Allied Irish Banks, plc

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	BB
Short-Term IDR	B
Viability Rating	bb
Support Rating	5
Support Rating Floor	NF

Sovereign Risk

Foreign-Currency Long-Term IDR	A−
Local-Currency Long-Term Rating	A−

Outlooks

Foreign-Currency Long-Term Rating	Positive
Sovereign Foreign-Currency Long-Term IDR	Positive
Sovereign Local-Currency Long-Term IDR	Positive

Financial Data

Allied Irish Banks, plc

Allied Irish Banks	31 Jun 15	31 Dec 14
Total assets (USDm)	119,436	130,454
Total assets (EURm)	106,740	107,455
Total equity (EURm)	8,788	8,037
Operating profit (EURm)	1,231	1,103
Net income (EURm)	840	915
Comprehensive income (EURm)	1,031	1,078
Operating ROAA (%)	2.32	0.99
Operating ROAE (%)	29.51	14.58
Fitch Core Capital/ weighted risks (%)	8.97	7.26
Fitch Eligible Capital/ weighted risks (%)	14.77	13.18
Core Tier 1 ratio (%)	17.40	16.40

Source: Fitch, Allied Irish Banks

Related Research

Allied Irish Banks, plc – Ratings Navigator (June 2015)
Fitch Downgrades Irish Banks' IDRs; Upgrades 3 VRs (May 2015)

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Key Rating Drivers

Improving Credit Metrics: Allied Irish Bank's (AIB) Issuer Default Ratings (IDRs) are driven by its standalone credit profile, as expressed in its Viability Rating (VR). The VR reflects the expectation of ongoing improvements in asset quality, business prospects, profitability and enhanced capital flexibility. Credit metrics are still weak, however, with significant legacy assets that are either non-performing or low-yielding.

Significant Tail Risk Remains: AIB continues to hold a large stock of impaired loans (29.2% of gross loans at end-2014), and while coverage has improved significantly, the proportion of unreserved impaired loans to Fitch Core Capital (FCC) remains high and exposes the bank to falls in asset values. Nonetheless, property-secured lending should continue to benefit from the improving operating environment in Ireland.

Strengthening Capital Ratios: AIB's FCC ratio, 8.97% at end-1H15, is weaker than at peers but has been improving steadily as a result of deleveraging. Our assessment of capitalisation is also supported by a large stock of perpetual government-held preference shares, which, if converted into equity, could boost the common equity Tier 1 (CET1) ratio by almost 600bp. We assign these preference shares 100% equity credit.

Enhanced Capital Flexibility: Fitch expects AIB's capital flexibility to improve over the next 12-18 months as legacy non-performing or low-yielding assets decline. As a result, internal capital generation should continue its recent upward trend into the medium term.

Rising Profitability: Fitch expects AIB's profitability to improve further over the medium term, due to low loan impairment charges (LICs) and sustained net interest margins resulting from lower funding costs across the sector since 2H12. However, asset yields are falling because of competitive pressure on domestic mortgage loans and could prove negative for profitability unless new business volumes increase.

Support Possible But not Likely: AIB's Support Rating and Support Rating Floor reflect Fitch's view that the EU's Bank Recovery and Resolution Directive and Single Resolution Mechanism are now sufficiently progressed to provide a framework for resolving banks that is likely to require senior creditors to participate in losses instead of or ahead of a bank receiving sovereign support. Therefore, our ratings no longer factor in possible future extraordinary support being provided by the authorities in case of need.

Rating Sensitivities

Improving Credit Profile: AIB's ratings may be upgraded further over the next 12-18 months as improvements continue to feed through its credit profile. A strengthened capital profile might also include the conversion of a proportion of its preference shares into equity but the amount and timing of any conversion or buy-back is still unclear.

Macroeconomic Developments: The IDRs and VRs could face negative pressure if any of our expectations are not met, or if macroeconomic conditions reverse and cause further weakening of asset quality to the extent that impairment charges would compromise the banks' profitability and therefore capital flexibility.

Figure 1

Divisional Breakdown (1H15)

(EURm)	Total income	Impairment writeback/(losses)	Operating (loss)/profit	Gross loans (EURbn)
Retail and business banking	795	510	967	50.3
Corporate and institutional banking	350	29	321	10.2
AIB UK	198	4	126	12.8
Group operations	6	n.a.	-170	n.a.
Total	1,349	543	1,244	73.3

Source: AIB

Operating Environment

Recovering Irish Economy Supporting Bank Recovery

Fitch affirmed Ireland's sovereign rating at 'A−' and revised the Outlook to Positive in August 2015. Although the recent recovery of the domestic economy has been export-led, domestic demand has begun to recover, due to declining unemployment, a pick-up in private investment and household consumption. GDP growth was one of the best in the euro area in 2014, although Fitch forecasts that economic growth will slow in 2015 and 2016 to 2.9% and 2.5%, respectively, as the boost from net exports fades.

Company Profile

AIB is the largest domestic bank in Ireland and the second-largest banking group by total assets. It is one of the two pillar banks in Ireland, offering a wide range of retail, commercial and corporate banking services. AIB has around 2.6 million customers across all businesses and a network of around 320 branches, most of which are located in Ireland, Northern Ireland and Great Britain. In our opinion, the strength of its franchise should allow it to improve its ratings to well within investment grade, as long as its credit metrics improve.

In 2013, as part of efforts to streamline the business, operations were split: a Domestic Core Bank, incorporating personal and business customers, corporate clients and wealth management activities; and a Financial Solutions Group, covering customers in financial difficulty, wholly owned subsidiary AIB (Group) UK plc (AIB UK, BB/Positive) and group operations.

Exposure to the Irish economy is more concentrated than for its immediate peer, Bank of Ireland, due to its smaller proportion of foreign assets. Its UK operations, undertaken mostly through AIB UK, are split into two distinct trading brands: AIB (GB), which provides business and corporate banking, and First Trust Bank, a full-service retail bank in Northern Ireland. The UK book is weighted heavily to property and construction and SMEs.

The Irish state, through the National Pensions Reserve Fund Commission, owns 99.8% of AIB's ordinary shares, due to the bail-out of the bank in 2011. AIB also incorporates the Irish building society, EBS Ltd, rescued by the Irish state and incorporated into AIB in 2011, EUR7bn of deposits transferred from Anglo-Irish Banks and EUR12bn of National Asset Management Agency (NAMA) senior bonds (EUR7.5bn outstanding at end-1H15). The Irish government remains committed to selling its stake in AIB and appointed an adviser to start the sale process. However, the timing of any sale remains uncertain.

Management

Fitch considers management at AIB to have a good degree of depth, stability and experience in the banking sector. At end-2014, the board included seven non-executive directors, all of whom are independent. They provide a good degree of independence to the board. Turnover of senior management had stabilised in recent years before a number of key changes in the past 18 months, including the appointment of a new CEO during the first half of 2015.

Related Criteria

Global Bank Rating Criteria (March 2015)

Fitch considers management plans to be clear and well communicated and most objectives, which included a return to profitability by end-2014, are being met. However, concentration on the Irish economy and large exposure to commercial real estate has made the recovery slower than at some more international peers.

