

Annual Report & Accounts 2008



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Financial performance

	2008	2007
Profit before taxation (€m)	784	1,243
Earnings per share (cent)	88.4	134.7
Cost to income ratio	17%	22%
Customer lending (€m)*	73,157	67,076
Total assets (€m)	101,321	96,652
Core Tier 1 capital (€m)	5,068	4,445

* Including lending associated with our assurance company

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Letter from the Executive Chairman



Donal O'Connor
Executive Chairman

I was appointed Chairman of the Board on 18 December 2008 following the resignation of Sean FitzPatrick. I acknowledge again the sense of hurt, outrage and disappointment that people feel towards the Bank following disclosures regarding loans to the former Chairman and other matters. On behalf of the Bank I sincerely apologise to our customers, employees, shareholders and other stakeholders for this situation.

Because of the unique position the Bank is in, the new Board has concluded that we will address, as transparently as we can, the various issues that we know are of interest to stakeholders.

State ownership

Anglo Irish Bank was nationalised on 21 January 2009 following the signing into law of the Anglo Irish Bank Corporation Act 2009. This decision was taken by the Government after consultation with the Board, the Department of Finance, the Central Bank and the Financial Regulator. The Government has given assurances that Anglo Irish Bank is of systemic importance to Ireland and will continue to trade as a commercial entity. The role of the Board and management team will be to continue to manage the Bank on an independent and commercial basis.

Shareholders' compensation

The Anglo Irish Bank Corporation Act 2009 provides for payment to shareholders of the fair and reasonable value of the shares as at 15 January 2009. Compensation will be determined

by an independent assessor appointed by the Minister for Finance. The Government has also said that the assessor will invite submissions and in assessing value, reference will be made to a broad range of factors including the assets and liabilities of the Bank. The assessor's determination of compensation is subject to appeal.

Board and management

While they had been attending Board meetings since 11 December 2008, two new Non-executive Directors, Frank Daly, previously Chairman of the Revenue Commissioners, and Alan Dukes, a former Minister for Finance, were formally appointed to the Board on 18 December 2008 under the terms of the Government Guarantee Scheme. Both bring considerable experience to the Board. Maurice Keane joined the Board on 21 January 2009 as a Non-executive Director. He is a former Chief Executive of the Bank of Ireland Group and brings a wealth of external independent banking expertise to the Board.

Frank Daly is chairman of the Audit Committee and the Governance Review Committee; Maurice Keane is chairman of the Risk and Compliance Committee and Alan Dukes is chairman of the Remuneration Committee and the Nomination and Succession Committee. I thank the new Directors for their help and support over the past number of weeks. Each has made a very valuable contribution since their appointment to the Board and its committees.

On 19 January 2009 five Non-executive Directors resigned from the Board, Noël Harwerth, Anne Heraty, Michael Jacob, Gary McGann and Ned Sullivan. The Directors stepped down from their positions to facilitate the appointment of new Board members. The Board will be strengthened in the coming months through the appointment of additional Non-executive Directors.

The Board, following consultation with the Financial Regulator, has decided to defer the appointment of a Chief Executive Officer until the new business plan and the various reviews the Board is carrying out have been completed. In the interim, I have been appointed by the Board to act as Executive Chairman with effect from 19 February 2009.

Furthermore, the Board has appointed Declan Quilligan, an Executive Director, as Chief Operating Officer. Declan has over 20 years of banking experience and has an in-depth knowledge of the markets in which we operate. I look forward to working closely with Declan over the coming months as the Bank strives to rebuild trust and confidence.

Following nationalisation, the Board structure will be similar to other State owned entities. The Board will comprise the Executive Chairman, the Non-executive Directors and the Chief Operating Officer. In this context Pat Whelan, who will continue in his role as Managing Director of Lending Ireland, stepped down from the Board on 19 February 2009.

The Bank has appointed Matt Moran as Director of Group Finance. Matt, a Chartered Accountant, has been with the Bank since 2002, most recently as Chief Financial Officer and brings significant international experience to this position. We are engaged in the process of recruiting an external Chief Risk Officer. In the interim period Peter Butler, former Managing Director of the Bank's Wealth Management Division, has been appointed acting Chief Risk Officer. The management team will also be strengthened by a number of other external appointments.

Directors' loans and related party transactions

Following recent disclosures in relation to Directors' loans there are a number of reviews ongoing by external authorities including the Office of the Director of Corporate Enforcement, the Financial Regulator and the Institute of Chartered Accountants in Ireland overseen by the Irish Auditing and Accounting Supervisory Authority.

The Bank has initiated its own formal review of governance, focusing on the area of Directors' loans, which is being undertaken by an independent firm of solicitors. This exercise is being overseen by the Governance Review Committee. In line

with my comments at the Extraordinary General Meeting on 16 January 2009, the Bank did not identify Directors' loans as a high risk area. Clearly, some of the processes regarding Directors' loans need significant strengthening. The Board is committed to ensuring that the governance processes in the Bank are of the highest standard and intends to implement the recommendations of the review process.

Note 51 to the accounts now includes significant disclosures regarding Directors' loans, deposits and related party transactions. At 30 September 2008 none of the Directors' loans were impaired. However, as a result of the subsequent permanent deterioration in the share price of the Bank, it is likely there will be an impairment provision in the six months to 31 March 2009 in respect of these loans.

Directors' remuneration

Directors' remuneration for the year ended 30 September 2008 totalled €9.5 million and note 50 to the accounts provides comprehensive information in relation to Directors' pay and pension arrangements.

No bonuses were awarded to Executive Directors for 2008 and there have been no increases in Executive Directors' salaries since January 2008.

The value of options held and rights granted under various share-based incentive plans to all employees, including Executive Directors, were fully extinguished following the signing into law of the Anglo Irish Bank Corporation Act 2009. Fees payable to Non-executive Directors have been reduced by 20% from 1 January 2009.

Under the terms of the Credit Institutions (Financial Support) Scheme 2008, the Covered Institution Remuneration Oversight Committee ('CIROC') was established in November 2008. The Group is currently engaging with CIROC in the context of its remit under this scheme.

Asset quality

Asset quality will be a critical area of focus for the Board and management. The economic environment has deteriorated since 30 September 2008, with the outlook now for an extended period of difficulty in our core markets.

The severity of the downturn will result in an increase in impairment charges for all banks internationally over the next number of years. We will continue to support clients where this ensures the best economic outcome for the Bank in the long term. A detailed bottom up loan review is being undertaken to assist the Board and management in assessing the current position. The results of this review will be included in the Interim Report for the period ended 31 March 2009.

Share transactions

There has been a lot of comment and speculation regarding share transactions that took place during 2008. In accordance with established banking practice it would be wrong for the Bank to refer to any transactions or dealings with any specific customer of the Bank. In the normal course of business the Bank advances funds to customers for the purpose of investing in listed equities. In respect of the Bank's own shares, the Board has engaged independent advisors, including senior counsel, to review all material transactions including the detailed legal advice that the Bank received and the extent of the Bank's consultation with the relevant external authorities. The total amount loaned to ten longstanding clients of the Bank to buy shares from the CFD providers was €451 million of which €83 million has been repaid. As well as the shares being held as security for the loans, there is additional recourse to the individuals' personal assets equivalent to 25% of their borrowings. The value of the underlying shares will not be clear until the assessor's work is complete. The Bank will seek repayment under the borrowers' recourse obligations as necessary.

As stated in note 53 to the accounts on events subsequent to the balance sheet date, the specific impairment charge for the six months ended 31 March 2009 will include a provision, in the region of €300 million, for losses incurred in respect of lending where the security consisted solely of shares in Anglo Irish Bank Corporation plc.

Funding – September 2008

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 to introduce a guarantee scheme to stabilise the banking sector. The Bank experienced substantial outflows and volatility in funding in the weeks leading up to the introduction of the guarantee on 30 September 2008, the day of the Bank's year end. Reflecting this market

environment, non-retail deposits were more concentrated and shorter in duration than at the prior year end.

The Bank has had an active counterparty relationship with Irish Life & Permanent group for a long period of time. As part of ongoing business activity, this relationship has included placements and receipts of deposits from bank and non-bank affiliates with transactions categorised as deposits from banks or non-retail customers as appropriate. At 30 September 2008 the Group's balance sheet includes €7.5 billion of short term interbank placements with Irish Life & Permanent plc and €7.3 billion of non-retail customer deposits with Irish Life Assurance plc. No set-off arrangements exist between these placements and deposits. The balances are recorded separately on the Group's balance sheet in accordance with accounting standards. The Board has engaged independent advisers to review these transactions and the extent of the Bank's consultation with the relevant external authorities. Further information on the Bank's customer funding is provided in note 36 to the accounts.

Funding – post September 2008

Following the introduction of the Government guarantee on 30 September 2008 the Bank experienced growth in retail deposits and access to other funding markets gradually improved. However, the reputational damage to the Bank resulting from a number of recent disclosures together with adverse ratings actions have significantly weakened the Bank's competitive funding position at a time when global markets continue to deteriorate and overall sentiment is negative.

We are determined as part of our long term strategy to rebuild trust and confidence. A key priority of the new Board is to ensure we regain our position in the corporate, wholesale and debt capital markets and over time enhance the quality of funding, building on our diversified international platforms. One of the main areas of focus will be to manage the duration of wholesale and non-retail

funding, which given prevailing market conditions has shortened considerably. The recent issuance of €3.8 billion of covered bonds from our new mortgage bank, Anglo Irish Mortgage Bank, is an important initial step in improving liquidity and funding. The Bank's ambition is to expand its retail franchise by targeting new and existing markets with competitively priced transparent products. Other initiatives are also being actively developed as part of a coherent and viable long term funding strategy. The Minister has confirmed that the Bank will remain as a going concern operating at arm's length from Government. The Government has reaffirmed its commitment to those guarantees to the Bank already in place, and to further support measures should they become necessary in the future, consistent with State aid requirements.

Annual Report

As the Bank is now nationalised, and in common with practice in other commercial State owned organisations, there will be no public Annual General Meeting. In the future the Bank intends to publish its statutory financial reports on its website www.angloirishbank.com.

Business review

A detailed review of the Bank's performance for the year ended 30 September 2008 is set out on pages 6 to 11. The Bank reported profit before taxation of €784 million in the period and total assets at 30 September 2008 stood at €101 billion.

People

I continue to be impressed by the tremendously loyal and professional staff in all areas of the Bank who deserve great credit for their dedication and commitment. Like all stakeholders, staff members across the Group have been deeply impacted and disappointed by recent events. They share the Board's determination to restore confidence and trust in the Bank. The Board has great faith in the ability and strength of our people and they will play a critical role in ensuring the future viability of the Bank.

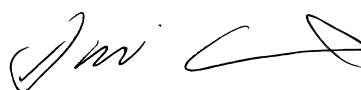
Future

The Board and management of the Bank, in consultation with the Government, are actively engaged in a full review of the Bank's strategy and business model, taking account of the impact of recent events and weaknesses highlighted during the turmoil in financial markets. As part of this process, a comprehensive business plan is being developed which will ensure the Bank's long term viability.

We expect the markets in which we operate to remain stressed for some time. Accordingly, a renewed focus by management and the Board on managing asset quality, enhancing and strengthening the Bank's funding franchise, and active management of operating costs will be crucial.

We will look at evolving from our existing structure to a broader more diversified business bank. The Bank's customer service ethos and ability to provide effective and efficient service will help us meet the needs of sole traders, SMEs and larger businesses.

The Board is resolute in its determination to ensure that the Bank emerges from its current situation as a strong and viable institution and one that stakeholders feel proud of. We will deal vigorously and professionally with all legacy issues. Most importantly, we will strive to conduct all our business to the highest ethical and corporate governance standards. This is key to rebuilding trust and confidence in Anglo Irish Bank.



Donal O'Connor
Executive Chairman
19 February 2009

Business review

This business review covers the year to 30 September 2008 and includes commentary on key areas of financial and operating performance of the Group during that period.

Key results for the year include:

- Reported pre-tax profits of €784 million, down 37% from €1,243 million
- Core pre-tax profits, before impairments and fair value movements, up from €1,376 million to €1,771 million
- Earnings per share of 88.4 cent, a decrease of 34%
- Specific lending impairment of €224 million, 0.32% of average loan book
- Collective impairment provision of €500 million, 0.71% of average loan book
- Stable net interest margins, despite higher funding costs
- Cost to income ratio of 17%, down from 22% in 2007
- Return on equity of 16%
- Growth in net customer lending of €9.3 billion, an increase of 15% on a constant currency basis
- Impaired loans represent 1.3% of closing loan balances
- Regulatory Core equity ratio of 5.9%
- Tier 1 and Total Capital ratios of 8.4% and 12.0% respectively
- Average staff numbers increased from 1,714 to 1,864, with headcount at 30 September 2008 of 1,777

Lending and asset quality

Net customer lending balances by division - €bn	2008	2007 ¹
Ireland ²	42.8	37.0
UK	21.1	19.4
US	9.3	7.5
Total	73.2	63.9

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%. 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 the Bank's relationship based banking model, lending activity during the year was targeted solely towards the Bank's longstanding customer base. The Bank lends almost exclusively 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

Net customer lending sectoral split ² - €bn	Investment & Business Banking	Residential Development	Commercial Development
Ireland	31.6	5.9	5.3
UK	16.7	2.5	1.9
US	8.0	0.5	0.8
Total	56.3	8.9	8.0

The Bank is a traditional balance sheet lender, directly originating assets rather than participating in transactional or bought-in loans. Group Risk Management reviews loans with the Bank's lending teams at least twice yearly to monitor

asset quality. The responsibility for loan performance rests with the relevant lending director and their portfolio team. Early intervention and proactive management are aimed at minimising risk and obtaining the best outcome for the Bank. Overall asset quality remained strong with 93% of the total loan book rated as satisfactory or above. Of the balance, 1.3% is impaired.

The rapid worsening of the economic environment in the latter part of 2008 has led to increased specific impairments. In addition, the collective impairment provision has increased considerably recognising that given the recessionary environment and ongoing financial market difficulties there are losses within the performing portfolio that have yet to be individually identified. Cumulative balance sheet impairment provisions as at 30 September 2008 total €914 million, 1.25% of the loan book.

The economic outlook has become increasingly challenging in the Bank's three key markets with Ireland, the UK and the US currently in recession. Although base interest rates are declining, the economic outlook continues to deteriorate and no significant improvement is anticipated over the next number of years.



Impairment charges

Income Statement - lending impairment - €m	2008	2007
Specific provision	224	51
Collective provision	500	31
Total lending impairment	724	82
% of average loan balances	1.03%	0.14%

Balance Sheet	2008	2007
Impaired loans - €m	957	335
% of closing loan balances	1.31%	0.50%
Specific provision	272	141
Collective provision	642	154
Total provisions	914	295
Coverage ratio	96%	88%

Specific impairments charged to the income statement 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 the balance sheet increased from €141 million to €272 million. These charges are recognised based on discounting future cash flows on loans. 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. Of the specific charge 81% relates to development loans with the balance relating to investment and business banking lending.

In addition, a collective provision of €500 million (2007: €31 million) has been charged. This reflects an allowance for losses in the performing loan book where there is currently no specific evidence of impairment on individual loans.

Treasury

Customer funding

Customer funding - €bn	2008	2007 ¹
Retail	19.2	19.2
Non-retail	32.3	30.4
Total	51.5	49.6

Customer deposits at 30 September 2008 were €51.5 billion with retail balances amounting to €19.2 billion (37%) and non-retail customer deposits of €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 total funding into the future. Further detail on customer funding as at 30 September 2008 is included in note 36 of the Annual Report.

In line with the rest of the market, the cost of customer funding increased during the year reflecting sustained competition. The goal of the customer deposit business has always been to enhance and diversify the Bank's funding base, rather than seeking to generate profit.

The performance of the Bank's retail customer deposit business reflects consistently competitive rates, transparent products and a quality service ethos – a combination that results in high retention levels.

Winning new customers was critical to the retail funding performance. During the year 90,000 new retail customers opened accounts, 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 and intends to expand this franchise beyond its existing core markets of Ireland and the UK into new European savings markets.

The Bank's non-retail business is made up of over 11,000 commercial depositors spanning commercial entities, charities, public sector bodies, pension funds, credit unions and other non-bank financial institutions. This business faced intense competition during the year reflecting the overall tightening of global credit markets and lack of access to other sources of funding. 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 Bank, in line with the wider Irish financial sector experienced substantial



outflows and volatility in funding in the weeks leading up to the introduction of the Government guarantee on 30 September 2008, the day of the Bank's year end. Reflecting the funding market environment at 30 September 2008, non-retail deposits were more concentrated and shorter in duration than at the prior year end and included €7.3 billion of deposits from Irish Life Assurance plc, a non-bank affiliate of the Irish Life & Permanent group, which matured on or before 3 October 2008. One of the key objectives for the coming periods is to extend the duration, and thereby the overall quality, of this book.

Market funding

Market funding - €bn	2008	2007 ¹
Deposits from banks	20.4	7.5
Debt securities in issue	17.3	23.1
Total	37.7	30.6

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, €2.5 billion was raised through bilateral loans, private placements and term repurchase agreements, mainly with other bank counterparties.

Shorter term markets were generally more open and the Bank's diverse range of commercial paper activities continued to provide good 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, a strict pricing discipline was maintained.

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.

Government guarantee

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 (inter-bank deposits, senior unsecured debt, asset covered securities and dated subordinated debt (Lower Tier 2)) of covered institutions for a two year period.

Treasury assets

Income Statement - treasury impairment - €m	2008	2007
Investment securities	155	67

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 30 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

	2008	2007
Operating profit - €m	62	71

The Private Bank offers tailored products and solutions for high net worth clients and complements the Bank's 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 is in line with the stated objective of focusing on the Bank's core business. This entity contributed less than 1% of underlying Group profits and the opportunities for synergies with the wider Group were limited.

Costs

Operating expenses - €m	2008	2007
Staff costs	206	235
Other administrative expenses	95	133
Depreciation and amortisation of intangible assets	27	25
Total	328	393
Cost to income ratio	17%	22%

Total operating expenses reduced by some €65 million, achieving a reduction of over 16% on the prior year and improving the Bank's cost to income ratio to 17% from 22% in 2007. The flexibility of the 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. A vigorous value for money assessment on all costs will continue to be applied.

Capital

Capital (Basel II) - €m	2008	2007
Risk weighted assets	85,798	81,976
Regulatory Core Tier 1 capital	5,068	4,445
Core Tier 1 ratio	5.9%	5.4%
Total Tier 1 capital	7,201	6,777
Tier 1 capital ratio	8.4%	8.3%
Total capital	10,318	9,480
Total capital ratio	12.0%	11.6%

The Bank's capital requirements are calculated under the Basel II standardised approach. Total risk weighted assets increased by 4.7% during the year ended 30 September 2008 to €85.8 billion. The Bank's regulatory core equity ratio increased from 5.6% to 5.9%. Tier 1 and Total capital ratios at 30 September 2008 were 8.4% and 12% respectively.

Dividends

Dividend - € cent	2008	2007
Interim	7.78	6.48
Final	-	13.01
Total	7.78	19.49

In line with the provisions of the Credit Institutions (Financial Support) Scheme 2008 no final ordinary dividend is proposed for the financial year ended 30 September 2008.

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 facing the Bank at present are those related to reputational risk, the prevailing economic environment and potential impact on asset quality, global financial markets, funding risk and market risk. More detail is contained in the Principal risks and uncertainties statement on page 20.

A description of the financial risk management objectives and policies of the Group, the Group's exposure to market risk, credit risk and liquidity risk, and the use of financial instruments by the Group is contained in note 47 to the accounts: Risk management and control.

¹ On a constant currency basis

² Including lending associated with the Group's assurance company

Subsequent events and likely future developments

The key events that have occurred since the end of the financial year are reviewed in the Letter from the Executive Chairman and note 53 to the accounts: Events after the balance sheet date. The Letter from the Executive Chairman reviews the outlook and likely future development of the Group taking account of the recent nationalisation of the Bank.

Board of Directors



Donal O'Connor (58), was appointed Chairman in December 2008 and Executive Chairman in February 2009, having joined the Board in June 2008. He was the Senior Partner of PricewaterhouseCoopers (PwC) in Ireland 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 and Readymix plc. He is a former Chairman of the Dublin Docklands Development Authority and a former Director of the Irish Auditing and Accounting Supervisory Authority.

Frank Daly (63), joined the Board in December 2008. A former Chairman of the Revenue Commissioners, he was also a Commissioner and Accountant General. He is Chairman of the Commission on Taxation and has served on the Civil Service Top Level Appointments Committee. He holds a BComm and a Diploma in European Community Law.

Alan Dukes (63), who joined the Board in December 2008, is a Director and Public Affairs Consultant of Wilson Hartnell Public Relations Limited. He has served as Minister for various portfolios including Finance and Justice and is a former leader of Fine Gael. He was Director General of the Institute of European Affairs from 2003 to 2007.



Maurice Keane (67), who joined the Board on 21 January 2009, is a former Group Chief Executive and a former 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.

Declan Quilligan (45) was appointed Chief Operating Officer in February 2009 and has been a member of the Board since January 2006. He was previously Chief Executive of the Group's operations in the United Kingdom. He joined the Bank in 1990 and holds a Bachelors degree in management from Trinity College Dublin.

- Executive Chairman
- Executive Director
- Non-executive Director
- A member of the Audit Committee
- A member of the Remuneration Committee
- A member of the Nomination and Succession Committee
- A member of the Risk and Compliance Committee

Corporate Responsibility

As an organisation we recognise our corporate obligations and responsibilities and are committed to fulfilling them. We continually invest in the development and training of our staff, as well as maintaining quality relationships with our stakeholders. We understand the importance of building and maintaining sustainable relationships with stakeholders and that these relationships are key to our ongoing development.

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 is our commitment to supporting the development of the wider community, which includes sponsorship programmes for the arts, education and sport.

Our people

The skills, dedication and commitment of over 1,700 people working for the Bank are fundamental to our customer service. Employee well-being is therefore of paramount importance to us.

We aim to foster an environment where staff can develop both personally and professionally, and where resources are put in place so that they can realise their goals. An innovative Learning and Development programme has further facilitated the progress of our staff. This initiative ensures that our employees receive the appropriate training to help them reach their full potential within the Bank. We have an equal opportunity work environment with wide scope for career progression and a meritocracy where outstanding performance is acknowledged.

To aid staff in achieving their personal career goals, we have designed a wide ranging educational support programme. Some of the benefits include funding to cover approved course fees, study leave in advance of exams and an award on the successful completion of courses.

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. Offering a confidential support service to staff on any issues facing them in their personal lives, the scheme is characteristic of our commitment to the health and well-being of our people. A similar programme called 'Ability Assist' is offered to US based staff.

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.

Irish Cancer Society

Cork school children launching the Irish Cancer Society St Valentine's Night Ball, held at the Radisson SAS Hotel in Little Island, Cork on February 9th 2008.



Our 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 and are often directly involved in the selection and funding of many of the initiatives supported by the Bank. In this regard, we have decided to focus a substantial portion of our CR funds and efforts towards education in local communities.

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. One such initiative in which the Bank continues to actively participate is the 'Ready to Work' scheme. This scheme offers people who have been affected by homelessness the opportunity to re-enter the workforce. 'Ready to Work' also offers training and support to help participants integrate into the work environment. In addition, 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.

The Abbey Theatre

The Abbey Theatre's 'Writer in Association' bursary is an important element of our support for the arts in the community.



Sports Scholarship

Students from the National College of Ireland who benefited from Anglo Irish Bank's Sports Scholarships.



Junior Achievement Programme

An Anglo Irish Bank volunteer with children from the junior infants class, St. John of God's School, Waterford as part of the Junior Achievement Programme.



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. Additionally, the Bank has been a significant supporter of Young Social Innovators ('YSI'), a nationwide initiative which aims to develop social awareness and activism amongst young people. The programme runs in schools throughout Ireland and empowers students to identify social issues which they could help to change.

The Bank has an extensive programme of community activity in the UK, reflective of having operated in the market for over twenty years. In 2007, over 250 management and staff, almost half of the UK workforce, 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 labour on selected community days for various charities through our membership of BITC. Among the many charities to have benefited this year are the Ahoy Centre, Kids Company, Brixton Project Arts Group, Hounslow Urban Farm and Live Futures.

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 have embarked on 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.

We continue to make substantial donations each year to over 250 charities nominated by staff in all of our locations. In addition to our continued support of the Irish Cancer Society, 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. A recent successful re-launch of the scheme in Ireland has meant staff participation in this long running association is higher than ever.

Collingham Gardens Children's Nursery

The nursery was originally set up in the 1960's by Save the Children. Collingham Gardens Nursery provides full time day care for 20 children aged 2-5 years, reflecting London's diversity of people and cultures. Eleven Anglo Irish Bank volunteers undertook a building project which involved the completion of a tepee for the school which will be used throughout the year by the children for educational projects.



The arts play a pivotal role in enriching our communities and our support of the arts is a very important aspect of our CR agenda. In the past year, the Bank has continued its sponsorship of the Abbey Theatre's 'Writer in Association' programme. Furthermore, the Bank has maintained its long standing sponsorship of the RTÉ National Symphony Orchestra and their series of concerts in the National Concert Hall in Dublin.

In 2008 the Bank sponsored a major William Butler Yeats exhibition in conjunction with the National Library of Ireland. Anglo Irish Bank was also co-sponsor of the Irish Museum of Modern Art / Business to Arts contemporary art exhibition '10,000 to 50', which showcased Irish art produced over the past 20 years that is displayed in various workplaces in Ireland. Looking ahead, we believe sponsorship of the arts is a tangible way to demonstrate the Bank's ongoing commitment to fostering cultural life and we remain fully committed to strengthening and maintaining our links with the arts.

Our support of sporting endeavours is both enduring and wide ranging. The Bank remains a very active contributor to sport at local, grass roots level where we provide support to numerous sports clubs. The Bank commenced a sports scholarship scheme with the National College of Ireland in 2006. This scheme targets talented young athletes and helps them maximise their potential. Under the scheme, the Bank provides financial support to ensure that these athletes are given every chance to realise their goals. Recipients of this financial support have gone on to reach some of the highest levels in their respective fields.

Kids Company at the Science Museum

Anglo Irish Bank volunteers brought students from Gloucester Primary School, Peckham to the Science Museum for a day where they learned about electronics and computers. Kids Company is a charity founded in 1996 providing practical, emotional and educational support to vulnerable inner-city children and young people.



St. Paul's Community College

A 5th year student from St. Paul's Community College in Waterford pictured with Bank volunteers and a teacher from the school. Anglo Irish Bank worked closely with St. Paul's to pair their 5th year students with volunteers from the Bank for a 2 year mentoring programme.



