AIB Group annual results 2010

Basis of presentation
The following is prepared on a continuing operations basis unless otherwise stated.

Profitability
Total AIB Group - loss for the period € 10.2 billion
Continuing operations loss after taxation € 10.4 billion
NAMA transfer related losses of € 7.0 billion
Credit provision charge of € 6.0 billion (Non NAMA € 4.5 billion; NAMA € 1.5 billion)
Operating profit(1) € 963 million
AIB Bank ROI loss of € 10.8 billion; operating profit(1) € 189 million
Capital Markets profit of € 71 million; operating profit(1) € 577 million
AIB Bank UK loss of £ 1.2 billion; operating profit(1) £ 141 million

Asset quality(2)
Criticised loans at 30.2% of total loans
Impaired loans at 13.4% of total loans
Provisions for impairment of loans and receivables of € 6.0 billion or 5.25% of average customer loans

Earnings per share

Total AIB Group - loss per share	EUR (564.0c)

Statement of financial position/funding
Total assets decreased from € 174 billion at 31 December 2009 to € 145 billion at 31 December 2010
€ 18 billion of gross loans transferred to NAMA during 2010; € 2 billion remaining to be transferred
Gross loans (excluding NAMA loans) decreased by € 3 billion (€ 7 billion excluding NAMA reclassifications) in 2010 to € 94 billion
Total gross loans (including NAMA loans) decreased by € 24 billion in 2010
Customer deposits decreased by € 22 billion in 2010 to € 52 billion
Total AIB Group customer accounts 45% of funding requirement at 31 December 2010
Loan to deposit ratio of 165% compared to 123% at 31 December 2009

Capital ratios	**31/12/2010**
Core tier 1 ratio	4.0%
Tier 1 ratio	4.3%
Total capital ratio	9.2%(3)

(1)Operating profit before provisions and losses on transfer of loans to NAMA.
(2)Includes loans held for sale to NAMA.
(3)At 31 December 2010, the Group benefited from derogations from certain regulatory capital requirements granted on a temporary basis by the Central Bank. These derogations remained in place until the completion of the liability management exercise on 24 January 2011.

Allied Irish Banks, p.l.c.

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This media release and a detailed presentation can be viewed on our internet site at www.aibgroup.com/investorrelations

Forward-looking statements

This document contains certain forward-looking statements within the meaning of Section 27A of the US Securities Act of 1933 and Section 21E of the US Securities Exchange Act of 1934, with respect to the financial condition, results of operations and business of the Group and certain of the plans and objectives of the Group. In particular, among other statements in this Media Release Report, with regard to management objectives, trends in results of operations, margins, risk management, competition and the impact of changes in International 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 'aim', 'anticipate', 'target', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'may', 'could', 'will', 'seek', 'continue', 'should', 'assume', or other words of similar meaning. Examples of forward-looking statements include among others, statements regarding the Group's future financial position, income growth, loan losses, business strategy, projected costs, capital ratios, estimates of capital expenditures, and plans and objectives for future operations. Because such statements are inherently subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking information. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to the effects of the challenging economic environment, both domestically and internationally, constraints on liquidity and the challenging liquidity environment for the Group created by market reaction to factors affecting Ireland and the Irish economy, the impact of further downgrades to the Irish sovereign ratings and other country ratings, or the Group's credit ratings, the uncertainty of further extensions of the ELG Scheme, systemic risks in the markets the Group operates in, the ability to access capital to meet targeted and minimum capital requirements for the Group, customer and counterparty credit quality, the effects of AIB's participation in the Credit Institutions (Financial Support) Scheme, the National Pensions Reserve Fund Commission investments, the National Asset Management Agency programme and the ELG Scheme, conditions that may be imposed by the European Commission following consideration of the Group's restructuring plan, market risk, including non-trading interest rates, operational and reputational risks, the effects of continued volatility in credit markets, the effects of changes in valuation of credit market exposures, changes in fiscal or other policies adopted by various governments and regulatory authorities, the effects of changes in taxation or accounting standards and practices, acquisitions and disposals, the risks relating to the Group's deferred tax assets, future exchange and interest rates and the success of the Group in managing these events. Any forward-looking statements made by or on behalf of the Group speak only as of the date they are made. AIB cautions that the foregoing list of important factors is not exhaustive. Investors and others should carefully consider the foregoing factors and other uncertainties and events when making an investment decision based on any forward-looking statement. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Media Release Report may not occur. The Group does not undertake to release publicly any revision to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date hereof.

AIB

Basis of presentation

The commentary in this management report is on a continuing operations basis unless otherwise stated. For the reporting of the results, the Group's continuing operations constitute the businesses AIB operates: AIB Bank ROI division, Capital Markets division, AIB Bank UK division and Group division, (which includes AmCredit, previously reported within the Central and Eastern Europe division). Capital Markets division previously included the results of BZWBK wholesale treasury and certain BZWBK investment banking subsidiaries. This business segmentation has been reviewed as part of the restructuring plan of the organisation and the new structure will be reflected in future business segment reporting.

A summary commentary on discontinued operations is included on page 22 of this report.