Risk Appetite

AIB's risk appetite has reduced considerably following the bail-out and subsequent restructuring of the bank. The previously aggressive underwriting practices, which resulted in significant concentrations to the property and construction sector and high LTV mortgages, have been withdrawn. Fitch views current underwriting standards to be conservative and as a result the formation of new arrears cases continues to slow.

Risk reporting tools are good and have benefited from oversight since the banks' restructuring and the numerous reviews as part of Ireland's IMF programme. Risk oversight is provided by the Board Risk Committee, and internal audit provides an assessment of the effectiveness of risk management. The bank's risk profile is measured against its risk appetite monthly, with any exceptions reported to the Executive Risk Committee and Board Risk Committee.

The bank's own risk appetite has been complemented by significantly stronger regulatory oversight in Ireland. A number of reforms were made and the transparency of reporting by Irish banks has greatly improved. Macro-prudential policy tools are being used to support more sustainable and prudent lending by Irish banks. In January 2015, the Central Bank of Ireland announced the introduction of new regulations applying proportionate limits to residential mortgage lending in the form of loan-to-value (LTV) and loan-to-income caps for principal dwelling houses and LTV limits for buy-to-let (BTL) mortgages. These measures were taken to slow any possible return to aggressive loan growth and to moderate the strong house price inflation that emerged in certain parts of the country.

Within AIB, new lending volumes remain well below pre-crisis levels although total drawdowns of EUR4.0bn in 1H15 equated to an increase of 56% yoy. This growth was underpinned by an increase in the demand for credit, particularly from the corporate and SME sectors, reflecting improved business confidence. Nonetheless, deleveraging continues to outpace new loan growth, with gross loans falling by 3.2%. Fitch expects deleveraging to remain strong over the medium term, albeit moderating slightly as the bank works through smaller exposures.

Market Risk

Fitch considers market risk moderate, with the main risk interest rate risk, generated by the mismatch in re-price risk between the bank's assets and liabilities, with the latter funded mostly by short-term deposits. The bank is also affected by house price movements for provisioning purposes, although they have been recovering of late. Trading transactions are generated from customers and proprietary trading, but volumes are limited.

The bank's primary means of measuring market risk is value at risk (VAR), complemented by interest rate gapping analysis, analysis of open FX positions, stress testing and scenario analysis. At end-1H15, the average VAR (trading and banking books) was EUR2.3m, with an annual high of EUR3.6m, equal to less than 1% of FCC. Overall, market risk accounted for just 1.4% of total risk-weighted assets at end-1H15

Figure 2

Loan Book Breakdown (1H15)

(EURm)	ROI	UK	Other
Agriculture	1,748	92	
Energy	253	26	1
Manufacturing	1,388	535	40
Property/ construction	9,418	4,381	
Distribution	4,664	1,438	
Transport	866	256	
Financial	419	304	4
Other services	3,141	2,701	33
Residential mortgages	35,326	2,611	
Other personal	3,277	413	
Total	**60,500**	**12,757**	**78**

Source: AIB

Figure 3

Residential Book LTVs (End-1H15)[a]

(% of total book)	ROI	UK
<50	17.8	27.2
50-70	18.3	18.9
70-90	22.5	19.1
90-100	9.9	6.7
100-120	14.4	9
120-150	12.8	10.2
>150	3.8	6.5
Minimal Security or Other	0.5	2.4
Total (%)	100	100
Total (EURm)	**35,326**	**2,611**

[a] Includes BTL loans
Source: AIB

Financial Profile

Asset Quality

AIB's loan book was relatively diversified at end-1H15, reflecting a cross-section of the Irish economy, including retail, SME, commercial and large corporate borrowers (see Figure 2).

Irish residential mortgage loans (48% of gross loans) were split between owner-occupied (83%) and buy-to-let (BTL; 17%) mortgages. The indexed LTV in the Irish residential book has fallen sharply in the past couple of years, due to a combination of factors including: lower risk, lower-LTV lending, strong house price growth and an increase in repayment activity. Despite this, a significant proportion of borrowers remains in negative equity.

Recent house price growth has been due to the increased availability of credit and low levels of housing supply. Although new housing completions have increased, Fitch expects supply to remain tight for some time and to continue to drive house price growth over the medium term. Legacy LTVs are therefore likely to continue to decline gradually.

Residential mortgage loans continue to have high levels of arrears, with 20.9% of the book in arrears (3m+) at end-1H15. This is largely due to the high level of impaired BTL loans, which had a very high 42% impaired loans ratio at end-1H15.

Overall, the pace of new arrears is slowing and beginning to show signs of a sustained decline, while long-term arrears cases (over 365 days), fell to EUR3.9bn at end-1H15 (2014: EUR4.3bn), or 5.4% of gross loans. It is Fitch's view that the decline in long-term arrears will continue in the medium term, supported by an improving operating environment and recent changes in Irish law designed to streamline repossessions. Long-term solutions may involve Irish banks repossessing and managing sustainable BTL properties, although Fitch's base case is for there to be portfolio sales to professional management firms.

Nonetheless, Fitch expects mortgage affordability to weaken slightly in 2015-2016, although mortgage rates, which remain relatively high, are likely to fall slightly as a result of political pressure and increased competition. Furthermore, the mortgage loan book contains a large proportion of tracker mortgages, which are very low yielding due to the very low interest rate environment, and which therefore probably underestimate possible repayment problems. The quality of this loan book remains susceptible to any potential interest rate rise.

A secondary effect of the Central Bank of Ireland's recent restrictions on mortgage lending could be an increase in demand for rental properties as first-time buyers, especially those in Dublin, find it increasingly difficult to get on the property ladder. As a result, Fitch expects to see a slight rise in BTL performance over the medium term, resulting from improved rental yields. The new mortgage rules could also have a positive knock-on effect for regions outside Dublin, where recent house price inflation has been slightly more moderate and affordability is generally better.

An additional 4% of the loan book consisted of residential mortgage loans in the UK, where the impairment ratio was significantly better than in Ireland but still significantly worse than for other UK banks, at 11.5%.

Property and construction loans account for a further 19% of the loan book. Just over two-thirds of them were extended in Ireland and the rest in the UK. Although improving, property and construction asset quality remains weak, with around 49% of loans classified as impaired at end-1H15. AIB has made significant progress in reducing its exposure to this sector through restructurings, write-offs and redemptions.

Figure 4

Loan Book Asset Quality

Loan book profile end-1H15	Gross loans	Impaired loans	Past due but not impaired (1m+)	Provisions	Impaired loans/gross loans (%)	Impaired + 1m+ past due/gross loans (%)	Provisions/ impaired loans (%)	Provisions/ impaired + 1m+ past due (%)	Net NPLs/ FCC (%)	Net NPLc and past due/FCC (%)
Owner-occupied mortgages	31,475	4,767	447	1,655	15	17	35	32	57	65
Buy-to-let	6,462	2,621	175	1,101	41	43	42	40	28	31
Non-property business	17,909	3,014	231	1,913	17	18	63	59	20	25
Property and construction	13,799	6,713	303	4,169	49	51	62	59	47	53
Other personal	3,690	860	92	641	23	26	75	67	4	5.7
Total	**73,335**	**17,975**	**1,248**	**9,479**	**25**	**26**	**53**	**49**	**156**	**179**

Source: AIB, Fitch

Fitch expects potential additional losses to arise because of the difficulties facing the Irish property market, although positive signs are emerging in the form of increased foreign investor activity and a pick-up in the domestic market, particularly in prime areas such as Dublin, which should support additional disposals. However, its large exposure to the commercial sector means AIB remains vulnerable to deterioration in commercial asset prices.

