

ANGLO IRISH BANK CORPORATION PLC

Preliminary results for the year ended 30 September 2008

HIGHLIGHTS



Anglo Irish Bank today (Wednesday 3 December 2008) released its preliminary statement for the year to 30 September 2008. Key highlights include:

Profitability

- Reported profit before taxation of €784 million, with earnings per share of 88.4c
- Prudent general collective provision of €500 million charged, 0.71% of average loan balances
- Core pre-tax profits, before impairments and fair value movements, of €1,771 million, up from €1,376 million in 2007
- Stable net interest margins notwithstanding increased funding costs
- Active cost management, with overheads reduced by €65 million, and cost to income ratio improving by 5 percentage points, from 22% to 17%

Balance sheet

- Lending increased by €9.3 billion on a constant currency basis, to €73.2 billion, with growth moderating to 5% in the second half of the year
- Impaired loans represent 1.3% of closing loan balances
- Customer funding of €51.5 billion, representing 58% of total funding
- Strong capital position with regulatory core equity ratio, adding back collective provisions, of 6.7%
- Tier 1 and Total Capital ratios of 8.4% and 12.0% respectively

Commenting on the results, David Drumm, Group Chief Executive, said:

"The Bank continued to perform strongly in 2008 notwithstanding the difficult general market environment.

Core business profitability, before impairments and fair value movements, increased to €1.8 billion, reflecting the annuity nature of the Bank's interest income and an efficient and flexible cost base which adapted quickly to changing market conditions. The balance sheet was further strengthened through capital retentions and by choosing to increase collective provisions by €500 million.

We are well positioned for the recessionary economic environment ahead. We will continue to generate robust core profits annually over the next three years, which will provide the capacity to absorb anticipated increased lending impairments, whilst also improving capital ratios. Strengthening our capital base is a key priority and, accordingly, the Board does not propose a final dividend in the current year.

The Bank is focused and prepared for the challenges facing the banking sector. We will continue to diligently manage asset quality, enhance our funding franchises and further strengthen our capital position."

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Full details of our preliminary results are available on our website www.angloirishbank.com

FORWARD LOOKING STATEMENTS

This document contains certain forward looking statements with respect to the financial condition, results of operations, and businesses of Anglo Irish Bank Corporation plc. 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 have been made with reference to forecast price changes, economic conditions, the current regulatory environment and the current interpretations of IFRS applicable to past, current and future periods. Nothing in this document should be construed as a profit forecast.

Chairman's statement

The past year has seen the most extraordinary financial upheaval in our lifetime, resulting in the failure of numerous financial institutions, both large and small, throughout the world. The global financial system became severely stressed, leading monetary authorities and governments worldwide to take unprecedented but necessary actions. Measures taken by the Irish Government in establishing a liability guarantee scheme greatly mitigated systemic risk, demonstrating decisive leadership in the face of international financial turmoil. The consequences of the financial system dislocation run the risk of amplifying the severity of international recession over the next two to three years.



Notwithstanding the environment, Anglo Irish Bank delivered a resilient performance in 2008. Profitability remained strong, and more importantly, the balance sheet was further strengthened through capital retentions and by electing to add significantly to general provisioning levels. The additional general collective provision is intended to provide a cushion against probable increased impairment losses in future years. This prudent decision, together with our continuing core profitability, positions the Bank well for the more challenging economic environment.

Key highlights of the Bank's performance include:

Profitability

- Reported pre-tax profits of €784 million, down 37%
- Earnings per share of 88.4 cent, a decrease of 34%
- Profit before impairments and fair value movements of €1.8 billion, up from €1.4 billion in 2007
- Prudent collective provision of €500 million, 0.71% of average customer lending
- Specific lending impairment of €224 million, 0.32% of average loan book
- Stable net interest margins, despite higher funding costs
- Cost to income ratio of 17%, a 5 percentage point improvement on 2007
- Return on equity of 16%

Balance sheet

- Growth in lending of €9.3 billion, an increase of 15% on a constant currency basis
- Impaired loans represent 1.3% of closing loan balances
- Customer deposits of €51.5 billion representing 58% of total funding
- Regulatory core equity ratio, adding back collective provisions, of 6.7% (5.9% excluding collective provisions)
- Tier 1 and Total Capital ratios of 8.4% and 12.0% respectively

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

Business Model

There are a number of strengths of the model that enable the Bank to navigate the future effectively. Our relationship based approach to commercial term lending has enabled us to price risk appropriately. Our business and risk model is simple and highly centralised and has proven resilient through previous economic cycles.

We lend with a view to retaining loans on our balance sheet rather than selling them on. The Bank does not purchase other banks' loans nor do we acquire loans via syndication. This ensures that we have an in-depth knowledge of each and every loan on our book. Our margins are protected from increased costs of funding because our lending is priced off prevailing money market rates. This results in a predictable annuity style income stream. Our market leading cost to income ratio ensures high pre-provision profit levels. The Bank can therefore remain profitable and further increase capital even as it absorbs higher levels of impairment losses.

Capital

Our regulatory core equity, adding back collective provisions, at 6.7% is strong. Our Tier 1 and Total Capital ratios of 8.4% and 12.0% respectively are well in excess of the minimum regulatory requirements and represent a solid base for a more challenging environment.

We continue to benefit from a business model which generates capital through retained profits, even after prudent provisioning, as demonstrated in 2008. Simply put, low costs ensure more of our gross profits are available as a cushion for the future, whether as provisions or as capital.

A new benchmark core equity ratio of between 7.5% and 8.5% is emerging and we will achieve this through retentions within the next three years. Your Board will consider all opportunities to accelerate the achievement of these targets, ever cognisant of the interests of existing shareholders.