Chickenshed Theatre Company

Anglo Irish Bank volunteers joined with the Chickenshed Theatre Company to conduct a theatre workshop with students from St. Paul's Way Community School and St. Luke's Primary School, Tower Hamlets, London.



Our 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.

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 and teleconferencing facilities across all offices is reducing our business travel and therefore minimising our carbon footprint.

In keeping with our environmental policies, we have worked with our print partner to minimise the environmental impact of our Annual Report publication in two ways. Firstly, the paper selected for the 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. Secondly, the Annual Report will be a CarbonNeutral® publication. This was achieved by selecting a print partner who is already CarbonNeutral® and by offsetting the lifecycle emissions of the paper that was used in the Annual Report. The Bank is pleased to be able to add both the CarbonNeutral® and the PEFC logos to this report as evidence of achieving these standards.

In 2008, the Group initiated measurement of power and water consumption in our Irish and overseas offices in order to track the Bank's impact on the environment. On 29 March, our Irish offices participated in Earth Hour 2008, whereby staff members were made aware of the need to conserve energy, reduce carbon emissions and reduce light pollution in the night skies.

Junior Achievement Programme

Young students from Maria Assumpta Girls National School in Cork pictured with volunteers from the Bank's Cork office. Maria Assumpta is one of the primary schools that is involved in the Junior Achievement programme with the Bank.



This coincided with Environmental Awareness Week, where we highlighted the environmental endeavours of the Bank.

One current I.T. initiative which is almost complete is the move to use fewer and more efficient computer servers that generate less heat. The reduced power consumption and cooling requirements will result in a reduction in carbon output. We will continue to use an energy company which is committed to sourcing most of their energy supplies from renewable sources.

It is important to the Bank to continue to increase the environmental awareness of the Group's staff. We will focus our attention in 2009 on further reducing resource consumption and maintaining responsible methods of waste disposal. We will initiate a realistic and measurable resource reduction programme over the next 12 months.

Our future

The new Board, management and staff 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 – customers, suppliers, regulatory bodies and the community.

The many Corporate Responsibility initiatives which we continue to undertake enable the Bank to promote a positive ethos, not just among our staff but also among our many and varied stakeholders. We remain fully committed to our CR programme and are confident that it will continue to develop and produce further benefits for the Bank and our stakeholders in the years ahead.

Enable Ireland

Children enjoying an adventure day out organised by Enable Ireland. Enable Ireland is a member of Children Direct, a group of five charities. Anglo Irish Bank employees are proud supporters of the charity to which they contribute through the Bank's payroll 'Give As You Earn' scheme. The Bank matches all employee contributions.



Billy Riordan Memorial Clinic

Anglo Irish Bank is a proud supporter of the Billy Riordan Memorial Clinic, an Irish registered charity located in Cape McClear, Malawi. Some patients travel up to 300 kilometres to visit the clinic. Affectionately known locally as the Billy Clinic, to date it has treated more than 16,000 patients.



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 47 to the financial statements.

The principal business risks faced by the Group are outlined below and should be read in conjunction with the Letter from the Executive Chairman and the Business review.

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.

Recent disclosures concerning certain matters involving the Bank have had a negative impact on the reputation of the Group. The Board is determined to rebuild stakeholders' trust and confidence in the Bank. A formal review of governance is being undertaken by an experienced independent lawyer, overseen by a Board Committee chaired by a new Non-executive Director. The Board is committed to ensuring that the governance of the Bank is of the highest standard and will implement the recommendations of the review process.

Economic environment

The Group's business is primarily affected by economic conditions in Ireland, the UK and the US, where the majority of earnings are generated. Each of these economies is currently in recession. Higher unemployment, reduced consumer and business confidence and a contraction in housing markets have all contributed to declining economic growth.

The Group assesses customers by reference to their financial strength, the nature of their underlying business and the quality and certainty of their cash flows. A sustained deterioration in economic conditions will impact borrowers' ability to service debts. This, combined with a fall in value of underlying collateral, will adversely impact credit quality resulting in an increased level of defaults and higher impairment charges. To minimise the impact of this, the Group has underwriting criteria and controls in place which will limit the extent of losses arising in the event of default.

As outlined in the Business review, actively managing asset quality and controlling credit exposure are key priorities for the Group.

Global financial markets and funding risk

Funding risk is the risk that the Group would not be able to source sufficient funding to enable it to meet its operating requirements and fulfil its obligations. This could be as a result of issues regarding the wider global funding market or related specifically to the Bank. International financial market conditions deteriorated considerably in the weeks following the collapse of Lehman Brothers in September 2008. This led to restrictions in wholesale markets resulting in severe funding constraints for banks globally. Governments and monetary authorities around the world responded with large scale interventions in an effort to stabilise markets and restore investor confidence.

As in other countries, restricted access to wholesale funding placed significant strain on the Bank and the Irish financial system. In response, the Irish Government put in place a scheme to guarantee all deposits and other specified liabilities of certain credit institutions operating in Ireland. This guarantee helped restore confidence during a particularly turbulent period in funding markets. The Bank executed the 'Guarantee Acceptance Deed', officially participating in the scheme, on 24 October 2008. In addition, extensive market intervention by monetary authorities globally has attempted to stabilise funding markets since the end of September.

In January 2009 reputational damage following disclosure of practices in relation to Directors' loans along with adverse ratings actions weakened the Bank's competitive position in the corporate and wholesale funding markets. The Bank was nationalised by the Irish Government on 21 January 2009. The Government's direct support and intervention will enable the Bank to restore confidence amongst funding counterparts and facilitate the implementation of specific funding initiatives as part of an overall funding strategy which is centred on diversification by customer, geography, product and duration.

The scale of government intervention in global banking markets to date will lead to increased levels of supervision from national and international regulatory bodies. The terms and conditions of the Irish Government guarantee require additional levels of Government oversight and scrutiny for the duration of the scheme and will lead to increased compliance and regulatory disclosure requirements. The Group continues to work closely with all stakeholders to adapt to regulatory developments designed to strengthen the banking sector.

Market risk

Market risk has increased globally due to recent volatility in interest and exchange rates. Changes in interest rates and spreads may affect the interest rate margin realised between lending and borrowing costs. This risk is largely mitigated by the fact that almost all the Group's lending assets and funding liabilities are priced off market related rates, with no asset pricing tied to official central bank rates. This ensures there is no structural interest rate pricing basis risk inherent in the Bank's balance sheet.

The Group is also subject to the risk of further negative fair value adjustments to its portfolio of debt securities. Bond portfolios are exposed to variability in market prices, principally driven by less liquid and more volatile financial markets. The Group has always taken a conservative approach to valuation though future market conditions may lead to further decreases in the fair value of these assets.

Report of the Directors

The Directors present their report and the audited financial statements for the year ended 30 September 2008.

The Group has made amendments to the Annual Report and Accounts originally approved on 2 December 2008 to provide additional information as set out in note 1 to the financial statements.

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 profit attributable to equity holders of the parent amounted to €670 million (2007: €998 million) as set out in the consolidated income statement on page 32.

Review of activities

The principal activity of the Group is the provision of banking services. The Letter from the Executive Chairman and the Business review on pages 2 to 11 report on developments during the year, on events from 30 September 2008 to 19 February 2009 and on likely future developments. The financial statements for the year ended 30 September 2008 are set out in detail on pages 32 to 159.

Dividends

An interim dividend of 7.78 cent per ordinary share was paid on 15 July 2008. It is not proposed to pay a final dividend in respect of the year ended 30 September 2008.

Capital resources

Details of changes in capital resources and treasury shares during the year are included in notes 40 to 44 to the financial statements.

Additional information on the structure of the Bank's share capital, including the rights and obligations attaching to each class of shares at 30 September 2008, is set out in the Schedule to the Report of the Directors on pages 162 to 164.

Pursuant to the Anglo Irish Bank Corporation Act 2009, all shares in the Bank were transferred to the Minister for Finance on 21 January 2009.

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 pages 12 and 13.

Tom Browne retired as an Executive Director and Fintan Drury retired as a Non-executive Director on 28 November 2007 and 27 June 2008 respectively.

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.

Donal O'Connor was co-opted to the Board as a Non-executive Director on 26 June 2008 and was appointed as Chairman on 18 December 2008 and as Executive Chairman on 19 February 2009. Being eligible, he offers himself for re-election.

Following the introduction of the Credit Institutions (Financial Support) Scheme 2008, Frank Daly and Alan Dukes were co-opted to the Board as Non-executive Directors on 18 December 2008 and, being eligible, offer themselves for re-election. Both Frank Daly and Alan Dukes attended board meetings since 11 December 2008. Maurice Keane was co-opted to the Board as a Non-executive Director on 21 January 2009 and, being eligible, offers himself for re-election.

Following the nationalisation of the Group, the Board structure will be similar to that of other State owned entities. In this context, on 19 February 2009 Pat Whelan, who continues in his role as Managing Director of Lending Ireland, resigned as an Executive Director. On the same date Declan Quilligan was appointed as Chief Operating Officer. He will retire by rotation as a Director in accordance with the Articles of Association and, being eligible, offers himself for re-election.

The interests of the Directors and Secretary who held office at 30 September 2008 in the share capital of the Bank are shown in the Remuneration Committee's report on behalf of the Board, set out in note 50 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 28. 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 25 to 29.

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 20 and 21. The Group's financial risk management objectives and policies and its use of financial instruments are discussed in notes 21 and 47 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

The Auditors, Ernst & Young, Chartered Accountants, have expressed their willingness to continue in office.

Directors:

Donal O'Connor (Executive Chairman),
Frank Daly (Non-executive Director),
Declan Quilligan (Executive Director).

Secretary:

Natasha Mercer.

19 February 2009

Statement of Directors' responsibilities

The following statement, which should be read in conjunction with the Auditors' report on pages 30 and 31, is made with a view to distinguishing for shareholders 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 year 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 year and of the profit or loss of the Group for that year. With regard to the financial statements on pages 32 to 159, 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.

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 International Financial Reporting Standards, as adopted by the European Union, and comply with the Companies Acts, 1963 to 2006 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 Interim 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 30 September 2008 and of the profit of the Group for the year 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 (Executive Chairman),
Frank Daly (Non-executive Director),
Declan Quilligan (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 legislation providing for the transfer of all the shares of the Bank to the Minister for Finance was enacted under Irish law on 21 January 2009. On the same date the Bank was re-registered as a private limited company.

This Corporate governance statement describes how the Bank applied the principles of The Combined Code on Corporate Governance ('The Combined Code') issued by the Financial Reporting Council in June 2006 and the Bank's compliance with The Combined Code's provisions throughout the financial year ended 30 September 2008.

The Directors believe that the Group has complied with the provisions of The Combined Code throughout the financial year ended 30 September 2008.

Board of Directors

The Board of Directors recognises its responsibility for the leadership, direction and control of the Bank and the Group and its accountability to the shareholders for financial performance. It delegates the management and day-to-day running of the Bank to a Group Chief Executive and senior management. As at 30 September 2008, the Board comprised a Chairman, seven Non-executive Directors and four Executive Directors.

There were six scheduled meetings of the Board during the financial year. Details of attendance by Directors at scheduled meetings of the Board and its Committees during the year ended 30 September 2008 are set out on page 29. In addition, there were a number of other meetings of the Board held during the year. The Board is provided with relevant papers in advance of meetings to enable it to carry out its duties. It receives regular management reports and information on corporate and business issues to enable reviews of performance against business targets and objectives.

The Board keeps a formal schedule of matters specifically reserved for its decision. These 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.

Ned Sullivan was the Senior Independent Non-executive Director throughout the financial year ended 30 September 2008. The Non-executive Directors are independent of management and have varied backgrounds, skills and experience.

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

The distinct and separate roles of the Chairman and Group Chief Executive are set out in writing and have been approved by the Board. There is a clear division of responsibilities.

The role of Chairman includes the promotion of corporate governance, effective communication with shareholders and leadership of the Board. The Chairman facilitates the effective contribution of Non-executive Directors in particular.

The role of Group Chief Executive includes responsibility for the day-to-day management of the Bank's operations. The Group Chief Executive has the central role in maintaining and enhancing the culture of the Bank and in motivating staff to act in the Bank's best interests. Together with the Group Finance Director, the Group Chief Executive has responsibility for relationships with shareholders.

Independence of the Board

In the year ended 30 September 2008 the Board was satisfied that each of the Non-executive Directors was independent. In reaching that conclusion, the Board took into account a number of factors that might appear to affect the independence of some of the Directors, including length of service on the Board and cross-directorships.

Appointments to the Board

Directors are appointed initially for three years and, subject to satisfactory performance, may be appointed for an additional three year term. In individual cases, the appointment may be further extended subject to a rigorous review of performance. A clear and well established process is in place for the appointment of new Directors.

Appointments to the Board are made based on merit and using objective criteria. The terms and conditions of appointment of Non-executive Directors were available for inspection at the registered office during normal business hours and at the Annual General Meeting in 2008.

Corporate governance statement continued

On joining the Board, new Directors receive formal and tailored induction which includes visits to the Group's major businesses and meetings with Directors and senior management. Directors also update their skills and knowledge on an ongoing basis, with a particular focus on ensuring that the Non-executive Directors are informed on issues of relevance to the Bank and its operations.

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.

Performance evaluation

A formal performance evaluation of the Board, its Committees, individual Directors and the Chairman was completed in November 2007. This evaluation included a series of performance review meetings, assisted by external consultants in the case of the Board and its Committees. The results of the evaluation were discussed by the Board and its recommendations implemented.

Re-election

At each Annual General Meeting one third of the Directors retire and may offer themselves for re-election. Each Director must stand for re-election at least once every three years. New Directors are required to retire at the Annual General Meeting following their appointment and may offer themselves for re-election. The names of Directors submitted for re-election are accompanied by biographical details in order to allow shareholders to make an informed decision.

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 are reviewed annually by the Board. These terms of reference, setting out roles and responsibilities, are available on request through the Group Company Secretary and on the Bank's website. Membership of Board Committees is reviewed on a regular basis.

Remuneration Committee

Members at 30 September 2008:

Ned Sullivan (Chairman), Sean FitzPatrick, Anne Heraty and Gary McGann.

The Remuneration Committee is responsible for the formulation of the Group's policy on remuneration in relation to all Executive Directors and other senior executives. The Committee's report on behalf of the Board on Directors' remuneration and interests is set out in note 50 to the financial statements.

Audit Committee

Members at 30 September 2008:

Gary McGann (Chairman), Michael Jacob and Donal O'Connor.

The Audit Committee reviews the Group's 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 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 and external Auditors.

The Committee has unrestricted access to both the Group internal and external Auditors and met privately with the external Auditors during the year. The Audit Committee pre-approves all non-audit services provided by the external Auditors.

Risk and Compliance Committee

Members at 30 September 2008:

Lar Bradshaw (Chairman), Noël Harwerth and Ned Sullivan.

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.

Nomination and Succession Committee

Members at 30 September 2008:

Anne Heraty (Chairman), Lar Bradshaw,
David Drumm, Sean FitzPatrick and
Donal O'Connor.

The Nomination and Succession Committee is responsible for recommending candidates to the Board for appointment as Directors and ensuring a suitable induction programme is in place for all new Directors. The Committee considers succession planning and regularly reviews the Board's structure, size, composition and balance.

Prior to any appointment, the Committee identifies the skills, attributes, experience and time commitment required for the role. It agrees a preferred profile with the Board as a whole and receives recommendations from the existing Directors.

In the appointment of Donal O'Connor to the Board, given the agreed preferred profile for the role and the knowledge and experience of the Directors regarding potential candidates, the Directors did not believe it was necessary to use either external search consultants or open advertising.

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.

In December 2008 the Board commenced a formal review of governance following disclosures by the Bank relating to Directors' loans. A committee of the Board has been established to oversee this process.

The review will establish the facts in relation to these loans and will be carried out using independent external advisors. On completion, the Board will implement recommendations arising to ensure that the Bank's governance is of the highest standard.

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;

- A Group Risk Management function and a Group Compliance function with 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 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. The internal control systems are subject to regulatory supervision by the Financial Regulator and other overseas regulators.

Following each meeting of the Audit Committee and the Risk and Compliance Committee, the Committee Chairmen report to the Board and minutes of such meetings are circulated to all members of the Board.

The Board confirms that there is a framework in place (which is described in note 47) 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.

The Directors confirm that they have reviewed the effectiveness of the Group's system of internal controls for the year ended 30 September 2008 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.

Further information regarding reviews of internal controls and governance matters, including matters referred to in the Annual Report, is included in the Letter from the Executive Chairman.

Corporate governance statement continued

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.

Relations with shareholders

The Directors were kept informed on shareholder relations through regular reports to the Board by the Group Chief Executive and Group Finance Director and through feedback from shareholders, brokers and investment bankers. There was regular communication with individual institutional shareholders, financial analysts and brokers. Presentations were given and conference calls were held at the time of major announcements which provided opportunities for Directors to hear the views of shareholders directly.

All shareholders were invited to attend the Annual General Meeting in 2008 and to participate in

proceedings. Notice was sent to shareholders at least twenty working days in advance of the meeting. At the Annual General Meeting, separate resolutions were proposed on each substantially separate issue. The Chairmen of the Remuneration Committee, Audit Committee, Risk and Compliance Committee and Nomination and Succession Committee attended the Annual General Meeting.

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.

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.

Attendance at scheduled meetings during the year ended 30 September 2008

Name	Board		Audit		Remuneration		Risk and Compliance		Nomination and Succession	
	A*	B*	A*	B*	A*	B*	A*	B*	A*	B*
Sean FitzPatrick, Former Chairman	6	6	-	-	4	4	-	-	3	3
David Drumm, Former Group Chief Executive	6	6	-	-	-	-	-	-	3	2
Lar Bradshaw	6	6	-	-	-	-	6	6	3	3
Tom Browne (Retired 28 November 2007)	1	-	-	-	-	-	-	-	-	-
Fintan Drury (1) (Retired 27 June 2008)	5	4	-	-	-	-	5	5	3	2
Noël Harwerth (2)	6	6	5	5	-	-	2	2	-	-
Anne Heraty	6	6	-	-	4	4	-	-	3	3
Michael Jacob	6	6	6	6	-	-	-	-	-	-
William McAteer, Former Group Finance Director and Chief Risk Officer	6	6	-	-	-	-	-	-	-	-
Gary McGann	6	6	6	6	4	3	-	-	-	-
Donal O'Connor (3) (Appointed 26 June 2008)	2	2	2	2	-	-	-	-	-	-
Declan Quilligan	6	6	-	-	-	-	-	-	-	-
Ned Sullivan	6	6	-	-	4	4	6	6	-	-
Pat Whelan	6	6	-	-	-	-	-	-	-	-

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

- (1) Fintan Drury retired from the Risk and Compliance Committee on 26 June 2008 and the Nomination and Succession Committee on 27 June 2008.
- (2) Noël Harwerth retired from the Audit Committee on 26 June 2008 and was appointed to the Risk and Compliance Committee on the same date.
- (3) Donal O'Connor was appointed to the Audit Committee on 26 June 2008 and the Nomination and Succession Committee on 27 June 2008.

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

We have audited the Group and parent Bank financial statements ('the financial statements') of Anglo Irish Bank Corporation Limited for the year ended 30 September 2008 which comprise the Consolidated income statement, the Consolidated and the Bank balance sheets, the Consolidated and the Bank statements of recognised income and expense, the Consolidated and the Bank cash flow statements, and the related notes 1 to 55. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the parent 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 parent 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 parent 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 the preparation of the financial statements in accordance with applicable Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union as set out in the Statement of Directors' responsibilities.

Our responsibility 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 give a true and fair view, in accordance with IFRSs as adopted by the European Union. We report to you our opinion as to whether the parent Bank's financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the Companies Acts, 1963 to 2006. We also report to you whether the financial

statements have been properly prepared in accordance with the Companies Acts, 1963 to 2006 and Article 4 of the IAS Regulation. We also report to you our opinion as to: whether proper books of account have been kept by the parent Bank; whether proper returns adequate for our audit have been received from branches of the parent Bank not visited by us; whether, at the balance sheet date, there exists a financial situation which may require the convening of an Extraordinary General Meeting of the parent Bank; and whether the information given in the Report of the Directors is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the parent Bank balance sheet is in agreement with the books of account and returns.

We also report to you if, in our opinion, any information specified by law or the Listing Rules of the Irish Stock Exchange regarding Directors' remuneration and other transactions is not disclosed and, where practicable, include such information in our report.

We review whether the Corporate governance statement reflects the parent Bank's compliance with the nine provisions of the 2006 Financial Reporting Council's Combined Code specified for our review by the Listing Rules of the Irish Stock Exchange and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Letter from the Executive Chairman, the Business review, the Report of the Directors and the Corporate governance statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. 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 Group's and Bank'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 also 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 IFRSs as adopted by the European Union, of the state of affairs of the Group as at 30 September 2008 and of its profit for the year then ended;
- the parent Bank's financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the Companies Acts, 1963 to 2006, of the state of affairs of the parent Bank as at 30 September 2008; and
- the financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2006 and Article 4 of the IAS Regulation.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the parent Bank and proper returns adequate for the purposes of our audit have been received from branches of the parent Bank not visited by us. The parent Bank balance sheet is in agreement with the books of account and returns.

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

In our opinion, the parent Bank balance sheet does not disclose 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.

Emphases of matter

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in note 1.1 to the financial statements relating to revisions in certain disclosure notes in the financial statements subsequent to their date of approval. This financial statement re-issuance dated 19 February 2009 necessitated the performance of audit procedures up to the revised date of approval and the consequential withdrawal of our audit report dated 2 December 2008.

In forming our opinion, which is not qualified, we also considered the adequacy of the disclosures made in note 53 to the financial statements concerning ongoing reviews by external bodies. The ultimate outcome of these reviews cannot be determined at present. The financial statements do not include any disclosures or adjustments which may result from the completion of these reviews.

**Ernst & Young
Chartered Accountants and Registered Auditors
Dublin**

19 February 2009

The following two notes have been added to the Auditors' report in compliance with the guidance issued by the Auditing Practices Board in bulletin 2001/1 'The electronic publication of auditors' reports'.

Notes:

1. The maintenance and integrity of the Anglo Irish Bank website is the responsibility of the Directors; the work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement

For the year ended 30 September 2008

	<u>Note</u>	<u>2008 €m</u>	<u>2007 €m</u>
Interest and similar income		6,324	5,371
Interest expense and similar charges		(4,436)	(3,805)
Net interest income	3	1,888	1,566
Fee and commission income	4	143	177
Fee and commission expense	4	(11)	(16)
Net trading income	5	4	19
Fair value movements on financial assets	6	(128)	(6)
Other operating income	7	76	21
Other income		84	195
Total operating income		1,972	1,761
Administrative expenses	8	(301)	(368)
Depreciation		(11)	(11)
Amortisation of intangible assets - software	29	(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)
	12	(879)	(149)
Operating profit		765	1,219
Share of results of associate and joint ventures	27	(1)	2
Profit on disposal of businesses	13	20	22
Profit before taxation		784	1,243
Taxation	14	(120)	(235)
Profit for the year		664	1,008
Attributable to:			
Equity holders of the parent	15	670	998
Minority interest	16	(6)	10
Profit for the year		664	1,008
Basic earnings per €0.16 ordinary share	18	88.4c	134.7c
Diluted earnings per €0.16 ordinary share	18	88.0c	133.2c

Directors: Donal O'Connor (Executive Chairman), Frank Daly (Non-executive Director), Declan Quilligan (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	19	1,822	848
Financial assets at fair value through profit or loss			
- held on own account	20	233	430
- held in respect of liabilities to customers under investment contracts	20	469	644
Derivative financial instruments	21	1,995	1,355
Loans and advances to banks	22	14,002	12,051
Assets classified as held for sale	23	12	288
Available-for-sale financial assets	24	8,158	12,530
Loans and advances to customers	25	72,151	65,949
Interests in joint ventures	27	284	88
Interest in associate	27	16	-
Intangible assets - software	29	21	17
Intangible assets - goodwill	29	-	46
Investment property			
- held on own account	30	108	25
- held in respect of liabilities to customers under investment contracts	31	1,796	2,090
Property, plant and equipment	32	38	37
Current taxation		21	-
Retirement benefit assets	10	9	29
Deferred taxation	33	107	47
Other assets	34	33	143
Prepayments and accrued income		46	35
Total assets		101,321	96,652
Liabilities			
Deposits from banks	35	20,453	7,601
Customer accounts	36	51,499	52,686
Derivative financial instruments	21	1,490	1,175
Debt securities in issue	37	17,280	23,588
Liabilities to customers under investment contracts	38	1,191	1,779
Current taxation		-	63
Other liabilities	39	156	175
Accruals and deferred income		140	190
Retirement benefit liabilities	10	6	7
Deferred taxation	33	26	49
Subordinated liabilities and other capital instruments	40	4,948	5,274
Total liabilities		97,189	92,587
Share capital	41	123	122
Share premium	43	1,156	1,139
Other reserves	43	(543)	(92)
Retained profits	43	3,389	2,883
Shareholders' funds		4,125	4,052
Minority interest	42	7	13
Total equity	43	4,132	4,065
Total equity and liabilities		101,321	96,652

Directors: Donal O'Connor (Executive Chairman), Frank Daly (Non-executive Director), Declan Quilligan (Executive Director).

Secretary: Natasha Mercer.

Bank balance sheet

As at 30 September 2008

	Note	2008 €m	2007 €m
Assets			
Cash and balances with central banks	19	1,809	830
Financial assets at fair value through profit or loss			
- held on own account	20	186	386
Derivative financial instruments	21	2,233	1,414
Loans and advances to banks	22	12,359	9,949
Assets classified as held for sale	23	12	145
Available-for-sale financial assets	24	8,143	12,502
Loans and advances to customers	25	77,311	64,793
Interests in joint ventures	27	31	-
Investments in Group undertakings	28	821	950
Intangible assets - software	29	21	16
Property, plant and equipment	32	21	21
Current taxation		74	-
Retirement benefit assets	10	6	26
Deferred taxation	33	104	46
Other assets	34	-	1
Prepayments and accrued income		35	18
Total assets		<u>103,166</u>	<u>91,097</u>
Liabilities			
Deposits from banks	35	24,526	12,728
Customer accounts	36	52,410	46,700
Derivative financial instruments	21	2,202	1,241
Debt securities in issue	37	17,280	23,588
Current taxation		-	13
Other liabilities	39	77	55
Accruals and deferred income		133	171
Deferred taxation	33	1	2
Subordinated liabilities and other capital instruments	40	2,869	2,976
Total liabilities		<u>99,498</u>	<u>87,474</u>
Share capital	41	123	122
Share premium	43	1,156	1,139
Other reserves	43	(550)	(90)
Retained profits	43	2,939	2,452
Total equity	43	<u>3,668</u>	<u>3,623</u>
Total equity and liabilities		<u>103,166</u>	<u>91,097</u>

Directors: Donal O'Connor (Executive Chairman), Frank Daly (Non-executive Director), Declan Quilligan (Executive Director).