Exposure to non-property business loans was EUR17.9bn or 24.5% of gross loans at end-1H15 and is the better part of the loan book, with around 17% classified as impaired. The stock of non-property related impaired loans has fallen considerably in the past 18 months (1H15: EUR3bn; 2014: EUR4.8bn) due to restructuring and repayments. There is some sector concentration, particularly to the distribution sector (including hotels, licensed premises, retail/wholesale), although the book is generally diversified.

Figure 5

Impaired Loans (1H15)

(EURm)	ROI	UK
Agriculture	233	6
Energy	42	1
Manufacturing	147	54
Property/construction	4,913	1,800
Distribution	1.364	266
Transport	62	24
Financial	134	16
Other services	468	197
Residential mortgages	7,087	301
Other personal	789	71
Total	**15,239**	**2,736**

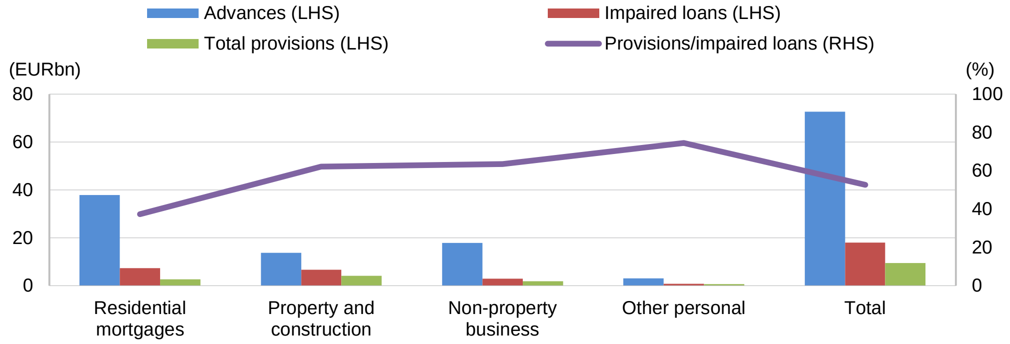
Source: AIB

The overall impaired loans ratio was one of the highest among peers at 24.6% (2014: 29.3%) although it is firmly declining. Fitch expects impairment losses to remain manageable over the medium term but they may not benefit from the large releases of the past 18 months as the rebound in house prices slows.

Provisioning of impaired loans remains conservative in Fitch's view at around 53%, a figure that compares well with peers. The fall in impairment provisions held against these assets during 1H15 (EUR9.5bn; 2014: EUR12.4bn) was mostly due to the release of impairment provisions related to restructured loans and a strong appreciation in collateral values.

Figure 6

Sectoral Breakdown at End-1H15



Source: AIB, Fitch

The sound reserve coverage has removed a significant amount of tail risk from AIB's balance sheet. This should mitigate some of the risk of future material impairment losses. Nevertheless, it does not take into account the fragile recovery of the Irish economy and still fairly illiquid property market, which in Fitch's opinion would be likely to prevent AIB from realising sufficient value at short-term notice at book value. Unreserved impaired loans remain a considerable risk when taken as a proportion of capital and accounted for 95.3% of Fitch Eligible Capital at end-1H15 (2014: 125.3%).

Forbearance levels continue to rise, reflecting both ongoing asset-quality issues for AIB and the increasingly important role played by restructurings and renegotiations in resolving the banks' large stock of impaired loans. At end-1H15, loans subject to forbearance were EUR10.2bn, 13.9% of gross loans. Residential loans accounted for just over half of these loans. Although still relatively high, the proportion of interest-only residential loans to total forborne loans (1H15: 13.5%; 2014: 18.6%) continues to fall as AIB focuses on switching borrowers to full capital and interest arrangements where permissible.

Other Earning Assets

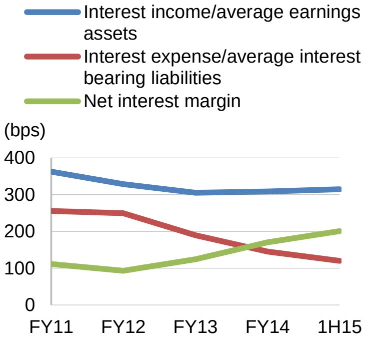
Some risk is present in the bank's available-for-sale (AFS) portfolio (1H15: EUR19.8bn), most of which is comprised of highly rated government securities (GBP14.9bn) and Euro bank securities (GBP4.2bn). The rest is mostly made up of highly rated collateralised mortgage obligations and NAMA subordinated bonds.

Earnings and Profitability

AIB returned to full-year profitability in 2014 for the first time since 2009, and this continued into 2015 with a reported pre-tax profit of EUR1.2bn at end-1H15. The strong performance was due to: a strong pick-up in new lending; a significant writeback of loan impairment charges (LICs); and a widening of the net interest margin (NIM). Net writeback of provisions totalled EUR540m compared to a charge of EUR92m a year earlier. The reduction in LICs reflects an improving Irish economy and increased focus on finding sustainable restructuring strategies for problem loans – thereby accelerating loan recoveries.

Figure 7

Net Interest Margin Trend



Source: AIB, Fitch

Performance has been affected by the low base rates, due to the bank's large exposure to low-yielding tracker mortgages (38% of its Irish portfolio). However, this has been partially offset by rising yields on new mortgage lending, a trend across the Irish banking system. According to research published by the Central Bank of Ireland in 1H15, overall rates charged by Irish banks on new mortgages are around 3.5%, comfortably above the 2.5% EU median.

A widening of the NIM (1H15: 201bp; 2014: 170bp) has been due to a fall in the cost of funding and stronger yields on new lending. A fall in retail funding costs, due to strong deposit re-pricing and falling Eligible Liabilities Guarantee fees, led to a fall in interest expense on customer deposits-to-average customer deposits of 31bp to 95bp at end-1H15. NIM was also boosted by the large redemptions in the banks' low-yielding NAMA senior bonds (1H15: EUR7.5bn outstanding; 2014: EUR9.4bn). Fitch expects a further improvement in NIM in 2H15 due to further deposit re-pricing, which will help further compensate for the banks' large exposure to low-yielding tracker mortgages and recent cuts to its standard variable mortgage rate (see *Fitch: Irish Mortgage Rate Cap Proposals Negative for Banks*, 10 July 2015).