Dividends

The Board has decided that further strengthening our capital ratios is a key priority and consequently it is not proposing a final dividend on ordinary shares for the current year. Your Board clearly recognises that this may be disappointing to some shareholders but we believe it is appropriate to conserve capital in this environment. Looking out further, the Bank will continue to augment its capital base and will consider future dividends in the light of this and wider economic developments.

Board of Directors

In June, Fintan Drury retired from the Board and I thank him for his contribution over the six years of his service. Also in June, Donal O'Connor joined as a Non-executive Director. Donal was formerly the managing partner of PricewaterhouseCoopers in Ireland and I take this opportunity to welcome him to the Board. Michael Jacob will retire from the Board at the forthcoming Annual General Meeting and I pay tribute to his immense contribution to the Bank over many years.

Corporate Responsibility

It is clear that a new regulatory environment is emerging at a national and global level. This is necessary both for the stability of the financial system and the restoration of public confidence in that system.

Anglo Irish Bank is committed to building on our strong culture of corporate responsibility and adapting to this new environment. We will work with all stakeholders in this regard. We also acknowledge and embrace our wider responsibilities to the economy and will continue to support growth within the context of prudent risk management.

Outlook

As we enter an international recession Anglo Irish Bank, along with the wider banking sector, faces the prospect of a period of lower profitability driven by increased impairment charges. Notwithstanding this, our asset quality, diversified funding platform and resilient capital base place the Bank in a strong position to meet the challenges that lie ahead. We do not underestimate the scale of these challenges nor the potential for a deepening of the recessions affecting our three core markets.

Our focus will be on prudent lending growth, maintaining the strength of our balance sheet and improving our capital ratios in line with emerging new international benchmarks. We are confident that our business model and our stringent risk management process will continue to generate robust profits and capital for each of the next three years.

Sean FitzPatrick
Chairman

2 December 2008

Group Chief Executive's review

Anglo Irish Bank continued to perform strongly in 2008. Core pre-tax profits, before impairments and fair value movements, increased from €1,376 million to €1,771 million, reflecting the annuity nature of the Bank's interest income, controlled lending growth and an efficient cost base. Profit before general collective provision increased marginally to €1,284 million while profit before tax, allowing for a collective provision of €500 million in the current year, was €784 million.



The collapse of Lehman Brothers in mid September and subsequent rescues of financial institutions in several countries represented an unprecedented deepening of the credit crisis, leading to severe liquidity issues in UK, European and wider markets. This has since resulted in major changes to the international banking landscape.

Worldwide government intervention has assisted in stabilising market funding and liquidity. Seven financial institutions are now covered by the Irish Government guarantee scheme. Global intervention has facilitated actions by the banking sector to strengthen funding and liquidity since October. Notwithstanding this, the economic outlook has become increasingly challenging in our three key markets with Ireland, the UK and the US currently in recession. Although base interest rates are declining, significant improvements in the economic environment before 2011 are not anticipated.

We are prepared for these difficult market conditions. The Bank is focused on the management of asset quality and the continued development of funding sources, whilst strengthening capital through a uniquely efficient cost structure and profitability model.

We have and will continue to work closely with all of our stakeholders including shareholders, regulators and Government to adapt to regulatory developments designed to strengthen the banking sector.

Lending and asset quality

Lending increased by a net €9.3 billion¹ (15%) to €73.2 billion² with growth in the second half of the year moderating to 5%. Lending by our Ireland division amounts to €42.8 billion² (2007: €37.0 billion¹) with the UK and US businesses accounting for €21.1 billion (2007: €19.4 billion¹) and €9.3 billion (2007: €7.5 billion¹) respectively. The Bank's loan book is further diversified geographically with 45% of underlying lending security located in Ireland, 35% in the UK, 14% in the US and the remainder in Europe. In keeping with our relationship based banking model, lending activity during the year was targeted solely towards our longstanding and experienced customer base. The Bank lends on a secured basis and the average lending margin remains stable at 2.43%, reflecting the non commoditised, service based nature of lending activities.

Asset quality

Anglo Irish Bank is a traditional on-balance sheet lender, directly originating its own assets rather than participating in transactional or bought-in loans. Group Risk Management reviews every single loan with the Bank's lending teams at least twice yearly with the most recent review completed in November. While Group Risk Management actively participates in monitoring asset quality and driving solutions, the responsibility for loan performance rests with the relevant lending director and his portfolio team. Early intervention and proactive management are aimed at minimising risk and obtaining the best outcome for the Bank.

The inherent strengths of our focused business and underwriting models, and the benefit of being a market specialist, will result in lower losses than the market in the event of default. Notwithstanding this, the rapid worsening of the economic environment in recent months has led us to increase specific impairments for certain individual cases. In addition, we have decided to increase our collective impairment provision considerably, whilst maintaining strong profitability. This brings the cumulative impairment provisions on our balance sheet to €914 million, 1.25% of the loan book, prudently positioning the Bank as we proceed into an extended period of economic difficulty.

The Irish lending book of €42.8 billion² at 30 September 2008 comprises investment and business banking €31.6 billion, residential development €5.9 billion and commercial development of €5.3 billion. The Bank's UK lending book of €21.1 billion comprises investment and business banking €16.7 billion, residential development €2.5 billion and commercial development of €1.9 billion. The Bank's US lending book of €9.3 billion comprises investment lending €8.0 billion and development lending of €1.3 billion.

Overall asset quality remains strong with 93% of the total loan book rated as satisfactory or above. Of the balance, 1.3% is impaired. The Bank is protected by its relationship based model of lending on a senior debt basis to experienced business people and professional investors, secured by a first legal charge on tangible assets. Loans typically are cross collateralised by way of legal security over clients' wider asset portfolios, including income generating assets, in addition to personal guarantees.