Secretary: Natasha Mercer.

Statement of recognised income and expense

For the year ended 30 September 2008

	The Group		The Bank	
	2008	2007	2008	2007
	€m	€m	€m	€m
Profit for the year	664	1,008	641	909
Net actuarial (losses)/gains in retirement benefit schemes, after tax	(18)	12	(19)	12
Net change in cash flow hedging reserve, after tax	10	5	10	5
Net change in available-for-sale reserve, after tax	(463)	(107)	(471)	(107)
Foreign exchange translation	(3)	(8)	(4)	(5)
Net expense recognised directly in equity	(474)	(98)	(484)	(95)
Total recognised income and expense for the year	190	910	157	814
Attributable to:				
Equity holders of the parent	196	900	157	814
Minority interest	(6)	10	-	-
Total recognised income and expense for the year	190	910	157	814

Cash flow statement

For the year ended 30 September 2008

	Note	The Group		The Bank	
		2008	2007	2008	2007
		€m	€m	€m	€m
Cash flows from operating activities					
Profit before taxation		784	1,243	788	1,098
Interest earned on available-for-sale financial assets		(476)	(465)	(475)	(425)
Financing costs of subordinated liabilities and other capital instruments		331	261	172	132
Other non-cash items	46	721	138	658	113
		1,360	1,177	1,143	918
Changes in operating assets and liabilities					
Net increase in deposits		5,513	21,682	11,200	21,862
Net increase in loans and advances to customers		(6,961)	(16,846)	(13,058)	(16,050)
Net decrease/(increase) in loans and advances to banks		724	(3)	757	(177)
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	200	50
Net movement in derivative financial instruments		(294)	(278)	175	(215)
Net decrease in other assets		110	482	1	7
Net (decrease)/increase in other liabilities		(17)	143	22	23
Exchange movements		484	383	468	395
Net cash flows from operating activities before taxation		997	6,682	908	6,813
Tax paid		(222)	(217)	(227)	(188)
Net cash flows from operating activities		775	6,465	681	6,625
Cash flows from investing activities (note a)		3,964	(7,562)	4,075	(7,652)
Cash flows from financing activities (note b)		(530)	1,399	(318)	1,086
Net increase in cash and cash equivalents		4,209	302	4,438	59
Opening cash and cash equivalents		10,832	10,800	8,893	9,069
Effect of exchange rate changes on cash and cash equivalents		(506)	(270)	(290)	(235)
Closing cash and cash equivalents	46	14,535	10,832	13,041	8,893

	The Group		The Bank	
	2008	2007	2008	2007
	€m	€m	€m	€m
(a) Cash flows from investing activities				
Purchases of available-for-sale financial assets	(3,571)	(14,743)	(3,593)	(14,728)
Sales and maturities of available-for-sale financial assets	6,997	7,120	6,997	7,120
Interest received on available-for-sale financial assets net of associated hedges	545	332	543	292
Purchases of assets classified as held for sale	(46)	(288)	-	(145)
Proceeds on disposals of assets classified as held for sale	187	-	133	-
Proceeds on disposals of businesses	114	44	-	-
Purchases of property, plant and equipment	(15)	(12)	(12)	(10)
Proceeds on disposals of property, plant and equipment	2	1	2	1
Additions to intangible assets - software	(21)	(7)	(21)	(6)
Investments in associate and joint venture interests	(149)	(42)	(31)	-
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	-	-
Decrease/(increase) in investments in Group undertakings	-	-	57	(176)
Net cash flows from investing activities	3,964	(7,562)	4,075	(7,652)
(b) Cash flows from financing activities				
Proceeds of equity share issues	18	552	18	552
Proceeds from issues of subordinated liabilities and other capital instruments	-	1,259	-	748
Reductions in subordinated liabilities and other capital instruments	(72)	(104)	(35)	(8)
Coupons paid on subordinated liabilities and other capital instruments	(325)	(205)	(161)	(120)
Equity dividends paid	(140)	(86)	(140)	(86)
Net movements in own shares	(11)	(17)	-	-
Net cash flows from financing activities	(530)	1,399	(318)	1,086

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 year ended 30 September 2008 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 €1.5 billion in the Bank was to be in the form of perpetual preference shares ranking *pari passu* to ordinary share capital on liquidation.

Notwithstanding strong growth in customer retail deposits since 30 September 2008 assisted by the Government guarantee scheme, the Bank's overall funding position weakened in late 2008. This was exacerbated by 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.

The Group financial statements for the year ended 30 September 2008 were initially authorised for issue by the Board of Directors on 2 December 2008. However, in order to provide additional details including information in respect of events which arose after 2 December 2008 relating to the appointment and resignation of Directors and the Irish Government taking the Bank into State ownership as described above, the Board has decided to revise certain disclosure notes in the Group financial statements. The principal notes affected are note 50 - Report on Directors' remuneration and interests, note 51 - Related party transactions and note 53 - Events after the balance sheet date. Notes 50 and 51 reflect enhanced disclosures relating to Directors and related party transactions including disclosure of loan movements during the year. Note 53 is updated to describe the events which occurred between 2 December 2008 and 19 February 2009. In addition, note 36 - Customer accounts and note 22 - Loans and advances to banks provide further details in respect of non-retail deposits from a single Irish financial institution with which the Group had placed similar amounts of funds at 30 September 2008.

These revisions necessitate the re-issue of the financial statements at 19 February 2009 and the replacement of those dated 2 December 2008, as authorised by the Board.

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 30 September 2008. The 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 (the '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. In order to ensure that events after the balance sheet date as described in note 53 were duly considered and presented, the publication of the Annual Report and Accounts was delayed for a short period beyond that prescribed by the Directive. All the necessary notifications were made in advance of the prescribed date. The content requirements of the Directive do not have a significant impact on the Group's financial statements.

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.

The financial statements have been prepared on a going concern basis, the validity of which is underpinned by the Irish Government's assurances that the Bank, under State ownership, is of systemic importance to Ireland and therefore will continue to trade as a commercial entity.

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 1.32 on pages 51 to 53.

1.3 Adoption of new accounting standards

From 1 October 2007 the Group has adopted the following standards:

- 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 impact on the 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 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 1.33 on page 53.

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 year. 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.

Minority 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 balance sheet separately to amounts attributable to equity holders of the parent.

The accounting policies have been consistently applied by Group entities.

1. General information and accounting policies continued

1.5 Interest income and expense recognition

Interest income and expense is recognised in the income statement 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 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.

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 fair value movements on financial assets.

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 and sales 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 or sell 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 the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payment is established.

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

1. General information and accounting policies continued

1.8 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 the income statement 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 the income statement as interest expense using the effective interest rate method.

1.9 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 balance sheet date.

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.

1.10 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 balance sheet date.

The Group assesses at each balance sheet date 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.

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 the income statement.

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 reporting date whose terms have been renegotiated during the financial year, 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.

1. General information and accounting policies continued

1.10 Impairment of financial assets continued

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 the income statement. Impairment losses recognised in the income statement 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. Reversals of impairments of debt securities are recognised in the income statement if the increase in fair value can be objectively related to an event occurring after the impairment loss was recognised.

1.11 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 unless there is a legal ability and intention to settle net. 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 the income statement.

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 the income statement. 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 the income statement 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 the income statement. 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 the income statement.

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.

1.12 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 on the Group's balance sheet.

The Group also 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 on the balance sheet. Collateral received in the form of cash is recognised on balance sheet with a corresponding liability. These items are assigned to deposits received from bank or other counterparties. Any interest payable or receivable 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 balance sheet 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. General information and accounting policies continued

1.13 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 balance sheet or in the notes thereto.

Premiums received and claims paid are accounted for directly in the balance sheet 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.

1.14 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 on the balance sheet. 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 balance sheet when the obligation is discharged, cancelled or expires.

1.15 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 each balance sheet date. 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.

1.16 Trading properties

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

1.17 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.

1.18 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 balance sheet at cost less accumulated depreciation and provisions for impairment losses, if any. Freehold investment properties are depreciated on a straight-line basis over fifty years. 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 balance sheet at fair value. Fair value is based on valuations by independent registered valuers which are determined based on current prices in an active market for similar properties in the same location and condition.

1.19 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. 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 balance sheet 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 balance sheet date. 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 recognised income and expense.

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.

1. General information and accounting policies continued

1.19 Employee benefits continued

Share-based payments to employees

The Group used a number of share-based payment schemes to incentivise its employees. 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 the income statement 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 revenue reserves reflecting the accumulated cost of the share-based payment recognised in the income statement.

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 revenue reserves reflecting the accumulated cost of the share-based payment recognised in the income statement.

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

1.20 Assets classified as held for sale

An asset is classified as held for sale if it is primarily acquired for the purpose of selling it in the near term and where a sale is highly probable and is expected to occur within one year. Assets classified as held for sale 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 the income statement.

1.21 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 balance sheet date. 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 the income statement 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 balance sheet date;
- 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 the income statement as part of the gain or loss on disposal.

1.22 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.

1.23 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 year 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 balance sheet 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 balance sheet date 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 the income statement 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.

1.24 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.

1. General information and accounting policies continued

1.24 Leases continued

Group as lessor continued

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 on the Group's balance sheet, 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 the income statement on a straight-line basis over the non-cancellable term of the lease.

1.25 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 the income statement 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.

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.

1.26 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 on the balance sheet at fair value with unrealised gains or losses being recognised directly through reserves except for impairment losses, which are recognised immediately through the income statement. Income on these equity instruments is credited to other operating income.

1.27 Sale and repurchase agreements

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

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.

1.28 Share capital

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.

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 balance sheet date are not recognised as a liability until they have been approved by ordinary shareholders. They are disclosed in the events after the balance sheet date note.

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

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

1.29 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.

1.30 Cash and cash equivalents

For the purposes of the cash flow statement, 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.

1.31 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.

1.32 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.

1. General information and accounting policies continued

1.32 Significant accounting estimates and judgements continued

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 promptly as a result of individual loans being regularly monitored. At least every six months the Group also performs a full formal review of its loan portfolios. This loan monitoring and review process determines whether there is any objective evidence of impairment. If there is objective evidence that a loan is impaired, a provision is recognised equating to the amount by which the book 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 often requires the exercise of considerable judgement by management involving matters such as future economic conditions and the resulting trading performance of the customer and the value of collateral, for which there may not be a readily accessible market. As a result these provisions can be subject to significant variation as time progresses and the circumstances become clearer. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to minimise any differences between loss estimates and actual loss experience.

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 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.

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 all other available information. The determination of whether or not objective evidence of impairment is present requires the exercise of management judgement.

Carrying amount of investment property

Investment properties held at cost are reviewed regularly to determine their recoverable values. Where a value in use calculation is performed as part of this review, management estimate 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.

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 exactly 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.

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. 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 balance sheet could be materially different if an alternative set of assumptions was used.

1.33 Prospective accounting changes

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:

- Amendment to IFRS 2 – Share-based Payment;
- IFRS 3 Revised - Business Combinations;
- IFRS 8 - Operating Segments;
- Amendment to IAS 1 - Presentation of Financial Statements;
- Amendment to IAS 23 - Borrowing Costs;
- Amendment to IAS 27 - Consolidated and Separate Financial Statements;
- Amendment to IAS 32 - Financial Instruments: Presentation;
- Amendment to IAS 39 - Financial Instruments: Recognition and Measurement – Eligible Hedged Items;
- 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 15 - Agreements for the Construction of Real Estate;
- IFRIC Interpretation 16 - Hedges of a Net Investment in a Foreign Operation;
- IFRIC Interpretation 17 - Distributions of Non-cash Assets to Owners; and
- IFRIC Interpretation 18 - Transfers of Assets from Customers.

These will be adopted in future years and are not expected to have a material impact on the Group's results or financial statements.

2. Segmental reporting

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
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	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

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
Additional information:						
Capital expenditure	6	3	5	6	-	20
Depreciation and amortisation	9	5	3	8	-	25
Provisions for impairment	82	67	-	-	-	149
Other non-cash expenses	7	3	2	4	-	16
Interests in joint ventures	-	-	88	-	-	88

Geographical segments	2007				
	Republic of Ireland €m	UK & IOM €m	USA €m	Rest of the World €m	Group €m
Revenue from external customers	3,260	1,781	491	50	5,582
Total external assets	64,142	24,514	7,616	380	96,652
Capital expenditure	9	8	1	2	20

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. The geographical segments are based primarily on the location of the office sourcing the transaction.

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

3. Net interest income	2008	2007
	€m	€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
	6,314	5,352
Interest on financial assets at fair value through profit or loss held on own account	10	19
	6,324	5,371
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)
	(4,436)	(3,805)
Net interest income	1,888	1,566

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

4. Fee and commission income and expense	2008	2007
	€m	€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
	143	177
Fee and commission expense	(11)	(16)

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 13).

5. 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)	-
	<u>4</u>	<u>19</u>

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. The negative foreign currency translation impact on net trading income of €31m is offset within the reduction in the Group's foreign tax charge (note 14).

6. 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	<u>(128)</u>	<u>(6)</u>

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.

7. 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
	<u>76</u>	<u>21</u>

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 16). 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 (note 40).

8. Administrative expenses

	2008	2007
	€m	€m
Staff costs:		
Wages and salaries	143	169
Share-based payment schemes (note 9)	21	24
Retirement benefits cost - defined contribution plans	14	12
Retirement benefits cost - defined benefit plans (note 10)	2	3
Social welfare costs	18	21
Other staff costs	8	6
	206	235
Other administrative costs	95	133
	301	368

The accounting charge for share-based payment schemes is determined by reference to the fair value of options or shares on the date of grant and does not necessarily reflect the value to the recipient. 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 Irish Minister for Finance.

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

	2008	2007
	number	number
Republic of Ireland	1,024	943
United Kingdom and Isle of Man	575	507
United States of America	120	90
Rest of the World	145	174
	1,864	1,714

9. Share-based payment schemes

Share-based payment expense	2008	2007
	€m	€m
Equity settled	12	16
Cash settled	9	8
Total share-based payment expense (note 8)	21	24

As at 30 September 2008 the Group operated a number of share-based incentive plans which featured ordinary shares of the parent Bank. The purpose of these plans was to motivate employees to contribute towards the creation of long-term shareholder value.

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 Irish Minister for Finance.

The signing into law of this Act is a non-adjusting post balance sheet event which does not require amendment to the share-based payment disclosures prepared based on the position of the plans as at 30 September 2008. The requirements of IFRS 2 'Share-based Payment' have been applied to all shares and share options granted after 7 November 2002. Further details in respect of the plans 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. During the continuance of the scheme each participant was limited to a maximum entitlement of scheme shares equivalent to an aggregate value of four times that employee's annual emoluments. From 1 February 2008, if an employee was also granted awards under the Performance Share Plan ('PSP') in the same annual accounting period, the salary limit for PSP awards would apply.

Basic tier options could not be transferred or assigned and 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 not be transferred or assigned and could be exercised only between the fifth and tenth anniversaries of their grant, or at such earlier time as approved by the Directors.

An option could not be granted if in so doing the total number of basic and second tier options granted under the scheme, when aggregated with the total number of shares awarded under the PSP, in the preceding three-year period, would exceed 3% of the issued ordinary share capital of the Bank.

An option could not be granted if in so doing the total number of basic and second tier options granted under the scheme, when aggregated with the total number of shares awarded under the PSP, in the preceding ten-year period, would exceed 10% of the issued ordinary share capital of the Bank.

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.

9. Share-based payment schemes continued

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.

An option could not be granted if in so doing the total number of ESOP options granted under the scheme, when aggregated with the total number of options granted under the Save As You Earn ('SAYE') Scheme, in the preceding ten-year period, would exceed 5% of the issued ordinary share capital of the Bank.

Save As You Earn Scheme

On 14 January 2000 the shareholders also approved the establishment of the Anglo Irish Bank 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.

During 2005 an Austrian version of the Anglo Irish Bank SAYE scheme was introduced for all Austrian staff. This scheme permitted eligible employees to save up to a maximum of €320 per month for five years and to use the proceeds of the savings contract to fund the exercise of 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.

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.

A further version was introduced during 2006 for all Swiss employees. This scheme permitted eligible employees to save up to a maximum of CHF500 per month for three or five years and to use the proceeds of the savings contract to fund the exercise of 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. On disposal of Anglo Irish Bank (Suisse) S.A. all options outstanding in relation to this scheme were either exercised or forfeited.

Performance Share Plan

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

An award could not be granted to an eligible employee if in so doing the aggregate of the Award Value of all shares granted under the PSP, and the Option Value of all basic and second tier ESOS options granted, in the annual accounting period, exceeded 150% (200% for the Group Chief Executive Officer) of the employee's annual salary. The Award Value of shares granted under the PSP was defined as the market value per share on the award date. The Option Value was defined as 25% of the option price for a basic tier option and 12.5% for a second tier option.

An award could not be granted if in so doing the total number of shares awarded under the scheme, when aggregated with the total number of basic and second tier options granted under the ESOS, in the preceding three-year period, would exceed 3% of the issued ordinary share capital of the Bank.

An award could not be granted if in so doing the total number of shares awarded under the scheme, when aggregated with the total number of basic and second tier options granted under the ESOS, in the preceding ten-year period, would exceed 10% of the issued ordinary share capital of the Bank.

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 is 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.

9. Share-based payment schemes continued

Approved Profit Sharing Scheme ('APSS') continued

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 2008 is €9m (2007: €8m) in relation to the profit sharing scheme, €5m (2007: €7m) of which was paid in shares, resulting in the trustees acquiring 504,290 (2007: 467,178) shares at a purchase price of €10.74 (2007: €14.85).

Deferred Share Scheme ('DSS')

At 30 September 2008 the trustee of the DSS held 1,124,576 (2007: 1,104,416) shares to honour conditional share awards granted between December 2005 and June 2008 to eligible Group employees as part of their remuneration package. These shares were purchased in the open market and were funded by interest free borrowings from a Group subsidiary undertaking. 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 and amounted to €3m in 2008 (2007: €4m). When the awards vested the trustee's borrowings were fully reimbursed by the sponsoring Group employer.

Movements in share awards

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

PSP	2008		2007	
	Number of conditional awards '000	Weighted average grant price €	Number of conditional awards '000	Weighted average grant price €
Outstanding at beginning of year	-	-	-	-
Granted	498	9.37	-	-
Outstanding at end of year	498	9.37	-	-

At 30 September 2008 the weighted average remaining contractual life of share awards outstanding under the PSP was 2 years.

DSS	2008		2007	
	Number of conditional awards '000	Weighted average grant price €	Number of conditional awards '000	Weighted average grant price €
Outstanding at beginning of year	1,104	11.65	1,108	9.33
Granted	478	10.64	347	14.79
Vested	(278)	8.32	(279)	6.52
Forfeited	(179)	12.06	(72)	10.89
Outstanding at end of year	1,125	11.98	1,104	11.65

At 30 September 2008 the weighted average remaining contractual life of share awards outstanding under the DSS was 1 year (2007: 1 year).

Movements in options

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

ESOS	2008		2007	
	Number of options '000	Weighted average exercise price €	Number of options '000	Weighted average exercise price €
	Outstanding at beginning of year	16,219	8.91	15,905
Granted	1,976	9.93	3,299	14.87
Exercised	(3,118)	5.01	(2,654)	4.53
Forfeited	(676)	10.51	(331)	11.38
Outstanding at end of year	14,401	9.82	16,219	8.91
Exercisable at end of year	3,129	5.37	2,103	3.50

ESOP	2008		2007	
	Number of options '000	Weighted average exercise price €	Number of options '000	Weighted average exercise price €
	Outstanding at beginning of year	3,200	11.54	1,969
Granted	662	9.92	1,381	14.89
Exercised	(399)	7.60	(80)	8.05
Forfeited	(199)	12.28	(70)	12.01
Outstanding at end of year	3,264	11.65	3,200	11.54
Exercisable at end of year	727	7.90	131	4.59

SAYE	2008		2007	
	Number of options '000	Weighted average exercise price €	Number of options '000	Weighted average exercise price €
	Outstanding at beginning of year	2,574	7.76	2,911
Granted	4,688	5.61	753	11.56
Exercised	(641)	3.43	(824)	4.20
Forfeited	(2,726)	8.69	(266)	7.78
Outstanding at end of year	3,895	5.08	2,574	7.76
Exercisable at end of year	71	6.64	39	1.29

9. Share-based payment schemes continued

The range of exercise prices, weighted average exercise prices, weighted average remaining contractual lives and the number of options outstanding for the option schemes were as follows:

30 September 2008				
	Range of exercise prices	Weighted average exercise price €	Weighted average remaining contractual life in years	Number of outstanding options '000
ESOS	Up to €4	1.87	3	251
	€4 to €7	5.09	5	2,698
	€7 to €10	8.73	7	5,201
	€10 to €13	11.34	7	3,183
	€13 to €17	14.91	8	3,068
ESOP	Up to €4	1.20	2	34
	€4 to €7	6.76	6	59
	€7 to €10	9.06	8	1,202
	€10 to €13	11.15	7	712
	€13 to €17	14.92	8	1,257
SAYE	Up to €4	3.65	4	1,062
	€4 to €7	5.17	4	2,435
	€7 to €10	8.11	2	368
	€10 to €14	11.61	3	30
30 September 2007				
	Range of exercise prices	Weighted average exercise price €	Weighted average remaining contractual life in years	Number of outstanding options '000
ESOS	Up to €4	2.12	4	1,100
	€4 to €7	5.00	6	4,103
	€7 to €10	8.01	7	4,445
	€10 to €13	11.38	8	3,362
	€13 to €17	14.91	9	3,209
ESOP	Up to €4	1.20	3	51
	€4 to €7	6.76	7	80
	€7 to €10	8.02	7	965
	€10 to €13	11.20	8	753
	€13 to €17	14.92	9	1,351
SAYE	Up to €4	1.44	1	467
	€4 to €7	4.66	2	133
	€7 to €10	8.25	3	1,248
	€10 to €14	11.55	4	726

Assumptions underlying the calculation of fair value

A binomial lattice option pricing model has been used to determine the value of options granted under the ESOS, ESOP and SAYE schemes. A Monte-Carlo simulation model has been used to determine the value of conditional share awards granted under the PSP. The following tables detail the assumptions used and the resulting weighted average fair values provided by the relevant pricing models.

	2008						
	ESOS		ESOP	SAYE Three	SAYE Five	SAYE Seven	PSP
	ESOS Basic	Second Tier					
Number of options/awards ('000)	679	1,297	662	3,128	1,275	285	498
Exercise price (€)	9.93	9.93	9.92	5.63	5.49	5.90	-
Share price at grant date (€)	9.93	9.93	9.92	6.33	6.17	6.28	9.37
Vesting period (years)	3	5	3	3	5	7	3
Expected volatility	24%	27%	24%	28%	27%	29%	30%
Option life (years)	10	10	10	3.5	5.5	7.5	-
Risk-free rate	4.0%	4.1%	4.0%	4.4%	4.4%	4.5%	3.4%
Dividend yield	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Fair value per option/award (€)	2.01	2.68	2.02	1.70	1.90	2.09	5.69

	2007						
	ESOS		ESOP	SAYE Three	SAYE Five	SAYE Seven	PSP
	ESOS Basic	Second Tier					
Number of options ('000)	1,370	1,929	1,381	453	263	37	-
Exercise price (€)	14.96	14.81	14.89	11.52	11.62	11.55	-
Share price at grant date (€)	14.96	14.81	14.89	15.12	14.98	15.61	-
Vesting period (years)	3	5	3	3	5	7	-
Expected volatility	24%	28%	24%	23%	26%	28%	-
Option life (years)	10	10	10	3.5	5.5	7.5	-
Risk-free rate	3.9%	4.0%	3.9%	4.2%	4.3%	4.3%	-
Dividend yield	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	-
Fair value per option (€)	3.09	4.05	3.08	4.71	5.28	6.35	-

The volatility assumption is set by taking historical volatility appropriate to the expected lives of the options or share awards. The risk-free rate is the yield on iBoxx Eurozone Sovereign bonds appropriate to the expected lives. The expected lives of options are based on historical data. The expected lives of share awards are the vesting period of the award.

There have been no modifications to the terms and conditions on which equity instruments were granted under the Group's share-based payment schemes. The weighted average share price at the dates of option exercise during the year was €10.28 (2007: €15.69).

10. 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.

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 all 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 30 September 2008 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	2008	2007
	% p.a.	% p.a.
Discount rate for liabilities of the schemes	6.00	5.50
Rate of increase in salaries	4.00	4.00
Rate of increase in pensions	2.50 to 3.00	2.25 to 3.00
Inflation rate	2.50	2.25

Mortality assumptions

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

	2008	2007
Longevity at age 60 for current pensioners (years)		
Males	25.3	23.6
Females	28.4	26.6
Longevity at age 60 for future pensioners (years)		
Males	26.5	24.9
Females	29.6	27.9

Sensitivity analysis

Sensitivity analysis for each of the principal assumptions used to measure the schemes' liabilities at 30 September 2008 is as follows:

	Change in assumption	Impact on scheme liabilities	
		increase by %	increase by €m
Discount rate	Decrease 0.5%	9.8%	10
Rate of increase in salaries	Increase 0.5%	3.9%	4
Inflation rate	Increase 0.5%	2.0%	2
Life expectancy	Increase by 1 year	2.0%	2

Assets

The expected long-term rate of return on assets of 6.0% (2007: 6.2%) at the year 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 2008	% of scheme assets 2008	Market value of assets 2008	Expected return 2007	% of scheme assets 2007	Market value of assets 2007
	%	%	€m	%	%	€m
Equities	8.3	38	41	7.6	49	60
Bonds	4.1	44	47	4.6	38	47
Property	7.3	3	3	6.6	3	4
Hedge funds	7.3	7	8	6.6	7	8
Cash	4.0	8	9	2.0	3	4
Total market value of schemes' assets			108			123
Actuarial value of liabilities of funded schemes			(102)			(97)
Surplus in the funded schemes - parent Bank			6			26
Pension reimbursement right in subsidiary			3			3
Retirement benefit assets - Group			9			29

At 30 September 2008, the assets of the pension schemes included ordinary shares in the parent Bank amounting to €0.1m (2007: €1m).

