this department with a view to establishing an effective legal function to ensure that best practice in corporate governance and strict legal compliance is rigorously adhered to going forward and for the purpose of mitigating legal risk and legal costs at all levels and across all divisions of the Bank's business and operations.

In addition to dealing with legal queries of a general nature across the Bank on a day to day basis, it is sought through further development of the legal function to (i) effectively bring legal input to internal processes and procedures both at a strategic and practical level on a proactive and consistent basis; (ii) to ensure an awareness and translation of relevant legislation into the Bank's business; and (iii) to promote education and training on relevant legal matters in conjunction with both the Bank's internal and external legal advisers.

Legal risk arises generally from the potential for loss resulting from adverse claims (whether or not resulting in litigation), unenforceable or defective documents resulting in a transaction not having the intended legal effect, deficient corporate governance and internal procedures, change of law, particularly, the risk of misinterpretation and a lack of awareness of applicable legislation, all of which can disrupt or otherwise negatively affect the operations, condition or financial or reputational standing of the Group.

The legal risk of adverse claims is currently monitored through a group wide Litigation Register maintained by the Legal Department with the oversight of the Risk and Compliance Committee. This facilitates the assessment of potential losses, which could arise from adverse claims, and identification of trends and recurrence with a view to preventing same by addressing weaknesses giving rise to such claims. Frequent engagement with the relevant business divisions further assists in earlier awareness at Group level of potential adverse claims.

Separately, the Legal Department plays a central role in the management of legal matters relating to certain legacy issues which previously arose in the Bank and the co-operative progression of the investigations instituted by relevant authorities in the period since December 2008.

52. Financial instruments

The Group uses financial instruments, including derivatives, in the normal course of its business. Net interest income is principally derived from the Group's lending activities. The Group accepts deposits from customers and from interbank counterparties and also raises funds via the capital markets by issuing debt securities and capital instruments. These liabilities are at both fixed and variable interest rates and at various maturities from short to long term.

The accounting policies in note 1 describe how different categories of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of the Group's financial assets and liabilities by measurement basis and by statement of financial position presentation.

52. Financial instruments continued

Measurement basis of financial instruments

The Group	At fair value through profit or loss				At fair value through equity			
31 December 2009	Held for trading €m	Designated upon initial recognition €m	Fair value hedge derivatives €m	Policyholders' funds designated upon initial recognition €m	Available-for-sale €m	Cash flow hedge derivatives €m	Loans and receivables / held at amortised cost €m	Total €m
Assets								
Cash and balances with central banks	-	-	-	-	-	-	302	302
Financial assets at fair value through profit or loss								
- held on own account	-	118	-	-	-	-	-	118
- held in respect of liabilities to customers under investment contracts	-	-	-	244	-	-	-	244
Derivative financial instruments	1,963	-	345	-	-	175	-	2,483
Loans and advances to banks	-	-	-	-	-	-	7,360	7,360
Assets classified as held for sale	410	-	-	-	-	-	25,482	25,892
Available-for-sale financial assets	-	-	-	-	7,890	-	-	7,890
Loans and advances to customers	-	-	-	-	-	-	30,852	30,852
Total financial assets	2,373	118	345	244	7,890	175	63,996	75,141
Liabilities								
Deposits from banks	-	-	-	-	-	-	32,971	32,971
Customer accounts	-	29	-	-	-	-	27,185	27,214
Derivative financial instruments	2,539	-	44	86	-	-	-	2,669
Debt securities in issue	-	-	-	-	-	-	15,148	15,148
Liabilities to customers under investment contracts	-	-	-	383	-	-	-	383
Subordinated liabilities and other capital instruments	-	-	-	-	-	-	2,383	2,383
Total financial liabilities	2,539	29	44	469	-	-	77,687	80,768

30 September 2008

The Group

	At fair value through profit or loss				At fair value through equity			
	Held for trading €m	Designated upon initial recognition €m	Fair value hedge derivatives €m	Policyholders' funds designated upon initial recognition €m	Available-for-sale €m	Cash flow hedge derivatives €m	Loans and receivables / held at amortised cost €m	Total €m
Assets								
Cash and balances with central banks	-	-	-	-	-	-	1,822	1,822
Financial assets at fair value through profit or loss								
- held on own account	-	233	-	-	-	-	-	233
- held in respect of liabilities to customers under investment contracts	-	-	-	469	-	-	-	469
Derivative financial instruments	1,486	-	345	13	-	151	-	1,995
Loans and advances to banks	-	-	-	-	-	-	14,002	14,002
Available-for-sale financial assets	-	-	-	-	8,158	-	-	8,158
Loans and advances to customers	-	-	-	-	-	-	72,151	72,151
Total financial assets	1,486	233	345	482	8,158	151	87,975	98,830
Liabilities								
Deposits from banks	-	-	-	-	-	-	20,453	20,453
Customer accounts	-	35	-	-	-	-	51,464	51,499
Derivative financial instruments	1,323	-	108	8	-	51	-	1,490
Debt securities in issue	-	-	-	-	-	-	17,280	17,280
Liabilities to customers under investment contracts	-	-	-	1,191	-	-	-	1,191
Subordinated liabilities and other capital instruments	-	-	-	-	-	-	4,948	4,948
Total financial liabilities	1,323	35	108	1,199	-	51	94,145	96,861

52. Financial instruments continued

Net trading (expense)/income includes a gain of €2m (30 September 2008: charge of €4m) in respect of changes in the value of financial liabilities designated at fair value through profit or loss. The gain/charge is largely offset by corresponding negative/positive changes in the value of matching derivative instruments. The portion of the change in value that is attributable to changes in credit risk is €nil (30 September 2008: €nil).

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 period end. 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 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. Readers of these financial statements are therefore advised to use caution when using this data to evaluate the Group's financial position.

The Group	**31 December 2009**		30 September 2008	
	Carrying amount €m	**Fair value €m**	Carrying amount €m	Fair value €m
Financial assets				
Cash and balances with central banks	**302**	**302**	1,822	1,822
Financial assets at fair value through profit or loss				
- held on own account	**118**	**118**	233	233
- held in respect of liabilities to customers under investment contracts	**244**	**244**	469	469
Derivative financial instruments	**2,483**	**2,483**	1,995	1,995
Loans and advances to banks	**7,360**	**7,365**	14,002	13,967
Assets classified as held for sale *	**25,892**	**25,330**	-	-
Available-for-sale financial assets	**7,890**	**7,890**	8,158	8,158
Loans and advances to customers	**30,852**	**28,558**	72,151	70,873
Financial liabilities				
Deposits from banks	**32,971**	**32,991**	20,453	20,271
Customer accounts	**27,214**	**27,377**	51,499	51,554
Derivative financial instruments	**2,669**	**2,669**	1,490	1,490
Debt securities in issue	**15,148**	**14,414**	17,280	16,558
Liabilities to customers under investment contracts	**383**	**383**	1,191	1,191
Subordinated liabilities and other capital instruments	**2,383**	**680**	4,948	2,736

* Excludes non-financial assets of €12m at 30 September 2008.

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 liquid financial assets has been determined using bid prices, while offer prices have been used to determine the fair value of financial liabilities.

For illiquid financial assets and liabilities, including loans and advances to customers, there are, by definition, no active markets. Accordingly, fair value has been estimated using appropriate valuation techniques. The methods used to determine the fair value of items not carried at fair value are 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 current market rates for placements with similar credit profiles and remaining maturities. In many cases, the carrying value is a close representation of fair value due to short term maturity profiles.

Assets classified as held for sale

Loans which are expected to be transferred from the Group to NAMA are classified as held for sale and are carried in the statement of financial position on the same basis as prior to their reclassification from loans and advances. These loans continue to be carried at amortised cost less provisions for impairment. Derivatives associated with loans classified as held for sale are carried at fair value. The Minister in a statement of 16 September 2009 indicated that an average industry wide discount of 30% will apply to loans transferring to NAMA. The Bank has no control over the valuation of assets transferring to NAMA. These will be determined based on the methodology outlined in the NAMA Act and the associated regulations. The fair value presented in the table in respect of loans is based on a discount of 30% to gross value.

Loans and advances to customers

The estimation of fair values of loans and advances is inherently uncertain, dependent upon many unobservable factors and requires the exercise of considerable subjective judgement by management. Market conditions at 31 December 2009, particularly the lack of liquidity in the Irish commercial property market and the increased significance of counterparty credit considerations, have contributed to the uncertainty when estimating the fair values of loans and advances. The estimated fair value of loans and advances carried at amortised cost at 31 December 2009 includes an adjustment to reflect the Group's assessment of credit factors that market participants would consider in valuing such assets. Readers are advised that the Group intends to realise assets through collection over time rather than by way of sale and that the estimated fair values provided would be subject to change depending on the exact circumstances of a particular sale scenario.

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 interest rates or rates currently offered by the Group.

Debt securities in issue

The fair value of short term debt securities in issue is calculated using discounted cash flows. The fair value of medium term debt securities in issue is their quoted market value at period end, where available. Where quoted market values are unavailable, the fair value is determined taking into consideration the market value of similar quoted securities.

Subordinated liabilities and other capital instruments

The fair values of subordinated liabilities and other capital instruments are their indicative market levels.

52. **Financial instruments** continued

Fair value hierarchy

The following table details the valuation methods used for the Group's and the Bank's financial assets and liabilities carried at fair value as at 31 December 2009, other than financial assets and liabilities at fair value through profit or loss held in respect of liabilities to customers under investment contracts. Investments in unquoted illiquid equity instruments are not included.

	The Group 31 December 2009			
	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets				
Debt securities:				
Financial assets at fair value through profit or loss - held on own account	-	70	6	76
Available-for-sale financial assets	5,150	2,582	158	7,890
Derivative financial instruments	-	2,095	388	2,483
Derivative financial instruments held for sale	-	179	231	410
	5,150	4,926	783	10,859
Financial liabilities				
Derivative financial instruments	-	2,658	11	2,669
Other financial liabilities	-	2	27	29
	-	2,660	38	2,698

	The Bank 31 December 2009			
	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets				
Debt securities:				
Financial assets at fair value through profit or loss - held on own account	-	70	6	76
Available-for-sale financial assets	5,109	2,590	158	7,857
Derivative financial instruments	-	2,256	388	2,644
Derivative financial instruments held for sale	-	179	231	410
	5,109	5,095	783	10,987
Financial liabilities				
Derivative financial instruments	-	3,573	11	3,584
Other financial liabilities	-	2	27	29
	-	3,575	38	3,613

The classification of the above instruments is based on the lowest level input that is significant to the measurement of fair value for the instrument. The three levels of the IAS fair value hierarchy are:

Level 1 values are determined by reference to unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 values are determined using inputs other than quoted prices described for level 1 but which are observable for the asset or liability either directly or indirectly.

Level 3 values incorporate significant inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Debt securities

The fair values of debt securities are primarily sourced from independent third party pricing service providers and prices received from dealer/brokers. The Bank does not use internal models to value its portfolios of debt securities. Level 3 debt securities include certain classes of asset backed securities which are illiquid, have complex structures and are valued by external brokers using valuation techniques which incorporate significant unobservable inputs.

Derivative financial instruments

Derivative financial instruments derive their value from the price of underlying variables such as interest rates, foreign exchange rates, credit spreads or equity or other indices. Fair values are typically estimated using industry standard valuation techniques incorporating inputs that are derived from observable market data. Derivative transactions with corporate clients which have a significant, but unobservable, counterparty credit input are classified as level 3. The Bank has observed a credit deterioration in relation to certain corporate clients during the course of the financial period.

On the initial recognition of derivative financial instruments, any difference between the transaction price and the value derived from a valuation technique incorporating information other than observable market data is deferred. During the period net gains of €24m (year ended 30 September 2008: €7m) were released to the income statement while gains of €23m (30 September 2008: €11m) were deferred. At 31 December 2009 total net unrealised gains amounted to €24m (30 September 2008: €25m).

Other financial liabilities

Customer accounts include certain structured deposits that have embedded derivative features, typically options. Certain inputs to the valuation technique are not based on observable market data but can generally be estimated from historical data or other sources.

Maturity profile of financial instruments

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 end of the reporting period. As liquidity risk is managed on a Group basis, a similar maturity profile for the Bank would 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, which is described in note 51.

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. Financial instruments continued

Maturity profile of financial instruments

31 December 2009

The Group	Current			Non-current				
	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	302	-	-	-	-	-	-	302
Financial assets at fair value through profit or loss								
- held on own account	-	3	-	37	36	42	-	118
- held in respect of liabilities to customers under investment contracts	-	-	-	-	-	-	244	244
Derivative financial instruments	-	172	666	1,204	441	-	-	2,483
Loans and advances to banks	2,029	4,320	840	68	85	-	18	7,360
Assets classified as held for sale	11,789	3,426	4,239	4,876	1,562	-	-	25,892
Available-for-sale financial assets	-	1,176	2,245	3,555	914	-	-	7,890
Loans and advances to customers	4,120	1,644	6,432	13,664	5,763	-	(771)	30,852
Total financial assets	18,240	10,741	14,422	23,404	8,801	42	(509)	75,141
Financial liabilities								
Deposits from banks	11,866	10,062	10,782	3	-	-	258	32,971
Customer accounts	7,852	12,668	6,322	475	26	-	(129)	27,214
Derivative financial instruments	-	133	429	1,468	553	-	86	2,669
Debt securities in issue	-	2,228	8,962	3,922	36	-	-	15,148
Liabilities to customers under investment contracts	-	-	-	-	-	-	383	383
Subordinated liabilities and other capital instruments*	-	-	-	325	2,058	-	-	2,383
Total financial liabilities	19,718	25,091	26,495	6,193	2,673	-	598	80,768

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

The Amount due from Shareholder is not included in the table above as it does not meet the definition of a financial instrument.

