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Statement by Minister for Finance on Anglo Irish Bank

15 January 2009

The Government has today decided, having consulted with the Board of Anglo Irish Bank Corporation plc ("Anglo"), to take steps that will enable the Bank to be taken into public ownership.

This decision has been taken after consultation with the Central Bank and the Financial Regulator which has confirmed that Anglo Irish Bank remains solvent.

Anglo Irish Bank is a major financial institution whose viability is of systemic importance to Ireland. Anglo has a balance sheet of some €100bn with a substantial deposit base which the State is determined to safeguard. The Government has made clear that it will ensure its continued viability. Anglo Irish Bank will continue to trade normally as a going concern, with appropriate Government support as necessary. All Anglo employees remain employed by the company.

The funding position of the bank has weakened and unacceptable practices that took place within it have caused serious reputational damage to the bank at a time when overall market sentiment towards it was negative. Accordingly the Government believes that the recapitalisation is not now the appropriate and effective means to secure its continued viability. Therefore the Government must move to the final and decisive step of public ownership.

The Government believes that the prospects for the institution are solidly underpinned in the new structure, with the benefit of state ownership and a renewed management and Board. In the current circumstances the State is the only available potential owner.

The recently appointed Chairman of the Board, Mr. Donal O'Connor, will stay on as Chairman. Anglo will be managed on an arms length basis as a commercial entity. A new Board will be appointed having regard to the need for appropriate continuity.

Shareholder rights will be respected in this process. The relevant legislation outlines a process for determining compensation as appropriate.

All customers of Anglo Irish Bank can be assured that the full amount of their deposits and savings are further safeguarded by this action. They can also be assured that they can and should continue transacting with Anglo as normal and there is no need for customers to take any steps as a result of this announcement. Anglo Irish Bank will communicate directly with all customers in the coming days.

Information will be available on the websites of Anglo Irish Bank, the Central Bank, the Financial Regulator, and the Department of Finance. Customers with particular queries may also phone Anglo Irish Bank or the Financial Regulator.

Creditors (including bondholders) of Anglo Irish Bank can be assured that it will continue to service its obligations and will repay its debts at maturity.

The Government has prepared legislation to put this decision into effect. This will be presented to the Houses of the Oireachtas on Tuesday.

Tomorrow before the markets open, it is expected that the Irish Stock Exchange and the UK Listing Authority will announce that Anglo shares will be suspended from listing on the Stock Exchanges.

The Minister said "I would again stress that this Government decision safeguards the interest of the depositors of Anglo, and the stability of the economy, given the significance of Anglo in this regard, as already recognised by the European Commission. The bank will continue to operate as normal and depositors and creditors should continue to transact as normal."

Customers of all financial institutions can have confidence that the wider financial system in Ireland remains well capitalised and liquid and that the Irish authorities will be proactive to ensure that their interests are protected and their deposits and debts are secure.

The Government will ensure the continued viability of all systemic financial institutions.

The Government remains fully committed to the recapitalisation proposal already announced in relation to AIB and Bank of Ireland. These plans include injection of core tier 1 capital in the form of preference shares and underwriting of further core tier 1 capital issuance.