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ANNEX TO PRE-ADMISSION ANNOUNCEMENT ESM SCHEDULE 1

PART A: INFORMATION REQUIRED PURSUANT TO THE SUPPLEMENT TO SCHEDULE 1, PARAGRAPH (K) (*INFORMATION EQUIVALENT TO THAT REQUIRED FOR AN ADMISSION DOCUMENT WHICH IS NOT CURRENTLY PUBLIC*)

A1 OVERVIEW OF BUSINESS PERFORMANCE AND OPERATING AND FINANCIAL REVIEW

This section should be read in conjunction with the 2010 Half-Yearly Financial Report and the 2009 Annual Financial Report.

All tables and figures within this Operating and Financial Review have been sourced or derived from the 2010 Half-Yearly Financial Report or the 2009 Annual Financial Report, or from AIB's unaudited accounting books and management records (unless otherwise expressly stated).

1. Review of AIB's financial condition and operating results for thesix months ended 30 June 2010 and 2009

1.1. Introduction

On 30 March 2010, following publication of the original PCAR, the Group announced that its investments in BZWBK and M&T, as well as its UK business, were for sale. Subsequently, BACB was also included in the investments to be disposed of. In line with AIB's accounting policies, these businesses were classified as "discontinued operations" at 30 June 2010 and are presented as discontinued operations in the financial information in AIB's 2010 Half-Yearly Financial Report.

The income statement commentary in this review of AIB's financial condition and operating results for the six months ended 30 June 2010 is on a continuing operations basis, which is a different basis to that presented in the 2009 Annual Financial Report, and reflects the Group's continuing operations as at 30 June 2010 (the last reporting period end date to which AIB is required to have prepared and published financial information). The review of AIB's financial condition and operating results for the six months ended 30 June 2010 and 2009 on pages 3-32 of the 2010 Half-Yearly Financial Report is presented on a total AIB Group basis, including discontinued operations.

The Group's continuing operations at 30 June 2010 constituted the businesses AIB expected would continue to operate following the planned disposals. As at 30 June 2010 those businesses were: AIB Bank RoI, Capital Markets and AmCredit, which was historically reported within Central & Eastern Europe (AmCredit is reported in the Group division in this paragraph 1 and is likely to be part of the Group division going forward). In addition, the results of the Group's continuing operations do not include the results of BZWBK wholesale treasury and certain BZWBK investment banking subsidiaries which were historically reported in Capital Markets. The commentary on the consolidated statement of financial position is on a total AIB Group basis as AIB is not permitted, under IFRS, to retrospectively re-present the consolidated statement of financial position. Therefore, paragraphs 1.12 ("Statement of financial position"), 1.13 ("Capital") and 1.18 ("Funding"), which are extracted or derived from the consolidated statement of financial position are presented on a total AIB Group basis.

AIB's discontinued operations as at 30 June 2010 were those businesses that it then expected to sell within twelve months of the date of classification as a discontinued operation, being AIB's UK business (reported under the heading AIB Group (UK) p.l.c.), BZWBK, BACB and M&T. At that date, there could be no assurance as to whether and, if so, when such transactions would actually complete.

AIB has entered into a conditional agreement to sell its interests in BZWBK, which represents substantially all of its Polish business. This transaction is subject to receipt of required regulatory approvals and a range of other closing conditions. AIB has since completed the sale of its M&T Shareholding.

On 19 November 2010, AIB announced that, in light of continuing challenging market conditions, the Board has decided to halt the current sale process of its UK business and undertake a strategic review of this business in the context of reviewing AIB's overall business. Therefore, AIB no longer expects the disposal of its UK business to complete within twelve months of the date of its classification as a discontinued operation and the UK business is not expected to be classified as a discontinued operation in the Group's results for the year ending 31 December 2010.

As noted above, the income statement commentary in this review of AIB's financial condition and operations reflects the Group's continuing operations as at 30 June 2010, and, therefore, the UK business, being classified as a discontinued operation at such date, is not part of the continuing operations. As this no longer reflects the Group following the announcement on 19 November 2010, and in order to aid understanding of the Group going forward, please note the income statement commentary on AIB's UK business (reported under the heading AIB Group (UK) p.l.c.) provided in paragraph 1.11 below.

1.2. Overview on results

The six months ended 30 June 2010 was a very difficult period for AIB and its customers. A significant level of credit losses was experienced in the period in addition to the loss on transfer of the first tranche of loans to NAMA.

Operating profit before provisions was €624 million excluding the loss on transfer of loans to NAMA, or a loss of €332 million including the loss on transfer of loans to NAMA, compared to an operating profit before provisions of €1.4 billion in the comparative period to 30 June 2009. The profit for the six months included a gain of €372 million from the capital exchange offering completed in March 2010. Provisions for impairment of loans and receivables were €2.1 billion and included €1.2 billion related to loans that were identified for potential transfer to NAMA. On a continuing operations basis, the Group reported a loss after taxation of €2,034 million in the six months ended 30 June 2010, compared with a loss after taxation of €610 million in the six months ended 30 June 2009.

Higher funding costs remained an issue. These higher funding costs reflected the increased cost of customer deposits, higher wholesale funding costs and the cost of the ELG Scheme, which in total contributed to a reduction in net interest income.

Total operating income was €385 million compared to €2,175 million in the six months ended 30 June 2009, a decrease of €1,790 million or 82 per cent. Excluding the loss on transfer of the first tranche of assets to NAMA of €956 million in 2010 and capital exchange gains of €372 million in 2010 and €623 million in 2009, total income was €969 million in the six months ended 30 June 2010 compared with €1,552 million in the six months ended 30 June 2009, a reduction of €583 million. Further excluding the impact of interest rate hedge volatility (a net decrease of €66 million between the six months ended 30 June 2009 and the six months ended 30 June 2010), total income decreased by €517 million. Net interest income was €851 million compared to €1,290 million in the six months ended 30 June 2009, a decrease of €439 million or 34 per cent. On a continuing operations basis, excluding the cost of the ELG Scheme, and further adjusted to exclude NAMA loans and income, the net interest margin for the six months ended 30 June 2010 was 1.55 per cent. Operating expenses were €717 million in the six months ended 30 June 2010 compared with €746 million in the six months ended 30 June 2009, a reduction of €29 million or 4 per cent. Active management of the cost base resulted in a 4 per cent. reduction in operating expenses compared with the six months ended 30 June 2009.

Customer deposits as a percentage of funding was 53 per cent. of balance sheet requirements compared to 51 per cent. at 31 December 2009. The loan-to-deposit ratio at 30 June 2010 was 127 per cent., or 143 per cent. including loans held for sale to NAMA, compared to 146 per cent., at 31 December 2009.

At 30 June 2010, AIB's Equity Tier 1 Capital Ratio (Core Tier 1 Capital Ratio excluding the €3.5 billion of Core Tier 1 Capital from the Government) was 3.8 per cent., Core Tier 1 Capital Ratio was 6.9 per cent. and Total Capital Ratio was 9.0 per cent.

1.3. Commentary on results

AIB provides supplemental information of its results on a non-GAAP basis to enable the reader to understand the impact of the underlying performance on earnings per share. In this regard, the Group presents an adjusted earnings per share, to adjust for material items of a non-recurring or one-off nature which impact the performance of the organisation in the period under assessment. They are set out below as follows:

Gain on redemption of capital instruments

The capital exchange in March 2010 generated a gain of €372 million; equivalent to EUR 34.5c earnings per share. In the six months ended 30 June 2009, the capital exchange offering generated a gain of €1,161 million (€623 million in the income statement and €538 million as a movement in equity), equivalent to EUR 121.8c earnings per share.

Interest rate hedge volatility

Under IFRS, the reporting of hedges in place for interest rate volatility (hedging ineffectiveness and derivative volatility) can result in the recording of a net gain/loss in the income statement.

In the six months ended 30 June 2010, this resulted in a decrease in profit before taxation of €68 million (€59 million loss after taxation of which €45 million was in continuing operations and €14 million was in discontinued operations) equivalent to EUR 4.2c in earnings per share for continuing operations and EUR 1.3c in earnings per share for discontinued operations. In the six months ended 30 June 2009, this resulted in a decrease in profit before taxation of €12 million (€13 million loss after taxation of which €12 million profit after taxation was in continuing operations and €25 million loss after taxation in discontinued operations) equivalent to EUR 1.4c in earnings per share for continuing operations and EUR 2.9c in earnings per share for discontinued operations.

Strategic property disposals

In 2005, AIB began a programme of sale and leaseback transactions on a number of branches and its headquarter location in Ireland.

As part of this programme, during the six months ended 30 June 2010, income of €36 million (€27 million after taxation for continuing operations and €1 million after taxation for discontinued operations) was recorded which related to profit on disposal of property. These strategic property disposals contributed EUR 2.6c to earnings per share.

During the six months ended 30 June 2009, income of €10 million (€8 million after taxation) was recorded in continuing operations of which profit on disposal of property amounted to €9 million (€7 million after taxation) and construction contract income amounted to €1 million (€1 million after taxation). In total, strategic property disposals contributed EUR 0.9c to earnings per share.

For more information on adjusted earnings per share see note 15(a) of the 2010 Half-Yearly Financial Report.

1.4. Summary Income Statement

The following income statement and supporting commentary is prepared on a continuing operations basis.

	Six months ended 30 June 2010			Six months ended 30 June 2009
	Total	**NAMA loss**	**Total excluding NAMA loss**	**Total**
			(€ million) (unaudited)	
Net interest income..	**851**	-	**851**	1,290
Other income (before NAMA loss (1))....................................	**490**	-	**490**	885
Operating income..	**1,341**	-	**1,341**	2,175
NAMA loss (1)..	**(956)**	**(956)**	**-**	-
Total operating income..	**385**	**(956)**	**1,341**	2,175
Personnel expenses..	**443**	-	**443**	482
General and administrative expenses...	**216**	-	**216**	205
Depreciation(2)/amortisation (3)..	**58**	-	**58**	59

Total operating expenses	**717**	**-**	**717**	746
Operating profit/(loss) before provisions	**(332)**	**(956)**	**624**	1,429
Provisions for impairment of loans and receivables	**2,092**	**-**	**2,092**	2,120
Provisions for liabilities and commitments	**-**	**-**	**-**	-
Amounts written off financial investments available for sale	**3**	**-**	**3**	22
Total provisions	**2,095**	**-**	**2,095**	2,142
Operating (loss)/ profit	**(2,427)**	**(956)**	**(1,471)**	(713)
Associated undertakings	**27**	**-**	**27**	(7)
Profit on disposal of property	**37**	**-**	**37**	12
Construction contract income	**-**	**-**	**-**	1
(Loss)/profit before taxation	**(2,363)**	**(956)**	**(1,407)**	(707)
Income tax income	**(329)**			(97)
(Loss)/profit after taxation	(2,034)			(610)

Notes:

(1) Loss on disposal of financial instruments held for sale to NAMA.
(2) Depreciation of property, plant and equipment.
(3) Impairment and amortisation of intangible assets.

Divisional operating (loss)/profit before provisions	Six months ended 30 June 2010 Total	NAMA loss	Total excluding NAMA loss	Six months ended 30 June 2009 Total
		(€ million) (unaudited)		
AIB Bank RoI	**(742)**	**(912)**	**170**	394
Capital Markets	**231**	**(44)**	**275**	447
Group division	**179**	**-**	**179**	588
AIB Group	**(332)**	**(956)**	**624**	1,429

Divisional (loss)/profit before taxation	Six months ended 30 June 2010 Total	NAMA loss	Total excluding NAMA loss	Six months ended 30 June 2009 Total
		(€ million) (unaudited)		
AIB Bank RoI	**(2,678)**	**(912)**	**(1,766)**	(1,523)
Capital Markets	**102**	**(44)**	**146**	224
Group division	**213**	**-**	**213**	592
AIB Group	**(2,363)**	**(956)**	**(1,407)**	(707)

1.5. Net interest income

Net interest income	Six months ended 30 June 2010	Six months ended 30 June 2009
	(€ million) (unaudited)	
Net interest income	**851**	1,290

Net interest income was €851 million in the six months ended 30 June 2010 compared with €1,290 million in the six months ended 30 June 2009, a decrease of €439 million or 34 per cent. Net interest income for the six months ended 30 June 2010 included a charge associated with the ELG Scheme amounting to €93 million excluding which net interest income reduced by €346 million or 27 per cent. (the aggregate charge for the CIFS Scheme as a blanket guarantee and the ELG Scheme was €130 million (ELG Scheme €93 million and CIFS Scheme €37 million) compared to €49 million for the six months ended 30 June 2009. The CIFS Scheme charge is reflected in other income amounting to €37 million and €49 million for the six months ended 30 June 2010 and 30 June 2009 respectively). The ELG Scheme was introduced in December 2009 and subsequently approved by the European Commission and did not impact 2009 net interest income. The net interest income decrease, excluding the cost of the ELG Scheme, mainly reflected the significantly increased cost of customer deposits in a highly competitive marketplace, which resulted in lower deposit income, higher wholesale funding costs, a lower return on invested capital and a lower treasury margin, partly offset by higher loan margins.

On a continuing operations basis, excluding the cost of the ELG Scheme, and further adjusted to exclude NAMA loans and income, the net interest margin for the six months ended 30 June 2010 was 1.55 per cent. On the same basis, average interest earning assets for the six months ended 30 June 2010 were approximately €109 billion and annualised net interest income was approximately €1.69 billion. The component parts of the annualised net interest income of approximately €1.69 billion were estimated by management to comprise net loan income of c. €1.56 billion, net deposit cost of c. €120 million, funding costs of c. €310 million and treasury/other income of c. €560 million.

1.6. Other income

	Six months ended 30 June 2010			Six months ended 30 June 2009
	Total	NAMA loss	Total excluding NAMA loss	Total
		(€ million) (unaudited)		
Dividend income	**1**	**-**	**1**	2
Banking fees and commissions	**211**	**-**	**211**	224
Investment banking and asset management fees	**47**	**-**	**47**	59
Fee and commission income	**258**	**-**	**258**	283
Government Guarantee Scheme (CIFS)	**(37)**	**-**	**(37)**	(49)
Other fee and commission expense	**(18)**	**-**	**(18)**	(18)
Less: Fee and commission expense	**(55)**	**-**	**(55)**	(67)
Trading income/ (loss)	**(96)**	**-**	**(96)**	18

Interest rate hedge volatility	**(52)**	-	**(52)**	14
Net trading income/(loss) (1)	**(148)**	-	**(148)**	32
Gain on redemption of subordinated liabilities	**372**	-	**372**	623
Loss on disposal of financial instruments to NAMA	**(956)**	**(956)**	**-**	-
Other operating income	**62**	**-**	**62**	12
Total other income	**(446)**	**(956)**	**490**	**885**

Note:

(1) Trading income includes foreign exchange contracts, debt securities and interest rate contracts, credit derivative contracts, equity securities and index contracts. See note 6 of the 2010 Half-Yearly Financial Report for more information.

Other income was a negative €466 million in the six months ended 30 June 2010, which included a loss of €956 million on the transfer of the first tranche of assets to NAMA and a €372 million gain on redemption of subordinated liabilities from the capital exchange offering completed in March 2010. Excluding these items other income was €118 million, compared with €262 million in the six months ended 30 June 2009 (excluding the €623 million gain on redemption of subordinated liabilities from the capital exchange offering completed in June 2009), a decrease of €144 million or 55 per cent. This decrease included the negative impact of interest rate hedge volatility between the six months ended 30 June 2010 and 2009 of €66 million. Excluding this factor, other income was down €78 million or 31 per cent. compared with the six months ended 30 June 2009.

This reflected weaker economic conditions, challenging trading markets in which AIB operated, lower business volumes and lower revenues from investment banking activities. The decline of these other income elements was partly offset by profits on disposal of available for sale debt securities.

Banking fees and commissions decreased by six per cent. reflecting lower business volumes and activity.

Investment banking and asset management fees were down 20 per cent. in the six months ended 30 June 2010 mainly reflecting lower brokerage income in Ireland.

Fee and commission expense included the cost of the CIFS Scheme (€37 million in the six months ended 30 June 2010, €49 million in the six months ended 30 June 2009). The cost of the ELG Scheme of €93 million was included in net interest income.

Trading income was a negative €96 million in the six months ended 30 June 2010. Trading income excludes interest payable and receivable arising from hedging and the funding of trading activities, which are included in net interest income. In the six months ended 30 June 2010 there was a charge of €8 million to trading income related to the structured securities portfolio, a €21 million cross currency swap cost of borrowing in US dollars and converting to Euro and a negative fair value of €16 million related to NAMA held-for-sale derivatives. There was an offsetting credit in net interest income relating to the lower US dollar borrowing cost.

Other operating income in the six months ended 30 June 2010 was €62 million compared with €12 million in the six months ended 30 June 2009. Profit from the disposal of available for sale debt securities of €57 million and profit on disposal of available for sale equity shares of €11 million was recorded in the six months ended 30 June 2010.

1.7. Operating expenses

	Six months ended 30 June 2010	**Six months ended 30 June 2009**
	(€ million) (unaudited)	
Personnel expenses	**443**	482
General and administrative expenses	**216**	205
Depreciation(1)/impairment and amortisation (2)	**58**	59
Total operating expenses	**717**	746

Notes:

(1) Depreciation of property, plant and equipment.

(2) Impairment and amortisation of intangible assets.

Total operating expenses were €717 million in the six months ended 30 June 2010, a decrease of €29 million or 4 per cent. when compared to €746 million in the six months ended 30 June 2009. For the six months ended 30 June 2010, total operating expenses included external set-up costs of €14 million related to NAMA excluding which costs decreased by €43 million or 6 per cent. This decrease reflected active cost management in a period of slower economic conditions and reduced business activity.