30 September 2008

The Group

	Current			Non-current				
	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	1,822	-	-	-	-	-	-	1,822
Financial assets at fair value through profit or loss								
- held on own account	-	-	17	63	83	70	-	233
- held in respect of liabilities to customers under investment contracts	-	-	-	-	-	-	469	469
Derivative financial instruments	-	514	448	717	303	-	13	1,995
Loans and advances to banks	388	12,325	662	455	24	-	148	14,002
Available-for-sale financial assets	-	359	1,081	5,284	1,428	6	-	8,158
Loans and advances to customers	794	18,585	15,204	28,176	10,398	-	(1,006)	72,151
Total financial assets	3,004	31,783	17,412	34,695	12,236	76	(376)	98,830
Financial liabilities								
Deposits from banks	691	15,346	1,634	2,443	-	-	339	20,453
Customer accounts	3,015	39,690	8,127	752	93	-	(178)	51,499
Derivative financial instruments	-	294	264	529	395	-	8	1,490
Debt securities in issue	-	5,556	4,278	7,355	91	-	-	17,280
Liabilities to customers under investment contracts	-	-	-	-	-	-	1,191	1,191
Subordinated liabilities and other capital instruments*	-	1	-	-	4,960	-	(13)	4,948
Total financial liabilities	3,706	60,887	14,303	11,079	5,539	-	1,347	96,861

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

53. Capital resources

The Bank's regulatory capital resources consist of both Tier 1 and Tier 2 capital. Tier 1 capital includes equity (comprising ordinary share capital, share premium and eligible reserves), perpetual preferred securities, deductions for intangible assets and prudential adjustments. Prudential adjustments include the reversal of movements on available-for-sale and cash flow hedging reserves. Tier 2 capital includes subordinated debt and collective impairment provisions. Specific prudential limits apply to the amount of perpetual preferred securities, subordinated debt and collective provisions eligible as regulatory capital. Total capital is further reduced by supervisory deductions.

Losses incurred by the Bank during the period to 31 December 2009 resulted in a significant deterioration in the Bank's regulatory capital base. The €8.3bn capital contribution from the Bank's Shareholder as at 31 December 2009 was included in the Bank's regulatory capital resources at that date. The inclusion of this capital contribution, which was approved by the Financial Regulator, restored the Bank's regulatory capital position resulting in a Tier 1 capital ratio of 6.6% and a Total capital ratio of 10.7% as at 31 December 2009. The related amount receivable at 31 December 2009 was settled via the issue of a promissory note with a value of €8.3bn on 31 March 2010. Note 25 provides further details.

The Bank reported a Total capital ratio of 7.8% as at 31 May 2009 in its regulatory returns, a breach of the minimum requirement at that reporting date. This breach was temporary as the Minister for Finance, following his commitment made on 28 May 2009, invested €3bn of share capital on 29 June 2009, restoring the Bank's Total capital ratio to above the minimum required. The Minister for Finance invested a further €1bn share capital into the Bank in two subsequent tranches: €0.8bn on 6 August 2009 and €0.2bn on 25 September 2009. The €0.8bn investment was made following the liability management exercise completed by the Bank on 4 August 2009 where €1.8bn of equity was realised on the buyback of subordinated debt instruments (note 7).

Regulatory capital - with derogations *		The Group	
		31 December 2009 €m	30 September 2008 €m
Tier 1 capital			
Equity	(a)	**4,170**	4,132
Prudential filters and regulatory adjustments	(b)	**65**	565
Non-cumulative preference shares		**334**	371
Core Tier 1 capital		**4,569**	5,068
Perpetual preferred securities	(c)	**271**	2,133
Total Tier 1 capital		**4,840**	7,201
Tier 2 capital			
Collective provisions		**1,277**	642
Subordinated perpetual debt	(c)	**47**	379
Subordinated term debt	(c)	**1,649**	2,108
Total Tier 2 capital		**2,973**	3,129
Tier 1 and Tier 2 capital		**7,813**	10,330
Capital deductions		**(12)**	(12)
Total capital		**7,801**	10,318
Risk weighted assets	(d)	**73,055**	85,798
Tier 1 capital ratio		**6.6%**	8.4%
Total capital ratio		**10.7%**	12.0%

* Derogations from regulatory capital requirements did not apply at 30 September 2008

(a) Core Tier 1 capital has been significantly impacted by the loss for the period ended 31 December 2009. Also included in Core Tier 1 capital is €4bn of ordinary share capital subscribed for during the period by the Bank's Shareholder and the €8.3bn capital contribution. Further details on these capital transactions are provided in notes 43 and 44.

(b) Prudential filters and regulatory adjustments primarily comprise the reversal of movements on available-for-sale and cash flow hedging reserves and the deduction of intangible assets. The available-for-sale reserve has reduced considerably during the period as indicated in note 45.

(c) The amount of perpetual preferred securities and subordinated debt instruments included in the Bank's regulatory capital resources has decreased significantly due to the completion of a liability management exercise in August 2009, which generated €1.8bn of Core Tier 1 capital. Details of this liability management exercise are provided in notes 7 and 42.

(d) Risk weighted assets are calculated in line with the Standardised Approach to Basel II which the Bank has adopted since 1 January 2008. The level of risk weighted assets has reduced primarily due to the significant increase in specific impairment charges incurred in the period to 31 December 2009 and the impact of the derogation from the requirement to apply a risk weight of 150% to certain Irish commercial property loans. These reductions have been offset somewhat by an increase in the amount of exposures that are 90 days past due and risk weighted at 150% and also the impact of exchange rate fluctuations on the Bank's asset base.

53. **Capital resources** continued

Derogations from regulatory capital requirements

The Bank’s regulatory capital position during the period to 31 December 2009 has benefited from derogations from certain regulatory capital requirements granted, following requests from the Bank, on a temporary basis by the Financial Regulator. These derogations have been granted in five tranches and full details of all derogations granted are provided below. The latest derogations are applicable until 30 April 2010 or such shorter period if the Bank's capital ratios are restored to a level adequate to enable it to comply with its existing capital ratio requirements in place prior to the granting of these derogations. On 26 March 2010 the Financial Regulator confirmed to the Bank that the temporary derogations were still in place at the end of March 2010.

The following derogations were granted by the Financial Regulator, on a temporary basis and in exceptional circumstances, for all regulatory returns submitted with effect from 31 March 2009 until 31 July 2009 or such shorter period if the Bank's capital ratios were restored to a level compliant with capital ratio requirements in place prior to the granting of these derogations:

- that the Bank's minimum Total capital ratio be reduced from 9.5% to 8.0%;
- that Tier 1 capital comprises at least 50% of the Bank's regulatory capital;
- that lower Tier 2 capital cannot exceed 50% of Tier 1 capital;
- that Core Tier 1 capital must be, at a minimum, 4% of risk weighted assets;
- that Core Tier 1 capital comprises at least 51% of Tier 1 capital;
- that the total amount of innovative non-Core Tier 1 capital instruments is limited to 15% of Tier 1 capital;
- that collective provisions included in Tier 2 capital cannot exceed 1.25% of risk weighted assets;
- to apply a risk weight of 150% to certain Irish commercial property loans advanced prior to 31 March 2009; and
- to deduct €169m from Total capital.

On 31 July 2009, the Financial Regulator extended the derogation that the Bank's minimum Total capital ratio be reduced from 9.5% to 8.0% until 31 December 2009. Furthermore, the derogation from the requirement that Core Tier 1 capital must be, at a minimum, 4% of risk weighted assets was extended until 7 August 2009 to enable the Bank to complete its liability management exercise.

The Financial Regulator granted, effective from 31 December 2009, the following derogations on a temporary basis and in exceptional circumstances:

- that the Bank's minimum Total capital ratio be reduced from 9.5% to 8.0%;
- that Tier 1 capital comprises at least 50% of the Bank's regulatory capital;
- that lower Tier 2 capital cannot exceed 50% of Tier 1 capital;
- that Core Tier 1 capital must be, at a minimum, 4% of risk weighted assets;
- that collective provisions included in Tier 2 capital cannot exceed 1.25% of risk weighted assets;
- to apply a risk weight of 150% to certain Irish commercial property loans advanced prior to 31 October 2009; and
- to deduct €169m from Total capital.

Full details of the Financial Regulator's derogations applicable as at 31 December 2009 are as follows:

(1) The minimum Total capital requirement for credit institutions is 8% as set down by Regulation 19 of the European Communities (Capital Adequacy of Credit Institutions) Regulations 2006 (SI No. 661 of 2006), (the 'CRD Regulations'). The Financial Regulator has imposed a higher minimum Total capital ratio requirement of 9.5% on the Bank. While the Financial Regulator has already granted a derogation on the minimum required Total capital ratio from 9.5% to 8% until 31 December 2009, the timeline for this derogation is now extended to be consistent with that of the other derogations, i.e. up to a review of this decision at 30 April 2010.

(2) Under Regulation 11(6) of the CRD Regulations the Bank is authorised to exceed the limits set out in Regulation 11(1)(a) and Regulation 11(1)(b).

(3) The Financial Regulator's requirements in relation to Own Funds as set out in paragraph 3.2.1 (i) and (ii) of BSD S 1/04, Notice to Credit Institutions (Alternative Capital Instruments: Eligibility as Tier 1 Capital) shall not apply to the Bank.

(4) In accordance with the national discretion provisions afforded to member states under Annex VI of the Capital Requirements Directive 2006/48/EC the Financial Regulator imposed a risk weighting of 150% to speculative commercial real estate with effect from 1 January 2007. This is as set out in paragraph 2.2, Type A Discretions (ref 20) of the Financial Regulator's notice on Implementation of the CRD (28 December 2006) (the 'Implementation Notice'). This shall be amended in the case of the Bank to 100% in respect of the value of all exposures as at 31 October 2009 meeting the definition of speculative commercial real estate as defined in the Implementation Notice. Any increase in such exposures after that date or any new exposures arising after that date meeting the definition of speculative commercial real estate shall continue to have a risk weighting of 150%.

(5) The Financial Regulator has in place a restriction on the level of general provisions that may be included in Tier 2 of 1.25% of risk weighted assets, as set forth in Paragraph 2.2 (iv) of the Financial Regulator's notice BSD S 1/00. This limit of 1.25% shall not apply to the Bank.

(6) The Financial Regulator grants a waiver from the requirement, set out in its letter of 25 July 2008, to make a deduction of €169m from Total Own Funds.

The following table provides details of the regulatory capital position of the Bank without the benefit of temporary derogations from certain regulatory capital requirements that were applicable at 31 December 2009.

Regulatory capital - without derogations	**The Group**
	31 December 2009 €m
Total Tier 1 capital	**4,840**
Tier 2 capital	
Collective provisions	**939**
Subordinated perpetual debt	**47**
Subordinated term debt	**1,649**
Total Tier 2 capital	**2,635**
Tier 1 and Tier 2 capital	**7,475**
Capital deductions	**(181)**
Total capital	**7,294**
Risk weighted assets	**75,112**
Tier 1 capital ratio	**6.4%**
Total capital ratio	**9.7%**

54. 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 (the 'Board'). In keeping with best practice and where relevant, in accordance with accounting standards, the Bank has provided information comparable to that provided by listed companies.

Remuneration Committee

All members of the Remuneration Committee are Non-executive Directors. Its current members are Alan Dukes (Chairman) and Maurice Keane. On his appointment as Executive Chairman on 19 February 2009 Donal O'Connor stepped down from the committee. This committee is responsible for the formulation of the Group's remuneration policy in relation to all Executive Directors and other senior executives. The Chairman's and Executive Directors' remuneration is determined by the Board of Directors on the recommendation of the Remuneration Committee.

Remuneration policy

The Group's remuneration policy, which has been framed in accordance with the Combined Code on Corporate Governance, is to reward its Group Chief Executive competitively having regard to comparable companies and the need to ensure that he is properly rewarded and motivated to perform in the best interests of the Shareholder. This policy is in accordance with the recommendations of the Covered Institutions Remuneration Oversight Committee ('CIROC'). The remuneration package consists primarily of a base salary with additional benefits including monthly contributions to a defined contribution pension scheme and agreed travel and accommodation expenses.

Remuneration for Non-executive Directors is agreed with the Minister for Finance in consultation with the Chairman of the Remuneration Committee. Neither the Chairman nor the Group Chief Executive participate in decisions relating to their own remuneration; this is a matter for the Remuneration Committee in consultation with the Shareholder.

In accordance with a request from the Minister for Finance, following a recommendation from CIROC, the base salary of the Group Chief Executive is capped at €500,000. In advance of the establishment of CIROC there were some former Executive Directors on base salaries greater than €500,000 however all of these Directors have now left the Bank.