Summary income statement	2010 Total € m	2010 NAMA[1] € m	2010 Total excluding NAMA € m	2009 Total € m	% change 2010 v 2009
Net interest income	**1,844**	**-**	**1,844**	2,872	*-36*
Other income	**(5,201)**	**(5,969)**	**768**	1,234	*-38*
Total operating income	**(3,357)**	**(5,969)**	**2,612**	4,106	*-36*
Personnel expenses	**921**	**-**	**921**	909	*1*
General and administrative expenses	**548**	**-**	**548**	486	*13*
Depreciation[2] impairment and amortisation[3]	**180**	**-**	**180**	127	*42*
Total operating expenses	**1,649**	**-**	**1,649**	1,522	*8*
Operating (loss)/profit before provisions	**(5,006)**	**(5,969)**	**963**	2,584	*-63*
Provisions for impairment of loans and receivables	**6,015**	**-**	**6,015**	5,242	*15*
Provisions for liabilities and commitments	**1,029**	**1,029**	**-**	1	-
Provisions for impairment of financial investments available for sale	**74**	**-**	**74**	24	*208*
Total provisions	**7,118**	**1,029**	**6,089**	5,267	*16*
Operating loss	**(12,124)**	**(6,998)**	**(5,126)**	(2,683)	*91*
Associated undertakings	**18**	**-**	**18**	(3)	*-700*
Profit on disposal of property	**46**	**-**	**46**	23	*100*
Construction contract income	**-**	**-**	**-**	1	-
Loss on disposal of businesses	**(11)**	**-**	**(11)**	-	-
Loss before taxation - continuing operations	**(12,071)**	**(6,998)**	**(5,073)**	(2,662)	*91*
Income tax income - continuing operations	**(1,710)**			(373)	
Loss after taxation - continuing operations	**(10,361)**			(2,289)	

Overview of results

2010 was an extremely difficult period for AIB and all its stakeholders. It was a year that culminated in the announcement that the Irish Government was to take a majority stake in AIB. There were significant levels of credit losses, as we matched the continued downturn in the economy, in addition to the loss on transfer of loans to NAMA.

On a continuing operations basis, the Group incurred a loss after taxation of € 10.4 billion in 2010, compared with a loss after taxation of € 2.3 billion in 2009. Operating profit before provisions was € 963 million excluding the loss on transfer of assets to NAMA, or a loss of € 5.0 billion including the loss on transfer of assets to NAMA, compared to an operating profit before provisions of € 2.6 billion in 2009. Provisions for impairment of loans and receivables were € 6.0 billion in 2010 and included € 1.5 billion related to loans held for sale to NAMA and € 4.5 billion for non NAMA loans. There were also provisions for liabilities and commitments of € 1.0 billion in relation to loans at 31 December 2010 which had yet to transfer to NAMA. In total, provisions for credit deterioration coupled with the NAMA impact amounted to € 13 billion in 2010. Higher funding costs were an ongoing issue throughout 2010. These higher funding costs reflect 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.

[1]NAMA transfer related losses (see note 7 for further details).

[2]Depreciation of property, plant and equipment.

[3]Impairment and amortisation of intangible assets.

Overview of results *(continued)*

Total operating income was negative € 3.4 billion in 2010. Excluding the loss on transfer of assets to NAMA, total operating income was € 2.6 billion. This compares to € 4.1 billion in the year to December 2009, a decrease of € 1.5 billion or 36%. Net interest income was € 1.8 billion in 2010 compared to € 2.9 billion in 2009, a decrease of € 1.1 billion or 36%. The net interest margin was 1.31%. Excluding the cost of the ELG scheme, the net interest margin for 2010 was 1.52%. Operating expenses were € 1,649 million in 2010 compared with € 1,522 million in 2009, an increase of € 127 million. 2009 included a gain of € 159 million from the retirement benefits amendment. Excluding the impact of this amendment from the cost base in 2009, costs reduced by € 32 million or 2%, notwithstanding significant external engagement, expenditure to address NAMA transition requirements (€ 44 million in 2010;€ 29 million in 2009) and a € 59 million writedown of intangible assets in relation to projects that were discontinued in 2010.

AIB Group total customer accounts as a percentage of funding requirement was 45% at 31 December 2010 compared to 51% at 31 December 2009.

The loan to deposit ratio at 31 December 2010 was 165% compared to 123% at 31 December 2009. Customer accounts decreased by € 22 billion or 29% during 2010 to € 52 billion.

At 31 December 2010, AIB Group's core tier 1 ratio was 4.0%, tier 1 ratio was 4.3% and total capital ratio was 9.2%. During 2010 there were a number of reviews by the Central Bank of Ireland which resulted in a requirement to raise new core tier 1 capital. This requirement was partly achieved (in 2010 and 2011 to date) by generating benefits equivalent to core tier one capital from the disposals of BZWBK (€ 2.5 billion) and M&T (€ 0.9 billion). On 23 December 2010, AIB received the net proceeds of the Irish Government capital injection of € 3.7 billion.

The following events took place post 31 December 2010 and so had no impact on capital ratios at 31 December 2010, however they have contributed to the capital position since 31 December 2010. The results of a liability management exercise were announced on 24 January 2011 which raised € 1.5 billion of capital. The immediate transfer of certain deposits and senior NAMA bonds from Anglo Irish Bank and Anglo Irish Bank Corporation (International) p.l.c. in the Isle of Man to AIB was announced on 24 February 2011. There was a capital contribution of c. € 1.5 billion arising from this transaction. On 31 March 2011, the Central Bank of Ireland announced the results of the Prudential Capital Assessment Review ("PCAR"). The Central Bank of Ireland requires AIB to raise capital of € 13.3 billion of which an amount of € 1.4 billion may be in the form of contingent capital. The Minister for Finance announced, also on 31 March 2011, that it is intended that AIB will be combined with the Educational Building Society ("EBS"), subject to state aid and regulatory approvals required.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group will be set out in full in the Risk Management section of the 2010 Annual Financial Report. In summary, the Group considers the following risks and uncertainties to be the most material to its future performance:

