

# Anglo Irish Bank Corporation Limited

## Recapitalisation of Anglo Irish Bank and results for the 15 month period to 31 December 2009

The Minister for Finance has recapitalised the Bank with a further €8.3bn effective 31 December 2009, bringing total capital support to €12.3bn in 2009. The additional capital support reaffirms the Shareholder's previous commitment to ensuring the Bank remains in compliance with its regulatory capital requirements. In addition, Anglo Irish Bank today presents its audited results for what has been an exceptionally difficult 15 month period which saw the Bank's nationalisation in January 2009.

The key financial results in respect of the period to 31 December 2009 are as follows:

- Loss for the period is €12.7bn with impairment charges of €15.1bn;
- Impairment provisions include €10.1bn relating to assets expected to be transferred to NAMA, representing a provision rate of 28%;
- Operating profit before impairment of €2.4bn includes a €1.8bn gain on the repurchase of capital securities;
- Core Tier 1 and Total regulatory capital at 31 December 2009 are €4.6bn and €7.8bn respectively, with risk weighted assets of €73bn;
- The Bank expects to transfer €35.6bn<sup>1</sup> of nominal loan assets with a carrying value of €25.5bn to NAMA in 2010, which will reduce risk weighted assets by approximately €30bn;
- Following the completion of loan asset transfers to NAMA, customer loans will be approximately €36.5bn<sup>2</sup> with cumulative specific provisions of €3.7bn.

### Recapitalisation

As a consequence of the losses incurred during the financial period, the Minister for Finance and the Bank agreed to a further recapitalisation to ensure compliance with minimum regulatory capital requirements. This capital contribution is recorded in reserves at 31 December 2009 together with a corresponding amount due from the Shareholder. On 31 March 2010 the amount due was settled by the receipt of a promissory note for €8.3bn issued by the Minister for Finance. The note pays a market coupon, and will redeem 10% of the principal each year at the request of the Bank. The Irish Financial Regulator has confirmed that the increase in equity qualifies as Core Tier 1 for the Bank as at 31 December 2009.

---

<sup>1</sup> NAMA has discretion as to which assets will be acquired and have not confirmed the final amount to the Bank

<sup>2</sup> Includes lending associated with the Group's assurance company of €0.8bn

## Income Statement

Net interest income was €1.5bn for the 15 months to 31 December 2009, down 35% on a like-for-like basis compared to the year ended 30 September 2008. The cost of funding, both for customer deposits and wholesale funding, increased materially during the period.

The liability management exercise conducted in August 2009 crystallised a gain of €1.8bn as €2.6bn of hybrid tier 1 and other subordinated securities were bought back at a significant discount to par.

Total operating expenses were €380m for the 15 month period, a reduction of 7% compared to the previous year, on a like-for-like basis. Costs incurred relating to restructuring activities and the NAMA process were €42m in the period.

Impairment charges of €15.1bn comprise lending specific charges of €13.9bn, lending collective charge €0.6bn, investment securities €0.5bn and other assets €0.1bn. Included within specific provisions is €109m in respect of loans to certain former Directors of the Bank who resigned during the period.

## Statement of financial position/Balance sheet

Total assets at 31 December 2009 were €85.2bn, down from €101.3bn at the end of September 2008. This includes €56.3bn lending assets (€72.2bn at 30 September 2008) of which €25.5bn represents eligible NAMA loan assets classified as held for sale; €7.9bn available for sale financial assets (2008: €8.2bn); €7.4bn loans to banks (2008: €14.0bn) and an amount due from the Shareholder of €8.3bn.

Nominal lending assets remained relatively constant during the period. At 31 December 2009 impaired loans totalled €34.6bn with cumulative provisions of €15.0bn. The breakdown of loans expected to transfer to NAMA and remaining loans are as follows:

	Loan balances	Provisions	Book value
NAMA	35.6	(10.1)	25.5
Post NAMA <sup>2</sup>	36.5	(3.7)	32.8
Collective		(1.2)	(1.2)
Total	72.1	(15.0)	57.1

Total liabilities at 31 December 2009 were €81.0bn, down from €97.2bn at the end of September 2008. Customer deposits declined from €51.5bn at 30 September 2008 to €27.2bn at 31 December 2009. Borrowings from banks increased to €33.0bn at 31 December 2009 and includes €23.7bn from central banks compared with €7.6bn at the end of September 2008. Debt securities in issue at 31 December 2009 were €15.1bn compared with €17.3bn at 30 September 2008.

The Total capital ratio at 31 December 2009 was 10.7%. The Core Tier 1 ratio was 6.3% and the Tier 1 ratio was 6.6%. These ratios include the benefit of derogations granted by the Financial Regulator

---

<sup>2</sup> Includes lending associated with the Group's assurance company of €0.8bn

and the additional capital contribution of €8.3bn. As a result of the transfer of assets into NAMA it is expected that risk weighted assets will decline by approximately €30bn. However, further losses may be incurred depending on the transfer price of assets to NAMA and associated interest rate hedges, off-setting the positive capital impact of the reduction in risk weighted assets.

### **Restructuring Plan**

The Bank is updating its restructuring plan to incorporate the year end position and the insights of new management and is addressing questions with the European Commission following the original submission filed in November 2009. The new management of Anglo Irish Bank is working with the Department of Finance to significantly restructure the Bank's balance sheet, risk profile and culture in order to restore viability. Management is grateful for the continuing support of the Minister.

The Annual Report & Accounts is available on the Bank's website [www.angloirishbank.com](http://www.angloirishbank.com).

### **Forward looking statements**

This announcement includes statements that are, or may be deemed to be, forward looking statements. 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.

**-Ends-**

31 March 2010

**For further information, please contact:**

**John West, Tavistock Communications**

**Tel: 020 7920 3150**

**Mobile: 07788 971 403**

**Jeremy Carey, Tavistock Communications**

**Tel: 020 7920 3150**

**Mobile: 07836 734 625**