Personnel expenses in the six months ended 30 June 2010 were €443 million, a reduction of €39 million or 8 per cent. compared with €482 million in the six months ended 30 June 2009. This included lower pension costs and a reduction in staff numbers of approximately 700.

General and administrative expenses of €216 million in the six months ended 30 June 2010 were €11 million or 5 per cent. higher than €205 million in the six months ended 30 June 2009. The increase related to NAMA costs and were partly offset by cost saving initiatives and ongoing management of all discretionary spend.

Depreciation and amortisation of €58 million in the six months ended 30 June 2010 was broadly in line with the six months ended 30 June 2009 (€59 million).

The cost/income ratio (calculated as total operating income as a percentage of total operating expenses) for the six months ended 30 June 2010, excluding the loss on the transfer of the first tranche of assets to NAMA (€956 million) and the 2010 gain on the capital exchange offering (€372 million) in the period was 74.0 per cent., or 53.4 per cent. including the gain on the capital exchange offering, compared to 48.1 per cent. for the six months ended 30 June 2009 (excluding the gain on the capital exchange offering). Weaker total income contributed to an increase in the cost/income ratio. The lower level of income was due to a number of factors including the cost of the Government Guarantee Schemes, higher wholesale funding costs and the cost of customer deposits.

1.8. Asset quality

Unless otherwise stated, customer loans in the following commentary refers to loans and receivables to customers for continuing operations including loans held for sale to NAMA.

The continuing operations criticised loans and receivables amounted to €32.5 billion as at 30 June 2010 comprising €14.2 billion related to loans and receivables held for sale to NAMA and €18.3 billion for loans and receivables to customers.

The following tables show criticised loans held for sale to NAMA, non NAMA and the total loan book. Criticised loans include watch, vulnerable and impaired loans and are defined as follows:

Watch: credit exhibiting weakness but with the expectation that existing debt can be fully repaid from normal cashflow;

Vulnerable: credit where repayment is in jeopardy from normal cashflow and may be dependent on other sources; and

Impaired: a loan is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a "loss event") and that loss event (or events) has an impact such that the present value of future cashflows is less than the current carrying value of the financial asset or group of assets, i.e. requires a provision to be raised through the income statement.

	As at 30 June 2010				
Criticised loans by division (total)	**Watch loans**	**Vulnerable loans**	**Impaired loans**	**Total criticised loans**	**% of total gross loans**
			(€ million) (unaudited)		
AIB Bank RoI	7,511	7,131	16,450	31,092	41.7
Capital Markets	339	399	646	1,384	6.0
Group division (AmCredit)	-	4	36	40	49.0
AIB Group	7,850	7,534	17,132	32,516	33.3

	As at 30 June 2010				
Criticised loans by division (held for sale to NAMA)	**Watch loans**	**Vulnerable loans**	**Impaired loans**	**Total criticised loans**	**% of total gross loans**
			(€ million) (unaudited)		

AIB Bank RoI	1,368	2,293	10,551	14,212	85.9
Capital Markets	-	40	2	42	13.7
Group division (AmCredit)	-	-	-	-	-
AIB Group	1,368	2,333	10,553	14,254	84.6

As at 30 June 2010 there were €16.9 billion in loans which were held for sale to NAMA, of which 84.6 per cent. were criticised. This was a reduction of €6.3 billion since 31 December 2009 and was largely accounted for by the fact that €3.3 billion of gross loans, mostly in AIB Bank RoI, were transferred to NAMA in April 2010 of which €2.6 billion were criticised. The criticised loans held for sale to NAMA of €14.2 billion relate primarily to loans in the land and development sector (approximately 75 per cent.) with the remainder related largely to the property investment, distribution (which includes hotels, license trade and motor trade) and other services sectors.

Criticised loans by division (non NAMA)	**As at 30 June 2010**				**% of total gross loans**
	Watch loans	**Vulnerable loans**	**Impaired loans**	**Total criticised loans**	
			(€ million) (unaudited)		
AIB Bank RoI	6,143	4,838	5,899	16,880	29.1
Capital Markets	339	359	644	1,342	5.9
Group division (AmCredit)	-	4	36	40	49.0
AIB Group	6,482	5,201	6,579	18,262	22.6

The Group's criticised loans and receivables to customers (non NAMA) amounted to €18.3 billion at 30 June 2010 compared with €15.4 billion at 31 December 2009.

AIB Bank RoI's non NAMA criticised loans increased by €2.7 billion as at 30 June 2010, from €14.2 billion as at 31 December 2009, largely in the vulnerable and impaired categories, with the main sectors impacted being the property investment, retail/wholesale, other services and personal sectors. Property sector cases accounted for 40 per cent. of total divisional criticised loans compared with 42 per cent. at 31 December 2009. The level of arrears in residential mortgages, which impacted the level of criticised loans, increased to 3.21 per cent. for 90 + days past due, up from 2.07 per cent. at 31 December 2009. Arrears on the buy-to-let portion of the book were 5.92 per cent. up from 3.28 per cent. in December 2009 compared with 2.12 per cent. and 1.58 per cent. respectively for owner occupier mortgages.

Capital Markets's criticised loans increased marginally by €0.1 billion.

Criticised loans by division (total)	**As at 31 December 2009**				**% of total gross loans**
	Watch loans	**Vulnerable loans**	**Impaired loans**	**Total criticised loans**	
			(€ million) (unaudited)		
AIB Bank RoI	8,528	5,540	14,620	28,688	36.9
Capital Markets	241	447	559	1,247	5.5
Group division (AmCredit)	-	5	42	47	52.2
AIB Group	8,769	5,992	15,221	29,982	29.8

Criticised loans by division (held for sale to NAMA)	**As at 31 December 2009**				**% of total gross loans**
	Watch loans	**Vulnerable loans**	**Impaired loans**	**Total criticised loans**	
			(€ million) (unaudited)		
AIB Bank RoI	2,298	2,122	10,114	14,534	75.0
Capital Markets	-	36	-	36	6.6
Group division (AmCredit)	-	-	-	-	-

AIB Group	2,298	2,158	10,114	14,570	73.1

Criticised loans by division (non NAMA)	As at 31 December 2009				
	Watch loans	Vulnerable loans	Impaired loans	Total criticised loans	% of total gross loans
			(€ million) (unaudited)		
AIB Bank RoI	6,230	3,418	4,506	14,154	24.2
Capital Markets	241	411	559	1,211	5.4
Group division (AmCredit)	-	5	42	47	52.2
AIB Group	6,471	3,834	5,107	15,412	19.1

The following tables show impaired loan balances by division and as a percentage of gross customer loans.

Impaired loans by division	As at 30 June 2010 NAMA	As at 30 June 2010 Non NAMA	As at 30 June 2010 Total	As at 31 December 2009 NAMA	As at 31 December 2009 Non NAMA	As at 31 December 2009 Total
	(€ million) (unaudited)					
AIB Bank RoI	10,551	5,899	16,450	10,114	4,506	14,620
Capital Markets	2	644	646	-	559	559
Group division (AmCredit)	-	36	36	-	42	42
AIB Group	10,553	6,579	17,132	10,114	5,107	15,221

% of total gross loans	As at 30 June 2010 NAMA	As at 30 June 2010 Non NAMA	As at 30 June 2010 Total	As at 31 December 2009 NAMA	As at 31 December 2009 Non NAMA	As at 31 December 2009 Total
	(%) (unaudited)					
AIB Bank RoI	**63.7**	**10.2**	**22.1**	52.2	7.7	18.9
Capital Markets	**0.6**	**2.8**	**2.8**	-	2.5	2.5
Group division (AmCredit)	**-**	**43.7**	**43.7**	-	46.6	46.6
AIB Group	**62.6**	**8.2**	**17.5**	50.8	6.3	15.1

Group impaired loans as a percentage of gross loans increased to 17.5 per cent., up from 15.1 per cent. as at 31 December 2009.

Impaired loans held for sale to NAMA amounted to €10.6 billion as at 30 June 2010 or 62.6 per cent. of NAMA loans.

The vast majority of these impaired NAMA loans related to property sector loans with the remainder related mainly to loans in the distribution, other services and personal sectors.

Non NAMA impaired loans increased to €6.6 billion or 8.2 per cent. of advances up from €5.1 billion or 6.3 per cent. as at 31 December 2009.

AIB Bank RoI accounted for €1.4 billion of the overall increase with increases particularly in the property, distribution, manufacturing, residential mortgage and personal sectors.

Impaired loans in Capital Markets increased by €0.1 billion since December 2009 mainly in the distribution, transport and other services sectors, with a decrease in the manufacturing sector.

Impaired loans in AmCredit reduced by €6 million since December 2009 to €36 million and reflected a slowdown in the pace of deterioration in the book.

1.8.1 Provisions

Total provisions charged to the income statement were €2,095 million, marginally down from €2,142 million in the six months ended 30 June 2009.

	Six months ended 30 June 2010	Six months ended 30 June 2009
	(€ million) (unaudited)	
Provisions for impairment of loans and receivables to customers	**2,092**	2,120
Provisions for liabilities and commitments	**-**	-
Amounts written off financial investments available for sale	**3**	22
Total provisions	**2,095**	2,142

The economic conditions in the markets in which the Group operates continued to be challenging, in particular in Ireland where unemployment continued to rise, creating increased difficulties for some of the Group's borrowers.

The provision charge for loans and receivables was €2,092 million or 4.22 per cent. of average loans compared with €2,120 million or 4.08 per cent. in June 2009. The charge consisted of all specific provisions of €2,092 million (4.22 per cent. of average loans) versus specific provisions of €1,969 million (3.79 per cent. of average loans and IBNR of €151 million or 0.29 per cent.) in June 2009.

	Six months ended 30 June 2010			Six months ended 30 June 2009
Divisional impairment charges	NAMA	Non NAMA	Total	Total
		(€ million) (unaudited)		
AIB Bank RoI	**1,220**	**742**	**1,962**	1,911
Capital Markets	**-**	**128**	**128**	201
Group division (AmCredit)	**-**	**2**	**2**	8
AIB Group	**1,220**	**872**	**2,092**	2,120

The following table sets out the impairment charge as a percentage of average loans by division.

	Six months ended 30 June 2010			Six months ended 30 June 2009
Divisional impairment charges	NAMA	Non NAMA	Total	Total
		Bps (unaudited)		
AIB Bank RoI	**1,365**	**255**	**516**	495
Capital Markets	**-**	**113**	**111**	154
Group division (AmCredit)	**-**	**233**	**233**	7,545
AIB Group	**1,309**	**217**	**422**	408

The provision charge for loans and receivables included €1,220 million of provisions related to loans held for sale to NAMA (portfolio size €17 billion), all of which were specific provisions.

The provision charge for NAMA related loans in AIB Bank RoI was €1,220 million or 13.65 per cent. of advances, of which 94 per cent. related to property sector loans, with the remainder spread over a number of sectors, most notably, the distribution and personal sectors.

The provision charge for loans and receivables to customers (non NAMA) was €872 million or 2.2 per cent. of average advances comprised of a specific charge only.

In AIB Bank RoI, the net non NAMA provision charge was €742 million or 2.55 per cent. of average advances and was all specific provision. Forty-three per cent. of the charge related to the property sector with a further 27 per cent. related to other commercial, which included agriculture, distribution, manufacturing and other services. The provision charge in the finance and leasing book (excluding mortgages) was €63 million or 5.5 per cent. of average advances, which included large provisions for a small number of cases and was down from €91 million or 6.9 per cent. for the same period in the previous year.

Residential mortgages amounted to €27.1 billion as at 30 June 2010 split 65 per cent. owner occupier, 28 per cent. buy-to-let with staff and other accounting for the remaining 7 per cent. The provision charge was €83 million or 0.61 per cent. of average residential mortgages compared to €37 million or 0.29 per cent. of average advances in the same period in the previous year.

In Capital Markets the provision charge was €128 million or 1.13 per cent. of average non NAMA advances compared with €201 million or 1.54 per cent. for the six months ended 30 June 2009. The charge was spread across all sectors with the largest being €32 million for the other services sector, with charges of €21 million each for the property and financial sectors.

In AmCredit the provision charge was €2 million reflecting a slowdown in deterioration and an increase in activity in the residential mortgage market.

1.9. Associated undertakings

	Six months ended 30 June 2010	Six months ended 30 June 2009
	(€ million) (unaudited)	
Share of results of associated undertakings..	**27**	(7)

Income from associated undertakings in the six months ended 30 June 2010 was €27 million compared with a loss of €7 million in the comparative period. Associated undertakings included the investment in ALH, the joint venture with Aviva Life & Pensions Ireland Limited. An uplift in AIB's share of profits from ALH was driven by a stabilisation in business volumes and favourable bond/investment market movements.

1.10. Income tax (income)/expense

The taxation credit on a total AIB Group basis for the six months ended 30 June 2010 was €329 million (of which €323 million credit related to deferred taxation), compared with a taxation credit of €97 million in the six months ended 30 June 2009 (of which €125 million credit related to deferred taxation). The taxation credits excluded taxation on share of results of associated undertakings. Associated undertakings is reported net of taxation in the Group (loss)/profit before taxation. The charge/credit was influenced by the geographic mix of profits and losses, which were taxed at the rates applicable in the jurisdictions where the Group operates.

1.11. Discontinued operations

On 30 March 2010, AIB Group announced that its investments in BZWBK and M&T, as well as its UK business (reported under the heading AIB Group (UK) p.l.c.), were for sale. Subsequently, its interests in BACB were also included in the investments to be disposed of. These businesses were classified as discontinued operations, the results of which are shown in the table below. See note 14 of the 2010 Half-Yearly Financial Report for further details on AIB's discontinued operations and note 18 of the 2010 Half-Yearly Financial Report for certain asset-quality information related to AIB's discontinued operations.

These discontinued operations were previously reported in the divisional commentary and are included in the business segments as follows; for more information see note 1 of the 2010 Half-Yearly Financial Report:

AIB Group (UK) p.l.c. - identified as AIB Bank UK in the commentary regarding the consolidated statement of financial position;

BZWBK - largely included in Central & Eastern Europe with BZWBK wholesale treasury and Capital Markets's share of certain Investment Banking subsidiaries' results included in Capital Markets;

BACB - included in associated undertakings net of taxation in Central & Eastern Europe; and

M&T - included in associated undertakings net of taxation in the Group division.

	Six months ended 30 June 2010	Six months ended 30 June 2009
	(€ million) (unaudited)	

AIB Group (UK) p.l.c.	**(49)**	(46)
BZWBK	**174**	101
M&T	**237**	(181)
BACB	**(26)**	(39)
Profit/(loss) before taxation	**336**	(165)
Income tax (income)/expense	**8**	11
Profit/(loss) after taxation	**328**	(176)
Loss recognised on the remeasurement to fair value less costs to sell(1)	**(28)**	-
Income tax on the remeasurement	**3**	-
Profit/(loss) for the period from discontinued operations	**303**	(176)

Note:
(1) Relates to impairment of intangible assets.

Discontinued operations recorded a profit of €303 million in the six months ended 30 June 2010 compared to a loss of €176 million in the six months ended 30 June 2009. Discontinued operations was impacted by investment reviews carried out in the first half of both 2010 and 2009. The six months ended 30 June 2010 included a writeback of €213 million related to the M&T investment and a €28 million charge with regard to BACB. The six months ended 30 June 2009 included impairment charges of €200 million and €45 million relating to M&T and BACB respectively.

- **AIB Group (UK) p.l.c.**

Historically, the UK business was reported as the division "AIB Bank UK", however, the commentary in this paragraph 1.11 relates to AIB Group (UK) p.l.c., the income statement of which is presented in note 14 of the 2010 Half-Yearly Financial Report. The differences between the division "AIB Bank UK" and AIB Group (UK) p.l.c. are (1) the attribution of certain central costs to the division that would not be attributable to the discontinued operation, (2) group capital income allocation methodology for a continuing operation versus a discontinued operation, (3) treatment of the UK defined benefit pension scheme, where the divisional cost is not reported as a cost of the discontinued operation and (4) macro cashflow hedging impacts being borne by the discontinued operation (otherwise borne by the Group division). Therefore, AIB Group (UK) p.l.c. is not a full representation of the UK business.

If, as currently expected, AIB's UK business is not classified as a discontinued operation in the Group's results for the year ending 31 December 2010, then the UK business as a division will be reinstated and integrated with the remainder of the continuing group. The UK business would again be referred to as "AIB Bank UK" in the divisional commentary of the annual financial report for the year ending 31 December 2010.

The information below has been extracted from the 2010 Half-Yearly Financial Report.

AIB Group (UK) p.l.c. Summary income statement	**Six months ended 30 June 2010**	**Six months ended 30 June 2009**
	(€ million) (unaudited)	
Net interest income (1)	176	245
Dividend income	-	-
Net fee and commission income (2)	28	29
Net trading (loss)/ income	(16)	(14)
Loss on disposal of financial instruments held for sale to NAMA	(7)	-
Other operating income	39	(3)
Other income	44	12
Total operating income	220	257
Total operating expenses	103	116
Operating profit before provisions	117	141
Provisions for impairment of loans and receivables and other financial instruments	168	188
Operating (loss)/ profit	(51)	(47)
Associated undertakings (1)	1	1
Profit on disposal of property	1	-
Profit on disposal of businesses	-	-
(Loss)/profit before taxation from discontinued operations	(49)	(46)
Income tax (income)/expense from discontinued operations	(31)	(8)
(Loss)/profit after taxation from discontinued operations	(18)	(38)
Loss recognised on the remeasurement to fair value less costs to sell(3)	(25)	-
Income tax on gain on the remeasurement to fair value	3	-
(Loss)/profit for the period from discontinued operations (4)	(40)	(38)

Notes:

(1) Included within interest expense is a charge of €24 million in respect of the ELG Scheme for the six months ended 30 June 2010.

