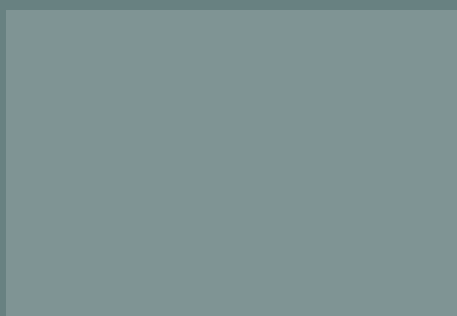
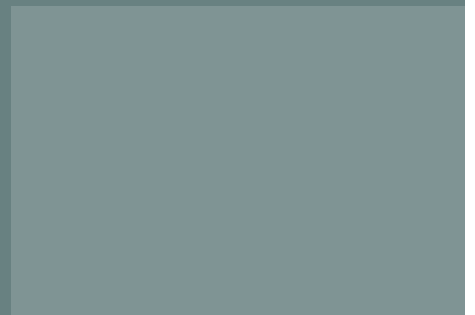
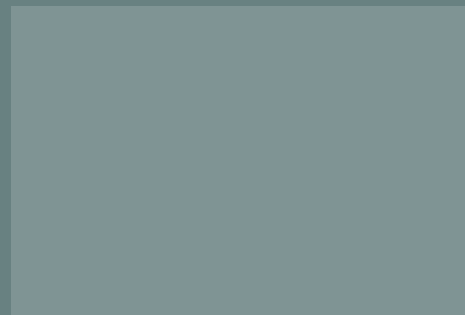
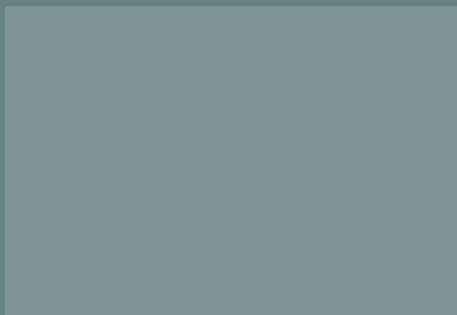


Interim Report

Six months ended 31 March 2009



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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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This document constitutes the interim management report required by Regulation 6 of the Transparency (Directive 2004/109/EC) Regulations 2007. It can also be found on the Group's website: www.angloirishbank.com

Executive Chairman's statement

Introduction

Today we publish the results of our financial performance for the six months to 31 March 2009. This has been a most difficult period for Anglo Irish Bank culminating in the reporting of a pre-tax loss of €4.1 billion. This loss is due principally to a specific lending impairment charge of €3.7 billion and a collective lending impairment provision of €0.4 billion following a detailed examination of our entire loan book.

The marked deterioration in asset quality over the last six months is as a result of rapidly declining property values, particularly relating to land and development assets in Ireland, combined with the worsening economic environment in each of our core markets.

Clearly we made mistakes in some of the lending decisions taken in recent years, particularly in relation to property development in Ireland. Our rate of growth and risk appetite at the top of the economic cycle was imprudent and the stark evidence of this is seen in the figures announced today. A detailed review of the Bank's performance for the six months ended 31 March 2009 is set out on pages 7 to 16.

My fellow Board members and I are acutely aware of the anger and disappointment amongst all stakeholders and the wider public regarding the issues that have emerged during the period under review. In my Chairman's letter accompanying the Annual Report issued in February, I apologised to shareholders, customers, staff and other stakeholders for the issues that emerged which damaged the reputation of the Bank and I do so again today.

We welcome the statement from the Minister for Finance confirming the Government's decision to provide, subject to EU approval, up to €4 billion of capital and we are very grateful to the Government for this support. We also welcome the Minister's confirmation that the Bank will participate in the National Asset Management Agency as this is a fundamental assumption in our draft Business Plan.

Capital

The Bank undoubtedly requires additional capital following the reported loss for the six months to 31 March 2009 and the further losses we expect to record in the second half of the financial year. As an interim measure, the Financial Regulator has granted the Bank temporary derogations on certain regulatory capital requirements. As noted earlier, the Government plan to invest up to €4 billion of capital in the Bank over the coming weeks. Furthermore, the Bank intends to offer to repurchase certain outstanding subordinated bonds at a significant discount to par value which will generate profit and additional capital for the Bank. This is a major step towards placing the Bank on a firmer footing for which we are most grateful to the Minister.

Looking forward the Board and Government are committed to ensuring that the Bank maintains a robust capital position which is appropriate to its ownership, taking account of the needs of its wider stakeholders and the underlying risks that are assumed by the business.

National Asset Management Agency ('NAMA')

The Irish Government decision to establish NAMA is very welcome and is a clear demonstration of its constructive support for the Irish banking system. The Board welcomes this move by the Minister for Finance as a positive development and the Bank will work closely with the Minister and his officials in the Department of Finance and the National Treasury Management Agency in the establishment of NAMA.

The transfer of land and development loans to NAMA will considerably improve the Bank's liquidity and remove much of the uncertainty over impairment. This should create greater access to funding markets which have been largely closed during the last year.

Executive Chairman's statement (continued)

Asset quality

In my Chairman's letter of 19 February I mentioned that asset quality would be a critical area of focus for the Board and the Bank. We recently concluded a comprehensive review of all loans to assess the impact of the rapid deterioration in market conditions since September 2008 and to estimate the likely level of impairments we may need to recognise over the next three years and, as accounting standards do not permit us to anticipate events after 31 March, how much of those should be charged in the current period.

This review concluded that losses are likely to reach €7.5 billion. Of this, €3.7 billion and €0.4 billion have been charged in the current period as specific and collective provisions, respectively. Total impairment provisions on our balance sheet now amount to €4.9 billion, comprising specific €3.9 billion and collective €1.0 billion.

We expect and have allowed for market conditions to continue deteriorating in the next twelve months. However, should business cash flows and asset values become further stressed this could lead to additional further impairment beyond our expectations.

The Bank has also recognised other charges of €0.7 billion in the period relating to Private Banking and Treasury asset impairments and fair value adjustments in respect of corporate swap transactions.

In my Chairman's letter of 19 February I stated that impairment would arise on loans secured on shares in the Bank. As a result of the permanent diminution in the value of the Bank's share price following nationalisation €308 million has been provided against the loans to ten longstanding clients of the Bank. In addition, €31 million has been provided against loans to certain former Directors who held office during the six month period, none of whom were Board members at 31 March 2009. I assure you that, as with all borrower facilities, we will be seeking full repayment of these loans. These provisions are included within the specific charge.

Further information on asset quality is included in the Business review.

Funding and liquidity

Conditions during the period remained very challenging with continued dislocation in the international banking and capital markets. In addition, the Bank's capacity to raise funding was impacted by the emergence of governance weaknesses which eroded confidence in the Bank and led to a significant decline in our non-retail deposits across all geographies. Funding from the debt and interbank markets has also fallen sharply as a result of wider market dislocation and as investors await clarification of the Bank's future strategy. While retail deposits have grown since 30 September 2008, overall there has been a material reduction in customer funding. This combination of factors has resulted in the Bank having to seek a special liquidity facility arranged through the Central Bank of Ireland, secured by a loan repurchase arrangement.

Central to the Bank's capacity to fund is the continued Government support under the deposit guarantee scheme, certain key elements of which the Minister intends to extend beyond 2010, and our participation in NAMA which will materially improve both funding and liquidity. Against this background, we are confident that we will rebuild the Bank's funding base and liquidity. In turn, this will serve to increase the market's confidence in the Bank.

Draft Business Plan

Over the past few months, in consultation with the Minister and his officials, we have been reviewing our strategic options. We concluded that any wind-up option would be very costly for the Irish taxpayer and that the interests of the Minister, as shareholder, would be best served by stabilising and de-risking the Bank and for the Bank to continue to operate as an independent going concern to assist in the recovery of the Irish economy. Operating as a going concern maintains a range of options and reduces the overall cost for the taxpayer.

Executive Chairman's statement (continued)

We have prepared a draft Business Plan, and over the coming weeks we will be engaging extensively with the Minister and his officials, and with the Financial Regulator, in order to finalise the plan. Key elements of the draft Business Plan include:

- Rebuilding trust and confidence in the Bank and its management by strengthening our governance and controls;
- Operating on a “funding-led” basis, limiting balance sheet size to that which can be funded in a more sustainable manner with strong liquidity;
- Scaling down the balance sheet and reducing concentration risks;
- Maximising the recoverability of loans through this difficult economic cycle;
- Co-operating fully with NAMA;
- Creating a viable, efficient and respected business bank;
- Building and enhancing the Bank's culture to meet the challenges of the new environment;
- Reducing our cost base to match the balance sheet size; and
- Ensuring the business of the Bank is profitable.

The Bank recognises that it has a real responsibility to be part of the solution to the economic recovery in Ireland by managing its assets to maximise recoveries and significantly improve its funding base.

Board and management

The Minister for Finance intends to strengthen the Board further with the appointment of additional Non-executive Directors.

The Board will implement a new leadership and management structure which will operate under a new Chief Executive Officer recruited from outside the Bank. We are working with our search consultants to identify an experienced high calibre individual and to assist us with further appointments of external candidates to key positions, including the appointment of a new Chief Risk Officer. We expect to start making appointments in the near future.

People

The Bank has experienced a very turbulent period during which our staff have remained extremely professional, focused and committed. Their effort and energy has been exceptional and on behalf of the Board I would like to express my gratitude to them for this. The next year is going to be very challenging and the Board is confident in the capability and strength of our people to achieve the restructuring and rebuilding of the Bank and its reputation.

Legacy matters

There are a number of ongoing investigations and reviews by external authorities. The Bank is co-operating fully with these investigations and will continue to do so. Given the nature of these investigations, it would be inappropriate for the Bank to comment further on them.

Group external audit

The Board has decided to commence a tender process for the Group external audit contract.

Executive Chairman's statement (continued)

Future

The Bank is very conscious of its responsibility to the taxpayer. The Government has taken major strategic initiatives to support the Bank through the proposed capital injection and through our inclusion in NAMA. These decisions place the Bank on a sound financial footing and we are determined to repay the taxpayer by creating a viable, efficient and respected Bank.

Donal O'Connor

Executive Chairman

29 May 2009

Business review

This business review covers the six month period to 31 March 2009 and includes commentary on key areas of financial and operating performance of the Group during that period.

The Bank reports a loss before taxation of €4.1 billion for the period, primarily driven by specific and collective lending impairment charges of €3.7 billion and €0.4 billion respectively. The quantity and quality of the Bank's customer and market funding has deteriorated resulting in an increased reliance on support from central banks. The Total regulatory capital ratio at 31 March 2009 was 8.2%, including temporary discretions and derogations granted by the Irish Financial Regulator in advance of the Government's recapitalisation of the Bank.

Customer lending and asset quality

Since September 2008 there has been a rapid deterioration in global economic conditions and outlook. What started as a financial crisis has quickly transformed into a global economic recession. Property markets have been severely impacted by a lack of confidence and liquidity which has led to a significant reduction in property values across all of the Bank's markets. Development land and construction have been the most significantly impacted.

As a result, the asset quality of the Bank's loan book has deteriorated substantially with impaired loans increasing to €10.7 billion, and a significant increase in the specific impairment charge to €3.7 billion. Since September, land values, particularly in Ireland, have fallen by up to 40% bringing the total estimated fall in values to between 50% and 70% from peak levels, and this has been taken into account in assessing the impairment charge for the period. In addition, 'real economy' issues and reduced occupier demand have had a negative impact on business cash flows, rents and commercial property yields in all core markets. The Bank estimates that yields have widened by up to 200 basis points in the six months to March 2009. With falling rents and softer yields, capital values have fallen significantly in the period, although the lack of transactional evidence makes it difficult to determine the exact extent of the decline in prices.

Customer lending

Customer lending balances by division¹

| | 31 March 2009 | | 30 September 2008 ² | |
|--------------|---------------|-------------|--------------------------------|-------------|
| | €bn | % | €bn | % |
| Ireland | 43.3 | 60% | 42.5 | 60% |
| UK | 18.7 | 26% | 18.5 | 26% |
| US | 10.3 | 14% | 10.0 | 14% |
| Total | 72.3 | 100% | 71.0 | 100% |

Lending, excluding provisions for impairment, increased by €1.3 billion² during the period bringing total customer loans pre-impairment to €72.3 billion. The Bank's Ireland division accounts for 60% of all lending with 26% and 14% in the UK and US respectively. Loan balances include €14.4 billion to the Bank's top 20 regulatory customer groups. Each of these groups consists of a number of connected entities and the balances represent multiple individual loans secured by diverse portfolios of assets and multiple contracted cash flows.

New lending in the period was solely to the Bank's existing customer base, primarily in Ireland and confined to amounts which were previously committed or approved to protect asset quality and reduce risk. Growth in lending includes an amount of €0.7 billion relating to capitalised interest during the period, which is an integral feature of development lending. Interest roll-up facilities are also being provided to some clients outside the terms of their original loan facilities due to the lack of demand for completed units. The Bank will continue to approve the provision of additional facilities to customers where it is believed this will ensure the best economic outcome for the Bank in the long term.

While core lending margins excluding fees have remained broadly stable, total lending margin, including fees amortised to interest income under IFRS, has declined to 2.26% for the six months to 31 March 2009 from 2.43% for the year ended 30 September 2008. This reflects a significant decrease in lending arrangement fee amortisation income, from €133 million in the six months to March 2008 to €53 million, due to lower new business volumes and the extension of expected lives of loan facilities resulting in a longer income amortisation period for existing fees.

Business review (continued)

Divisional lending balances by sector¹

| | 31 March 2009 | | | Total €bn |
|--------------|--|----------------------------------|-----------------------------------|--------------|
| | Investment, Business Banking & Other €bn | Commercial Development €bn | Residential Development €bn | |
| Ireland | 31.6 | 5.7 | 6.0 | 43.3 |
| UK | 14.0 | 2.4 | 2.3 | 18.7 |
| US | 9.0 | 0.8 | 0.5 | 10.3 |
| Total | 54.6 | 8.9 | 8.8 | 72.3 |

Investment, business banking and other lending across the Group totals €54.6 billion and comprises investment property lending across all sectors including retail, office, leisure and industrial, together with business lending to the SME and corporate sector and lending for personal investment.

Development lending totals €17.7 billion or 24% of the book, inclusive of €10.6 billion of land bank assets. Two thirds of this is lending in Ireland and covers all phases of development from unzoned land to completed units, some of which are contracted for sale or pre-let.

At 31 March 2009 committed lending work in progress ('WIP') totalled €4.0 billion (30 September 2008: €6.3 billion). WIP has reduced substantially in the period due to the re-evaluation by both clients and the Bank of previously approved projects taking account of overall economics and liquidity.

Lending asset quality

| | 31 March 2009 €m | 30 September 2008 ² €m |
|---|------------------------|---|
| Grading analysis | | |
| Good quality | 39,287 | 59,905 |
| Satisfactory quality | 4,078 | 6,004 |
| Lower quality but not past due nor impaired | 5,274 | 2,535 |
| Total neither past due nor impaired | 48,639 | 68,444 |
| Past due but not impaired | 12,906 | 1,649 |
| Impaired loans | 10,706 | 883 |
| | 72,251 | 70,976 |
| Provisions for impairment | (4,868) | (872) |
| Total | 67,383 | 70,104 |

The significant deterioration in economic and market conditions since September 2008 has adversely impacted the grading of the Bank's loan book across all sectors and locations with a significant increase in the amount of loans classified as impaired or as past due but not impaired.