Retirement benefit liabilities - Group

	2008	2007
	€m	€m
Present value of unfunded obligations in subsidiary	(6)	(7)

The present value of unfunded obligations of €6m (2007: €7m) relates to the Group's Austrian subsidiary. Of this amount €3m (2007: €3m) is reimbursable by the former shareholders of that subsidiary.

10. Retirement benefits continued

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

Components of pension expense	Group and Bank	
	2008	2007
	€m	€m
Included in administrative expenses:		
Current service cost	3	3
Past service cost	2	1
Expected return on assets of pension schemes	(8)	(6)
Interest on liabilities of pension schemes	5	5
Cost of providing defined retirement benefits (note 8)	2	3

The actual return on assets during the year ended 30 September 2008 was a loss of €17m (2007: gain of €5m).

Amount recognised in statement of recognised income and expense ('SORIE')

	The Group		The Bank	
	2008	2007	2008	2007
	€m	€m	€m	€m
Change in assumptions underlying the present value of schemes' liabilities	2	19	1	19
Experience gains/(losses) on liabilities of the pension schemes	2	(4)	2	(4)
Actual return less expected return on assets of the pension schemes	(25)	(1)	(25)	(1)
Actuarial (losses)/gains recognised under IAS 19	(21)	14	(22)	14
Deferred tax on actuarial losses/(gains)	3	(2)	3	(2)
Actuarial (losses)/gains after tax (note 43)	(18)	12	(19)	12
Cumulative amount of after tax actuarial (losses)/gains recognised since 1 October 2004 in the SORIE to end of year	(13)	5	(14)	5

The change in assumptions underlying the present value of schemes' liabilities for the Group includes a gain of €1m (2007: €nil) 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 30 September 2009 are €2m.

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

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

	2008	2007
	€m	€m
Fair value of schemes' assets at beginning of year	123	118
Expected return	8	6
Contributions paid by employer	4	2
Benefit payments	(2)	(2)
Actuarial loss during year	(25)	(1)
Fair value of schemes' assets at end of year	108	123

Reconciliation of defined benefit obligations during the year

	2008	2007
	€m	€m
Defined benefit obligation at beginning of year	97	105
Current service cost	3	3
Past service cost	2	1
Interest cost	5	5
Benefit payments	(2)	(2)
Actuarial gain during year	(3)	(15)
Defined benefit obligation at end of year	102	97

History of experience gains and losses in funded and unfunded schemes

	2008	2007	2006	2005
	€m	€m	€m	€m
Difference between actual and expected return on assets:				
Amount	(25)	(1)	3	6
Percentage of schemes' assets at year end	23%	1%	3%	6%
Experience gains/(losses) on liabilities:				
Amount	2	(4)	(1)	(4)
Percentage of schemes' liabilities at year end	2%	4%	1%	4%
Total gross amount recognised in SORIE	(21)	14	6	(15)

Defined benefit pension schemes

	2008	2007	2006	2005
	€m	€m	€m	€m
Scheme assets	108	123	118	107
Funded defined benefit obligation	(102)	(97)	(105)	(98)
Surplus within funded schemes	6	26	13	9

11. Auditors' remuneration (including irrecoverable VAT)	2008	2007
	€m	€m
Statutory audit	1.3	1.1
Audit related services	0.5	0.3
Other services	0.4	0.4
	<u>2.2</u>	<u>1.8</u>

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.

12. Provisions for impairment	2008	2007
	€m	€m
Loans and advances to customers (note 25)		
Specific	224	51
Collective	500	31
	<u>724</u>	<u>82</u>
Investment securities - available-for-sale financial assets (note 24)		
Structured investment vehicles ('SIVs')	44	67
Other debt securities	111	-
	<u>155</u>	<u>67</u>
Total provisions for impairment	<u>879</u>	<u>149</u>

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 the US.

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.

13. 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 (note 29)	(48)	(18)
Profit on disposal	20	22

14. 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 (note 33)	(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	5	80
Foreign earnings subject to different tax rates resulting from the Japanese Yen financing arrangement (note 5)	23	-
Overprovision in prior years	-	(2)
Other	(6)	2
Taxation charge for year	120	235

15. Profit attributable to equity holders of the parent

€641m (2007: €909m) of the Group profit for the year attributable to equity holders 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.

16. Minority interest

The (loss)/profit attributable to minority interest is analysed as follows:

	2008	2007
	€m	€m
(Decrease)/increase in fair value of net assets held under investment contracts attributable to minority interest (note 7)	(7)	7
Other minority interest	1	3
	(6)	10

17. Distributions on equity shares

	2008	2007
	€m	€m
Ordinary shares of €0.16 each		
2007 final dividend of 13.01c per share (2006: 10.84c)	99	78
2008 interim dividend of 7.78c per share (2007: 6.48c)	60	49
	159	127
Final dividend scrip	(12)	(33)
Interim dividend scrip	(7)	(8)
Equity dividends paid	140	86

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

18. 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 13)	(€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 the prior year on the underlying results of the Group.

19. Cash and balances with central banks

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

20. Financial assets at fair value through profit or loss

	The Group		The Bank	
	2008 €m	2007 €m	2008 €m	2007 €m
Held on own account				
Debt securities	163	364	163	364
Equity shares	70	66	23	22
	233	430	186	386
Of which listed	163	365	163	364
Of which unlisted	70	65	23	22
	233	430	186	386

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

Fair value movements of €128m (2007: €6m) have negatively impacted the carrying value of debt securities (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	
	2008 €m	2007 €m	2008 €m	2007 €m
AAA / AA	94	254	94	254
A	26	38	26	38
BBB+ / BBB / BBB-	31	51	31	51
Sub investment grade	12	12	12	12
Unrated	-	9	-	9
	163	364	163	364

	The Group	
	2008 €m	2007 €m
Held in respect of liabilities to customers under investment contracts (note 38)		
Investments in property structures	259	217
Equity shares	200	394
Debt securities	10	33
	469	644
Of which listed	165	370
Of which unlisted	304	274
	469	644

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 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. The trading book includes corporate sales derivatives and related trading activities.

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 the Group uses a variety of credit enhancement techniques such as master netting agreements and collateral support agreements, 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. Fair values are obtained from quoted market prices in active markets and using valuation techniques including discounted cash flow and option pricing models, as appropriate. Derivative assets and liabilities on different transactions are only netted if a legal right of set off exists and the cash flows are intended to be settled on a net basis.

Details of the objectives, policies and strategies arising from the Group's use of financial instruments, including derivative financial instruments, are presented in note 47 on risk management and control.

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

21. Derivative financial instruments continued

The Group	2008		
	Contract notional amount €m	Fair values Assets €m	Liabilities €m
Derivatives held for trading			
Interest rate contracts			
Interest rate swaps	153,471	882	(915)
Interest rate caps, floors and options - held and written	10,793	42	(42)
Forward rate agreements	11,008	6	(6)
Interest rate futures - bought and sold	15,648	-	-
Exchange traded options - bought and sold	12,684	-	-
Interest rate contracts total	203,604	930	(963)
Foreign exchange contracts			
Forward foreign exchange	15,929	407	(229)
Foreign exchange options - held and written	4,680	43	(45)
Currency swaps	1,550	57	(37)
Foreign exchange contracts total	22,159	507	(311)
Other			
Equity index options - held and written	658	49	(44)
Credit derivatives	125	-	(5)
	783	49	(49)
Total trading derivative financial instruments	226,546	1,486	(1,323)
Derivatives held for hedging			
Derivatives designated as fair value hedges			
Interest rate and cross-currency interest rate swaps	8,878	345	(108)
Derivatives designated as cash flow hedges			
Interest rate swaps	10,438	102	(50)
Forward rate agreements	696	-	(1)
Forward foreign exchange	478	49	-
	11,612	151	(51)
Total hedging derivative financial instruments	20,490	496	(159)
Derivatives held in respect of liabilities to customers under investment contracts (note 38)	1,207	13	(8)
Total derivative financial instruments	248,243	1,995	(1,490)

The Bank	2008		
	Contract notional amount €m	Fair values Assets €m	Liabilities €m
Derivatives held for trading			
Interest rate contracts			
Interest rate swaps - external	155,548	923	(986)
Interest rate swaps - Group	13,588	96	(42)
Interest rate caps, floors and options - held and written	10,793	42	(42)
Forward rate agreements	11,008	6	(6)
Interest rate futures - bought and sold	15,648	-	-
Exchange traded options - bought and sold	12,684	-	-
Interest rate contracts total	219,269	1,067	(1,076)
Foreign exchange contracts			
Forward foreign exchange - external	15,929	407	(229)
Foreign exchange options - held and written	4,680	43	(45)
Currency swaps - external	2,315	280	(6)
Currency swaps - Group	8,173	156	(709)
Foreign exchange contracts total	31,097	886	(989)
Other			
Equity index options - held and written	658	49	(44)
Credit derivatives	125	-	(5)
	783	49	(49)
Total trading derivative financial instruments	251,149	2,002	(2,114)
Derivatives held for hedging			
Derivatives designated as fair value hedges			
Interest rate and cross-currency interest rate swaps	5,510	80	(37)
Derivatives designated as cash flow hedges			
Interest rate swaps	10,438	102	(50)
Forward rate agreements	696	-	(1)
Forward foreign exchange	478	49	-
	11,612	151	(51)
Total hedging derivative financial instruments	17,122	231	(88)
Total derivative financial instruments	268,271	2,233	(2,202)

21. Derivative financial instruments continued

The Group	2007		
	Contract notional amount €m	Fair values Assets €m	Liabilities €m
Derivatives held for trading			
Interest rate contracts			
Interest rate swaps	88,601	617	(645)
Interest rate caps, floors and options - held and written	11,710	28	(31)
Forward rate agreements	13,421	2	(2)
Interest rate futures - bought and sold	10,770	-	-
Exchange traded options - bought and sold	1,846	-	-
Interest rate contracts total	126,348	647	(678)
Foreign exchange contracts			
Forward foreign exchange	14,364	165	(164)
Foreign exchange options - held and written	4,710	17	(18)
Currency swaps	1,640	125	(16)
Foreign exchange contracts total	20,714	307	(198)
Other			
Equity index options - held and written	808	89	(89)
Credit derivatives	606	1	(1)
	1,414	90	(90)
Total trading derivative financial instruments	148,476	1,044	(966)
Derivatives held for hedging			
Derivatives designated as fair value hedges			
Interest rate and cross-currency interest rate swaps	11,232	168	(142)
Derivatives designated as cash flow hedges			
Interest rate swaps	10,719	95	(61)
Forward rate agreements	2,011	-	-
Forward foreign exchange	1,048	28	-
	13,778	123	(61)
Total hedging derivative financial instruments	25,010	291	(203)
Derivatives held in respect of liabilities to customers under investment contracts (note 38)	981	20	(6)
Total derivative financial instruments	174,467	1,355	(1,175)

The Bank	2007		
	Contract notional amount €m	Fair values	
		Assets €m	Liabilities €m
Derivatives held for trading			
Interest rate contracts			
Interest rate swaps - external	90,827	638	(711)
Interest rate swaps - Group	5,009	80	(19)
Interest rate caps, floors and options - held and written	11,710	28	(31)
Forward rate agreements	13,421	2	(2)
Interest rate futures - bought and sold	10,770	-	-
Exchange traded options - bought and sold	1,846	-	-
Interest rate contracts total	133,583	748	(763)
Foreign exchange contracts			
Forward foreign exchange - external	14,061	164	(156)
Forward foreign exchange - Group	308	1	(9)
Foreign exchange options - held and written	4,710	17	(18)
Currency swaps - external	2,937	168	(16)
Currency swaps - Group	1,297	-	(52)
Foreign exchange contracts total	23,313	350	(251)
Other			
Equity index options - held and written	808	89	(89)
Credit derivatives	606	1	(1)
	1,414	90	(90)
Total trading derivative financial instruments	158,310	1,188	(1,104)
Derivatives held for hedging			
Derivatives designated as fair value hedges			
Interest rate and cross-currency interest rate swaps	7,709	103	(76)
Derivatives designated as cash flow hedges			
Interest rate swaps	10,719	95	(61)
Forward rate agreements	2,011	-	-
Forward foreign exchange	1,048	28	-
	13,778	123	(61)
Total hedging derivative financial instruments	21,487	226	(137)
Total derivative financial instruments	179,797	1,414	(1,241)

21. Derivative financial instruments continued**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 year ended 30 September 2008 the Group recognised a net gain of €38m (2007: €55m) 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 €39m (2007: €55m).

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, and are subsequently recognised in the income statement when the forecast cash flows affect the income statement.

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

Group and Bank

	2008				Total €m
	Within one year €m	Between one to three years €m	Between three to five years €m	After five years €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
	2007				
	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	808	662	108	53	1,631
Forecast payable cash flows	(7)	-	-	-	(7)
	801	662	108	53	1,624

In the year to 30 September 2008 the Group transferred income of €16m (2007: expense of €13m) 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 charged to net trading income amounted to €0.1m (2007: €0.1m).

See note 47 for further details on the Group's hedging activities.

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 year net gains of €7m (2007: €4m) were released to profit or loss while gains of €11m (2007: €12m) were deferred. At 30 September 2008 total net unrealised gains amounted to €25m (2007: €21m).

22. Loans and advances to banks

	The Group		The Bank	
	2008 €m	2007 €m	2008 €m	2007 €m
Placements with banks	11,181	9,712	9,538	7,610
Securities purchased under agreements to resell	2,821	2,339	2,821	2,339
	14,002	12,051	12,359	9,949
Amounts include:				
Due from Group undertakings			-	74

The external ratings profile of loans and advances to banks is as follows:

	The Group		The Bank	
	2008 €m	2007 €m	2008 €m	2007 €m
AAA / AA	3,404	7,940	3,171	6,072
A	9,867	3,055	8,618	3,070
BBB+ / BBB / BBB-	583	801	570	807
Total held on own account	13,854	11,796	12,359	9,949
Policyholders' assets (note 38)	148	255	-	-
	14,002	12,051	12,359	9,949

Loans and advances to banks include short term placements of €7.5 billion with Irish Life & Permanent plc, which is covered by the Irish Government guarantee scheme (see note 36). €7.4 billion of this credit risk exposure expired in October 2008 upon maturity of the placements.

Loans and advances to banks also include balances of €53m (2007: €48m) 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 €2,756m (2007: €1,801m). The fair value of such collateral sold or repledged is €2,543m (2007: €498m).

23. Assets classified as held for sale

	The Group		The Bank	
	2008	2007	2008	2007
	€m	€m	€m	€m
Assets classified as held for sale	12	288	12	145

Assets classified as held for sale include assets that have been acquired by the Group with a view to sale to clients of the Group's Private Banking business. If the expected transaction does not occur within one year the asset ceases to be classified as held for sale. In 2008 assets totalling €135m ceased to be classified as held for sale. This has had no impact on the results of the Group.

24. Available-for-sale financial assets

	The Group		The Bank	
	2008	2007	2008	2007
	€m	€m	€m	€m
Listed				
Government bonds	3,159	2,229	3,135	2,211
Other debt securities	4,847	6,211	4,863	6,211
Equity shares	6	6	6	6
	8,012	8,446	8,004	8,428
Unlisted				
Certificates of deposit	-	3,844	-	3,844
Other debt securities	146	239	139	230
Equity shares	-	1	-	-
	146	4,084	139	4,074
Total	8,158	12,530	8,143	12,502

Amounts include:

Due from Group undertakings			22	-
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The movement on available-for-sale financial assets is summarised below:

At beginning of year	12,530	5,155	12,502	5,141
Additions	3,571	14,743	3,593	14,728
Disposals (sales and maturities)	(6,997)	(7,120)	(6,997)	(7,120)
Fair value movements	(667)	(189)	(677)	(189)
(Decrease)/increase in interest accruals	(74)	130	(74)	130
Exchange and other movements	(205)	(189)	(204)	(188)
At end of year	8,158	12,530	8,143	12,502

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 12).

The residual carrying value of available-for-sale financial assets classified as impaired is €8m (2007: €67m). There are no items in the available-for-sale category that are past due but not impaired.

The Bank'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.

At 30 September 2008 available-for-sale financial assets of €5,672m (2007: €1,000m) 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 the income statement in respect of available-for-sale financial assets amounted to €17m (2007: €1m) for both the Group and the Bank (note 7).

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

	The Group					2007 Total €m
	Financial Institutions €m	Residential Mortgage Securities €m	Sovereign €m	Asset Backed Securities €m	2008 Total €m	
AAA / AA	2,103	947	3,146	546	6,742	10,590
A	1,120	24	6	63	1,213	1,625
BBB+ / BBB / BBB-	64	24	2	63	153	266
Sub investment grade	5	3	5	24	37	30
Unrated	-	-	-	7	7	12
	3,292	998	3,159	703	8,152	12,523

The external ratings profile of the parent Bank's available-for-sale financial assets, excluding equity shares, is set out in note 52.

25. Loans and advances to customers

	The Group		The Bank	
	2008	2007	2008	2007
	€m	€m	€m	€m
Amounts receivable under finance leases (note 26)	72	85	59	66
Amounts receivable under hire purchase contracts (note 26)	37	85	21	31
Other loans and advances to customers	72,956	66,074	77,963	64,905
	73,065	66,244	78,043	65,002
Provisions for impairment	(914)	(295)	(732)	(209)
	72,151	65,949	77,311	64,793
Amounts include:				
Due from Group undertakings			11,961	5,560

The Bank's loans and advances to customers include €1,006m (2007: €1,127m) lent to fund assets held in respect of liabilities to customers under investment contracts (note 38).

The Group's loans and advances to customers include loans to equity-accounted joint venture interests of €923m (2007: €470m) and loans of €99m (2007: €101m) to joint venture interests held in respect of liabilities to customers under investment contracts. Also included are loans of €nil (2007: €148m) to entities which are classified as held for sale.

Provisions for impairment on loans and advances to customers	The Group		The Bank	
	2008	2007	2008	2007
	€m	€m	€m	€m
At beginning of year	295	270	209	243
Charge against profits - specific (note 12)	224	51	147	(10)
- collective (note 12)	500	31	416	24
Write-offs	(67)	(44)	(23)	(40)
Recoveries of previous write-offs	-	1	-	1
Unwind of discount	(13)	(7)	(7)	(4)
Exchange movements	(25)	(7)	(10)	(5)
At end of year	914	295	732	209
Specific	272	141	186	71
Collective	642	154	546	138
Total	914	295	732	209
Impaired loans	957	335	684	167

Loans pledged as collateral

Loans and advances to customers include loans of €6,295m (2007: €2,333m) for both the Group and the Bank 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 €5,000m (2007: €2,000m) covered bond programme. Bonds issued externally under the Bank's covered bond programme are included within debt securities in issue (note 37). The loans remain on the Group's and the Bank's balance sheet as substantially all of the risks and rewards relating to them are retained.

Loans and advances to customers also include loans of €5,463m (2007: €nil) for both the Group and the Bank which have been assigned as collateral under commercial mortgage backed security ('CMBS') programmes. The loans remain on the Group's and the Bank's balance sheet 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.

High quality

High quality ratings apply to exposures of strong financial standing that have an excellent repayment experience. These exposures are considered very low risk.

Good quality

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 nor 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 past due but where 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.

25. Loans and advances to customers continued

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

	The Group 2008				Total €m
	Commercial €m	Residential €m	Business Banking €m	Other Lending €m	
High quality	8,956	306	627	373	10,262
Good quality	32,866	8,553	6,427	4,186	52,032
Satisfactory quality	4,535	1,070	415	282	6,302
Lower quality but not past due nor impaired	1,526	800	276	134	2,736
Total neither past due nor 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 38)					(1,006)
Total					72,151

**Provisions for impairment on
loans and advances to customers**

	The Group 2008				Total €m
	Commercial €m	Residential €m	Business Banking €m	Other Lending €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

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

	The Group 2007				Total €m
	Commercial €m	Residential €m	Business Banking €m	Other Lending €m	
High quality	8,613	737	940	685	10,975
Good quality	34,848	10,554	4,765	3,588	53,755
Satisfactory quality	141	81	27	73	322
Lower quality but not past due nor impaired	184	47	105	27	363
Total neither past due nor impaired	43,786	11,419	5,837	4,373	65,415
Past due but not impaired	886	479	166	90	1,621
Impaired loans	92	138	28	77	335
	44,764	12,036	6,031	4,540	67,371
Provisions for impairment	(125)	(66)	(25)	(79)	(295)
	44,639	11,970	6,006	4,461	67,076
Less:					
Lending to policyholders in respect of investment contracts (note 38)					(1,127)
Total					65,949

**Provisions for impairment on
loans and advances to customers**

	The Group 2007				Total €m
	Commercial €m	Residential €m	Business Banking €m	Other Lending €m	
At beginning of year	119	52	33	66	270
Charge against profits	38	26	(3)	21	82
Write-offs	(28)	(6)	(4)	(6)	(44)
Recoveries of previous write-offs	1	-	-	-	1
Unwind of discount	(2)	(3)	(1)	(1)	(7)
Exchange movements	(3)	(3)	-	(1)	(7)
At end of year	125	66	25	79	295

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 52.

26. 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	
	2008	2007	2008	2007
	€m	€m	€m	€m
Gross receivables:				
Three months or less	24	31	16	16
One year or less but over three months	32	55	24	32
Five years or less but over one year	60	92	46	54
Over five years	2	4	2	4
	118	182	88	106
Unearned future income	(9)	(12)	(8)	(9)
Net receivables (note 25)	109	170	80	97
Present value of minimum lease payments receivable:				
Three months or less	23	31	16	16
One year or less but over three months	30	53	22	31
Five years or less but over one year	54	83	40	47
Over five years	2	3	2	3
Present value of minimum payments receivable	109	170	80	97
Provision for uncollectible minimum lease payments receivable *	4	4	3	3

* Included in provisions for impairment on loans and advances to customers (note 25)

There are no unguaranteed residual values accruing to the benefit of the Bank or the Group (2007: €nil).

The cost of assets acquired by the Group during the year for letting under finance leases and hire purchase contracts amounted to €35m (2007: €39m).

27. Interests in associate and joint ventures

Joint ventures	The Group		The Bank	
	2008	2007	2008	2007
	€m	€m	€m	€m
Unlisted				
At beginning of year	88	68	-	-
Investment in joint ventures	149	42	31	-
Transfers from assets classified as held for sale (note 23)	63	-	-	-
Disposals	-	(13)	-	-
Share of results	(1)	2	-	-
Distributions	(7)	(10)	-	-
Exchange movements	(8)	(1)	-	-
At end of year	284	88	31	-

Joint ventures	The Group		The Bank	
	2008	2007	2008	2007
	€m	€m	€m	€m
Group's share of:				
Current assets	24	66	-	-
Non-current assets	874	411	71	-
Current liabilities	(12)	(17)	-	-
Non-current liabilities	(602)	(372)	(40)	-
Interests in joint ventures	284	88	31	-
Income	36	32	-	-
Expenses	(37)	(29)	-	-
Taxation	-	(1)	-	-
Share of results of joint ventures	(1)	2	-	-

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

* 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. The Group holds 95% of the capital contributed to Heywood Park Limited. The strategic financial and operating decisions of this company require prior approval of all shareholders.

Associate	The Group	
	2008	2007
	€m	€m
Interest in associate - unlisted	16	-

In 2008 an interest in an associate of €16m was transferred from assets classified as held for sale (note 23).

The Group's share of the assets of its associate is €16m (2007: €nil). The Group's share of its liabilities, revenue and profit after tax is €nil (2007: €nil). The Group's share of its shareholders' funds is €16m (2007: €nil).

At 30 September 2008 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.

28. Investments in Group undertakings

	<u>The Bank</u>	
	<u>2008</u>	2007
	<u>€m</u>	<u>€m</u>
Investments in subsidiary undertakings at cost less provisions for impairment	<u>821</u>	<u>950</u>

The decrease in investments in subsidiary undertakings is primarily due to the disposal of Anglo Irish Bank (Suisse) S.A. on 29 February 2008 and exchange movements.

<u>Principal subsidiary undertakings and registered offices</u>	<u>Principal activity</u>
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 Bank (Austria) A.G. Rathausstrasse 20, P.O. Box 306, A-1011 Vienna, Austria	Banking
Anglo Irish Bank Corporation (International) PLC Jubilee Buildings, Victoria Street, Douglas, Isle of Man IM1 2SH	Banking
Anglo Irish Capital Funding Limited Walker House, Mary Street, George Town, Grand Cayman, Cayman Islands	Finance
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

Principal subsidiary undertakings and registered offices	Principal activity
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
Proodos Funding Limited 5 Harbourmaster Place, IFSC, Dublin 1, Ireland	Secured debt issuance
Proodos Funding (UK) Limited Winchester House, Mailstop 429, 1 Great Winchester Street, London EC2N 2DB, England	Secured debt issuance
Sparta Financial Services Stephen Court, 18/21 St. Stephen's Green, Dublin 2, Ireland	Finance
Steenwal B.V. Drentestraat 24 BG, 1083 HK 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 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 Group's interests in Anglo Irish Covered Bonds LLP, Colligo Funding Limited, Proodos Funding Limited and Proodos Funding (UK) 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. Investments in certain subsidiary undertakings operating as credit institutions are not directly held by the parent undertaking.

29. Intangible assets

	The Group		The Bank
	Computer software	Goodwill	Computer software
	€m	€m	€m
Cost			
At 1 October 2006	52	66	36
Additions	7	-	6
Disposals	-	(18)	-
Exchange movement	-	(2)	-
At 30 September 2007	59	46	42
Additions	21	-	21
Disposals	(1)	(48)	-
Exchange movement	(3)	2	(2)
At 30 September 2008	76	-	61
Accumulated amortisation			
At 1 October 2006	28	-	14
Charge for the year	14	-	12
At 30 September 2007	42	-	26
Charge for the year	16	-	16
Disposals	(1)	-	-
Exchange movement	(2)	-	(2)
At 30 September 2008	55	-	40
Net book value			
At 30 September 2008	21	-	21
At 30 September 2007	17	46	16

The decrease in goodwill in the current year is due to the sale of Anglo Irish Bank (Suisse) S.A. The prior year decrease related to the sale of the Isle of Man trust business.

There was no impairment of goodwill in either 2008 or 2007. The sales proceeds for both Anglo Irish Bank (Suisse) S.A. and the Isle of Man trust business exceeded their carrying amount including goodwill at the date of sale (note 13).