Figure 8

Mortgage Forbearance Split (Excluding UK Mortgages)

	2012	% of total forborne loans	2013	% of total forborne loans	2014	% of total forborne loans	1H15	% of total forborne loans
Interest only	3,206	56	1,538	31	1,034	18	740	13
Reduced payment	611	11	608	12	446	8	367	7
Payment moratorium	146	3	77	2	127	2	104	2
Arrears capitalisation	1,059	18	1,908	39	2,741	48	2,781	51
Term extension	704	12	769	16	710	12	674	12
Split mortgages	-	0	35	1	372	7	422	8
Other	51	1	15	0	140	2	395	7
Total	**5,726**	**100**	**4,935**	**100**	**5,705**	**100**	**5,483**	**100**
Gross mortgages	42,521		40,764		38,846		35,326	
% of gross mortgage loans	13		12		15		16	

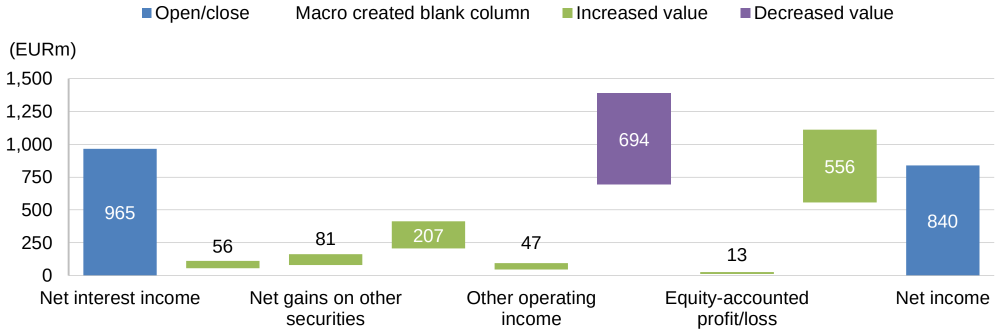
Source: AIB

Non-interest income totalled EUR391m at end-1H15 (2014: EUR421m), accounting for 29% of gross revenues (2014: 32%). Non-interest income was boosted by several non-recurring items during 1H15, including the disposal of AFS securities and the re-estimation of the timing of NAMA bond repayments (gain of EUR55m). Net fees and commissions, generated through AIB's retail banking business, credit cards and banking fees and insurance commissions, have been steadily increasing in recent years and were EUR207m for the first six months of 2015, 15.3% of gross revenues. Fitch expects further improvements in fees and commission income in 2015 due to increased lending volumes.

Efficiency at AIB remains low, as business volumes have been affected by sharp asset deleveraging and relatively modest new lending since the crisis. Nonetheless, the bank's cost-to-income ratio (excluding one-off items) improved strongly during 1H15 to 59% (2014: 78%), supported by ongoing cost management and stronger revenue generation. Management aims for a long-term cost-to-income ratio below 50%, which Fitch views as achievable, although it will remain highly sensitive to developments in the Irish market.

Figure 9

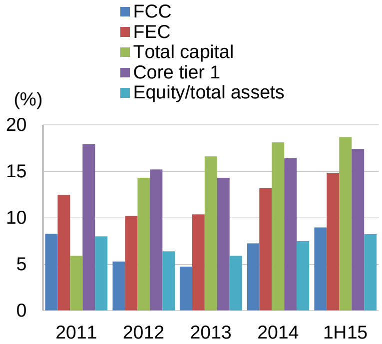
Performance at End-1H15



Source: AIB, Fitch

Figure 10

Capital Ratios



Source: AIB, Fitch

Capitalisation and Leverage

AIB's capital ratios are weakened by the high proportion of non-performing, unreserved loans still present in its loan book. Nonetheless, capitalisation is improving, having benefited from additional balance-sheet deleveraging and a return to bottom-line profitability. AIB's FCC ratio (which excludes EUR3.5bn of preference shares and EUR3.2bn of deferred tax assets) improved by 171bp to 8.97% at end-1H15 but remains weaker than at peers. Fitch Eligible Capital was healthier at 14.77% because we assign 100% equity credit to the 2009 government-held preference shares, as we believe these to be fully loss absorbing.

AIB's transitional CET1 ratio was 17.4% at end-1H15 as it continues to include deferred tax assets (being phased out) and fully recognises the group's pension deficit for regulatory capital purposes. Once these are deducted, under the fully loaded CET1 calculation, the ratio weakens to 14.1% (8.3% excluding preference shares). Using this measure, the bank's capital was not sufficient, in October 2014, for it to pass the ECB comprehensive assessment's adverse scenario. However, Fitch is confident that the conversion of at least a portion of the preference shares will take place before they are fully deducted from regulatory capital in 2017, due to the Irish government's willingness to return AIB to the private sector. In addition, the bank's return to profitability should result in a reduction in its deferred tax assets, although the low corporate tax rate in Ireland means this is likely to be protracted.

At end-1H15, AIB had EUR1.6bn of outstanding Tier 2 contingent convertible notes issued to the Irish government in July 2011, of which EUR0.4bn qualified as Tier 2 capital for regulatory capital purposes and which are amortising at a rate of 20% until their redemption in July 2016. Management expects to replace these notes with a mixture of Additional Tier 1 and plain-vanilla Lower Tier 2 debt in 1H16.

AIB reported a fully loaded leverage ratio (including preference shares) of 7.9% at end-1H15 (2014: 6.4%), against a minimum requirement of 3%. This falls to 4.6% if the preference shares are excluded.

For regulatory capital purposes, assets are risk weighted using a combination of the standardised approach and the internal ratings-based approach to credit risk. At end-1H15, risk-weighted assets (RWAs) accounted for a relatively high 57% of total assets. Exposure to counterparty risk comes mainly from the portfolio of derivatives and repurchase agreements.

Funding and Liquidity

AIB's funding profile has continued to stabilise due to its ability to access the debt capital markets and strong deleveraging, which has reduced funding requirements, in particular its reliance on central bank funding.

Customer deposits remain a stable source of funding and accounted for just under three-quarters of total funding excluding derivatives at 1H15. The bank's solid progress in deleveraging its balance sheet and reduced dependence on wholesale funds means its Fitch calculated loan/deposit ratio has continued to improve and was 116% at end-1H15.

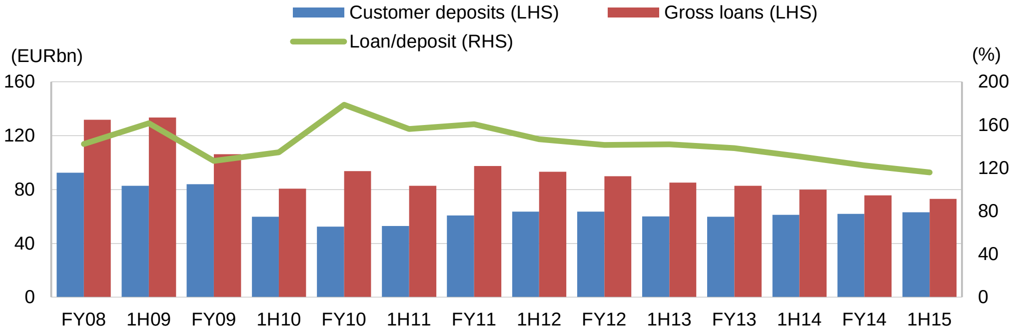
Wholesale funding accounted for a relatively high 29% of non-equity funding excluding derivatives at 1H15. However, in absolute terms wholesale funding fell by 9% to EUR25.7bn (2014: EUR28.2bn), with around two-thirds consisting of short-term central bank and bank deposits, which are secured against NAMA senior bonds, government bonds and other liquid securities. The proportion of monetary authority funding (1H15: EUR1.9bn) fell significantly following the repayment of EUR11.3bn of Targeted Longer-Term Refinancing Operation (TLTRO) funds in 2014. Senior unsecured bonds made up 6% of wholesale funding, while secured funding (covered/ABS) made up 20%. The rest was accounted for by subordinated liabilities (6%), mostly in the form of Tier 2 contingent convertibles held by the Irish government.