Impairment charges

Specific impairments increased from €51 million in 2007 to €224 million in 2008, representing 9 and 32 basis points of average loan balances respectively, while the specific provision on our balance sheet increased from €141 million to €272 million. These charges are recognised based on discounting future cash flows on loans allowing for prudent assumptions. By division, €112 million of the specific impairment charge relates to Ireland and €101 million to the UK with the remainder attributable to the US. 81% of the specific charge relates to development loans with the balance relating to investment and business banking lending.

Recognising the unprecedented changes in financial markets and the likely further impact of recessionary conditions, we are prudently making a collective provision charge in the income statement of €500 million (2007: €31 million). The collective provision reflects an allowance for potential losses in the loan book where there is currently no specific evidence of impairment on individual loans.

Notwithstanding our approach in 2008, we anticipate total annual specific and collective impairment provisions in the range of 0.8% to 1.2% of the Bank's lending book over the next three years. We believe that the majority of these losses will arise in our development lending book.

These expectations with regard to development lending relate to residential assets in secondary locations and/or where the customer may not have the financial strength to carry the asset through the downturn, and to commercial developments that do not have contracted pre-lets or where the borrower has insufficient cash flow to meet obligations if buildings remain unoccupied. We have performed stress testing allowing for further significant price declines in both sectors and for interest carry of up to three years. Our assessment in relation to our investment and business banking loan book incorporates stress testing of factors such as cash flow cover, length of lease and tenant strength.

The Bank will continue to generate healthy profits each year even if provisioning reaches the levels anticipated above.

Treasury

Our Treasury business continued to perform strongly and delivered on its key objective of providing a well diversified funding platform. Our ongoing drive to increase the retail customer base and to expand non-retail activity in Europe further supported our position. The Bank also pursued an active strategy of converting loan assets into debt instruments available for generating additional liquidity.

Funding and liquidity

Overall funding stood at €89.2 billion at year end, with customer deposits comprising 58% (€51.5 billion) of total balances. In addition, the Bank maintained a significant pool of treasury assets consisting of short term interbank placements, government paper and a diversified portfolio of investment securities.

Although strong relative to the Irish sector, we intend to strengthen our loan to deposit ratio of 140% to approximately 100% over the next 36 months. This is a key management objective.

Customer funding

Customer deposits increased to €51.5 billion, an increase of €1.9 billion¹ (4%). Retail balances amount to €19.2 billion (37%) with non-retail customer deposits at €32.3 billion (63%). The Bank's customer funding franchises span 16 funding locations across its core markets and will continue to represent the largest components of our total funding into the future.

In line with the rest of the market, the cost of customer funding has increased reflecting sustained competition. The goal of our customer deposit business has always been to enhance and diversify the Bank's funding base, rather than seeking to generate profit. Consequently, the impact on our net interest margin has been comparatively low.

The continued strong performance of our customer deposit business reflects consistently competitive rates, transparent products and a strong service ethos – a combination that results in high retention levels.

Winning new customers was critical to our resilient funding performance. During the year 90,000 new retail customers placed deposits with us, enabling the Bank to maintain overall retail balances at €19.2 billion, notwithstanding the very competitive and challenging environment. This was achieved against a backdrop of a reduction in average balance levels as customers, across all market participants and locations, moved to reduce balances to then prevailing deposit protected amounts. Importantly, whilst term wholesale markets were severely restricted, the majority of new customer deposits were of one year tenor or longer, thereby enhancing overall duration.

The Bank remains committed to its key strategic goal of growing and developing a strongly branded, geographically diversified retail savings business. We will expand our retail franchise beyond our core markets of Ireland and the UK into new European savings markets.

Our non-retail business, which is made up of over 11,000 commercial and not for profit depositors, faced intense competition during the year reflecting the overall tightening of global credit markets and lack of access to other sources of funding. One of the key objectives for the coming periods is to further extend the duration, and thereby the overall quality, of this book.

Market funding

Wholesale funding increased by €7.1 billion¹ to €37.7 billion at September 2008. The Bank's activities in this area were impacted by the severe disruption to term capital markets during the year. Although term funding for all banks was constrained, we raised €2.5 billion through bilateral loans, private placements and term repurchase agreements, mainly with other bank counterparties.

Shorter term markets were generally more open and our diverse range of Commercial Paper activities continued to provide strong access throughout the year. The Bank continued to add new investors across its UK, European, French and US programmes. Importantly, as evidenced by interest margins, we maintained a strict pricing discipline.

The Bank created €9.2 billion of internally generated collateral and liquid assets over the past year through the conversion of lending assets into covered bonds and asset backed securities. These can be used as collateral for funding and liquidity generation under repurchase agreements. There remains significant capacity in these programmes.

Our culture of developing strong relationships with stakeholders, including customers, banks and investors, was beneficial in maintaining access to wholesale markets throughout the ongoing dislocation.

Future funding and liquidity strategy

Funding markets have settled somewhat since the end of September, following intervention by governments globally. Conditions are slowly improving, with increased liquidity and wider access, as investors begin to seek higher returns through longer tenor instruments.

We remain focused on the continued broadening and diversification of our funding base in Ireland, the UK, continental Europe and the US. Extending duration in these markets will further reduce requirements from shorter term wholesale sources. As stated above, the Bank will continue with its proven strategy of growing retail funding by targeting diversified savings market with consistently competitive pricing, transparent products and quality service.



Whilst price competition remains strong, it is showing signs of moderating in recent weeks. We will seek to increase the share of customer deposits within our overall funding base. The structure of the Bank's net interest margin and consistent ability to compete provide a significant advantage.