(2) Included within net fee and commission income is a charge of €9 million for the six months ended 30 June 2010 and €9 million for the six months ended 30 June 2009, in respect of the CIFS Scheme.

(3) Relates to impairment of intangible assets

(4) The loss from discontinued operations of €40 million for the six months ended 30 June 2010 and €38 million for the six months ended 30 June 2009 is attributable to the owners of the parent.

AIB Group (UK) p.l.c. reported a loss before taxation from discontinued operations of €49 million in the six months ended 30 June 2010 compared to a loss of €46 million for the same period last year. This included a NAMA loss of €7 million and €33 million in relation to the cost of the Government Guarantee Schemes (€24 million in respect of the ELG Scheme and €9 million in respect of the CIFS Scheme).

AIB Group (UK) p.l.c. reported an operating profit before provisions and the loss on NAMA of €124 million compared with €141 million for the same period last year, a reduction of 12 per cent., reflecting continued challenges in the economic environment, combined with increased competition for customer deposits and rising funding costs. Impairment charges at €168 million remained high, however, the charge for the second quarter of 2010 displayed significant moderation on the trend over the last four quarters.

The reduction in operating profit was primarily driven by a 28 per cent. reduction in net interest income, which included the cost of the ELG Scheme, excluding which the underlying reduction was 18 per cent. This underlying reduction reflected intense competition for customer deposits, as well as increased funding costs, with the consequent impact on deposit margins. Customer deposits on a sterling basis increased by 3 per cent. from 31 December 2009 and were in line with 30 June 2009, despite a highly competitive environment for taking customer deposits. The increase in deposits since 31 December 2009 was driven by the business in Great Britain with deposits in Northern Ireland broadly in line. This increase in deposits partly contributed to the moderation in the loan-to-deposit ratio to 153 per cent. (from 169 per cent. as at 31 December 2009 and 175 per cent. as at 30 June 2009). The downside pressure on deposit margins was partly offset by a significant improvement in lending margins, although this was partially countered by a 6 per cent. reduction in loan volumes on a sterling basis since 31 December 2009 (9 per cent. since 30 June 2009).

Costs fell by 11 per cent. on the same period last year, reflecting a combination of reduced staff costs, continued focus on discretionary costs and the reduced costs associated with the FSCS in the current year.

As a result of the factors mentioned above, operating profit before provisions was €117 million in the six months ended 30 June 2010, down from €141 million in the same period last year.

Loan impairment charges for the six months ended 30 June 2010 remained high at €168 million, reflecting the impact from the economic downturn on customers. However, the provision for loan impairment was 11 per cent. lower than the same period last year, with the quarterly charge in the second quarter of 2010 the lowest for several quarters. Likewise, the rate of increase in non performing loans was moderated compared to 2009, particularly in the business located in Great Britain.

- **BZWBK**

BZWBK profit was €174 million in the six months ended 30 June 2010 compared to €101 million in the six months ended 30 June 2009. Profit growth was driven by growth in net interest income and a reduction in provisions. Income growth was achieved primarily through higher loan margins and some easing in competitive pricing of deposits which resulted in operating profit before provisions increasing from €168 million in the six months ended 30 June 2009 to €228 million in the six months ended 30 June 2010.

Provisions decreased to €54 million in the six months ended 30 June 2010 from €66 million in the six months ended 30 June 2009 reflecting the lower default experience in business and corporate banking while higher levels were incurred in the personal and SME portfolios.

- **M&T**

M&T's contribution was €237 million in the six months ended 30 June 2010 compared to a loss of €181 million in the six months ended 30 June 2009. The income after taxation for M&T is included for the three month period ended 31 March 2010 compared with the six month period ended 30 June 2009 (M&T was designated as a discontinued operation as a result of the announcement on 30 March 2010 that AIB's stake in M&T was to be held for sale). An impairment review of AIB's investment in M&T resulted in the writeback of €213 million through the income statement in the six months ended 30 June 2010 compared to an impairment charge of €200 million in the six months ended 30 June 2009. Excluding the writeback in 2010 and the impairment in 2009, M&T's contribution for the quarter to March 2010 of US$31 million (€24 million) was up 25 per cent. relative to the contribution in the six months ended 30 June 2009 of US $25 million (€19 million).

- **BACB**

BACB recorded a loss of €26 million in the six months ended 30 June 2010 compared to a loss of €39 million in the six months ended 30 June 2009. An impairment review of AIB's associate holding in BACB resulted in a €28 million impairment charge in the six months ended 30 June 2010. The six months ended 30 June 2009 included an impairment charge of €45 million for BACB.

1.12. Statement of financial position

The commentary on the consolidated statement of financial position is on a total AIB Group basis (including discontinued operations) as it is not permitted, under IFRS, to retrospectively re-present the consolidated statement of financial position.

AIB Group's Risk Weighted Assets were 67 per cent. of total assets as at 30 June 2010 (69 per cent. as at 31 December 2009).

Risk Weighted Assets	As at 30 June 2010	As at 31 December 2009
	(€ billion) (unaudited)	
AIB Bank RoI	**48**	54

Capital Markets	**34**	34
AIB Bank UK	**20**	21
Central & Eastern Europe	**10**	10
Group division	**1**	1
AIB Group	**113**	120

The statement of financial position identifies loans eligible for sale to NAMA and disposal groups loans held for sale (discontinued operations) separately from other customer loans. For the purposes of aiding understanding of balance sheet dynamics and trends, loan balances eligible for sale to NAMA and loans in discontinued operations are included in their respective division in the table below.

	As at 30 June 2010		**As at 31 December 2009**	
Gross loans to customers	**excluding NAMA**	**including NAMA**	**excluding NAMA**	**including NAMA**
		(€ billion) (unaudited)		
AIB Bank RoI	**58**	**74**	58	78
Capital Markets	**23**	**23**	22	23
Continuing operations	**81**	**97**	80	101
AIB Bank UK	**20**	**21**	17	20
Central & Eastern Europe	**9**	**9**	9	9
AIB Group	**110**	**127**	106	130

Continued weak demand for credit and the transfer of €3.3 billion of gross loans to NAMA in the period resulted in lower gross loans to customers, down 2 per cent., or €2.7 billion since 31 December 2009 or in line when loans transferred to NAMA are excluded from the opening balance.

The increase in loans excluding NAMA, from €106 billion as at 31 December 2009 to €110 billion at 30 June 2010 mainly reflected €3 billion of UK loans that were classified as held for sale to NAMA as at 31 December 2009 and were designated as disposal groups held for sale as at 30 June 2010.

Net loans to customers	As at 30 June 2010 excluding NAMA	As at 30 June 2010 including NAMA	As at 31 December 2009 excluding NAMA	As at 31 December 2009 including NAMA
	(€ billion) (unaudited)			
AIB Bank RoI	**54**	**67**	56	71
Capital Markets	**23**	**23**	22	23
Continuing operations	**77**	**90**	78	94
AIB Bank UK	**20**	**20**	17	20
Central & Eastern Europe	**8**	**8**	8	8
AIB Group	**105**	**118**	103	122

Customer accounts	As at 30 June 2010	As at 31 December 2009
	(€ billion) (unaudited)	
AIB Bank RoI	**40**	40
Capital Markets	**20**	23
AIB Bank UK	**60**	63
Central & Eastern Europe	**13**	11
Group division	**10**	10
AIB Group	**83**	84

In Capital Markets, concerns in relation to sovereign ratings resulted in a decrease in deposits mainly from NBFIs and international corporates.

1.13. Capital

The Group's Core Tier 1 Capital Ratio was 6.9 per cent., the Tier 1 Capital Ratio was 6.0 per cent. and the Total Capital Ratio was 9.0 per cent. at 30 June 2010.

Capital	As at 30 June 2010	As at 31 December 2009
	(€ billion) (unaudited)	
Equity Tier 1 Capital (1)	**4.3**	6.0
Core Tier 1 Capital	**7.8**	9.5
Tier 1 Capital	**6.7**	8.7
Total Capital	**10.1**	12.3
Risk Weighted Assets	**112.7**	120.4

Capital ratios	As at 30 June 2010	As at 31 December 2009
	(unaudited)	
Equity Tier 1 Capital (1)	**3.8%**	5.0%
Core Tier 1 Capital	**6.9%**	7.9%
Tier 1 Capital	**6.0%**	7.2%
Total Capital	**9.0%**	10.2%

Note:

(1) Equity Tier 1 Capital excludes the €3.5 billion of Core Tier 1 Capital from the Government.

The Group's capital ratios weakened in the six months ended 30 June 2010 primarily due to the additional €2.3 billion of provisions (€2.1 billion continuing, €0.2 billion discontinued) created in the six months ended 30 June 2010 and the €963 million loss (€956 million continuing, €7 million discontinued) on transfer of the first tranche of assets to NAMA, partly offset by operating profit before provisions in the six months ended 30 June 2010.

Risk Weighted Assets decreased by 6 per cent. reflecting the transfer of €3.3 billion of assets to NAMA and continued deterioration from performing to non performing grades in the property model.

Core Tier 1 Capital was €7.8 billion as at 30 June 2010 compared with €9.5 billion at 31 December 2009 reflected the loss for the period of €1.7 billion.

Tier 1 Capital was €6.7 billion as at 30 June 2010 compared with €8.7 billion as at 31 December 2009 reflecting the loss for the period of €1.7 billion and an increase in the Tier 1 element of the expected loss deduction (€0.3 billion).

Total Capital decreased to €10.1 billion from €12.3 billion as at 31 December 2009 reflecting the aforementioned loss in the period and the increase in the expected loss deduction (€0.5 billion).

1.14. Capital exchange offering

In March 2010, AIB completed the exchange of lower Tier 2 Capital Instruments for equivalent lower Tier 2 Capital qualifying security. See note 7 of the 2010 Half-Yearly Financial Report for further details of the exchange. These transactions resulted in a gain of €372 million, which increased Core Tier 1 Capital with no material effect on Total Capital. In June 2009, the capital exchange offering resulted in a gain of €1,072 million after taxation (€623 million (€580 million after taxation) in the income statement and €538 million (€492 million after taxation) as a movement in equity) on redemption of subordinated liabilities and other capital instruments.

1.15. NAMA

On 6 April 2010, the first tranche of financial instruments (mainly loans and receivables) transferred to NAMA. Of the consideration received, 95 per cent. comprised Government Guaranteed Floating Rate Notes, with the remaining 5 per cent. comprising Floating Rate Perpetual Subordinated Bonds. The consideration received is recorded at fair value within the balance sheet caption "financial investments available for sale". A €963 million loss (€956 million continuing and €7 million discontinued) arose on disposal, due to NAMA acquiring these instruments at a discount to their carrying value. The loss on disposal was recorded within other income.

1.16. Structured securities portfolio (held by AIB Corporate Banking)

The structured securities portfolio consisted of US sub-prime mortgages, CDOs/CLOs and other structured securities. The following summarises the size of each portfolio and the charge taken in the income statement in the six months ended 30 June 2010, year ended 31 December 2009 and six months ended 30 June 2009.

Income statement charge

Portfolio	Six months ended 30 June 2010	Six months ended 30 June 2009	Year ended 31 December 2009	Nominal As at 30 June 2010	As at 30 June 2009	As at 31 December 2009
	(€ million)					
	(unaudited)		(audited)	(unaudited)		(audited)
US sub-prime mortgages..						
- Whole loan format...	**10**	5	8	**96**	104	88
- Securitisations...	**10**	27	60	**178**	171	156
Total US sub-prime..	**20**	32	68	**273**	275	244
CDOs/ CLOs..	**(1)**	20	22	**612**	598	581
Other structured securities...	**14**	19	34	**567**	560	532

The total charge in the six months ended 30 June 2010 for the structured securities portfolio was €33 million compared to €71 million in the six months ended 30 June 2009. The fair value charge to other income was €8 million (€42 million in the six months ended 30 June 2009). There was an impairment provision of €19 million (€15 million in the six months ended 30 June 2009) against the sub-prime assets, €5 million related to a number of under performing assets in other structured securities (€14 million in the six months ended 30 June 2009) and €1 million on CDOs/CLOs.

1.17. AIB originated CDOs

In addition to the above asset portfolios, AIB provides asset management services to third parties regarding CDOs and CBOs.

There have been five vehicles set up since 2001, four of which invest in European sub investment grade leveraged finance assets (CDOs) and one in US high yield bonds (CBOs). A CDO/CBO allows third party investors to make debt and/or equity investments in a vehicle containing a portfolio of leveraged corporate loans and bonds with certain common features. The Group's investment in these vehicles and maximum exposure totalled €27.3 million as at 30 June 2010 (€27.5 million as at 31 December 2009). AIB does not have control over these vehicles nor does it bear the significant risks and rewards that are inherent in the assets. There is no recourse to the Group by third parties in relation to these vehicles. Accordingly, these vehicles are not consolidated in the Group's financial statements and the Group's interests are included within equity shares.

1.18. Funding

In order to aid understanding of balance sheet trends the commentary on the consolidated statement of financial position is on a total AIB Group basis (including discontinued operations) as it is not permitted, under IFRS, to retrospectively re-present the consolidated statement of financial position. The gathering and retention of customer resources remained a key focus of the Group in 2010. As at 30 June 2010 customer resources continued to represent the largest component of the Group's funding at 53 per cent. of total funding, up from 51 per cent. as at 31 December 2009. Customer resources in AIB Bank RoI and Central & Eastern Europe were relatively unchanged over the half-year in a period of difficult market conditions. A reduction in deposits occurred in Capital Markets with an increase in the AIB Bank UK. Overall, in the first half of 2010 customer resources decreased by €1 billion or 1 per cent.

Net customer loans, including loans held for sale to NAMA, decreased by €4 billion or 3 per cent. in the six months ended 30 June 2010. This decrease was due to a combination of deleveraging and the transfer of the first tranche of loans to NAMA. When combined with customer resources this resulted in a Group loan-to-deposit ratio of 143 per cent. down from 146 per cent. at 31 December 2009. The movement of the loan-to-deposit ratio excluding NAMA loans (127 per cent. as at 30 June 2010 compared with 123 per cent. as at 31 December 2009) reflected the reclassification of AIB Bank UK loans previously held for sale to NAMA back to loans and receivables to customers. The reclassification reflects the inclusion of these assets as part of the proposed disposal of AIB's UK business.

Funding market conditions in the six months ended 30 June 2010 were mixed with reasonable liquidity in the markets in the first quarter. The weakness in the markets in the second quarter was principally attributable to the sovereign crisis and contagion risk. AIB Group continued to access funding across its suite of liquidity programmes in 2010, however it experienced elevated pricing and shorter duration in the second quarter. Notwithstanding a one notch credit downgrade by S&P in January 2010, the Group successfully raised €6 billion of unsecured term funding under the ELG Scheme through a series of public and private placements in the first half of the year. Issuances had an average life of over three years and the majority were executed in the first quarter. At 30 June 2010, maturities of greater than one year represented 46 per cent. of wholesale funding (excluding repos and inclusive of subordinated debt), up from 30 per cent. at 31 December 2009. The Group's senior debt funding increased by 3 per cent. as a percentage of total funding between 31 December 2009 and 30 June 2010.

As at 30 June 2010, the Group held €49 billion in Qualifying Liquid Assets and Contingent Funding (including pledged assets) of which approximately €25 billion was pledged. The Group continues to explore and develop contingent collateral and funding facilities to support its funding requirements. Additional NAMA Bonds to be received as consideration for loans transferred to NAMA will further assist in supporting the Group's liquidity position. The Group's liquidity levels continue to represent a surplus over regulatory requirements. While the Group continues to rely on the ELG Scheme, it is working to exit the scheme in a prudent timescale.

Statement of financial position summary	As at 30 June 2010	As at 31 December 2009
Total assets (€ billion)	**169**	174
Loans and receivables to customers (€ billion)	**105**	103
Held for sale assets NAMA (€ billion)	**13**	19
Customer deposits (€ billion)	**83**	84
Wholesale funding (€ billion)	**61**	64
Loan-to-deposit ratio	**127%**	123%
Loan-to-deposit ratio (including assets held for sale to NAMA)	**143%**	146%

Sources of funds	As at 30 June 2010		As at 31 December 2009	
	(€ billion)	(%)	(€ billion)	(%)
Customer accounts	**83**	**53**	84	51
Deposits by banks - secured	**25**	**15**	24	15
- unsecured	**8**	**5**	9	5
Certificates of deposit and commercial paper	**5**	**3**	10	6
Asset covered securities	**3**	**2**	5	3
Senior debt	**20**	**13**	16	10
Capital (1)	**14**	**9**	16	10
Total source of funds	**158**	**100**	164	100
Other (2)	**11**		10	
Total liabilities, shareholders' equity and non-controlling interests	**169**		174	

Note:

(1) Includes total shareholders' equity, subordinated liabilities and other capital instruments.

(2) Non-funding liabilities including derivative financial instruments, other liabilities, retirement benefits and accruals and other deferred income.

1.19. Divisional commentary

The following divisional commentary on results is prepared on a continuing operations basis. Commentary on discontinued operations as at 30 June 2010 is contained in paragraph 1.11 above.

AIB Bank RoI

Retail and Business Banking operations in Ireland, the Channel Islands and the Isle of Man; AIB Finance and Leasing; AIB Card Services; the AIB Wealth Management unit and share of ALH.