Impaired loans have increased from €0.9 billion² as at September 2008 to €10.7 billion as at 31 March 2009. By location Ireland accounts for €8.6 billion (80%), UK €1.8 billion (17%) and US €0.3 billion (3%). Development exposure, both residential and commercial, represents half of the total impaired loan balance with 30% of the total land and development portfolio impaired.

As mentioned above, the development sector in Ireland has been severely impacted by the downturn. Since September there has been a significant deterioration in all development markets but particularly the residential sector. New sales activity is negligible and a substantial portion of contracted sales which were in place at September have not completed due to the inability of prospective buyers to raise finance and / or their reluctance to complete at contracted prices.

Business review (continued)

This has resulted in developers having significant unsold and partly completed stock which requires ongoing financing. In estimating the expected cash flow to be derived from such assets the Bank has factored in the material decline in property prices to 31 March 2009 and the more protracted period over which the assets will be sold. The fall in property values has eroded borrowers' equity in many transactions and the Bank is now directly exposed to defaults and further declines in property values. As a result of this, and the considerable fall in value of other asset classes including equities, borrowers' total net worths have been severely impacted, thereby reducing the value of recourse under personal guarantees and through cross collateralisation.

The amount of loans classified as past due but not impaired has increased to €12.9 billion from €1.6 billion² in September 2008, reflecting the impact on business cashflows caused by the general economic downturn. Ireland accounts for €8.6 billion (67%) of the total past due amount, the UK €3.7 billion (28%), and US €0.6 billion (5%). Amounts past due for between 1 and 30 days total €5.3 billion (41%). The level of loans past due outstanding for more than 90 days has increased from €1.0 billion² at 30 September 2008 to €2.5 billion and represents the highest risk element of past due. A full aged analysis is included within note 17 to the Interim report.

Lower quality but not past due or impaired cases at 31 March 2009 totalled €5.3 billion. Although currently not past due or impaired, these loans represent those which management deem to have a high risk of deterioration. These have increased from €2.5 billion² at 30 September 2008, affected by the same factors giving rise to the increase in impaired and past due loans.

Lending impairment

The Bank's recent asset quality review concluded that impairment losses were likely to reach €7.5 billion. As at 31 March 2009, total provisions on the balance sheet, prepared in accordance with accounting standards, amounted to €4.9 billion. The review also estimated that in a range of further stress scenarios, additional impairment of between €1.5 billion and €3.5 billion could arise.

Income statement - lending impairment

| | Six months ended 31 March 2009 €m | Six months ended 31 March 2008 €m | Year ended 30 September 2008 €m |
|---------------------------------|--|---|---|
| Specific charge | 3,694 | 33 | 224 |
| Collective charge | 411 | - | 500 |
| Total lending impairment | 4,105 | 33 | 724 |
| % of average loan balances | 5.61% | 0.05% | 1.03% |

Balance sheet

| | 31 March 2009 €m | 30 September 2008 ² €m |
|----------------------------|---------------------------------|---|
| Impaired loans | 10,706 | 883 |
| % of closing loan balances | 14.82% | 1.24% |
| Specific provision | 3,853 | 255 |
| Collective provision | 1,015 | 617 |
| Total provisions | 4,868 | 872 |

Business review (continued)

Specific lending provision

The lending impairment charge for the period of €4,105 million or 561 basis points of average loan balances, which compares with a charge of €724 million for the year ended 30 September 2008, includes €3,694 million of a specific charge. Impairment is calculated in accordance with IFRS and reflects losses incurred in the period based on the conditions existing at 31 March 2009. The specific charge was determined following a detailed loan by loan assessment by Group Risk Management and affirmed by a further review undertaken by independent external consultants. This charge is calculated based on discounting estimated future cash flows on loans and reflects the substantial price reductions in development assets and land holdings, reduced investment cash flows and asset values, much reduced borrower net worth and the increased time envisaged to sell assets and realise investments.

In September 2008, default rates on investment property loans remained low as market rents were largely unchanged and tenant default rates were still low. Impairment provisions on defaulted investment property loans were modest, as the market value declines (Ireland down 26% from peak³; UK down 18% from peak⁴) were broadly covered by borrowers' invested equity.

During the six months to 31 March 2009, the value of property held as security for investment property loans has fallen significantly (Ireland down 42% from peak³; UK down 34% from peak⁴), which means that in this market the value of the security in a large number of cases is no longer sufficient to fully secure the loan in an event of default. This does not impact loans that continue to perform in accordance with facility terms and where there are no indicators of impairment. However, the loss rate on non-performing loans has increased very substantially as a result. The impairment charge of €1.1 billion in the six months to 31 March 2009 on the overall Group investment portfolio is primarily driven by declines in the value of investment assets originally purchased at low yields with the intention of undertaking significant redevelopment. Some of these projects are now being put on hold, or where let are not able to generate projected income, as a result of the deteriorating economic environment. Losses in the Bank's traditional retail, office and industrial investment portfolio which has continued to perform well, notwithstanding the very difficult economic environment, totalled €0.4 billion.

At 30 September 2008 projected net proceeds on development projects together with cross collateralisation were expected to be sufficient to fully repay outstanding debt, after taking account of profit margins and developers' equity. This is not the case as at 31 March 2009 given further declines in property prices. High default rates coupled with substantial projected loss rates on development loans have led to material provisions in these sectors across all the Bank's core markets.

Of the specific impairment charge, €3.0 billion relates to Ireland, €0.6 billion to the UK and €0.1 billion to the US. Losses in Ireland, which represent 80% of the total charge in the six months, include €1.2 billion related to development lending, €0.9 billion related to investment lending and €0.6 billion related to business banking and other lending. The charge also includes €0.3 billion in relation to losses incurred in respect of lending where the security consisted solely of shares in the Bank.

In the UK approximately 80% of the six month charge relates to development lending. Commercial and residential development values declined significantly in the last six months. The risks to UK retail investment property values have also significantly increased due to the failure of a number of high profile retail companies in early 2009 putting significant downward pressure on retail rents.

In the US there has been a significant slowdown in consumer confidence and demand and property values have fallen significantly. Notwithstanding this, overall asset quality remains relatively strong as the vast majority of loans are investment property and business related where cash flows continue to perform.

Business review (continued)

Collective lending provision

A collective provision of €411 million has also been charged in the period. This reflects an allowance for loan losses existing in the performing loan book where there is currently no specific evidence of impairment on individual loans. The provision has been calculated with reference to historical loss experience supplemented by observable market evidence and management's judgement regarding market conditions at 31 March 2009. The balance sheet provision has increased significantly since 30 September 2008 reflecting the rapid deterioration in the macro economic environment, the substantial increase in the specific impairment charge in the current period and the weakening in the overall quality grading of the loan portfolio, especially the significant increase in past due but not impaired balances. Cumulative collective balance sheet provisions total €1,015 million or 1.65% of total loan balances (excluding impaired loans).

Treasury

Funding overview

Funding markets have remained extremely challenging for the Bank throughout the period. The composition of the Bank's funding profile has deteriorated since 30 September 2008 with a significant decline in balances from non-retail customers and market counterparts resulting in an increased reliance on funding support from central banks. The decrease in customer and market balances has been driven by market wide risk aversion towards the banking sector in general, Bank specific reputational issues as well as sovereign concerns. Reliance on borrowings from central banks has increased significantly during the period from €7.6 billion² at 30 September 2008 to €23.5 billion at 31 March 2009.

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 to 29 September 2010. The cost of the Government guarantee for the six months to 31 March 2009 is €53 million. The presence of the Government guarantee has been a key factor in maintaining the Bank's funding base.

Customer funding

| | 31 March 2009 | 30 September 2008 ² |
|--------------|--------------------------|-----------------------------------|
| | €bn | €bn |
| Retail | 18.0 | 17.2 |
| Non-retail | 16.1 | 30.6 |
| Total | 34.1 | 47.8 |

Customer funding balances account for 43% of total funding at 31 March 2009, down from 58% at 30 September 2008. Average total customer deposits for the six months to 31 March 2009 were €40.2 billion. The Bank's customer funding franchises span 16 funding locations across its core markets and include accounts from retail and non-retail sources.

Customer accounts have decreased by €13.7 billion² since September. Non-retail balances have decreased by €14.5 billion² while retail balances have increased by €0.8 billion². Customer funding balances deteriorated as a result of disclosures in the period that damaged the Bank's reputation, and following nationalisation when there were significant outflows from non-retail customer sources.

The decrease in non-retail funding includes €7.3 billion of customer deposits received from Irish Life Assurance plc over 30 September 2008 which matured early in the financial period. In addition, there has been a decline in funding from non-bank financial institutions (insurance companies, asset managers, pension funds) and more granular corporate deposits due to a reduction in corporate cash balances and risk aversion towards banking in general.

Business review (continued)

Retail balances in the UK had a strong start to the period given competitively priced term products. Balances have increased in the six months to 31 March 2009 notwithstanding less competitive pricing in the latter part of the period. Retail balances in Ireland are broadly unchanged in the half year. The Bank recognises the importance of maintaining a diverse funding platform and remains committed to growing and developing a strongly branded, geographically diversified retail savings business.

The cost of customer funding has increased significantly in the period for both retail and corporate deposits reflecting the intensely competitive market conditions and the strategic decision to target duration.

Market funding

| | 31 March 2009 €bn | 30 September 2008 ² €bn |
|--------------------------|----------------------------------|--|
| Debt securities in issue | 14.2 | 17.1 |
| Deposits from banks | 30.5 | 20.6 |
| Total | 44.7 | 37.7 |

Market funding, including borrowings from central banks, accounts for 57% of total funding, up from 42% at 30 September 2008.

Debt securities in issue have decreased by €2.9 billion² due to the challenging capital market environment. Short term programme (commercial paper and certificates of deposit) balances declined by €2.3 billion² and medium term note ('MTN') balances by €0.6 billion².

MTN issuance of €2.0 billion in the period was more than offset by maturities and redemptions. All year to date issuance is government guaranteed and matures by 29 September 2010, and includes a €1.5 billion public deal issued in December 2008 as well as several other smaller transactions. Although volumes have reduced to €11.4 billion at 31 March 2009 the cost of term debt has increased as new issuance is priced at higher margins than maturing amounts. €2.2 billion of MTN issuance will mature in the second half of this financial year with €5.0 billion maturing in financial year 2010.

Due to factors outlined previously, as well as a general decline in the overall commercial paper market, short term balances were varied during the year increasing from €5.1 billion at 30 September 2008 to €6.7 billion at 31 December 2008 but declining since then to €2.8 billion at 31 March 2009. The outstanding balances at the end of March have an average residual duration of 60 days (30 September 2008: 47 days).

Deposits from banks and central banks have increased by €9.9 billion² to €30.5 billion, and now represent 39% of total funding at March 2009, compared to 23% at September 2008. The significant decline in customer, interbank and debt market funding has been offset by increased borrowings from central banks. The nationalisation of the Bank on 21 January 2009 triggered change of control covenants on €1.4 billion of term bank funding, resulting in its early repayment.

The Bank has and will continue to take funding from central banks and monetary authorities under open market operations and other secured liquidity facilities. Total borrowings from central banks as at 31 March 2009 of €23.5 billion includes a special short term liquidity facility arranged through the Central Bank of Ireland in the early part of 2009. This facility stood at €10 billion at 31 March 2009. The interest rate on the facility is set by the Central Bank and advised at each rollover, and is currently linked to the European Central Bank marginal lending facility rate.

Liquidity

Placements with banks and central banks have decreased by €8.4 billion² in the period. The total balance of €7.0 billion at 31 March 2009 includes €5 billion of primarily short term placements and secured repo agreements with banks, and €1.7 billion of cash collateral placed with counterparties to offset credit risk arising from derivative contracts. At 30 September 2008 placements with banks included €7.5 billion of short term placements with Irish Life & Permanent plc.

Business review (continued)

During the period the Group increased the amount of assets eligible for open market repo transactions through the expansion of the Bank's covered bond and commercial mortgage backed security programmes as well as the establishment of Anglo Irish Mortgage Bank in December 2008. The total amount of loan assets assigned as collateral under rated securitisation programmes and secured central bank borrowings as at 31 March 2009 was €32.2 billion (30 September 2008: €11.8 billion).

Yen financing structure

The Group entered into a non trading financing structure in May 2008 to take advantage of the differential in interest rates between GBP LIBOR and Yen LIBOR and reduce the Bank's overall funding cost. The structure matured in December 2008 and January 2009. The net after tax benefit at Group level is €17 million, with the related tax credit in the income statement offsetting the pre tax loss for the structure of €181 million. The inherent FX risk was economically hedged through the tax treatment of the transaction whereby any movement in the pre tax line for foreign exchange has a greater opposite impact on the tax charge in the UK.

Treasury assets

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

The Group recognised gains of €25 million on the sale of €0.8 billion of government bonds during the period and €6 million on the repurchase of debt securities in issue and subordinated liabilities, both of which are recorded within Other operating income.

Available-for-sale financial assets

| | 31 March 2009 €m | 30 September 2008 €m |
|----------------------|---------------------------------|----------------------------|
| AAA / AA | 6,453 | 6,742 |
| A | 1,157 | 1,213 |
| BBB+ / BBB / BBB- | 95 | 153 |
| Sub investment grade | 50 | 37 |
| Unrated | 6 | 7 |
| Total | 7,761 | 8,152 |

Of the Bank's holdings of AFS securities 83% are graded AA or above, with 98% graded A and above, and €56 million being sub investment grade or unrated. Sovereign bonds account for 42% of holdings, bank bonds another 42%, residential mortgage backed securities 11% and asset backed securities 5%. The fair value of AFS bond holdings declined by €453 million since year end, increasing the cumulative negative amount outstanding in reserves to €1,023 million. Pricing has been impacted by the deterioration in market conditions and severe illiquidity and does not necessarily reflect the underlying credit quality of the investments. All bonds are reviewed for impairment on an individual basis, with any appropriate charge reflected in the income statement. In the six months to 31 March 2009 the Bank has not elected to reclassify securities from available-for-sale to loans and receivables. The option to reclassify, which is available under IFRS, would avoid the marking to market of assets being presented through reserves and affecting the amount of reported Shareholders' funds. It has no impact on the requirement to review and charge any impairment to the Income statement.

Business review (continued)

Income statement - treasury impairment

| | Six months ended 31 March 2009 €m | Six months ended 31 March 2008 €m | Year ended 30 September 2008 €m |
|-------------------------------|--|---|---|
| Available-for-sale securities | (141) | (79) | (155) |

Continued deterioration in capital markets and weakening fundamentals has resulted in further Treasury asset impairment of €141 million. The charge comprises €70 million in respect of asset backed securities indirectly linked to the US sub-prime mortgage market, €31 million in relation to collateralised debt obligation investments with US bank capital instruments as the underlying collateral, and the remainder relating to other debt or investment securities with varied classes of underlying collateral.