Deferred performance bonuses

Prior to 2007 a component of the performance bonus award for Executive Directors was deferred. The deferred bonus component was deferred to the earlier of three years or the individual's retirement date. Deferred bonuses were expensed and disclosed by Executive Director in the Annual Report for the year in which they were earned. This scheme was replaced by the Anglo Irish Bank Performance Share Plan ('PSP') which was approved at the Annual General Meeting on 1 February 2008.

Only those deferred bonuses which are subject to a legal entitlement in accordance with employment conditions have been paid in the period. Details are provided on pages 146 and 147.

Annual performance bonuses

No annual performance bonuses were earned by Executive Directors or former Executive Directors in the fifteen month period to 31 December 2009.

Performance Share Plan

Following the enactment of the Anglo Irish Bank Corporation Act, 2009 all rights granted to employees under the PSP were extinguished.

Share options

Following the enactment of the Anglo Irish Bank Corporation Act, 2009 all rights granted to employees under the various share option plans were extinguished.

Loans to Directors

Details of loans to Directors are included in note 55.

Directors' interests in contracts

The Bank and its subsidiary undertakings did not have any material contracts or arrangements during the period in which a Director of the Bank was materially interested, other than in the Bank's normal business. Details of related party transactions are included in note 55.

Service contracts

In order to secure the services of the new Group Chief Executive and in the context of the circumstances surrounding the Bank, the Group Chief Executive's contract includes an initial guarantee of employment for two years. Thereafter a notice period of twelve months applies.

Other than the Group Chief Executive, there are no provisions for pre-determined compensation on termination in existence for any Director.

Pensions

Current Directors

The Group Chief Executive is entitled to contributions to a defined contribution scheme. All pension benefits are determined solely in relation to basic salary. Fees paid to Non-executive Directors are not pensionable. While acting in an Executive capacity, the Chairman received monthly contributions to a defined contribution scheme.

Under the defined contribution pension scheme, a set percentage of salary is paid into the scheme each year and is invested for the benefit of the member. At retirement, the accumulated value of the investments made is available to purchase retirement benefits for the member. Under this scheme, once the contributions have been paid the Group has no further obligation.

Former Directors

Former Executive Directors participated in either a defined contribution scheme or a Group defined benefit scheme. On appointment to the Board the previous practice was that Executive Directors, who were members of the Group defined benefit scheme, could retire at age 55 with no reduction in retirement pension benefits.

The defined benefit pension scheme provides a set annual pension to the member at retirement calculated in accordance with the rules of the scheme. The amount of pension payable is determined based on the length of service with the Group and the level of basic salary at retirement. Each year, the value of the liabilities of the scheme increases as a result of each of the members having an additional year in employment and, if relevant, any increases in basic salary earned over the year. This increase in aggregate scheme liabilities is offset by the payment of an average annual recommended contribution into the scheme (expressed as a percentage of the total pensionable salary of all the members) and by investment returns on the assets of the pension scheme generated from past contributions. The average annual contribution is calculated by the scheme's pension actuary following a review of the scheme's assets and liabilities every three years.

The Finance Act 2006 introduced an additional tax surcharge on the value of accrued pension entitlements held for any individual in excess of €5m (the 'pension cap'). The limit is adjusted each year in accordance with an indexation factor set by the Government. For individuals in excess of the pension cap this measure had the effect of significantly reducing the value of pension benefits that would accrue under either scheme through the requirement to pay significant additional tax.

David Drumm, the only former Executive Director impacted by the pension cap, elected to avail of an option to take a cash allowance in lieu of pension benefits forgone. Details of payments made in respect of the relevant periods are included in the tables on pages 146 and 147. Further details of accrued benefits are provided on page 149.

As previously stated, the Remuneration Committee and the Board have decided that the Bank will no longer grant Executive Directors the option of taking a cash allowance if they were to reach the pension cap.

Directors' remuneration - 15 months ended 31 December 2009

Aggregate emoluments for Directors for the period for which they were a Director amounted to €3.7m (30 September 2008: €11.5m). This includes an aggregate accounting expense in relation to options and awards granted under share-based payment schemes of €0.3m (30 September 2008: €2m).

During the period the actual benefit to Directors was nil in respect of share-based payment schemes. No options or share awards were granted to Directors in the period and, following the Bank’s nationalisation in January 2009, any rights outstanding were extinguished for zero benefit. The expense of €0.3m is an accounting charge determined by reference to the fair value of options or share awards calculated on the date of grant.

In addition aggregate amounts received in earlier periods by former Directors by way of expenses allowance determined in the current period to be chargeable to income tax (€42k) and other benefits (€343k), total €385k. The amount of such expenses allowance and other benefits received in the period to 31 December 2009 amounted to €nil (year to 30 September 2008: €36k).

Aggregate compensation paid to past Directors in respect of loss of office amounted to €nil (30 September 2008: €3.75m). In addition, the Bank has now identified aggregate benefits of €73k, in respect of periods prior to 2008, that were provided to certain former Directors in connection with their leaving office.

The Bank is in the process of consulting with certain former Directors regarding various historical transactions and arrangements. The amounts disclosed above determined to be chargeable to income tax are subject to change.

54. Report on Directors' remuneration and interests continued

The following table has been provided to give additional detail in respect of amounts earned by Directors, for the period they were on the Board, in the 15 months to 31 December 2009.

	15 months ended 31 December 2009				
	Salary €'000	Fees ^ €'000	Benefits # €'000	Pension * €'000	Total €'000
Executive Director/Chairman					
A.M.R. (Mike) Aynsley (1)	**160**	-	**137**	**32**	**329**
Donal O'Connor (2)	**273**	-	**21**	**54**	**348**
Non-executive Directors					
Donal O'Connor (2)	-	**171**	-	-	**171**
Alan Dukes (3)	-	**102**	-	-	**102**
Maurice Keane (4)	-	**94**	-	-	**94**
Former Executive Directors					
David Drumm (5)	**400**	-	**15**	**239**	**654**
William McAteer (6)	**175**	-	**19**	**46**	**240**
Declan Quilligan (7)	**533**	-	**5**	**214**	**752**
Pat Whelan (8)	**195**	-	**17**	**65**	**277**
Former Non-executive Directors					
Frank Daly (9)	-	**98**	-	-	**98**
Noël Harwerth (10)	-	**27**	-	-	**27**
Anne Heraty (10)	-	**32**	-	-	**32**
Michael Jacob (10)	-	**27**	-	-	**27**
Gary McGann (10)	-	**36**	-	-	**36**
Ned Sullivan (10)	-	**43**	-	-	**43**
Lar Bradshaw (11)	-	**31**	-	-	**31**
Sean FitzPatrick (11)	-	**131**	-	-	**131**
Total	**1,736**	**792**	**214**	**650**	**3,392**

^ Fees to Non-executive Directors comprise a basic fee for Board membership and additional fees paid to the Chairmen of each of the Board Committees as well as to the Senior Independent Director.

Comprises the gross amount of any benefits received in the period that are subject to income tax.

* Comprises employer contributions to pension funds and amounts in lieu of accrued benefits. Contributions to the Group defined benefit scheme represent payments made, in accordance with actuarial advice, to provide post-retirement pensions from expected retirement age.

(1) Co-opted on 7 September 2009. Benefits comprise a car allowance, a temporary rent allowance and agreed travel expenses.

(2) Donal O'Connor was a Non-executive Director until his appointment as Non-executive Chairman on 18 December 2008. He was subsequently appointed Executive Chairman on 19 February 2009 and reverted to the role of Non-executive Chairman on 7 September 2009. While acting as Executive Chairman he received a salary, car allowance and monthly contributions to a defined contribution pension plan. In his roles as a Non-executive Director and as Non-executive Chairman he received fees of €19,500 and €151,949 respectively. Donal O'Connor is a Non-executive Director of Elan Corporation plc and Readymix plc and retains the fees paid to him in this respect. While acting as Executive Chairman he received fees from these companies totalling €40,916.

(3) Co-opted on 18 December 2008.

(4) Co-opted on 21 January 2009.

(5) Resigned on 19 December 2008. In addition, on 12 December 2008 David Drumm received €659,400 in respect of a deferred performance bonus which had previously been expensed and disclosed by the Bank in the year to 30 September 2005. David Drumm is currently in dispute regarding non-payment of a deferred performance bonus of €669,300 which had previously been expensed and disclosed by the Bank in the year to 30 September 2006. This was due to be paid in December 2009.

(6) Resigned on 7 January 2009. In addition, on 12 December 2008 William McAteer received €439,600 in respect of a deferred performance bonus which had previously been expensed and disclosed by the Bank in the year to 30 September 2005. A subsequent deferred performance bonus of €446,200, which had previously been expensed and disclosed by the Bank in the year to 30 September 2006, has not been paid. This was due to be paid in December 2009.

(7) Resigned as an Executive Director on 7 September 2009. In addition, from 8 September 2009 until 31 December 2009 Declan Quilligan earned a salary of €178,863 and was entitled to related pension scheme contributions of €80,309. On 15 March 2010 he left the employment of the Bank and received a voluntary redundancy payment inclusive of pay in lieu of notice and legal/actuarial fees of €784,095, a payment in lieu of outstanding holidays of €65,417 and an actuarially calculated gross payment of €1,980,000 before tax in lieu of pension related benefits. An after tax sum of €915,625 from this payment is to be set-off against outstanding loan balances with the Bank. A further after tax sum of €440,000 is to be placed on deposit with the Bank and used to service the remaining loans outstanding. He also received €219,800 on 12 December 2008 and €262,223 in March 2010 for deferred performance bonuses, to which he had a contractual entitlement. These awards were in respect of the financial years to 30 September 2005 and 30 September 2006 and were expensed, and disclosed where appropriate, in the years in which they were awarded.

(8) Resigned as an Executive Director on 19 February 2009. In addition, from 20 February 2009 until 8 December 2009 Pat Whelan earned a salary of €399,932, other benefits of €33,784 and was entitled to related pension scheme contributions of €179,570. On leaving service in December 2009 he received a voluntary redundancy payment including pay in lieu of notice of €635,042 and a payment in lieu of outstanding holidays of €15,385. An after tax sum of €275,194 from the payments he received was placed on deposit with the Bank and will be used to service outstanding loan balances. He also received €192,325 on 12 December 2008 and €223,100 in December 2009 for deferred performance bonuses, to which he had a contractual entitlement. These awards were in respect of the financial years to 30 September 2005 and 30 September 2006 and were expensed, and disclosed where appropriate, in the years in which they were awarded.

(9) Co-opted on 18 December 2008. Resigned on 22 December 2009.

(10) Noël Harwerth, Anne Heraty, Michael Jacob, Gary McGann and Ned Sullivan resigned on 19 January 2009.

(11) Sean FitzPatrick and Lar Bradshaw resigned on 18 December 2008.

	Year ended 30 September 2008							
	Salary €'000	Fees ^ €'000	Annual perfor-mance bonus + €'000	Benefits # €'000	Pension * €'000	Other €'000	Former Director €'000	Total €'000
Executive Directors								
David Drumm (1)	**1,150**	-	-	**45**	**934**	-	-	**2,129**
Tom Browne (2)	**115**	-	-	**27**	**29**	**3,750**	-	**3,921**
William McAteer	**519**	-	-	**50**	**91**	-	-	**660**
Declan Quilligan	**602**	-	-	**7**	**161**	-	-	**770**
Pat Whelan	**481**	-	-	**41**	**128**	-	-	**650**
Non-executive Directors								
Sean FitzPatrick	-	**525**	-	**14**	-	-	-	**539**
Lar Bradshaw	-	**100**	-	-	-	-	-	**100**
Fintan Drury (3)	-	**93**	-	-	-	-	-	**93**
Noël Harwerth	-	**92**	-	-	-	-	-	**92**
Anne Heraty	-	**110**	-	-	-	-	-	**110**
Michael Jacob	-	**92**	-	-	-	-	-	**92**
Gary McGann	-	**124**	-	-	-	-	-	**124**
Donal O'Connor (4)	-	**23**	-	-	-	-	-	**23**
Ned Sullivan	-	**147**	-	-	-	-	-	**147**
Former Director								
Peter Murray (5)	-	-	-	-	-	-	**85**	**85**
Total	**2,867**	**1,306**	-	**184**	**1,343**	**3,750**	**85**	**9,535**

^ Fees to Non-executive Directors comprise a basic fee for Board membership and additional fees paid to the Chairmen of each of the Board Committees as well as to the Senior Independent Director.

+ No performance bonuses were awarded to Executive Directors in 2008.

Excludes an aggregate amount of €36k received by way of expenses allowance determined in the period to 31 December 2009 to be chargeable to income tax and other benefits.

* Comprises employer contributions to pension funds and amounts in lieu of accrued benefits.

(1) As detailed in the Pensions section on page 145, David Drumm elected to receive a taxable cash allowance broadly equivalent to the cost to the Group of the pension benefits forgone that would have accrued during the year.

(2) Retired on 28 November 2007. Tom Browne received €3.75m in recognition of his contribution to the Group.

(3) Retired on 27 June 2008.

(4) Co-opted on 26 June 2008.

(5) 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.

54. Report on Directors' remuneration and interests continued

Under the Anglo Irish Bank Corporation Act, 2009, which was enacted under Irish law on 21 January 2009, all of the Bank's ordinary and preference share capital was transferred to the Minister for Finance. As a result all rights granted under the various share-based incentive plans were extinguished and any shares held in trust under these plans were transferred to the Minister for Finance.