Access to debt capital markets has continued to improve over the past 18 months due to positive market sentiment towards the Irish banking sector. In total, AIB issued EUR1bn of new senior debt in 2014, while an additional EUR1.25bn was raised via asset-covered securities and senior unsecured issuance in 1Q15. The bank, through its subsidiary, AIB Mortgage Bank, raised a further EUR750m with a five-year asset-covered securities transaction in July 2015. Fitch expects covered bond and asset backed issuance to remain strong due to the improving quality of AIB's credit pools, while existing wholesale funds should be supplemented by subordinated debt over the next 18 months as part of its capital restructuring but also to adhere to new regulations, namely minimum requirement for eligible liabilities (MREL).

Asset encumbrance has gradually reduced to more moderate levels (1H15: 26.9%; 2014: 27.3%) in line with NAMA bond repayments. Fitch does not consider this to reduce the bank's financial flexibility at this level. Liquidity is sound; AIB holds EUR34bn in qualifying liquid assets and/or contingent funding (excluding AIB (GB)) at 1H15, equal to 31.9% of total assets. AIB reported a Liquidity Coverage Ratio of 115% at 1H15 (2014: 116%), comfortably above future minimum regulatory requirements (60% on 1 January 2015, 100% on 1 January 2018).

Figure 11

Funding Trends 2008-2015



Source: AIB, Fitch

Support

Fitch downgraded AIB's Support Rating to '5' and revised its Support Rating Floor to 'No Floor' on 19 May 2015. The downgrade reflects Fitch's assumption that in light of the EU's regulatory initiatives, including the Bank Resolution and Recovery Directive and Single Resolution Mechanism, the propensity of the Irish sovereign to provide timely support to the bank has reduced and can no longer be relied on. Accordingly, AIB's Long-Term IDR is now driven by its standalone creditworthiness, reflected by its VR.

Figure 12

Peer Table

	AIB ('bb')		BOI ('bb+')		Ulster Bank Ltd. ('bb')	
(%)	**1H15**	**2014**	**1H15**	**2014**	**2014**	**2013**
Asset Quality						
Growth of gross loans	-3.21-	-8.65	3.16	-3.47	-16.82	-4.76
Impaired loans/gross loans	24.56	29.29	13.61	14.96	42.87	44.65
Reserves for impaired loans/impaired loans	52.73	55.98	56.64	55.40	73.81	76.86
Impaired loans less reserves for impaired loans/FCC	156.81	227.41	96.27	121.76	78.56	117.49
Impaired loans less reserves for impaired loans/FEC	95.27	125.24	85.01	121.76	n.a.	n.a.
Loan impairment charges/av. gross loans	-1.46	-0.23	0.37	0.59	-3.73	10.87
Profitability						
Net interest income/av. earning assets	2.01	1.70	2.05	1.95	1.55	1.58
Non-interest expense/gross revenues	51.18	64.69	49.83	54.54	66.82	77.85
Loans and securities impairment charges/pre-impairment operating profit	-82.37	-20.50	19.00	32.71	-496.96	2,397
Operating profit/av. total assets	2.32	0.99	1.11	0.74	4.54	-10.83
Operating profit/RWA	4.11	1.87	2.74	1.88	n.a.	-14.27
Net income/av. equity	20.14	12.10	16.04	11.24	41.82	-78.53
Capital and leverage						
FCC/RWA	8.97	7.26	10.76	9.51	n.a.	11.75
FEC/RWA	14.77	13.18	12.19	9.51	n.a.	n.a.
Tangible common equity/tangible assets	5.24	4.14	4.86	4.28	13.65	9.43
Core tier 1 regulatory capital ratio	17.40	16.40	n.a.	14.80	n.a.	n.a.
Internal capital generation	19.28	11.38	15.27	8.66	36.01	-109.34
Funding and liquidity						
Loans/customer deposits	115.85	122.30	116.95	120.62	170.25	192.97
Interbank assets/interbank liabilities	13.61	11.12	421.33	464.35	140.86	112.60
Customer deposits/total funding (excluding derivatives)	70.79	68.66	81.48	76.19	70.23	65.84