Non-impaired AFS debt securities on watch total €155 million at 31 March 2009 (30 September 2008: €93 million). The residual carrying value of impaired AFS assets is €12 million (30 September 2008: €8 million).

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

| | Six months ended 31 March 2009 €m | Six months ended 31 March 2008 €m | Year ended 30 September 2008 €m |
|---|--|---|---|
| Net change in value of financial assets (debt securities) | (60) | (112) | (128) |

Investment securities containing embedded derivatives are designated at fair value through profit or loss at inception in accordance with IFRS and form part of a portfolio of assets held for long term investment purposes. Market valuations for these assets have been adversely impacted during the period by weakening underlying credit fundamentals in certain structured finance transactions as well as increasing market illiquidity for these assets. The charge in the current period primarily relates to fair value movements on asset backed securities indirectly linked to residential and commercial mortgage markets and collateralised loan obligations. The residual carrying value of these securities is €95 million (30 September 2008: €163 million).

Treasury revenue

Net interest income has declined relative to the six months ending 31 March 2008 primarily due to an increase in funding costs, especially with respect to customer deposits. Margin dilution has been mitigated somewhat by an increased contribution from Group Treasury relating to the interest rate management of the Bank's balance sheet.

Corporate sales have remained strong during the period primarily due to increased derivative activity by customers as they hedged interest rate risk on existing loans at favourable low rates prevailing in the market.

Net trading income includes negative fair value movements of €175 million on these client originated derivative transactions. These derivatives, whereby customers pay a fixed rate, were put in place to hedge the interest rate exposure on their borrowings. Interest rate swap contracts have increased in value during the period given the significant decline in long term market interest rates and therefore give rise to increased counterparty risk from the Bank's perspective. The Bank conducted a risk review of these fair value exposures resulting in the charge to income. The equivalent charge calculated with respect to September 2008 was €nil.

Business review (continued)

Capital

The Bank's Total capital ratio as at 31 March 2009 is 8.2%, in excess of the 8% minimum level under the Capital Requirements Directive. However, there has been a significant reduction in the Bank's regulatory Core Tier 1 capital as a result of the reported loss for the period. At the Bank's request, and in light of the Government's commitment to recapitalise the Bank, the Financial Regulator has, on a temporary basis, and consistent with recent international precedent, granted discretions and derogations from certain regulatory capital requirements. Note 28 to the Interim report gives further detail in this regard.

Risk weighted assets have reduced by €5,623 million from 30 September 2008 primarily due to the specific impairment charges incurred in the period to 31 March 2009, the impact of derogations granted by the Financial Regulator and the effect of exchange rate fluctuations on the Group's asset base.

The Executive Chairman's statement includes detail on the plan to recapitalise the Bank.

Private Banking

Activity within the Private Banking sector was subdued across the market during the period as a result of the wider economic deterioration. Income in the period mainly comprised recurring interest and fee income with no new set up fees in the absence of new business.

As part of normal business activity the Bank previously acquired property assets with the intention of placing these investments with Private Banking clients. However, due to wider market conditions a lack of investor appetite has resulted in these assets now being held on the Group's balance sheet. Depending on the structure used to acquire these assets they are included on the balance sheet as either investment property held on own account or interests in associate and joint ventures.

It is now clear, given the significant decline in property values since September 2008, that the Bank will be unable to sell these assets to customers at book value. Accordingly, losses of €176 million have been recognised on these assets due to the decline in their recoverable amounts in the period. In addition, pay fixed swaps were put in place to hedge interest payments on these investments. Negative fair value movements of €62 million have been incurred by the Bank on these swaps due to the sharp decline in long term market interest rates.

The Group's Austrian private banking business was disposed of during the period at a profit of €49 million in line with the Bank's strategy of focusing on its core business activities. The Bank provided the purchaser with a €24 million long term subordinated loan to part fund the purchase price of €141 million.

Business review (continued)

Costs

| Operating expenses | Six months ended 31 March 2009 €m | Six months ended 31 March 2008 €m | Year ended 30 September 2008 €m |
|--|--|---|---|
| Staff costs | 54 | 98 | 185 |
| Share-based payment schemes | 31 | 16 | 21 |
| Other administrative expenses, depreciation and amortisation | 60 | 63 | 122 |
| Total | 145 | 177 | 328 |
| Cost to income ratio | 33% | 19% | 17% |

Total operating expenses reduced by €32 million, a fall of 18% on the same period last year.

Staff costs have decreased due to a number of cost saving initiatives including the elimination of the variable component of staff remuneration. Also reflected is the reversal of €18 million of September 2008 accruals mainly in respect of performance related compensation. A reduction in average staff numbers from 1,922 to 1,753, primarily due to the disposals of the Bank's Austrian and Swiss private banking businesses, has also contributed to lower costs. Group headcount at 31 March 2009 is 1,695. The share-based payment schemes cost includes an accelerated charge following the extinguishment of share options upon nationalisation. This is an accounting charge recognised in accordance with IFRS and does not represent any value or payments to affected employees for the termination of their share options. Cost management exercises which commenced in the first half of the last financial year have continued to result in reductions across a number of other expense categories during the period.

Taxation

The taxation credit of €335 million within the Income statement includes a tax credit of €91 million as a result of the carry back of losses against taxable profits in the prior year. In addition, the Bank has recognised a deferred tax credit within the Income statement relating to the ability to utilise losses in the current year against future taxable profits at subsidiary level.

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 solvency risk and capital, funding and liquidity risk, credit risk and asset quality, regulatory and reputational risk and market risk. The potential impact of these risks is mitigated by the Government's explicit ongoing support for the Bank. More detail is contained in the Principal risks and uncertainties statement on pages 17 and 18.

Subsequent events and likely future developments

The key events that have occurred since the end of the period are reviewed in the Executive Chairman's statement and note 32 to the Interim report. The Executive Chairman's statement also reviews the outlook and likely future development of the Group.

¹ Gross of impairment provisions and including lending associated with the Bank's assurance company

² On a constant currency basis

³ Jones Lang LaSalle Irish Property Index

⁴ Investment Property Databank Ltd; UK Quarterly All Property Index

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 in the remaining six months of the financial year.

The Board of Directors has ultimate responsibility for the governance of all risk taking activity and has 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 2008 Annual Report and Accounts.

Following nationalisation the Bank continues to trade as a going concern. The Minister for Finance has stated that the Irish Government is committed to providing the capital and other support necessary to ensure the Bank's continued commercial viability. This commitment significantly mitigates the potential impact of the risks and uncertainties facing the Bank.

The Executive Chairman's statement outlines the Government's plan, as shareholder, to recapitalise the Bank. The guarantee scheme introduced by the Government covers the Group's deposits and certain other liabilities. On 7 April 2009 the Government indicated its intention to extend certain aspects of the guarantee beyond 29 September 2010.

The Government has recently announced its intention to set up a National Asset Management Agency ('NAMA') to remove uncertainty over asset quality in the Irish banking system and strengthen the balance sheets and liquidity positions of the participant banks. The structure and operation of NAMA, which has yet to be finalised, will have a significant impact on the future activities, funding and capital requirements of the Group. It is envisaged that the Bank's funding and liquidity position will benefit considerably from participation in NAMA.

The principal risks faced by the Group are outlined below and should be read in conjunction with the Executive Chairman's statement and Business review.

Solvency risk and capital

Solvency risk is the risk that the Group might be unable to meet its debts as they fall due. A key indicator of bank solvency is total regulatory capital. With the benefit of temporary derogations granted by the Financial Regulator the Bank's Total capital ratio at 31 March 2009 is 8.2%. The minimum Total capital ratio, as set in the Capital Requirements Directive, is 8%. Continued adherence to minimum requirements is primarily reliant on access to capital, the Group's future financial performance and, until such time that recapitalisation is complete, the temporary discretions and derogations from certain regulatory requirements granted by the Financial Regulator. Access to capital is entirely dependent on the support of the Bank's shareholder. The Government, as shareholder, has committed to providing capital to the Bank, subject to EU approval.

Funding and liquidity risk

Funding and liquidity risk is the risk that the Group might 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 relating specifically to the Bank. International financial market conditions remain extremely challenging and investor appetite for bank debt is limited. The Bank continues in its efforts to restore confidence amongst funding counterparties. The recently stated intention of the Government to extend the guarantee to certain issuances with a maturity of up to five years should enhance the Bank's ability to raise further term funding. Increased competition in the Bank's core markets may limit the extent to which customer deposit franchises can grow in the near term and reduced capacity to price deposits competitively in the future may also impact customer balances.

To address the liquidity issues in the market there continues to be extensive intervention by monetary authorities globally, through increased open market operations and other special liquidity facilities. Against this backdrop, the Bank is currently reliant on such secured facilities to meet its funding requirements. This source of funding may remain a material component of overall funding.

During the period, the Group increased the amount of assets eligible for open market repurchase transactions through the expansion of its covered bonds and commercial mortgage backed securities programmes which are rated by external rating agencies and secured by portfolios of loan assets. As a consequence, the amount of eligible collateral available to the Bank for additional open market funding from monetary authorities is limited. In this regard the Bank has already obtained secured special liquidity assistance from the Central Bank and Financial Services Authority of Ireland, and has additional unencumbered loan assets available as collateral to meet such further funding requirements.

Principal risks and uncertainties (continued)

Participation in NAMA is expected to considerably enhance the Group's liquidity and significantly reduce reliance on secured borrowings from central banks.

Credit risk and asset quality

Credit risk is the risk that the Group might 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 business is primarily affected by economic conditions in Ireland, the UK and the US. Each of these economies is currently in recession with property markets severely impacted. Against this backdrop, the Group has experienced a marked deterioration in asset quality with a significant increase in impairment charges reported in the period to 31 March 2009.

A prolonged deterioration in economic conditions, resulting in higher unemployment, reduced consumer sentiment and a further contraction in housing markets, would impact borrowers' ability to service debts and result in higher levels of client defaults. A fall in value of underlying collateral and reduction in recourse available through personal guarantees and cross-collateralisation would result in higher impairment charges in the event of client default.

The impact of participation in NAMA, in terms of the amount and pricing of assets to be transferred, is being assessed. Although the eventual outcome will affect the Group, the Government's pledge of support for the Bank will limit the impact on the Group's capital position.

Regulatory and reputational risk

Regulatory risk is the risk that a change in laws and regulations might materially affect the Group or that the Group might fail to meet its regulatory requirements. The Government's support for the Irish financial system has led to additional levels of oversight and scrutiny 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.

Reputational risk is the risk of an adverse perception on the part of any stakeholder arising from an event or transaction of, or related to, the Group. Disclosures concerning certain matters involving the Bank have negatively impacted the reputation of the Group. These matters are currently the subject of a number of external investigations and reviews, the ultimate outcomes of which are as yet uncertain. The Board is committed to ensuring that the governance of the Bank is of the highest standard.

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 and has increased globally due to recent volatility in interest and exchange rates.

The Bank's risk weighted assets include significant amounts denominated in GBP and USD. Appreciation in the value of these currencies against the euro would increase the level of risk weighted assets and could negatively impact the Bank's capital ratios. This risk is mitigated by the Government's commitment to recapitalise the Bank.

Changes in interest rates and spreads may affect the interest rate margin realised between lending and borrowing costs. This risk is mitigated by the fact that almost all the Group's lending assets and the majority of funding liabilities are priced off market related rates, with no asset pricing tied to official central bank rates. This mitigates against structural interest rate pricing basis risk.

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

Statement of Directors' responsibilities

The Directors are responsible for preparing the Interim Report in accordance with International Accounting Standard 34 ('IAS 34'), the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Irish Financial Services Regulatory Authority.

The Directors confirm that the condensed set of financial statements have been prepared in accordance with IAS 34 and that they give a true and fair view of the assets, liabilities, financial position and loss of the Group and that, as required by the Transparency (Directive 2004/109/EC) Regulations 2007, the Interim Report includes a fair review of:

- important events that have occurred during the six months ended 31 March 2009;
- the impact of those events on the condensed financial statements;
- a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- details of any related party transactions that have materially affected the Group's financial position or performance in the six months ended 31 March 2009.

Directors:

Donal O'Connor (Executive Chairman)

Maurice Keane (Non-executive Director)

Declan Quilligan (Chief Operating Officer)

Secretary:

Natasha Mercer

Consolidated income statement (unaudited)

For the six months ended 31 March 2009

| | Note | Six months ended 31 March 2009 €m | Six months ended 31 March 2008 €m | Year ended 30 September 2008 €m |
|--|-------------|--|---|---|
| Interest and similar income | | 2,597 | 3,333 | 6,324 |
| Interest expense and similar charges | | (1,741) | (2,375) | (4,436) |
| Net interest income | 3 | 856 | 958 | 1,888 |
| Fee and commission income | 4 | 57 | 85 | 143 |
| Fee and commission expense | 4 | (57) | (5) | (11) |
| Net trading (expense)/income | 5 | (389) | 11 | 4 |
| Fair value movements on financial assets | 6 | (68) | (112) | (128) |
| Other operating income/(expense) | 7 | 41 | (1) | 76 |
| Other (expense)/income | | (416) | (22) | 84 |
| Total operating income | | 440 | 936 | 1,972 |
| Administrative expenses | 8 | (135) | (164) | (301) |
| Depreciation | | (4) | (5) | (11) |
| Amortisation of intangible assets - software | | (6) | (8) | (16) |
| Total operating expenses | | (145) | (177) | (328) |
| Operating profit before provisions for impairment | | 295 | 759 | 1,644 |
| Provisions for impairment: | | | | |
| Loans and advances to customers - specific | | (3,694) | (33) | (224) |
| Loans and advances to customers - collective | | (411) | - | (500) |
| Investment securities | | (141) | (79) | (155) |
| Investment property | | (89) | - | - |
| | 9 | (4,335) | (112) | (879) |
| Operating (loss)/profit | | (4,040) | 647 | 765 |
| Share of results of associate and joint ventures | 18 | (126) | - | (1) |
| Profit on disposal of businesses | 10 | 49 | 20 | 20 |
| (Loss)/profit before taxation | | (4,117) | 667 | 784 |
| Taxation | 11 | 335 | (125) | (120) |
| (Loss)/profit for the period | | (3,782) | 542 | 664 |
| Attributable to: | | | | |
| Equity holders of the parent | | (3,772) | 548 | 670 |
| Minority interest | | (10) | (6) | (6) |
| (Loss)/profit for the period | | (3,782) | 542 | 664 |

The notes on pages 25 to 59 form an integral part of the condensed interim financial statements.