30. Investment property - held on own account

	The Group	
	2008	2007
	€m	€m
Cost		
At beginning of year	26	37
Additions	87	1
Disposals	(1)	(11)
Exchange movement	(2)	(1)
At end of year	110	26
Accumulated depreciation		
At beginning of year	1	1
Charge for the year	1	1
Disposals	-	(1)
At end of year	2	1
Net book value		
At end of year	108	25
At beginning of year	25	36

The fair value of investment property held on own account at 30 September 2008 is €115m (2007: €29m). Fair values are determined based on valuations performed by independent third party valuers using accepted Royal Institution of Chartered Surveyors or equivalent local guidelines appropriate to the location of the property.

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

	The Group	
	2008	2007
	€m	€m
Fair value		
At beginning of year	2,090	1,956
Additions	72	653
Disposals	(23)	(698)
Fair value movements	(343)	179
At end of year (note 38)	1,796	2,090

Investment properties held in respect of liabilities to customers under investment contracts are valued by independent third party valuers on an annual basis using accepted Royal Institution of Chartered Surveyors or equivalent local guidelines appropriate to the location of the property.

32. Property, plant and equipment

The Group	Freehold properties €m	Leasehold improvements €m	Computer and other equipment €m	Total €m
Cost				
At 1 October 2006	5	31	47	83
Disposal of Group undertaking	-	-	(2)	(2)
Additions	-	2	10	12
Disposals	-	(2)	(3)	(5)
At 30 September 2007	<u>5</u>	<u>31</u>	<u>52</u>	<u>88</u>
Disposal of Group undertaking	-	(3)	(1)	(4)
Additions	-	3	12	15
Disposals	-	(2)	(1)	(3)
Exchange movements	-	-	(2)	(2)
At 30 September 2008	<u>5</u>	<u>29</u>	<u>60</u>	<u>94</u>
Accumulated depreciation				
At 1 October 2006	1	11	34	46
Disposal of Group undertaking	-	-	(1)	(1)
Charge for the year	-	2	8	10
Disposals	-	(1)	(3)	(4)
At 30 September 2007	<u>1</u>	<u>12</u>	<u>38</u>	<u>51</u>
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	<u>2</u>	<u>12</u>	<u>42</u>	<u>56</u>
Net book value				
At 30 September 2008	<u>3</u>	<u>17</u>	<u>18</u>	<u>38</u>
At 30 September 2007	<u>4</u>	<u>19</u>	<u>14</u>	<u>37</u>

The Group occupies properties with a net book value of €18m at 30 September 2008 (2007: €21m) in the course of carrying out its own activities.

The Bank	Leasehold improvements €m	Computer and other equipment €m	Total €m
Cost			
At 1 October 2006	17	39	56
Additions	1	9	10
Disposals	(2)	(2)	(4)
At 30 September 2007	<u>16</u>	<u>46</u>	<u>62</u>
Additions	1	11	12
Disposals	(2)	(1)	(3)
Exchange movements	-	(2)	(2)
At 30 September 2008	<u>15</u>	<u>54</u>	<u>69</u>
Accumulated depreciation			
At 1 October 2006	7	28	35
Charge for the year	2	7	9
Disposals	(1)	(2)	(3)
At 30 September 2007	<u>8</u>	<u>33</u>	<u>41</u>
Charge for the year	2	7	9
Disposals	-	(1)	(1)
Exchange movements	-	(1)	(1)
At 30 September 2008	<u>10</u>	<u>38</u>	<u>48</u>
Net book value			
At 30 September 2008	<u>5</u>	<u>16</u>	<u>21</u>
At 30 September 2007	<u>8</u>	<u>13</u>	<u>21</u>

32. Property, plant and equipment continued

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

	2008		2007	
	Property €m	Equipment €m	Property €m	Equipment €m
Within one year	12	3	12	2
One to five years	36	2	35	1
Over five years	161	-	135	-
	209	5	182	3

The total of future minimum sublease payments expected to be received under non-cancellable subleases at 30 September 2008 was €1m (2007: €2m).

The Group profit before taxation is arrived at after charging operating lease rentals of €15m (2007: €15m). Sublease income recognised for the year was €1m (2007: €1m).

As at 30 September 2008 the Group and the Bank had contractual commitments of €4m (2007: €4m) for the acquisition of property, plant and equipment.

33. Deferred taxation

	The Group		The Bank	
	2008	2007	2008	2007
	€m	€m	€m	€m
Analysis of movement in deferred taxation:				
Opening net (liability)/asset	(2)	(9)	44	34
Income statement credit/(charge) for year (note 14)	18	(6)	(7)	(2)
Movements through equity	68	13	69	13
Group transfer	-	-	-	(1)
Exchange movements	(3)	-	(3)	-
Closing net asset/(liability)	81	(2)	103	44
Analysis of deferred taxation asset:				
Available-for-sale financial assets	80	14	82	14
Arrangement fees	11	14	11	14
Impairment provisions	5	5	4	5
Employee benefits and share-based payment schemes	4	5	2	5
Derivatives and cash flow hedges	3	6	3	6
Other temporary differences	4	3	2	2
	107	47	104	46
Analysis of deferred taxation liability:				
Unremitted profits of subsidiaries	(16)	(37)	-	-
Arrangement fees	(6)	(7)	-	-
Other temporary differences	(4)	(5)	(1)	(2)
	(26)	(49)	(1)	(2)
Represented on the balance sheet as follows:				
Deferred taxation asset	107	47	104	46
Deferred taxation liability	(26)	(49)	(1)	(2)
	81	(2)	103	44

34. Other assets

	The Group		The Bank	
	2008	2007	2008	2007
	€m	€m	€m	€m
Trading properties	12	137	-	-
Sundry debtors	21	6	-	1
	33	143	-	1

35. Deposits from banks

	The Group		The Bank	
	2008	2007	2008	2007
	€m	€m	€m	€m
Repayable on demand	691	414	5,147	6,041
Securities sold under agreements to repurchase	12,397	1,886	12,397	1,886
Other deposits by banks with agreed maturity dates	7,365	5,301	6,982	4,801
	20,453	7,601	24,526	12,728
Amounts include:				
Due to Group undertakings			4,477	5,676

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 (note 25).

36. Customer accounts

	The Group		The Bank	
	2008	2007	2008	2007
	€m	€m	€m	€m
Repayable on demand	3,015	3,800	8,602	3,134
Other deposits by customers with agreed maturity dates	48,484	48,886	43,808	43,566
	51,499	52,686	52,410	46,700
Amounts include:				
Due to Group undertakings			6,514	933
Customer type				
Retail deposits	19,156	19,370	14,744	15,810
Non-retail deposits	32,343	33,316	37,666	30,890
	51,499	52,686	52,410	46,700

The Group's retail deposits comprise demand, notice and fixed term deposit accounts from personal savers with maturities of up to two years. Non-retail deposits are sourced from commercial entities, charities, public sector bodies, pension funds, credit unions and other non-bank financial institutions. At 30 September 2008 non-retail deposits were more concentrated and shorter in duration than at the prior year end. Information on contractual maturities of customer accounts is contained in note 47.

In addition, at 30 September 2008 non-retail deposits included €7.3 billion of deposits from Irish Life Assurance plc, a non-bank affiliate of the Irish Life & Permanent group, which matured on or before 3 October 2008. As no right of set-off existed between these deposits and placements which the Group had with Irish Life & Permanent plc (note 22), these non-retail deposits were recorded as liabilities on the Group's balance sheet in accordance with accounting standards.

Average total customer deposits for the twelve months to 30 September 2008 were €50.1 billion (2007: €45.4 billion).

The Group's customer accounts include €1,262m (2007: €nil) relating to securities sold under agreements to repurchase. Customer accounts also include €11m (2007: €45m) received from equity-accounted joint venture interests.

The Bank's customer accounts include €178m (2007: €363m) of deposits held in respect of liabilities to customers under investment contracts (note 38). These deposits eliminate on consolidation in the Group customer accounts balances.

37. Debt securities in issue

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

Bonds issued under the Group's covered bond programme are secured on certain loans and advances to customers (note 25).

38. Liabilities to customers under investment contracts

	The Group	
	2008 €m	2007 €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.

39. Other liabilities

	The Group		The Bank	
	2008	2007	2008	2007
	€m	€m	€m	€m
Amounts attributable to external unitholders linked to investment contracts (note 38)	77	110	-	-
Sundry liabilities	79	65	77	55
	156	175	77	55

40. Subordinated liabilities and other capital instruments

	The Group		The Bank	
	2008	2007	2008	2007
	€m	€m	€m	€m
Dated Loan Capital				
€750m Floating Rate Subordinated Notes 2014 (a)	722	749	722	749
US\$165m Subordinated Notes Series A 2015 (b)	117	115	117	115
US\$35m Subordinated Notes Series B 2017 (c)	25	24	25	24
€500m Callable Floating Rate Subordinated Notes 2016 (d)	499	499	499	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)	262	294	-	-
Stg£250m Tier One Non-Innovative Capital Securities (g)	336	368	-	-
€600m Perpetual Preferred Securities (h)	452	521	-	-
Stg£300m Non-Cumulative Preference Shares (i)	371	407	371	407
Stg£300m Step-up Perpetual Subordinated Notes (j)	385	424	385	424
€600m Fixed/Floating Perpetual Preferred Securities (k)	571	599	-	-
Stg£350m Fixed/Floating Perpetual Preferred Securities (l)	458	516	-	-
Other subordinated liabilities	1	9	1	9
	4,948	5,274	2,869	2,976

All 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.

During the year the Group repurchased subordinated liabilities and other capital instruments with a nominal value of €94m. In addition, other subordinated liabilities of €8m matured during the year.

- (a) The €750m Floating Rate Subordinated Notes 2014 bear interest at three month EURIBOR plus 0.45% per annum to 25 June 2009 and thereafter 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.
- (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) On 28 June 2001 Anglo Irish Asset Finance plc ('issuer') issued Stg£200m 8.5325% Step-up Callable Perpetual Capital Securities ('securities') at par value which have the benefit of a subordinated guarantee by Anglo Irish Bank Corporation Limited ('guarantor').

The securities are perpetual securities and have no maturity date. However, they are redeemable in whole or in part at the option of the issuer, subject to the prior approval of the Financial Regulator in Ireland and of the guarantor, at their principal amount together with any outstanding payments on 28 June 2011 or on any coupon payment date thereafter.

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) On 23 July 2002 Anglo Irish Asset Finance plc ('issuer') issued Stg£160m 7.625% Tier One Non-Innovative Capital Securities ('TONICS') at an issue price of 99.362%. A further tranche of Stg£90m TONICS was issued on 21 March 2003 at an issue price of 106.378% plus accrued interest. These issues also have the benefit of a subordinated guarantee by Anglo Irish Bank Corporation Limited ('guarantor').

The TONICS are perpetual and have no maturity date. However, they are redeemable in whole but not in part at the option of the issuer, subject to the prior approval of the Financial Regulator in Ireland and of the guarantor, at their principal amount together with any outstanding payments on 23 July 2027 or on any coupon payment date thereafter.

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

The rights and claims of the holders of the securities at (f) above and the TONICS are subordinated to the claims of the senior creditors of the issuer or of the guarantor (as the case may be) in that no payment in respect of the securities or the TONICS or the guarantees in respect of them shall be due and payable except to the extent that the issuer or the guarantor (as applicable) is solvent and could make such a payment and still be solvent immediately thereafter and the guarantor is in compliance with applicable regulatory capital adequacy requirements. Upon any winding up of the issuer or the guarantor, the holders of the securities and the TONICS will rank *pari passu* with the holders of preferred securities and preference shares issued by or guaranteed by the issuer or the guarantor and in priority to all other shareholders of the issuer and of the guarantor.

40. Subordinated liabilities and other capital instruments continued

- (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 ('preferred securities') of €1,000 each issued at par. The preferred securities have the benefit of a subordinated guarantee by Anglo Irish Bank Corporation Limited ('guarantor'). 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 guarantor.

The preferred securities are perpetual and have no repayment date. However, they are redeemable in whole, but not in part, at the option of Anglo Irish Capital GP Limited and subject to the prior approval of the Financial Regulator in Ireland, at their issue price together with any outstanding payments on 30 March 2010 or on any distribution date thereafter.

Cash distributions to the limited partners are payable semi-annually in arrears on 30 March and 30 September. The distribution rate on the preferred securities 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.

Anglo Irish Bank Corporation Limited has guaranteed the holders of the preferred securities with respect to their rights to distributions and on liquidation. The guarantee gives, as nearly as possible, the holders of the preferred securities rights equivalent to those which the holders would be entitled to if they held preferred securities in Anglo Irish Bank Corporation Limited itself. No distributions can be paid in respect of the preferred securities by the issuer or the guarantor if the guarantor is not in compliance with applicable regulatory capital adequacy requirements.

- (i) 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. The holders of these preference shares 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.

These preference shares are redeemable at Stg£1,000 per share in whole, but not in part, at the option of the issuer, subject to the prior consent of the Financial Regulator in Ireland, on 15 June 2015 and on any dividend date thereafter.

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, the 300,000 Non-Cumulative Preference Shares in issue were transferred to the Irish Minister for Finance.

- (j) The Stg£300m Step-up Perpetual Subordinated Notes were issued on 5 October 2005 and bear interest at 5.25% per annum fixed to 5 October 2015 and thereafter reset at three month LIBOR plus 1.68% per annum. These notes are redeemable at par in whole, but not in part, at the option of the Bank, subject to the prior approval of the Financial Regulator in Ireland, on 5 October 2015 and on any coupon date thereafter.

- (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 ('preferred securities') issued at par in the denomination per preferred security of €50,000 and integral multiples of €1,000 thereabove (subject to investors holding a minimum interest of €50,000). The preferred securities have the benefit of a subordinated guarantee by Anglo Irish Bank Corporation Limited ('guarantor'). 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 guarantor.

The preferred securities are perpetual and have no repayment date. However, they are redeemable in whole, but not in part, at the option of Anglo Irish Capital GP Limited and subject to the prior approval of the Financial Regulator in Ireland, at their issue price together with any outstanding payments on 29 September 2016.

Cash distributions to the limited partners are payable annually on 29 September. The distribution rate on the preferred securities was fixed at 5.219% per annum to 29 September 2016 and thereafter resets at three month EURIBOR plus 2.20% per annum.

Anglo Irish Bank Corporation Limited has guaranteed the holders of the preferred securities with respect to their rights to distributions and on liquidation. The guarantee gives, as nearly as possible, the holders of the preferred securities rights equivalent to those which the holders would be entitled to if they held preferred securities in Anglo Irish Bank Corporation Limited itself. No distributions can be paid in respect of the preferred securities by the issuer or the guarantor if the guarantor 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 ('preferred securities') issued at par in the denomination per preferred security of Stg£50,000 and integral multiples of Stg£1,000 thereabove (subject to investors holding a minimum interest of Stg£50,000). The preferred securities have the benefit of a subordinated guarantee by Anglo Irish Bank Corporation Limited ('guarantor'). 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 guarantor.

The preferred securities are perpetual and have no repayment date. However, they are redeemable in whole, but not in part, at the option of Anglo Irish Capital GP Limited and subject to the prior approval of the Financial Regulator in Ireland, at their issue price together with any outstanding payments on 1 June 2017, or on any distribution payment date thereafter.

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.

Anglo Irish Bank Corporation Limited has guaranteed the holders of the preferred securities with respect to their rights to distributions and on liquidation. The guarantee gives, as nearly as possible, the holders of the preferred securities rights equivalent to those which the holders would be entitled to if they held preferred securities in Anglo Irish Bank Corporation Limited itself. No distributions can be paid in respect of the preferred securities by the issuer or the guarantor if the guarantor is not in compliance with applicable regulatory capital adequacy requirements.

41. Share capital

	Group and Bank	
	2008	2007
	€m	€m
Ordinary share capital		
Authorised		
1,200,000,000 ordinary shares of €0.16 each (2007: 1,200,000,000)	192	192
Allotted, called up and fully paid		
769,150,409 ordinary shares of €0.16 each (2007: 763,113,647)	123	122
Movements in allotted, called up and fully paid share capital		
	2008	2007
	number	number
Number of ordinary shares:		
At beginning of year	763,113,647	721,299,187
Share placement	-	35,709,707
Scrip dividends	1,779,275	2,626,115
Options exercised		
- Employee Share Option Scheme	3,118,400	2,654,400
- Save As You Earn scheme	640,665	824,238
Performance Share Plan	498,422	-
At end of year	769,150,409	763,113,647

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 Irish Minister for Finance.

During the year ended 30 September 2008 the allotted, called up and fully paid ordinary share capital was increased from 763,113,647 to 769,150,409 shares as follows:

In February 2008 1,084,592 ordinary shares were issued to those holders of ordinary shares who elected, under the terms of the scrip dividend election offer, to receive additional ordinary shares at a price of €11.09 in lieu of all or part of the cash element of their final dividend entitlement in respect of the year ended 30 September 2007.

In July 2008 694,683 ordinary shares were issued to those holders of ordinary shares who elected, under the terms of the scrip dividend election offer, to receive additional ordinary shares at a price of €9.37 in lieu of all or part of the cash element of their interim dividend entitlement in respect of the year ended 30 September 2008.

During the year 3,118,400 ordinary shares were issued to option holders on the exercise of options under the terms of the Employee Share Option Scheme at prices ranging from €1.18 to €7.97, and 640,665 ordinary shares were issued to option holders on the exercise of options under the terms of the Save As You Earn scheme at prices ranging from €0.90 to €8.90.

During the year 498,422 ordinary shares were issued under the terms of the Performance Share Plan at a price of €9.37. These shares were held in trust (note 44) and would have been transferred to the award holders after three years provided certain performance conditions had been achieved.

The Group operated a number of share-based incentive plans, details of which are provided in note 9.

Under resolutions approved by the shareholders, the Bank had the authority to make market purchases of any class of its own shares to the extent of 10% of its then issued share capital and to hold these shares as treasury shares. This authority has not been exercised.

Preference share capital

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

	Group and Bank	
	2008	2007
	€m	€m
50,000,000 non-cumulative preference shares of €1 each	50	50
50,000,000 non-cumulative preference shares of Stg£1 each	63	72
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 40).

42. Minority interest

	The Group	
	2008	2007
	€m	€m
Net asset value held under investment contracts attributable to minority interest (note 38)	-	7
Other minority interest	7	6
	7	13

43. Total equity

The following tables provide a reconciliation of the movements in total equity. A description of the components of other reserves is provided below:

Capital reserve

The capital reserve 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 balance sheets of foreign operations using exchange rates ruling at the year end. It also includes the cumulative foreign exchange differences arising from the translation of the Group's opening investment in foreign operations, net of exchange differences arising on funding designated as hedges of these investments.

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.

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 are presented net of transfers to the income statement in respect of fair value hedging and disposals. It is stated net of deferred taxation.

Share-based payments reserve

The share-based payments reserve represents the cumulative income statement expense for unexercised share options and deferred share awards granted on or after 7 November 2002.

43. Total equity continued

Consolidated reconciliation of movements in total equity

	Share capital €m	Share premium €m	Capital €m	Exchange translation €m	Other reserves				Retained profits €m	Minority interest €m	Total €m
					Cash flow hedging €m	Available-for-sale €m	Share-based payments €m				
2007											
Balance at 1 October 2006	115	594	1	2	(24)	7	23	1,971	3	2,692	
Profit for the year	-	-	-	-	-	-	-	998	10	1,008	
Equity dividends	-	-	-	-	-	-	-	(127)	-	(127)	
Share placing	6	531	-	-	-	-	-	-	-	537	
Options exercised and scrip dividends	1	14	-	-	-	-	(5)	46	-	56	
Net movement in own shares	-	-	-	-	-	-	-	(17)	-	(17)	
Actuarial gains after tax in retirement benefit schemes	-	-	-	-	-	-	-	12	-	12	
Share-based payments	-	-	-	-	-	-	16	-	-	16	
Net changes in fair value	-	-	-	-	(6)	(165)	-	-	-	(171)	
Impairment recognised in income statement	-	-	-	-	-	59	-	-	-	59	
Transfers to income statement	-	-	-	-	11	(1)	-	-	-	10	
Other movements	-	-	-	(8)	-	-	(2)	-	-	(10)	
Balance at 30 September 2007	122	1,139	1	(6)	(19)	(100)	32	2,883	13	4,065	
2008											
Balance at 30 September 2007	122	1,139	1	(6)	(19)	(100)	32	2,883	13	4,065	
Profit for the year	-	-	-	-	-	-	-	670	(6)	664	
Equity dividends	-	-	-	-	-	-	-	(159)	-	(159)	
Options exercised and scrip dividends	1	17	-	-	-	-	(5)	24	-	37	
Net movement in own shares	-	-	-	-	-	-	-	(11)	-	(11)	
Actuarial losses after tax in retirement benefit schemes	-	-	-	-	-	-	-	(18)	-	(18)	
Share-based payments	-	-	-	-	-	-	12	-	-	12	
Net changes in fair value	-	-	-	-	24	(584)	-	-	-	(560)	
Impairment recognised in income statement	-	-	-	-	-	136	-	-	-	136	
Transfers to income statement	-	-	-	-	(14)	(15)	-	-	-	(29)	
Other movements	-	-	-	(3)	-	-	(2)	-	-	(5)	
Balance at 30 September 2008	123	1,156	1	(9)	(9)	(563)	37	3,389	7	4,132	

Retained profits are stated net of treasury shares of €80m (2007: €74m) (note 44).

Net gains and losses of €nil (2007: €nil) in respect of net investment hedges have been recorded in equity.

Reconciliation of movements in total equity - The Bank

	Share capital €m	Share premium €m	Capital €m	Other reserves					Retained profits €m	Total €m
				Exchange translation €m	Cash flow hedging €m	Available-for-sale €m	Share-based payments €m			
2007										
Balance at 1 October 2006	115	594	1	1	(24)	7	23	1,612	2,329	
Profit for the year	-	-	-	-	-	-	-	909	909	
Equity dividends	-	-	-	-	-	-	-	(127)	(127)	
Share placing	6	531	-	-	-	-	-	-	537	
Options exercised and scrip dividends	1	14	-	-	-	-	(5)	46	56	
Actuarial gains after tax in retirement benefit schemes	-	-	-	-	-	-	-	12	12	
Share-based payments	-	-	-	-	-	-	16	-	16	
Net changes in fair value	-	-	-	-	(6)	(165)	-	-	(171)	
Impairment recognised in income statement	-	-	-	-	-	59	-	-	59	
Transfers to income statement	-	-	-	-	11	(1)	-	-	10	
Other movements	-	-	-	(5)	-	-	(2)	-	(7)	
Balance at 30 September 2007	122	1,139	1	(4)	(19)	(100)	32	2,452	3,623	
2008										
Balance at 30 September 2007	122	1,139	1	(4)	(19)	(100)	32	2,452	3,623	
Profit for the year	-	-	-	-	-	-	-	641	641	
Equity dividends	-	-	-	-	-	-	-	(159)	(159)	
Options exercised and scrip dividends	1	17	-	-	-	-	(5)	24	37	
Actuarial losses after tax in retirement benefit schemes	-	-	-	-	-	-	-	(19)	(19)	
Share-based payments	-	-	-	-	-	-	12	-	12	
Net changes in fair value	-	-	-	-	24	(592)	-	-	(568)	
Impairment recognised in income statement	-	-	-	-	-	136	-	-	136	
Transfers to income statement	-	-	-	-	(14)	(15)	-	-	(29)	
Other movements	-	-	-	(4)	-	-	(2)	-	(6)	
Balance at 30 September 2008	123	1,156	1	(8)	(9)	(571)	37	2,939	3,668	

44. Treasury shares

	The Group	
	2008	2007
	€m	€m
Ordinary shares in Anglo Irish Bank Corporation plc ('own shares') at cost	76	60
Treasury shares held for the benefit of policyholders	4	14
	80	74

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 Irish Minister for Finance. Following this transfer all rights granted to employees under the Employee Share Ownership Plan ('ESOP'), the Performance Share Plan ('PSP') and the Deferred Share Scheme ('DSS') were extinguished.

At 30 September 2008 own shares were held to satisfy share options granted or to be granted to employees under the ESOP and also to honour conditional share awards made to employees under the DSS and the PSP (note 9).

The trustee of the ESOP borrowed funds from a Group subsidiary undertaking, interest free, to enable the trustee to purchase own shares in the open market. At 30 September 2008 options were outstanding over 3,264,218 (2007: 3,199,700) own shares at exercise prices ranging from €1.20 to €16.28. These options could be exercised at various dates up to March 2018. The proceeds of option exercises were used to repay the loan.

At 30 September 2008 the trustee of the DSS held 1,124,576 (2007: 1,104,416) own shares to honour conditional share awards granted between December 2005 and June 2008 to eligible Group employees as part of their remuneration package. These shares were purchased in the open market and were also funded by interest free borrowings from a Group subsidiary undertaking. 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 providing these awards was expensed in the income statement over the vesting period of the awards. When the awards vested the trustee's borrowings were fully reimbursed by the sponsoring Group employer.

At 30 September 2008 the trustee of the PSP held 498,422 (2007: nil) own shares to honour conditional share awards granted in February 2008 to eligible Group employees as part of their remuneration package. These shares were issued by the Bank and were conditional on specific performance targets being met. These performance conditions are described in detail in note 9.

Including the above, at 30 September 2008 the trustees held 8,251,193 (2007: 6,665,825) own shares with a market value of €32m (2007: €88m). The dividend income received during the year on own shares of €2m (2007: €1m) is excluded in arriving at the Group profit before taxation.

At 30 September 2008 Anglo Irish Assurance Company Limited held 958,769 (2007: 1,025,090) ordinary shares for the benefit of policyholders which were categorised as treasury shares and had a market value of €4m (2007: €14m) (note 38).