The Bank is covered by the guarantee scheme announced by the Irish Government on 30 September 2008. This covers all deposits and certain other liabilities of covered institutions for a two year period. Reflecting our relative size in the Irish market, we expect to incur 20% to 25% of the overall cost of the guarantee. On 2 December the Bank issued €1.5 billion of senior unsecured debt under the scheme in line with similar issuance currently underway across European markets. This assists in adding duration and meeting the redemption profile of the Bank over the next two years, including maturities of €4.9 billion which are well spread throughout 2009.

Treasury assets

The Bank charged €155 million of impairment in the year on treasury assets impacted by the dislocation in global credit markets. Of this, €44 million relates to Structured Investment Vehicles which reduces the Bank's exposure to this asset class to nil. The charge in respect of assets indirectly linked to US subprime mortgages, which suffered further deterioration during 2008, amounts to €84 million. The carrying value of these assets has now been reduced to €32 million. The Bank charged €27 million during the year to September 2008 in relation to exposure to Icelandic banks. In the second half of the year an additional €16 million in mark-to-market write downs was incurred on synthetic asset backed securities. This brings total write downs for the year on these assets to €128 million. The Bank also incurred losses of €4 million arising from the collapse of Lehman Brothers and Washington Mutual.

Private Banking

Our Private Bank offers tailored products and solutions for high net worth clients and complements our lending business in Ireland and the UK. The business delivered operating profit of €62 million in 2008.

The business also recorded a gain of €20 million on the sale of its Swiss private bank. This transaction and the recently announced pending sale, subject to regulatory approval, of our Austrian private banking subsidiary are in line with our stated objective of focusing on the Bank's core business. These entities combined contributed less than 2% of underlying Group profits. Additionally, the opportunities for synergies with the wider Group were limited.

We are retaining, and will further develop, our Austrian deposit gathering branch by expanding its activities consistent with the ongoing diversification of our funding base.

Costs

We reduced total expenses by some €65 million, achieving a reduction of over 16% on the prior year and improving our cost to income ratio to 17%. The flexibility of our cost base is a key strength, demonstrating the Bank's ability to adapt to changing market conditions. Savings were achieved by reducing the variable element of staff costs and tightening control of discretionary spending. We will continue to apply a vigorous value for money assessment on all costs.

Capital

Anglo Irish Bank's regulatory core equity ratio, adding back collective provisions, increased from 5.6% to 6.7% (5.9% excluding collective provisions) in the twelve month period. Notwithstanding the anticipated increase in impairment, we will continue to generate significant profits and capital going forward. This profitability, together with moderated risk weighted asset growth and a high level of retentions, will further improve this ratio to between 7.5% and 8.5% over the next three years. We have not taken into account any potential benefits that may arise from transition to the Basel II internal ratings based approach. I reiterate the view expressed by the Chairman that the Board will consider all opportunities to accelerate the achievement of these targets.



Outlook

We expect that the ongoing actions being taken by worldwide monetary authorities and governments will result in gradual improvement in capital market conditions. However, the global economies are only now experiencing the early stages of recession with conditions likely to worsen and last for two to three years.



The Bank's pricing of risk, the annuity nature of interest income and an efficient cost base will underpin continued generation of significant core profits annually throughout this period. This provides the capacity to absorb anticipated losses in the loan book while remaining profitable and continuing to build our capital levels.

We are focused and prepared for the challenges facing the banking sector. We will continue to diligently manage asset quality, enhance our funding franchises and further strengthen our capital position. The attitude and continued commitment of our people across all areas of our business is a genuine and unique strength.

Looking to the medium term, the relevance of our relationship based model will be ever more apparent given the withdrawal of non-balance sheet lenders and the ongoing consolidation of other competitors. We acknowledge the interests of all of our stakeholders and, across the Bank, we are committed to delivering on their behalf.

David Drumm
Group Chief Executive

2 December 2008

¹On a constant currency basis

²Including lending associated with our assurance company

Consolidated income statement

For the year ended 30 September 2008



	Note	2008 €m	2007 €m
Interest and similar income		6,324	5,371
Interest expense and similar charges		(4,436)	(3,805)
Net interest income	2	1,888	1,566
Fee and commission income	3	143	177
Fee and commission expense	3	(11)	(16)
Net trading income	4	4	19
Fair value movements on financial assets	5	(128)	(6)
Other operating income	6	76	21
Other income		84	195
Total operating income		1,972	1,761
Administrative expenses	7	(301)	(368)
Depreciation		(11)	(11)
Amortisation of intangible assets - software		(16)	(14)
Total operating expenses		(328)	(393)
Operating profit before provisions for impairment		1,644	1,368
Provisions for impairment:			
Loans and advances to customers - specific		(224)	(51)
Loans and advances to customers - collective		(500)	(31)
Investment securities		(155)	(67)
	8	(879)	(149)
Operating profit		765	1,219
Share of results of associate and joint ventures		(1)	2
Profit on disposal of businesses	9	20	22
Profit before taxation		784	1,243
Taxation	10	(120)	(235)
Profit for the year		664	1,008
Attributable to:			
Equity holders of the parent		670	998
Minority interest		(6)	10
Profit for the year		664	1,008
Basic earnings per €0.16 ordinary share	11	88.4c	134.7c
Diluted earnings per €0.16 ordinary share	11	88.0c	133.2c

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

Secretary: Natasha Mercer.