Directors' and Secretary's interests
At 31 December 2009 the Directors and Secretary in office, and their spouses and minor children, had no beneficial interests in the shares of the Bank.

Performance Share Plan
All rights outstanding on 21 January 2009 were extinguished under the Anglo Irish Bank Corporation Act, 2009.

	Conditional awards at 30 September 2008	Awards forfeited/ extinguished since 1 October 2008	Conditional awards outstanding at 31 December 2009
	Number	Number	Number
Former Executive Directors			
David Drumm	213,447	(213,447)	-
William McAteer	80,043	(80,043)	-
Declan Quilligan	71,401	(71,401)	-
Pat Whelan	68,303	(68,303)	-

Share options granted to Directors and Secretary
All options outstanding on 21 January 2009 were extinguished under the Anglo Irish Bank Corporation Act, 2009.

	Options outstanding at 30 September 2008	Options forfeited/ extinguished since 1 October 2008	Options outstanding at 31 December 2009
	Number	Number	Number
Former Executive Directors			
David Drumm	704,118	(704,118)	-
William McAteer	502,371	(502,371)	-
Declan Quilligan	600,000	(600,000)	-
Pat Whelan	603,650	(603,650)	-

At 31 December 2009 the Secretary, Natasha Mercer, had no interests in ordinary shares under the various employee share incentive plans (30 September 2008: interests of 86,876).

Directors' pension benefits

A.M.R. (Mike) Aynsley is entitled to monthly contributions to a defined contribution pension plan. Up to and including January 2009 the Group made monthly payments to a defined contribution pension plan for William McAteer. While acting as Executive Chairman Donal O'Connor benefited from monthly payments to a defined contribution pension plan. This benefit ceased when he reverted to the role of Non-executive Chairman. All other individuals who served as Executive Directors during the period were members of a Group defined benefit scheme. Details are as follows:

	Defined benefit			Defined contribution
	Increase in accrued annual pension benefit during period €'000	Total accrued pension benefit at period end €'000	Total increase/ (decrease) in transfer value of accrued benefit €'000	Contribution/ benefit €'000
Executive Director/Chairman				
A.M.R. (Mike) Aynsley (1)	-	-	-	**32**
Donal O'Connor (2)	-	-	-	**54**
Former Executive Directors				
David Drumm (3)	-	**271**	-	-
William McAteer (4)	-	-	-	**46**
Declan Quilligan (5)	-	**172**	**(328)**	-
Pat Whelan (6)	**25**	**166**	**550**	-
	25	**609**	**222**	**132**

The increase in accrued annual pension benefit during the period reflects incremental service and excludes any increase for inflation which is reflected in the total accrued pension benefit. The total accrued pension benefit at the period end is that which would be paid annually from the member's expected retirement date, based on service to the period end and assuming the member had left service at that date. The increase/(decrease) in transfer value of accrued benefit has been calculated by an independent actuary. An increase does not represent sums paid or due, but the amounts that the Bank's pension scheme would transfer to another pension scheme, in relation to the benefits accrued in the period, in the event of the member leaving service.

Fees paid to Non-executive Directors are not pensionable.

(1) Co-opted on 7 September 2009. A.M.R. (Mike) Aynsley is entitled to monthly contributions to a defined contribution pension plan.

(2) Donal O'Connor acted as Executive Chairman between 19 February 2009 and 7 September 2009 during which period the Group made monthly payments to a defined contribution pension plan.

(3) Resigned on 19 December 2008. David Drumm did not accrue additional pension benefits in the period. The total accrued benefit figure is calculated based on the standard fund threshold, as applied by Revenue.

(4) Resigned on 7 January 2009. In addition to the contribution disclosed above, €343,267 of the deferred performance bonus referred to on page 146 was paid by way of an employer contribution to a self administered pension scheme. This deferred performance bonus had previously been expensed and disclosed by the Bank in the year to 30 September 2005.

(5) Resigned as an Executive Director on 7 September 2009. The accrued pension benefit is calculated as at 31 December 2009. The reduction in accrued benefit from that reported in 2008 reflects the movement in the GBP/EUR exchange rate over the period.

(6) Resigned as an Executive Director on 19 February 2009. The accrued pension benefit is calculated as at 8 December 2009, the date Pat Whelan left the Bank.

55. Related party transactions

Irish Government

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or one party controls both. During the period the Group was taken into State ownership and, as a result, the Irish Government is considered a related party. On 30 September 2008 the Irish Government introduced the Credit Institutions (Financial Support) Scheme 2008 ('CIFS') under which the Minister for Finance guaranteed certain liabilities of covered institutions, including the Bank, until 29 September 2010. Fees paid under the Irish Government guarantee scheme are set out in note 4. In accordance with accounting standards other credit institutions who have also participated in the scheme are not considered related parties as they are not under the same common control as the Group.

Arising from the introduction of the CIFS Scheme, two Non-executive Directors were nominated by the Minister for Finance and appointed to the Board. Frank Daly and Alan Dukes were co-opted to the Board as Non-executive Directors on 18 December 2008. Donal O'Connor was appointed as Chairman on 18 December 2008 and as Executive Chairman on 19 February 2009. Maurice Keane was co-opted to the Board as a Non-executive Director on 21 January 2009.

On 21 December 2008 the Minister for Finance announced a framework to provide additional capital to certain Irish credit institutions, including Anglo Irish Bank Corporation. The Government's proposed investment of €1.5bn in the Bank was to be in the form of perpetual preference shares ranking pari passu to ordinary share capital on liquidation. On 15 January 2009 the Government announced that it had decided not to proceed with its original recapitalisation proposal and advised of its intention to take the Bank into State ownership. The Bank’s shares were subsequently suspended from trading on the Irish and London Stock Exchanges on 16 January 2009. The Anglo Irish Bank Corporation Act, 2009, which provided for the transfer of all the shares of the Bank (including the non-cumulative preference shares (note 42)) to the Minister for Finance, was enacted under Irish law on 21 January 2009.

On 7 April 2009 the Minister for Finance announced that NAMA would be established with the purpose of strengthening the Irish financial sector. NAMA is to acquire eligible bank assets from participating institutions. The NAMA legislation was passed by the Houses of the Oireachtas on 12 November 2009 and was signed into law by the President of Ireland on 22 November 2009. On 9 February 2010 the Bank applied to be designated as a participating institution in NAMA. This application was accepted by the Minister for Finance on 12 February 2010.

During the financial period, the Bank's Shareholder invested €4bn of ordinary share capital in the Bank. The European Commission ('EC'), as a condition of its approval of the Government’s capitalisation of the Bank, required that no further coupon payments be made on any of the Group’s Tier 1 securities except for the payment due on the Tier One Non-Innovative Capital Securities on 23 July 2009. In September 2009 the Board resolved that the non-cumulative distributions on the €600m Fixed Rate/Floating Rate Guaranteed Non-voting Perpetual Preferred Securities of Anglo Irish Capital UK (2) LP would not be paid.

The financial support provided by the Government to the Group referred to above is subject to review by the EC under EU state aid rules. The Group has submitted a restructuring plan to the EC and the review of that plan by the EC is ongoing. The EC will consider whether the plan demonstrates the Group’s long term viability, that the Group (and its capital holders) make an appropriate contribution to the restructuring costs from their own resources and that measures are taken to limit distortions to competition arising from the financial support provided by the Government to the Group. The Irish Government and the EC may therefore exert significant influence which could impact the Group's future results and financial condition.

On 31 March 2010 an €8.3bn capital contribution from the Bank's Shareholder, which was a receivable at 31 December 2009, was settled via receipt of a promissory note (note 58).

Placings with and deposits from the Central Bank and Financial Services Authority of Ireland are detailed in notes 19 and 37 respectively. In addition, in the normal course of business and on arm's length terms, the Group has entered into transactions with Government-related entities. The principal banking transactions include taking deposits, investing in Government bonds and providing loans. At 31 December 2009 normal banking transactions outstanding between the Group and such entities amounted to: deposits of €436m, Government bonds of €1.1bn and loans of €173m. The loans represent amounts advanced to Becbay Limited (a joint venture entity involving the Dublin Docklands Development Authority). This transaction is on arm's length terms and the maximum balance in the period was €173m.

The volume and diversity of other non-banking transactions are not considered significant. Furthermore, while the Irish Government or Government-related entities may in the normal course of their business hold debt securities, subordinated liabilities and other liabilities issued by the Group, it is not practical to ascertain and disclose these amounts. In the ordinary course of business the Group purchases certain utility and other services from entities controlled by the Irish Government.

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.

Subsidiary undertakings

Anglo Irish Bank Corporation Limited (the 'Bank') is the ultimate parent of the Group. 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 21, 22, 23, 26, 27, 37, 38, 40 and 48. Details of the principal subsidiary undertakings are shown in note 30.

Joint ventures and associate

The Group provides certain banking and financial services to its joint ventures and associate. Details of loans to and deposits from these entities are shown in notes 27 and 38 respectively. Details of the principal joint ventures are shown in note 29.

Investigations and legal proceedings

In the period since December 2008, various regulatory bodies in Ireland (including the Financial Regulator, the Office of the Director of Corporate Enforcement, the Chartered Accountants Regulatory Board, the Irish Auditing & Accounting Supervisory Authority and the Irish Stock Exchange) have initiated investigations (including in some cases, criminal investigations) into certain aspects of the Bank's business, including certain loan and other transactions involving Directors and certain third parties. These investigations are ongoing and it is not possible at this stage to give any indication as to whether they will result in civil, administrative or criminal proceedings against the Bank or any of its current or former Directors or officers. In addition, certain correspondence has been received by the Bank and by certain former Directors of the Bank alleging an entitlement to compensation in respect of alleged wrongdoing by the Bank and/or by such former Directors. At this stage, only one such proceeding has been served on the Bank though no statement of claim has as yet been served on the Bank by the plaintiff.

Key management compensation

The Group's key management personnel are considered to be related parties for disclosure purposes. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank.

The following disclosures are made in accordance with the provisions of IAS 24 'Related Party Disclosures'. These disclosures cover the Board of Directors (Executive and Non-executive) and other key management personnel. The amounts presented below include the figures separately reported in the Report on Directors' remuneration and interests in note 54.

	15 months ended 31 December 2009 €m	Year ended 30 September 2008 €m
Salaries and short term employee benefits (1)	**7**	4
Directors' fees	**1**	1
Post employment benefits (2)	**2**	1
Other long term benefits (3)	**2**	-
Termination benefits (4)	**1**	4
Equity compensation benefits (5)	**6**	3
	19	13

Following the appointment of a new Group Chief Executive and the change in the leadership team and management structure, the composition of key management personnel changed significantly during the period.

(1) Includes salaries and short term employee benefits for eighteen persons (30 September 2008: seven), five of whom had left the Bank by 31 December 2009. The increase in the number of persons is due to the change in senior management team during the period. No annual performance bonuses were awarded to Executive Directors or former Executive Directors in 2009.

(2) Comprises employer contributions to pension funds and amounts in lieu of accrued pension benefits.

(3) Other long term benefits includes €1.8m in relation to relocation costs incurred by the Bank in respect of the foreign assignment of a key manager.

(4) Represents amounts paid to key management who left the Bank under the voluntary redundancy programme which commenced in November 2009 and amounts paid on retirement for three persons (30 September 2008: one).

(5) During the period the actual benefit to key management was nil in respect of share options. No options or share awards were granted to key management in the current period and following the Bank's nationalisation in January 2009 any rights outstanding were extinguished for zero benefit. The expense of €6m is an accounting charge determined by reference to the fair value of options or share awards calculated on the date of grant.

55. Related party transactions continued

Loans to key management personnel

Loan balance movements during the period and the aggregate amounts outstanding at period end to persons who, at any time during the period, were key management personnel were:

	15 months ended 31 December 2009		Year ended 30 September 2008	
	Directors €m	**Other key management * €m**	Directors €m	Other key management * €m
At beginning of period	**179**	**7**	46	6
Loan advances during the period (1)	**41**	**-**	255	2
Loan repayments during the period (1)	**(28)**	**-**	(115)	-
Other movements (2)	**(37)**	**4**	(7)	(1)
At end of period (3)	**155**	**11**	179	7
Provisions for impairment (4)	**(109)**	**-**	-	-
At end of period after provisions for impairment	**46**	**11**	179	7
Number of persons	**10**	**7**	13	2

* Excludes Executive Directors

Loans are advanced to Directors (a) at commercial interest rates; (b) on a secured basis; and (c) with full personal recourse except as referred to in 3(ii), 3(iii)(a) and 3(iv). Directors' loan balances above include the amount of personal recourse to them in relation to their share of loans advanced by the Bank to investment partnership and co-ownership structures in which they are investors.

(1) Loan advances for the year ended 30 September 2008 include €122m (including €9m in respect of another former Director on a joint loan account) redrawn in October 2007 relating to amounts refinanced by the former Chairman shortly before 30 September 2007. Such refinancing did not occur in September 2008 and, accordingly, there was no corresponding loan advance for the period ended 31 December 2009.