45. Contingent liabilities, commitments and other contingencies

	The Group		The Bank	
	2008 €m	2007 €m	2008 €m	2007 €m
Contingent liabilities				
Guarantees and irrevocable letters of credit	624	1,411	647	1,283
Performance bonds and other transaction related contingencies	112	113	91	89
	736	1,524	738	1,372
Commitments				
Credit lines and other commitments to lend	6,282	9,775	5,329	7,323

Other contingencies

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

46. Cash flow statement

	The Group		The Bank	
	2008 €m	2007 €m	2008 €m	2007 €m
Other non-cash items				
Provisions for impairment	879	149	718	81
Loans and advances written-off net of recoveries	(67)	(43)	(23)	(39)
Net (decrease)/increase in accruals and deferred income	(47)	15	(38)	37
Net (increase)/decrease in prepayments and accrued income	(15)	3	(17)	(3)
Depreciation and amortisation	27	25	25	21
Profit on disposal of businesses	(20)	(22)	-	-
Gains on repurchase of financial liabilities measured at amortised cost	(30)	-	(2)	-
Net gains on disposal of available-for-sale financial assets	(17)	(1)	(17)	(1)
Share-based payment expense	12	16	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)	-	1
	721	138	658	113
Cash and cash equivalents				
Cash and balances with central banks	1,822	848	1,809	830
Loans and advances to banks (with a maturity of less than three months)	12,713	9,984	11,232	8,063
At 30 September	14,535	10,832	13,041	8,893

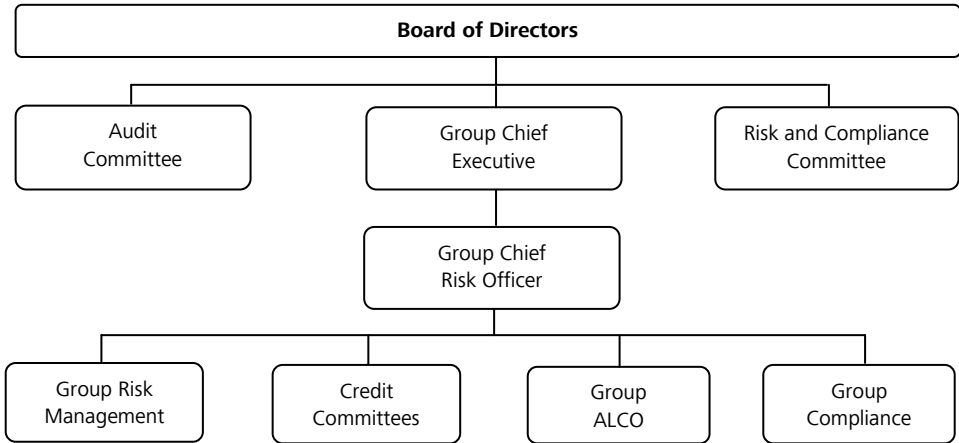
47. Risk management and control

The Group is subject to a variety of risks and uncertainties in the normal course of its business activities. As required by the Transparency (Directive 2004/109/EC) Regulations 2007, a description of the principal risks and uncertainties facing the Group is set out on pages 20 and 21.

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 has established a risk management framework covering accountability, measurement, reporting and management of risk throughout the Group.

Risk management framework

The Board approves the overall Group strategy and is responsible for approving the Group's risk appetite. The Board is supported in this responsibility by the following committees and control functions:



The Risk and Compliance Committee's main role is to oversee risk management and compliance. The Committee reviews, on behalf of the Board, the key risks and compliance issues inherent in all aspects of the Group's business and the system of controls necessary to effectively manage them. The Committee comprises three Non-executive Directors and approves all Group risk policies.

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 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 Group is currently engaged in the process of appointing a new externally sourced Chief Risk Officer to the Board. In the interim period Peter Butler, former Managing Director of the Bank's Private Banking business, has been appointed to this position.

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 line management. Group Internal Audit provides independent, objective assurance as to whether the Group's network of risk management and control is adequate 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. This function sets limits consistent with the Group's risk appetite, monitors and reports on compliance with those limits and oversees the management of risk. The Group Risk Management function reports to the CRO and ensures that the Board and senior management are kept fully aware of the business control environment, the major risks faced by the Group and the actions taken to monitor and control these risks.

Group Risk Management's independent oversight and analysis covers the following four core areas:

- Credit risk;
- Market risk;
- Liquidity and funding risk;
- 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

The Group's policy on banking credit risk is set out in a detailed credit policy, which is approved by the Risk and Compliance Committee and reviewed on a regular basis. All applications for credit are assessed with reference to the following criteria:

- Credit standing of the applicant;
- Debt service cover;
- Value and quality of collateral;
- Exposure limits;
- Sectoral risk concentration limits; and
- Country risk concentration limits.

Every lending manager is responsible for managing risk in his or her business area, while the overall risk infrastructure is monitored by the Banking Credit Risk function to ensure effective implementation of controls, methodologies and procedures across the Group.

The Group operates a tiered system of discretions. Consistency of approach is ensured by the implementation of the credit policy and the presence of key personnel at all Credit Committee meetings. The Credit Committees, which include Executive Directors and senior management, are the most senior forum for approving credit exposures. Consensus is required before authorising a credit exposure and each individual credit must be signed by a valid quorum.

Credit risk is identified and assessed through a combination of top-down and bottom-up risk assessment processes. 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. Banking Credit Risk undertake a full semi-annual review of the Group's loan book, where all aspects of a loan's performance are thoroughly reviewed.

47. Risk management and control continued

Banking credit risk *continued*

The performance of individual facilities is closely monitored by Banking Credit Risk who maintain a list of lower quality cases. These cases, while considered lower quality, are not impaired but require increased management attention to prevent any deterioration in asset quality. Banking Credit Risk also maintain a list of satisfactory cases for exposures that continue to represent satisfactory quality loans but are subject to closer monitoring.

Impaired loans are identified in line with the recognition of 'objective evidence' as defined in the Group's provisioning policy.

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 Group Risk Management, 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, Group Risk Management has the authority to write off the outstanding exposure. Group Risk Management will make this determination, in line with Group credit policies, when it has concluded that the likelihood of further recovery is remote.

Renegotiated loans are those facilities that, during the financial year, have had their terms renegotiated resulting in an upgrade from impaired to performing status. This upgrade can be based, among other things, on subsequent good performance or an improvement in the credit profile of the borrower. Renegotiated loans and advances were €9m as at 30 September 2008 (2007: €42m).

The Group's credit policy is designed to ensure that the Group limits significant credit risk concentrations. The Banking Credit Risk function monitors risk concentrations and reports, at divisional and Group level, on a monthly basis. More detailed reports are prepared quarterly at Group level. In addition other specific reports are prepared as required. This facilitates discussion at senior management and Board Committee level on appropriate actions and ensures that the Group's view of risk remains cognisant of, and sensitive to, emerging trends and common themes.

Risk concentrations

A geographical analysis of risk concentrations by sector is as follows:

	Ireland			
	2008	2008	2007	2007
	€m	%	€m	%
Retail	6,488	15%	4,899	13%
Office	5,242	12%	4,724	12%
Mixed use	2,667	6%	2,089	6%
Industrial	384	1%	187	1%
Residential investment	1,199	3%	979	3%
Residential development	5,470	13%	6,182	16%
Business banking	6,234	15%	4,320	11%
Personal	3,616	8%	2,909	8%
Leisure	4,759	11%	4,861	13%
Commercial development	5,360	12%	5,335	14%
Other property investment	930	2%	525	1%
Other	965	2%	850	2%
	43,314	100%	37,860	100%

	United Kingdom			
	2008	2008	2007	2007
	€m	%	€m	%
Retail	4,428	21%	4,164	19%
Office	3,175	15%	2,637	12%
Mixed use	1,636	8%	1,540	7%
Industrial	902	4%	1,101	5%
Residential investment	737	3%	974	4%
Residential development	2,675	13%	2,400	11%
Business banking	1,544	7%	1,699	8%
Personal	43	0%	64	0%
Leisure	3,439	16%	3,967	18%
Commercial development	2,003	9%	2,522	12%
Other property investment	263	1%	159	1%
Other	549	3%	689	3%
	21,394	100%	21,916	100%

47. Risk management and control continued*Risk concentrations* continued

	USA			
	2008 €m	2008 %	2007 €m	2007 %
Retail	1,480	16%	1,114	15%
Office	2,325	25%	1,933	26%
Mixed use	1,260	14%	1,117	15%
Industrial	508	5%	159	2%
Residential investment	1,138	12%	786	10%
Residential development	537	6%	715	9%
Business banking	16	0%	12	0%
Personal	68	1%	28	0%
Leisure	1,160	12%	1,008	13%
Commercial development	777	8%	651	9%
Other property investment	94	1%	72	1%
Other	-	0%	-	0%
	9,363	100%	7,595	100%
Total loans and advances to customers	74,071		67,371	

Total loans and advances to customers are stated gross of provisions and include €1,006m (2007: €1,127m) lent to fund assets held in respect of liabilities to customers under investment contracts (note 38).

Development lending is typically underwritten on a cross-collateralised basis with cash flow generating investment assets and is supported by personal recourse.

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.

Credit risk on all treasury assets is regularly assessed. All treasury lines must be formally reviewed by Group Risk Management at least once a year. Semi-annual portfolio reviews are completed as part of the Group's credit review process. These reviews are presented to the Risk and Compliance Committee.

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 recognised when there is objective evidence that a specific financial asset is impaired.

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 set 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.

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 off balance sheet contingent liabilities and commitments to lend which the Group does not expect to be fully drawn.

	The Group	
	2008	2007
	€m	€m
<i>On balance sheet</i>		
Cash and balances with central banks	1,822	848
Financial assets at fair value through profit or loss - held on own account *	163	364
Derivative financial instruments	1,995	1,355
Loans and advances to banks	13,854	11,796
Available-for-sale financial assets *	8,152	12,523
Loans and advances to customers	73,157	67,076
<i>Off balance sheet</i>		
Contingent liabilities	736	1,524
Commitments to lend	6,282	9,775
Maximum exposure to credit risk	<u>106,161</u>	<u>105,261</u>

* Excludes equity shares

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 €1,006m (2007: €1,127m) lent to fund assets held in respect of liabilities to customers under investment contracts (note 38) as the Group is exposed to credit risk in respect of this lending.

Loans and advances to banks exclude €148m (2007: €255m) advanced on behalf of policyholders under investment contracts (note 38) as the Group is not exposed to credit risk in respect of these advances.

47. Risk management and control continued***Financial assets by credit quality***

The following tables include an analysis of financial assets, other than those carried at fair value, by credit quality.

	The Group 2008					Total €m
	Commercial €m	Residential €m	Business Banking €m	Other Lending €m	Other Financial Assets €m	
Total neither past due nor 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

	The Group 2007					Total €m
	Commercial €m	Residential €m	Business Banking €m	Other Lending €m	Other Financial Assets €m	
Total neither past due nor impaired	43,786	11,419	5,837	4,373	12,899	78,314
Past due but not impaired	886	479	166	90	-	1,621
Impaired assets	92	138	28	77	-	335
Total	44,764	12,036	6,031	4,540	12,899	80,270

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. Based on an individual assessment of each past due loan, impairment is not appropriate as the level of collateral and/or personal recourse available to the Group is sufficient to ensure full repayment.

**The Group
2008**

	Commercial	Residential	Business	Other	Other	Total
	€m	€m	Banking	Lending	Financial	€m
			€m	€m	Assets	
					€m	€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

**The Group
2007**

	Commercial	Residential	Business	Other	Other	Total
	€m	€m	Banking	Lending	Financial	€m
			€m	€m	Assets	
					€m	€m
Past due 1 to 30 days	57	80	161	22	-	320
Past due 31 to 60 days	158	9	2	-	-	169
Past due 61 to 90 days	188	222	1	21	-	432
Past due 91 days and over	483	168	2	47	-	700
Total	886	479	166	90	-	1,621

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. Where appropriate, collateral is independently valued at the time of borrowing and is subject to regular revaluation at least semi-annually in line with credit risk policies.

Collateral of €834m (2007: €217m) is held against impaired loans and advances to customers of €957m (2007: €335m). At 30 September 2008 the Group had repossessed collateral of €7m on balances of €15m (2007: €nil collateral on balances of €nil). 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.

47. Risk management and control continued

Collateral continued

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 52.

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 balance sheet, the execution of customer and interbank business and from trading activities. The Group recognises that the effective management of market risk is essential to the maintenance of stable earnings and the preservation of shareholder value.

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 Dublin. 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 in Dublin.

The primary trading book market risk measure is the Value at Risk ('VaR') methodology, which estimates the potential losses that could occur to risk positions as a result of market movements over a specified time period and to a given level of confidence.

The Group uses a VaR model based on historical simulation. The methodology takes into account inter-relationships between different market variables, for instance between interest rates and foreign exchange rates.

The historical simulation VaR model incorporates the following features:

- Two years of historic data;
- Calculated using a 99% confidence level; and
- The impact of option features in underlying exposures.

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 of the Group's trading book using a 99% confidence level.

	1 Day Time Horizon		10 Day Time Horizon	
	2008	2007	2008	2007
	€m	€m	€m	€m
At 30 September	0.4	0.2	1.3	0.6
Average	0.2	0.3	0.6	0.9
Minimum	0.1	0.1	0.3	0.3
Maximum	0.7	0.7	2.2	2.2

The average VaR for the year ended 30 September 2008 decreased slightly from the prior year. There was a modest reduction in the open positions held during the year, reflecting a more cautious stance in the face of increased uncertainty in global financial markets.

Group Risk Management provides daily reporting of trading book risk positions against all approved VaR, PVBP (Present Value of a Basis Point), option sensitivity and stop-loss limits. It provides monthly reporting to ALCO and the Risk and Compliance Committee on trading book activity with analysis of all significant risk positions, including stress testing of positions against a range of extreme market scenarios.

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 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 €m	GBP €m	USD €m
At 30 September 2008	(13)	27	(22)
At 30 September 2007	(31)	(2)	(5)

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.

47. Risk management and control continued**Banking book risk** *continued*

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 banking book is primarily LIBOR based. Therefore no material repricing risk arises from the use of other bases.

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 €0.5m (2007: €0.5m). These unrealised movements, net of taxation, 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, net of taxation, of €0.7m (2007: €0.8m).

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 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 (€m)	3,513	(1,397)	(309)	3,093	399
Cumulative interest rate sensitivity gap (€m)	3,513	2,116	1,807	4,900	5,299

	The Group 2007				
	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 (€m)	2,257	(1,035)	(368)	2,096	989
Cumulative interest rate sensitivity gap (€m)	2,257	1,222	854	2,950	3,939

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 ('EUR'), with funding in the same currency.

It is also Group policy to hedge material forecast non-euro income using forward foreign exchange contracts. These derivatives are designated as cash flow hedges with changes in fair value of effective hedges recognised directly in equity, in the cash flow hedging reserve. As a result the Group's total equity position is sensitive to changes in the EUR/Stg£ and EUR/US\$ spot exchange rates. A 1% depreciation in the value of the euro against both Stg£ and US\$ would result in a decrease in the value of the cash flow hedging reserve of €5m (2007: €11m).

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 and limiting counterparty exposures. 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 derivatives accounting policy is set out in note 1.

47. Risk management and control continued

Liquidity risk

Liquidity 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.

Liquidity 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.

A dedicated ALCO Liquidity sub-committee, comprising key heads of funding and liquidity areas, provides an important forum for management and risk control matters relating to funding and liquidity. The sub-committee reports directly to ALCO and provides formal updates at each ALCO meeting. The Board and the Risk and Compliance Committee also receive formal liquidity reports and updates at each meeting.

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 mitigates 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 intraday basis is the responsibility of Group Treasury, operating within strict formal limits 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 formal updates to ALCO Liquidity sub-committee and ALCO on a regular basis.

Maintaining a portfolio of highly liquid assets eligible for repurchase agreements ('repo') to ensure the Group has a sufficient buffer to cope with unforeseen cash flow requirements is a core part of operational liquidity risk management.

Separate liquidity cash flow limits are in place for the management of liquidity in non-euro currencies ensuring foreign currency cashflow exposure is managed within approved risk tolerance limits.

The following tables present the cash flows payable by the Group under financial liabilities and off balance sheet contingent liabilities and commitments by remaining contractual maturities at the balance sheet date. 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 balance sheet.

The Group

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
Contingent liabilities (2)	3,706	32,586	13,018	15,261	14,633	12,287	5,994	97,485
Commitments to lend (2)	14	16	15	142	226	267	56	736
	-	387	407	1,270	1,974	1,286	958	6,282
Total financial liabilities and off balance sheet items	3,720	32,989	13,440	16,673	16,833	13,840	7,008	104,503

30 September 2007

	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	414	1,086	1,635	1,934	1,215	1,169	-	7,453
Customer accounts	3,800	17,223	14,648	10,900	6,002	783	102	53,458
Derivative financial instruments (1)	-	(9)	19	(11)	(146)	(21)	72	(96)
Debt securities in issue	-	943	1,531	4,230	5,528	12,585	523	25,340
Subordinated liabilities and other capital instruments	-	54	-	56	238	1,206	6,445	7,999
Contingent liabilities (2)	4,214	19,297	17,833	17,109	12,837	15,722	7,142	94,154
Commitments to lend (2)	15	238	137	171	561	361	41	1,524
	-	779	1,355	1,874	3,812	1,466	489	9,775
Total financial liabilities and off balance sheet items	4,229	20,314	19,325	19,154	17,210	17,549	7,672	105,453

(1) Derivative cash outflows are stated net of related inflows.

(2) The Group does not expect all contingent liabilities or commitments to be drawn.

47. Risk management and control 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. This policy seeks to build and maintain a funding book which is well diversified in terms of retail, corporate and wholesale markets on a customer, segmental, geographical and duration basis.

Liquid assets

An important part of the operational and structural liquidity risk strategy is maintaining a portfolio of highly liquid treasury assets which can be realised for cash at short notice through sale and repurchase agreements.

The Group maintains a portfolio of liquid assets comprising a sizeable holding of European government bonds and other high quality bank paper which is highly liquid in the bilateral or tri-party repo market.

Holding a portfolio of highly liquid assets has always formed part of the Group's liquidity management policy ensuring the Group has been able to receive and place cash in the repo market during periods of market volatility. During the year the Group pursued an active strategy of generating liquidity through securitisation and covered bonds issuance. As a result of these initiatives, the Group has increased its stock of repo eligible assets by €9.2bn since the start of the current market dislocation. This portfolio of liquid assets enhances the liquidity position of the Group even in times of severely dislocated markets.

Contingency planning

The Group maintains a comprehensive contingency funding plan to deal with periods of market liquidity stress. The plan includes detailed actions which would be required depending on the nature and severity of any potential liquidity stress. Early warning indicators are an important facet of the contingency funding plan. 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 low probability, yet high impact, events on the funding and liquidity position of the Group.

The Group has a comprehensive stress testing framework which is consistent with market best practice for liquidity risk stress and scenario testing. 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, one notch downgrade stress, two notch downgrade stress, Irish market specific stress and market risk stress. The Group has limits in place which set the maximum tolerance for the results of the various stress test scenarios, and also pre-defined courses of action 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 requirements

The Irish Financial Regulator introduced new regulatory liquidity requirements in 2007, replacing the liquid stock approach with a more advanced cashflow mismatch approach. Minimum regulatory ratios are in place for the periods of 0 to 8 days and 9 to 30 days with strict conservative assumptions set for certain cash flow types. The Group is required to maintain a minimum of 100% coverage in the 0 to 8 day period and 90% coverage in the 9 to 30 day period. In addition the Irish Financial Regulator sets qualitative requirements regarded as best practice for liquidity risk management.

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. It 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. 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.

Recent disclosures concerning certain matters involving the Bank have had a negative impact on the reputation of the Group. The Board is determined to rebuild stakeholders' trust and confidence in the Bank. A formal review of governance is being undertaken by an experienced independent lawyer, overseen by a Board Committee chaired by a new Non-executive Director. The Board is committed to ensuring that the governance of the Bank is of the highest standard and will implement the recommendations of the review process.

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 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. A comprehensive and timely procedure is in place to deal with customer complaints.

47. Risk management and control continued

Compliance and regulatory risk

An independent Group Compliance and Legal function ('Group Compliance') is responsible for the overall management of compliance, regulatory and legal risk for the Group. The Head of Group Compliance reports to the CRO with oversight by the Risk and Compliance Committee.

Management and Group Compliance are responsible for ensuring that the Group is compliant with all relevant laws, 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, compliance and legal 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, compliance and legal 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 is responsible for liaising 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. At 30 September 2008 the Group had shares listed on both the Irish and London Stock Exchanges, and was therefore also subject to the rules and practices for companies listed on those exchanges with respect to matters such as corporate governance and disclosure. On 21 January 2009 the Bank's listings on the Irish and London Stock Exchanges were cancelled following the transfer of all of the Bank's shares to the Minister for Finance under the Anglo Irish Bank Corporation Act 2009. 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 to ensure full compliance.

Recent government intervention in global financial markets is expected to significantly increase the level of banking regulation by national and international regulatory bodies, increasing compliance and regulatory risk for all banks.

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) inter-bank 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 terms and conditions of the Government guarantee identify additional levels of oversight and scrutiny for the duration of the scheme. This oversight is expected to be concentrated in the following areas: information and monitoring; Board representation and executive management; commercial conduct; corporate social responsibility; and controls on executive remuneration. In this regard, the Group has already made changes to the composition of the Board of Directors and the Board Committees and has begun the process of appointing an external candidate to the role of Chief Risk Officer.

Capital management

The types and levels of capital maintained by the Group are determined in line with the Group capital management policy which is approved by the Risk and Compliance Committee. Strict regulations governing the types and levels of qualifying capital are set by the Irish Financial Regulator in line with the Capital Requirements Directive ('CRD'). The Financial Regulator sets minimum capital ratios and also must approve changes to banks' regulatory capital bases. The Group capital management policy sets internal target ratios in excess of these regulatory minimums.

The Group has a dedicated capital management team in the Group Treasury division who ensure that capital issuance is compliant with regulations in all relevant jurisdictions. Group Finance, Group Risk Management and Group Compliance work with this team to ensure that Group capital targets are met and that all relevant metrics are calculated in line with regulatory guidelines.

The CRD, which implements Basel II capital regulations in the EU, came into full force on 1 January 2008. These regulations aim to make capital requirements more sensitive to the overall risk that a bank faces. To achieve this, banks are required to calculate their minimum capital requirements (Pillar 1) for credit, market and operational risk, using one of the alternative approaches available under Basel II. Pillar 2 refers to the supervisory review process that the Financial Regulator undertakes to assess the overall capital requirements for banks. In June 2007 the Group submitted its own assessment of its principal risks (not restricted to credit, market and operational risks) in an ICAAP (Internal Capital Adequacy Assessment Process) document. ICAAP documents are subject to ongoing supervisory review and evaluation.

The regulatory capital base of the Group consists of both Tier 1 and Tier 2 capital. Tier 1 capital includes equity (comprising ordinary share capital, share premium and eligible reserves), hybrid capital instruments, deductions for intangible assets and prudential adjustments. In line with Irish prudential regulations, proposed dividends are deducted from Tier 1 capital. Other prudential filters include the reversal of movements on available-for-sale and cash flow hedging reserves. Specific prudential limits apply to hybrid capital instruments. Tier 2 capital includes subordinated debt and collective impairment provisions. Total capital is further reduced by supervisory deductions representing the Group's investment in subsidiaries that are not consolidated for the purposes of regulatory banking supervision.

The Group has adopted the Basel II Standardised Approach to calculating capital requirements. The principal difference between this approach and the Basel I regulations is the use of external credit ratings to determine the appropriate risk weights for rated credit exposures. The Group is currently finalising an application to the Financial Regulator to adopt the Foundation Internal Ratings Based approach to the calculation of credit risk capital requirements.

47. Risk management and control continued**Capital management** continued**Regulatory capital**

	The Group		
	Basel II	Basel I	
	2008	2007	2007
	€m	€m	€m
Tier 1 capital			
Equity	4,132	4,065	4,065
Prudential filters and regulatory adjustments	565	(45)	(45)
Non-cumulative preference shares	371	425	425
Core Tier 1 Capital	5,068	4,445	4,445
Perpetual preferred securities	2,133	2,332	2,332
Total Tier 1 capital	7,201	6,777	6,777
Tier 2 Capital			
Collective provisions	642	154	154
Subordinated perpetual debt	379	425	425
Subordinated term debt	2,108	2,136	2,136
Total Tier 2 capital	3,129	2,715	2,715
Tier 1 and Tier 2 capital	10,330	9,492	9,492
Capital deductions	(12)	(12)	(12)
Total capital	10,318	9,480	9,480
Risk weighted assets	85,798	81,976	78,677
Tier 1 capital ratio	8.4%	8.3%	8.6%
Total capital ratio	12.0%	11.6%	12.0%

The table shows the components of the Group's regulatory capital base and also the basis of calculation of its capital ratios at 30 September 2008. Core Tier 1 capital has increased during the year primarily due to profit retentions. The amount of perpetual preferred securities has decreased primarily due to the retranslation at year end exchange rates of Stg£ denominated issuance. Tier 2 capital has increased due to the €500m collective impairment charge in the current year.

Risk weighted assets have grown (on a Basel II, like-for-like basis) by €3,822m or 4.7% reflective of balance sheet growth across the Group to 30 September 2008. Risk weighted assets relating to the operational risk capital requirement have increased by €603m to €3,053m. This requirement, introduced under Basel II, is calculated with reference to a three-year average of Group total operating income.

48. 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 Group maintains sufficient liquidity to meet funding requirements from maturing liabilities and other claims as they fall due.

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 balance sheet presentation.

48. Financial instruments continued

Measurement basis of financial instruments

30 September 2008

The Group

	At fair value through profit or loss		Policyholders' funds		At fair value through equity		Loans and receivables / held at amortised cost	Total
	€m	€m	Designated upon initial recognition	Fair value hedge derivatives	designated upon initial recognition	Available-for-sale		
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	-	-	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	233	345	482	8,158	87,975	98,830
Liabilities								
Deposits from banks	-	-	-	-	-	-	20,453	20,453
Customer accounts	-	35	35	-	-	-	51,464	51,499
Derivative financial instruments	1,323	-	-	108	8	-	-	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	35	108	1,199	-	94,145	96,861

30 September 2007

The Group

	At fair value through profit or loss		Policyholders' funds		At fair value through equity		Loans and receivables / held at amortised cost	Total
	€m	€m	€m	€m	€m	€m		
Assets								
Cash and balances with central banks	-	-	-	-	-	-	848	848
Financial assets at fair value through profit or loss								
- held on own account	-	430	-	-	-	-	-	430
- held in respect of liabilities to customers under investment contracts	-	-	-	644	-	-	-	644
Derivative financial instruments	1,044	-	168	20	-	123	-	1,355
Loans and advances to banks	-	-	-	-	-	-	12,051	12,051
Available-for-sale financial assets	-	-	-	-	-	-	-	12,530
Loans and advances to customers	-	-	-	-	-	-	65,949	65,949
Total financial assets	1,044	430	168	664	123	123	78,848	93,807
Liabilities								
Deposits from banks	-	-	-	-	-	-	7,601	7,601
Customer accounts	-	-	-	-	-	-	52,686	52,686
Derivative financial instruments	966	-	142	6	61	-	-	1,175
Debt securities in issue	-	-	-	-	-	-	23,588	23,588
Liabilities to customers under investment contracts	-	-	-	1,779	-	-	-	1,779
Subordinated liabilities and other capital instruments	-	-	-	-	-	-	5,274	5,274
Total financial liabilities	966	-	142	1,785	61	61	89,149	92,103

48. Financial instruments continued

Net trading income includes a charge of €4m (2007: €nil) in respect of changes in the value of financial liabilities designated at fair value through profit or loss. The charge is offset by corresponding positive changes in value of matching derivative instruments. The portion of the change in value that is attributable to changes in credit risk is €nil (2007: €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 year end.