- The economic environment in Ireland and the markets in which the Group operates continue to be very challenging.
- Constraints on liquidity and market reaction to factors affecting Ireland and the Irish economy have and continue to create an exceptionally challenging liquidity environment for the Group. Further downgrades to Irish sovereign ratings or the Group's credit ratings or outlook could limit the Group's access to funding, trigger additional collateral requirements and weaken its competitive position. Uncertainty over the terms of a further extension of the Eligible Liabilities Guarantee ("ELG") Scheme may expose the Group to further liquidity risks.
- Systemic Risks could disrupt the markets and impact the Group's financial condition and results of operations.
- Notwithstanding recent capital injections and the commitment of further capital, the Group is subject to the risk of having insufficient capital resources to meet increased minimum regulatory requirements.
- The Group remains subject to inherent risks concerning customer and counterparty credit quality and the actual or perceived failure or worsening creditworthiness of customers, other financial institutions and counterparties.
- The Group is subject to certain commitments and restrictions in relation to the operation of its business under various provisions of State support.
- Execution of the Restructuring Plan, including the disposal of assets as part of the deleveraging programme.
- The Group continues to face market risks, including non-trading interest rate risk, in the ordinary course of its business.
- The Group continues to face significant operational and reputational risks.
- The Group's businesses and financial condition could be affected by the fiscal, taxation, regulatory or other policies, laws and regulations and other actions of various governmental and regulatory authorities.
- The Group's deferred tax assets are substantially dependent on the generation of future profits over a number of years.

Outlook statement

AIB's long term future as a viable bank has been validated by the commitment of state authorities to support the bank. This commitment is being given because it is accepted that AIB is of systemic importance to the domestic economy and Ireland's future economic success requires a properly functioning banking system. The very strong capital base that will result from the generation of € 13.3 billion of capital will enable AIB to provide long term support to its customers and play an active role in the recovery of the Irish economy. It is intended to combine AIB and EBS (subject to State aid and regulatory approvals) to form one of two new strong universal pillar banks in Ireland. Business and market conditions remain challenging and the environment for operating income generation remains difficult. This requires costs to be lowered. It is expected that a reduction of over 2,000 staff will take place on a phased basis over 2011 and 2012. A core bank, in line with AIB's new strategic direction will be established with a restructured balance sheet achieved through the disposal and winding down of non-core assets. This new AIB will form a strong foundation from which a profitable business can be rebuilt. The speed at which AIB recovers and returns to a position of profitability and self-capitalisation is heavily influenced by Ireland's economic prospects.

Net interest income	2010 € m	2009 € m	% charge 2010 v 2009
Net interest income	**1,844**	2,872	*-36*

Average interest earnings assets	2010 € m	2009 € m	% charge 2010 v 2009
Average interest earnings assets	**141,093**	156,439	*-10*

Net interest margin	2010 %	2009 %	Basis point charge
Group net interest margin	**1.31**	1.84	*-53*
Group interest margin excluding ELG	**1.52**	1.84	*-32*

Net interest income

Net interest income was € 1,844 million in 2010 compared with € 2,872 million in 2009, a decrease of € 1,028 million or 36%. Net interest income for 2010 included a charge for the ELG scheme of € 306 million[1] excluding which net interest income reduced by € 722 million or 25%.

The net interest income decrease excluding the ELG cost mainly reflected the significantly increased cost of customer deposits in a marketplace with elevated deposit pricing, higher wholesale funding costs and lower income on capital. There was also lower income from loans reflecting the transfer of loans to NAMA and lower earning loan balances partly offset by higher loan margins on new lending.

The net interest margin was 1.31%. Excluding the cost of the ELG scheme, the net interest margin for 2010 was 1.52%. This was a reduction of 53 basis points or excluding the ELG scheme 32 basis points compared with 1.84% in 2009. The estimated[2] factors contributing to the movement in the margin of -32 basis points were: -20 basis points due to lower deposit income, -19 basis points due to lower capital income, -14 basis points due to higher wholesale funding costs partly offset by +10 basis points due to improved lending margins and +11 basis points impact from treasury/other net interest income.

[1]The aggregate charge for CIFS and the ELG schemes was € 357 million (ELG € 306 million and CIFS € 51 million) compared to a CIFS scheme charge of € 147 million for 2009. The CIFS scheme charge is reflected in other income, while the ELG scheme charge is in net interest income.

[2]Management estimate.

Management report - commentary on results

Other income	2010 Total € m	2010 NAMA[1] € m	2010 Total excluding NAMA € m	2009 Total € m	% change € m
Dividend income	**1**	**-**	**1**	4	*-75*
Banking fees and commissions	***486***	**-**	***486***	*526*	*-8*
Investment banking and asset management fees	***99***	**-**	***99***	*110*	*-10*
Fee and commission income	**585**	**-**	**585**	636	*-8*
Irish Government guarantee scheme expense ("CIFS")	***(51)***	**-**	***(51)***	*(147)*	*-65*
Other fee and commission expense	***(37)***	**-**	***(37)***	*(37)*	*-*
Less: Fee and commission expense	**(88)**	**-**	**(88)**	(184)	*-52*
Trading loss	***(188)***	**-**	***(188)***	*(12)*	*1,467*
Interest rate hedge volatility	***(13)***	**-**	***(13)***	*(28)*	*-54*
Net trading loss[2]	**(201)**	**-**	**(201)**	(40)	*403*
Gain on redemption of subordinated liabilities	**372**	**-**	**372**	623	*-40*
Loss on disposal of loans	***(54)***	**-**	***(54)***	*-*	*-*
Other operating income	***153***	**-**	***153***	*195*	*-22*
Other operating income	**99**	**-**	**99**	195	*-49*
Other income excluding NAMA loss	**768**	**-**	**768**	1,234	*-38*
Loss on transfer of financial instruments to NAMA	**(5,969)**	**(5,969)**	**-**	-	*-*
Other (loss)/income	**(5,201)**	**(5,969)**	**768**	1,234	*-38*