Source: Fitch, Banks

Allied Irish Banks, plc
Income Statement

	30 Jun 2015			31 Dec 2014		31 Dec 2013		31 Dec 2012	
	6 Months - Interim USDm Unaudited	Months - Interim EURm Unaudited	As % of Earning Assets	Year End EURm Unqualified	As % of Earning Assets	Year End EURm Unqualified	As % of Earning Assets	Year End EURm Unqualified	As % of Earning Assets
1. Interest Income on Loans	1,340.5	1,198.0	2.50	2,421.0	2.50	2,520.0	2.39	2,976.0	2.64
2. Other Interest Income	323.4	289.0	0.60	669.0	0.69	801.0	0.76	940.0	0.83
3. Dividend Income	28.0	25.0	0.05	25.0	0.03	4.0	0.00	1.0	0.00
4. Gross Interest and Dividend Income	**1,691.8**	**1,512.0**	**3.16**	**3,115.0**	**3.22**	**3,325.0**	**3.16**	**3,917.0**	**3.47**
5. Interest Expense on Customer Deposits	330.1	295.0	0.62	766.0	0.79	1,265.0	1.20	1,823.0	1.61
6. Other Interest Expense	282.0	252.0	0.53	637.0	0.66	708.0	0.67	987.0	0.87
7. Total Interest Expense	**612.1**	**547.0**	**1.14**	**1,403.0**	**1.45**	**1,973.0**	**1.87**	**2,810.0**	**2.49**
8. Net Interest Income	**1,079.8**	**965.0**	**2.02**	**1,712.0**	**1.77**	**1,352.0**	**1.28**	**1,107.0**	**0.98**
9. Net Gains (Losses) on Trading and Derivatives	62.7	56.0	0.12	(209.0)	(0.22)	102.0	0.10	(100.0)	(0.09)
10. Net Gains (Losses) on Other Securities	90.6	81.0	0.17	520.0	0.54	103.0	0.10	31.0	0.03
11. Net Gains (Losses) on Assets at FV through Income Statement	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Net Insurance Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Net Fees and Commissions	231.6	207.0	0.43	390.0	0.40	378.0	0.36	367.0	0.33
14. Other Operating Income	52.6	47.0	0.10	119.0	0.12	(225.0)	(0.21)	(784.0)	(0.69)
15. Total Non-Interest Operating Income	**437.5**	**391.0**	**0.82**	**820.0**	**0.85**	**358.0**	**0.34**	**(486.0)**	**(0.43)**
16. Personnel Expenses	412.9	369.0	0.77	791.0	0.82	704.0	0.67	1,008.0	0.89
17. Other Operating Expenses	363.7	325.0	0.68	847.0	0.87	753.0	0.71	817.0	0.72
18. Total Non-Interest Expenses	**776.5**	**694.0**	**1.45**	**1,638.0**	**1.69**	**1,457.0**	**1.38**	**1,825.0**	**1.62**
19. Equity-accounted Profit/ Loss - Operating	14.5	13.0	0.03	21.0	0.02	8.0	0.01	10.0	0.01
20. Pre-Impairment Operating Profit	**755.3**	**675.0**	**1.41**	**915.0**	**0.94**	**261.0**	**0.25**	**(1,194.0)**	**(1.06)**
21. Loan Impairment Charge	(604.2)	(540.0)	(1.13)	(185.0)	(0.19)	1,916.0	1.82	2,434.0	2.16
22. Securities and Other Credit Impairment Charges	(17.9)	(16.0)	(0.03)	(3.0)	(0.00)	8.0	0.01	95.0	0.08
23. Operating Profit	**1,377.4**	**1,231.0**	**2.57**	**1,103.0**	**1.14**	**(1,663.0)**	**(1.58)**	**(3,723.0)**	**(3.30)**
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
25. Non-recurring Income	4.5	4.0	0.01	2.0	0.00	n.a.	-	n.a.	-
26. Non-recurring Expense	n.a.	n.a.	-	n.a.	-	27.0	0.03	11.0	0.01
27. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
28. Other Non-operating Income and Expenses	n.a.	n.a.	-	6.0	0.01	3.0	0.00	5.0	0.00
29. Pre-tax Profit	**1,381.9**	**1,235.0**	**2.58**	**1,111.0**	**1.15**	**(1,687.0)**	**(1.60)**	**(3,729.0)**	**(3.30)**
30. Tax expense	442.0	395.0	0.82	230.0	0.24	(90.0)	(0.09)	(172.0)	(0.15)
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	34.0	0.04	n.a.	-	n.a.	-
32. Net Income	**939.9**	**840.0**	**1.75**	**915.0**	**0.94**	**(1,597.0)**	**(1.52)**	**(3,557.0)**	**(3.15)**
33. Change in Value of AFS Investments	(155.5)	(139.0)	(0.29)	728.0	0.75	513.0	0.49	1,295.0	1.15
34. Revaluation of Fixed Assets	(1.1)	(1.0)	(0.00)	(1.0)	(0.00)	(1.0)	(0.00)	(2.0)	(0.00)
35. Currency Translation Differences	38.0	34.0	0.07	27.0	0.03	(9.0)	(0.01)	34.0	0.03
36. Remaining OCI Gains/(losses)	332.3	297.0	0.62	(591.0)	(0.61)	233.0	0.22	(878.0)	(0.78)
37. Fitch Comprehensive Income	**1,153.6**	**1,031.0**	**2.15**	**1,078.0**	**1.11**	**(861.0)**	**(0.82)**	**(3,108.0)**	**(2.75)**
38. Memo: Profit Allocation to Non-controlling Interests	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
39. Memo: Net Income after Allocation to Non-controlling Interests	939.9	840.0	1.75	915.0	0.94	(1,597.0)	(1.52)	(3,557.0)	(3.15)
40. Memo: Common Dividends Relating to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Exchange rate		USD1 = EUR0.89370		USD1 = EUR0.82370		USD1 = EUR0.72510		USD1 = EUR0.75790	