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	2008		2007	
	Carrying amount	Fair value	Carrying amount	Fair value
	€m	€m	€m	€m
Financial assets				
Cash and balances with central banks	1,822	1,822	848	848
Financial assets at fair value through profit or loss				
- held on own account	233	233	430	430
- held in respect of liabilities to customers under investment contracts	469	469	644	644
Derivative financial instruments	1,995	1,995	1,355	1,355
Loans and advances to banks	14,002	13,967	12,051	12,048
Available-for-sale financial assets	8,158	8,158	12,530	12,530
Loans and advances to customers	72,151	70,873	65,949	66,055
Financial liabilities				
Deposits from banks	20,453	20,271	7,601	7,582
Customer accounts	51,499	51,554	52,686	52,678
Derivative financial instruments	1,490	1,490	1,175	1,175
Debt securities in issue	17,280	16,558	23,588	23,524
Subordinated liabilities and other capital instruments	4,948	2,736	5,274	4,993

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.

Loans and advances to customers

The fair value of loans and advances to customers is calculated by discounting expected future cash flows using interest rates currently offered by the Group.

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 year 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 value of subordinated liabilities and other capital instruments is their quoted market value at year end.

48. Financial instruments continued

Fair value hierarchy

The following table details the valuation methods used for the Group's portfolio of debt securities carried at fair value as at 30 September 2008:

	<u>Level 1</u> €m	<u>Level 2</u> €m	<u>Level 3</u> €m	<u>Total</u> €m
Financial assets at fair value through profit or loss - held on own account				
Debt securities	-	163	-	163
Available-for-sale financial assets				
Debt securities	3,109	5,036	7	8,152
Total	<u>3,109</u>	<u>5,199</u>	<u>7</u>	<u>8,315</u>

Level 1 financial assets are valued using unadjusted quoted prices in active markets for identical assets.

Level 2 financial assets are valued using techniques based on observable market data. The Group's valuation process is supplemented by valuations received from independent third party pricing service providers.

Level 3 financial assets are valued using techniques for which significant inputs are not based on observable market data.

The levels described are not necessarily directly comparable with the 'fair value hierarchy' as defined in SFAS 157 of US GAAP.

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 balance sheet date. 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 47.

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.

48. Financial instruments continued

Maturity profile of financial instruments

30 September 2008

The Group

	Current		Over one year but not more than five years		Over five years		Equity shares €m	Policy-holders' funds €m	Total €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	Over five years €m				
Financial assets									
Cash and balances with central banks	-	-	-	-	-	-	-	-	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	469
Derivative financial instruments	514	448	717	303	-	-	13	13	1,995
Loans and advances to banks	12,325	662	455	24	-	-	148	148	14,002
Available-for-sale financial assets	359	1,081	5,284	1,428	6	-	-	-	8,158
Loans and advances to customers	18,585	15,204	28,176	10,398	-	-	(1,006)	(1,006)	72,151
Total financial assets	31,783	17,412	34,695	12,236	76	-	(376)	(376)	98,830
Financial liabilities									
Deposits from banks	15,346	1,634	2,443	-	-	-	339	339	20,453
Customer accounts	39,690	8,127	752	93	-	-	(178)	(178)	51,499
Derivative financial instruments	294	264	529	395	-	-	8	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	1,191
Subordinated liabilities and other capital instruments*	1	-	-	4,960	-	-	(13)	(13)	4,948
Total financial liabilities	60,887	14,303	11,079	5,539	-	-	1,347	1,347	96,861

* Undated subordinated liabilities and other capital instruments have been included in amounts maturing over five years.

30 September 2007

The Group

	Current			Non-current			Total €m
	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	
Financial assets							
Cash and balances with central banks	848	-	-	-	-	-	848
Financial assets at fair value through profit or loss	-	3	48	93	220	66	430
- held on own account	-	-	-	-	-	-	-
- held in respect of liabilities to customers under investment contracts	-	-	-	-	-	-	644
Derivative financial instruments	-	228	201	615	291	-	1,355
Loans and advances to banks	377	9,607	1,217	543	52	-	12,051
Available-for-sale financial assets	-	2,540	2,907	4,645	2,431	7	12,530
Loans and advances to customers	2,255	12,314	14,458	25,935	12,114	-	65,949
Total financial assets	3,480	24,692	18,831	31,831	15,108	73	93,807
Financial liabilities							
Deposits from banks	414	4,621	1,150	1,035	-	-	7,601
Customer accounts	3,800	42,673	5,757	724	95	-	52,686
Derivative financial instruments	-	156	124	496	393	-	1,175
Debt securities in issue	-	6,509	4,990	11,602	487	-	23,588
Liabilities to customers under investment contracts	-	-	-	-	-	-	1,779
Subordinated liabilities and other capital instruments*	-	50	13	1	5,234	-	(24)
Total financial liabilities	4,214	54,009	12,034	13,858	6,209	-	1,779

* Undated subordinated liabilities and other capital instruments have been included in amounts maturing over five years.

49. Currency information

At 30 September 2008 the Group's main currency exposures, which arose primarily from the hedging of forecast non-euro income, were a GBP short position of €316m (2007: €745m) and a USD short position of €162m (2007: €303m).

The income statement includes net exchange gains of €13m (2007: €7m).

It is Group policy to eliminate structural foreign exchange risk by matching all material foreign currency investments in operations whose functional currency is not in euro with funding in the same currency.

The foreign currency denominated funding used to hedge the net investments in the Group's foreign operations has a carrying amount of €269m (2007: €333m). In 2008 the ineffectiveness recognised in the income statement in respect of hedges of net investments in foreign operations was €nil (2007: €nil).

50. 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 accordance with the requirements of the Combined Code on Corporate Governance.

Changes to the Board since 30 September 2008

On 18 December 2008 Sean FitzPatrick, former Chairman, and Lar Bradshaw, Non-executive Director, resigned from the Board. Frank Daly and Alan Dukes, who had been in attendance at meetings from 11 December 2008, were formally co-opted to the Board as Non-executive Directors on 18 December 2008. On the same date Donal O'Connor was appointed as Chairman of the Board, and was appointed as Executive Chairman on 19 February 2009. 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. On 19 January 2009 Noël Harwerth, Anne Heraty, Michael Jacob, Gary McGann and Ned Sullivan resigned from the Board as Non-executive Directors. On 21 January 2009 Maurice Keane was co-opted to the Board as a Non-executive Director. Declan Quilligan was appointed as Chief Operating Officer on 19 February 2009. On the same date Pat Whelan, who continues in his role as Managing Director of Lending Ireland, resigned as an Executive Director.

Remuneration Committee

All members of the Remuneration Committee are Non-executive Directors. The members at 30 September 2008 were Ned Sullivan (Chairman), Sean FitzPatrick, Anne Heraty and Gary McGann. The current members are Alan Dukes (Chairman), Frank Daly, Maurice Keane and Donal O'Connor. 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 recommendations of the Remuneration Committee.

Remuneration policy

The remuneration policy adopted by the Group is to reward its Executive Directors competitively having regard to comparable companies and the need to ensure that they are properly rewarded and motivated to perform in the best interests of shareholders. The policy is based on rewarding performance. The Group Chief Executive is fully consulted about remuneration proposals in relation to other Directors. During the year the Remuneration Committee took advice from independent remuneration consultants. Included in the remuneration package for Executive Directors are basic salary, a performance related bonus and the opportunity to participate in employee share incentive plans. They also participate in either a personal Revenue approved defined contribution pension plan or a Group defined benefit pension scheme.

Remuneration for Non-executive Directors is a matter for the Chairman in consultation with the Executive Directors. Neither the Chairman nor any Director is involved in decisions relating to their own remuneration.

Under the terms of the Credit Institutions (Financial Support) Scheme 2008, the Covered Institution Remuneration Oversight Committee ('CIROC') was established in November 2008. The Group is currently engaging with CIROC in the context of its remit under this scheme.

50. Report on Directors' remuneration and interests continued

Performance bonuses

Performance bonuses are determined for each individual Executive Director. Bonuses earned in any one year depend on the Remuneration Committee's assessment of each Director's performance against predetermined individual, divisional and Group objectives. This motivates and rewards Directors for achieving a range of long-term, strategic financial and non-financial objectives. Performance bonuses are based on a multiple of base salary and are paid annually in cash once the Group's financial results have been independently audited.

No performance bonuses were awarded to Executive Directors in 2008.

Prior to 2007 a component of the performance bonus award for Executive Directors was deferred. The deferred bonus component was determined by reference to total shareholder return compared to a peer group and the payment was deferred to the earlier of three years or the individual's retirement date. Deferred bonuses are expensed and reported by Executive Director in the Annual Report in the year they are earned. From 2007 onwards this scheme was replaced by the Anglo Irish Bank Performance Share Plan.

The Board is taking legal advice with respect to the status of unpaid deferred bonus awards previously granted to former Executive Directors who have resigned from the Bank.

Performance Share Plan

At the Annual General Meeting on 1 February 2008 the shareholders approved the establishment of the Anglo Irish Bank Performance Share Plan ('PSP'). Under the plan, which is described in more detail in note 9, conditional awards of ordinary shares were made to Executive Directors and deferred for a three year period. These conditional awards were subject to performance measures being met and further enhanced the alignment between Directors' and shareholders' interests. Non-executive Directors were not eligible to participate in the PSP. Following the signing into Irish law of the Anglo Irish Bank Corporation Act 2009 all rights granted to employees under the PSP were extinguished.

Share options

It has been the Group's policy to motivate its Executive Directors by granting them share options. These options have been granted under the terms of the employee share incentive plans approved by shareholders. Further details in relation to these plans are provided in notes 9 and 44 of the financial statements. Non-executive Directors were not eligible to participate in the employee share incentive plans. Following the signing into Irish law of the Anglo Irish Bank Corporation Act 2009 all rights granted to employees under these plans were extinguished.

Loans to Directors

Details of loans to Directors are included in note 51.

Directors' interests in contracts

Other than in the Bank's normal business, there have not been any material contracts or arrangements with the Bank or any subsidiary undertaking during the year in which a Director of the Bank was materially interested. Details of related party transactions are included in note 51.

Service contracts

There are no service contracts or provisions for pre-determined compensation on termination in existence for any Director.

Pensions

Executive Directors participate as members in either a defined contribution scheme or a Group defined benefit scheme depending on when they joined the Group. All Executive Directors' pension benefits are determined solely in relation to basic salary. Fees paid to Non-executive Directors are not pensionable.

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 increase as a result of each of the members having an additional year in employment and 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 salary of all the members) and by investment returns on the assets of the pension scheme generated from past contributions. The average annual recommended contribution is calculated by the scheme's pension actuary following a review of the scheme's assets and liabilities every three years.

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, the liability that accrues each year is equal to the amount of the contribution paid for each member.

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 index set by the Government. This measure had the effect of significantly reducing the value of pension benefits for individuals that would accrue under either scheme through the requirement to pay significant additional tax.

Having taken independent actuarial and specialist pension advice and considering market responses to this development, the Remuneration Committee agreed that Executive Directors should have the option of taking an equivalent taxable, non-pensionable cash allowance in lieu of the actuarial value of any pension benefits that would accrue over the pension cap in return for extinguishing those pension benefits. The Remuneration Committee, in accordance with specialist advice, agreed an approach for calculating the cash allowance which is consistent with IAS 19. The cost to the Group, under the IAS 19 based approach, is broadly equivalent to that which would have been incurred had pension benefits continued to accrue in accordance with the scheme rules.

Following the Remuneration Committee's decision, David Drumm, the only Executive Director impacted by the pension cap, elected to avail of this option. This resulted in accrued pension benefits for David Drumm being amended for 2007 and 2006 and a taxable cash allowance was paid in lieu. Further details of accrued benefits are provided on pages 142, 143 and 146.

The current Board will no longer grant Executive Directors the option of taking a cash allowance in lieu of pension benefits forgone.

50. Report on Directors' remuneration and interests continued

Directors' remuneration - 2008	Performance						Former Director	Total
	Salary	Fees [^]	bonus +	Benefits	Pension *	Other		
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'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. From 1 January 2009 all fees paid to Non-executive Directors have been reduced by 20%.

+ No performance bonuses were awarded to Executive Directors in 2008. In addition, there will be no increase in Executive Directors' salaries in 2009, with salaries held at January 2008 levels.

* Comprises employer contributions to pension funds and amounts in lieu of accrued benefits.

(1) As detailed in the Pensions section on page 141, 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.

Aggregate emoluments for Directors for the year amounted to €11.5m (2007: €12.9m) including an expense in relation to options and awards granted under share-based payment schemes of €2.0m (2007: €1.9m) and a payment of €3.75m made to Tom Browne (see note (2) above).

The accounting charge for share-based payment schemes is determined by reference to the fair value of options or shares on the date of grant and does not necessarily reflect the value to the recipient. The 2008 charge primarily relates to options and shares granted prior to 1 October 2007. The intrinsic value of options outstanding to Directors at 30 September 2008 was €nil. All rights granted under the various share-based payment schemes were extinguished on 21 January 2009 under the Anglo Irish Bank Corporation Act 2009.

The aggregate emoluments for 2007 of €12.9m have been amended to include an additional €1,382,398 in respect of pension benefits forgone (see Directors' remuneration - 2007 on page 143). Similarly the aggregate emoluments for 2006 include an additional €519,223.

Directors' remuneration - 2007

	Salary €'000	Fees €'000	Perfor- mance bonus €'000	Benefits €'000	Pension * €'000	Former Director €'000	Total €'000
Executive Directors							
David Drumm (1)	956	-	2,000	44	1,656	-	4,656
Tom Browne	455	-	600	48	123	-	1,226
William McAteer	485	-	800	48	94	-	1,427
Declan Quilligan (2)	484	-	735	8	139	-	1,366
Pat Whelan	413	-	640	41	118	-	1,212
Non-executive Directors							
Sean FitzPatrick	-	400	-	40	-	-	440
Lar Bradshaw	-	80	-	-	-	-	80
Fintan Drury	-	85	-	-	-	-	85
Noël Harwerth (3)	-	53	-	-	-	-	53
Anne Heraty	-	83	-	-	-	-	83
Michael Jacob	-	90	-	-	-	-	90
Gary McGann	-	85	-	-	-	-	85
Ned Sullivan	-	108	-	-	-	-	108
Patrick Wright (4)	-	37	-	-	-	-	37
Former Director							
Peter Murray (5)	-	-	-	-	-	85	85
Total	2,793	1,021	4,775	229	2,130	85	11,033

* Comprises employer contributions to pension funds and amounts in lieu of accrued benefits.

- (1) As detailed in the Pensions section on page 141, David Drumm elected to receive a taxable cash allowance for pension benefits forgone. In the absence of an agreed basis for compensation when the 2007 financial statements were approved on 27 November 2007 the Group disclosed a pension benefit of €274,000. This cost was calculated based on basic salary and the average annual recommended contribution rate for the Group's defined benefit scheme as described on page 141. Following the election by David Drumm, the amount of the taxable cash allowance calculated in accordance with the methodology approved by the Remuneration Committee was €1,656,398. The calculation is consistent with IAS 19 and results in a broadly equivalent cost to the Group.
- (2) In addition, relocation costs of €160,000 were incurred by the Group in respect of Declan Quilligan's transfer to the UK.
- (3) Co-opted on 2 February 2007.
- (4) Retired on 2 February 2007.
- (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.

50. 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 Irish Minister for Finance.

Directors' and Secretary's interests

The beneficial interests of the Directors and Secretary who held office at 30 September 2008 and of their spouses and minor children in the shares of the Bank, excluding options and conditional share awards granted under the Group's share-based incentive plans, are included in the following table:

Ordinary Shares	<u>30 Sep 2008</u>	<u>30 Sep 2007</u>
Directors		
Sean FitzPatrick	4,909,429	4,512,712
David Drumm	1,013,556 ^	510,899
Lar Bradshaw	261,055	141,195
Noël Harwerth	6,060	-
Anne Heraty	53,000	25,000
Michael Jacob	760,921	746,921
William McAteer	3,468,634	3,367,452
Gary McGann	149,253	140,028
Donal O'Connor	5,900	- #
Declan Quilligan	483,419 ^	183,419
Ned Sullivan	440,084	427,584
Pat Whelan	447,374 ^	346,192
Secretary		
Natasha Mercer	17,919 ^	16,737

or date of appointment if later

^ Received 1,111 shares on 9 December 2008, allocated in December 2005 under the terms of the Bank's Approved Profit Sharing Scheme ('APSS').

On 15 December 2008 the Secretary elected to receive a profit share allocation in the form of 33,324 ordinary shares under the terms of the Approved Profit Sharing Scheme. These shares would have been held in trust for a minimum period of two years.

At 30 September 2008 Sean FitzPatrick had a beneficial interest in €6.3m nominal (2007: €nil) of the Group's €750m Floating Rate Subordinated Notes 2014, which was purchased in the open market during the year.

Performance Share Plan

The following conditional awards of ordinary shares were made to Directors during the year:

	Conditional * awards at 1 Oct 2007 Number	Conditionally * awarded since 1 Oct 2007 Number	Awards vested since 1 Oct 2007 Number	Market price at vesting date Price €	Conditional * awards outstanding at 30 Sep 2008 Number	Market price at award date Price €	Maturity Date
David Drumm	-	213,447	-	-	213,447	9.37	Feb 2011
William McAteer	-	80,043	-	-	80,043	9.37	Feb 2011
Declan Quilligan	-	71,401	-	-	71,401	9.37	Feb 2011
Pat Whelan	-	68,303	-	-	68,303	9.37	Feb 2011

* These awards were subject to specific performance targets being met as described in note 9. All rights granted to Directors under this plan were extinguished under the Anglo Irish Bank Corporation Act 2009.

Share options granted to Directors and Secretary

Options to subscribe for ordinary shares in the Bank granted to and exercised by Directors during the year to 30 September 2008 are included in the following table. The intrinsic value of share options outstanding at 30 September 2008 was €nil. All options were extinguished on 21 January 2009 under the Anglo Irish Bank Corporation Act 2009.

	Options at 1 Oct 2007 Number	Options granted since 1 Oct 2007 Number	Options exercised since 1 Oct 2007 Number	Market price at exercise date Price €	Options outstanding at 30 Sept 2008			
					Number	Date from which exercisable	Expiry date	Exercise price €
Directors								
David Drumm	200,000	-	-		200,000	# Sept 08	Sept 13	4.68
	500,000	-	500,000	11.02	-	● Nov 07	Nov 14	7.97
	500,000	-	-		500,000	# Nov 09	Nov 14	7.97
	1,834	-	-		1,834	* Jan 12	July 12	11.51
	-	2,284	-		2,284	* Jul 13	Jan 14	5.20
	<u>1,201,834</u>	<u>2,284</u>	<u>500,000</u>		<u>704,118</u>			
William McAteer	500,000	-	-		500,000	# Dec 08	Dec 13	6.30
	1,056	-	-		1,056	* Jan 10	July 10	11.51
	-	1,315	-		1,315	* Jul 11	Jan 12	5.20
	<u>501,056</u>	<u>1,315</u>	<u>-</u>		<u>502,371</u>			
Declan Quilligan	100,000	-	100,000	11.02	-	● Sept 06	Sept 13	4.68
	100,000	-	-		100,000	# Sept 08	Sept 13	4.68
	100,000	-	100,000	11.02	-	● Nov 07	Nov 14	7.97
	200,000	-	-		200,000	# Nov 09	Nov 14	7.97
	100,000	-	100,000	11.02	-	+ Nov 07	Nov 14	7.97
	150,000	-	-		150,000	● Dec 08	Dec 15	11.82
	150,000	-	-		150,000	# Dec 10	Dec 15	11.82
	<u>900,000</u>	<u>-</u>	<u>300,000</u>		<u>600,000</u>			
Pat Whelan	200,000	-	-		200,000	# Sept 08	Sept 13	4.68
	50,000	-	50,000	11.02	-	● Nov 07	Nov 14	7.97
	100,000	-	-		100,000	# Nov 09	Nov 14	7.97
	50,000	-	50,000	11.02	-	+ Nov 07	Nov 14	7.97
	50,000	-	-		50,000	● Dec 08	Dec 15	11.82
	50,000	-	-		50,000	# Dec 10	Dec 15	11.82
	1,366	-	-		1,366	* Jan 09	July 09	8.90
	70,000	-	-		70,000	● Feb 10	Feb 17	16.11
	80,000	-	-		80,000	# Feb 12	Feb 17	16.11
	50,000	-	-		50,000	+ Feb 10	Feb 17	16.11
	-	2,284	-		2,284	* Jul 13	Jan 14	5.20
	<u>701,366</u>	<u>2,284</u>	<u>100,000</u>		<u>603,650</u>			

- Basic tier options - ESOS
- # Second tier options - ESOS
- * SAYE scheme options
- + ESOP options

At 30 September 2008 the Secretary, Natasha Mercer, had interests in ordinary shares under the various employee share incentive plans of 86,876 (2007: 29,021). On 22 December 2008 she received 2,187 ordinary shares, originally allocated in December 2005, from the trustees of the Deferred Share Scheme, and on 8 January 2009 she forfeited options on 4,999 shares granted in July 2008 under the terms of the Save As You Earn Scheme.

Apart from the interests set out above, the Directors and Secretary and their spouses and minor children had no other interests in the shares of the Bank or its Group undertakings as at 30 September 2008.

50. Report on Directors' remuneration and interests continued

Details of options and conditional share awards outstanding at 30 September 2008 are shown in the Register of Directors' and Secretary's Interests, which may be inspected at the Bank's registered office. The closing market price of the Bank's ordinary shares at 30 September 2008 was €3.84 (2007: €13.26) and the range during the year to 30 September 2008 was from €2.30 to €14.22.

Directors' pension benefits

The Group made payments during the year to a defined contribution pension plan for Tom Browne and William McAteer. All of the other Executive Directors are members of a Group defined benefit scheme. Details are as follows:

	Defined benefit			Defined contribution
	Increase in accrued annual pension benefit during year €'000	Total accrued pension benefit at year end €'000	Total increase in transfer value of accrued benefit €'000	Group contribution €'000
David Drumm (1)	-	271	-	-
Tom Browne (2)	-	-	-	29
William McAteer	-	-	-	91
Declan Quilligan	52	205	442	-
Pat Whelan	18	140	357	-
	70	616	799	120

The increase in accrued annual pension benefit during the year 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 year end is that which would be paid annually from the member's expected retirement date, based on service to the year end and assuming the member had left service at that date. The increase in transfer value of accrued benefit has been calculated by an independent actuary.

Fees paid to Non-executive Directors are not pensionable.

(1) The total accrued pension benefit of €271,000 at 30 September 2008 represents David Drumm's future annual pension entitlement under the Group's defined benefit pension scheme.

As detailed on page 141, David Drumm elected to receive an equivalent taxable cash allowance in lieu of pension entitlements that would have accrued since 2006. The pension benefits reported in 2007 and 2006 of €274,000 and €258,000 respectively were based on pensionable salary and the average annual recommended contribution rate for the Group's defined benefit pension scheme as recommended by an independent actuary. The allowances paid in respect of 2007 and 2006 were €1,656,398 and €777,223 respectively. The allowance paid in respect of 2008 amounted to €933,636. The allowances, which are consistent with market practice, are based on independent actuarial advice and are a function of salary, expected retirement age, past service and the level of salary inflation in a particular calendar year. The allowance in 2007 is higher than in 2008 due to the impact of salary inflation in 2007.

(2) Retired on 28 November 2007.

51. Related party transactions

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, 24, 25, 35, 36, 38 and 44. Details of the principal subsidiary undertakings are shown in note 28.

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 25 and 36 respectively. Details of the principal joint ventures are shown in note 27.

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.

Key management compensation

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), members of the Senior Executive Committee and the Group Secretary.

The amounts presented below include the figures separately reported in the Report on Directors' remuneration and interests in note 50.

	2008	2007
	€m	€m
Salaries and short-term employee benefits (1)	4	12
Directors' fees	1	1
Post employment benefits (2)	5	3
Other long-term benefits	-	1
Equity compensation benefits (3)	3	3
	13	20

(1) No performance bonuses were awarded to Executive Directors in 2008. In addition, there will be no increase in Executive Directors' salaries in 2009, with salaries held at January 2008 levels.

Includes salaries and short-term employee benefits for seven persons (2007: ten). The change in the number of persons reflects changes to the composition of the Senior Executive Committee.

(2) Comprises employer contributions to pension funds, amounts in lieu of accrued pension benefits and amounts paid on retirement.

(3) Represents the accounting charge for share-based incentive plans for key management personnel (note 9). The charge, which does not necessarily reflect the current value to the recipient, is determined by reference to the fair value of options or shares on the date of grant and is recognised as an expense over the vesting period. The 2008 charge primarily relates to options and shares granted prior to 1 October 2007. The intrinsic value of options outstanding to Directors and other key management personnel at 30 September 2008 was €nil. All options were extinguished on 21 January 2009 under the Anglo Irish Bank Corporation Act 2009.

51. Related party transactions continued**Loans to key management personnel**

Loan balance movements during the year and the aggregate amounts outstanding at year end to persons who, at any time during the year, were key management personnel were:

	2008		2007	
	Directors €m	Other key management * €m	Directors €m	Other key management * €m
At beginning of year (1)	46	6	37	6
Loan advances during the year (2)	255	2	180	5
Loan repayments during the year (2)	(115)	-	(169)	(3)
Other movements (3)	(7)	(1)	(2)	(2)
At end of year (4)	<u>179</u>	<u>7</u>	<u>46</u>	<u>6</u>
Number of persons	<u>13</u>	<u>2</u>	<u>13</u>	<u>5</u>

* Excludes Executive Directors

Loans are advanced to Directors (a) at commercial interest rates; (b) on a secured basis except for the loan referred to in 4(v); and (c) with full personal recourse except as referred to in 4(ii), 4(iii)(a) and 4(iv).

- (1) The Directors' loan balances at 1 October 2006 were previously disclosed as €31m and the balance at 30 September 2007 as €41m. In addition to personal loans, the revised disclosure includes the amount of personal recourse to Directors in relation to their share of loans advanced by the Bank to investment partnership and co-ownership structures in which they are investors.
- (2) Included in loan repayments during the year ended 30 September 2007 is €122m (including €9m in respect of another former Director on a joint loan account) relating to amounts which were refinanced by Sean FitzPatrick, former Chairman, shortly before that year end. These amounts were subsequently re-drawn in October 2007 and are included in loan advances during the year ended 30 September 2008.