Consolidated balance sheet (unaudited)

As at 31 March 2009

| | 31 March 2009 | 30 September 2008 | 31 March 2008 |
|--|------------------|----------------------|------------------|
| Note | €m | €m | €m |
| Assets | | | |
| Cash and balances with central banks | 12 | 266 | 1,822 |
| Financial assets at fair value through profit or loss | | | 1,093 |
| - held on own account | 13 | 166 | 233 |
| - held in respect of liabilities to customers under investment contracts | 13 | 277 | 469 |
| Derivative financial instruments | 14 | 4,708 | 1,995 |
| Loans and advances to banks | 15 | 6,698 | 14,002 |
| Assets classified as held for sale | | - | 12 |
| Available-for-sale financial assets | 16 | 7,761 | 8,158 |
| Loans and advances to customers | 17 | 66,638 | 72,151 |
| Interests in joint ventures | 18 | 147 | 284 |
| Interest in associate | 18 | - | 16 |
| Intangible assets - software | | 20 | 21 |
| Investment property | | | 14 |
| - held on own account | 19 | 293 | 108 |
| - held in respect of liabilities to customers under investment contracts | 23 | 1,107 | 1,796 |
| Property, plant and equipment | | 31 | 38 |
| Current taxation | | 123 | 21 |
| Retirement benefit assets | 24 | - | 9 |
| Deferred taxation | | 230 | 107 |
| Other assets | | 31 | 33 |
| Prepayments and accrued income | | 46 | 46 |
| Total assets | | 88,542 | 101,321 |
| Liabilities | | | |
| Deposits from banks | 20 | 30,478 | 20,453 |
| Customer accounts | 21 | 34,106 | 51,499 |
| Derivative financial instruments | 14 | 4,017 | 1,490 |
| Debt securities in issue | 22 | 14,228 | 17,280 |
| Liabilities to customers under investment contracts | 23 | 469 | 1,191 |
| Current taxation | | - | - |
| Other liabilities | | 86 | 156 |
| Accruals and deferred income | | 106 | 140 |
| Retirement benefit liabilities | 24 | 2 | 6 |
| Deferred taxation | | 4 | 26 |
| Subordinated liabilities and other capital instruments | 25 | 4,945 | 4,948 |
| Total liabilities | | 88,441 | 97,189 |
| Share capital | 26 | 123 | 123 |
| Share premium | 26 | 1,156 | 1,156 |
| Other reserves | 26 | (841) | (543) |
| Retained profits | 26 | (339) | 3,389 |
| Shareholders' funds | | 99 | 4,125 |
| Minority interest | 26 | 2 | 7 |
| Total equity | 26 | 101 | 4,382 |
| Total equity and liabilities | | 88,542 | 101,321 |
| | | 101,321 | 101,395 |

The notes on pages 25 to 59 form an integral part of the condensed interim financial statements.

Consolidated statement of recognised income and expense (unaudited)

For the six months ended 31 March 2009

| | Six months ended 31 March 2009 €m | Six months ended 31 March 2008 €m | Year ended 30 September 2008 €m |
|---|--|---|---|
| (Loss)/profit for the period | (3,782) | 542 | 664 |
| Net actuarial losses in retirement benefit schemes, after tax | (6) | (19) | (18) |
| Net change in cash flow hedging reserve, after tax | 196 | 82 | 10 |
| Net change in available-for-sale reserve, after tax | (460) | (200) | (463) |
| Foreign exchange translation | 3 | (8) | (3) |
| Net expense recognised directly in equity | (267) | (145) | (474) |
| Total recognised income and expense for the period | (4,049) | 397 | 190 |
| Attributable to: | | | |
| Equity holders of the parent | (4,039) | 403 | 196 |
| Minority interest | (10) | (6) | (6) |
| Total recognised income and expense for the period | (4,049) | 397 | 190 |

The notes on pages 25 to 59 form an integral part of the condensed interim financial statements.

Consolidated cash flow statement (unaudited)

For the six months ended 31 March 2009

| | Note | Six months ended 31 March 2009 €m | Six months ended 31 March 2008 €m | Year ended 30 September 2008 €m |
|--|-------------|--|---|---|
| Cash flows from operating activities | | | | |
| (Loss)/profit before taxation | | (4,117) | 667 | 784 |
| Provisions for impairment | | 4,335 | 112 | 879 |
| Interest earned on available-for-sale financial assets | | (175) | (341) | (476) |
| Financing costs of subordinated liabilities and other capital instruments | | 132 | 175 | 331 |
| Other non-cash items | 30 | 20 | (59) | (158) |
| | | 195 | 554 | 1,360 |
| Changes in operating assets and liabilities | | | | |
| Net (decrease)/increase in deposits from banks, customer accounts and debt securities in issue | | (10,356) | 4,493 | 5,513 |
| Net decrease/(increase) in loans and advances to customers | 30 | 1,342 | (2,171) | (6,961) |
| Net (increase)/decrease in loans and advances to banks | | (1,511) | 794 | 724 |
| Net decrease in assets held in respect of liabilities to customers under investment contracts | | 881 | 440 | 469 |
| Net decrease in investment contract liabilities | | (722) | (415) | (588) |
| Net decrease in financial assets at fair value through profit or loss held on own account | | 79 | 166 | 197 |
| Net movement in derivative financial instruments | | 221 | (102) | (294) |
| Net decrease/(increase) in other assets | | 2 | (132) | 110 |
| Net decrease in other liabilities | | (70) | (25) | (17) |
| Exchange movements | | 82 | 716 | 484 |
| Net cash flows from operating activities before taxation | | (9,857) | 4,318 | 997 |
| Tax paid | | (9) | (56) | (222) |
| Net cash flows from operating activities | | (9,866) | 4,262 | 775 |
| Cash flows from investing activities (note a) | | (27) | 3,131 | 3,964 |
| Cash flows from financing activities (note b) | | (105) | (268) | (530) |
| Net (decrease)/increase in cash and cash equivalents | | (9,998) | 7,125 | 4,209 |
| Opening cash and cash equivalents | | 14,535 | 10,832 | 10,832 |
| Effect of exchange rate changes on cash and cash equivalents | | (315) | (668) | (506) |
| Closing cash and cash equivalents | 30 | 4,222 | 17,289 | 14,535 |

Consolidated cash flow statement (unaudited) (continued)

For the six months ended 31 March 2009

| | Six months ended 31 March 2009 €m | Six months ended 31 March 2008 €m | Year ended 30 September 2008 €m |
|---|--|---|---|
| (a) Cash flows from investing activities | | | |
| Purchases of available-for-sale financial assets | (2,473) | (930) | (3,571) |
| Sales and maturities of available-for-sale financial assets | 2,391 | 3,588 | 6,997 |
| Interest received on available-for-sale financial assets net of associated hedges | 193 | 358 | 545 |
| Purchases of assets classified as held for sale | - | (34) | (46) |
| Proceeds on disposals of assets classified as held for sale | - | 44 | 187 |
| Proceeds on disposals of businesses | 141 | 114 | 114 |
| Purchases of property, plant and equipment | (2) | (2) | (15) |
| Proceeds on disposals of property, plant and equipment | - | - | 2 |
| Additions to intangible assets - software | (6) | (7) | (21) |
| Investments in associate and joint venture interests | (1) | (1) | (149) |
| Distributions received from joint venture interests | 2 | 1 | 7 |
| Purchases of investment property held on own account | (272) | - | (87) |
| Proceeds on disposals of investment property held on own account | - | - | 1 |
| Net cash flows from investing activities | (27) | 3,131 | 3,964 |
| (b) Cash flows from financing activities | | | |
| Proceeds of equity share issues | - | 17 | 18 |
| Reductions in subordinated liabilities and other capital instruments | (1) | (30) | (72) |
| Coupons paid on subordinated liabilities and other capital instruments | (104) | (152) | (325) |
| Equity dividends paid | - | (87) | (140) |
| Additions to minority interest | 10 | - | - |
| Distributions paid to minority interest | (5) | - | - |
| Net movement in own shares | (5) | (16) | (11) |
| Net cash flows from financing activities | (105) | (268) | (530) |

The notes on pages 25 to 59 form an integral part of the condensed interim financial statements.

Notes to the interim report

1. Basis of preparation

On 21 January 2009 the Anglo Irish Bank Corporation Act 2009 (the 'Act') was signed into Irish law. Under the Act all of the shares of the Bank were transferred to the Minister for Finance. 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. Further information is provided in the 2008 Annual Report and Accounts.

This Interim Report for the six months ended 31 March 2009 has been prepared in accordance with the requirements of the European Union ('EU') Transparency Directive and IAS 34 'Interim Financial Reporting', as adopted by the EU. It should be read in conjunction with the Group's financial statements for the year ended 30 September 2008 which were prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU and applicable as at that date. The accounting policies applied in preparing this Interim Report are consistent with those set out in the 2008 Annual Report and Accounts. The financial statements are presented in euro, rounded to the nearest million.

Both the interim figures for the six months ended 31 March 2009 and the comparative amounts for the six months ended 31 March 2008 are unaudited. The summary financial statements for the year ended 30 September 2008, as presented in this Interim Report, represent an abbreviated version of the Group's full accounts for that year which have been filed in the Companies Registration Office in Ireland. The Independent Auditors' report on those accounts was unqualified but contained emphases of matter in relation to revisions to certain note disclosures and the uncertainty regarding the outcome of ongoing reviews by external bodies.

The financial statements have been prepared on a going concern basis. This is based on the confirmation from the Minister for Finance on 28 May 2009 of the Irish Government's intention to provide, subject to EU approval, up to €4 billion in capital to the Bank, and Government assurances that the Bank is of systemic importance to Ireland and will continue to trade as a commercial entity. In addition, the creation of the National Asset Management Agency ('NAMA') is expected to remove the uncertainty over asset quality in the Irish Banking system and strengthen the funding and liquidity positions of the participant banks.

The reported results of the Group are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. The judgements and estimates involved in the Group's accounting policies that are considered by the Board to be most important to the portrayal of the Group's current financial condition are summarised in note 1 to the 2008 Annual Report and Accounts. The use of estimates, assumptions or models that differ from those adopted by the Group could affect its reported results.

From 1 October 2008 the Group has adopted the following standards:

- 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; and
- IFRIC Interpretation 16 - Hedges of a Net Investment in a Foreign Operation.

The adoption of the above has had no impact on the financial statements.

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

Notes to the interim report (continued)

2. Segmental reporting

| Business segments | Six months ended 31 March 2009 | | | | | |
|---|--------------------------------|----------------|-----------------------|-------------------|----------------------------------|----------------|
| | Business Lending €m | Treasury €m | Private Banking €m | Group items €m | Inter-segment eliminations €m | Group €m |
| Revenue from external customers | 1,996 | 373 | 51 | (182) | - | 2,238 |
| Inter-segment revenue | - | 1,293 | - | - | (1,293) | - |
| Total revenue | 1,996 | 1,666 | 51 | (182) | (1,293) | 2,238 |
| Operating loss | (3,409) | (345) | (97) | (189) | - | (4,040) |
| Share of results of associate and joint ventures | - | - | (126) | - | - | (126) |
| Profit on disposal of Anglo Irish Bank (Austria) A.G. | - | - | 49 | - | - | 49 |
| Loss before taxation | (3,409) | (345) | (174) | (189) | - | (4,117) |
| External assets | 64,785 | 19,473 | 3,833 | 451 | - | 88,542 |
| Inter-segment assets | 703 | 62,245 | - | 4,760 | (67,708) | - |
| Total assets | 65,488 | 81,718 | 3,833 | 5,211 | (67,708) | 88,542 |

| Business segments | Six months ended 31 March 2008 | | | | | |
|--|--------------------------------|----------------|-----------------------|-------------------|----------------------------------|----------------|
| | Business Lending €m | Treasury €m | Private Banking €m | Group items €m | Inter-segment eliminations €m | Group €m |
| Revenue from external customers | 2,581 | 596 | 139 | - | - | 3,316 |
| Inter-segment revenue | - | 1,805 | - | - | (1,805) | - |
| Total revenue | 2,581 | 2,401 | 139 | - | (1,805) | 3,316 |
| Operating profit/(loss) | 756 | (132) | 36 | (13) | - | 647 |
| Share of results of joint ventures | - | - | - | - | - | - |
| Profit on disposal of Anglo Irish Bank (Suisse) S.A. | - | - | 20 | - | - | 20 |
| Profit/(loss) before taxation | 756 | (132) | 56 | (13) | - | 667 |
| External assets | 65,481 | 30,240 | 5,510 | 164 | - | 101,395 |
| Inter-segment assets | 1,196 | 57,621 | - | 9,710 | (68,527) | - |
| Total assets | 66,677 | 87,861 | 5,510 | 9,874 | (68,527) | 101,395 |

Notes to the interim report (continued)

2. Segmental reporting continued

| Business segments | Year ended 30 September 2008 | | | | | |
|--|------------------------------|----------------|-----------------------|-------------------|----------------------------------|----------------|
| | Business Lending €m | Treasury €m | Private Banking €m | Group items €m | Inter-segment eliminations €m | Group €m |
| Revenue from external customers | 5,152 | 1,011 | 269 | (13) | - | 6,419 |
| Inter-segment revenue | - | 3,551 | - | - | (3,551) | - |
| Total revenue | 5,152 | 4,562 | 269 | (13) | (3,551) | 6,419 |
| Operating profit/(loss) | 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/(loss) 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 |

Revenue includes interest and similar income, fee and commission income, net trading (expense)/income, fair value movements on financial assets and other operating income/(expense). 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.

Notes to the interim report (continued)

3. Net interest income

| | Six months ended 31 March 2009 €m | Six months ended 31 March 2008 €m | Year ended 30 September 2008 €m |
|---|--|---|---|
| Interest and similar income | | | |
| Interest on loans and advances to banks | 143 | 324 | 524 |
| Interest on loans and advances to customers | 2,270 | 2,658 | 5,306 |
| Interest on available-for-sale financial assets | 175 | 341 | 476 |
| Finance leasing and hire purchase income | 3 | 5 | 8 |
| | <u>2,591</u> | <u>3,328</u> | <u>6,314</u> |
| Interest on financial assets at fair value through profit or loss held on own account | 6 | 5 | 10 |
| | <u>2,597</u> | <u>3,333</u> | <u>6,324</u> |
| Interest expense and similar charges | | | |
| Interest on deposits from banks | (361) | (272) | (528) |
| Interest on customer accounts | (927) | (1,313) | (2,574) |
| Interest on debt securities in issue | (321) | (615) | (1,003) |
| Interest on subordinated liabilities and other capital instruments | (132) | (175) | (331) |
| | <u>(1,741)</u> | <u>(2,375)</u> | <u>(4,436)</u> |
| Net interest income | <u>856</u> | <u>958</u> | <u>1,888</u> |

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

Group net interest income has declined primarily reflecting an increase in funding costs due to greater competition for customer deposits, and a reduction in lending arrangement fee income due to the extension of expected lives of underlying loans and reduced levels of new business. This was partially offset by an increase in revenue from the Bank's Group Treasury division relating to the interest rate management of the Bank's balance sheet.

Interest on loans and advances to customers includes €667m (31 March 2008: €569m; 30 September 2008: €1,371m) which has been capitalised on customers' loan balances in accordance with approved credit facilities. The capitalisation or roll-up of interest is an integral feature of development lending, which totals €17.7 billion of the loan book.

Included within net interest income is €29m (31 March 2008: €2m; 30 September 2008: €13m) accrued in respect of impaired loans and advances to customers.