Other income was a negative € 5.2 billion in 2010, which included a loss of € 6.0 billion on the transfer of assets to NAMA and a € 372 million gain on redemption of subordinated liabilities from the capital exchange offering in 2010. Excluding these items other income was € 396 million, compared with € 611 million in 2009 (excluding the € 623 million gain on redemption of subordinated liabilities from the capital exchange offering in 2009), a decrease of € 215 million or 35%.

This decrease reflected weaker economic conditions, challenging trading markets in which AIB operates, lower business volumes and lower revenues from investment banking activities. The decline of these other income elements was partly offset by lower deposit guarantee costs for the CIFS scheme booked through other income.

Banking fees and commissions decreased by 8% reflecting lower business volumes and activity.

Investment banking and asset management fees were down 10% in 2010 mainly reflecting lower brokerage income in the Republic of Ireland.

Fee and commission expense includes the cost of the CIFS scheme of € 51 million in 2010. The cost of the ELG scheme of € 306 million in 2010 is included in net interest income.

Trading losses were € 201 million in 2010 compared to € 40 million in 2009. Trading loss excludes interest payable and receivable arising from hedging and the funding of trading activities, which are included in interest income and by reclassification of income between other income and net interest income. During 2010 there was an increase in the trading loss recorded in other income with a related increase in net interest income. On a total income basis (net interest income and other income), income from trading activities was broadly in line with 2009.

Other operating income in 2010 was € 99 million compared with € 195 million in 2009. Other operating income in 2010 included € 75 million from the disposal of available for sale debt securities compared with € 167 million in 2009, a reduction of € 92 million. In 2010 there was a loss of € 54 million on the disposal of loans as part of asset deleveraging measures. Partly offsetting these reductions was an increase in foreign exchange gains of € 21 million.

[1]Loss on transfer of financial instruments held for sale to NAMA.

[2]Trading loss includes foreign exchange contracts, debt securities and interest rate contracts, credit derivative contracts, equity securities and index contracts (see note 5).

Management report - commentary on results

Operating expenses	**2010 € m**	2009 € m	*% change 2010 v 2009*
Personnel expenses	**921**	909	*1*
General and administrative expenses	**548**	486	*13*
Depreciation,[1] impairment and amortisation[2]	**180**	127	*42*
Total operating expenses	**1,649**	1,522	*8*

Total operating expenses were € 1,649 million in 2010, an increase of € 127 million or 8% when compared to € 1,522 million in 2009. In 2009 there was a gain of € 159 million from an amendment to retirement benefits, excluding which costs decreased by € 32 million or 2%. Total operating expenses in 2010 included costs of € 44 million relating to NAMA compared with € 29 million in 2009. When these costs are excluded the cost base decreased by € 47 million or 3%. This decrease reflected cost management in a period of slower economic conditions, lower staff numbers and reduced business activity. These costs reductions were in addition to reductions of 11% in 2009.

The following comment on personnel expenses excludes the retirement benefits amendment in 2009 mentioned above. Personnel expenses in 2010 were € 921 million, a decrease of € 147 million or 14% compared with € 1,068 million in 2009 reflecting a reduction of more than 400 in staff numbers during 2010 and a reduction in other staff costs. This was in addition to a reduction of almost 900 in staff numbers during 2009.

General and administrative expenses of € 548 million in 2010 were € 62 million or 13% higher than € 486 million in 2009. The increase was mainly related to significant external engagement including professional fees and consultancy costs connected with the sale of businesses, business restructuring and preparation for transfer of loans to NAMA, incremental occupancy costs following continued rollout of the branch sale and leaseback programme and other one-off costs. Excluding these items, general and administrative expenses were in line with 2009 which reflected ongoing management of all discretionary spend.

Depreciation and amortisation of € 180 million in 2010 was € 53 million or 42% higher than 2009. This increase was due to a writedown in the value of intangible assets of € 59 million in relation to projects discontinued during 2010. Depreciation and amortisation costs decreased by 5% excluding this writedown.

Cost income ratio	**2010 %**	2009 %
Cost income ratio[3]	**73.6**	43.7

The cost income ratio for 2010, excluding the loss on the transfer of assets to NAMA and the gain on the capital exchange offering was 73.6% compared to 43.7% for 2009 excluding the gain on the capital exchange offering. Lower total income contributed to an increase in the cost income ratio.

[1]Depreciation of property, plant and equipment.

[2]Impairment and amortisation of intangible assets.

[3]The cost income ratio is total operating expenses as a percentage of total operating income.

Asset quality

An analysis of loans by division is shown in the statement of financial position section on page 50.

The Group's total criticised loans and receivables for continuing operations including loans held for sale to NAMA amounted to € 29.0 billion (30.2% of total gross loans of € 96 billion) at 31 December 2010, comprising € 1.6 billion related to loans and receivables held for sale to NAMA and € 27.4 billion for loans and receivables to customers. This compared to € 16.4 billion and € 20.1 billion respectively at 31 December 2009. The reduction in criticised loans held for sale to NAMA mainly reflected the transfer of loans to NAMA during 2010. Allowing for the change in the definition of NAMA eligible loans[1] during 2010, the increase in non NAMA criticised loans and receivables to customers was € 4.3 billion[2]. While the quantum of criticised loans and receivables to customers is considerable the migration into criticised grades slowed significantly in the latter part of 2010. The following tables show criticised loans for the total loan book and then split into non NAMA and held for sale to NAMA. 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.