AIB Bank RoI income statement	Six months ended 30 June 2010 Total	NAMA loss	Total excluding NAMA loss	Six months ended 30 June 2009 Total
		(€ million) (unaudited)		
Net interest income	**463**	**-**	**463**	706
Other income	**(765)**	**(912)**	**147**	160
Total operating income	**(302)**	**(912)**	**610**	866
Personnel expenses	**285**	**-**	**285**	311
General and administrative expenses	**133**	**-**	**133**	138
Depreciation/ amortisation	**22**	**-**	**22**	23
Total operating expenses	**440**	**-**	**440**	472
Operating (loss)/profit before provisions	**(742)**	**(912)**	**170**	394
Provisions for impairment of loans and receivables	**1,962**	**-**	**1,962**	1,911
Amounts written off financial investments available for sale	**2**	**-**	**2**	-
Total provisions	**1,964**	**-**	**1,964**	1,911
Operating loss	**(2,706)**	**(912)**	**(1,794)**	(1,517)
Associated undertakings	**27**	**-**	**27**	(8)
Profit on disposal of property	**1**	**-**	**1**	2
Loss before taxation	**(2,678)**	**(912)**	**(1,766)**	(1,523)

The six months ended 30 June 2010 were very challenging for Retail Banking in Ireland. Ongoing economic difficulties in Ireland and high unemployment levels, combined with stressed financial markets provided the backdrop to the half-year financial out-turn for AIB Bank RoI.

AIB Bank RoI reported a loss before taxation of €2.7 billion for the six months ended 30 June 2010, driven by provisions for impairment of loans and receivables of €2.0 billion and a loss of €0.9 billion on the transfer of the first tranche of loans to NAMA.

In the six months ended 30 June 2009 the loss was €1.5 billion with provisions for loans and receivables of €1.9 billion.

Operating loss before provisions was €742 million (excluding the loss on transfer of assets to NAMA, the operating profit was €170 million down 57 per cent. versus the comparative period). Total operating loss was €302 million (when the loss of €912 million on transfer of assets to NAMA was excluded, total operating income was €610 million down 30 per cent.). Total operating expenses of €440 million was lower by 7 per cent. compared to the comparative period in 2009.

The main focus during the half-year continued to be on credit management and working closely with customers to steer a path through this particularly difficult phase of the economic cycle. Consumer sentiment in Ireland remained subdued for much of the period with ongoing concerns around job security. AIB is fully committed to supporting customers who are facing financial difficulty and provides a range of supports both for SME and mortgage customers. AIB continues to actively support Irish economic recovery through providing credit facilities to meet the investment and working capital requirements of viable businesses, particularly in the SME sector. In addition, AIB has maintained a strong emphasis on the mortgage market through supporting property purchases, particularly for first-time buyers and home movers.

There was continued progress during the first half-year in re-defining the division's operating mode to reflect the new economic reality and to capitalise on the strength and depth of the AIB distribution channel options available to customers. There was also significant focus on delivering operational efficiencies and lower costs in AIB Bank RoI as Ireland and AIB emerge from this very difficult period.

The 30 per cent. decline in total operating income for AIB Bank RoI, which excludes the loss on transfer of assets to NAMA in the six months ended 30 June 2010, reflected the high cost of sourcing retail and wholesale funding in domestic and international markets, the cost of the Government Guarantee Schemes and subdued customer demand for banking products and services.

Net interest income of €463 million was 34 per cent. lower than June 2009 with net interest margin reducing due to the higher cost of deposits and longer-term wholesale funding, combined with the cost of the ELG Scheme, partially offset by some widening of loan margins. Retail deposits pricing remained intensely competitive throughout the half-year with unsustainable rates of interest persisting. AIB Bank RoI re-priced its lending products, including mortgages, to reflect the higher cost of funding and will continue to keep pricing under review to ensure it maintains a more sustainable long-term economic proposition.

Other income of €147 million, excluding the loss on transfer of assets to NAMA amounting to €912 million, was 8 per cent. lower than the comparative period which reflected reduced levels of customer transaction activity with a consequent adverse impact on fees and other income.

Total customer account balances at June 2010 of €40 billion were at similar levels to December 2009, with lower credit current account balances offset by growth in customer deposits. Gross loans, excluding assets held for sale to NAMA, were 1 per cent. lower than December 2009, reflecting weak demand and some de-leveraging by customers. AIB continued to provide strong support to the residential mortgage market and accounted for 38 per cent. of all mortgage property transactions in the first quarter of 2010. Demand for consumer credit remained low as consumers continued to take a cautious approach to additional debt and in many cases reduced personal debts levels. Demand for business credit, particularly for investment purposes, also remained subdued during the half-year.

Total operating expenses showed a reduction of 7 per cent. reflecting strong cost management. Personnel expenses were 9 per cent. lower on the back of reduced staff numbers (approximately 450 fewer than June 2009) and staff-related costs. General and administrative expenses were down 3 per cent. reflecting very tight management of all discretionary spend areas.

The provision charge for impairment of loans and receivables for the six months ended 30 June 2010 was €2.0 billion and represented a charge of 5.16 per cent. of average customer loans. Of the €2.0 billion total charge, €1.2 billion was associated with loans that are expected to transfer to NAMA in due course. The impairment charge for the six months ended 30 June 2009 was €1.9 billion, which was 4.95 per cent. of average loans.

Share of associated undertakings of €27 million mainly represents AIB's share of ALH with the improved financial out-turn for the six months ended 30 June 2010 primarily due to a stabilisation in business volumes and favourable bond/investment market movements.

Capital Markets

AIB Corporate Banking, Global Treasury and Investment Banking.

	Six months ended 30 June 2010			Six months ended 30 June 2009
Capital Markets income statement	**Total**	**NAMA loss**	**Total excluding NAMA loss**	**Total**
		(€ million) (unaudited)		
Net interest income............	**345**	**-**	**345**	589
Other income............	**61**	**(44)**	**105**	46
Total operating income............	**406**	**(44)**	**450**	635
Personnel expenses............	**116**	**-**	**116**	131

General and administrative expenses	**50**	**-**	**50**	49
Depreciation/ amortisation	**9**	**-**	**9**	8
Total operating expenses	**175**		**175**	188
Operating profit/(loss) before provisions	**231**	**(44)**	**275**	447
Provisions for impairment of loans and receivables	**128**	**-**	**128**	201
Amounts written off financial investments available for sale	**1**	**-**	**1**	22
Total provisions	**129**	**-**	**129**	223
Profit/(loss) before taxation	**102**	**(44)**	**146**	224

Capital Markets profit before taxation of €102 million declined by €122 million or 54 per cent. For the six months ended 30 June 2010 operating profit before provisions of €231 million declined by €216 million or 48 per cent. (€172 million or 38 per cent., excluding the loss on transfer of loans to NAMA). Total operating income was principally impacted by lower cash management income in Wholesale Treasury, higher deposit funding costs and higher costs associated with the Government Guarantee Schemes. While lower average loan volumes also contributed to the reduction in income, higher loan margins and significantly lower mark-to-market write downs than experienced in the six months ended 30 June 2009 combined to offset the negative impacts on operating income.

Total operating expenses fell by €13 million or 7 per cent. which reflected the continued focus on cost realignment across all business units. Personnel expenses fell by €15 million or 11 per cent., principally driven by lower staff numbers and salary related costs, lower variable compensation and lower pension funding costs. General and administrative expenses of €50 million for the six months ended 30 June 2010 were broadly in line with levels for the six months ended 30 June 2009 (€49 million), notwithstanding additional costs associated with the introduction of a new customer loan platform. Notwithstanding the decline in total costs, the cost/income ratio increased from 30 per cent. to 39 per cent. (excluding NAMA loss) due to the impact of reduced income in the period.

Total provisions of €129 million decreased by 42 per cent., which reflected a general easing of credit stresses following on from exceptionally high levels in 2009.

	Six months ended 30 June 2010			**Six months ended 30 June 2009**
Capital Markets business unit profit split	**Total**	**NAMA loss**	**Total excluding NAMA loss**	**Total**
			(€ million) (unaudited)	
AIB Corporate Banking	**(43)**	**(44)**	**1**	5
Global Treasury	**152**	**-**	**152**	214
Investment Banking (1)	**(7)**	**-**	**(7)**	5
Profit before taxation	**102**	**(44)**	**146**	224

Note:

(1) Investment Banking mainly comprises Goodbody Stockbrokers (which AIB announced on 20 September 2010 it would sell to Fexco for approximately €24 million) AIB Investment Managers Limited, Corporate Finance and AIB International Financial Services.

AIB Corporate Banking continued to be significantly impacted by provisions for loan impairments, notwithstanding a reduction in the level of credit provisions from €201 million in June 2009 to €128 million in the six months ended 30 June 2010. This represented a lower impairment charge of 1.14 per cent. of average loans, compared to 1.52 per cent. in June 2009. AIB Corporate Banking incurred a €44 million loss on the transfer of the first tranche of loans to NAMA, mainly in relation to interest rate swap break costs on transfer. Operating profit before provisions fell by 35 per cent. (excluding NAMA loss of €44 million and currency factors of €3 million) on the comparative period, principally impacted by higher funding costs associated with raising customer deposits and higher Government Guarantee Schemes costs. Lower average loan volumes further contributed to the fall in income, due to a combination of increased customer repayments and ongoing management efforts to de-risk the loan portfolio. Offsetting these negative impacts were increased average loan margins, as assets continued to re-price into the second half of 2009, and higher mark-to-market write downs in 2009 which did not recur in 2010. Loan volumes increased by 2 per cent. in the six months ended 30 June 2010 while customer deposits impacted by ongoing concerns relating to sovereign ratings decreased by 3 per cent. Customer deposits were up 23 per cent. compared to June 2009, reflecting the strength and depth of the franchise across markets. The core business continued to perform well across all jurisdictions and overall asset quality remained strong as management continued its focus on constantly monitoring the portfolio and engaging with customers as the Group emerged from a period of unprecedented economic stress.

Global Treasury reported a profit of €152 million in the six months ended 30 June 2010. While profit was down on the comparative period, overall performance should be viewed in the context of an exceptional six months ended 30 June 2009. Profit before taxation decreased by 29 per cent. or €62 million as income returned to more normal levels. While Wholesale Treasury was significantly impacted by lower income from cash management activities, income from strategic interest rate positioning was ahead of 2009 and bond portfolio income remained close to 2009 high levels. Higher funding costs, lower bond income on matured assets and lower amortised income contributed to the fall in income, though this was partially offset by increased income from asset realisations. Customer Treasury profits were up on the comparative period due to increased foreign exchange income in the Irish and UK markets as turnover and margins increased. Provisions for impairments of financial assets available for sale were also down on 2009. Concerns in relation to sovereign ratings led to a year-to-date reduction in Treasury deposits, mainly from NBFIs and international corporates.

Investment Banking loss before taxation of €7 million for the six months ended 30 June 2010 declined relative to the profit of €5 million for the six months ended 30 June 2009.

Investment Banking performance was negatively impacted by lower corporate finance income, lower wealth management income and lower trading income. A number of high value corporate finance transactions executed in early 2009 were not replicated in the six months ended 30 June 2010 while trading income was impacted by the return of more volatile equity markets over the preceding months arising from uncertainty surrounding sovereign debt. Each of the investment banking units continued to realign its cost structures against a challenging background of lower asset values and revenue generation from investment banking products. Total costs decreased, arising from lower staff numbers and ongoing cost control.

Group division

The Group division includes interest rate hedge volatility (hedge ineffectiveness and derivative volatility), unallocated costs of central services and AmCredit.

Group division income statement	**Six months ended 30 June 2010**	**Six months ended 30 June 2009**
	(€ million) (unaudited)	

Net interest income	**43**	(5)
Other income	**238**	679
Total operating income	**281**	674
Personnel expenses	**42**	40
General and administrative expenses	**33**	18
Depreciation/ amortisation	**27**	28
Total operating expenses	**102**	86
Operating profit	**179**	588
Provisions for impairment of loans and receivables	**2**	8
Profit on disposal of property	**36**	10
Construction contract income	**-**	1
Associated undertakings	**-**	1
Profit before taxation	**213**	592

The Group division reported a €213 million profit before taxation for the six months ended 30 June 2010 compared with €592 million for the six months ended 30 June 2009. The result for the six months ended 30 June 2010 included a gain of €372 million on the capital exchange offering completed in March 2010, excluding which the loss was €159 million. The comparative period ended 30 June 2009 included a capital exchange gain of €623 million, excluding which the loss before taxation for the six months ended 30 June 2009 was €31 million. The commentary which follows was prepared excluding these gains.

The trends in net interest income and other income in the Group division were impacted by the reclassification of income between headings in relation to interest rate hedging. Consequently, it is more meaningful to analyse the trend in total operating income. Total operating income decreased from €51 million in the six months ended 30 June 2009 to a loss of €91 million in the six months ended 30 June 2010. This decrease included an increase in the negative impact of interest rate hedge volatility (hedge ineffectiveness and derivative volatility), a decrease of €52 million in the six months ended 30 June 2010 compared with an increase of €14 million in the six months ended 30 June 2009. Total operating income also included hedging losses in relation to foreign currency translation hedging (€2 million loss for the six months ended 30 June 2010 compared to €6 million profit for the six months ended 30 June 2009).

Total operating expenses increased from €86 million in the six months ended 30 June 2009 to €102 million in the six months ended 30 June 2010. Personnel expenses increased from €40 million to €42 million, mainly reflecting the cost of AIB resources to address NAMA transition requirements partially offset by lower pension costs following the retirement benefits amendment in 2009. General and administrative expenses increased from €18 million in the six months ended 30 June 2009 to €33 million in the six months ended 30 June 2010 which reflected professional fees (primarily legal and valuation) incurred in relation to NAMA transfers. Depreciation and amortisation expenses were in line with the six months ended 30 June 2009.

Profit on disposal of property of €36 million in the six months ended 30 June 2010 included profit on sale of 20 branches as part of the sale and leaseback programme.

2. Profile and trends of the non NAMA loan portfolio of the Group's continuing operations

This paragraph 2 sets out information with regard to the loans and receivables to customers for the Group's continuing operations as at 30 June 2010 and 31 December 2009.

Paragraphs 2.1-2.5 reflect the Group's continuing operations as at 30 June 2010 (the last reporting period end date to which AIB is required to have prepared and published financial information), which constituted the businesses AIB expected would continue to operate following the planned disposals. As at 30 June 2010, those businesses were: AIB Bank RoI, Capital Markets and AmCredit, which was historically reported, and is reported in this paragraph 2, within Central & Eastern Europe (AmCredit is likely to be a part of the Group division going forward).

As noted above, the Group's continuing operations as at 30 June 2010 did not include the UK business and, therefore, the commentary in paragraphs 2.1-2.5 do not cover the UK business. As this no longer reflects the Group following the announcement on 19 November 2010 of the Board's decision to halt the current sale process of the UK business and undertake a strategic review of the UK business in the context of reviewing AIB's overall business, and to aid understanding of the Group going forward, information regarding AIB Group (UK) p.l.c.'s loan portfolio as at 30 June 2010 and 31 December 2009 is included in paragraph 2.6 below.

On 30 September 2010, the Minister for Finance announced changes to the NAMA Programme. As a result of this announcement, AIB expected that approximately €4.4 billion of AIB loans previously designated as NAMA Assets will no longer be transferred to NAMA, of which €3.2 billion is attributable to AIB Bank RoI and Capital Markets and reported as held for sale to NAMA as at 30 June 2010, and the remainder is attributable to AIB's UK business.

Because this paragraph 2 discusses information regarding the loans and receivables to customers for the Group's continuing operations as at 30 June 2010, excluding loans held for sale to NAMA at such date, it does not reflect the approximately €3.2 billion of AIB loans that will no longer be transferred to NAMA. However, AIB expected, based on 30 September announcement, such loans would be included in the loan book for the Group's continuing operations going forward.

Furthermore, the position outlined above does not take into account the proposal included in the announcement by the Government on 28 November 2010 that AIB's remaining land and development loans will be eligible for inclusion in the NAMA Programme.

2.1 Gross loans

The following table is an analysis of loans and receivables to customers by sector set out by geographic location and by division as at 30 June 2010. The geographic information in this table has been extracted from note 22 of the 2010 Half-Yearly Financial Report while the divisional information has been extracted from the Company's management records.

	As at 30 June 2010								
	Geographic Location(1)					Division			
	Ireland	United Kingdom	United States	Rest of the world	Total	AIB Bank RoI	Capital Markets	Central & Eastern Europe	Total
					(€ million) (unaudited)				
Agriculture	2,013	-	3	-	**2,016**	1,862	154	-	**2,016**
Energy	879	321	239	144	**1,583**	112	1,471	-	**1,583**
Manufacturing	2,883	604	125	243	**3,855**	833	3,022	-	**3,855**
Construction and property	16,018	1,151	770	620	**18,559**	12,839	5,720	-	**18,559**
Distribution	8,171	838	150	72	**9,231**	5,635	3,596	-	**9,231**
Transport	898	696	77	-	**1,671**	377	1,294	-	**1,671**
Financial	1,585	354	71	-	**2,010**	145	1,865	-	**2,010**
Other services	4,746	1,210	919	103	**6,978**	2,628	4,350	-	**6,978**
Personal									
Home mortgages	27,975	72	-	82	**28,129**	27,127	920	82	**28,129**
Other	5,803	37	-	-	**5,840**	5,754	86	-	**5,840**
Lease financing	838	37	-	-	**875**	612	263	-	**875**
	71,809	5,320	2,354	1,264	**80,747**	57,924	22,741	82	**80,747**
Unearned income	(124)	(19)	(8)	(1)	**(152)**	(81)	(71)	-	**(152)**
Provisions	(2,792)	(147)	(20)	(28)	**(2,987)**	(2,588)	(383)	(16)	**(2,987)**
Total	**68,893**	**5,154**	**2,326**	**1,235**	**77,608**	**55,255**	**22,287**	**66**	**77,608**

Note:
(1) The geographic location attributable to the loan is that of the location of the AIB office recording the transaction.