Notes to the interim report (continued)

| 4. Fee and commission income and expense | Six months ended 31 March 2009 €m | Six months ended 31 March 2008 €m | Year ended 30 September 2008 €m |
|---|--|---|---|
| Fee and commission income | | | |
| Corporate treasury commissions | 37 | 44 | 73 |
| Asset management and related fees | 7 | 17 | 28 |
| Financial guarantee fees | 5 | 6 | 13 |
| Trust and other fiduciary fees | 1 | 6 | 8 |
| Other fees | 7 | 12 | 21 |
| | 57 | 85 | 143 |
| Fee and commission expense | (57) | (5) | (11) |

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

Asset management and related fees are earned for the sourcing, structuring and on-going management of investments on behalf of clients. The decline in these fees in the current period reflects the significant reduction in new client investment activity and a decrease in the value of assets under management. The decrease in both trust and other fiduciary fees and other fees is primarily due to the disposal of Anglo Irish Bank (Suisse) S.A. in February 2008 and Anglo Irish Bank (Austria) A.G. in December 2008 (note 10).

Fee and commission expense includes €53m (31 March 2008: €nil; 30 September 2008: €nil) in relation to the Irish Government guarantee scheme.

| 5. Net trading (expense)/income | Six months ended 31 March 2009 €m | Six months ended 31 March 2008 €m | Year ended 30 September 2008 €m |
|--|--|---|---|
| Interest rate contracts | (214) | 12 | 24 |
| Foreign exchange contracts | (169) | 3 | (10) |
| Credit contracts | (3) | (5) | (9) |
| Hedge ineffectiveness | (3) | 1 | (1) |
| | (389) | 11 | 4 |

The Group's corporate lending clients typically enter into interest rate swaps with the Bank to hedge their exposure to rising interest rates. The fair value of these contracts, excluding credit quality considerations, increased substantially since 30 September 2008 following a sustained reduction in benchmark interest rates in the period across the Bank's three core operating currencies of EUR, GBP and USD. However, the value of the related collateral, which is mostly in the form of investment property, has declined significantly and accordingly interest rate contracts include a negative fair value adjustment of €175m, reflecting the deterioration in corporate counterparty credit quality. The Bank manages the market risk arising on the interest rate swaps with corporate counterparties through offsetting interbank derivatives. The majority of the Bank's derivative transactions with interbank counterparties are covered under collateral support agreements ('CSAs') with cash collateral exchanged on a daily basis. Accordingly, interbank transactions covered by CSAs are not adjusted for credit risk.

Notes to the interim report (continued)

5. Net trading (expense)/income continued

Included within foreign exchange contracts is the impact of a non-trading Japanese Yen financing arrangement, which was first entered into in May 2008 and ended during December 2008 and January 2009. The strengthening of Yen against Sterling during the period has resulted in a loss of €181m (31 March 2008: €nil; 30 September 2008: €31m). The loss arising in the six months to 31 March 2009 and in the year to 30 September 2008 resulted in an offset in the Group's taxation charge in the current and prior periods of an amount greater than the foreign exchange loss.

Interest rate contracts include negative mark-to-market movements of €62m (31 March 2008: €7m; 30 September 2008: €8m) in respect of interest rate swaps entered into in connection with the acquisition of investment assets by the Group's Private Banking business that have not yet been allocated to policyholders under investment contracts or sold to Private Banking clients.

6. Fair value movements on financial assets

| | Six months ended 31 March 2009 €m | Six months ended 31 March 2008 €m | Year ended 30 September 2008 €m |
|---|--|---|---|
| Net change in value of financial assets designated at fair value through profit or loss held on own account | (68) | (112) | (128) |

The net change in value includes negative fair value movements on debt securities of €60m (31 March 2008: €112m; 30 September 2008: €128m) and negative fair value movements on equity shares of €8m (31 March 2008: €nil; 30 September 2008: €nil).

The charge on debt securities reflects the change in fair value of certain investments 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. Market valuations of these securities have been adversely impacted during the period by continued weakening underlying credit fundamentals in certain structured finance investments as well as increasing market illiquidity for these assets.

The charge in the current period primarily relates to fair value movements on asset backed securities indirectly linked to residential and commercial mortgage markets and collateralised loan obligations. The residual carrying value of these securities is €95m (note 13).

7. Other operating income/(expense)

| | Six months ended 31 March 2009 €m | Six months ended 31 March 2008 €m | Year ended 30 September 2008 €m |
|--|--|---|---|
| Decrease in value of assets designated at fair value held in respect of liabilities to customers under investment contracts | (508) | (309) | (308) |
| Decrease in value of liabilities designated at fair value held in respect of liabilities to customers under investment contracts | 520 | 302 | 329 |
| Net gains on disposal of available-for-sale financial assets | 25 | - | 17 |
| Gains on repurchase of financial liabilities measured at amortised cost | 6 | 2 | 30 |
| Other (expense)/income | (2) | 4 | 8 |
| | 41 | (1) | 76 |

Notes to the interim report (continued)

7. Other operating income/(expense) continued

The decrease in the value of assets held in respect of liabilities to customers under investment contracts in the current period (see note 23) results from the decline in the market values of property and financial assets held on behalf of policyholders, in particular the declines in the market value of UK commercial property and in equity markets.

The elimination of negative investment returns on own shares and subordinated liabilities held for the benefit of policyholders gave rise to a credit of €12m (31 March 2008: €nil; 30 September 2008: €28m).

The net gains on disposal of available-for-sale financial assets in the current period relate to the sale of €0.8 billion of government bonds (note 16).

The Group recognised gains of €6m (31 March 2008: €2m; 30 September 2008: €30m) on the repurchase of debt securities in issue and subordinated liabilities.

8. Administrative expenses

| | Six months ended 31 March 2009 €m | Six months ended 31 March 2008 €m | Year ended 30 September 2008 €m |
|-----------------------------|--|---|---|
| Staff costs: | | | |
| Wages and salaries | 35 | 76 | 143 |
| Share-based payment schemes | 31 | 16 | 21 |
| Retirement benefits cost | 11 | 7 | 16 |
| Social welfare costs | 5 | 10 | 18 |
| Other staff costs | 3 | 5 | 8 |
| | 85 | 114 | 206 |
| Other administrative costs | 50 | 50 | 95 |
| | 135 | 164 | 301 |

The decrease in wages and salaries and related social welfare costs from the six month period ended 31 March 2008 reflects a reduction in variable employee compensation, and a fall in average staff numbers from 1,922 to 1,753 primarily due to the disposal of the Bank's Austrian and Swiss private banking businesses.

As required by IFRS 2 the share-based payment expense includes an accelerated charge of €21m which represents all unexpensed accounting charges at the point of extinguishment of all share options and awards. This follows the signing into Irish law of the Anglo Irish Bank Corporation Act 2009 which extinguished all rights granted to employees under the various share-based incentive schemes and transferred any shares held in trust under these plans to the Minister for Finance. 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 reflect the current value to the recipient which is nil.

Notes to the interim report (continued)

9. Provisions for impairment

| | Six months ended 31 March 2009 €m | Six months ended 31 March 2008 €m | Year ended 30 September 2008 €m |
|--|--|---|---|
| Loans and advances to customers (note 17) | | | |
| Specific | 3,694 | 33 | 224 |
| Collective | 411 | - | 500 |
| | 4,105 | 33 | 724 |
| Investment securities - available-for-sale financial assets (note 16) | | | |
| Structured investment vehicles ('SIVs') | - | 40 | 44 |
| Other debt securities | 141 | 39 | 111 |
| | 141 | 79 | 155 |
| Investment property - held on own account (note 19) | | | |
| Attributable to equity holders of the parent | 79 | - | - |
| Attributable to minority interest | 10 | - | - |
| | 89 | - | - |
| Total provisions for impairment | 4,335 | 112 | 879 |

The increase in provisions for impairment on loans and advances to customers in the current period reflects deteriorating economic conditions and significant declines in property valuations across the Group's key lending markets of Ireland, the UK and North America. The specific charge comprises €2,964m (31 March 2008: €20m; 30 September 2008: €112m) in respect of Ireland, €612m (31 March 2008: €13m; 30 September 2008: €101m) in respect of the UK and €118m (31 March 2008: €nil; 30 September 2008: €11m) in respect of North America.

By loan category, the specific charge comprises €1,615m (31 March 2008: €17m; 30 September 2008: €35m) in respect of commercial lending, €1,171m (31 March 2008: €16m; 30 September 2008: €181m) in respect of residential lending, €209m (31 March 2008: €nil; 30 September 2008: €nil) in respect of business banking, and €699m (31 March 2008: €nil; 30 September 2008: €8m) in respect of other lending.

The collective provision is applied to portfolios of customer loans for which there is no evidence of specific impairment. It has been calculated with reference to historical loss experience supplemented by observable market evidence and management's judgement regarding current market conditions. The provision amount is also adjusted to reflect the appropriate loss emergence period. The loss emergence period represents the time it takes following a specific loss event on an individual loan for that loan to be identified as impaired. This is determined by taking account of current credit risk management practices together with historical loss experience. The loss emergence period applied for the six months ended 31 March 2009 is six months (31 March 2008: twelve months; 30 September 2008: twelve months).

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

The charge on other debt securities comprises €70m (31 March 2008: €39m; 30 September 2008: €84m) in respect of asset backed securities ('ABS') indirectly linked to the US sub-prime mortgage market, €31m (31 March 2008: €nil; 30 September 2008: €nil) in relation to collateralised debt obligation investments with US bank capital instruments as the underlying collateral, and the remainder relating to other debt or investment securities with varied classes of underlying collateral.

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

Notes to the interim report (continued)

10. Profit on disposal of businesses

| | Six months ended 31 March 2009 €m | Six months ended 31 March 2008 €m | Year ended 30 September 2008 €m |
|---|--|---|---|
| Profit on disposal of Anglo Irish Bank (Austria) A.G. | 49 | - | - |
| Profit on disposal of Anglo Irish Bank (Suisse) S.A. | - | 20 | 20 |
| | 49 | 20 | 20 |

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

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.

11. Taxation

| | Six months ended 31 March 2009 €m | Six months ended 31 March 2008 €m | Year ended 30 September 2008 €m |
|----------------------------------|--|---|---|
| Current taxation (credit)/charge | (91) | 130 | 138 |
| Deferred taxation credit | (244) | (5) | (18) |
| | (335) | 125 | 120 |

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

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

12. Cash and balances with central banks

| | 31 March 2009 €m | 30 September 2008 €m | 31 March 2008 €m |
|--|---------------------------------|----------------------------|------------------------|
| | 266 | 1,822 | 1,093 |

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

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

Notes to the interim report (continued)

13. Financial assets at fair value through profit or loss

| Held on own account | 31 March 2009 €m | 30 September 2008 €m | 31 March 2008 €m |
|----------------------------|---------------------------------|----------------------------|------------------------|
| Debt securities | 95 | 163 | 206 |
| Equity shares | 71 | 70 | 58 |
| | 166 | 233 | 264 |

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

Fair value movements of €60m (30 September 2008: €128m; 31 March 2008: €112m) have negatively impacted the carrying value of investment securities containing embedded derivatives (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:

| | 31 March 2009 €m | 30 September 2008 €m |
|----------------------|---------------------------------|----------------------------|
| AAA / AA | 54 | 94 |
| A | 12 | 26 |
| BBB+ / BBB / BBB- | 15 | 31 |
| Sub investment grade | 14 | 12 |
| | 95 | 163 |

| Held in respect of liabilities to customers under investment contracts | 31 March 2009 €m | 30 September 2008 €m | 31 March 2008 €m |
|---|---------------------------------|----------------------------|------------------------|
| Investments in property structures | 150 | 259 | 227 |
| Equity shares | 121 | 200 | 281 |
| Debt securities | 6 | 10 | 20 |
| | 277 | 469 | 528 |

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 (note 23).

Notes to the interim report (continued)

14. Derivative financial instruments

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 to assist them in managing their exposures to changes in interest rates and foreign exchange rates. The Group also transacts derivatives on a limited basis for discretionary trading purposes.

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

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

The following table presents the notional and fair value amounts of derivative financial instruments.

| | 31 March 2009 | | | 30 September 2008 | | |
|--|--------------------------------------|--------------|-------------------|--------------------------------------|--------------|-------------------|
| | Contract notional amount €m | Fair values | | Contract notional amount €m | Fair values | |
| | | Assets €m | Liabilities €m | | Assets €m | Liabilities €m |
| Derivatives held for trading | | | | | | |
| Interest rate contracts | 173,774 | 3,152 | (3,300) | 203,604 | 930 | (963) |
| Foreign exchange contracts | 17,999 | 437 | (522) | 22,159 | 507 | (311) |
| Credit derivatives | 51 | - | (6) | 125 | - | (5) |
| Equity index options - held and written | 759 | 15 | (12) | 658 | 49 | (44) |
| Total trading derivatives | 192,583 | 3,604 | (3,840) | 226,546 | 1,486 | (1,323) |
| Derivatives held for hedging | | | | | | |
| Fair value hedges | 8,835 | 819 | (77) | 8,878 | 345 | (108) |
| Cash flow hedges | 14,957 | 285 | (4) | 11,612 | 151 | (51) |
| Total hedging derivatives | 23,792 | 1,104 | (81) | 20,490 | 496 | (159) |
| Derivatives held in respect of liabilities to customers under investment contracts (note 23) | 1,078 | - | (96) | 1,207 | 13 | (8) |
| Total derivatives | 217,453 | 4,708 | (4,017) | 248,243 | 1,995 | (1,490) |

The increase in the fair value of derivative assets and derivative liabilities since 30 September 2008 is largely attributable to the reduction in short and long term interest rates over the period. See note 5 for further detail.

The majority of the Bank's derivative transactions with interbank counterparties are covered under CSAs, with cash collateral exchanged on a daily basis. This significantly reduces the credit risk on interbank derivatives. Were the Bank to net outstanding derivative contracts with counterparties covered under CSAs, this would lead to a reduction in derivative assets and derivative liabilities of €1.7 billion (30 September 2008: €0.6 billion).

Notes to the interim report (continued)

15. Loans and advances to banks

| | 31 March 2009 €m | 30 September 2008 €m | 31 March 2008 €m |
|--|---------------------------------|----------------------------|------------------------|
| Placements with banks | 4,064 | 11,181 | 11,714 |
| Securities purchased with agreements to resell | 2,634 | 2,821 | 5,702 |
| | 6,698 | 14,002 | 17,416 |

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

| | 31 March 2009 €m | 30 September 2008 €m |
|---------------------------------|---------------------------------|----------------------------|
| AAA / AA | 1,331 | 3,404 |
| A | 4,899 | 9,867 |
| BBB+ / BBB / BBB- | 421 | 583 |
| Sub investment grade | 27 | - |
| Total held on own account | 6,678 | 13,854 |
| Policyholders' assets (note 23) | 20 | 148 |
| | 6,698 | 14,002 |

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

Loans and advances to banks include short term placements of €3.2 billion (30 September 2008: €7.6 billion, including short term placements of €7.5 billion with Irish Life & Permanent plc (note 21)) with entities covered under the Irish Government guarantee scheme. €1.8 billion (30 September 2008: €0.2 billion) of these placements are secured and included within securities purchased with agreements to resell.