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.

					31 December 2010
Criticised loans by division (including NAMA)	**Watch loans € m**	**Vulnerable loans € m**	**Impaired loans € m**	**Criticised loans € m**	**% of total gross loans**
AIB Bank ROI	**5,501**	**5,114**	**9,749**	**20,364**	**34.3**
Capital Markets	**356**	**220**	**748**	**1,324**	**7.1**
AIB Bank UK	**2,244**	**2,648**	**2,358**	**7,250**	**40.5**
Group (AmCredit)	**-**	**3**	**27**	**30**	**40.0**
Continuing operations	**8,101**	**7,985**	**12,882**	**28,968**	**30.2**

					31 December 2009
Criticised loans by division (including NAMA)	Watch loans € m	Vulnerable loans € m	Impaired loans € m	Criticised loans € m	% of total gross loans
AIB Bank ROI	8,528	5,540	14,620	28,688	36.9
Capital Markets	241	447	559	1,247	5.5
AIB Bank UK	2,349	2,376	1,755	6,480	31.8
Group (AmCredit)	12	4	42	58	64.2
Continuing operations	11,130	8,367	16,976	36,473	30.1
BZWBK	990	237	477	1,704	19.7
AIB Group	12,120	8,604	17,453	38,177	29.4

					31 December 2010
Criticised loans by division (non NAMA)	**Watch loans € m**	**Vulnerable loans € m**	**Impaired loans € m**	**Criticised loans € m**	**% of total non-NAMA gross loans[3]**
AIB Bank ROI	**5,323**	**5,032**	**9,489**	**19,844**	**33.9**
Capital Markets	**324**	**220**	**748**	**1,292**	**6.9**
AIB Bank UK	**1,998**	**2,305**	**1,877**	**6,180**	**37.5**
Group (AmCredit)	**-**	**3**	**27**	**30**	**40.0**
Continuing operations	**7,645**	**7,560**	**12,141[4]**	**27,346**	**29.2**

[1]There was a change in the threshold for NAMA eligible loans during 2010 from greater than € 5 million to greater than € 20 million as well as movements in the number of loans and balances within the NAMA eligible pool.

[2]Management estimate.

[3]Gross loans by division as set out on page 23.

[4]Includes €12,114 million impaired loans (note 19) and AmCredit (€ 27 million).

Criticised loans by division (non NAMA)	Watch loans € m	Vulnerable loans € m	Impaired loans € m	Criticised loans € m	31 December 2009 % of total non NAMA gross loans
AIB Bank ROI	6,230	3,418	4,506	14,154	24.2
Capital Markets	241	411	559	1,211	5.4
AIB Bank UK	1,892	1,878	912	4,682	27.3
Group (AmCredit)	12	4	42	58	64.2
Continuing operations	8,375	5,711	6,019	20,105	20.5
BZWBK	990	237	477	1,704	19.7
AIB Group	9,365	5,948	6,496[3]	21,809	20.4

The Group's non NAMA criticised loans and receivables to customers in continuing operations amounted to € 27.3 billion or 29.2% of non NAMA customer loans, up from € 20.1 billion or 20.5% at 31 December 2009, an increase of € 7.2 billion. However, allowing for changes in the definition of NAMA eligible loans[1] during the year, the increase was € 4.3 billion[2].

In AIB Bank ROI non NAMA criticised loans increased from € 14.2 billion to € 19.8 billion but adjusting for changes in the definition of NAMA eligible loans[1] during the year, the increase was € 3.7 billion[2]. There have been increases in the vulnerable and impaired categories in the property, distribution, retail, agriculture, other services and personal sectors. Property sector loans account for 46% of the division's non NAMA criticised loans up from 42% at 31 December 2009.

Non NAMA criticised loans in Capital Markets increased from € 1.2 billion to € 1.3 billion during 2010 and are spread across a range of geographies and sectors and now represent 6.9% of loans in Capital Markets compared with 5.4% at 31 December 2009.

In AIB Bank UK non NAMA criticised loans increased from € 4.7 billion to € 6.2 billion. Adjusting for changes in the definition of eligible loans[1], the increase was € 0.5 billion[2], with increases in watch loans in the leisure and other business sectors and in the vulnerable and impaired categories in the property and residential mortgage sectors.

In AmCredit, criticised loans decreased by € 28 million to € 30 million in the period reflecting the sale/restructure of impaired loans.

Criticised loans by division (held for sale to NAMA)	**Watch loans € m**	**Vulnerable loans € m**	**Impaired loans € m**	**Criticised loans € m**	**31 December 2010** **% of total NAMA gross loans**
AIB Bank ROI	**178**	**82**	**260**	**520**	**71.0**
Capital Markets	**32**	**–**	**–**	**32**	**55.0**
AIB Bank UK	**246**	**343**	**481**	**1,070**	**73.4**
Group (AmCredit)	**–**	**–**	**–**	**–**	**–**
Continuing operations	**456**	**425**	**741**	**1,622**	**72.2**

Criticised loans by division (held for sale to NAMA)	Watch loans € m	Vulnerable loans € m	Impaired loans € m	Total criticised loans € m	31 December 2009 % of total NAMA gross loans
AIB Bank ROI	2,298	2,122	10,114	14,534	75.0
Capital Markets	–	36	–	36	6.6
AIB Bank UK	457	498	843	1,798	55.1
Group (AmCredit)	–	–	–	–	–
Continuing operations	2,755	2,656	10,957	16,368	70.6
BZWBK	–	–	–	–	–
AIB Group	2,755	2,656	10,957	16,368	70.6

At 31 December 2010, NAMA criticised loans amounted to € 1.6 billion or 72.2% of the remaining € 2.2 billion of loans held for sale to NAMA. This compared with € 16.4 billion at 31 December 2009. The movement was due to the transfer of € 18.2 billion of loans to NAMA during the year of which € 16.1 billion were criticised and a net € 1.3 billion increase in criticised loans due to the revised NAMA criteria[1] and movement in eligible loan balances during the year.