The following table is an analysis of loans and receivables to customers by sector set out by geographic location and by division as at 31 December 2009. This information has been extracted from the Company's management records.

	As at 31 December 2009								
	Geographic Location(1)					Division			
	Ireland	United Kingdom	United States	Rest of the world	Total	AIB Bank RoI	Capital Markets	Central & Eastern Europe	Total
					(€ million) (unaudited)				
Agriculture	2,016	41	3	-	**2,060**	1,871	189	-	**2,060**
Energy	844	283	435	23	**1,585**	88	1,497	-	**1,585**
Manufacturing	3,108	581	161	206	**4,056**	823	3,233	-	**4,056**
Construction and property	16,099	978	904	441	**18,422**	12,843	5,579	-	**18,422**
Distribution	8,227	820	176	58	**9,281**	5,577	3,704	-	**9,281**
Transport	979	492	69	43	**1,583**	403	1,180	-	**1,583**

Financial	1,404	359	54	22	**1,839**	151	1,688	-	**1,839**
Other services	4,702	1,056	724	213	**6,695**	2,795	3,900	-	**6,695**
Personal									
Home mortgages	27,817	59	-	90	**27,966**	27,003	873	90	**27,966**
Other	6,252	41	-	-	**6,293**	6,045	248	-	**6,293**
Lease financing	923	28	-	-	**951**	682	269	-	**951**
	72,371	**4,738**	**2,526**	**1,096**	**80,731**	**58,281**	**22,360**	**90**	**80,731**
Unearned income	(123)	-	(8)	(2)	**(133)**	(90)	(43)	-	**(133)**
Provisions	(2,116)	(118)	(8)	(30)	**(2,272)**	(1,934)	(319)	(19)	**(2,272)**
Total	**70,132**	**4,620**	**2,510**	**1,064**	**78,326**	**56,257**	**21,998**	**71**	**78,326**

Note:
(1) The geographic location attributable to the loan is that of the location of the AIB office recording the transaction.

Gross loans for the Group remained at similar levels for both period ends.

2.2 Construction and property

The following table further analyses the exposure by division and portfolio sub-sector for the construction and property loans as at 30 June 2010. The information in the table has been extracted from note 22 of the 2010 Half-Yearly Financial Report.

	As at 30 June 2010			
	AIB Bank RoI	Capital Markets	Central & Eastern Europe	Total(1)
	(€ million) (unaudited)			
Investment				
Commercial investment	7,117	4,822	-	**11,939**
Residential investment	1,653	544	-	**2,197**
	8,770	**5,366**	**-**	**14,136**
Development				
Commercial development	1,167	156	-	**1,323**
Residential development	2,297	165	-	**2,462**
	3,464	**321**	**-**	**3,785**
Contractors	605	33	-	**638**
Total	**12,839**	**5,720**	**-**	**18,559**

The following table further analyses the exposure by division and portfolio sub-sector for the construction and property loans as at 31 December 2009. The information for AIB Bank RoI and Capital Markets included in the table below has been extracted from a table in note 23 of the 2009 Annual Financial Report. The table has been modified to exclude discontinued operations.

	As at 31 December 2009			
	AIB Bank RoI	Capital Markets	Central & Eastern Europe	Total(1)
	(€ million) (unaudited)			
Investment				
Commercial investment	7,064	4,607	-	**11,671**
Residential investment	1,610	525	-	**2,135**
	8,674	**5,132**	**-**	**13,806**
Development				
Commercial development	1,138	228	-	**1,366**
Residential development	2,364	184	-	**2,548**
	3,502	**412**	**-**	**3,914**
Contractors	667	35	-	**702**
Total	**12,843**	**5,579**	**-**	**18,422**

Note:
(1) Certain customer relationships span the portfolio sub-sectors and accordingly an element of management estimation has been applied in this sub categorisation.

Loans for property investment comprised loans for investment in commercial, retail, office and residential property (the majority of these loans were underpinned by cash flows from lessees as well as the investment property collateral). Commercial investment by its nature has a strong element of tenant risk.

Further, within its property investment exposures AIB Bank RoI's commercial investment exposure of €7,117 million as at 30 June 2010 was spread across the following property types: 39 per cent. retail; 27 per cent. office; 8 per cent. industrial; and 26 per cent. mixed. The €4,822 million of commercial investment exposure in Capital Markets was spread across the following property types: 26 per cent. retail; 47 per cent. office; 3 per cent. industrial; and 24 per cent. mixed. AIB Bank RoI and Capital Markets's commercial investment exposure as at

31 December 2009 was broadly in line with the foregoing.

Construction and property loans for the Group remained at similar levels for both period ends.

2.3 Criticised loans by division

The following tables show the criticised loans by division, as at 30 June 2010 and as at 31 December 2009, which include watch, vulnerable and impaired loans, as defined in paragraph 1.8 above. The information for AIB Bank RoI and Capital Markets included in the tables below has been extracted from tables included in paragraph 1.8 above. However, these tables have been modified to exclude discontinued operations. The information for Central & Eastern Europe reflects the criticised loans for AmCredit and is extracted from the Company's management records.

	As at 30 June 2010				
	Watch loans	Vulnerable loans	Impaired loans	Total criticised loans	% of total divisional non NAMA gross loans
			(€ million) (unaudited)		
AIB Bank RoI	6,143	4,838	5,899	16,880	29.1
Capital Markets	339	359	644	1,342	5.9
Central & Eastern Europe	-	4	36	40	49.0
	6,482	5,201	6,579	18,262	22.6

	As at 31 December 2009				
	Watch loans	Vulnerable loans	Impaired loans	Total criticised loans	% of total divisional non NAMA gross loans
			(€ million) (unaudited)		
AIB Bank RoI	6,230	3,418	4,506	14,154	24.2
Capital Markets	241	411	559	1,211	5.4
Central & Eastern Europe	-	5	42	47	52.2
	6,471	3,834	5,107	15,412	19.1

AIB Bank RoI's criticised loans increased by €2.7 billion as at 30 June 2010, from €14.2 billion as at 31 December 2009, largely in the vulnerable and impaired categories with the main sectors impacted being the property investment, retail/wholesale, other services and personal sectors. Property sector loans accounted for 40 per cent. of the divisional criticised loans. The level of arrears in residential mortgages, which impacts the level of criticised loans, was 3.21 per cent. of the AIB Bank RoI book for 90+ days past due. Arrears on the buy-to-let portion of the AIB Bank RoI book were 5.92 per cent. compared to 2.12 per cent. for owner occupied mortgages. See page 31 of the 2009 Annual Financial Report for further information.

Capital Markets's criticised loans increased marginally during the six months ended 30 June 2010 by €0.1 billion compared to the position at 31 December 2009.

2.4 Impaired loans

The following table is an analysis of the impaired loans by sector set out by geographic location and by division of the Group's continuing operations as at 30 June 2010. The geographic location information in this table has been extracted from note 22 of the 2010 Half-Yearly Financial Report, while the divisional information has been extracted from the Company's management records.

	As at 30 June 2010								
	Geographic Location(1)					Division			
	Ireland	United Kingdom	United States	Rest of the world	Total	AIB Bank RoI	Capital Markets	Central & Eastern Europe	Total
					(€ million) (unaudited)				
Agriculture	133	-	-	-	**133**	133	-	-	**133**
Energy	6	-	-	-	**6**	4	2	-	**6**

	Ireland	United Kingdom	United States	Rest of the world	Total	AIB Bank RoI	Capital Markets	Central & Eastern Europe	Total
Manufacturing	178	-	6	19	**203**	101	102	-	**203**
Construction and property	2,917	55	31	-	**3,003**	2,836	167	-	**3,003**
Distribution	1,112	50	24	6	**1,192**	1,112	80	-	**1,192**
Transport	45	10	14	-	**69**	45	24	-	**69**
Financial	64	79	-	-	**143**	9	134	-	**143**
Other services	332	31	-	-	**363**	262	101	-	**363**
Personal									
Home mortgages	632	-	-	36	**668**	608	24	36	**668**
Other	672	-	-	-	**672**	662	10	-	**672**
Leasing financing	127	-	-	-	**127**	127	-	-	**127**
	6,218	225	75	61	**6,579**	5,899	644	36	**6,579**

Note:
(1) The geographic location attributed to the loan is that of the location of the AIB office recording the transaction.

The following table is an analysis of the impaired loans by sector set out by geographic location and by division of the Group's continuing operations as at 31 December 2009. The information has been extracted from the Company's management records.

	As at 31 December 2009								
	Geographic Location(1)					Division			
	Ireland	United Kingdom	United States	Rest of the world	Total	AIB Bank RoI	Capital Markets	Central & Eastern Europe	Total
					(€ million) (unaudited)				
Agriculture	105	-	-	-	**105**	105	-	-	**105**
Energy	11	-	-	-	**11**	4	7	-	**11**
Manufacturing	133	14	11	19	**177**	49	128	-	**177**
Construction and property	2,276	51	8	-	**2,335**	2,171	164	-	**2,335**
Distribution	847	35	-	7	**889**	847	42	-	**889**
Transport	34	-	-	-	**34**	34	-	-	**34**
Financial	70	66	-	-	**136**	9	127	-	**136**
Other services	206	23	23	-	**252**	186	66	-	**252**
Personal									
Home mortgages	475	-	-	42	**517**	459	16	42	**517**
Other	555	-	-	-	**555**	546	9	-	**555**
Leasing financing	96	-	-	-	**96**	96	-	-	**96**
	4,808	189	42	68	**5,107**	4,506	559	42	**5,107**

Note:
(1) The geographic location attributed to the loan is that of the location of the AIB office recording the transaction.

Impaired loans for the Group as at 30 June 2010 increased as compared to 31 December 2009 due to increases in AIB Bank RoI primarily in the construction and property sector.

2.5 Provision for impairment

The following table sets out the provision for impairment of loans and receivables to customers by geographic location, industry sector and division of the Group's continuing operations as at 30 June 2010. The geographic location information in this table has been extracted from note 23 of the 2010 Half-Yearly Financial Report, while the divisional information has been extracted from the Company's management records.

	As at 30 June 2010								
	Geographic Location(1)					Division			
	Republic of Ireland	United Kingdom	United States of America	Rest of the World	Total	AIB Bank RoI	Capital Markets	Central & Eastern Europe division	Total
					(€ million) (unaudited)				
Agriculture	62	-	-	-	**62**	62	-	-	**62**
Energy	4	-	-	-	**4**	2	2	-	**4**
Manufacturing	83	-	2	7	**92**	53	39	-	**92**
Construction and property	839	49	10	-	**898**	788	110	-	**898**
Distribution	421	36	2	5	**464**	420	44	-	**464**
Transport	27	9	4	-	**40**	27	13	-	**40**
Financial	36	33	-	-	**69**	4	65	-	**69**
Other services	140	20	-	-	**160**	125	35	-	**160**
Personal									
Home mortgages	122	-	-	10	**132**	106	16	10	**132**
Other	407	-	-	-	**407**	398	9	-	**407**

Leasing financing	93	-	-	-	**93**	93	-	-	**93**
Specific	**2,234**	**147**	**18**	**22**	**2,421**	**2,078**	**333**	**10**	**2,421**
IBNR	**558**	**-**	**2**	**6**	**566**	**510**	**50**	**6**	**566**
Total	**2,792**	**147**	**20**	**28**	**2,987**	**2,588**	**383**	**16**	**2,987**

Note:

(1) The geographic location attributed to the loan is that of the location of the AIB office recording the transaction.

The following table sets out the provision for impairment of loans and receivables to customers by geographic location, by industry sector and by division of the Group's continuing operations as at 31 December 2009. The information has been extracted from AIB's management records.

	As at 31 December 2009								
	Geographic Location(1)					Division			
	Republic of Ireland	United Kingdom	United States of America	Rest of the World	Total	AIB Bank RoI	Capital Markets	Central & Eastern Europe division	Total
					(€ million) (unaudited)				
Agriculture	44	-	-	-	**44**	44	-	-	**44**
Energy	4	-	-	-	**4**	1	3	-	**4**
Manufacturing	58	11	-	6	**75**	29	46	-	**75**
Construction and property	557	45	2	-	**604**	516	88	-	**604**
Distribution	286	22	-	5	**313**	286	27	-	**313**
Transport	20	-	-	-	**20**	20	-	-	**20**
Financial	48	23	-	-	**71**	4	67	-	**71**
Other services	90	17	4	-	**111**	84	27	-	**111**
Personal									
Home mortgages	81	-	-	13	**94**	75	6	13	**94**
Other	303	-	-	-	**303**	298	5	-	**303**
Leasing financing	67	-	-	-	**67**	67	-	-	**67**
Specific	**1,558**	**118**	**6**	**24**	**1,706**	**1,424**	**269**	**13**	**1,706**
IBNR	**558**	**-**	**2**	**6**	**566**	**510**	**50**	**6**	**566**
Total	**2,116**	**118**	**8**	**30**	**2,272**	**1,934**	**319**	**19**	**2,272**

Note:

(1) The geographic location attributed to the loan is that of the location of the AIB office recording the transaction.

Provisions for impairment of loans for the Group as at 30 June 2010 increased as compared to 31 December 2009 due to increases in AIB Bank RoI primarily in the construction and property sector.

2.6 AIB Group (UK) p.l.c.

This section sets out information with regard to loan and receivables to customers for AIB Group (UK) p.l.c., as at 30 June 2010 and 31 December 2009. This information relates solely to AIB Group (UK) p.l.c., located exclusively in the United Kingdom. The information as at 30 June 2010 has been extracted from the 2010 Half-Yearly Financial Report and the information as at 31 December 2009 has been extracted from the Company's management records. The tables below do not include loans which were classified as held for sale to NAMA as at 30 June 2010 or 31 December 2009, as the case may be.

In light of this, it should be noted that €3.2 billion of NAMA Assets (classified by AIB as held for sale to NAMA as at 31 December 2009) were classified as loans and receivables to customers as at 30 June 2010, as these assets were expected to be sold in the planned sale of the UK business. Therefore, the information included in the tables below relating to 30 June 2010 includes these NAMA Assets.

On 30 September 2010, the Minister for Finance announced changes to the NAMA Programme. As a result of this announcement, AIB expects that only approximately €2.0 billion of AIB Group (UK) p.l.c.'s €3.2 billion of loans reported as loans and receivables to customers as at 30 June 2010 will now be transferred to NAMA.

This paragraph 2.6 discusses information regarding the loans and receivables to customers for AIB Group (UK) p.l.c. as at 30 June 2010 and therefore includes approximately €2.0 billion of AIB Group (UK) p.l.c. loans that will now be transferred to NAMA. AIB expected, based on 30 September announcement, such loans would not be included in the loan book for AIB's UK business operations going forward.

Furthermore, the position outlined above does not take into account the proposal included in the announcement by the Government on 28 November 2010 that AIB's remaining land and development loans will be eligible for inclusion in the NAMA Programme.

	Gross Loans		Impaired Loans		Provisions	
AIB Group (UK), p.l.c.	As at 30 June 2010	As at 31 December 2009	As at 30 June 2010	As at 31 December 2009	As at 30 June 2010	As at 31 December 2009
				(€ million) (unaudited)		
Agriculture	77	79	4	4	2	1
Energy	6	9	-	2	-	-
Manufacturing	523	612	68	52	21	18
Construction and property	8,886	6,090	1,585	398	478	133
Distribution	1,932	1,819	134	194	63	66
Transport	111	109	2	2	2	2
Financial	331	337	20	19	14	12
Other services	3,973	3,880	173	145	59	44
Personal						
Home mortgages	3,796	3,576	89	56	24	16
Other	837	820	51	40	33	24

Lease financing..	18	20	-	-	-	-
Specific Provisions..					696	316
IBNR..					142	121
Total..	20,490	17,351	2,126	912	838	437
Less:						
Unearned income..	51	86				
Provisions..	838	437				
Loans and receivables to customers..	19,601	16,828				

As at 30 June 2010, AIB Group (UK) p.l.c.'s financial assets held for sale to NAMA were €0.4 billion, compared to €3.2 billion as at 31 December 2009.

AIB Group (UK) p.l.c.'s impaired loans and provisions on these financial assets held for sale to NAMA were each €0.02 billion as at 30 June 2010, compared to €0.8 billion and €0.2 billion respectively as at 31 December 2009.

Taking the change in the classification of €3.2 billion of assets between the two periods into account, the level of gross loans has remained flat, while there has been an increase in the overall level of impaired loans with a corresponding increase in provisions.

The following tables show the criticised loans, excluding any loans classified as held for sale to NAMA, of AIB Group (UK) p.l.c. as at 30 June 2010 and as at 31 December 2009, which include watch, vulnerable and impaired loans, as defined in paragraph 1.8 above.

	As at 30 June 2010				
Criticised loans	**Watch loans**	**Vulnerable loans**	**Impaired loans**	**Total criticised loans**	**% of total non NAMA gross loans**
			(€ million) (unaudited)		
AIB Group (UK) p.l.c.	2,812	2,800	2,126	7,738	38.0

	As at 31 December 2009				
Criticised loans	**Watch loans**	**Vulnerable loans**	**Impaired loans**	**Total criticised loans**	**% of total non NAMA gross loans**
			(€ million) (unaudited)		
AIB Group (UK) p.l.c.	1,892	1,878	912	4,682	27.3

AIB Group (UK) p.l.c.'s non NAMA criticised loans were €7.7 billion as at 30 June 2010, compared with €4.7 billion as at 31 December 2009. €2.2 billion of this increase related to the re-classification of loans held for sale to NAMA into loans and receivables to customers. In addition, underlying criticised loans increased by €0.8 billion, of which 54 per cent. related to currency movements.