Placements with banks include €1.7 billion (30 September 2008: €0.1 billion; 31 March 2008: €0.1 billion) of cash collateral placed with counterparties to offset credit risk arising from derivative contracts and €0.1 billion (30 September 2008: €0.1 billion; 31 March 2008: €0.1 billion) held with central banks which cannot be withdrawn on demand.

Notes to the interim report (continued)

16. Available-for-sale financial assets

| | 31 March 2009 €m | 30 September 2008 €m | 31 March 2008 €m |
|-----------------|---------------------------------|----------------------------|------------------------|
| Debt securities | 7,761 | 8,152 | 9,225 |
| Equity shares | - | 6 | 6 |
| | 7,761 | 8,158 | 9,231 |

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

| | Six months ended 31 March 2009 €m | Year ended 30 September 2008 €m | Six months ended 31 March 2008 €m |
|----------------------------------|--|---|---|
| At beginning of period | 8,158 | 12,530 | 12,530 |
| Additions | 2,473 | 3,571 | 930 |
| Disposals (sales and maturities) | (2,391) | (6,997) | (3,588) |
| Fair value movements | (453) | (667) | (307) |
| Decrease in interest accruals | (12) | (74) | (19) |
| Exchange and other movements | (14) | (205) | (315) |
| At end of period | 7,761 | 8,158 | 9,231 |

In the current period €141m (31 March 2008: €79m; 30 September 2008: €155m) has been recognised as an impairment charge in the income statement (note 9).

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

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

Additions to the AFS portfolio during the financial period include €1 billion of government bond purchases and €0.6 billion of debt securities issued by financial institutions. Disposals include €0.7 billion of securities that matured during the period as well as €0.8 billion of government bond sales. Additions and disposals include €0.9 billion of short term bank commercial paper investments that were purchased and matured during the period.

Notes to the interim report (continued)

16. Available-for-sale financial assets continued

The external ratings profile of the Group's AFS financial assets, excluding equity shares, is as follows:

| | 31 March 2009 | | | | Total €m |
|----------------------|---------------------------------|---|-----------------|-------------------------------------|--------------|
| | Financial Institutions €m | Residential Mortgage Securities €m | Sovereign €m | Asset Backed Securities €m | |
| AAA / AA | 2,075 | 789 | 3,250 | 339 | 6,453 |
| A | 1,131 | 6 | 6 | 14 | 1,157 |
| BBB+ / BBB / BBB- | 55 | 15 | - | 25 | 95 |
| Sub investment grade | 6 | 7 | 5 | 32 | 50 |
| Unrated | - | - | - | 6 | 6 |
| | 3,267 | 817 | 3,261 | 416 | 7,761 |

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

Notes to the interim report (continued)

17. Loans and advances to customers

| | 31 March 2009 | 30 September 2008 | 31 March 2008 |
|--|--------------------------|----------------------|------------------|
| | €m | €m | €m |
| Amounts receivable under finance leases | 62 | 72 | 75 |
| Amounts receivable under hire purchase contracts | 25 | 37 | 56 |
| Other loans and advances to customers | 71,419 | 72,956 | 68,114 |
| | 71,506 | 73,065 | 68,245 |
| Provisions for impairment | (4,868) | (914) | (273) |
| | 66,638 | 72,151 | 67,972 |

Loans and advances to customers include loans to equity-accounted joint venture interests of €902m (30 September 2008: €923m; 31 March 2008: €529m) and loans of €86m (30 September 2008: €99m; 31 March 2008: €93m) to joint venture interests held in respect of liabilities to customers under investment contracts.

At 31 March 2009, the top 20 customer groups (as defined by the Irish Financial Regulator) represented €14.4 billion or 20% (30 September 2008: €13.9 billion or 19%; 31 March 2008: €12.0 billion or 18%) of the Group's total loans and advances to customers before provisions for impairment.

Provisions for impairment on loans and advances to customers

| | Six months ended 31 March 2009 | Year ended 30 September 2008 | Six months ended 31 March 2008 |
|--|---|---------------------------------------|---|
| | €m | €m | €m |
| At beginning of period | 914 | 295 | 295 |
| Charge against profits - specific (note 9) | 3,694 | 224 | 33 |
| - collective (note 9) | 411 | 500 | - |
| Write-offs | (16) | (67) | (32) |
| Unwind of discount | (29) | (13) | (2) |
| Exchange movements | (106) | (25) | (21) |
| At end of period | 4,868 | 914 | 273 |
| Specific | 3,853 | 272 | 129 |
| Collective | 1,015 | 642 | 144 |
| Total | 4,868 | 914 | 273 |
| Impaired loans | 10,706 | 957 | 358 |

Notes to the interim report (continued)

17. Loans and advances to customers continued

Asset quality

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

Good quality

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

Satisfactory quality

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

Lower quality but not past due 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 one day or more past due. As at the balance sheet reporting date 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.

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

| | 31 March 2009 | | | | Total €m |
|--|------------------|-------------------|---------------------------|------------------------|---------------|
| | Commercial €m | Residential €m | Business Banking €m | Other Lending €m | |
| Good quality | 28,539 | 3,622 | 5,808 | 1,318 | 39,287 |
| Satisfactory quality | 2,566 | 614 | 342 | 556 | 4,078 |
| Lower quality but not past due nor impaired | 3,402 | 1,138 | 606 | 128 | 5,274 |
| Total neither past due nor impaired | 34,507 | 5,374 | 6,756 | 2,002 | 48,639 |
| Past due but not impaired | 8,274 | 2,476 | 737 | 1,419 | 12,906 |
| Impaired loans | 5,549 | 3,388 | 512 | 1,257 | 10,706 |
| | 48,330 | 11,238 | 8,005 | 4,678 | 72,251 |
| Provisions for impairment | (2,196) | (1,556) | (298) | (818) | (4,868) |
| | 46,134 | 9,682 | 7,707 | 3,860 | 67,383 |
| Less: | | | | | |
| Lending to policyholders in respect of investment contracts (note 23) | | | | | (745) |
| Total | | | | | 66,638 |

Notes to the interim report (continued)

17. Loans and advances to customers continued

Aged analysis of past due but not impaired

| | 31 March 2009 | | | | Total €m |
|---------------------------|------------------|-------------------|---------------------------|------------------------|---------------|
| | Commercial €m | Residential €m | Business Banking €m | Other Lending €m | |
| Past due 1 to 30 days | 3,270 | 1,091 | 357 | 591 | 5,309 |
| Past due 31 to 60 days | 2,137 | 446 | 164 | 192 | 2,939 |
| Past due 61 to 90 days | 1,374 | 350 | 166 | 252 | 2,142 |
| Past due 91 days and over | 1,493 | 589 | 50 | 384 | 2,516 |
| Total | 8,274 | 2,476 | 737 | 1,419 | 12,906 |

Commercial includes both investment and development lending across the retail, office, mixed use, industrial and leisure sectors. Residential includes both investment and development lending. Other lending includes advances to customers in a personal capacity and in respect of land banks where zoning has yet to be granted.

Additional information in respect of asset quality and impairment is included in the Business review.

| | 30 September 2008 | | | | Total €m |
|---|-------------------|-------------------|---------------------------|------------------------|---------------|
| | Commercial €m | Residential €m | Business Banking €m | Other Lending €m | |
| Good quality | 41,822 | 8,859 | 7,054 | 4,559 | 62,294 |
| Satisfactory quality | 4,535 | 1,070 | 415 | 282 | 6,302 |
| Lower quality but not past due 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 23) | | | | | (1,006) |
| Total | | | | | 72,151 |

Notes to the interim report (continued)

17. Loans and advances to customers continued

Aged analysis of past due but not impaired

| | 30 September 2008 | | | | Total €m |
|---------------------------|-------------------|-------------|---------------|---------------|--------------|
| | Commercial | Residential | Business | Other | |
| | €m | €m | Banking €m | Lending €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 |

Loans assigned as collateral

Loans and advances to customers at 31 March 2009 include the following:

- (a) Loans of €7,709m (30 September 2008: €6,295m; 31 March 2008: €5,621m) 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 €10,000m (30 September 2008: €5,000m; 31 March 2008: €5,000m) UK covered bond programme. Bonds issued externally under this programme are included within debt securities in issue (note 22).
- (b) Loans of €3,759m (30 September 2008: €5,463m; 31 March 2008: €nil) which have been assigned as collateral under commercial mortgage backed security ('CMBS') programmes.
- (c) Loans of €5,850m (30 September 2008: €nil; 31 March 2008: €nil) which are included in the Anglo Irish Mortgage Bank ('AIMB') cover assets pool as collateral for commercial mortgage asset covered securities. AIMB, a wholly owned subsidiary of the Bank, was incorporated on 10 October 2008, and obtained its Irish banking licence on 10 December 2008. Its principal activity is the issuance of commercial mortgage asset covered securities, in accordance with the Asset Covered Securities Act, 2001 (as amended). AIMB is regulated by the Financial Regulator and is a designated commercial mortgage credit institution.
- (d) Loans of €14,868m (30 September 2008: €nil; 31 March 2008: €nil) which have been assigned as collateral under a Master Loan Repurchase Agreement with the Central Bank and Financial Services Authority of Ireland (note 20).

All of the loans above remain on the Group's balance sheet as substantially all of the risks and rewards relating to them are retained.

Notes to the interim report (continued)

18. Interests in associate and joint ventures

| | 31 March 2009 | 30 September 2008 | 31 March 2008 |
|---|--------------------------|----------------------|------------------|
| | €m | €m | €m |
| Joint ventures - unlisted | | | |
| At beginning of period | 284 | 88 | 88 |
| Investments in joint ventures | 1 | 149 | 1 |
| Transfers from assets classified as held for sale | - | 63 | - |
| Share of results | (110) | (1) | - |
| Distributions | (2) | (7) | (1) |
| Exchange movements | (26) | (8) | (8) |
| At end of period | 147 | 284 | 80 |

The Group's share of results of joint ventures includes impairment of €107m (31 March 2008: €nil; 30 September 2008: €nil) on investment property assets held by joint ventures. The impairment charge reflects weakening economic conditions in the markets where the assets are located and a reduction in the recoverable amounts of the assets, based on the estimated future cash flows to be derived from these assets.

Exchange movements reflect the retranslation of investments in joint ventures denominated in currencies other than euro.

Interest in associate - unlisted

The Group's share of the results of its associate is a loss of €16m (30 September 2008: €nil; 31 March 2008: €nil), reflecting a write down in the value of the investments held by the associate.

19. Investment property - held on own account

| | 31 March 2009 | 30 September 2008 | 31 March 2008 |
|------------------------|--------------------------|----------------------|------------------|
| | €m | €m | €m |
| At beginning of period | 108 | 25 | 25 |
| Additions | 272 | 87 | - |
| Disposals | - | (1) | - |
| Impairment | (89) | - | - |
| Depreciation | - | (1) | - |
| Exchange movement | 2 | (2) | (4) |
| At end of period | 293 | 108 | 21 |

Investment property held on own account includes assets previously acquired by the Group's Private Banking business which were not allocated to policyholders under investment contracts or sold to private clients.

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

Notes to the interim report (continued)

20. Deposits from banks

| | 31 March 2009 €m | 30 September 2008 €m | 31 March 2008 €m |
|--|---------------------------------|----------------------------|------------------------|
| Repayable on demand | 389 | 691 | 636 |
| Sale and repurchase agreements | 27,680 | 12,397 | 5,313 |
| Other deposits by banks with agreed maturity dates | 2,409 | 7,365 | 5,682 |
| | 30,478 | 20,453 | 11,631 |

Sale and repurchase agreements include €23.5 billion (30 September 2008: €7.6 billion; 31 March 2008: €3.6 billion) of short term borrowings from central banks. These deposits include €13.5 billion (30 September 2008: €7.6 billion; 31 March 2008: €3.6 billion) borrowed under open market operations from central banks and €10.0 billion (30 September 2008: €nil; 31 March 2008: €nil) borrowed under a Master Loan Repurchase Agreement ('MLRA') with the Central Bank and Financial Services Authority of Ireland. The interest rate on this facility is set by the Central Bank and advised at each rollover, and is currently linked to the European Central Bank marginal lending facility rate. Collateral assigned under these agreements is derived from the Bank's customer lending assets (note 17).

During the period the Group increased the level of assets eligible for open market operations, primarily through the establishment of Anglo Irish Mortgage Bank and through the expansion of the Group's covered bond and CMBS programmes.

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

Notes to the interim report (continued)

21. Customer accounts

| | 31 March 2009 | 30 September 2008 | 31 March 2008 |
|--|--------------------------|----------------------|------------------|
| | €m | €m | €m |
| Repayable on demand | 2,356 | 3,015 | 3,080 |
| Other deposits by customers with agreed maturity dates | 31,750 | 48,484 | 51,456 |
| | 34,106 | 51,499 | 54,536 |
| Customer type | | | |
| Retail deposits | 18,005 | 19,156 | 20,668 |
| Non-retail deposits | 16,101 | 32,343 | 33,868 |
| | 34,106 | 51,499 | 54,536 |

The movement in balances in the above table includes foreign currency movements. Customer accounts have decreased by €13.7 billion on a constant currency basis since September with non-retail balances decreasing by €14.5 billion and retail balances increasing by €0.8 billion.

The decrease in non-retail funding was driven by a fall in deposits from insurance companies, asset managers, pension funds and other more granular corporate deposits due to a reduction in corporate cash balances, risk aversion towards banking in general and specific Bank and Ireland concerns. In addition €7.3 billion of customer deposits received from Irish Life Assurance plc matured early in the period (note 15).

Average total customer deposits for the six months to 31 March 2009 were €40.2 billion (twelve months to 30 September 2008: €50.1 billion).

Further information in respect of customer accounts is provided in the Business review.

Notes to the interim report (continued)

22. Debt securities in issue

| | 31 March 2009 €m | 30 September 2008 €m | 31 March 2008 €m |
|----------------------------|---------------------------------|----------------------------|------------------------|
| Medium term note programme | 10,225 | 10,622 | 11,247 |
| Covered bonds | 1,203 | 1,361 | 1,504 |
| Extendible notes | - | 228 | 792 |
| Short term programmes: | | | |
| Commercial paper | 2,465 | 3,488 | 5,889 |
| Certificates of deposit | 335 | 1,581 | 2,613 |
| | <u>14,228</u> | <u>17,280</u> | <u>22,045</u> |

Bonds issued under the Group's covered bond programme are secured on certain loans and advances to customers (note 17).

Debt securities in issue have decreased by €2.9 billion on a constant currency basis due to the challenging capital market environment. Short term programme balances declined by €2.3 billion and other balances by €0.6 billion.

Medium term note issuance of €2.0 billion in the six month period includes a €1.5 billion public deal issued in December 2008 as well as several other smaller transactions, all of which are government guaranteed and mature by September 2010. Maturities and redemptions during the period were €2.6 billion.

Short term markets were volatile during the period given Bank and country specific factors and a market wide risk aversion towards the banking sector. Balances decreased from €5.1 billion at 30 September 2008 to €2.8 billion at 31 March 2009.