Included in loan advances for the year ended 30 September 2007 is €48m (including €8m in respect of another former Director on a joint loan account), re-drawn by Sean FitzPatrick in October 2006, relating to amounts refinanced shortly before 30 September 2006.

Included in loan repayments for the year ended 30 September 2008 is €22m (2007: €21m) relating to amounts which were repaid shortly before year end by Sean FitzPatrick and another former Director. These repayments were made from deposits held with the Bank. The amounts were subsequently re-drawn shortly after year end and placed back on deposit with the Bank and, accordingly, €21m (2007: €17m) is included in loan advances during the year.

- (3) Other movements include the impact of foreign exchange rate changes on non-euro denominated loans and changes to the composition of the Board and the Senior Executive Committee.
- (4) The Directors' loan balances at 30 September 2008 include:
- Loans to Sean FitzPatrick of €83.3m (30 September 2007: €6.8m).
 - A loan on non-recourse terms to a former Director of €8m (2007: €nil) secured on ordinary shares in Anglo Irish Bank Corporation plc. The facility in respect of this loan has been renewed since 30 September 2008 on a full personal recourse basis. Under the Anglo Irish Bank Corporation Act 2009, which was enacted under Irish law on 21 January 2009, all of the Bank's ordinary share capital was transferred to the Minister for Finance.

- (iii) €20m (2007: €nil) in respect of personal recourse to 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 €42m at 30 September 2008 (2007: €nil). All partners are liable on a joint and several basis for the outstanding loan balances of the partnerships in which they invested.
- (iii)(a) A further €4m (2007: €5m) 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 Directors is limited to interest.
- (iv) €3m (2007: €3m) in respect of personal recourse to a former Director in relation to loans to co-ownership structures in which the Director is an investor. In addition, at 30 September 2008 a further €17m (2007: €17m) is outstanding in relation to the Director and the 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 co-ownership investments and there is no further personal recourse to the Director. At 30 September 2008 secured loans to the other co-owners in these structures total €45m (2007: €45m).
- (v) An unsecured loan of €nil (2007: €1m) in respect of which there is full personal recourse to the Director.
- (vi) Loans to Directors remaining in office at 19 February 2009 of €5m (30 September 2007: €1m).

Loans advanced to other key management include loans of €4m (2007: €4m) advanced on preferential terms in lieu of employment benefit entitlements. Loans to other key management include unsecured loans of €1m (2007: €1m) in respect of which there is full personal recourse.

At 30 September 2008 the Group had provided guarantees totalling €1m (2007: €nil) in respect of two Directors. The Group had undrawn commitments at 30 September 2008 of €20m (2007: €130m) relating to loans to Directors.

During the year the Group earned interest of €14m (2007: €9m) on loans to Directors and other key management.

At 30 September 2008 no impairment provisions were recognised in respect of loans or guarantees to Directors or other key management personnel (2007: €nil).

Loans to related parties (other than Group subsidiary undertakings, joint ventures and associate)

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 30 September 2008, excluding amounts disclosed above, total €27m (2007: €7m). Loans due from related parties are secured with the exception of loans of €1m (2007: €nil) which, while unsecured, are guaranteed by the underlying borrowers. Loan advances made to related parties during the year ended 30 September 2008 were €25m (2007: €15m) and loan repayments by related parties were €5m (2007: €13m).

During the year the Group earned interest of €2m (2007: €1m) on loans to related parties.

The Group had undrawn lending commitments to related parties at 30 September 2008 of €1m (2007: €4m).

51. Related party transactions continued**Deposits and investments by key management personnel**

Deposit balance movements during the year and the aggregate amounts outstanding at year end from persons who, at any time during the year, were key management personnel were:

	2008		2007	
	Directors €m	Other key management * €m	Directors €m	Other key management * €m
At beginning of year	9	1	5	3
Deposits received during the year	140	2	80	2
Deposits withdrawn during the year	(137)	(1)	(77)	(1)
Other movements	(2)	(1)	1	(3)
At end of year	10	1	9 #	1
Number of persons	12	2	13	6

* Excludes Executive Directors

Previously disclosed as €8m

Deposits by key management personnel are at commercial interest rates. During the year the Group incurred interest of €1.6m (2007: €1.3m) on these deposits.

Shortly before 30 September 2008, 30 September 2007 and 30 September 2006, Sean FitzPatrick and another former Director withdrew deposits of €22m, €21m and €17m respectively which were used to repay their loan balances with the Bank. These amounts were subsequently re-deposited by the former Directors shortly after the respective year ends 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 the Senior Executive Committee.

The Group's Private Bank offers a range of products to its clients. The Directors have invested in these products on which the Group has earned fees, charged at commercial rates, of €0.4m (2007: €0.8m). At 30 September 2008 twelve (2007: thirteen) Directors held investments totalling €49m (2007: €80m). Investments held by Directors remaining in office at 19 February 2009 totalled €1m (2007: €1m).

Other related party transactions

Anne Heraty, a former Non-executive Director, is also a Director of CPL Resources plc. During the year ended 30 September 2008, CPL Resources Group received €78,000 (2007: €263,000) in fees from the Group, incurred in the normal course of business.

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.

During 2008 close family members of Sean FitzPatrick received rental income from the Group of €31,500 (2007: €35,500) in respect of a UK property that, rather than hotels, is actively used to accommodate Group employees working in the UK on a temporary basis. Total future minimum payments under the tenancy agreement are €7,600 (2007: €8,600).

52. 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 47. 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 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 off balance sheet contingent liabilities and commitments to lend which the Bank does not expect to be fully drawn.

	The Bank	
	2008	2007
	€m	€m
<i>On balance sheet</i>		
Cash and balances with central banks	1,809	830
Financial assets at fair value through profit or loss - held on own account *	163	364
Derivative financial instruments	2,233	1,414
Loans and advances to banks	12,359	9,875
Available-for-sale financial assets *	8,137	12,496
Loans and advances to customers	66,356	60,360
<i>Off balance sheet</i>		
Contingent liabilities	738	1,372
Commitments to lend	5,329	7,323
Maximum exposure to credit risk	97,124	94,034

* Excludes equity shares

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 €1,006m (2007: €1,127m) lent to fund assets held in respect of liabilities to customers under investment contracts.

52. Parent Bank information on credit risk continued**Risk concentrations**

A geographical analysis of risk concentrations by sector is as follows:

	Ireland			
	2008 €m	2008 %	2007 €m	2007 %
Retail	6,464	15%	4,850	13%
Office	5,221	12%	4,701	13%
Mixed use	2,658	6%	2,068	5%
Industrial	383	1%	185	1%
Residential investment	1,195	3%	967	3%
Residential development	5,467	13%	6,111	16%
Business banking	6,204	15%	4,245	11%
Personal	3,605	8%	2,871	8%
Leisure	4,737	11%	4,805	13%
Commercial development	5,342	12%	5,271	14%
Other property investment	920	2%	519	1%
Other	877	2%	846	2%
	43,073	100%	37,439	100%

	United Kingdom			
	2008 €m	2008 %	2007 €m	2007 %
Retail	2,958	20%	3,144	20%
Office	2,884	20%	2,349	15%
Mixed use	1,333	9%	1,316	8%
Industrial	757	5%	943	6%
Residential investment	536	4%	803	5%
Residential development	647	4%	626	4%
Business banking	1,498	10%	1,637	11%
Personal	39	0%	59	0%
Leisure	3,201	22%	3,709	24%
Commercial development	493	3%	717	5%
Other property investment	236	2%	153	1%
Other	70	1%	79	1%
	14,652	100%	15,535	100%

	USA			
	2008	2008	2007	2007
	€m	%	€m	%
Retail	1,480	16%	1,114	15%
Office	2,325	25%	1,933	26%
Mixed use	1,260	14%	1,117	15%
Industrial	508	5%	159	2%
Residential investment	1,138	12%	786	10%
Residential development	537	6%	715	9%
Business banking	16	0%	12	0%
Personal	68	1%	28	0%
Leisure	1,160	12%	1,008	13%
Commercial development	777	8%	651	9%
Other property investment	94	1%	72	1%
Other	-	0%	-	0%
	9,363	100%	7,595	100%
Total loans and advances to customers	67,088		60,569	

Total loans and advances to customers are stated gross of provisions and include €1,006m (2007: €1,127m) lent to fund assets held in respect of liabilities to customers under investment contracts.

52. Parent Bank information on credit risk continued**Asset quality**

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

	The Bank 2008				Total €m
	Commercial €m	Residential €m	Business Banking €m	Other Lending €m	
High quality	8,834	306	627	373	10,140
Good quality	30,114	7,033	6,357	3,689	47,193
Satisfactory quality	3,995	909	415	244	5,563
Lower quality but not past due nor impaired	1,128	580	273	104	2,085
Total neither past due nor 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 2008				Total €m
	Commercial €m	Residential €m	Business Banking €m	Other Lending €m	
At beginning of year	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 year	377	276	31	48	732

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

	The Bank 2007				Total €m
	Commercial €m	Residential €m	Business Banking €m	Other Lending €m	
High quality	8,529	737	940	685	10,891
Good quality	31,094	8,722	4,638	2,973	47,427
Satisfactory quality	132	51	22	84	289
Lower quality but not past due nor impaired	162	20	105	24	311
Total neither past due nor impaired	39,917	9,530	5,705	3,766	58,918
Past due but not impaired	804	441	164	75	1,484
Impaired loans	63	37	25	42	167
	40,784	10,008	5,894	3,883	60,569
Provisions for impairment	(111)	(37)	(25)	(36)	(209)
Total	40,673	9,971	5,869	3,847	60,360

**Provisions for impairment on
loans and advances to customers**

	The Bank 2007				Total €m
	Commercial €m	Residential €m	Business Banking €m	Other Lending €m	
At beginning of year	111	40	33	59	243
Charge against profits	28	4	(3)	(15)	14
Write-offs	(26)	(4)	(4)	(6)	(40)
Recoveries of previous write-offs	1	-	-	-	1
Unwind of discount	(1)	(1)	(1)	(1)	(4)
Exchange movements	(2)	(2)	-	(1)	(5)
At end of year	111	37	25	36	209

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

52. Parent Bank information on credit risk 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 on the basis of the level of collateral and/or personal recourse available to the Bank.

	The Bank 2008					Total €m
	Commercial €m	Residential €m	Business Banking €m	Other Lending €m	Other Financial Assets €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

	The Bank 2007					Total €m
	Commercial €m	Residential €m	Business Banking €m	Other Lending €m	Other Financial Assets €m	
Past due 1 to 30 days	48	45	161	12	-	266
Past due 31 to 60 days	137	9	-	-	-	146
Past due 61 to 90 days	150	221	1	16	-	388
Past due 91 days and over	469	166	2	47	-	684
Total	804	441	164	75	-	1,484

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				2008 Total €m	2007 Total €m
	Financial Institutions €m	Residential Mortgage Securities €m	Sovereign €m	Asset Backed Securities €m		
AAA / AA	2,103	947	3,121	546	6,717	10,577
A	1,137	24	6	63	1,230	1,620
BBB+ / BBB / BBB-	64	24	2	63	153	266
Sub investment grade	5	3	5	24	37	30
Unrated	-	-	-	-	-	3
	3,309	998	3,134	696	8,137	12,496

Further information in respect of the Bank's exposures to financial assets at fair value through profit or loss and to loans and advances to banks is dealt with in notes 20 and 22 respectively.

53. Events after the balance sheet date

Government guarantee scheme

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 to introduce a guarantee scheme on 30 September 2008 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 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).

Completion of sale of subsidiary

On 19 December 2008 the Bank completed the sale of Anglo Irish Bank (Austria) A.G. to Valartis Group A.G., a listed Swiss banking group. Anglo Irish Bank (Austria) A.G. had net assets of €79m at 30 September 2008 and contributed less than 1% of the Group's operating profit before provisions for impairment for the year then ended.

Proposed recapitalisation scheme and subsequent nationalisation

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 plc. The Government's proposed investment of €1.5 billion in the Bank was to be in the form of perpetual preference shares ranking *pari passu* to ordinary share capital on liquidation.

Notwithstanding growth in retail customer deposits since 30 September 2008 assisted by the Government guarantee scheme, the Bank's overall funding position weakened in late 2008. This was exacerbated by 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. 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.

Impairment

The key economic indicators in the Bank's principal operating markets of Ireland, the UK and the US have continued to show a marked deterioration since 30 September 2008. All of these economies, and those of mainland Europe, are expected to contract further during 2009. While the monetary and fiscal actions taken by many governments and authorities are helpful, it will take some time before the positive effects are reflected in the general economy. As a result, the Bank anticipates that loan impairment charges will increase in 2009 and subsequent years.

Furthermore, the impairment charge for the six months ended 31 March 2009 will include a charge for losses incurred in respect of lending where the security consisted solely of shares in Anglo Irish Bank Corporation plc. Following the nationalisation of the Bank on 21 January 2009 the value of collateral held against such loans has been significantly reduced, with impairment estimated at €300m, including relevant amounts for Directors' loans. This is a non-adjusting event under IAS 10 as the conditions providing evidence of impairment did not exist at 30 September 2008. No provision is therefore required as at that date.

In addition, while no impairment was recognised in respect of loans to Directors or former Directors at 30 September 2008, the effect of the subsequent permanent deterioration in the share price of the Bank on their financial standing is likely to result in an impairment provision in the six months to 31 March 2009.

Japanese Yen financing arrangement

Details are given in note 5 of a financing arrangement, entered into in May 2008, whereby the Group exchanged a portion of its funding from a Sterling basis to a Yen basis. The arrangement was structured such that the Group would benefit from the differential between Sterling and Yen interest rates and the potential downside from a foreign exchange risk perspective was mitigated by an offset on the Group's taxation line. The arrangement had a positive impact on Group profit for the year ended 30 September 2008. Although the arrangement was unwound in early January 2009 the strengthening of Yen against Sterling post year end has negatively impacted net trading income from foreign exchange contracts by £156m. The foreign exchange translation related to this arrangement may be offset by a reduction in the Group's taxation charge in 2009 and future years.

Board of Directors

There have been a number of changes to the Board of Directors since 30 September 2008, details of which are set out in the Report of the Directors.

Reviews by external bodies

There are a number of reviews being conducted by external bodies including the Office of the Director of Corporate Enforcement, the Financial Regulator and the Institute of Chartered Accountants in Ireland overseen by the Irish Auditing and Accounting Supervisory Authority. As the ultimate outcome of these reviews is uncertain, the financial statements do not include any disclosures or adjustments in this regard.

54. Trust activities

The Group provides custody, trustee, 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 balance sheet date the Group had the following assets under management:

	2008	2007
	€m	€m
Equities and investment properties	696	2,232
Managed cash and other assets	336	638
	<u>1,032</u>	<u>2,870</u>

The Group disposed of its Isle of Man trust business on 21 December 2006 and disposed of Anglo Irish Bank (Suisse) S.A. on 29 February 2008 (note 13).

55. Approval of financial statements

In order to provide additional information in respect of the events described in note 53, the Group has made amendments to certain disclosure notes contained in the financial statements originally approved on 2 December 2008. The revised Group financial statements were authorised for issue by the Board of Directors on 19 February 2009.

Consolidated income statement

For the year ended 30 September 2008

	<u>USDm</u>	<u>GBPm</u>
Interest and similar income	9,045	4,998
Interest expense and similar charges	<u>(6,345)</u>	<u>(3,506)</u>
Net interest income	2,700	1,492
Fee and commission income	204	113
Fee and commission expense	(16)	(9)
Net trading income	6	3
Fair value movements on financial assets	(183)	(101)
Other operating income	109	60
Other income	120	66
Total operating income	2,820	1,558
Administrative expenses	(430)	(238)
Depreciation	(16)	(9)
Amortisation of intangible assets - software	(23)	(12)
Total operating expenses	(469)	(259)
Operating profit before provisions for impairment	2,351	1,299
Provisions for impairment:		
Loans and advances to customers - specific	(320)	(177)
Loans and advances to customers - collective	(715)	(395)
Investment securities	(222)	(122)
	<u>(1,257)</u>	<u>(694)</u>
Operating profit	1,094	605
Share of results of associate and joint ventures	(1)	(1)
Profit on disposal of businesses	28	16
Profit before taxation	1,121	620
Taxation	(171)	(95)
Profit for the year	950	525
Attributable to:		
Equity holders of the parent	958	530
Minority interest	(8)	(5)
Profit for the year	950	525
Basic earnings per €0.16 ordinary share	\$1.26	69.9p
Diluted earnings per €0.16 ordinary share	\$1.26	69.6p

Exchange rates used at 30 September 2008

One Euro = USD 1.4303 / GBP 0.7903

Consolidated balance sheet

As at 30 September 2008

	<u>USDm</u>	<u>GBPm</u>
Assets		
Cash and balances with central banks	2,606	1,440
Financial assets at fair value through profit or loss		
- held on own account	333	184
- held in respect of liabilities to customers under investment contracts	671	371
Derivative financial instruments	2,853	1,577
Loans and advances to banks	20,027	11,066
Assets classified as held for sale	17	9
Available-for-sale financial assets	11,668	6,447
Loans and advances to customers	103,198	57,021
Interests in joint ventures	406	224
Interest in associate	23	13
Intangible assets - software	30	17
Intangible assets - goodwill	-	-
Investment property		
- held on own account	155	85
- held in respect of liabilities to customers under investment contracts	2,569	1,419
Property, plant and equipment	54	30
Current taxation	30	17
Retirement benefit assets	13	7
Deferred taxation	153	85
Other assets	47	26
Prepayments and accrued income	66	36
Total assets	<u>144,919</u>	<u>80,074</u>
Liabilities		
Deposits from banks	29,254	16,164
Customer accounts	73,659	40,700
Derivative financial instruments	2,131	1,177
Debt securities in issue	24,716	13,656
Liabilities to customers under investment contracts	1,703	941
Current taxation	-	-
Other liabilities	223	123
Accruals and deferred income	200	111
Retirement benefit liabilities	9	5
Deferred taxation	37	21
Subordinated liabilities and other capital instruments	7,077	3,910
Total liabilities	<u>139,009</u>	<u>76,808</u>
Share capital	176	97
Share premium	1,654	914
Other reserves	(777)	(429)
Retained profits	4,847	2,678
Shareholders' funds	5,900	3,260
Minority interest	10	6
Total equity	<u>5,910</u>	<u>3,266</u>
Total equity and liabilities	<u>144,919</u>	<u>80,074</u>

Exchange rates used at 30 September 2008

One Euro = USD 1.4303 / GBP 0.7903

Schedule to the Report of the Directors

Information required under the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006

The European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006 apply to publicly traded companies which have securities carrying voting rights traded on a regulated market. This schedule provides the information required by the regulations in respect of the Bank's position as at 30 September 2008. The regulations ceased to apply to the Bank from 21 January 2009 following the cancellation of the Bank's listings on the Irish and London Stock Exchanges and the transfer of all of the Bank's shares to the Minister for Finance under the Anglo Irish Bank Corporation Act 2009.

Capital structure

Details of the structure of and changes in the Bank's share capital to 30 September 2008 are set out in note 41 to the financial statements.

Percentage of total share capital represented by each class of share

At 30 September 2008 ordinary shares represented 56.5% of the authorised share capital and 99.7% of the issued share capital of the Bank. Preference shares represented 43.5% of the Bank's authorised and 0.3% of its issued share capital.

Rights, obligations and restrictions on transfer of ordinary shares

As at 30 September 2008 holders of ordinary shares were entitled to receive duly declared dividends in cash or, when offered, additional ordinary shares. They were entitled to receive notice of and to attend, speak and vote in person or by proxy, at general meetings having, on a show of hands, one vote, and, on a poll, a vote for each ordinary share held. Shareholders were also entitled to appoint a proxy to attend, speak and/or vote at general meetings, and to receive, at least 20 working days before the Annual General Meeting, a copy of the Annual Report and Accounts.

In the event of a winding-up, ordinary shareholders were entitled to repayment of the capital paid up on the ordinary shares and a proportionate part of any surplus assets available for distribution, subject to payments of amounts due to creditors and to any holders of shares ranking in priority to the ordinary shares.

When served with notice by the Directors, shareholders were required to inform the Bank in writing, not more than 42 days thereafter, of the capacity in which they held any ordinary shares. If the entire beneficial interest was not held such shareholders were also required to furnish, in so far as the shareholder was aware, the name and address of any person having any beneficial interest in the ordinary shares. Where there was a failure to furnish the information required the Directors were entitled to resolve that the shareholder should not be entitled to attend general meetings nor to exercise voting rights attached to such ordinary shares.

There are no limitations in Irish law on the holding of ordinary shares. Transfers of ordinary shares also required no approval save that the Directors could decline to register a transfer of ordinary shares on which the Bank had a lien. In the case of a single transfer of ordinary shares in favour of more than four persons jointly, the Directors could decline to register a transfer of ordinary shares upon notice to the transferee within two months after the lodgement of such transfer.

Certificated ordinary shares were transferable upon production to the Bank's registrars of the original share certificate and the usual form of stock transfer duly executed by the holder of the ordinary shares. Uncertificated ordinary shares were transferable in accordance with the rules or conditions imposed by the operator of the relevant system which enables title to be evidenced and transferred without a written instrument and in accordance with the Companies Act, 1990 (Uncertificated Securities) Regulations, 1996. Rights attaching to ordinary shares remained with the transferor until the transferee's name was entered on the Register of Members of the Bank.

Rights of the Sterling Non-cumulative Preference Shares

Holders of the sterling non-cumulative preference shares had the right to receive a non-cumulative preferential 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 were 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 dividend should be paid if the payment would, in the judgement of the Directors, after consultation with the Central Bank and Financial Services Authority of Ireland, breach, or cause a breach of, applicable capital adequacy requirements, or if the Directors in their sole and absolute discretion resolved prior to any dividend payment that the dividend should not be declared and/or paid.

In the event of a winding-up or other return of capital (except a redemption or purchase of shares) the holders of the sterling non-cumulative preference shares had the right to receive Stg£1,000 per share out of the surplus assets available for distribution to the Bank's members, together with any accrued dividends, before any distribution or payment was made to the holders of the ordinary shares or any other class or series of shares of the Bank ranking junior to the sterling non-cumulative preference shares as regards the distribution of assets.

The sterling non-cumulative preference shares were redeemable at Stg£1,000 per share in whole, but not in part, at the option of the issuer, subject to the prior consent of the Financial Regulator in Ireland, on 15 June 2015 and on any dividend date thereafter.

The only entitlement attaching to the sterling non-cumulative preference shares to receive notice of, attend and vote at general meetings was for the holders to vote with the holders of the ordinary shares on any resolution for the liquidation of the Bank or to vote on any resolutions varying, altering or abrogating the rights or restrictions attaching to the shares.

Significant shareholdings

At 30 September 2008 the Bank had been notified of the following interests in excess of 3% of its issued ordinary share capital:

	Number of shares	% of issued ordinary share capital
Janus Capital Management LLC	54,138,253	7.0
Invesco Perpetual	53,963,798	7.0

At 30 September 2008 the size analysis of shareholdings in the Bank was as follows:

	Shareholdings		Shares	
	Number	%	Number	%
1 - 5,000	15,554	81.1	18,391,977	2.4
5,001 - 10,000	1,557	8.1	11,014,624	1.4
10,001 - 25,000	1,154	6.0	18,165,775	2.4
25,001 - 50,000	420	2.2	14,842,647	1.9
50,001 - 100,000	195	1.0	13,753,942	1.8
100,001 - 500,000	189	1.0	42,618,067	5.5
Over 500,000	103	0.6	650,363,377	84.6
	19,172	100.0	769,150,409	100.0

Voting rights

At 30 September 2008 there were no unusual restrictions on voting rights. Voting rights at general meetings are exercised by a show of hands or by a poll. On a show of hands every shareholder who is present in person or by proxy has one vote regardless of the number of shares they hold. In the case of a poll, every shareholder who is present in person or by proxy has one vote for every share held. Where a person is appointed to vote on behalf of a shareholder as proxy, the instrument of appointment must be received by the Bank not less than forty-eight hours before the scheduled meeting, adjourned meeting or poll at which the appointed proxy proposes to vote.

Exercise of rights of shares in employee share schemes

The Bank's Approved Profit Sharing Scheme and Performance Share Plan provided that voting rights in respect of shares held in trust for employees who were participants in those schemes were, on a poll, to be exercised only in accordance with any directions in writing by the employees concerned to the Trustees of the relevant scheme.

Special rights

At 30 September 2008 there were no persons holding securities that carry special rights with regard to control of the Bank.

Agreements between shareholders

At 30 September 2008 the Bank was not aware of any agreements between shareholders that may have resulted in restrictions on the transfer of securities and/or voting rights.

Governance rules

The rules governing the appointment of Directors are set out in the Corporate governance statement on pages 25 to 29. The Bank's Articles of Association may be amended by special resolution passed at a general meeting. A special resolution must be approved by not less than three quarters of the votes cast by shareholders entitled to vote on the resolution.

Powers of the Directors

As at 30 September 2008, under the Articles of Association, the Bank's business was managed by the Directors who could exercise all the powers of the Bank subject to the provisions of the Companies Acts, the Memorandum and Articles of Association.

Before the transfer of the Bank's shares to the Minister for Finance, and until the earlier of the date of the 2009 Annual General Meeting or 30 April 2009 the Bank and/or any subsidiary of the Bank was authorised to make market purchases of ordinary shares on such terms and conditions, and in such manner, as the Directors, or, as the case may be, the Directors of such subsidiary, might from time to time determine, but subject however to the provisions of the Companies Act, 1990 and so that the maximum number of ordinary shares to be acquired might not exceed 10% of the Bank's issued ordinary share capital. The minimum and maximum prices which could be paid for each share were, respectively, the nominal value of the shares and a price 5% above the average closing price of the Bank's ordinary shares as quoted on the Irish Stock Exchange for the five business days immediately preceding the purchase.

As at 30 September 2008 ordinary shares purchased by the Bank could be cancelled on being so purchased or held as treasury shares which could either be cancelled or re-issued as shares of any class or classes. The minimum and maximum prices at which treasury shares could be re-issued are 95% and 120% respectively, of the average closing price of the Bank's ordinary shares as quoted on the Irish Stock Exchange for the five business days immediately preceding the re-issue.

Significant agreements

At 30 September 2008 there were a number of agreements that would take effect, alter or terminate upon a change of control of the Bank following a takeover. None of these were deemed to be significant in terms of their potential impact on the business of the Group as a whole. There were no agreements between the Bank and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that would occur as a result of a bid. However, provisions existed for the early maturity of employee share schemes in the event of a change of control.

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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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Anglo Irish Bank 

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