3. Additional Information

Additional key information on AIB's financial condition and operating results for the years ended 31 December 2009, 2008 and 2007 can be found on the following pages of its 2009 Annual Financial Report:

Pages 51-62

A review of AIB's risk management practices can be found on the following pages of its 2009 Annual Financial Report:

Pages 63-99

A2: CAPITAL RESOURCES

AIB's policy is to maintain adequate capital resources at all times, having regard to the nature and scale of its business and the risks inherent in its operations. The Group is focused on managing its balance sheet efficiently.

The Board reviews and approves the Group's capital plan on an annual basis. The capital plan identifies the amount and type of capital that the Group requires to support its business strategy and to comply with regulatory requirements, taking into account the results of stress testing in order to arrive at and maintain the Group's desired capital profile. Stress testing, in the context of capital planning, is a technique used to evaluate the potential effect on an institution's capital adequacy of a specific event or movement in a set of economic variables, and focuses on exceptional but plausible events. This means that the Group's capital requirement can increase significantly during an economic stress despite a decrease in nominal exposures.

The Group manages its capital resources through an Internal Capital Adequacy Assessment Process known as "ICAAP". The overarching principle of ICAAP is the explicit link between capital and risk, and in the application of this approach the adequacy of the Group's capital is assessed on the basis of the risks to which it is exposed. This requires a clear assessment of the material risk profile of the Group, and a consideration of the extent to which identified risks, both individually and in aggregate, require capital to support them. In addition, the level of capital held by the Group is influenced by its target debt rating and minimum regulatory requirements. In order to assist in the management of capital, AIB also assesses both market and internal opportunities that may generate or strengthen the Group's capital position.

AIB's principal sources of capital comprise ordinary shareholders' funds and preference share capital. These sources of capital are supplemented by non-Core Tier 1 Capital Instruments and Tier 2 Capital Instruments.

The following table outlines the Group's capital and key capital ratios as at 30 June 2010 and 31 December 2009. The information contained in this table is extracted from the unaudited 2010 Half-Yearly Financial Report and the 2009 Annual Financial Report.

Capital adequacy information

Capital adequacy information	As at 30 June 2010	As at 31 December 2009
	(€ million)	
Core Tier 1 Capital		
Paid up share capital	392	329
Eligible reserves	8,404	9,952
Equity non-controlling interests in subsidiaries	447	437
Supervisory deductions from Core Tier 1 Capital	(1,478)	(1,187)
Core Tier 1 Capital (after deductions)	**7,765**	**9,531**
Non-Core Tier 1 Capital		
Non-equity non-controlling interests in subsidiaries	189	189
Non-cumulative perpetual preferred securities	140	136
RCI Securities	239	239
Non-core Tier 1 Capital (before deductions)	568	564
Supervisory deductions from total Tier 1	(1,593)	(1,425)
Total Tier 1 Capital (after deductions)	**6,740**	**8,670**

Capital adequacy information

	As at 30 June 2010	As at 31 December 2009
	(€ million)	
Upper Tier 2 Capital		
Eligible reserves	228	239
Credit provisions	553	510
Subordinated perpetual loan capital	207	189
Upper Tier 2 - sub-total	**988**	**938**
Subordinated term loan capital	4,085	4,261
Total Tier 2 before deductions	**5,073**	**5,199**
Supervisory deductions from Tier 2	(1,593)	(1,425)
Total Tier 2 after deductions	**3,480**	**3,774**

Capital adequacy information

	As at 30 June 2010	As at 31 December 2009
	(€ million)	
Total eligible capital		
Equity Tier 1 Capital (1)	4,265	6,031
Tier 1 Capital	6,740	8,670
Tier 2 Capital	3,480	3,774
Supervisory deductions from Total Capital	(120)	(129)
Total Capital	**10,100**	**12,315**
Risk-weighted assets	**112,679**	**120,380**
Key capital ratios		
Equity Tier 1 Capital Ratio	3.8%	5.0%
Core Tier 1 Capital Ratio	6.9%	7.9%
Tier 1 Capital Ratio	6.0%	7.2%
Total Capital Ratio	9.0%	10.2%

Notes:

(1) Excludes the €3.5 billion of Core Tier 1 Capital 2009 Preference Shares issued to the NPRFC from the Core Tier 1 Capital.
(2) AIB has subsequently been requested by the Central Bank of Ireland to discontinue the use of the Internal Rating Based Foundation approach in relation to its commercial property portfolio in its calculation of Risk Weighted Assets. This portfolio is now calculated on a standardised basis from August 2010. This change had a positive impact on the Total Capital Ratio while it had a small negative effect on the Equity Tier 1 Capital Ratio.

AIB is subject to the regulatory capital and the capital adequacy requirements set by the Central Bank of Ireland. The Central Bank of Ireland follows the provisions of the Capital Requirements Directive (comprising Directive 2006/48/EC and Directive 2006/49/EC) by applying a risk asset ratio framework to the measurement of capital adequacy. The adequacy of the Group's capital is assessed by comparing available regulatory capital resources with capital requirements expressed relative to Risk Weighted Assets. The internationally agreed minimum Total Capital Ratio of 8 per cent. is the base standard from which the Central Bank of Ireland had historically set the individual minimum capital ratio for banks within its jurisdiction. The minimum Tier 1 Capital Ratio historically set by the Central Bank of Ireland was 4.0 per cent.

Up to 30 November 2010 the AIB Group had at all times been in compliance with the minimum Tier 1 Capital Ratio and the Total Capital Ratio set by the Central Bank of Ireland. As at 30 June 2010, the Group had an Equity Tier 1 Capital Ratio of 3.8 per cent., a Core Tier 1 Capital Ratio of 6.9 per cent., a Tier 1 Capital Ratio of 6.0 per cent. and a Total Capital Ratio of 9.0 per cent. However, the impact of the NAMA transfers in particular since 30 June 2010 has significantly eroded capital. On 23 December 2010, AIB received notice that the High Court had issued a Direction Order under the Act directing AIB to issue immediately approximately €3.8 billion of new equity capital to the NPRFC. This additional equity will ensure that AIB meets the regulatory capital requirements of the Central Bank of Ireland of 4 per cent. Core Tier 1 Capital and a Total Capital Ratio of 8 per cent., each as at 31 December 2010.

Prudential Capital Assessment Review ("PCAR")

On 30 March 2010, the Financial Regulator announced the results of the PCAR of certain Irish credit institutions in the CIFS Scheme. The Financial Regulator's PCAR methodology assessed the capital requirements of AIB and certain other Irish financial institutions in the context of expected base and potential stressed losses, and other financial developments, over a three-year time horizon from 2010 to 2012. The original PCAR concluded that, in common with certain other Irish credit institutions, the target Equity Tier 1 Capital Ratio for AIB would be 7 per cent. and its target Core Tier 1 Capital Ratio would be 8 per cent. Based on the approach adopted under the PCAR review outlined above, the Financial Regulator determined on 30 March 2010 that AIB was required to generate the equivalent of €7.4 billion of equity capital and the equivalent of €4.9 billion of Core Tier 1 Capital.

On 30 September 2010, the Financial Regulator updated its assessment of AIB's capital requirement and increased the amount of equivalent equity capital required under the PCAR from €7.4 billion to €10.4 billion. The increased PCAR requirement for AIB has been set following an assessment by the Financial Regulator after consultation with NAMA, of AIB's potential losses on AIB's NAMA Assets and must be met by 31 December 2010.

On 28 November 2010, the Central Bank of Ireland set a new minimum capital requirement for AIB of 10.5% Core Tier 1 Capital. In addition the Central Bank required AIB to raise sufficient capital to achieve a Core Tier 1 Capital Ratio of at least 12% by 28 February 2011, and stated that this additional capital is to be in the form of equity. Taking account of the impact of the additional NAMA transfers announced on 28 November 2010 and the revised target Core Tier 1 Capital Ratio of 12%, the additional capital required by AIB as determined by the Central Bank amounted to €5.265 billion, resulting in the total Core Tier 1 Capital to be raised being estimated by the Central Bank at being approximately €9.8 billion.

This €9.8 billion figure is comprised of: a) the Core Tier 1 Capital requirement of €4.9 billion announced on 30 March; b) the additional Core Tier 1 Capital requirement of €3.0 billion announced on 30 September; c) the additional Core Tier 1 Capital requirement of €5.3 billion announced on 28 November 2010; and d) the Core Tier 1 Capital benefit of €0.9 billion following the completion of the M&T Disposal and the expected Core Tier 1 Capital benefit of €2.5 billion assuming completion of the BZWBK Disposal.

Capital Raising Initiatives

On 30 March 2010, following publication of the original PCAR, AIB announced a series of capital-raising initiatives to generate the necessary capital to meet the € 7.4 billion equivalent equity capital requirement determined by the Financial Regulator under the original PCAR. These initiatives included plans to sell the M&T Shareholding, as well as AIB's shareholding in BZWBK and its UK business,. On 10 September 2010, AIB announced that (through AIB EIL and AIB Capital Markets p.l.c.) it had conditionally agreed to sell its shareholding in BZWBK and BZWBK AIB Asset Management to Banco Santander S.A. for a total cash consideration of €3.1 billion subject to the terms and conditions of the Share Purchase Agreement. This transaction is expected to generate equivalent Equity Tier 1 Capital of approximately €2.5 billion. On 20 September 2010, AIB announced that it had conditionally agreed to sell its entire shareholding in Goodbody Holdings Limited and associated companies, including Goodbody Stockbrokers, to Fexco Holdings Limited for a cash consideration of approximately €24 million. On 30 September 2010, the Financial Regulator updated its assessment of AIB's capital requirement and increased the amount of the equivalent equity capital required under the PCAR from €7.4 billion to €10.4 billion. On the same date, AIB announced that it expected to meet the increased PCAR requirement by way of an equity capital raising of €5.4 billion and by previously announced planned disposals. On 4 November 2010, AIB completed the M&T Disposal for net proceeds of €1.5 billion and equivalent Equity Tier 1 Capital of approximately €0.9 billion.

In light of the continuing challenging market conditions, the Board of AIB decided to halt the sale process of its UK business and undertake a strategic review of this business in the context of reviewing AIB's overall business. As a result, AIB announced on 19 November 2010 that it had increased the size of its planned capital raising from €5.4 billion to €6.6 billion.

On 30 November 2010, further to the Central Bank's announcement on 28 November 2010 that the estimated total Core Tier 1 Capital to be raised by AIB was €9.8 billion, AIB confirmed that the Irish state would subscribe for the incremental capital requirement that AIB does not raise from other sources.

Pursuant to the Transaction, AIB will receive net proceeds of approximately €3.7 billion and will be required to generate a further approximately €6.1 billion of equity capital in order to meet its revised PCAR equity capital requirement of €9.765 billion. AIB is considering a number of options to fulfil this requirement prior to 28 February 2011, including the possibility of issuing further new shares to the NPRFC or undertaking liability management exercises in relation to its subordinated debt. AIB anticipates that the NPRFC's shareholding in AIB will increase prior to 28 February 2011 but is not yet in a position to know the final shareholding of the NPRFC.

Basel III Proposals

The Basel III proposals, which have been revised since they were first introduced in December 2009, set out a fundamental rewriting of certain aspects of the regulatory capital framework. Overall, they introduce tougher and increased requirements to improve both the quality and quantity of capital and liquidity buffers which must be held by a firm; propose new capital buffer requirements to address procyclicality issues (so that banks would be encouraged to build up capital buffers in good times); require a strengthening of capital requirements for accounting for certain activities such as derivatives and impose a non-risk-based limit on a firm's balance sheet by reference to capital held. The new and higher levels for capital ratios announced provided: (a) that the common equity element of Tier 1 Capital, broadly shares and retained earnings would ultimately be raised from 2 per cent. to 4.5 per cent. by January 2015; (b) the originally proposed capital conservation buffer would be made up solely of common equity after deductions and be introduced in increments over the period from 2016 to 2019 when it would reach 2.5 per cent.; (c) Tier 1 Capital would be increased from 4 per cent. to

6 per cent. by January 2015; and (d) Total Capital would remain at 8 per cent. before the application of the capital conservation buffer. Though the Basel III proposals are not finalised and certain elements will be subject to observation and modification during trial periods at a later date, they were approved by the G20 at its November 2010 summit. Latest announcements confirm that the Basel III proposals will be subject to staggered implementation with different elements coming into force at various times over the period 1 January 2013 to 1 January 2019.

The impact of the Basel III proposals (amongst other things) requires banks to hold a minimum equity capital ratio of 7 per cent. of Risk Weighted Assets, which is broadly in line with the target capital ratios announced by the Financial Regulator in the context of the original PCAR on 30 March 2010. The detailed impact of the new Basel III proposals for the Continuing Group is not clear because certain elements of the package have not been finalised, including the transitional and grandfathering arrangements. Once the finalised proposals are assessed against the Continuing Group's particular balance sheet and business strategy, changes may need to be made to the Continuing Group's capital structure and/or its asset base which may adversely impact its profitability and results of operations.

A3 LIQUIDITY

3.1 Liquidity management and funding strategy

The objective of the Group's liquidity management policy is to ensure that it can at all times meet its obligations as they fall due at an economic price. The Group's funding strategy is designed to anticipate funding requirements, based upon actual and projected balance sheet movements.

This liquidity management policy and funding strategy is implemented through active monitoring of AIB's liability maturity profile, and by maintaining a stock of high-quality liquid assets, at a level considered sufficient to meet the withdrawal of deposits and to cover calls on commitments, in both normal and a range of abnormal trading conditions. In all cases, net cash outflows are monitored on a daily basis. This high-quality liquid asset base has increasingly been accessed in the current abnormal trading conditions.

In accordance with internal policies, AIB actively manages the risks arising from the mismatch of assets and liabilities across its balance sheet by ensuring that it maintains a balanced spread of repayment obligations with a focus on zero to eight-day and nine-day to one-month time periods, which accords with the Central Bank of Ireland's own requirements.

Sources of Funds

	31 October 2010		**30 June 2010**		**31 December 2009**	
Bank deposits - Unsecured	4.8	3%	8.3	5%	9.0	5%
Bank deposits - Secured	39.6	27%	24.5	15%	24.3	15%
Total deposits by banks	**44.4**	**30%**	**32.8**	**20%**	**33.3**	**20%**
Commercial certificates of deposit	0.7	0%	1.7	1%	5.4	3%
European medium-term note programme	12.1	8%	20.1	13%	15.6	10%
Bonds and other medium-term notes	2.8	2%	2.8	2%	4.7	3%
Commercial paper	1.6	1%	3.4	2%	5.0	3%
Total debt securities in issue	**17.2**	**12%**	**28.0**	**18%**	**30.7**	**19%**
Total wholesale funding	**61.6**	**42%**	**60.8**	**38%**	**64.0**	**39%**
Subordinated debt	4.4	3%	4.5	3%	4.6	3%
Total wholesale funding including subordinated debt	**66.0**	**45%**	**65.3**	**41%**	**68.6**	**42%**
Customer accounts	**73.7**	**50%**	**82.9**	**53%**	**84.0**	**51%**
Total shareholders' equity including non-controlling interests	**7.7**	**5%**	**9.5**	**6%**	**11.3**	**7%**
Total Group Funding	**147.4**	**100%**	**157.7**	**100%**	**163.9**	**100%**

Residual Maturity Funding Analysis
- Excluding secured bank deposits

Less than one year	9.4	35%	21.9	54%	31.1	70%
One to two years	4.7	18%	5.4	13%	1.7	4%
Two to five years	6.3	24%	7.4	18%	5.2	12%
More than five years	6.0	23%	6.0	15%	6.3	14%
Total wholesale funding, excluding secured bank deposits	**26.4**	**100%**	**40.7**	**100%**	**44.3**	**100%**

AIB has sought to maintain a diversified funding base across all segments of the markets in which it operates, while focusing on minimising concentration in any single source of funding and maintaining a balance between short-term and long-term funding sources. This diversification has become increasingly challenging given current market conditions. The Group analyses the structure of its wholesale term funding and the stability of its customer deposit base. Although down by approximately €13 billion from the beginning of 2010 to the close of business on 16 November 2010, customer accounts remain the largest source of funding, comprising 50 per cent. of the Group's overall funding at the end of October 2010. This deposit base has historically shown a high degree of stability. However, notwithstanding the support of the ELG Scheme, significant outflows were experienced in the third and fourth quarters of 2010. These outflows were principally experienced in the ratings sensitive financial institution and corporate market segments. While the retail deposit franchises experienced some limited losses in advance of the announcement of the detail of the EU/IMF support package they have subsequently stabilized.] Total debt securities in issue have declined to €17.2 billion at 31 October 2010, reflecting market difficulties in accessing such funding and the significant amount of term funding maturing in September 2010.]

The Group manages its funding position with continual focus on the relationship between its deposit base and its loan book through a series of measures, including the industry benchmark customer loan-to-deposit ratio. More refined measures are utilised internally that recognise the capacity of AIB to generate contingent liquidity from its loan book.

At 30 September 2010, AIB had a customer loan-to-deposit ratio of 159 per cent. (excluding BZWBK) and approximately 146 per cent. (excluding loans classified as held for sale to NAMA as at that date). The corresponding figure at 30 June 2010 was 151 per cent. and at 31 December 2009 was 154 per cent. (approximately 133 per cent. and 128 per cent., respectively, excluding loans classified as held for sale to NAMA as of that date).

