Anglo Irish Bank Corporation Limited

Results for the year ended 31 December 2010

Following another exceptionally difficult twelve month period for both the Bank and the Irish economy, the Bank today presents its audited results for the year ended 31 December 2010. Notwithstanding significant further losses in the year, the Group remains in compliance with minimum regulatory capital requirements set by the Central Bank as a result of the additional capital support provided by the Shareholder, the Minister for Finance, during the year.

The key financial results for the year ended 31 December 2010 are as follows:

- Loss for the year of €17.7bn, which includes impairment charges of €7.8bn and a loss of €11.5bn on disposal of eligible assets to NAMA[1];
- Impairment charges include €2.6bn relating to NAMA loans;
- Operating profit before impairment and loss on disposals to NAMA of €1.8bn, due mostly to the liability management exercise, relating to subordinated bonds, conducted towards the end of 2010;
- Effective 31 December 2010 the Bank received an increase to the promissory note of €6.42bn, bringing total capital support over the past two years to €29.3bn;
- Core Tier 1 and Total regulatory capital at year end 2010 of €4.0bn and €4.6bn respectively, with risk weighted assets of €36.7bn;
- At 31 December 2010 the Bank expected to transfer a further €1.1bn[2] of nominal loan assets to NAMA;
- Following the completion of loan asset transfers to NAMA, nominal customer loans will be approximately €35.8bn[3] with cumulative specific provisions at 31 December 2010 of €8.8bn.

Recapitalisation

As a consequence of the losses incurred during the year, the Minister for Finance and the Bank agreed to further recapitalisation through an increase of €6.42bn to the promissory note to a total of €25.3bn effective 31 December 2010 to ensure compliance with minimum regulatory capital requirements. The note has a market rate of return and pays 10% of the initial principal amount each year.

The Total capital ratio at 31 December 2010 was 12.4% and the Core Tier 1 ratio was 10.9%. These ratios do not include the benefit of derogations granted by the Central Bank which expired on 31 August 2010. The Bank's capital resources have benefited from €17.0bn of capital contributions from the Shareholder during 2010. The loss for the year includes a total of €14.1bn associated with NAMA assets. The final loss on transfer of assets to NAMA will only be determined following the completion of NAMA's due diligence in respect of all assets transferred. A further €1.1bn of gross customer loans are expected to transfer to NAMA in the first half of 2011.

Income statement

Net interest income was €0.7bn for the year ended 31 December 2010. The cost of funding increased materially during the year.

Total expenses for the year amount to €353m compared to €309m pro rata for 2009. The increase is driven by exceptional expenses of €62m incurred in relation to the Bank's restructuring, NAMA process and legacy matters (2009: €20m pro rata), and provisions of €27m for restructuring and additional legacy related matters (2009: €14m pro rata). Staff costs amount to €130m in the year compared to €154m pro rata in 2009. Other administration expenses amount to €108m (2009: €94m pro rata) with increased asset quality related professional fees offsetting reductions in other cost lines.

Headcount at 31 December 2010 was 1,296 representing a decrease of 16% over the year.

Statement of financial position/balance sheet

Total assets at 31 December 2010 were €72.2bn, down from €85.2bn at 31 December 2009. This incorporates €26.0bn of lending assets (2009: €56.3bn) including €1.0bn (2009: €25.5bn) of eligible NAMA loan assets classified as held for sale; €2.2bn (2009: €7.9bn) of available-for-sale financial assets; €3.5bn (2009: €7.4bn) of loans to banks; €25.7bn (2009: €8.3bn) of Government issued promissory note (including accrued interest); and €10.6bn (2009: nil) of NAMA Government guaranteed notes. At 31 December 2010 impaired loans totalled €17.6bn (2009: €34.6bn) with cumulative provisions of €10.1bn (2009: €15.0bn). The breakdown of loans including those expected to transfer to NAMA are as follows:

	Loan balances[3] €bn	Provisions €bn	Book value €bn
Post NAMA	35.8	(8.8)	27.0
NAMA	1.1	(0.1)	1.0
Collective Provision		(1.2)	(1.2)
Total	36.9	(10.1)	26.8

Total liabilities at 31 December 2010 were €68.6bn, down from €81.0bn at 31 December 2009. Customer deposits declined from €27.2bn at 31 December 2009 to €11.1bn at 31 December 2010. Borrowings from banks increased to €46.6bn at 31 December 2010 and include €45.0bn from central banks compared with €23.7bn at 31 December 2009. Debt securities in issue at 31 December 2010 were €6.9bn compared with €15.1bn at 31 December 2009.

Conditions in wholesale funding markets remain extremely difficult and the Bank continues to rely on Government and monetary authority support mechanisms. At 31 December 2010 euro denominated borrowings from central banks totalled €45.0bn, and include €28.1bn borrowed under special liquidity facilities. Total borrowings from central banks are up from €26.3bn at 30 June 2010.

Restructuring plan

A fourth updated restructuring plan was submitted on 31 January 2011. A subsequent joint steps plan was prepared in conjunction with Irish Nationwide Building Society as instructed by the High Court Direction Order which was received by the Bank on 8 February 2011. Following the transfer of deposits and NAMA bonds by the two entities the joint steps plan provides for the amalgamation of the Bank with Irish Nationwide Building Society in the first half of 2011. It is envisaged that once the proposed plan is approved by the Authorities, the restructured entity will work out its assets in an orderly process over time, with the objective of securing the best possible realisation in the interest of the State and of the taxpayer. On 24 February 2011 the Bank transferred the majority of its deposits in Ireland and the UK, together with the senior NAMA bonds and the Bank's Isle of Man subsidiary, to Allied Irish Banks, p.l.c. The Bank remains fully Government owned and continues to benefit from ongoing support.

The Annual Report & Accounts is available on the Group's website: www.angloirishbank.com.

[1] Losses on transfers to NAMA will only be finally determined following the completion of NAMA's due diligence in respect of all assets transferred.

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

[3] Nominal loan balances include €0.8bn of lending associated with the Group's assurance company.

Forward looking statements

This release 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 statement should be construed as a profit forecast.

-Ends-

31 March 2011

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