Consolidated balance sheet

As at 30 September 2008



	Note	2008 €m	2007 €m
Assets			
Cash and balances with central banks		1,822	848
Financial assets at fair value through profit or loss			
- held on own account		233	430
- held in respect of liabilities to customers under investment contracts		469	644
Derivative financial instruments		1,995	1,355
Loans and advances to banks	12	14,002	12,051
Assets classified as held for sale		12	288
Available-for-sale financial assets	13	8,158	12,530
Loans and advances to customers	14	72,151	65,949
Interests in joint ventures		284	88
Interest in associate		16	-
Intangible assets - software		21	17
Intangible assets - goodwill		-	46
Investment property			
- held on own account		108	25
- held in respect of liabilities to customers under investment contracts		1,796	2,090
Property, plant and equipment		38	37
Current taxation		21	-
Retirement benefit assets		9	29
Deferred taxation		107	47
Other assets		33	143
Prepayments and accrued income		46	35
Total assets		101,321	96,652
Liabilities			
Deposits from banks	15	20,453	7,601
Customer accounts	16	51,499	52,686
Derivative financial instruments		1,490	1,175
Debt securities in issue	17	17,280	23,588
Liabilities to customers under investment contracts	18	1,191	1,779
Current taxation		-	63
Other liabilities		156	175
Accruals and deferred income		140	190
Retirement benefit liabilities		6	7
Deferred taxation		26	49
Subordinated liabilities and other capital instruments	19	4,948	5,274
Total liabilities		97,189	92,587
Share capital		123	122
Share premium		1,156	1,139
Other reserves	20	(543)	(92)
Retained profits		3,389	2,883
Shareholders' funds		4,125	4,052
Minority interest		7	13
Total equity	21	4,132	4,065
Total equity and liabilities		101,321	96,652

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

Secretary: Natasha Mercer.

Consolidated statement of recognised income and expense

For the year ended 30 September 2008



	2008	2007
	€m	€m
Profit for the year	664	1,008
Net actuarial (losses)/gains in retirement benefit schemes, after tax	(18)	12
Net change in cash flow hedging reserve, after tax	10	5
Net change in available-for-sale reserve, after tax	(463)	(107)
Foreign exchange translation	(3)	(8)
Net expense recognised directly in equity	(474)	(98)
Total recognised income and expense for the year	190	910
Attributable to:		
Equity holders of the parent	196	900
Minority interest	(6)	10
Total recognised income and expense for the year	190	910

Consolidated cash flow statement

For the year ended 30 September 2008



	<u>Note</u>	<u>2008</u> €m	<u>2007</u> €m
Cash flows from operating activities			
Profit before taxation		784	1,243
Interest earned on available-for-sale financial assets		(476)	(465)
Financing costs of subordinated liabilities and other capital instruments		331	261
Other non-cash items	24	721	138
		1,360	1,177
Changes in operating assets and liabilities			
Net increase in deposits		5,513	21,682
Net increase in loans and advances to customers		(6,961)	(16,846)
Net decrease/(increase) in loans and advances to banks		724	(3)
Net decrease/(increase) in assets held in respect of liabilities to customers under investment contracts		469	(469)
Net (decrease)/increase in investment contract liabilities		(588)	385
Net decrease in financial assets at fair value through profit or loss held on own account		197	26
Net movement in derivative financial instruments		(294)	(278)
Net decrease in other assets		110	482
Net (decrease)/increase in other liabilities		(17)	143
Exchange movements		484	383
Net cash flows from operating activities before taxation		997	6,682
Tax paid		(222)	(217)
Net cash flows from operating activities		775	6,465
Cash flows from investing activities (note a)		3,964	(7,562)
Cash flows from financing activities (note b)		(530)	1,399
Net increase in cash and cash equivalents		4,209	302
Opening cash and cash equivalents		10,832	10,800
Effect of exchange rate changes on cash and cash equivalents		(506)	(270)
Closing cash and cash equivalents	24	14,535	10,832

Consolidated cash flow statement continued



	2008 €m	2007 €m
(a) Cash flows from investing activities		
Purchases of available-for-sale financial assets	(3,571)	(14,743)
Sales and maturities of available-for-sale financial assets	6,997	7,120
Interest received on available-for-sale financial assets net of associated hedges	545	332
Purchases of assets classified as held for sale	(46)	(288)
Proceeds on disposals of assets classified as held for sale	187	-
Proceeds on disposals of businesses	114	44
Purchases of property, plant and equipment	(15)	(12)
Proceeds on disposals of property, plant and equipment	2	1
Additions to intangible assets - software	(21)	(7)
Investments in associated and joint venture interests	(149)	(42)
Proceeds on disposals of joint venture interests	-	13
Distributions received from joint venture interests	7	10
Purchases of investment property held on own account	(87)	(1)
Proceeds on disposals of investment property held on own account	1	11
Net cash flows from investing activities	3,964	(7,562)
(b) Cash flows from financing activities		
Proceeds of equity share issues	18	552
Proceeds from issues of subordinated liabilities and other capital instruments	-	1,259
Reductions in subordinated liabilities and other capital instruments	(72)	(104)
Coupons paid on subordinated liabilities and other capital instruments	(325)	(205)
Equity dividends paid	(140)	(86)
Net movements in own shares	(11)	(17)
Net cash flows from financing activities	(530)	1,399

Notes to the consolidated financial statements

1. Basis of preparation

The Group's consolidated financial statements comply with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU') and applicable at 30 September 2008. The consolidated financial statements also comply with the requirements of relevant Irish legislation including the Companies Acts, 1963 to 2006 and the European Communities (Credit Institutions: Accounts) Regulations, 1992 as amended by the European Communities (International Financial Reporting Standards and Miscellaneous Amendments) Regulations, 2005.



On 13 June 2007 the EU Transparency Directive was signed into Irish law and became effective for the Group from 1 October 2007. It sets out deadlines and content requirements in relation to annual and half-year reports and provides time lines for the publication of management statements during the year. The Directive does not have a significant impact on the Group financial statements.

The Group has not changed its significant accounting policies from those applied in the Annual Report and Accounts for the year ended 30 September 2007.

The consolidated 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 Group's accounting policies. They are presented in euro, rounded to the nearest million.