3.2 Government funding and liquidity support

The Government, in acknowledging the difficulties experienced by Irish financial institutions in accessing wholesale bank markets and recognising the systemic importance of certain institutions, including AIB, to the wider Irish economy, announced the CIFS Scheme on 30 September 2008. Under the CIFS Scheme (which expired on 29 September 2010), the Minister for Finance guaranteed specific categories of liabilities for certain participating institutions (including AIB and certain of its subsidiaries) for the two-year period from 30 September 2008 to 29 September 2010. The liabilities originally covered under the CIFS Scheme comprised all retail and corporate deposits (to the extent not covered by existing deposit protection schemes), interbank deposits, senior unsecured debt, asset-covered securities and dated subordinated debt (lower tier 2). Covered bonds and dated subordinated debt were also originally covered by the CIFS scheme.

The Government introduced the ELG Scheme on 9 December 2009 to supplement and ultimately replace the CIFS Scheme, and AIB and certain of its subsidiaries joined that new scheme on 21 January 2010. The NTMA was appointed as the ELG Scheme operator by the Minister for Finance. From the time that a participating institution joins the ELG Scheme (which, in the case of AIB ELG Participating Institutions, was 21 January 2010), any liabilities incurred or contracted for thereafter by that participating institution may be guaranteed under the ELG Scheme only. Eligible liabilities under the ELG Scheme comprise any of the following liabilities:

(a) all deposits (to the extent not covered by deposit protection schemes in Ireland (other than the CIFS Scheme) or in any other jurisdiction);

(b) senior unsecured certificates of deposit;

(c) senior unsecured commercial paper;

(d) other senior unsecured bonds and notes; and

(e) other forms of senior unsecured debt which may be specified by the Minister for Finance, consistent with European Union state aid rules and the European Commission's Banking Communication (2008/C 270/02) and subject to prior consultation with the European Commission.

The ELG Scheme is intended to facilitate the ability of participating credit institutions in Ireland to issue debt securities and take deposits with a maturity of up to five years on debt securities issued or deposits taken before 30 June 2011, following approval by the European Commission of two extensions to the original date from 29 September 2010 to first 31 December 2010 and then 30 June 2011. On 10 November 2010, the European Commission approved an extension of the ELG Scheme under EU state aid rules from 31 December 2010 to 30 June 2011. On 17 November 2010, the Oireachtas (the Irish Parliament) approved a statutory instrument to effect an extension of the Scheme to 31 December 2011, subject to six-monthly review and approval by the European Commission under EU state aid rules. The next review of the ELG Scheme by the European Commission is due to take place before 30 June 2011.

Since the commencement of the CIFS Scheme in September 2008 and since joining the ELG Scheme in January 2010, AIB has issued term funding on a guaranteed basis, totalling €8.25 billion under the CIFS Scheme and €6.7 billion (including putables) under the ELG Scheme. At 31 December 2009, excluding shareholders' funds, the Group's total funding liabilities of €152.6 billion were split into €116.3 billion (or approximately 76 per cent. of the total funding) issued on a guaranteed basis and €36.3 billion (or approximately 24 per cent. of the total funding) issued on an unguaranteed basis. At 30 June 2010, excluding Shareholders' funds, the Group's total funding liabilities of €148.1 billion were split into €108.6 billion (or approximately 73 per cent. of the total funding) issued on a guaranteed basis and €39.5 billion (or approximately 27 per cent. of the total funding) issued on an unguaranteed basis. Of this guaranteed amount of €108.6 billion, €62.5 billion is guaranteed under the ELG Scheme with a further €21.6 billion guaranteed under the Government deposit scheme. At 31 October 2010, excluding Shareholders' funds, the Group's total funding liabilities of €139.7 billion were split into €73.4 billion (or approximately 53 per cent. of the total funding) issued on a guaranteed basis and €66.3 billion (or approximately 47 per cent. of the total funding) issued on an unguaranteed basis. Of this guaranteed amount of €73.4 billion, €50.1 billion is guaranteed under the ELG Scheme with a further €23.3 billion guaranteed under the Government deposit scheme. At 31 October 2010, 9 per cent. of the total deposits by banks, 50 per cent. of the total debt securities in issue and 83 per cent. of customer accounts was held or issued on a guaranteed basis. AIB expects to retain a reliance on the ELG Scheme through the period of the extended "issuance window".

3.3 Central bank funding and liquidity support

General funding market conditions since 30 June 2010 have become increasingly challenging. This has had a negative impact on AIB's funding position which has seen a reduction in maturity of debt securities in issue and customer accounts. This reduction has been offset by an increase in secured deposits by banks, in particular by monetary authorities. In anticipation of term funding maturing in September 2010, during 2010 AIB issued term funding of €6.7 billion. However, current market conditions are limiting funding access to shorter durations, mainly on a secured basis. This secured basis includes the Group participating in global central bank money market repurchase agreement operations as part of its normal day-to-day funding activity. However, as a result of prevailing market conditions, AIB has also accessed a range of liquidity facilities from central banks, including certain additional market wide schemes during the period of dislocation within the funding markets. AIB relies significantly on its Qualifying Liquid Assets and Contingent Funding capacity to continue to access these facilities and, more broadly, on continuing liquidity and other financial support to it by the Central Bank and the ECB.

3.4 The impact of NAMA on funding and liquidity

AIB has commenced transferring assets to NAMA and the terms of its NAMA Participation will have a significant positive impact on AIB's liquidity profile.

The NAMA Participation is reducing the leverage of the Group by removing a significant number of customer loans from the balance sheet, thereby enhancing the Group's loan-to-deposit ratio.

Furthermore, AIB is receiving NAMA Bonds and Subordinated NAMA Bonds in consideration for the sale of its NAMA Assets to NAMA. In respect of the consideration received, 95 per cent. of the nominal value is in the form of NAMA Bonds, which are Qualifying Liquid Assets, and 5 per cent. is in the form of Subordinated NAMA Bonds. The NAMA Bonds provide AIB with access to additional liquidity and funding. AIB may use the NAMA Bonds to finance its ordinary business activities, for example, by entering into liquidity-providing transactions with market counterparties, including monetary authorities. The NAMA Bonds will materially increase the level of Qualifying Liquid Assets and Contingent Funding held by AIB.

Following the November 2010 and December 2010 transfers of NAMA Assets to NAMA, AIB now has €8 billion of NAMA Bonds and €0.4 billion of Subordinated NAMA Bonds. Furthermore, as announced on 28 November 2010, all land and development loans may be eligible for transfer to NAMA. The effects of this announcement, although not yet quantified from AIB's perspective, will be positive for AIB's funding and liquidity.

3.5 The potential impact of the Basel III liquidity package

In July 2010, the Basel Committee announced a new liquidity package to be introduced on a phased basis over the coming years. Phase-in arrangements for the leverage ratio announced by the Basel Committee in its proposals in July 2010 outlined that the supervisory monitoring period in relation to leverage ratios will commence on 1 January 2011. After the observation period, a new liquidity coverage ratio will be introduced on 1 January 2015, while the net stable funding ratio will apply as a minimum standard from 1 January 2018. The detailed impact of the Basel III proposals for the AIB Group is not entirely clear and future review in this context may require changes to the AIB Group's funding profile and strategy.

3.6 The Prudential Liquidity Assessment Review ("PLAR")

On 28 November 2010, the Central Bank announced that the Irish banks would be regulated under a new PLAR framework additional to existing liquidity measurements. There will be two aspects to this regime. Firstly, liquidity metrics will be custom designed for each institution and will become a regulatory reporting requirement from 1 April 2011. Secondly, liquidity metrics will be custom designed for each institution and will become a regulatory reporting requirement from 1 April 2011. Secondly, the liquidity regime will represent the qualitative element of how each institution will be regulated and will encompass areas such as asset and liability management governance, funds transfer pricing methodologies, liquidity stress testing and liquidity forecasting and will be launched in June 2011. The PLAR framework draws heavily from the principles of Basel III. At this stage, the effects of the PLAR framework on the Group have not been quantified.

A4 ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT

The Board Risk Committee was established to assume the risk oversight responsibilities previously delegated to the Audit Committee. Dr Michael Somers is chairman of this committee and its current members are Mr Stephen Kingon, Mr David Pritchard and Mr Dick Spring. The objectives of the Board Risk Committee are to monitor risk governance and to assist the Board in discharging its responsibilities in ensuring that risks are appropriately identified and assessed; managed, reported and controlled; and ensuring that strategy is informed by and aligned with the Group's risk appetite. The Board Risk Committee held its inaugural meeting on 10 November 2010.

Mr Gerry Byrne, Managing Director, AIB Central & Eastern Europe, retired on 30 November 2010. Maelíosa ÓhÓgartaigh, Head of Corporate Development and Government Relations, retired on 12 November 2010.

A5 PRO FORMA FINANCIAL INFORMATION

Unaudited Pro Forma Regulatory Capital ratios as at 30 June 2010

The unaudited Pro Forma Regulatory Capital ratios set out below are based on the 2010 Half-Yearly Financial Report and have been prepared to illustrate the effect of the Transaction, the BZWBK Disposal, the M&T Disposal, the transfers of NAMA Assets by AIB since 30 June 2010 on the regulatory capital ratios of the AIB Group as at 30 June 2010 as if they had each occurred on that date.

Due to its nature, the unaudited Pro Forma Regulatory Capital ratios addresses a hypothetical situation and, therefore, does not represent the AIB Group's actual regulatory capital ratios following the Transaction, the BZWBK Disposal, the M&T Disposal, the transfers of NAMA Assets by AIB since 30 June.

		Adjustments				
	Actual as at 30 June 2010 (1)	**Impact of the Transaction (2)**	**Impact of the BZWBK Disposal (3)**	**Impact of M&T Disposal (4)**	**Impact of transfers of NAMA Assets post 30 June 2010 (5)**	**Pro forma as at 30 June 2010 (6)**
Key Balance Sheet Measures						
Equity tier 1 capital	3.8%	3.9%	2.0%	0.7%	-3.9%	6.5%
Core tier 1 ratio	6.9%	3.9%	2.3%	0.8%	-3.6%	10.3%
Tier 1 ratio	6.0%	3.9%	2.3%	0.8%	-3.3%	9.7%
Total capital ratio	9.0%	3.9%	2.4%	0.8%	-2.6%	13.5%

(1) Information on capital ratios of AIB Group has been extracted, without material adjustment, from the unaudited 2010 Half-Yearly Financial Report of the Group.

(2) This represents the impact of the Transaction (net proceeds of €3.7 billion) on the capital ratios of the Group.

(3) This represents the impact of the disposal of BZWBK, as announced on the 10th of September 2010 on the capital ratios of the Group.

(4) This represents the impact of the disposal of AIB's shareholding in M&T, as approved by the shareholders on 1November 2010 on the capital ratios of the Group.

(5) This represents the impact of the transfer of AIB's NAMA assets to NAMA, as announced on 19 July 2010, 8 November 2010 and 20 December 2010 on the capital ratios of the Group.

(6) No adjustment has been made to reflect the trading results and performance of the AIB Group since 30 June 2010.

(7) Taking into account the effect of the Transaction, the BZWBK Disposal, the M&T Disposal, the transfers of NAMA Assets by AIB since 30 June 2010 as if they had each occurred on that date, Shareholder equity on 30 June 2010 would have increased from €8.8 billion to €9.6 billion.

PART B: INFORMATION REQUIRED PURSUANT TO SCHEDULE 2, PARAGRAPH (H) (DETAILS OF MATERIAL CONTRACTUAL ARRANGEMENTS WITH FEES IN EXCESS OF €14,000 IN THE LAST 12 MONTHS WHICH IS NOT CURRENTLY PUBLIC)

1. **Capital Injection Placing Agreement**

On 23 December 2010, the Company entered into a placing agreement with the Minister for Finance, the NPRFC and the NTMA pursuant to which the NPRFC agreed to subscribe for 675,107,845 new Ordinary Shares and 10,489,899,564 CNV Shares for an aggregate consideration of €3,818,438,297.54. In consideration for the Placing, the Company agreed to pay to the NPRFC a commission of approximately €65,907,339 in respect of the New Ordinary Shares and the CNV Shares. In addition, the Company has agreed with the National Pensions Reserve Fund Commission to cancel the 2009 Warrants in return for the payment by the Company of approximately €52 million.

2. **New Articles of Association**

The following is a summary of the principal amendments made to the existing Articles of Association in connection with the Placing.

Increase in authorised share capital

The authorised capital of the Company will be increased by €2,325,054,904 by the creation of 2,018,349,576 new Ordinary Shares of €0.32 each and 5,247,447,000 new CNV Shares of €0.32 each.

CNV Shares

The rights attaching to the CNV Shares will be identical to the rights attaching to the ordinary shares in the capital of the Company, and the CNV Shares will rank pari passu with the ordinary shares, other than in respect of the following matters:

Voting

The holders of CNV Shares will not be able to vote at any general meeting of the Company in their capacity as holders of CNV Shares prior to the earlier of: (a) completion of the disposal of the Company's Polish assets (the "Polish Disposal"), (b) termination of the sale agreement in relation to the Polish Disposal or (c) 10 September 2011 (such date being the "Voting Commencement Date").

With effect from the Voting Commencement Date, the holders of CNV Shares will not be able to vote at any general meeting of the Company in their capacity as holders of CNV Shares other than in respect of a resolution proposed at a general meeting that:

(a) varies or abrogates any of the rights, privileges, limitations or restrictions attached to the CNV Shares; or

(b) proposes the winding up or liquidation of the Company.

If holders of CNV Shares are entitled to vote upon a resolution, on a show of hands every holder of CNV Shares will have one vote and on a poll every holder of CNV Shares will have two votes per CNV Share.

Conversion

Each CNV Share will entitle the holder to convert that CNV Share into one fully paid new ordinary share at any time by notice in writing to the Company. The Company will procure that any change to the ordinary share capital of the Company (including a sub-division, consolidation, reorganisation, bonus or other capitalisation issue) is reflected in the CNV share capital of the Company, and that the CNV Shares are granted the same protection from dilution as the ordinary shares, so that one CNV Share will at all times be convertible into one Ordinary Share.

The CNV Shares will be unlisted at the date of issue and the Company will pay any expenses of obtaining a listing for any ordinary shares arising from the conversion of CNV Shares.

The CNV Shares will be freely transferable. The Company will have the right at any time to convert any CNV Share that is not held by a Government body or a Government concert party into one ordinary share.

3. **ELG Scheme agreements**

On 20 January 2010, the AIB ELG Participating Institutions each executed an eligible liabilities guarantee scheme agreement with the Minister for Finance in accordance with the terms of the ELG Scheme, and on 21 January 2010 each was issued a participating institution certificate by the NTMA, the ELG Scheme operator, specifying each as a participating institution in the ELG Scheme. The fees paid by AIB to the Minister for Finance in respect of the ELG Scheme for the period from 21 January 2010 to 30 September 2010 amounted to €215.6 million.

DEFINITIONS

2009 Annual Financial Report	the audited consolidated financial report of the Company for the year ended 31 December 2009;
2010 Half-Yearly Financial Report	the unaudited consolidated financial report of the Company for the six months ended 30 June 2010;
2009 Preference Shares	the 3,500,000,000 2009 non-cumulative preference shares of €0.01 each in the share capital of the Company issued to the NPRFC on 13 May 2009 pursuant to the Subscription Agreement;
Act	the Credit Institutions (Stabilisation) Act 2010;
Admission	the admission of AIB to the ESM;
ADRs	American Depository Receipts;
AIB or the **Company**	Allied Irish Banks, p.l.c., a company incorporated under the laws of Ireland (registered under number 24173), with its registered office at Bankcentre, Ballsbridge, Dublin 4;
AIB Bank RoI	the Republic of Ireland division of AIB Group;
AIB Bank UK	the UK division of AIB Group;
AIB Corporate Finance	AIB Corporate Finance Limited, a company incorporated under the laws of Ireland (registered under number 120018), with its registered office at 85 Pembroke Road, Ballsbridge, Dublin 4, which is regulated in Ireland by the Central Bank of Ireland;
AIB EIL	AIB European Investments Limited, a company incorporated under the laws of Ireland (registered under number 137027), with its registered office at Bankcentre, Ballsbridge, Dublin 4;
AIB ELG Participating Institutions	the Company and its subsidiaries, AIB Group (UK) p.l.c., AIB Bank (CI) Limited and Allied Irish Banks North America Inc.;
AIB Group or the **Group**	the Company and each of its subsidiaries and subsidiary undertakings from time to time;
ALH	Aviva Life Holdings Ireland Limited;
AmCredit	a mortgage lender, which consists of three branches of Allied Irish Banks, p.l.c., operating in Lithuania, Latvia and Estonia;
Articles of Association or **Articles**	the articles of association of the Company, as amended from time to time;
BACB	Bulgarian American Credit Bank, a Bulgarian bank;
Basel III	the proposals of the Basel Committee set out in two consultation papers published on 17 December 2009 headed "Strengthening the resilience of the banking sector" and "International Framework for liquidity risk measurement, standards and monitoring" (as amended and supplemented by press releases issued on 26 July 2010 and 12 September 2010);
Basel Committee	the Basel Committee on Banking Supervision;
Board or **Board of Directors**	the Board of Directors of the Company;
BZWBK	Bank Zachodni WBK S.A., a Polish bank;
BZWBK AIB Asset Management	BZWBK AIB Asset Management S.A., a company incorporated under the laws of Poland (registered under number KRS 0000000920), with its registered office at Pozna•, 61-739, Plac Wolno•ci 16, Poland;
BZWBK AIB Asset Management Shares	the shares of PLN 100 each in the share capital of BZWBK AIB Asset Management;
BZWBK Disposal	the proposed disposal of the BZWBK Shareholding to Banco Santander S.A.;