Included in repayments for the year ended 30 September 2008 is €22m relating to amounts which were repaid shortly before 30 September 2008 by the former Chairman, and another former Director. This repayment was made from deposits held with the Bank. This amount was redrawn shortly after 30 September 2008 and placed back on deposit with the Bank and, accordingly, €22m is included in loan advances for the period ended 31 December 2009. Similarly, loan advances for the year ended 30 September 2008 include €21m redrawn in October 2007 in respect of loans repaid shortly before 30 September 2007 from deposits held with the Bank by these former Directors. This amount was placed back on deposit with the Bank.

(2) Other movements include €35m in relation to Directors who retired in the year to 30 September 2008 and the impact of foreign exchange rate changes on non-euro denominated loans. Other movements in 'Other key management' reflect the change in the composition of the Group's senior management during the period.

(3) Loans and advances at 31 December 2009 include €1m to individuals who are currently key management personnel.

There were no loans (30 September 2008: €0.4m) to Directors remaining in office at 31 December 2009. The Directors' loan balances at 31 December 2009 include:

(i) Loans to the former Chairman of €88.7m (30 September 2008: €83.3m).

(ii) A loan to a former Director of €9m (30 September 2008: €8m) was secured on ordinary shares in the Bank. The loan was on non-recourse terms to the former Director at 30 September 2008. The facility in respect of this loan was renewed during the period on a full personal recourse basis. Under the Anglo Irish Bank Corporation Act, 2009, all of the Bank's ordinary share capital was transferred to the Minister for Finance.

(iii) €2m (30 September 2008: €20m) in respect of personal recourse to two (30 September 2008: three) former Directors in relation to their share of secured loans to partnerships in which they are investors. The loans to these partnerships, which include a number of investors in addition to these Directors, total €6m at 31 December 2009 (30 September 2008: €42m). All partners are liable on a joint and several basis for the outstanding loan balances of the partnerships in which they invested.

(iii) (a) In addition, at 31 December 2009 a further €5m (30 September 2008: €4m) is outstanding in relation to former Directors' shares of loans to syndicated investment partnerships. These loans are secured, in common with all other investors, against the partnership investments and personal recourse to the former Directors is limited to interest.

(iv) €3m (30 September 2008: €3m) in respect of personal recourse to a former Director in relation to loans to co-ownership structures in which the former Director is an investor. In addition, at 31 December 2009 a further €17m (30 September 2008: €17m) is outstanding in relation to the former Director and the former Director's family's share of loans to these co-ownership structures; as in the case of the other co-ownership investors, these loans are secured against the co-ownership investments and there is no further personal recourse to the former Director. At 31 December 2009 secured loans to the other co-owners in these structures total €44m (30 September 2008: €45m).

(4) At 31 December 2009, provisions for impairment of €109m (30 September 2008: €nil) were recognised in respect of loans to certain Directors who held office during the period, none of whom were Board members at 31 December 2009. There were no write-offs in relation to loans to Directors during the period to 31 December 2009 or the year ended 30 September 2008.

Loans advanced to other key management include loans of €4m (30 September 2008: €4m) advanced on preferential terms in lieu of entitlements associated with a foreign assignment which commenced in 2005. The loan balance comprises lending to provide accommodation for the duration of the foreign assignment. The Bank expects to assume legal ownership of this property in full repayment of the related loan balance and anticipates that this process will involve an estimated total cost of approximately €1.8m. This cost is deemed to be an employment benefit attributable to the key manager. A further €7m of loans to six other key management were advanced on a full personal recourse basis.

At 31 December 2009 the Group had provided guarantees totalling €nil (30 September 2008: €0.8m) in respect of two Directors.

The Group had undrawn commitments at 31 December 2009 of €nil (30 September 2008: €35m) relating to loans to Directors.

During the period the Group earned interest of €7m (30 September 2008: €14m) on loans to Directors and other key management.

Loans to related parties (other than Group subsidiary undertakings, joint ventures, associate and State controlled entities)

In addition to loans to key management personnel, loans and advances to customers also include loans to related parties. An entity is considered a related party where, in line with IAS 24, key management personnel exercise control or significant influence over the operating and financial policies of that entity. All loans are made to such related parties at commercial interest rates.

Amounts due from related parties at 31 December 2009, excluding amounts disclosed above, total €27m (30 September 2008: €27m). Loans due from related parties are secured with the exception of loans of €1m (30 September 2008: €1m) which, while unsecured, are guaranteed by the underlying borrowers. Loan advances made to related parties during the period ended 31 December 2009 were €4m (30 September 2008: €25m) and loan repayments by related parties were €5m (30 September 2008: €5m).

During the period the Group earned interest of €2m (30 September 2008: €2m) on loans to related parties.

The Group had undrawn lending commitments to related parties at 31 December 2009 of €2m (30 September 2008: €1m).

55. Related party transactions continued

Deposits and investments by key management personnel

Deposit balance movements during the period and the aggregate amounts outstanding at period end from persons who, at any time during the period, were key management personnel were:

	15 months ended 31 December 2009		Year ended 30 September 2008	
	Directors €m	**Other key management * €m**	Directors €m	Other key management * €m
At beginning of period	**10**	**1**	9	1
Deposits received during the period	**38**	**1**	140	2
Deposits withdrawn during the period	**(38)**	**(2)**	(137)	(1)
Other movements	**(2)**	**1**	(2)	(1)
At end of period	**8**	**1**	10	1
Number of persons	**10**	**8**	12	2

* Excludes Executive Directors

Deposits by key management personnel are at commercial interest rates. During the period the Group incurred interest of €1.2m (30 September 2008: €1.6m) on these deposits.

Shortly before 30 September 2008, the former Chairman and another former Director withdrew deposits of €22m which were used to repay their loan balances with the Bank. These amounts were subsequently re-deposited by the former Directors shortly after the year end following the re-drawing of loan facilities. Other movements include the impact of foreign exchange rate changes on non-euro denominated deposits and changes to the composition of the Board and other key management personnel.

The Group's Private Bank offers a range of products to its clients. Key management personnel have invested in these products on which the Group has earned fees, charged at commercial rates, of €0.2m (30 September 2008: €0.4m). At 31 December 2009 23 persons, inclusive of Directors, (30 September 2008: 14) who were key management personnel during the period held investments totalling €22m (30 September 2008: €49m). Investments held by Directors remaining in office at 31 December 2009 totalled €nil (30 September 2008: €nil).

The former Chairman, Sean FitzPatrick, and another former Director, Lar Bradshaw, along with other investors, have invested in a UK property fund which invested in a number of partnerships. The Bank has provided loans to two of these partnerships. These loans are secured, in common with all other investors, against the partnership investments and there is no personal recourse to the investors.

Sean FitzPatrick and Lar Bradshaw's percentage holdings in the first partnership were 0.47% and 0.31% respectively. The loan balance at the end of the period on the first partnership was €54.1m (30 September 2008: €60.8m) (maximum euro balance: €62.3m). It had provisions in respect of anticipated failure to repay of €2.9m at 31 December 2009. The facility was initially approved in June 2006, the most recent renewal was in October 2009 and it is due to expire in July 2011 and November 2011 (two tranches). The margin on the loan is 1.25% and there was an arrangement fee of £240,000. It is secured and there is recourse to the assets only. The facility is on an interest only basis.

Sean FitzPatrick and Lar Bradshaw's percentage holdings in the second partnership were 0.70% and 0.47% respectively. The loan balance at the end of the period on this partnership was €35.2m (30 September 2008: €39.2m) (maximum euro balance: €40.2m). It had interest fallen due but not paid of €0.3m and provisions in respect of anticipated failure to repay of €8.4m at 31 December 2009. The facility was initially approved in January 2007, the most recent renewal was in October 2009 and it is due to expire in February 2012. The margin on the loan ranges between 1.25% and 2.28% and there was an arrangement fee of between 0.5% and 1%. It is secured and there is recourse to the asset only. Repayment is due upon sale.

Loans to Directors

The following information is provided in respect of transactions, arrangements or agreements which are required to be included pursuant to the Companies Act, 1990 (as amended by the Companies (Amendment) Act, 2009).

Table 55.1 - Loans to Directors

	31 December 2009				30 September 2008			
	Table 55.2	**Table 55.3**	**Table 55.4**		Table 55.2	Table 55.3	Table 55.4	
	Loans in a personal capacity €	**Loans to partnerships €**	**Loans to co-ownerships €**	**Total €**	Loans in a personal capacity €	Loans to partnerships €	Loans to co-ownerships €	Total €
Directors in office at 31 December 2009								
A.M.R. (Mike) Aynsley	**-**	**-**	**-**	**-**	-	-	-	-
Donal O'Connor	**-**	**-**	**-**	**-**	420,675	-	-	420,675
Alan Dukes	**-**	**-**	**-**	**-**	-	-	-	-
Maurice Keane	**-**	**-**	**-**	**-**	-	-	-	-
	-	**-**	**-**	**-**	420,675	-	-	420,675
Former Directors								
Frank Daly	**-**	**-**	**-**	**-**	-	-	-	-
Anne Heraty	**-**	**-**	**-**	**-**	-	-	-	-
David Drumm	**8,354,720**	**-**	**-**	**8,354,720**	8,111,796	-	-	8,111,796
Declan Quilligan	**3,821,109**	**-**	**-**	**3,821,109**	4,143,612	-	-	4,143,612
Gary McGann	**10,645,609**	**-**	**-**	**10,645,609**	10,866,896	-	-	10,866,896
Lar Bradshaw	**27,332,695**	**1,179,901**	**-**	**28,512,596**	19,482,567	931,484	-	20,414,051
Michael Jacob	**109,506**	**-**	**-**	**109,506**	1,331,673	-	-	1,331,673
Ned Sullivan	**716,462**	**-**	**-**	**716,462**	1,258,835	-	-	1,258,835
Noël Harwerth	**-**	**-**	**-**	**-**	-	-	-	-
Pat Whelan	**5,815,034**	**-**	**-**	**5,815,034**	5,683,608	-	-	5,683,608
Sean FitzPatrick	**85,255,613**	**942,251**	**2,551,423**	**88,749,287**	79,562,901	936,913	2,812,339	83,312,153
William McAteer	**8,535,828**	**-**	**-**	**8,535,828**	8,272,219	-	-	8,272,219
	150,586,576	**2,122,152**	**2,551,423**	**155,260,151**	138,714,107	1,868,397	2,812,339	143,394,843
Directors who retired in the period to 30 September 2008					16,624,360	18,257,624	-	34,881,984
Loans to Directors	**150,586,576**	**2,122,152**	**2,551,423**	**155,260,151**	155,759,142	20,126,021	2,812,339	178,697,502
Provisions for impairment	**(108,326,302)**	**(128,204)**	**(471,054)**	**(108,925,560)**	-	-	-	-
Loans to Directors after provisions for impairment	**42,260,274**	**1,993,948**	**2,080,369**	**46,334,591**	155,759,142	20,126,021	2,812,339	178,697,502

All tables in this note are presented in euro, which is the Bank's functional and presentation currency. Loan balances denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of the reporting period. The maximum balances represent the maximum euro liability during the period. Balances at 30 September 2008 represent the balances at the beginning of the current period.

Table 55.2 details loans to Directors in a personal capacity.
Table 55.3 details loans advanced by the Bank to investment partnership structures in which Directors have invested. The amounts included above represent their share of personal recourse on these loans.
Table 55.4 details loans advanced by the Bank to co-ownership structures in which Directors have invested. The amounts included above represent their share of personal recourse on these loans.