From 1 October 2007 the Group has adopted the following standards, amendments and interpretations:

- IFRS 7 - Financial Instruments: Disclosures;
- Amendment to IAS 1 - Capital Disclosures;
- Reclassification of Financial Assets - Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures;
- IFRIC Interpretation 10 - Interim Financial Reporting and Impairment;
- IFRIC Interpretation 11 - IFRS 2 - Group and Treasury Share Transactions.

The adoption of the above has had no material impact on the Group financial statements other than the application of IFRS 7 and the amendment to IAS 1, which have resulted in additional disclosures relating to capital and risk management policies and processes.

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 categories of financial assets. The Group has chosen not to make any such reclassifications.

The preliminary results for the year ended 30 September 2008 contain summary financial information taken from the full Annual Report and Accounts, on which the independent Auditors have issued an unqualified audit report. The Annual Report and Accounts, which was approved by the Directors on 2 December 2008, will be annexed to the Group's annual return and filed with the Companies Registration Office in Ireland.

2. Net interest income

	2008 €m	2007 €m
Interest and similar income		
Interest on loans and advances to banks	524	604
Interest on loans and advances to customers	5,306	4,268
Interest on available-for-sale financial assets	476	465
Finance leasing and hire purchase income	8	15
	<u>6,314</u>	<u>5,352</u>
Interest on financial assets at fair value through profit or loss held on own account	10	19
	<u>6,324</u>	<u>5,371</u>
Interest expense and similar charges		
Interest on deposits from banks	(528)	(360)
Interest on customer accounts	(2,574)	(2,175)
Interest on debt securities in issue	(1,003)	(1,009)
Interest on subordinated liabilities and other capital instruments	(331)	(261)
	<u>(4,436)</u>	<u>(3,805)</u>
Net interest income	<u>1,888</u>	<u>1,566</u>

Included within net interest income is €13m (2007: €7m) accrued in respect of impaired loans and advances to customers.

3. Fee and commission income and expense

	2008 €m	2007 €m
Fee and commission income		
Corporate treasury commissions	73	82
Asset management and related fees	28	28
Financial guarantee fees	13	14
Trust and other fiduciary fees	8	20
Other fees	21	33
	<u>143</u>	<u>177</u>
Fee and commission expense	<u>(11)</u>	<u>(16)</u>

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

The decrease in both trust and other fiduciary fees and other fees is primarily due to the disposals of Anglo Irish Bank (Suisse) S.A. in February 2008 and the Group's Isle of Man trust business in December 2006 (note 9).

4. Net trading income

	2008	2007
	€m	€m
Interest rate contracts	24	13
Foreign exchange contracts	(10)	7
Other financial instruments	(9)	(1)
Hedge ineffectiveness	(1)	-
	4	19



Included within foreign exchange contracts is the impact of a Japanese Yen financing arrangement, entered into in May 2008. This had a net positive impact on Group profit for the year due to the differential between Sterling and Japanese Yen interest rates. Any negative foreign currency translation impact on net trading income is fully offset within the reduction in the Group's foreign tax charge (note 10).

5. Fair value movements on financial assets

	2008	2007
	€m	€m
Net change in value of financial assets designated at fair value through profit or loss held on own account	(128)	(6)

The charge reflects the change in fair value of certain investment securities containing embedded derivatives. These assets were designated at fair value through profit or loss at inception in accordance with IFRS and form part of a portfolio of assets which are held for long-term investment purposes.

6. Other operating income

	2008	2007
	€m	€m
(Decrease)/increase in value of assets designated at fair value held in respect of liabilities to customers under investment contracts	(308)	224
Decrease/(increase) in value of liabilities designated at fair value held in respect of liabilities to customers under investment contracts	329	(217)
Gains on repurchase of financial liabilities measured at amortised cost	30	-
Net gains on disposal of available-for-sale financial assets	17	1
Rental income	5	9
Other	3	4
	76	21

In the current year €7m of the decrease (2007: €7m increase) in fair value of assets held in respect of liabilities to customers under investment contracts is attributable to minority interest (note 18). The elimination of investment returns on own shares and securities held for the benefit of policyholders gave rise to a credit of €28m due to the decline in the market price of Anglo Irish Bank Corporation plc shares and subordinated liabilities.

The Group recognised gains of €30m (2007: €nil) on the repurchase of €94m (2007: €nil) of subordinated liabilities.

7. Administrative expenses

	2008	2007
	€m	€m
Staff costs:		
Wages and salaries	143	169
Share-based payment schemes	21	24
Retirement benefits cost - defined contribution plans	14	12
Retirement benefits cost - defined benefit plans	2	3
Social welfare costs	18	21
Other staff costs	8	6
	206	235
Other administrative costs	95	133
	301	368

**8. Provisions for impairment**

	2008	2007
	€m	€m
Loans and advances to customers (note 14)		
Specific	224	51
Collective	500	31
	724	82
Investment securities - available-for-sale financial assets (note 13)		
Structured investment vehicles ('SIVs')	44	67
Other debt securities	111	-
	155	67
Total provisions for impairment	879	149

The increase in provisions for impairment on loans and advances to customers in the current year reflects deteriorating economic conditions in the Group's key lending markets of Ireland, the UK and North America.

The collective provision is applied to portfolios of performing assets 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 experienced judgement regarding current market conditions.

Following disposals and the €44m (2007: €67m) impairment charge in the current year, the carrying value of SIVs at 30 September 2008 is €nil (2007: €67m).

The charge on other debt securities comprises €84m in respect of asset backed securities indirectly linked to the US sub-prime mortgage market and €27m in respect of senior debt securities issued by Icelandic banks.

9. Profit on disposal of businesses

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.