[1] There was a change in the threshold for NAMA eligible loans during 2010 from greater than € 5 million to greater than € 20 million as well as movements in the number of loans and balances within the NAMA eligible pool.

[2] Management estimate.

[3] Includes € 6,496 million impaired loans (note 19).

Impaired loans by division	31 December 2010 NAMA € m	Non NAMA € m	Total € m	31 December 2009 NAMA € m	Non NAMA € m	Total € m
AIB Bank ROI	**260**	**9,489**	**9,749**	10,114	4,506	14,620
Capital Markets	**-**	**748**	**748**	-	559	559
AIB Bank UK	**481**	**1,877**	**2,358**	843	912	1,755
Group (AmCredit)	**-**	**27**	**27**	-	42	42
Continuing operations	**741**	**12,141**[(1)]	**12,882**	10,957	6,019	16,976
BZWBK				-	477	477
AIB Group				10,957	6,496	17,453

% of total gross loans	31 December 2010 NAMA %	Non NAMA %	Total %	31 December 2009 NAMA %	Non NAMA %	Total %
AIB Bank ROI	**35.5**	**16.2**	**16.4**	52.2	7.7	18.9
Capital Markets	**-**	**4.0**	**4.0**	-	2.5	2.5
AIB Bank UK	**33.0**	**11.4**	**13.2**	25.8	5.3	8.6
Group (AmCredit)	**-**	**36.0**	**36.0**	-	46.7	46.7
Continuing operations	**33.0**	**12.9**	**13.4**	47.2	6.1	14.0
BZWBK				-	5.5	5.5
AIB Group				47.2	6.1	13.5

Group impaired loans as a percentage of gross customer loans decreased to 13.4%, down from 14.0% at 31 December 2009 due to the transfer of loans to NAMA and deleveraging in Capital Markets and AIB Bank UK.

Total non NAMA impaired loans increased to € 12.1 billion or 12.9% of gross loans up from € 6.0 billion or 6.1% at 31 December 2009. Allowing for the change in definition of NAMA eligible loans[(2)], the underlying increase was € 4.1 billion[(3)], € 3.5 billion in AIB Bank ROI, € 0.2 billion in Capital Markets, and € 0.4 billion in AIB Bank UK. Property loans represented € 7.0 billion or 58% of the Group's total non NAMA impaired loans of € 12.1 billion at 31 December 2010, 38% in property investment, 59% in land and development and 3% in contractors.

Non NAMA impaired loans in AIB Bank ROI increased by € 5.0 billion in the period, allowing for the change in definition of NAMA eligible loans[(2)] the increase was € 3.5 billion[(3)] and now represents 16% of divisional customer loans. The main sectors impacted were the property, distribution and residential mortgages portfolios.

Non NAMA impaired loans in Capital Markets increased by € 0.2 billion spread across sectors and geographies.

In AIB Bank UK, non NAMA impaired loans increased by € 1.0 billion but allowing for the change in definition of NAMA eligible loans[(2)], the increase was € 0.4 billion[(3)], mainly in the property, residential mortgage, personal and retail sectors.

AmCredit impaired loans decreased by € 15 million in the year to 31 December 2010 reflecting the sale/restructure of impaired loans.

Impaired loans held for sale to NAMA amounted to € 0.7 billion down from € 11 billion at 31 December 2009. The reduction reflects the transfer of € 18.2 billion in loans to NAMA during 2010 of which € 11.9 billion were impaired. The remaining € 0.7 billion represents 33% of NAMA loans to be transferred in 2011, the vast majority of which relate to loans in the property sector.

[(1)]Includes € 12,114 million of impaired loans (note 19) and AmCredit (€ 27 million).

[(2)]There was a change in the threshold for NAMA eligible loans during 2010 from greater than € 5 million to greater than € 20 million as well as movements in the number of loans and balances within the NAMA eligible pool.

[(3)]Management estimate.

Provisions (income statement)	2010 € m	2009 € m
Provisions for impairment of loans and receivables to customers	6,015	5,237
Provisions for impairment of loans and receivables to banks	–	5
Provisions for impairment of loans and receivables	6,015	5,242
Provisions for liabilities and commitments	1,029	1
Provisions for impairment of financial investments available for sale	74	24
Total provisions	7,118	5,267

Economic conditions continued to be extremely challenging throughout 2010 and deteriorated further in Ireland in particular in the last quarter of the year. The provision charge for loans and receivables was € 6,015 million or 5.25% of average customer loans and compares with € 5,237 million or 4.23% of customer loans in 2009. The charge comprised € 4,639 million of specific provisions and € 1,376 million of IBNR provisions (€ 5,060 million and € 177 million in 2009). The charge included € 1,497 million for loans held for sale to NAMA and € 4,518 million for non NAMA loans (€ 1,864 million and € 3,373 million respectively in 2009).