55. Related party transactions continued

Table 55.2 - Loans to Directors in a personal capacity

	Principal terms	Balance at end of period 31 December 2009 €	Balance at beginning of period 30 September 2008 €	Maximum amount of liability during the period €	Interest fallen due but not paid at 31 December 2009 €	Provision in respect of failure or anticipated failure to repay 31 December 2009 €
David Drumm						
Loan	(1)	408,876	406,058	408,876	8,856	328,035
Loan	(2)	7,936,441	7,673,055	7,936,441	-	6,367,282
Loan	(3)	-	-	24,482	-	-
Loan	(4)	9,403	8,714	9,403	989	9,403
Loan	(5)	-	23,969	24,877	-	-
		8,354,720	8,111,796			6,704,720
Declan Quilligan						
Loan	(6)	3,285,681	3,189,021	3,285,681	-	-
Loan	(7)	535,428	954,591	977,662	-	-
		3,821,109	4,143,612			-
Donal O'Connor						
Loan	(8)	-	396,875	399,074	-	-
Loan	(9)	-	23,800	25,044	-	-
		-	420,675			-
Gary McGann						
Loan	(10)	898,799	842,960	898,799	-	-
Loan	(11)	9,746,810	10,023,936	10,048,862	-	-
		10,645,609	10,866,896			-
Lar Bradshaw						
Loan	(12)	11,469,297	5,969,406	11,528,736	-	9,066,093
Loan	(13)	726,778	891,872	917,336	-	595,070
Loan	(14)	-	193,816	405,924	-	-
Loan	(15)	13,893,226	11,188,685	15,598,341	-	11,036,813
Loan *	(16)	1,243,394	1,238,788	1,250,217	7,187	1,243,394
		27,332,695	19,482,567			21,941,370
Michael Jacob						
Loan	(17)	109,506	1,308,004	1,327,552	-	-
Loan	(18)	-	23,669	25,106	-	-
		109,506	1,331,673			-

Table 55.2 - Loans to Directors in a personal capacity continued

	Principal terms	Balance at end of period 31 December 2009 €	Balance at beginning of period 30 September 2008 €	Maximum amount of liability during the period €	Interest fallen due but not paid at 31 December 2009 €	Provision in respect of failure or anticipated failure to repay 31 December 2009 €
Ned Sullivan						
Loan	(19)	-	137,981	141,152	-	-
Loan	(20)	716,462	1,120,854	1,121,272	-	-
		716,462	1,258,835			-
Pat Whelan						
Loan	(21)	5,815,034	5,683,608	5,859,632	-	4,115,034
		5,815,034	5,683,608			4,115,034
Sean FitzPatrick						
Loan	(22)	54,662,027	48,059,530	71,795,527	498,799	40,271,638
Loan	(22)	12,429,537	13,143,430	13,185,880	93,634	12,429,537
Loan	(22)	128,187	245,825	247,795	3,556	128,187
Loan	(22)	920,296	89,020	1,045,713	12,696	920,296
Loan	(23)	3,128,879	3,877,830	3,970,681	-	3,128,879
Loan	(24)	93,461	91,451	94,118	1,842	-
Loan	(25)	-	1,938,032	2,190,189	-	-
Loan	(26)	-	929,098	932,636	-	-
Loan	(15)	13,893,226	11,188,685	15,598,341	-	11,036,813
		85,255,613	79,562,901			67,915,350
William McAteer						
Loan	(27)	-	24,052	24,893	-	-
Loan	(28)	8,535,828	8,248,167	8,535,828	-	7,649,828
		8,535,828	8,272,219			7,649,828
Total loans in a personal capacity		150,586,576	139,134,782			108,326,302

* Recourse is limited to asset only

55. Related party transactions continued

Table 55.3 - Loans to partnership structures

Directors' loan balances in table 55.1 include the amount of personal recourse to them in relation to their share of loans advanced by the Bank to investment partnership structures in which they are investors. Table 55.3 below details both the amount of personal recourse to them in relation to their share of loans advanced by the Bank to these partnership structures and the full loan balance into these structures, including amounts attributable to other investors.

		Directors' share of personal recourse					Loans to partnership structures				
		31 December 2009		30 September 2008			Balance at end of period	Balance at beginning of period	Maximum amount of liability during the period	Interest fallen due but not paid at 31 December 2009	Provision in respect of failure or anticipated failure to repay 31 December 2009
	Principal terms	Amount in Table 55.1 * €	Provision on recourse €	Amount in Table 55.1 * €	Provision on recourse €	Director's interest %	31 December 2009 €	30 September 2008 €	€	€	€
Sean FitzPatrick											
Loan to partnership	(29)	-	-	-	-	10%	12,929,553	12,374,964	12,929,553	239,734	6,495,336
Loan to partnership	(30)	4,996	-	-	-	18%	5,321,439	5,061,861	5,371,608	27,388	-
Loan to partnership	(31)	7,812	-	5,429	-	25%	3,505,763	3,490,507	3,568,248	22,902	-
Loan to partnership **	(32)	929,443	-	931,484	-	16.67%	5,575,543	5,588,906	6,416,485	-	-
		942,251	-	936,913	-						
Lar Bradshaw											
Loan to partnership **	(32)	929,443	-	931,484	-	16.67%	5,575,543	5,588,906	6,416,485	-	-
Loan to partnership	(33)	250,458	128,204	-	-	5%	27,864,189	22,769,206	27,907,545	162,274	7,814,564
		1,179,901	128,204	931,484	-						
Loans to partnerships		2,122,152	128,204	1,868,397	-						

* Represents the amount of personal recourse in relation to their share of loans advanced by the Bank to investment partnerships in which they are investors and does not necessarily reflect their percentage interest in the structure.

** Both former Directors are investors in the same partnership structure.

Table 55.4 - Loans to co-ownership structures

Directors' loan balances in table 55.1 include the amount of personal recourse to them in relation to their share of loans advanced by the Bank to co-ownership structures in which they are investors. Table 55.4 below details both the amount of personal recourse to them in relation to their share of loans advanced by the Bank to these co-ownership structures and the full loan balance into these structures, including amounts attributable to other investors.

		Directors' share of personal recourse					Loans to co-ownership structures				
		31 December 2009		30 September 2008							
	Principal terms	Amount in Table 55.1 * €	Provision on recourse €	Amount in Table 55.1 * €	Provision on recourse €	Director's interest %	Balance at end of period 31 December 2009 €	Balance at beginning of period 30 September 2008 €	Maximum amount of liability during the period €	Interest fallen due but not paid at 31 December 2009 €	Provision in respect of failure or anticipated failure to repay 31 December 2009 €
Sean FitzPatrick											
Loan to co-ownership	(34)	2,080,369	-	2,340,577	-	33.3%	21,236,628	22,067,595	22,178,528	-	-
Loan to co-ownership	(35)	471,054	471,054	471,762	-	11.8%	42,499,377	43,115,313	43,263,918	-	6,843,816
		2,551,423	471,054	2,812,339	-						
Loans to co-ownerships		2,551,423	471,054	2,812,339	-						

* Represents the amount of personal recourse in relation to their share of loans advanced by the Bank to co-ownerships in which they are investors and does not necessarily reflect their percentage interest in the structure.

55. Related party transactions continued

Principal terms

Loans to Directors in a personal capacity

(1) The facility was provided to part finance an investment in a fund. The facility was initially approved in May 2007, the most recent renewal was in June 2008 and it expired in June 2009. The margin on the loan was 1% and there was no arrangement fee. It is secured by the investment in the fund and is on a full recourse basis. This loan is currently the subject of legal proceedings between the Bank and the customer.

(2) The facility was provided to purchase shares in the Bank, to capitalise interest due and to provide a one year interest roll up facility. The facility was initially approved in February 2005, the most recent renewal was in January 2009 and it had an expiry date of December 2009. The margin on the loan was 1% and there was no arrangement fee. It was secured on shares in the Bank and is on a full recourse basis. The facility was on interest roll up to December 2009. This loan is currently the subject of legal proceedings between the Bank and the customer.

(3) The loan was drawn down in January 2009 and was repaid in the same month. The margin on the loan was 1% and there was no arrangement fee. There was no security but it was covered by an all sums due clause in the borrower's other facilities and was on a full recourse basis.

(4) The facility was provided to fund a film finance investment. The facility was initially approved in April 2008 and it expired in April 2009. The margin on the loan was 4% and there was no arrangement fee. There was no security but it was covered by an all sums due clause in the borrower's other facilities and is on a full recourse basis. This loan is currently the subject of legal proceedings between the Bank and the customer.

(5) The facility was provided to fund a film finance investment. The facility was initially approved in April 2008 and was repaid in May 2009. The margin on the loan was 2% and there was no arrangement fee. It was secured and was on a full recourse basis.

(6) The loan was provided to renew an existing facility to purchase shares in the Bank, to provide for partial interest roll up to December 2009 and to provide a bridging facility for the purchase of a residential property. It was initially approved in October 2004, the most recent renewal was in January 2009 and it had an expiry date of December 2009. The margin on the loan was 1% and there was no arrangement fee. It was secured on shares in the Bank and is on a full recourse basis.

(7) The facility was provided to partially fund the purchase of a residential property and to meet relocation costs. This GBP facility commenced in February 2006, the most recent renewal was in October 2006 and is due to expire in December 2010. The interest rate is the HM Revenue & Customs official rate (currently 4.75%) and there was no arrangement fee. There is no security but it is covered by an all sums due clause in the borrower's other facility and is on a full recourse basis.

(8) The facility was provided to fund the purchase of a residential property. The facility was initially approved in March 2006 and the most recent renewal was in August 2007. The margin on the loan was 2% and there was a 0.5% arrangement fee. It was secured and was on a full recourse basis. The facility was repaid in July 2009.

(9) The facility was provided to fund a film finance investment. The facility was initially approved in May 2008 and was repaid in July 2009. The margin on the loan was 2% and there was no arrangement fee. It was secured and was on a full recourse basis.

(10) The facility was provided to fund the purchase of shares in a company, to capitalise arrangement fees and to fund any interest shortfall. The facility was initially approved in June 2008 and is due to expire in June 2011. The margin on the loan is 2.75% and there was a 1% arrangement fee. It is secured and is on a full recourse basis. The borrower is to pay all dividends earned on shares net of tax in part payment of interest on the facility. All surplus interest may be capitalised up to the limit of the facility.

(11) This is a joint facility. The facility was provided to fund a number of investments and includes amounts drawn down in USD. The facility was initially approved in February 2005, the most recent renewal was in October 2008 and it has an expiry date of January 2010. The margin on the loan was 1.75% and there was a 0.5% arrangement fee. It is secured and is on a full recourse basis. Interest is rolled up with capital and interest due at maturity. There is a derivative financial instrument connected with the account with a mark-to-market valuation in favour of the Bank of €102,465 at 31 December 2009.

(12) This multi-currency facility was provided to fund a number of investments. The facility was initially approved in July 2001, the most recent renewal was in April 2009 and it is due to expire in April 2010. The margin on the loan is 1.25% and there was a 0.5% arrangement fee on the original facility. It is secured and is on a full recourse basis. The facility is interest only on a quarterly basis with a capital repayment due on maturity.

(13) This is a joint facility. It is a multicurrency facility, currently drawn in GBP and was provided to fund a number of investments. The facility was initially approved in October 2003, the most recent renewal was in April 2009 and it is due to expire in April 2010. The margin on the loan is 1.25% and there was a 0.5% arrangement fee. It is secured and is on a full recourse basis. The facility is interest only on a quarterly basis with a capital repayment due on maturity.

(14) The facility was provided to fund the purchase of shares in the Bank and to provide for interest roll up. The facility was initially approved in December 2008 and it was refinanced into another facility in June 2009. The margin on the loan was 1.25% and there was no arrangement fee. It was secured and was on a full recourse basis. The facility was on interest roll up.

(15) This is a joint facility between two former Directors. It is a USD facility and was provided to fund an investment in oil exploration. The facility was initially approved in June 2005, the most recent renewal was in February 2009 and it had an expiry date of December 2009. The margin on the loan was 1% and there was no arrangement fee. It is secured and is on a full recourse basis. The facility is on interest roll up.

(16) The facility was provided to fund an investment in a partnership structure investing in a hotel. The facility was initially approved in February 2001, the most recent renewal was in December 2009 and it has an expiry date of March 2010. The margin on the loan is 1.5% and there was no arrangement fee. It is secured and recourse is limited to the partners' interest in the asset.

(17) The facility was provided to fund a number of investments. The facility was initially approved in June 2005, the most recent renewal was in March 2009 and it has an expiry date of March 2010. The margin on the loan is 1.25% and there was a 0.5% arrangement fee on the original facility. It is secured and is on a full recourse basis. The facility is on interest only on a quarterly basis with capital repayment due on maturity.

(18) The facility was provided to fund a film finance investment. The facility was initially approved in July 2008 and was repaid in August 2009. The margin on the loan was 2% and there was no arrangement fee. It was secured and was on a full recourse basis.

(19) The facility was provided to fund the purchase of shares in the Bank and to provide for interest roll up. The facility was initially approved in November 2007 and expired in December 2008. It was refinanced into another facility in April 2009. The margin on the loan was 1.25% and there was no arrangement fee. It was secured and was on a full recourse basis. The facility was on interest roll up.

(20) This is a joint facility. The facility was provided to fund investments in property and property funds and to refinance another facility. The facility was initially approved in March 2004, the most recent renewal was in January 2009 and it has an expiry date of January 2010. The margin ranged from 1.25% to 1.75% and there was a 0.5% arrangement fee. It is secured and is on a full recourse basis. The facility is on an interest only basis with a capital repayment due on maturity.

(21) The loan was provided to fund the purchase of shares in the Bank, to provide an interest roll up facility and to provide a bridging facility on a residential investment property. It was initially approved in November 2004, the most recent renewal was in December 2009 and it is due to expire in December 2011. The margin on the loan ranged between 1.25% and 2%. There was no arrangement fee. It was secured on shares in the Bank, on a solicitor's undertaking to remit the net proceeds from the sale of a property and on a deposit account with the Bank. It is on a full recourse basis. The facility is on an interest only basis to December 2011 paid from funds on deposit with the Bank.

(22) This is a joint facility and was provided to fund a number of investments. The facility granted in August 2001 was repaid and the current facility commenced in January 2003. It was a multi-currency facility. The most recent renewal was in February 2009 and it had an expiry date of December 2009. The margin on the loan was 1% and there was no arrangement fee. It is secured and is on a full recourse basis. There is a derivative financial instrument connected with the account with a mark-to-market valuation in favour of the Bank of €139,547 at 31 December 2009.

(23) The facility was provided to fund a hotel investment. The facility is drawn down in GBP. The facility was initially approved in January 2007, the most recent renewal was in January 2008 and it expired in March 2009. The margin on the loan was 1% and there was no arrangement fee. It is secured and is on a full recourse basis.

(24) The facility was provided to fund an investment in shares in a company. The facility was initially approved in January 1998, the most recent renewal was in June 2008 and it expired in June 2009. The margin on the loan was 2.85% and there was a 0.5% arrangement fee. It is unsecured but is covered by an all sums due clause in the borrower's other facilities and is on a full recourse basis. The facility was on an interest only basis with capital repayment due on maturity.