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



	2008	2007
	€m	€m
Cash consideration received	114	44
Carrying value of net assets on date of disposal excluding goodwill	(46)	(4)
	68	40
Goodwill recovered	(48)	(18)
Profit on disposal	20	22

10. Taxation

	2008	2007
	€m	€m
Current taxation		
Irish Corporation Tax - current year	105	146
- prior years	1	(2)
Double taxation relief	(6)	(36)
Foreign tax - current year	39	121
- prior years	(1)	-
	138	229
Deferred taxation		
Current year - temporary timing differences	(18)	6
	120	235
Effective tax rate	15.3%	18.9%

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

	2008	2007
	€m	€m
Profit before taxation at 12.5%	98	155
Effects of:		
Foreign earnings subject to different tax rates	28	80
Overprovision in prior years	-	(2)
Other	(6)	2
Taxation charge for year	120	235

11. Earnings per €0.16 ordinary share

	<u>2008</u>	<u>2007</u>
Profit attributable to ordinary shareholders	€670m	€998m
Less: profit after tax on disposal of businesses (note 9)	(€20m)	(€22m)
Adjusted profit	€650m	€976m
Weighted average number of shares in issue during the year	758m	741m
Dilutive effect of options outstanding	3m	8m
Diluted weighted average number of shares	761m	749m
Basic		
Basic earnings per €0.16 ordinary share	88.4c	134.7c
Adjusted basic earnings per €0.16 ordinary share	85.8c	131.7c
Diluted		
Diluted earnings per €0.16 ordinary share	88.0c	133.2c
Adjusted diluted earnings per €0.16 ordinary share	85.4c	130.3c

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

Adjusted basic and adjusted diluted earnings per share have been presented to exclude the impact of the profit arising on the disposal of Anglo Irish Bank (Suisse) S.A. during the year and the profit on disposal of the Isle of Man trust business during 2007 on the underlying results of the Group.



12. Loans and advances to banks

	2008	2007
	€m	€m
Placements with banks	11,181	9,712
Securities purchased with agreements to resell	2,821	2,339
	14,002	12,051



Loans and advances to banks include balances of €53m (2007: €48m) held with central banks which cannot be withdrawn on demand.

13. Available-for-sale financial assets

	2008	2007
	€m	€m
Listed		
Government bonds	3,159	2,229
Other debt securities	4,847	6,211
Equity shares	6	6
	8,012	8,446
Unlisted		
Certificates of deposit	-	3,844
Other debt securities	146	239
Equity shares	-	1
	146	4,084
Total	8,158	12,530

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

At beginning of year	12,530	5,155
Additions	3,571	14,743
Disposals (sales and maturities)	(6,997)	(7,120)
Fair value movements	(667)	(189)
(Decrease)/increase in interest accruals	(74)	130
Exchange and other movements	(205)	(189)
At end of year	8,158	12,530

In the current year €155m (2007: €67m) of the fair value movements included above have been recognised as an impairment charge in the income statement (note 8).

The residual carrying value of available-for-sale financial assets classified as impaired is €8m (2007: €67m).

The Group's holdings of certificates of deposit were short-term investments which matured during the year. The proceeds were reinvested in short-term placements with banks.

The amount removed from equity and recognised as income in the income statement in respect of available-for-sale financial assets amounted to €17m (2007: €1m) (note 6).

14. Loans and advances to customers

	2008	2007
	€m	€m
Amounts receivable under finance leases	72	85
Amounts receivable under hire purchase contracts	37	85
Other loans and advances to customers	72,956	66,074
	73,065	66,244
Provisions for impairment	(914)	(295)
	72,151	65,949



Loans and advances to customers are stated net of loans of €1,006m (2007: €1,127m) provided by the parent Bank to fund assets held by the Group's life assurance business in respect of liabilities to customers under investment contracts (note 18).

Provisions for impairment on loans and advances to customers

	2008	2007
	€m	€m
At beginning of year	295	270
Charge against profits - specific (note 8)	224	51
- collective (note 8)	500	31
Write-offs	(67)	(44)
Recoveries of previous write-offs	-	1
Unwind of discount	(13)	(7)
Exchange movements	(25)	(7)
At end of year	914	295
Specific	272	141
Collective	642	154
Total	914	295
Impaired loans	957	335

15. Deposits from banks

	2008	2007
	€m	€m
Repayable on demand	691	414
Securities sold under agreements to repurchase	12,397	1,886
Other deposits by banks with agreed maturity dates	7,365	5,301
	20,453	7,601



During the year the Group increased the level of assets eligible for interbank collateralised lending, primarily through the expansion of the Group's covered bond and CMBS programmes.

16. Customer accounts

	2008	2007
	€m	€m
Repayable on demand	3,015	3,800
Other deposits by customers with agreed maturity dates	48,484	48,886
	51,499	52,686

17. Debt securities in issue

	2008	2007
	€m	€m
Medium term note programme	10,622	14,084
Other debt securities in issue:		
Commercial paper	3,488	5,421
Certificates of deposit	1,581	1,680
Covered bonds	1,361	1,347
Extendible notes	228	1,056
	17,280	23,588

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

18. Liabilities to customers under investment contracts

	2008	2007
	€m	€m
Assets held in respect of liabilities to customers under investment contracts:		
Investment property	1,796	2,090
Financial assets at fair value through profit or loss	469	644
Derivative financial instruments	5	14
Loans and advances to banks	148	255
Ordinary shares in parent Bank	4	14
Subordinated liabilities and other capital instruments - Group	13	24
Total	2,435	3,041
Less:		
Funding provided by parent Bank	(1,006)	(1,127)
Funding provided by external banks	(339)	(381)
Net asset value attributable to external unitholders	(77)	(110)
Net asset value attributable to minority interest	-	(7)
Add:		
Funds on deposit with parent Bank	178	363
Liabilities to customers under investment contracts at fair value	1,191	1,779



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

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

In accordance with IFRS, obligations under investment contracts are carried at fair value on the balance sheet and are classified as liabilities to customers under investment contracts. The above table sets out where the relevant assets and liabilities in respect of the life assurance business investment contracts are included on the Group balance sheet. On consolidation, Group loans and advances to customers are shown net of funding of €1,006m (2007: €1,127m) provided by the parent Bank to fund assets held by the life assurance business in respect of liabilities to customers under investment contracts.