A provision for liabilities and commitments of € 1.0 billion was made in 2010 for the remaining NAMA gross loans of € 2.2 billion. This represented the excess amount over existing provisions to apply a 60% discount on these assets.

The provision for impairment of financial instruments available for sale of € 74 million included € 59 million for bonds held in other financial institutions and € 15 million for other investments.

				2010
Divisional impairment charges	NAMA € m	Non NAMA[1] € m	Non NAMA residential mortgages € m	Total € m
AIB Bank ROI	1,335	3,301	448	5,084
Capital Markets	10	319	13	342
AIB Bank UK	152	385	51	588
Group (AmCredit)	–	–	1	1
Continuing operations	1,497	4,005	513	6,015

				2010
Divisional impairment charges	NAMA bps	Non NAMA[1] bps	Non NAMA residential mortgages bps	Total bps
AIB Bank ROI	916	1,048	168	698
Capital Markets	342	151	262	156
AIB Bank UK	572	279	156	298
Group (AmCredit)	–	–	122	122
Continuing operations	854	603	168	525

				2009
Divisional impairment charges	NAMA € m	Non NAMA[1] € m	Non NAMA residential mortgages € m	Total € m
AIB Bank ROI	3,215	1,172	86	4,473
Capital Markets	(8)	351	13	356
AIB Bank UK	166	217	12	395
Group (AmCredit)	–	–	13	13
Continuing operations	3,373	1,740	124	5,237

[1]Non NAMA loans excluding residential mortgages.

Divisional impairment charges	NAMA bps	Non NAMA[1] bps	Non NAMA residential mortgages bps	2009 Total bps
AIB Bank ROI	1,659	363	33	576
Capital Markets	(145)	148	145	141
AIB Bank UK	509	157	33	191
Group (AmCredit)	–	–	1,175	1,175
Continuing operations	1,454	249	40	423

The provision charge included € 1,497 million for loans held for sale to NAMA.

In AIB Bank ROI the provision charge for NAMA loans was € 1,335 million or 9.16% of average NAMA loans, the vast majority of which related to property loans, with € 320 million relating to other sectors such as distribution and personal.

There was a charge of € 10 million for NAMA loans in Capital Markets in 2010 relating to a small number of impaired cases. There was a charge of € 152 million in AIB Bank UK for NAMA loans, again largely for loans in the property sector.

The Group provision charge for non NAMA loans for continuing operations was € 4,518 million (4.66% of average customer loans) comprising € 3,204 million in specific provisions (3.30% of average customer loans) and € 1,314 million or 1.35% of average customer loans in IBNR provisions. This was up from € 1,712 million specific provisions and € 152 million IBNR provisions in 2009. The increase in IBNR provisions largely occurred in ROI division where the IBNR charge was € 1,205 million, with increases in Capital Markets and AIB Bank UK also in 2010. This was due to management's view of the heightened level of incurred loss (not yet identified) in the book and the impact of more negative economic circumstances, particularly in Ireland.

In AIB Bank ROI the charge for non NAMA loans was € 3,749 million or 6.44% of average customer loans, of which € 2,544 million was in specific provisions and € 1,205 million in IBNR provisions compared with € 1,131 million and € 127 million respectively in 2009. 57% or € 2.1 billion of the total provision charge related to borrowers in the property sector, who continue to be impacted by depressed construction/housing activity. A further € 448 million of the total provision charge related to the residential mortgage portfolio and represents 1.68% of average residential mortgages compared with 0.33% in 2009. The provision charge in the other commercial sector of the division's book increased significantly to € 872 million or 7.38% of average commercial loans compared with 3.32% in 2009, mostly in the distribution sector. This sector includes the hotels (portfolio size € 1.6 billion), licensed premises (€ 1.0 billion) and retail/wholesale (€ 2.8 billion) sub-sectors which have been heavily impacted by the economic environment and decline in consumer spending during the year.

The charge of € 1,205 million in IBNR income statement provisions in AIB Bank ROI had the impact of increasing its statement of financial position IBNR provisions to € 1,842 million at 31 December 2010. In considering the appropriate level of IBNR provisions, the Bank has taken into account the credit risk profile of the portfolio, particularly the level of arrears and >90 days past due but not impaired loans. Specific provision experience, particularly the most recent experience, is taken into consideration as historic average loss rates are deemed to be unrepresentative of the incurred loss in the non impaired book. The income statement IBNR provision charge was allocated to the following portfolios; € 312 million to residential mortgages (statement of financial position provision of € 368 million), which reflects recent provision experience, the level of arrears, the level of requests for restructure and uncertainty over underlying peak to trough asset price declines. The Bank also took into consideration the levels of interest only mortgages in the portfolio and their maturity profile. € 666 million was allocated to the property portfolio (statement of financial position provision of € 1,063 million), which reflects the impact of further pressure on asset prices and rental cash flow and uncertainty over the timing of a general recovery in demand for commercial property assets including land. € 172 million was allocated to the SME/commercial portfolio (statement of financial position of € 311 million) which again is influenced by recent provision experience, declining consumer demand and capital spending. € 55 million was allocated to other personal debt (statement of financial position provision of € 99 million) which is influenced by provision experience, arrears profiles and concern over unemployment and income levels. These factors have been considered together, rather than in isolation, with an overlay of management judgement have resulted in the overall IBNR charge mentioned above.

[1]Non NAMA loans excluding residential mortgages.