55. Related party transactions continued

Principal terms continued

Loans to Directors in a personal capacity *continued*

(25) This was a joint facility. It was initially drawn down in December 1998. The margin on the loan was 1% and there was no arrangement fee. It was secured and was on a full recourse basis. The facility was refinanced into another facility in November 2008.

(26) This was a joint facility provided to fund a commercial and residential investment. The facility was initially approved in January 2008 and was refinanced into another facility in October 2008. The margin on the loan was 1% and there was no arrangement fee. It was secured and was on a full recourse basis. The facility was on an interest only basis.

(27) The facility was provided to fund a film finance investment. The facility was initially approved in April 2008 and was repaid in April 2009. The margin on the loan was 2% and there was no arrangement fee. It was secured and was on a full recourse basis.

(28) The loan was provided to refinance a facility to fund the purchase of shares in the Bank and the interest on that facility. It was initially approved in September 2008, the most recent renewal was in January 2009 and it had an expiry date of December 2009. The margin on the loan was 1% and there was no arrangement fee. It was secured on shares in the Bank and is on a full recourse basis. It was on interest roll up to December 2009.

Loans to partnership structures

(29) The facility was provided to finance the purchase of a development site, to finance interest roll up and to provide a VAT bridging facility. The facility was initially approved in February 2007 and it expired in September 2009. The margin on the loan was 2.75% and there was a 1% arrangement fee. It is secured and there is no personal recourse to the investors. Repayment was due from a bullet payment on maturity.

(30) The facility was provided to finance the purchase of commercial properties. The facility was initially approved in April 1996, the most recent renewal was in August 2004 and it expired in September 2009. The margin on the loan was 1.75% and there was a 1% arrangement fee. It is secured and there is several recourse on a pro rata basis to the investors on interest only.

(31) The facility was provided to finance the purchase of commercial properties. The facility was initially advanced in August 1996, the most recent renewal was in November 2007 and it expired in September 2009. The margin on the loan was 1.97% and there was an arrangement fee of €25,250 on the original facility. It is secured and there is several recourse on a pro rata basis to the investors on interest only.

(32) The facility was provided to finance the acquisition and development of a restaurant. This USD facility was initially approved in May 2006, the most recent renewal was in May 2008 and it expired in May 2009. The margin on the loan was 1.85% and there was a 0.567% arrangement fee. It is secured and there is joint and several recourse to the partners. The facility was on interest only quarterly with a bullet repayment due at maturity.

(33) The facility was provided to finance a hotel development. The facility was initially approved in February 2001, the most recent renewal was in December 2009 and it has an expiry date of March 2010. The margin on the loan is 1.5% and there was no arrangement fee. It is secured and there is several recourse to the partners on a pro rata basis for a total of €5m.

Loans to co-ownership structures

(34) The facility was provided to finance the acquisition of commercial property. The facility was initially approved in November 2002, the most recent renewal was in April 2006 and it is due to expire in June 2020. The margin on the loan is between 1.25% and 1.35% and there was an arrangement fee of €92,350 charged on previous facilities. It is secured and there is several recourse on a pro rata basis to the investors for 30% of the loan. The senior debt is on interest only repayment, the remainder is on principal and interest repayment and there is a bullet repayment due at maturity. There is a derivative financial instrument connected with the account with a mark-to-market valuation in favour of the Bank of €784,864 at 31 December 2009.

(35) The facility was provided to finance the acquisition of a property. The facility was initially approved in January 2006 and it is due to expire in December 2016. The margin on the loan is between 1.25% and 2.5% and there was an arrangement fee of €125,000. It is secured and the investors are severally liable to their share of the co-ownership or pro-rata to their beneficial interest in the property, limited to a combined maximum of €3.99m. Capital and interest repayments are due quarterly. There is a derivative financial instrument connected with the account with a mark-to-market valuation in favour of the Bank of €1,593,911 at 31 December 2009.

Loans to connected persons

The Companies Act, 1990 as amended by the Companies (Amendment) Act, 2009 requires a statement in relation to transactions, arrangements and agreements made with persons who at any time during the period were connected with a Director of the Bank if such a transaction, arrangement or agreement was (a) not entered into in the ordinary course of its business, or (b) its value is greater, or its terms more favourable, in respect of the person for whom it is made, than that or those which (i) the Bank ordinarily offers, or (ii) it is reasonable to expect the Bank to have offered, to or in respect of a person of the same financial standing but unconnected with the Bank.

Loans with an aggregate balance of €255m at 31 December 2009 (maximum balance during the period: €296m) could be considered to have been made on such terms as outlined above. The number of persons at 31 December 2009 for whom such arrangements subsisted was 16 (maximum during the period: 17). For the purpose of making such a determination the Bank considered the relative commerciality of the loan arrangements having regard to their security, margin, recourse and purpose. The phrase 'connected persons' includes persons who are in partnerships, as defined under section 1(1) of the Partnership Act, 1890, with a Director. Of the €255m balance at 31 December 2009, €238m relates to persons who were connected to Directors solely by virtue of the fact that they had invested into a partnership structure in which a Director of the Bank had also invested.

Guarantees

The Bank had provided guarantees to third parties in relation to Sean FitzPatrick and Lar Bradshaw's investment in oil exploration. The total amount for which the Bank was liable at 31 December 2009 was €nil (30 September 2008: €0.8m). Payments of €1.6m (€0.7m of which related to a guarantee provided during the period) were made to third parties under the terms of the guarantees. These payments formed part of the overall transaction arrangements, were expected from the outset and were not called upon as a result of non-performance.

The Bank provided a counter indemnity in respect of a guarantee issued by another Bank in relation to a partnership structure in which Lar Bradshaw had invested. The total amount for which the Bank was liable at 31 December 2009 was €20,000 (30 September 2008: €20,000). No liability was incurred by the Bank during the period for the purpose of fulfilling the guarantee.

55. **Related party transactions** continued

Other related party transactions

Anne Heraty, a former Non-executive Director, is also a Director of CPL Resources plc. During the period ended 31 December 2009, CPL Resources plc received €3,000 (year ended 30 September 2008: €78,000) in fees from the Group, incurred in the normal course of business. In the ordinary course of business CPL Resources plc holds deposits with the Bank which are on normal commercial terms.

Donal O'Connor, who was formerly the Senior Partner of PricewaterhouseCoopers ('PwC') in Ireland, was co-opted to the Board as a Non-executive Director on 26 June 2008. PwC in Ireland received €284,000 in fees from the Group, incurred in the normal course of business, during the year ended 30 September 2008 of which €50,000 was incurred in the period from 26 June to 30 September 2008. PwC was not considered a related party in the period to 31 December 2009 as Donal O'Connor retired from PwC during the year ended 30 September 2008.

During the period ended 31 December 2009, close family members of the former Chairman received rental income from the Group of €15,900 (year ended 30 September 2008: €31,500) in respect of a UK property that, rather than hotels, was used to accommodate Group employees working in the UK on a temporary basis. The lease was terminated with effect from 31 March 2009.

If a right of reimbursement is established in relation to travel and accommodation benefits provided to close family members of two former Directors in earlier periods such sums would be considered quasi-loans. Due to the nature and timing of these benefits a degree of uncertainty exists as to the categorisation of these items for disclosure purposes. At 31 December 2009 the Bank estimates, based on information available, that if a right of reimbursement is established the maximum amount of such quasi-loans outstanding during the period was €45,093, made up as follows: in respect of Sean FitzPatrick, €31,192 (such amount being the sum outstanding at all times during the period); in respect of David Drumm, €13,901 (such amount being the sum outstanding at all times during the period).

56. Parent Bank information on credit risk

Market, liquidity and funding, and operational risks are managed on a Group basis. A description of these risks, along with relevant financial information, is set out in note 51. Equivalent information in respect of the Bank would not be meaningful and therefore has not been provided. While credit risk is managed on a consistent basis throughout the Group, asset quality information is relevant for both the Group and the Bank. As a result, the following tables have been presented.

The information contained in this note in respect of loans and advances to customers and loans classified as held for sale relates only to third party exposures arising within the parent Bank. There is no net exposure in the Bank that is not in the Group.

Maximum exposure to credit risk

The following table presents the Bank's maximum exposure to credit risk before collateral or other credit enhancements. Included below are contingent liabilities and commitments to lend, which are not recognised in the statement of financial position, which the Bank does not expect to be fully drawn.

	The Bank	
	31 December 2009 €m	30 September 2008 €m
Exposures in the statement of financial position		
Cash and balances with central banks	**302**	1,809
Financial assets at fair value through profit or loss - held on own account *	**76**	163
Derivative financial instruments	**2,644**	2,233
Loans and advances to banks	**6,304**	12,359
Assets classified as held for sale **	**21,828**	-
Available-for-sale financial assets *	**7,857**	8,137
Loans and advances to customers	**26,947**	66,356
Exposures not recognised in the statement of financial position		
Contingent liabilities	**393**	738
Commitments to lend	**1,668**	5,329
Maximum exposure to credit risk	**68,019**	97,124

* Excludes equity shares

** Excludes non-financial assets of €12m at 30 September 2008

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise as a result of changes in values.

Loans and advances to customers include €771m (30 September 2008: €1,006m) lent to fund assets held in respect of liabilities to customers under investment contracts.

Contingent liabilities includes €330m (30 September 2008: €647m) in respect of financial guarantees.

56. Parent Bank information on credit risk continued

Risk concentrations

A geographical analysis of risk concentrations for loans and advances to customers by sector is as follows:

	31 December 2009				
	Ireland €m	**United Kingdom €m**	**USA €m**	**Total €m**	**%**
Retail	**1,716**	**1,635**	**1,409**	**4,760**	**15%**
Office	**1,518**	**1,878**	**2,242**	**5,638**	**18%**
Mixed use	**626**	**1,255**	**492**	**2,373**	**8%**
Industrial	**221**	**515**	**525**	**1,261**	**4%**
Residential investment	**429**	**338**	**1,165**	**1,932**	**6%**
Residential development	**175**	**34**	**91**	**300**	**1%**
Business banking	**5,128**	**135**	**2**	**5,265**	**17%**
Personal	**1,932**	**11**	**64**	**2,007**	**6%**
Leisure	**2,016**	**3,274**	**1,032**	**6,322**	**20%**
Commercial development	**189**	**86**	**186**	**461**	**1%**
Other property investment	**849**	**265**	**68**	**1,182**	**4%**
Other	**3**	**1**	**-**	**4**	**0%**
Total loans and advances to customers	**14,802**	**9,427**	**7,276**	**31,505**	**100%**

	30 September 2008				
	Ireland €m	United Kingdom €m	USA €m	Total €m	%
Retail	6,464	2,958	1,480	10,902	16%
Office	5,221	2,884	2,325	10,430	16%
Mixed use	2,658	1,333	1,260	5,251	8%
Industrial	383	757	508	1,648	2%
Residential investment	1,195	536	1,138	2,869	4%
Residential development	5,467	647	537	6,651	10%
Business banking	6,204	1,498	16	7,718	12%
Personal	3,605	39	68	3,712	5%
Leisure	4,737	3,201	1,160	9,098	14%
Commercial development	5,342	493	777	6,612	10%
Other property investment	920	236	94	1,250	2%
Other	877	70	-	947	1%
Total loans and advances to customers	43,073	14,652	9,363	67,088	100%

Total loans and advances to customers are stated gross of provisions and include €771m (30 September 2008: €1,006m) lent to fund assets held in respect of liabilities to customers under investment contracts.

Asset quality

The asset quality of the Bank's loans and advances to customers is analysed as follows:

	The Bank 31 December 2009				
	Commercial €m	Residential €m	Business Banking €m	Other Lending €m	Total €m
Good quality	9,818	926	2,429	378	13,551
Satisfactory quality	558	79	78	4	719
Lower quality but not past due or impaired	3,917	60	545	16	4,538
Total neither past due or impaired	14,293	1,065	3,052	398	18,808
Past due but not impaired	2,063	644	452	687	3,846
Impaired loans	5,641	523	1,761	926	8,851
	21,997	2,232	5,265	2,011	31,505
Provisions for impairment	(2,604)	(297)	(812)	(845)	(4,558)
Total	19,393	1,935	4,453	1,166	26,947

Provisions for impairment on loans and advances to customers

	The Bank 31 December 2009				
	Commercial €m	Residential €m	Business Banking €m	Other Lending €m	Total €m
At beginning of period	377	276	31	48	732
Charge against profits	7,551	2,587	1,101	2,018	13,257
Write-offs	(15)	(14)	(20)	(28)	(77)
Unwind of discount	(108)	(61)	(6)	(23)	(198)
Exchange movements	(7)	(16)	(3)	3	(23)
Transfers to assets classified as held for sale	(5,194)	(2,475)	(291)	(1,173)	(9,133)
At end of period	2,604	297	812	845	4,558
Specific	1,893	157	729	675	3,454
Collective	711	140	83	170	1,104
Total	2,604	297	812	845	4,558

The charge against profits includes collective provisions for impairment analysed on a portfolio basis.