Notes to the interim report (continued)

| 23. Liabilities to customers under investment contracts | 31 March 2009 €m | 30 September 2008 €m | 31 March 2008 €m |
|--|---------------------------------|----------------------------|------------------------|
| Assets held in respect of liabilities to customers under investment contracts: | | | |
| Investment property | 1,107 | 1,796 | 1,766 |
| Financial assets at fair value through profit or loss | 277 | 469 | 528 |
| Derivative financial instruments | - | 5 | - |
| Loans and advances to banks | 20 | 148 | 239 |
| Ordinary shares in parent Bank | - | 4 | 8 |
| Subordinated liabilities and other capital instruments - Group | 3 | 13 | 20 |
| Total | 1,407 | 2,435 | 2,561 |
| Less: | | | |
| Funding provided by parent Bank | (745) | (1,006) | (1,000) |
| Funding provided by external banks | (220) | (339) | (332) |
| Derivative financial instruments | (96) | - | (8) |
| Net asset value attributable to external unitholders | (33) | (77) | (77) |
| Add: | | | |
| Funds on deposit with parent Bank | 156 | 178 | 220 |
| Liabilities to customers under investment contracts at fair value | 469 | 1,191 | 1,364 |

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 €745m (30 September 2008: €1,006m; 31 March 2008: €1,000m) provided by the parent Bank to fund assets held by the life assurance business in respect of liabilities to customers under investment contracts.

Total funding provided by the parent Bank amounts to €924m (30 September 2008: €1,006m; 31 March 2008: €1,000m). €745m represents the current market value of assets, net of related derivative liabilities, to which the parent Bank holds recourse. In prior periods the market value of assets to which the Bank held recourse exceeded the amount of funding that it had provided in relation to those assets. The Group's most recent impairment assessment of the lending facilities provided to fund assets held on behalf of customers under investment contracts has resulted in a specific impairment charge (note 9) in the six months to 31 March 2009 of €11m (31 March 2008: €nil; 30 September 2008: €nil).

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

Notes to the interim report (continued)

24. Retirement benefits

The deficit in the Group's funded defined benefit pension schemes, measured in accordance with IAS 19, is €2m (30 September 2008: surplus of €6m). This is due primarily to a fall in the market value of the schemes' assets which was partly offset by the effect of a higher discount rate on the valuation of the schemes' liabilities.

In addition, a retirement benefit asset of €3m and a retirement benefit liability of €6m relating to commitments to Austrian employees were transferred on the sale of Anglo Irish Bank (Austria) A.G. on 19 December 2008.

25. Subordinated liabilities and other capital instruments

| | 31 March 2009 €m | 30 September 2008 €m | 31 March 2008 €m |
|--|---------------------------------|----------------------------|------------------------|
| Dated Loan Capital * | | | |
| €750m Floating Rate Subordinated Notes 2014 | 718 | 722 | 719 |
| US\$165m Subordinated Notes Series A 2015 | 130 | 117 | 108 |
| US\$35m Subordinated Notes Series B 2017 | 29 | 25 | 23 |
| €500m Callable Floating Rate Subordinated Notes 2016 | 499 | 499 | 499 |
| €750m Callable Floating Rate Subordinated Notes 2017 | 749 | 749 | 749 |
| Undated Loan Capital | | | |
| Stg£200m Step-up Callable Perpetual Capital Securities | 236 | 262 | 262 |
| Stg£250m Tier One Non-Innovative Capital Securities | 319 | 336 | 343 |
| €600m Perpetual Preferred Securities | 475 | 452 | 542 |
| Stg£300m Non-Cumulative Preference Shares * | 360 | 371 | 381 |
| Stg£300m Step-up Perpetual Subordinated Notes * | 354 | 385 | 374 |
| €600m Fixed/Floating Perpetual Preferred Securities | 650 | 571 | 599 |
| Stg£350m Fixed/Floating Perpetual Preferred Securities | 426 | 458 | 465 |
| Other subordinated liabilities * | - | 1 | 6 |
| | 4,945 | 4,948 | 5,070 |

* 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.

The carrying value of subordinated liabilities and other capital instruments includes the impact of fair value hedge adjustments.

Notes to the interim report (continued)

26. Total equity

Consolidated reconciliation of movements in total equity

| | Share capital €m | Share premium €m | Capital €m | Other reserves | | | | Share-based payments €m | Retained profits €m | Minority interest €m | Total €m |
|--|---------------------|---------------------|---------------|-------------------------------|----------------------------|------------------------------|-------------------------------|-------------------------------|---------------------------|----------------------------|-------------|
| | | | | Exchange translation €m | Cash flow hedging €m | Available- for-sale €m | Share-based payments €m | | | | |
| Six months ended 31 March 2009 | | | | | | | | | | | |
| Balance at 30 September 2008 | 123 | 1,156 | 1 | (9) | (9) | (563) | 37 | 3,389 | 7 | 4,132 | |
| Loss for the period | - | - | - | - | - | - | - | (3,772) | (10) | (3,782) | |
| Net movement in own shares | - | - | - | - | - | - | - | (5) | - | (5) | |
| Actuarial losses after tax in retirement benefit schemes | - | - | - | - | - | - | - | (6) | - | (6) | |
| Share-based payments | - | - | - | - | - | - | 22 | - | - | 22 | |
| Net changes in fair value | - | - | - | - | 251 | (471) | - | - | - | (220) | |
| Impairment recognised in income statement | - | - | - | - | - | 141 | - | - | - | 141 | |
| Transfers to income statement | - | - | - | - | (54) | (25) | - | - | - | (79) | |
| Release of deferred taxation | - | - | - | - | (1) | (80) | - | - | - | (81) | |
| Extinguishment of share options and awards | - | - | - | - | - | - | (55) | 55 | - | - | |
| Other movements | - | - | - | 3 | - | (25) | (4) | - | 5 | (21) | |
| Balance at 31 March 2009 | 123 | 1,156 | 1 | (6) | 187 | (1,023) | - | (339) | 2 | 101 | |
| Six months ended 31 March 2008 | | | | | | | | | | | |
| Balance at 30 September 2007 | 122 | 1,139 | 1 | (6) | (19) | (100) | 32 | 2,883 | 13 | 4,065 | |
| Profit for the period | - | - | - | - | - | - | - | 548 | (6) | 542 | |
| Equity dividends | - | - | - | - | - | - | - | (99) | - | (99) | |
| Options exercised and scrip dividends | 1 | 16 | - | - | - | - | (5) | 17 | - | 29 | |
| Net movement in own shares | - | - | - | - | - | - | - | (16) | - | (16) | |
| Actuarial losses after tax in retirement benefit schemes | - | - | - | - | - | - | - | (19) | - | (19) | |
| Share-based payments | - | - | - | - | - | - | 8 | - | - | 8 | |
| Net changes in fair value | - | - | - | - | 89 | (269) | - | - | - | (180) | |
| Impairment recognised in income statement | - | - | - | - | - | 69 | - | - | - | 69 | |
| Transfers to income statement | - | - | - | - | (7) | - | - | - | - | (7) | |
| Other movements | - | - | - | (8) | - | - | (2) | - | - | (10) | |
| Balance at 31 March 2008 | 123 | 1,155 | 1 | (14) | 63 | (300) | 33 | 3,314 | 7 | 4,382 | |

Notes to the interim report (continued)

26. Total equity continued

Consolidated reconciliation of movements in total equity

| | Share capital €m | Share premium €m | Capital €m | Other reserves | | | | | Retained profits €m | Minority interest €m | Total €m |
|--|---------------------|---------------------|---------------|----------------------------|-------------------------|--------------------------|----------------------------|-------|------------------------|-------------------------|-------------|
| | | | | Exchange translation €m | Cash flow hedging €m | Available-for-sale €m | Share-based payments €m | | | | |
| Year ended 30 September 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 €nil (30 September 2008: €80m; 31 March 2008: €85m).

The exchange translation reserve includes exchange differences arising from the translation of the net investment in foreign entities and of funding designated as hedges of such investments.

Notes to the interim report (continued)

| 27. Contingent liabilities and commitments | 31 March 2009 €m | 30 September 2008 €m | 31 March 2008 €m |
|---|---------------------------------|----------------------------|------------------------|
| Contingent liabilities | | | |
| Guarantees and irrevocable letters of credit | 388 | 624 | 818 |
| Performance bonds and other transaction related contingencies | 106 | 112 | 81 |
| | 494 | 736 | 899 |
| Commitments | | | |
| Credit lines and other commitments to lend | 3,956 | 6,282 | 6,840 |

The Group does not expect all commitments to be drawn.

| 28. Regulatory capital | 31 March 2009 # €m | 30 September 2008 €m | 31 March 2008 €m |
|--------------------------------|-----------------------------------|----------------------------|------------------------|
| Capital (Basel II) | | | |
| Risk weighted assets | 80,175 | 85,798 | 82,149 |
| Regulatory Core Tier 1 capital | 1,089 | 5,068 | 4,944 |
| Core Tier 1 ratio | 1.4% | 5.9% | 6.0% |
| Total Tier 1 capital | 3,120 | 7,201 | 7,135 |
| Tier 1 capital ratio | 3.9% | 8.4% | 8.7% |
| Total capital | 6,577 | 10,318 | 9,738 |
| Total capital ratio | 8.2% | 12.0% | 11.9% |

Incorporates discretions and derogations set out below

There has been a significant reduction in the level of the Bank's regulatory Core Tier 1 capital, primarily as a result of the reported loss for the period to 31 March 2009. The Bank's Total capital ratio at 31 March 2009 is 8.2%, in excess of the minimum 8% required under the Capital Requirements Directive. In light of the Government's commitment to recapitalise the Bank, the Financial Regulator has, on a temporary basis and in exceptional circumstances, exercised its discretion not to impose a minimum capital ratio above this level, nor to apply the following limits:

- that Tier 1 capital comprises at least 50% of the Bank's regulatory capital;
- that lower Tier 2 capital cannot exceed 50% of Tier 1 capital;

and it has, at the Bank's request, granted derogations from the requirements previously applicable to the Bank:

- that Core Tier 1 capital must be, at a minimum, 4% of risk weighted assets;
- that Core Tier 1 capital comprises at least 51% of Tier 1 capital;
- that the total amount of innovative non-Core Tier 1 capital instruments is limited to 15% of Tier 1 capital;
- that collective provisions included in Tier 2 capital cannot exceed 1.25% of risk weighted assets;
- to apply a risk weight of 150% to certain Irish commercial property loans advanced prior to 31 March 2009; and
- to deduct €169m from Total capital.

Notes to the interim report (continued)

28. Regulatory capital continued

The above derogations are granted until 31 July 2009 or such shorter period if the Bank's capital ratios are restored to a level compliant with capital ratio requirements in place prior to the granting of these derogations.

Risk weighted assets have reduced by €5,623m from 30 September 2008 due primarily to the specific impairment charges incurred in the period to 31 March 2009, the impact of the derogation from the requirement to apply a risk weight of 150% to certain Irish commercial property loans, and also the impact of exchange rate fluctuations on the Group's asset base.

Full details of the Financial Regulator's derogations are as follows:

1. The minimum total capital requirement for credit institutions is 8% as set down by Regulation 19 of the European Communities (Capital Adequacy of Credit Institutions) Regulations 2006 (SI No. 661 of 2006), (the 'CRD Regulations'). The Financial Regulator has imposed a higher minimum total capital ratio requirement of 9.5% on the Bank. This requirement shall be reduced from 9.5% to 8%.
2. Under Regulation 11(6) of the CRD Regulations the Bank is authorised to exceed the limits set out in Regulation 11(1).
3. The Financial Regulator's requirements in relation to Own Funds as set out in paragraph 3.2.1 (i), (ii) and (iii) and paragraph 3.2.2 of BSD S 1/04, Notice to Credit Institutions (Alternative Capital Instruments: Eligibility as Tier 1 Capital) shall not apply to the Bank.
4. In accordance with the national discretion provisions afforded to member states under Annex VI of the Capital Requirements Directive 2006/48/EC the Financial Regulator imposed a risk weighting of 150% to speculative commercial real estate with effect from 1 January 2007, on the basis that the Financial Regulator considered such exposures to be exposures associated with particularly high risks. This is as set out in paragraph 2.2, Type A Discretions (ref 20) of the Financial Regulator's notice on Implementation of the CRD (28 December 2006) (the 'Implementation Notice'). This shall be amended in the case of the Bank to 100% in respect of the value of all exposures as at 31 March 2009 meeting the definition of speculative commercial real estate as defined in the Implementation Notice. Any increase in such exposures after that date or any new exposures arising after that date meeting the definition of speculative commercial real estate shall continue to have a risk weighting of 150%. This derogation follows on from the Bank's detailed impairment review of its loan book as at 31 March 2009, hence the amended risk weighting applies to the exposures post impairment writedown.
5. The Financial Regulator has in place a restriction on the level of general provisions that may be included in Tier 2 of 1.25% of risk weighted assets, as set forth in Paragraph 2.2 (iv) of the Financial Regulator's notice BSD S 1/00. This limit of 1.25% shall not apply to the Bank.
6. The Financial Regulator grants a waiver from the requirement, set out in its letter of 25 July 2008, to make a deduction of €169m from total own funds.

Notes to the interim report (continued)

29. Related party transactions

On 15 January 2009 the Government announced its intention to take Anglo Irish Bank Corporation Limited ('the Bank') into State ownership. The Bank's shares were 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 signed into Irish law on 21 January 2009.

As a nationalised entity, the Group regards other entities owned or sponsored by the Irish Government as related parties. In line with the normal requirements of all Irish banks, the Bank maintains both a reserve requirement and a deposit protection balance with the Central Bank and Financial Services Authority of Ireland. The balance of the reserve requirement at 31 March 2009, which is included in cash and balances with central banks (note 12) is €213m. The deposit protection balance at 31 March 2009, which is included in loans and advances to banks (note 15) is €89m. Included in deposits from banks (note 20) are secured deposits of €21.4 billion at 31 March 2009 arranged through the Central Bank and Financial Services Authority of Ireland.

In addition, the Group has transactions with many State controlled entities on an arm's length basis which include the payment of taxes, regulatory fees and charges and also fees for the provision of essential utility services.

Subsidiary undertakings, joint ventures and associate

Anglo Irish Bank Corporation Limited is the ultimate parent of the Group. Banking transactions are entered into by the Bank with its subsidiaries in the normal course of business. The Group provides certain banking and financial services to its joint ventures and associate.

As set out in note 10, the Bank completed the sale of its subsidiary, Anglo Irish Bank (Austria) A.G., on 19 December 2008.

Key management personnel

Key management personnel comprise persons who, at any time during the six months ended 31 March 2009, were members of the Board of Directors (the 'Board') together with the Group Secretary and one senior executive. The composition of key management personnel is expected to change following the appointment of a new Chief Executive Officer and the introduction of a new leadership and management structure.

Changes to the Board since 30 September 2008

There were a number of changes to the Board during the six months ended 31 March 2009. Sean FitzPatrick, preceding Chairman, and Lar Bradshaw, Non-executive Director, resigned from the Board on 18 December 2008. On the same date, Donal O'Connor was appointed Chairman and Frank Daly and Alan Dukes were co-opted to the Board as Non-executive Directors. David Drumm, former Group Chief Executive, resigned from the Board on 19 December 2008. William McAteer, former Group Finance Director and Chief Risk Officer, resigned from the Board on 7 January 2009. On 19 January 2009, Noël Harwerth, Anne Heraty, Michael Jacob, Gary McGann and Ned Sullivan resigned as Non-executive Directors. Maurice Keane was co-opted to the Board as a Non-executive Director on 21 January 2009.

