Impairment charges reduced
Total impaired loans reduced from € 28.9 billion at December 2013 to € 26.0 billion at June 2014. Impaired loans have now decreased by € 3.2 billion or 11% since June 2013. This reduction reflects improving economic conditions coupled with restructuring activity completed with customers in difficulty, partially offset by a growth, albeit at a slower pace, in new impaired loans.

Given the continued stabilisation in the asset quality of our loan portfolios, the existing stock of provisions held on the Group's balance sheet, the ongoing level of restructuring activity of customer loans and the improving economic environment, our impairment charges materially reduced in the first half of the year.

Meeting targets for arrears management
A key priority for the Group is the resolution of both business and mortgage customers in arrears and continued steady progress has been made in relation to both the offer and conclusion of solutions with these customers. We are seeing ongoing evidence of increased engagement and are concluding solutions on commercial terms. Importantly, the total number of accounts in arrears in the Irish residential mortgage portfolio declined by 6% in H1 2014 with total arrears for owner-occupier mortgages down 9%. At 30 June 2014, c. 34k mortgage accounts were in arrears greater that 90 days. At this date, customers comprising c. 20k accounts have engaged with the Bank and have been offered a sustainable solution. c. 8k solutions have been concluded.

Continued progress in Balance sheet stabilisation
Customer accounts increased in the first six months of the year, reflecting improved current account flows and the recognition of deposits from Ark Life as customer accounts following sale of that business. The Group continues to actively manage liability pricing against the backdrop of a declining asset base. The Group's loan to deposit ratio declined to 96%, down 4% from December 2013.

Strengthened funding profile
Following the successful and balanced return to the funding markets in late 2012 and 2013, we continued the positive momentum in the first half of 2014 with € 1.0 billion in funding issuances. This included an asset covered security issuance and senior unsecured funding. Our funding from monetary authorities continues to reduce substantially, down 71% since December 2013.

Capital

Capital Position
The Group's capital ratios remain robust and have improved during the period. The Group's capital ratios are on a Capital Requirements Directive ("CRD IV") basis from 1 January 2014. Further details are set out in the Capital section pages 24 to 26 of this report.

AIB is currently undergoing a Comprehensive Assessment by the European Central Bank ("ECB") prior to the introduction of the Single Supervisory Mechanism in November 2014. The comprehensive assessment includes an asset quality review and, in collaboration with the European Banking Authority ("EBA"), a stress test with the results expected in Q4 2014.

Capital Structure
Resolutions to reorganise the share capital of the Group were passed at the EGM held on 19 June 2014. These included the renominalisation of the ordinary shares and a resolution to allow for the creation of distributable reserves totalling € 5.0 billion. An application was made to the Irish High Court in July 2014 in relation to the creation of distributable reserves which is currently being considered by the High Court. Furthermore, the ADR Depositary, The Bank of New York Mellon has now advised that it has completed the sale of the remaining ordinary shares underlying the ADSs. AIB understands that the Depositary will shortly commence the process of remitting the cash from the proceeds of sales to the ADS holders

As previously indicated, discussions are continuing with the Department of Finance over the future shape of the Group's capital structure, particularly in reference to the possible conversion of some or all of the 2009 Preference Shares into common equity and options in respect of the Contingent Capital Notes. The discussions are being undertaken with reference to the Group's evolving operating performance and regulatory capital requirements with a view to creating maximum value for the State over time. Any actions in relation to capital structure decisions would have regard to the timing of the ongoing Comprehensive Assessment and would be subject to all required regulatory and shareholder approvals.

Valuation
AIB currently has c. 523 billion shares in issue, 99.8% of which are held by the National Pensions Reserve Fund Commission ("NPRFC"). This includes the issuance of 500 billion ordinary shares to the NPRFC in July 2011 at a price of € 0.01 per share. Based on the number of shares currently in issue and the closing share price of Monday 28 July 2014, AIB trades on a valuation multiple of c. 6 x (excluding the 2009 preference shares) 30 June 2014 Net Asset Value ("NAV"). The Group continues to note that the median for comparable European banks is c. 1 x NAV.

AIB Restructuring Plan

The recent approval of the AIB Restructuring Plan by the European Commission is an endorsement of AIB's recovery and progress and reflects the extensive internal restructuring and change that has already taken place at the bank over the last number of years. The commitments outlined in the approval are in line with our own existing operational plans and medium term targets and will be implemented between now and December 2017. Further details on the Restructuring Plan can be found on page 27 of this report.