56. **Parent Bank information on credit risk** continued

Asset quality continued

	The Bank 30 September 2008				
	Commercial €m	Residential €m	Business Banking €m	Other Lending €m	Total €m
Good quality	38,948	7,339	6,984	4,062	57,333
Satisfactory quality	3,995	909	415	244	5,563
Lower quality but not past due or impaired	1,128	580	273	104	2,085
Total neither past due or impaired	44,071	8,828	7,672	4,410	64,981
Past due but not impaired	1,023	180	33	187	1,423
Impaired loans	97	512	13	62	684
	45,191	9,520	7,718	4,659	67,088
Provisions for impairment	(377)	(276)	(31)	(48)	(732)
Total	44,814	9,244	7,687	4,611	66,356

Provisions for impairment on loans and advances to customers

	The Bank 30 September 2008				
	Commercial €m	Residential €m	Business Banking €m	Other Lending €m	Total €m
At beginning of period	111	37	25	36	209
Charge against profits	279	253	12	19	563
Write-offs	(7)	(7)	(5)	(4)	(23)
Unwind of discount	(2)	(4)	-	(1)	(7)
Exchange movements	(4)	(3)	(1)	(2)	(10)
At end of period	377	276	31	48	732
Specific	22	129	10	25	186
Collective	355	147	21	23	546
Total	377	276	31	48	732

The charge against profits includes collective provisions for impairment analysed on a portfolio basis.

Aged analysis of financial assets past due but not impaired

The following tables present an analysis of financial assets, other than those carried at fair value, and excluding loans classified as held for sale, where contractual interest or principal payments are one day or more past due but impairment is not appropriate as the level of collateral and the present value of estimated future cash flows available to the Bank is sufficient.

	The Bank 31 December 2009					
	Commercial €m	**Residential €m**	**Business Banking €m**	**Other Lending €m**	**Other Financial Assets €m**	**Total €m**
Past due 1 to 30 days	**660**	**67**	**263**	**126**	**-**	**1,116**
Past due 31 to 60 days	**443**	**318**	**14**	**52**	**-**	**827**
Past due 61 to 90 days	**225**	**19**	**13**	**52**	**-**	**309**
Past due 91 days and over	**735**	**240**	**162**	**457**	**-**	**1,594**
Total	**2,063**	**644**	**452**	**687**	**-**	**3,846**

	The Bank 30 September 2008					
	Commercial €m	Residential €m	Business Banking €m	Other Lending €m	Other Financial Assets €m	Total €m
Past due 1 to 30 days	217	61	4	55	-	337
Past due 31 to 60 days	99	10	1	11	-	121
Past due 61 to 90 days	102	8	-	6	-	116
Past due 91 days and over	605	101	28	115	-	849
Total	1,023	180	33	187	-	1,423

56. Parent Bank information on credit risk continued

Available-for-sale financial assets

The external ratings profile of the Bank's available-for-sale financial assets, excluding equity shares, is as follows:

	The Bank 31 December 2009				
	Sovereign €m	**Financial Institutions €m**	**Residential Mortgage Securities €m**	**Asset Backed Securities €m**	**Total €m**
AAA / AA	**3,164**	**1,984**	**781**	**258**	**6,187**
A	**6**	**1,282**	**10**	**61**	**1,359**
BBB+ / BBB / BBB-	**-**	**132**	**13**	**61**	**206**
Sub investment grade	**-**	**13**	**17**	**75**	**105**
	3,170	**3,411**	**821**	**455**	**7,857**

	The Bank 30 September 2008				
	Sovereign €m	Financial Institutions €m	Residential Mortgage Securities €m	Asset Backed Securities €m	Total €m
AAA / AA	3,121	2,103	947	546	6,717
A	6	1,137	24	63	1,230
BBB+ / BBB / BBB-	2	64	24	63	153
Sub investment grade	5	5	3	24	37
	3,134	3,309	998	696	8,137

Additional information for loans classified as held for sale

Risk concentrations

A geographical analysis of risk concentrations for loans classified as held for sale by sector is as follows:

	31 December 2009				
	Ireland €m	United Kingdom €m	USA €m	Total €m	%
Retail	**3,671**	**620**	**142**	**4,433**	**15%**
Office	**2,046**	**474**	**157**	**2,677**	**9%**
Mixed use	**1,873**	**335**	**233**	**2,441**	**8%**
Industrial	**186**	**276**	**34**	**496**	**2%**
Residential investment	**691**	**252**	**155**	**1,098**	**4%**
Residential development	**5,120**	**540**	**213**	**5,873**	**19%**
Business banking	**581**	**26**	**14**	**621**	**2%**
Personal	**1,596**	**-**	**21**	**1,617**	**5%**
Leisure	**2,558**	**193**	**362**	**3,113**	**10%**
Commercial development	**5,746**	**324**	**678**	**6,748**	**22%**
Other property investment	**411**	**35**	**-**	**446**	**1%**
Other	**985**	**4**	**-**	**989**	**3%**
Total loans classified as held for sale	**25,464**	**3,079**	**2,009**	**30,552**	**100%**

Total loans classified as held for sale are stated gross of provisions.

Asset quality

The asset quality of the Bank's loans classified as held for sale is analysed as follows:

	The Bank 31 December 2009				
	Commercial €m	Residential €m	Business Banking €m	Other Lending €m	Total €m
Good quality	**2,934**	**677**	**34**	**135**	**3,780**
Satisfactory quality	**114**	**157**	**3**	**20**	**294**
Lower quality but not past due or impaired	**923**	**159**	**-**	**29**	**1,111**
Total neither past due or impaired	**3,971**	**993**	**37**	**184**	**5,185**
Past due but not impaired	**2,392**	**404**	**69**	**352**	**3,217**
Impaired loans	**13,991**	**5,574**	**515**	**2,070**	**22,150**
	20,354	**6,971**	**621**	**2,606**	**30,552**
Provisions for impairment	**(5,191)**	**(2,477)**	**(292)**	**(1,174)**	**(9,134)**
Total	**15,163**	**4,494**	**329**	**1,432**	**21,418**

56. Parent Bank information on credit risk continued

Additional information for loans classified as held for sale continued

Aged analysis of loans classified as held for sale past due but not impaired

The following table presents an analysis of loans classified as held for sale where contractual interest or principal payments are one day or more past due but impairment is not appropriate as the level of collateral and the present value of estimated future cash flows available to the Bank is sufficient.

	The Bank 31 December 2009				
	Commercial €m	Residential €m	Business Banking €m	Other Lending €m	Total €m
Past due 1 to 30 days	495	161	3	168	827
Past due 31 to 60 days	180	9	1	1	191
Past due 61 to 90 days	540	38	-	21	599
Past due 91 days and over	1,177	196	65	162	1,600
Total	2,392	404	69	352	3,217

57. Trust activities

The Group provides custody, 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 end of the reporting period the Group had the following assets under management:

	31 December 2009 €m	30 September 2008 €m
Equities and investment properties	**190**	696
Managed cash and other assets	**67**	336
	257	1,032

On 19 December 2008 the Group completed the sale of Anglo Irish Bank (Austria) A.G. (note 14).

58. Events after the reporting period

Promissory note

On 31 March 2010 the Minister for Finance fulfilled his December 2009 commitment and settled the Amount due from Shareholder (note 25) by providing the Bank with a promissory note with an initial principal amount of €8.3bn. The promissory note contains an adjustment clause that allows the principal amount to be adjusted prior to specified dates. This adjustment feature allows for the amendment of the total principal amount to ensure compliance with regulatory capital requirements. The note will redeem 10% of the principal amount each year at the request of the holder. It has a market coupon and interest can be capitalised at the sole discretion of the Minister. Whilst eligible as collateral for the purposes of Central Bank funding, the note cannot otherwise be transferred without the prior consent of the Minister. The promissory note will be included in the Bank's financial statements as a loan and receivable asset from 31 March 2010 with an initial fair value of €8.3bn.

The Financial Regulator has confirmed that the corresponding capital reserve is eligible as regulatory Core Tier 1 capital.

Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009

On 28 January 2010 the Bank and its Isle of Man subsidiary, Anglo Irish Bank Corporation (International) PLC, became participating institutions in the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009.

NAMA

On 30 March 2010 NAMA advised the Bank that it expects the discount on the first tranche of the Bank's loans to fall into the 50% - 55% range but that this is a preliminary estimate and subject to audit, consistency checks and submissions by the Bank. Based on ongoing interaction with NAMA, the first tranche is expected to amount to €9.9bn of gross eligible loan assets. At 31 December 2009 associated impairment provisions total €2.4bn. Applying an average discount of 50% to these assets would result in an additional loss on transfer of approximately €2.6bn. This information relates to assets expected to transfer in the first tranche only and may not be representative of the total portfolio. As a result, the Bank is currently not in a position to accurately quantify the actual total loss that will arise on the transfer of all eligible assets to NAMA. Eligible assets are expected to be acquired on a phased basis from April 2010.

Events relating to a significant customer

On 30 March 2010, the High Court in Ireland appointed two joint provisional administrators to a significant corporate borrower of the Group. The Group is closely monitoring the situation and assessing the potential implications of this development which may have a negative impact on impairment charges in 2010.

Prudential Capital Assessment Review

On 30 March 2010 the Financial Regulator published the results of its Prudential Capital Assessment Review ('PCAR') of Irish banking capital requirements for the next three years. New capital levels are being set for certain Irish banks covered under the Government guarantee to ensure that they can withstand future losses, even under very stressed conditions.

The PCAR process was undertaken to determine the recapitalisation requirements with reference to a target Core Tier 1 ratio of 8%. This capital will be principally in the form of equity, as a minimum 7% equity ratio requirement will apply. Further amounts, specific to each institution, are to be added on in the calculation of future loan losses. The new requirements will also mean that banks must maintain a minimum level of 4% Core Tier 1 capital in a severely stressed scenario. These new capital requirements must be in place by 31 December 2010.

The PCAR has not yet been undertaken for the Bank as discussions on its restructuring plan are still ongoing.

59. Approval of financial statements

The Group financial statements were authorised for issue by the Board of Directors on 31 March 2010.

Supplementary information

Consolidated income statement

For the 15 months ended 31 December 2009

	USDm	GBPm
Interest and similar income	6,676	4,115
Interest expense and similar charges	(4,479)	(2,761)
Net interest income	2,197	1,354
Fee and commission income	141	87
Fee and commission expense	(205)	(126)
Net trading (expense)/income	(615)	(379)
Financial assets designated at fair value	(76)	(47)
Gain on repurchase of financial liabilities measured at amortised cost	2,533	1,561
Other operating income	22	13
Other income	1,800	1,109
Total operating income	3,997	2,463
Administrative expenses	(497)	(306)
Depreciation	(32)	(19)
Amortisation of intangible assets - software	(19)	(12)
Total operating expenses	(548)	(337)
Operating profit before provisions for impairment	3,449	2,126
Provisions for impairment	(21,760)	(13,415)
Operating (loss)/profit	(18,311)	(11,289)
Share of results of associate and joint ventures	(241)	(148)
Profit on disposal of businesses	71	44
(Loss)/profit before taxation	(18,481)	(11,393)
Taxation	173	107
(Loss)/profit for the period	(18,308)	(11,286)
Attributable to:		
Owners of the parent	(18,294)	(11,277)
Non-controlling interests	(14)	(9)
	(18,308)	(11,286)

Exchange rates used at 31 December 2009

One Euro = USD 1.4406 / GBP 0.8881

Supplementary information

Consolidated statement of financial position

As at 31 December 2009

	USDm	GBPm
Assets		
Cash and balances with central banks	435	268
Financial assets at fair value through profit or loss		
- held on own account	170	105
- held in respect of liabilities to customers under investment contracts	351	217
Derivative financial instruments	3,577	2,205
Loans and advances to banks	10,603	6,536
Assets classified as held for sale	37,300	22,995
Amount due from Shareholder	11,957	7,371
Available-for-sale financial assets	11,366	7,007
Loans and advances to customers	44,445	27,400
Interests in joint ventures	204	126
Interest in associate	-	-
Intangible assets - software	30	18
Investment property		-
- held on own account	385	237
- held in respect of liabilities to customers under investment contracts	1,647	1,015
Property, plant and equipment	35	21
Current taxation	107	66
Retirement benefit assets	10	6
Deferred taxation	66	41
Other assets	42	26
Prepayments and accrued income	26	16
Total assets	122,756	75,676
Liabilities		
Deposits from banks	47,498	29,281
Customer accounts	39,204	24,169
Derivative financial instruments	3,845	2,370
Debt securities in issue	21,822	13,453
Liabilities to customers under investment contracts	552	340
Current taxation	3	2
Other liabilities	245	151
Accruals and deferred income	147	91
Retirement benefit liabilities	-	-
Deferred taxation	-	-
Subordinated liabilities and other capital instruments	3,433	2,116
Total liabilities	116,749	71,973
Share capital	5,940	3,662
Share premium	1,665	1,026
Capital reserve	11,957	7,371
Other reserves	(219)	(135)
Retained earnings	(13,337)	(8,222)
Shareholders' funds	6,006	3,702
Non-controlling interests	1	1
Total equity	6,007	3,703
Total equity and liabilities	122,756	75,676

Exchange rates used at 31 December 2009

One Euro = USD 1.4406 / GBP 0.8881

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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 Corporation Limited. 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.

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