BZWBK Shareholding	the 51,413,790 BZWBK Shares held by AIB EIL (representing as at 23 December 2010, approximately 70.36 per cent. of BZWBK's issued share capital) and the 67,500 BZWBK AIB Asset Management Shares held by AIB Capital Markets p.l.c. (representing as at 23 December 2010, 50 per cent. of BZWBK's issued share capital);
BZWBK Shares	the shares of PLN 10 each in the share capital of BZWBK;
Capital Markets	a division of AIB Group;
CBOs	collateralised bond obligations;
CDOs	collateralised debt obligations;
Central & Eastern Europe	a division of AIB Group;
Central Bank	the Central Bank, as part of the Central Bank and the Financial Services Authority of Ireland, which was replaced by the Central Bank of Ireland on 1 October 2010;
Central Bank Acts	Central Bank Acts 1942 to 2010;
Central Bank of Ireland	the Central Bank of Ireland established pursuant to the Central Bank Acts;
CIFS Scheme	the bank guarantee scheme introduced in Ireland pursuant to the Credit Institutions (Financial Support) Scheme 2008 (S.I. No. 411 of 2008) which expired on 29 September 2010;
CLOs	collateralised loan obligations;
CNV Shares	the Convertible Non-Voting ordinary shares of €0.32 each in the capital of the Company;
Contingent Funding	pre-approved facilities where cash can be accessed subject to certain conditions being met;
Continuing Group	The Group following completion of the Transaction;
Core Tier 1 Capital	shares and securities that constitute at any given time, under the regulatory framework then applicable to the Company, core tier 1 capital (within the meaning of the Central Bank of Ireland's requirements at such time or equivalent);
Core Tier 1 Capital Ratio	the amount of the Company's Core Tier 1 Capital as a proportion of its Risk Weighted Assets on a consolidated basis;
CREST	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in the CREST Regulations);
CREST Regulations	the Companies Act 1990 (Uncertificated Securities) Regulations 1996 (SI No. 68/1996) of Ireland (as amended by the Companies Act 1990 (Uncertificated Securities) (Amended) Regulations 2005 (SI 693/2005));
Department of Finance	Department of Finance of Ireland;
Direction Order	an order made pursuant to section 9 of the Credit Institutions (Stabilisation) Act 2010;
ECB	European Central Bank;
ELG Scheme	the eligible liabilities guarantee scheme introduced in Ireland pursuant to the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (S.I. No. 490 of 2009) as amended by the Credit Institutions (Eligible Liabilities Guarantee) (Amendment) Scheme 2010 (S.I. No. 470 of 2010) and the Rules of the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (as amended);
Equity Tier 1 Capital	the amount of Company's Core Tier 1 Capital less the amount (including premium) paid up on the 2009 Preference Shares;
Equity Tier 1 Capital Ratio	the amount of the Company's Equity Tier 1 Capital as a proportion of its Risk Weighted Assets on a consolidated basis;
ESM	the Enterprise Securities Market of the Irish Stock Exchange;
EU or **European Union**	the European Union;

EU or European Union member states	the member states of the European Union;
Euro or €	the single currency of the EU member states that adopt or have adopted the Euro as their lawful currency under the legislation of the European Union or European Monetary Union;
Euroclear	Euroclear UK & Ireland Limited, the operator of CREST;
European Commission	the Commission of the European Union;
Executive Directors	the executive directors of AIB;
Financial Regulator	the Irish Financial Services Regulatory Authority, as part of the Central Bank and Financial Services Authority of Ireland, which was replaced by the Central Bank of Ireland on 1 October 2010;
FSCS	UK Financial Services Compensation Scheme;
G20	the Group of Twenty Finance Ministers and Central Bank Governors that was established in 1999 to bring together systemically important industrialised and developing economies to discuss key issues in the global economy;
GAAP	Generally Accepted Accounting Principles;
Goodbody Stockbrokers	Goodbody Stockbrokers, a company incorporated under the laws of Ireland (registered number 54223), with its registered office at Ballsbridge Park, Ballsbridge, Dublin 4, Ireland, which is regulated in Ireland by the Central Bank of Ireland;
Government	the Government of Ireland;
Government Entity	(i) any of the NTMA, the NPRFC, the Minister for Finance or any Minister or Department of the Government; and (ii) any custodian or nominee holding 2009 Preference Shares on behalf of the NTMA, the NPRFC (in its capacity as controller and manager of the NPRF), the Minister for Finance or any Minister or Department of the Government;
Government Guarantee Schemes	the CIFS Scheme and ELG Scheme;
Government Preference Shareholder	a Government Entity holding 2009 Preference Shares;
High Court	the High Court of Ireland;
IBNR	incurred but not reported;
IFRS	International Financial Reporting Standards;
IMF	International Monetary Fund;
Ireland	the Republic of Ireland, and the word "Irish" shall be construed accordingly;
Irish Stock Exchange	Irish Stock Exchange Limited;
Listing Rules	the listing rules of the Irish Stock Exchange and/or where appropriate the UK listing rules made under section 73A of the Financial Services and Market Act 200 (as amended);
London Stock Exchange or **LSE**	London Stock Exchange plc;
Minister for Finance	the Minister for Finance of Ireland;
M&T	M&T Bank Corporation, a company incorporated under the laws of the state of New York, United States with its registered office at One M&T Plaza, Buffalo, New York;
M&T Disposal	the disposal of the M&T Shareholding;
M&T Shareholding	the 26.7 million shares of the common stock of M&T with a par value of US$0.50 held by the Company prior to the M&T Disposal;
NAMA	the National Asset Management Agency, established by the NAMA Act and, where the context permits, other members of NAMA's group, including subsidiaries and associated companies;
NAMA Act	the National Asset Management Agency Act 2009 (as amended);

NAMA Assets	such classes of assets, including, but not limited to, land and property development loans and certain associated loans, as shall have been prescribed by the Minister for Finance as necessary for the purposes of the NAMA Act for inclusion in the NAMA Programme;
NAMA Bonds	notes, bills, bonds or other financial instruments issued and to be issued by NAMA or a NAMA Group Entity (and guaranteed by the Minister for Finance) or by the Minister for Finance to a Participating Institution in consideration for the acquisition of NAMA Assets by NAMA or a NAMA Group Entity in accordance with the NAMA Act;
NAMA Group Entity	either (a) a subsidiary of NAMA or (b) any other body corporate and any trust, partnership, arrangement for the sharing of profits and losses, joint venture, association, syndicate or other arrangement formed, registered, incorporated or established by NAMA for the purpose of performing any of its functions under the NAMA Act;
NAMA Participation	the participation by the Company in the NAMA Programme;
NAMA Programme	the programme through which NAMA has acquired or will acquire NAMA Assets from Participating Institutions on the terms specified in or pursuant to the NAMA Act;
Non-Executive Directors	the non-executive directors of AIB;
NPRF	the National Pensions Reserve Fund, a fund established under the NPRF Act;
NPRF Act	the National Pensions Reserve Fund Act 2000 (as amended by the Investment of the National Pensions Reserve Fund and Miscellaneous Provisions Act 2009);
NPRFC	the National Pensions Reserve Fund Commission, as established by the NPRF Act to, *inter alia,* control, manage and invest the assets of the NPRF (or any replacement successor agency or authority). References in this document to the NPRFC are to the NPRFC acting in its capacity as controller and manager of the NPRF;
NPRFC Investment	the issue of the 2009 Preference Shares and the 2009 Warrants to the NPRFC on 13 May 2009;
NTMA	the National Treasury Management Agency, as established by the National Treasury Management Agency Act 1990 and appointed, *inter alia,* manager of the NPRF and to act as agent of the NPRFC;
Ordinary Shareholder	a holder of Ordinary Shares;
Ordinary Shares or **Shares**	the ordinary shares having a nominal value of €0.32 each in the capital of the Company;
Participating Institution	a credit institution that has been designated by the Minister for Finance under section 67 of the NAMA Act as being a participating institution for the purposes of the NAMA Act and, unless otherwise stated or the context otherwise requires, includes (a) every subsidiary of that institution that is not expressly excluded by the Minister for Finance, and (b) the Company and every subsidiary of the Company that is not expressly excluded by the Minister for Finance;
PCAR or **Prudential Capital Assessment Review**	the Prudential Capital Assessment Review, including any future prudential capital assessment review or revisions, as relevant, carried out by the Central Bank, the Financial Regulator or as the case may be, the Central Bank of Ireland on the prudential capital requirements of certain Irish credit institutions, including the Company, announced by the Financial Regulator on 30 March 2010 and revised on 30 September 2010;
PLAR or **Prudential Liquidity Assessment Review**	the Prudential Liquidity Assessment Review which is due to be carried out by the Central Bank of Ireland in the first quarter of 2011 which will set bank specific funding targets consistent with Basel III and other international measures of stable, high quality funding;
Poland	the Republic of Poland;

Pro Forma Regulatory Capital	the unaudited pro forma regulatory capital of the AIB Group as at 30 June 2010, illustrating the effect of the Transaction, the BZWBK Disposal, the M&T Disposal, the transfers of NAMA Assets by AIB since 30 June 2010 on the regulatory capital ratios of the AIB Group as at 30 June 2010 as if they had each occurred on that date;
Qualifying Liquid Assets	assets, including central government securities issued by financial institutions, which can provide liquidity within four working days;
Qualifying Liquid Assets and Contingent Funding	together, facilities which provide cash funding without incurring a significant loss;
RCI Securities	the £500,000,000 step-up Callable Perpetual Reserve Capital Instruments issued by AIB in 2001;
Risk Weighted Assets or **RWAs**	assets which are weighted for credit risk according to a formula used by banks that conforms to the Bank of International Settlement's capital adequacy guidelines;
RoI	Republic of Ireland;
Shareholder	an Ordinary Shareholder and/or holder of preference shares, including the Government Preference Shareholder;
SME	small- and medium-sized enterprises;
sterling or **£**	sterling, the lawful currency of the United Kingdom;
Subordinated NAMA Bonds	subordinated notes, bills, bonds or other financial instruments issued and to be issued by NAMA or a NAMA Group Entity in consideration for the acquisition of bank assets by NAMA in accordance with the NAMA Act;
Subscription Agreement	the subscription agreement entered into on 13 May 2009 between the Company, the Minister for Finance and the NPRFC in connection with the NPRFC Investment;
Tier 1 Capital	securities that constitute, under the regulatory framework then applicable to the Company, tier 1 capital (within the meaning of the Central Bank of Ireland's requirements at such time or equivalent);
Tier 1 Capital Instruments	the securities issued by the Group that constitute Tier 1 Capital;
Tier 1 Capital Ratio	the amount of the Company's Tier 1 Capital as a proportion of Risk Weighted Assets on a consolidated basis;
Tier 2 Capital	the undisclosed reserves, revaluation reserves, general provisions, loan loss reserves, hybrid debt-equity instruments and subordinated long-term debt;
Tier 2 Capital Instruments	the securities issued by the Group that constitute Tier 2 Capital;
Total Capital	Tier 1 Capital plus Tier 2 Capital;
Total Capital Ratio	the Company's Total Capital as a proportion of its RWAs on a consolidated basis;
Transaction	the proposed issue of approximately €3.7 billion (net of expenses) of new equity capital in AIB to the NPRFC;
United Kingdom or **UK**	the United Kingdom of Great Britain and Northern Ireland;
United States or **US**	the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
Upper Tier 2 Capital	securities that constitute, under the regulatory framework then applicable to the Company, upper tier 2 capital (within the meaning of the Central Bank of Ireland's requirement at such time or equivalent); and
US dollar or US$	US dollar, the lawful currency of the United States of America.

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IMPORTANT INFORMATION

This is not a prospectus, circular or other equivalent document and this announcement does not identify any specific risk factors relating to AIB, its business and the economic and regulatory environments in which it operates. You should read the whole of this announcement and any information incorporated by reference. You should not rely on any summary information as set out in this announcement. This announcement does not constitute an offer to purchase or a solicitation of an offer to sell securities, nor shall there be any sales of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities law of such jurisdiction. No Ordinary Shares, CNV Shares or Preference Shares have been marketed to, nor are any available for purchase in whole or in part by, the public in Ireland, the United Kingdom or elsewhere in connection with AIB's application for admission to the ESM (the "Admission").

The contents of this announcement and the information incorporated herein by reference should not be construed as legal, business investment, accounting, tax or other professional advice. This announcement is for your information only and nothing in this announcement is intended to endorse or recommend a particular course of action.

Save as otherwise indicated, the financial information contained in this announcement is sourced from AIB's unaudited accounting books and management records and has not been audited or reviewed by AIB's auditors. AIB has not sought or received any advice as to the accuracy of any financial information contained in this announcement. The financial information presented herein does not amount to statutory financial statements.

The financial information presented in this announcement has been rounded to the nearest whole number or the nearest decimal place, as appropriate. In addition, certain percentages presented in this announcement reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

In this announcement, references to "EUR", "Euro", "€" or "c" are to Euro currency, references to "US dollars" or "US$" are to United States currency and references to "pounds sterling" or "£" are to British currency.

It is anticipated that Morgan Stanley & Co. International plc will act as ESM adviser to AIB and Morgan Stanely Securities Limited (together with Morgan Stanley & Co International plc, each of which is an authorised and regulated in the United Kingdom by the Financial Services Authority) ("Morgan Stanley") will act as corporate broker to AIB in relation to the Admission. AIB Corporate Finance Limited ("AIB Corporate Finance") (which is regulated in Ireland by the Central Bank of Ireland) is acting as financial advisor to AIB in relation to the Admission.

Morgan Stanley and AIB Corporate Finance anticipate acting in the aforementioned capacities for AIB and no one else in connection with the

Admission and will not regard any other person (whether or not a recipient of this announcement) as their respective client in relation to the Admission and will not be responsible to anyone other than AIB for providing the protections afforded to their respective clients or for providing advice in relation to the Admission or any other matter referred to in this announcement.

Apart from the responsibilities and liabilities, if any, which may be imposed on Morgan Stanley or AIB Corporate Finance by the ESM Rules or the Listing Rules, neither Morgan Stanley nor AIB Corporate Finance accepts any responsibility whatsoever and makes no representation or warranty, express or implied, for the contents of this announcement, including its accuracy, completeness or verification or for any other statement made or purported to be made by AIB, or on AIB's behalf, or by Morgan Stanley or AIB Corporate Finance, or on Morgan Stanley's or AIB Corporate Finance's behalf, in connection with AIB or the Admission, and nothing in this announcement is or shall be relied upon as a promise or representation in this respect, whether as to the past or future. Morgan Stanley and AIB Corporate Finance accordingly disclaim to the fullest extent permitted by law and under the ESM Rules and the Listing Rules all and any responsibility and liability, whether arising in tort, contract or otherwise, which it might otherwise have in respect of this announcement and any such statement.

None of the Minister for Finance, the Department of Finance, the Irish Government, the National Treasury Management Agency, the National Pensions Reserve Fund Commission or any person controlled by or controlling any such person, or any entity or agency of or related to the Irish State, Morgan Stanley or any director, officer, official, employee or adviser of any such person (each such person, a "Relevant Person") accepts any responsibility whatsoever or makes any representation or warranty, express or implied, for the contents of this announcement, including its accuracy, completeness or verification or for any other statement made or purported to be made by AIB, or on AIB's behalf, or by Morgan Stanley, or on Morgan Stanley's behalf, or by any Relevant Person or on any Relevant Person's behalf in connection with AIB or the Admission, and nothing in this announcement is or shall be relied upon as a promise or representation in this respect, whether as to the past or future. Each Relevant Person accordingly disclaims to the fullest extent permitted by law and under the ESM Rules all and any responsibility and liability, whether arising in tort, contract or otherwise, which it might otherwise have in respect of this document and any such statement.

The distribution of this announcement in jurisdictions other than Ireland, the United Kingdom and the United States may be restricted by law and therefore persons into whose possession this announcement comes should inform themselves about, and observe, such restrictions. Any failure to comply with the restrictions may constitute a violation of the securities laws of any such jurisdiction.

This announcement is not and does not constitute an invitation or offer of securities to any persons, including persons in the United States. The securities discussed herein have not been and will not be registered under the US Securities Act of 1933 (the "US Securities Act") or under any securities laws of any state or other jurisdiction of the United States and may not be offered or sold directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with the securities laws of any state or other jurisdiction of the United States. There will be no public offer in the United States.

This announcement contains "forward-looking statements", within the meaning of Section 27A of the US Securities Act and Section 21E of the US Securities Exchange Act of 1934, regarding the belief or current expectations of AIB, AIB's Directors and other members of its senior management about AIB's business, financial condition, results of operations, certain plans or objectives, and the transaction described in this announcement. In particular, certain statements with regard to AIB's relationship with the Irish Government, management objectives, trends in results of operations, margins, risk management, competition and the impact of changes in Financial Reporting Standards are forward-looking in nature. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as "may", "could", "will", "aim", "expect", "intend", "estimate", anticipate", "believe", "plan", "seek", "continue", "target" or other words of similar meaning. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements.

These forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of AIB and are difficult to predict, that may cause actual results to differ materially from any future results or developments expressed or implied from the forward-looking statements.

The forward-looking statements speak only as of the date of this announcement. Except as required by applicable law, regulation or regulatory body, AIB does not have any obligation to announcement or revise publicly any forward-looking statement, whether as a result of new information, further events or otherwise. AIB expressly disclaims any obligation or undertaking to publicly release any announcements or revisions to any forward-looking statement contained in this announcement or incorporated by reference to reflect any change in AIB's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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