19. Subordinated liabilities and other capital instruments

	2008	2007
	€m	€m
Dated Loan Capital *		
€750m Floating Rate Subordinated Notes 2014	722	749
US\$165m Subordinated Notes Series A 2015	117	115
US\$35m Subordinated Notes Series B 2017	25	24
€500m Callable Floating Rate Subordinated Notes 2016	499	499
€750m Callable Floating Rate Subordinated Notes 2017	749	749
Undated Loan Capital		
Stg£200m Step-up Callable Perpetual Capital Securities	262	294
Stg£250m Tier One Non-Innovative Capital Securities	336	368
€600m Perpetual Preferred Securities	452	521
Stg£300m Non-Cumulative Preference Shares *	371	407
Stg£300m Step-up Perpetual Subordinated Notes *	385	424
€600m Fixed/Floating Perpetual Preferred Securities	571	599
Stg£350m Fixed/Floating Perpetual Preferred Securities	458	516
Other subordinated liabilities *	1	9
	4,948	5,274

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

20. Other reserves

	2008	2007
	€m	€m
Share-based payments reserve	37	32
Available-for-sale reserve	(563)	(100)
Cash flow hedging reserve	(9)	(19)
Exchange translation reserve	(9)	(6)
Non-distributable capital reserve	1	1
	(543)	(92)

The available-for-sale reserve represents the unrealised change in the fair value of available-for-sale financial assets as adjusted for any impairment charge recognised in the income statement.

21. Total equity

	2008	2007
	€m	€m
At beginning of year	4,065	2,692
Profit for the year	664	1,008
Equity dividends	(159)	(127)
Options exercised and scrip dividends	37	56
Net movement in own shares	(11)	(17)
Share-based payments	12	16
Net expense recognised directly in equity	(474)	(98)
Share placing	-	537
Other movements	(2)	(2)
At end of year	4,132	4,065



The net expense recognised directly in equity includes a net after tax change in the available-for-sale reserve of €463m (2007: €107m).

22. Contingent liabilities and commitments

	2008	2007
	€m	€m
Contingent liabilities		
Guarantees and irrevocable letters of credit	624	1,411
Performance bonds and other transaction related contingencies	112	113
	736	1,524
Commitments		
Credit lines and other commitments to lend	6,282	9,775

23. Segmental reporting

Revenue includes interest and similar income, fee and commission income, net trading income, fair value movements on financial assets and other operating income. Inter-segment transactions are conducted on an arm's length basis. Group items include the return earned on the Group's equity capital, the margin cost of subordinated liabilities and other capital instruments and other central items.

On 1 October 2007 certain loans and advances and the related income were transferred from Private Banking to Business Lending. Prior period comparatives have been adjusted to reflect these changes.

23. Segmental reporting continued



Business segments	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

Business segments	2007					
	Business Lending €m	Treasury €m	Private Banking €m	Group items €m	Inter-segment eliminations €m	Group €m
Revenue from external customers	4,138	1,166	278	-	-	5,582
Inter-segment revenue	-	2,833	-	-	(2,833)	-
Total revenue	4,138	3,999	278	-	(2,833)	5,582
Operating profit	1,207	(4)	71	(55)	-	1,219
Share of results of joint ventures	-	-	2	-	-	2
Profit on disposal of Isle of Man trust business	-	-	22	-	-	22
Profit before taxation	1,207	(4)	95	(55)	-	1,243
External assets	63,146	27,152	6,210	144	-	96,652
Inter-segment assets	1,229	55,025	-	9,569	(65,823)	-
Total assets	64,375	82,177	6,210	9,713	(65,823)	96,652
External liabilities	-	82,177	4,762	5,648	-	92,587
Equity	-	-	-	4,065	-	4,065
Inter-segment liabilities	64,375	-	1,448	-	(65,823)	-
Total equity and liabilities	64,375	82,177	6,210	9,713	(65,823)	96,652

24. Cash flow statement

Other non-cash items	2008	2007
	€m	€m
Provisions for impairment	879	149
Loans and advances written-off net of recoveries	(67)	(43)
Net (decrease)/increase in accruals and deferred income	(47)	15
Net (increase)/decrease in prepayments and accrued income	(15)	3
Depreciation and amortisation	27	25
Profit on disposal of businesses	(20)	(22)
Gains on repurchase of financial liabilities measured at amortised cost	(30)	-
Net gains on disposal of available-for-sale financial assets	(17)	(1)
Share-based payment expense	12	16
Share of results of associate and joint ventures	1	(2)
Profit on disposal of investment properties held on own account	-	(1)
Other	(2)	(1)
	721	138
Cash and cash equivalents		
Cash and balances with central banks	1,822	848
Loans and advances to banks (with a maturity of less than three months)	12,713	9,984
At 30 September	14,535	10,832

**25. Events after the balance sheet date**

On 24 October 2008 the Group elected to participate in the guarantee scheme announced by the Irish Government. 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 Anglo Irish Bank Corporation plc (Irish, UK, Jersey, Austrian and German branches) and also Anglo Irish Bank Corporation (International) PLC (the Group's Isle of Man subsidiary).

26. Approval

The Group financial statements were authorised for issue by the Board of Directors on 2 December 2008.