Following nationalisation, the Group adopted a Board structure similar to that of other State owned entities. In this context, Donal O'Connor was appointed Executive Chairman and Declan Quilligan was appointed Chief Operating Officer on 19 February 2009. On the same date, Pat Whelan resigned as an Executive Director.

Key management compensation

Key management compensation for the period includes costs of €1.6m in respect of foreign assignments. €1.2m relates to a key manager as detailed below while the balance is in respect of relocation costs incurred by an Executive Director following a foreign transfer in 2005. There were no other changes in key management compensation which were material to an understanding of the Group's financial performance during the period.

Notes to the interim report (continued)

29. Related party transactions continued

Loans to key management personnel

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

| | Six months ended 31 March 2009 | | Year ended 30 September 2008 | | Six months ended 31 March 2008 | |
|---|-----------------------------------|---------------------------|---------------------------------|---------------------------|-----------------------------------|---------------------------|
| | Directors | Other key management * | Directors | Other key management * | Directors | Other key management * |
| | €m | €m | €m | €m | €m | €m |
| At beginning of period (1) | 179 | 7 | 46 | 6 | 46 | 6 |
| Loan advances (2) | 38 | - | 255 | 2 | 231 | 2 |
| Loan repayments (2) | (9) | - | (115) | - | (55) | - |
| Other movements (3) | (33) | - | (7) | (1) | (13) | (1) |
| At end of period (4) | 175 | 7 | 179 | 7 | 209 | 7 |
| Provisions for impairment (5) | (31) | - | - | - | - | - |
| At end of period after provisions for impairment | 144 | 7 | 179 | 7 | 209 | 7 |
| Number of persons | 10 | 2 | 13 | 2 | 13 | 2 |

* Excludes Executive Directors

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

- (1) Directors' loan balances above include the amount of personal recourse to them in relation to their share of loans advanced by the Bank to investment partnership and co-ownership structures in which they are investors.
- (2) Loan advances for the year ended 30 September 2008 and the period ended 31 March 2008 include €122m (including €9m in respect of another former Director on a joint loan account) redrawn in October 2007 relating to amounts refinanced by the preceding Chairman, shortly before 30 September 2007. Such refinancing did not occur in September 2008 and, accordingly, there was no corresponding loan advance for the period ended 31 March 2009.

Included in repayments for the year ended 30 September 2008 is €22m relating to amounts which were repaid shortly before 30 September 2008 by the preceding Chairman, and another former Director. This repayment was made from deposits held with the Bank. This amount was redrawn shortly after 30 September 2008 and placed back on deposit with the Bank and, accordingly, €22m is included in loan advances for the period ended 31 March 2009. Similarly, loan advances for the year ended 30 September 2008 and the period ended 31 March 2008 include €21m redrawn in October 2007 in respect of loans repaid shortly before 30 September 2007 from deposits held with the Bank by these former Directors. This amount was placed back on deposit with the Bank.

- (3) Other movements include €35m in relation to Directors who retired in the prior year (30 September 2008: €2m; 31 March 2008: €2m) and the impact of foreign exchange rate changes on non-euro denominated loans.
- (4) The Directors' loan balances at 31 March 2009 include:
 - (i) Loans to the preceding Chairman of €106.8m (30 September 2008: €83.3m; 31 March 2008: €119.8m). The redrawing shortly after 30 September 2008 of an amount repaid shortly before that date from deposits held with the Bank was the main reason for the increase in the loan balances during the period.

Notes to the interim report (continued)

29. Related party transactions continued

- (ii) A loan to a former Director of €8m (30 September 2008: €8m; 31 March 2008: €nil) secured on ordinary shares in Anglo Irish Bank Corporation plc. The loan was on non-recourse terms to the former Director at 30 September 2008. The facility in respect of this loan was renewed during the six months ended 31 March 2009 on a full personal recourse basis. Under the Anglo Irish Bank Corporation Act 2009, all of the Bank's ordinary share capital was transferred to the Minister for Finance.
 - (iii) €2m (30 September 2008: €20m; 31 March 2008: €20m) in respect of personal recourse to two (30 September 2008: three; 31 March 2008: three) former Directors in relation to their share of secured loans to partnerships in which they are investors. The loans to these partnerships, which include a number of investors in addition to these Directors, total €6m at 31 March 2009 (30 September 2008: €42m; 31 March 2008: €41m). All partners are liable on a joint and several basis for the outstanding loan balances of the partnerships in which they invested.
 - (iii)(a) In addition, at 31 March 2009 a further €4m (30 September 2008: €4m; 31 March 2008: €4m) is outstanding in relation to former Directors' shares of loans to syndicated investment partnerships. These loans are secured, in common with all other investors, against the partnership investments and personal recourse to the Directors is limited to interest.
 - (iv) €3m (30 September 2008: €3m; 31 March 2008: €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 31 March 2009 a further €17m (30 September 2008: €17m; 31 March 2008: €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 31 March 2009 secured loans to the other co-owners in these structures total €45m (30 September 2008: €45m; 31 March 2008: €45m).
 - (v) Loans to Directors remaining in office at 29 May 2009 of €4m (30 September 2008: €5m; 31 March 2008: €4m).
- (5) At 31 March 2009, provisions for impairment of €31m (30 September 2008: €nil, 31 March 2008: €nil) were recognised in respect of loans to certain Directors who held office during the half year, none of whom were Board members at 31 March 2009. There were no write-offs in relation to loans to Directors during the six months to 31 March 2009 or the year ended 30 September 2008. In addition, at 31 March 2009 a provision for impairment of €0.4m (30 September 2008: €nil; 31 March 2008: €nil) was recognised in relation to a former Director's share of a non-recourse loan to a syndicated investment partnership.

Loans advanced to other key management include loans of €4m (30 September 2008: €4m; 31 March 2008: €4m) advanced on preferential terms in lieu of entitlements associated with a foreign assignment which commenced in 2005. The loan balance of €4m at 31 March 2009 comprises lending to provide accommodation for the duration of the foreign assignment. The Bank is now assuming legal ownership of this property in full repayment of the related loan balance. The Bank anticipates that this process will be completed before 30 September 2009 and will involve an estimated total cost to the Bank of approximately €1.2m. This cost is deemed to be an employment benefit attributable to the key manager. There were no unsecured loans to other key management at 31 March 2009 (30 September 2008: €1m; 31 March 2008: €1m).

At 31 March 2009 the Group had provided guarantees totalling €nil (30 September 2008: €1m; 31 March 2008: €nil) in respect of two Directors.

The Group had undrawn commitments at 31 March 2009 of €5m (30 September 2008: €35m; 31 March 2008: €18m) relating to loans to Directors.

During the period the Group earned interest of €4m (30 September 2008: €14m; 31 March 2008: €6m) on loans to Directors and other key management.

Notes to the interim report (continued)

29. Related party transactions continued

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

In addition to loans to key management personnel, loans and advances to customers also include loans to related parties. An entity is considered a related party where, in line with IAS 24, key management personnel exercise control or significant influence over the operating and financial policies of that entity. All loans are made to such related parties at commercial interest rates.

Amounts due from related parties at 31 March 2009, excluding amounts disclosed above, total €29m (30 September 2008: €27m; 31 March 2008: €25m). Loans due from related parties are secured with the exception of loans of €1m (30 September 2008: €1m; 31 March 2008: €3m) which, while unsecured, are guaranteed by the underlying borrowers. Loan advances made to related parties during the period ended 31 March 2009 were €3m (30 September 2008: €25m; 31 March 2008: €19m) and loan repayments by related parties were €2m (30 September 2008: €5m; 31 March 2008: €1m).

During the period the Group earned interest of €1m (30 September 2008: €2m; 31 March 2008: €1m) on loans to related parties.

The Group had undrawn lending commitments to related parties at 31 March 2009 of €2m (30 September 2008: €1m; 31 March 2008: €4m).

Deposits and investments by key management personnel

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

| | Six months ended 31 March 2009 | | Year ended 30 September 2008 | | Six months ended 31 March 2008 | |
|------------------------|-----------------------------------|--------------------|---------------------------------|--------------------|-----------------------------------|--------------------|
| | Other key | | Other key | | Other key | |
| | Directors €m | management * €m | Directors €m | management * €m | Directors €m | management * €m |
| At beginning of period | 10 | 1 | 9 | 1 | 9 | 1 |
| Deposits received | 30 | 1 | 140 | 2 | 108 | 1 |
| Deposits withdrawn | (18) | (2) | (137) | (1) | (88) | - |
| Other movements | (2) | - | (2) | (1) | (2) | (1) |
| At end of period | 20 | - | 10 | 1 | 27 | 1 |
| Number of persons | 10 | 2 | 12 | 2 | 12 | 2 |

* Excludes Executive Directors

Deposits by key management personnel are at commercial interest rates. During the period the Group incurred interest of €0.6m (30 September 2008: €1.6m; 31 March 2008: €0.8m) on these deposits.

Shortly before 30 September 2008 and 30 September 2007, the preceding Chairman and another former Director withdrew deposits of €22m and €21m 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 other key management personnel.

Notes to the interim report (continued)

29. Related party transactions continued

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 €0.1m (30 September 2008: €0.4m; 31 March 2008: €0.2m). At 31 March 2009 ten persons who were Directors during the period (30 September 2008: twelve; 31 March 2008: twelve) held investments totalling €23m (30 September 2008: €49m; 31 March 2008: €53m). Investments held by Directors remaining in office at 29 May 2009 totalled €0.5m at 31 March 2009 (30 September 2008: €0.5m; 31 March 2008: €0.6m).

Other related party transactions

Anne Heraty, a former Non-executive Director, is also a Director of CPL Resources plc. During the six months ended 31 March 2009, CPL Resources plc received €nil (year ended 30 September 2008: €78,000; six months ended 31 March 2008: €74,000) 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. PwC was not considered a related party in the period to 31 March 2009 as Donal O'Connor retired from PwC during the year ended 30 September 2008.

During the six months ended 31 March 2009, close family members of the preceding Chairman, received rental income from the Group of €13,800 (year ended 30 September 2008: €31,500; six months ended 31 March 2008: €16,300) in respect of a UK property that, rather than hotels, was used to accommodate Group employees working in the UK on a temporary basis. The lease was terminated with effect from 31 March 2009.

Notes to the interim report (continued)

30. Cash flow statement

| Other non-cash items | Six months ended 31 March 2009 €m | Six months ended 31 March 2008 €m | Year ended 30 September 2008 €m |
|---|--|---|---|
| Share of results of associate and joint ventures | 126 | - | 1 |
| Profit on disposal of businesses | (49) | (20) | (20) |
| Net gains on disposal of available-for-sale financial assets | (25) | - | (17) |
| Equity settled share-based payment expense | 22 | 7 | 12 |
| Loans and advances written-off net of recoveries | (16) | (32) | (67) |
| Net decrease in accruals and deferred income | (35) | (27) | (47) |
| Net (increase)/decrease in prepayments and accrued income | (3) | 3 | (15) |
| Depreciation and amortisation | 10 | 13 | 27 |
| Gains on repurchase of financial liabilities measured at amortised cost | (6) | (2) | (30) |
| Other | (4) | (1) | (2) |
| | 20 | (59) | (158) |
| Cash and cash equivalents | | | |
| Cash and balances with central banks | 266 | 1,093 | 1,822 |
| Loans and advances to banks (with a maturity of less than three months) | 3,956 | 16,196 | 12,713 |
| Closing cash and cash equivalents | 4,222 | 17,289 | 14,535 |

The net decrease/(increase) in loans and advances to customers includes €667m (31 March 2008: €569m; 30 September 2008: €1,371m) which has been capitalised on customers' loan balances in accordance with approved credit facilities.

31. Regulatory reviews and enquiries

The Group is co-operating with a number of reviews being conducted by external regulatory 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. As the outcome of these reviews is uncertain, the Interim Report does not include any further disclosures or adjustments which may result from the completion of these reviews.

Notes to the interim report (continued)

32. Events after the balance sheet date

The Bank's capital position has continued to weaken since 31 March 2009. On 28 May 2009 the Minister for Finance confirmed the Irish Government's intention, subject to EU approval, to provide capital of up to €4 billion. This would increase the Bank's Total capital ratio at 31 March 2009 from 8.2% to 13.2% on a pro forma basis. As indicated in note 28, the Total capital ratio of 8.2% at 31 March 2009 is dependent on the discretions and derogations granted, on a temporary basis, by the Irish Financial Regulator.

Prior to the finalisation of the capital solution the Bank is reliant on derogations granted by the Irish Financial Regulator in order to maintain a Total capital ratio above the 8% minimum requirement set in the Capital Requirements Directive.

On 7 April 2009 the Irish Government indicated its intention to extend the Government guarantee scheme for certain issuance of debt securities beyond 29 September 2010.

33. Approval

The interim financial statements were authorised for issue by the Board of Directors on 29 May 2009.

Independent review report to Anglo Irish Bank Corporation Limited

Introduction

We have been engaged by Anglo Irish Bank Corporation Limited ('the Bank') to review the condensed set of financial statements in the Interim Report for the six months ended 31 March 2009 which comprises the Consolidated income statement, the Consolidated balance sheet, the Consolidated statement of recognised income and expense, the Consolidated cashflow statement and the related notes. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Bank, in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) '*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The Interim Report is the responsibility of, and has been approved by, the Board of Directors of the Bank ('the Directors'). The Directors are responsible for preparing the Interim Report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Irish Financial Services Regulatory Authority.

As disclosed in note 1, the annual financial statements of the Bank are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed set of financial statements included in this Interim Report has been prepared in accordance with International Accounting Standard 34, '*Interim Financial Reporting*', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Bank a conclusion on the condensed set of financial statements in the Interim Report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, '*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*' issued by the Auditing Practices Board for use in the United Kingdom and Ireland. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Interim Report for the six months ended 31 March 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union, the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Irish Financial Services Regulatory Authority.

Emphasis of matter

In forming our conclusion which is not qualified, we have considered the adequacy of the disclosures made in note 31 to the condensed set of financial statements concerning ongoing reviews by external bodies. The ultimate outcome of these reviews cannot be determined at present. The condensed set of financial statements does not include any disclosures or adjustments which may result from the completion of these reviews.

Ernst & Young
Chartered Accountants

29 May 2009

Caring for the environment

At Anglo Irish Bank, we take a responsible approach to environmental issues and have worked with our print partner to minimise the environmental impact of our Interim Report publication. The paper selected for this report comes from certified well managed forests, accredited by the 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 livelihood of the forest dependent people.

Anglo Irish Bank 

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Anglo Irish Bank Corporation Limited is regulated by the Financial Regulator in Ireland.
In the UK, Anglo Irish Bank Corporation Limited is authorised by the Financial Regulator in Ireland and subject to limited regulation by the Financial Services Authority.
Details about the extent of our regulation by the Financial Services Authority are available from us on request.