Allied Irish Banks, plc
Balance Sheet

	30 Jun 2015			31 Dec 2014		31 Dec 2013		31 Dec 2012	
	6 Months - Interim USDm	6 Months - Interim EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets
Assets									
A. Loans									
1. Residential Mortgage Loans	42,449.4	37,937.0	35.54	38,846.0	36.15	40,764.0	34.62	42,521.0	34.71
2. Other Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Other Consumer/ Retail Loans	4,128.9	3,690.0	3.46	3,837.0	3.57	4,291.0	3.64	4,698.0	3.84
4. Corporate & Commercial Loans	35,299.3	31,547.0	29.55	32,916.0	30.63	37,667.0	31.99	42,159.0	34.42
5. Other Loans	n.a.	n.a.	-	n.a.	-	28.0	0.02	475.0	0.39
6. Less: Reserves for Impaired Loans	10,606.5	9,479.0	8.88	12,406.0	11.55	17,083.0	14.51	16,528.0	13.49
7. Net Loans	**71,271.1**	**63,695.0**	**59.67**	**63,193.0**	**58.81**	**65,667.0**	**55.78**	**73,325.0**	**59.86**
8. Gross Loans	**81,877.6**	**73,174.0**	**68.55**	**75,599.0**	**70.35**	**82,750.0**	**70.29**	**89,853.0**	**73.35**
9. Memo: Impaired Loans included above	20,113.0	17,975.0	16.84	22,162.0	20.62	28,911.0	24.56	29,416.0	24.01
10. Memo: Loans at Fair Value included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
B. Other Earning Assets									
1. Loans and Advances to Banks	2,446.0	2,186.0	2.05	1,865.0	1.74	2,032.0	1.73	2,853.0	2.33
2. Reverse Repos and Cash Collateral	1,349.4	1,206.0	1.13	110.0	0.10	16.0	0.01	61.0	0.05
3. Trading Securities and at FV through Income	391.6	350.0	0.33	1.0	0.00	2.0	0.00	24.0	0.02
4. Derivatives	1,908.9	1,706.0	1.60	2,038.0	1.90	1,629.0	1.38	2,835.0	2.31
5. Available for Sale Securities	22,186.4	19,828.0	18.58	20,185.0	18.78	20,368.0	17.30	16,344.0	13.34
6. Held to Maturity Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Equity Investments in Associates	81.7	73.0	0.07	69.0	0.06	58.0	0.05	52.0	0.04
8. Other Securities	8,416.7	7,522.0	7.05	9,423.0	8.77	15,598.0	13.25	17,387.0	14.19
9. Total Securities	**34,334.8**	**30,685.0**	**28.75**	**31,826.0**	**29.62**	**37,671.0**	**32.00**	**36,703.0**	**29.96**
10. Memo: Government Securities included Above	16,943.0	15,142.0	14.19	25,195.0	23.45	31,594.0	26.84	29,123.0	23.77
11. Memo: Total Securities Pledged	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Investments in Property	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Insurance Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
14. Other Earning Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
15. Total Earning Assets	**108,051.9**	**96,566.0**	**90.47**	**96,884.0**	**90.16**	**105,370.0**	**89.50**	**112,881.0**	**92.15**
C. Non-Earning Assets									
1. Cash and Due From Banks	6,102.7	5,454.0	5.11	5,539.0	5.15	4,296.0	3.65	4,239.0	3.46
2. Memo: Mandatory Reserves included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Foreclosed Real Estate	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Fixed Assets	317.8	284.0	0.27	290.0	0.27	301.0	0.26	333.0	0.27
5. Goodwill	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Other Intangibles	212.6	190.0	0.18	171.0	0.16	176.0	0.15	187.0	0.15
7. Current Tax Assets	48.1	43.0	0.04	10.0	0.01	1.0	0.00	9.0	0.01
8. Deferred Tax Assets	3,558.2	3,180.0	2.98	3,576.0	3.33	3,828.0	3.25	3,845.0	3.14
9. Discontinued Operations	4.5	4.0	0.00	14.0	0.01	2,754.0	2.34	209.0	0.17
10. Other Assets	1,140.2	1,019.0	0.95	971.0	0.90	1,008.0	0.86	798.0	0.65
11. Total Assets	**119,436.1**	**106,740.0**	**100.00**	**107,455.0**	**100.00**	**117,734.0**	**100.00**	**122,501.0**	**100.00**
Liabilities and Equity									
D. Interest-Bearing Liabilities									
1. Customer Deposits - Current	39,530.0	35,328.0	33.10	31,669.0	29.47	27,646.0	23.48	25,826.0	21.08
2. Customer Deposits - Savings	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Customer Deposits - Term	31,148.0	27,837.0	26.08	30,196.0	28.10	32,238.0	27.38	37,690.0	30.77
4. Total Customer Deposits	**70,678.1**	**63,165.0**	**59.18**	**61,865.0**	**57.57**	**59,884.0**	**50.86**	**63,516.0**	**51.85**
5. Deposits from Banks	17,973.6	16,063.0	15.05	16,768.0	15.60	1,260.0	1.07	586.0	0.48
6. Repos and Cash Collateral	1,461.3	1,306.0	1.22	2,153.0	2.00	27,644.0	23.48	27,950.0	22.82
7. Commercial Paper and Short-term Borrowings	55.9	50.0	0.05	50.0	0.05	79.0	0.07	35.0	0.03
8. Total Money Market and Short-term Funding	**90,169.0**	**80,584.0**	**75.50**	**80,836.0**	**75.23**	**88,867.0**	**75.48**	**92,087.0**	**75.17**
9. Senior Unsecured Debt (original maturity > 1 year)	7,570.8	6,766.0	6.34	7,811.0	7.27	8,680.0	7.37	10,631.0	8.68
10. Subordinated Borrowing	1,690.7	1,511.0	1.42	1,451.0	1.35	1,352.0	1.15	1,271.0	1.04
11. Covered Bonds	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Other Long-term Funding	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Total LT Funding (original maturity > 1 year)	**9,261.5**	**8,277.0**	**7.75**	**9,262.0**	**8.62**	**10,032.0**	**8.52**	**11,902.0**	**9.72**
14. Derivatives	2,573.6	2,300.0	2.15	2,334.0	2.17	2,290.0	1.95	3,256.0	2.66
15. Trading Liabilities	412.9	369.0	0.35	n.a.	-	n.a.	-	n.a.	-
16. Total Funding	**102,416.9**	**91,530.0**	**85.75**	**92,432.0**	**86.02**	**101,189.0**	**85.95**	**107,245.0**	**87.55**
E. Non-Interest Bearing Liabilities									
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	983.6	879.0	0.82	1,497.0	1.39	476.0	0.40	1,012.0	0.83
4. Current Tax Liabilities	28.0	25.0	0.02	n.a.	-	48.0	0.04	2.0	0.00
5. Deferred Tax Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Other Deferred Liabilities	762.0	681.0	0.64	729.0	0.68	943.0	0.80	1,260.0	1.03
7. Discontinued Operations	n.a.	n.a.	-	n.a.	-	3,593.0	3.05	n.a.	-
8. Insurance Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Other Liabilities	1,456.9	1,302.0	1.22	1,225.0	1.14	991.0	0.84	1,627.0	1.33
10. Total Liabilities	**105,647.3**	**94,417.0**	**88.46**	**95,883.0**	**89.23**	**107,240.0**	**91.09**	**111,146.0**	**90.73**
F. Hybrid Capital									
1. Pref. Shares and Hybrid Capital accounted for as Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Pref. Shares and Hybrid Capital accounted for as Equity	3,955.5	3,535.0	3.31	3,535.0	3.29	3,535.0	3.00	3,535.0	2.89
G. Equity									
1. Common Equity	8,624.8	7,708.0	7.22	6,695.0	6.23	6,712.0	5.70	7,871.0	6.43
2. Non-controlling Interest	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Securities Revaluation Reserves	1,376.3	1,230.0	1.15	1,369.0	1.27	641.0	0.54	292.0	0.24
4. Foreign Exchange Revaluation Reserves	(426.3)	(381.0)	(0.36)	(415.0)	(0.39)	(442.0)	(0.38)	(433.0)	(0.35)
5. Fixed Asset Revaluations and Other Accumulated OCI	258.5	231.0	0.22	388.0	0.36	48.0	0.04	90.0	0.07
6. Total Equity	**9,833.3**	**8,788.0**	**8.23**	**8,037.0**	**7.48**	**6,959.0**	**5.91**	**7,820.0**	**6.38**
7. Total Liabilities and Equity	**119,436.1**	**106,740.0**	**100.00**	**107,455.0**	**100.00**	**117,734.0**	**100.00**	**122,501.0**	**100.00**
8. Memo: Fitch Core Capital	6,062.4	5,418.0	5.08	4,290.0	3.99	2,955.0	2.51	3,788.0	3.09
9. Memo: Fitch Eligible Capital	9,978.7	8,918.0	8.35	7,790.0	7.25	6,455.0	5.48	7,288.0	5.95
		USD1 = EUR0.89370		USD1 = EUR0.82370		USD1 = EUR0.72510		USD1 = EUR0.75790	

Allied Irish Banks, plc
Summary Analytics

	30 Jun 2015 6 Months - Interim	31 Dec 2014 Year End	31 Dec 2013 Year End	31 Dec 2012 Year End
A. Interest Ratios				
1. Interest Income on Loans/ Average Gross Loans	3.22	3.05	2.93	3.18
2. Interest Expense on Customer Deposits/ Average Customer Deposits	0.95	1.26	2.07	2.91
3. Interest Income/ Average Earning Assets	3.15	3.09	3.05	3.29
4. Interest Expense/ Average Interest-bearing Liabilities	1.20	1.45	1.90	2.50
5. Net Interest Income/ Average Earning Assets	2.01	1.70	1.24	0.93
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	3.14	1.88	(0.52)	(1.11)
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Asset	2.01	1.70	1.24	0.93
B. Other Operating Profitability Ratios				
1. Non-Interest Income/ Gross Revenues	28.83	32.39	20.94	(78.26)
2. Non-Interest Expense/ Gross Revenues	51.18	64.69	85.20	293.88
3. Non-Interest Expense/ Average Assets	1.31	1.46	1.21	1.41
4. Pre-impairment Op. Profit/ Average Equity	16.18	12.10	3.58	(12.58)
5. Pre-impairment Op. Profit/ Average Total Assets	1.27	0.82	0.22	(0.92)
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	(82.37)	(20.55)	737.16	(211.81)
7. Operating Profit/ Average Equity	29.51	14.58	(22.84)	(39.22)
8. Operating Profit/ Average Total Assets	2.32	0.99	(1.38)	(2.87)
9. Operating Profit / Risk Weighted Assets	4.11	1.87	(2.67)	(5.21)
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	20.14	12.10	(21.93)	(37.47)
2. Net Income/ Average Total Assets	1.58	0.82	(1.33)	(2.74)
3. Fitch Comprehensive Income/ Average Total Equity	24.71	14.25	(11.83)	(32.74)
4. Fitch Comprehensive Income/ Average Total Assets	1.94	0.96	(0.72)	(2.40)
5. Taxes/ Pre-tax Profit	31.98	20.70	5.33	4.61
6. Net Income/ Risk Weighted Assets	2.80	1.55	(2.56)	(4.98)
D. Capitalization				
1. Fitch Core Capital/ Risk Weighted Assets	8.97	7.26	4.74	5.30
2. Fitch Eligible Capital/ Risk Weighted Assets	14.77	13.18	10.35	10.20
3. Tangible Common Equity/ Tangible Assets	5.24	4.14	3.40	4.22
4. Tier 1 Regulatory Capital Ratio	n.a.	n.a.	n.a.	n.a.
5. Total Regulatory Capital Ratio	18.70	18.10	16.60	17.80
6. Core Tier 1 Regulatory Capital Ratio	17.40	16.40	14.30	15.20
7. Equity/ Total Assets	8.23	7.48	5.91	6.38
8. Cash Dividends Paid & Declared/ Net Income	n.a.	n.a.	n.a.	n.a.
9. Internal Capital Generation	19.28	11.38	(22.95)	(45.49)
E. Loan Quality				
1. Growth of Total Assets	(0.67)	(8.73)	(3.89)	(10.35)
2. Growth of Gross Loans	(3.21)	(8.64)	(7.91)	(7.82)
3. Impaired Loans/ Gross Loans	24.56	29.32	34.94	32.74
4. Reserves for Impaired Loans/ Gross Loans	12.95	16.41	20.64	18.39
5. Reserves for Impaired Loans/ Impaired Loans	52.73	55.98	59.09	56.19
6. Impaired loans less Reserves for Impaired Loans/ Fitch Core Capital	156.81	227.41	400.27	340.23
7. Impaired Loans less Reserves for Impaired Loans/ Equity	96.68	121.39	169.97	164.81
8. Loan Impairment Charges/ Average Gross Loans	(1.46)	(0.23)	2.23	2.60
9. Net Charge-offs/ Average Gross Loans	6.94	5.85	n.a.	0.72
10. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed As:	24.56	29.32	34.94	32.74
F. Funding and Liquidity				
1. Loans/ Customer Deposits	115.85	122.20	138.18	141.47
2. Interbank Assets/ Interbank Liabilities	13.61	11.12	161.27	486.86
3. Customer Deposits/ Total Funding (excluding derivatives)	70.79	68.66	60.55	61.08
4. Liquidity Coverage Ratio	n.a.	n.a.	n.a.	n.a.
5. Net Stable Funding Ratio	n.a.	n.a.	n.a.	n.a.

Allied Irish Banks, plc
Reference Data

	30 Jun 2015			31 Dec 2014		31 Dec 2013		31 Dec 2012	
	6 Months - Interim USDm	onths - Interim EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets
A. Off-Balance Sheet Items									
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Guarantees	736.3	658.0	0.62	475.0	0.44	796.0	0.68	980.0	0.80
4. Acceptances and documentary credits reported off-balance sheet	22.4	20.0	0.02	11.0	0.01	n.a.	-	n.a.	-
5. Committed Credit Lines	10,766.5	9,622.0	9.01	7,233.0	6.73	8,236.0	7.00	8,974.0	7.33
6. Other Contingent Liabilities	534.9	478.0	0.45	292.0	0.27	557.0	0.47	581.0	0.47
7. Total Assets under Management	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
B. Average Balance Sheet									
Average Loans	83,234.3	74,386.5	69.69	79,413.0	73.90	85,948.3	73.00	93,542.7	76.36
Average Earning Assets	108,229.8	96,725.0	90.62	100,850.3	93.85	108,935.3	92.53	119,211.3	97.31
Average Assets	119,836.1	107,097.5	100.33	111,920.0	104.16	120,279.0	102.16	129,670.3	105.85
Average Managed Securitized Assets (OBS)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Average Interest-Bearing Liabilities	102,921.6	91,981.0	86.17	96,619.7	89.92	103,589.7	87.99	112,521.3	91.85
Average Common equity	8,058.1	7,201.5	6.75	6,683.7	6.22	7,174.0	6.09	10,211.3	8.34
Average Equity	9,413.1	8,412.5	7.88	7,563.3	7.04	7,280.7	6.18	9,492.7	7.75
Average Customer Deposits	69,950.8	62,515.0	58.57	60,965.0	56.74	61,134.3	51.93	62,584.7	51.09
C. Maturities									
Asset Maturities:									
Loans & Advances < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans and Advances 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances > 5 years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Liability Maturities:									
Retail Deposits < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 1- 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Senior Debt on Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Fair Value Portion of Senior Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 1- 5 Year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Subordinated Debt on Balance Sheet	1,690.7	1,511.0	1.42	1,451.0	1.35	1,352.0	1.15	1,271.0	1.04
Fair Value Portion of Subordinated Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
D. Risk Weighted Assets									
1. Risk Weighted Assets	67,578.6	60,395.0	56.58	59,114.0	55.01	62,395.0	53.00	71,417.0	58.30
2. Fitch Adjustments to Risk Weighted Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Fitch Adjusted Risk Weighted Assets	67,578.6	60,395.0	56.58	59,114.0	55.01	62,395.0	53.00	71,417.0	58.30
E. Equity Reconciliation									
1. Equity	9,833.3	8,788.0	8.23	8,037.0	7.48	6,959.0	5.91	7,820.0	6.38
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	3,955.5	3,535.0	3.31	3,535.0	3.29	3,535.0	3.00	3,535.0	2.89
3. Add: Other Adjustments	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Published Equity	13,788.7	12,323.0	11.54	11,572.0	10.77	10,494.0	8.91	11,355.0	9.27
F. Fitch Eligible Capital Reconciliation									
1. Total Equity as reported (including non-controlling interests)	9,833.3	8,788.0	8.23	8,037.0	7.48	6,959.0	5.91	7,820.0	6.38
2. Fair value effect incl in own debt/borrowings at fv on the B/S- CC only	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
3. Non-loss-absorbing non-controlling interests	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
4. Goodwill	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
5. Other intangibles	212.6	190.0	0.18	171.0	0.16	176.0	0.15	187.0	0.15
6. Deferred tax assets deduction	3,558.2	3,180.0	2.98	3,576.0	3.33	3,828.0	3.25	3,845.0	3.14
7. Net asset value of insurance subsidiaries	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
8. First loss tranches of off-balance sheet securitizations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
9. Fitch Core Capital	**6,062.4**	**5,418.0**	**5.08**	**4,290.0**	**3.99**	**2,955.0**	**2.51**	**3,788.0**	**3.09**
10. Eligible weighted Hybrid capital	3,916.3	3,500.0	3.28	3,500.0	3.26	3,500.0	2.97	3,500.0	2.86
11. Government held Hybrid Capital	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
12. Fitch Eligible Capital	**9,978.7**	**8,918.0**	**8.35**	**7,790.0**	**7.25**	**6,455.0**	**5.48**	**7,288.0**	**5.95**
Exchange Rate		USD1 = EUR0.89370		USD1 = EUR0.82370		USD1 = EUR0.72510		USD1 = EUR0.75790	

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.