The charge for non NAMA loans in Capital Markets was € 332 million or 1.54% of average customer loans. € 282 million related to specific provisions after provision recovery of € 38 million. The charge included € 106 million relating to provisions on five large cases, spread across sectors and € 50 million in IBNR provisions bringing their statement of financial position IBNR provisions to € 100 million, influenced by the increased specific provisioning experience in the latter half of 2010.

In AIB Bank UK, the income statement provision charge for non NAMA loans was € 436 million or 2.55% of average loans. The income statement IBNR provision charge was € 59 million resulting in statement of financial position IBNR provisions of € 197 million. Influencing the view of appropriate levels of IBNR provisions were a combination of several key factors, which included the most recent specific provision experience, property asset prices and the expected time it will take for normal markets for those assets to resume and the repayment profile of residential mortgages. € 258 million or 59% of the total provision charge related to loans in the property and construction sector. There was an increased charge in the residential mortgage portfolio of 1.56% of average mortgage loans up from 0.33% in 2009 particularly in First Trust.

There was a charge on income statement of € 1 million in AmCredit in 2010 representing 1.22% of average loans.

Credit profile

Loans and receivables to customers	**31 December 2010 € bn**	31 December 2009 € bn
Retail[1]		
Residential mortgages	**31**	31
Other personal lending	**6**	7
Total retail	**37**	38
Commercial[1]		
Property	**26**	24
SME/commercial	**18**	19
Total commercial	**44**	43
Corporate[1]	**13**	16
Total	**94**	97

	31 December 2010		31 December 2009	
	€ bn	**%**	€ bn	%
Credit Profile				
Satisfactory	**66.6**	**71**	77.8	79
Watch	**7.6**	**8**	8.4	9
Vulnerable	**7.6**	**8**	5.7	6
Impaired	**12.1**	**13**	6.0	6
Statement of financial position provisions	**7.3**	**-**	2.7	-
Statement of financial position provisions/loans	**-**	**7.8**	-	2.8
Specific provisions/impaired loans cover	**-**	**42**	-	34
Total provisions/impaired loans	**-**	**60**	-	45
Impairment charge/average advances	**4.5**	**4.66**	1.86	1.86

Gross loans and receivables to customers amounted to € 93.9 billion at 31 December 2010. € 27.4 billion or 29.2% of the portfolio is criticised of which € 12.1 billion is impaired. Statement of financial position specific provisions of € 5.2 billion providing cover of 42% are held at 31 December 2010 for this portfolio with total provisions to total loans of 7.8%. The income statement specific provision charge in 2010 was € 4,518 million or 4.66% of average advances up from € 1,864 million or 1.86% in 2009. The key portfolios and credit quality are profiled in the following pages.

[1] The segmentation of the loan book is based on the historical composition of the statement of financial position but may not be reflective of business segmentation under the new structure. The new business segments will be reported in future reporting periods.

Residential mortgages

Non NAMA residential mortgages for continuing operations amounted to € 31 billion at 31 December 2010. The provision charge for non NAMA residential mortgages was € 513 million or 1.68% of average mortgage loans. Residential mortgages in AIB Bank ROI amounted to € 27.2 billion (including owner occupier of € 19.4 billion and buy to let € 7.8 billion) and account for 88% of the residential mortgages for continuing operations of € 31 billion (29.1% of the continuing operations non NAMA loans) and are profiled below. The portfolio is split as follows: 54% tracker, 32% standard variable rate and 14% fixed rate.

			31 December 2010
AIB Bank ROI residential mortgages	**Owner occupier € m**	**Buy to Let € m**	**Total € m**
Total residential mortgages	**19,382**	**7,783**	**27,165**
In arrears (>30 days past due)	**749**	**924**	**1,673**
In arrears (>90days past due)	**557**	**747**	**1,304**
Of which impaired	**422**	**561**	**983**
Statement of financial position specific provisions	**73**	**125**	**198**
Statement of financial position IBNR provisions	**138**	**230**	**368**
Income statement specific provisions 2010	**56**	**80**	**136**
Income statement IBNR provisions 2010	**107**	**205**	**312**
	%	**%**	**%**
Specific provisions/impaired loans cover	**17.3**	**22.3**	**20.1**

			31 December 2009
AIB Bank ROI residential mortgages	Owner occupier € m	Buy to Let € m	Total € m
Total residential mortgages	19,152	8,177	27,329
In arrears (>30 days past due)	398	362	760
In arrears (>90days past due)	289	263	552
Of which impaired	252	207	459
Statement of financial position specific provisions	44	31	75
Statement of financial position IBNR provisions	29	24	53
Income statement specific provisions 2009	28	23	51
Income statement IBNR provisions 2009	18	16	34
	%	%	%
Specific provisions/impaired loans cover	17.5	15.0	16.3

The portfolio has experienced an increase in arrears reflecting the impact of a harsher economic climate on borrowers' repayment affordability. The pace of increase in total arrears eased somewhat in the second half of 2010. The level of >90 days in arrears was 4.80% at 31 December 2010 compared with 2.02% at 31 December 2009.

The level of total arrears (>90 days) in the owner occupier book has increased significantly since 31 December 2009 from € 289 million (1.51% of mortgages) to € 557 million or 2.87% at 31 December 2010. Unemployment, wage cuts and high levels of personal debt continued to be the principal drivers of increased arrears.

The level of total arrears (>90 days) in the Buy to Let ("BTL") portfolio has increased significantly from € 263 million or 3.22% at 31 December 2009 to € 747 million or 9.60% at 31 December 2010 and was influenced by falling rents.

Total owner occupier and BTL impaired loans were € 983 million at 31 December 2010. Statement of financial position specific provisions of € 198 million provided cover of 20% and have been raised having assessed the peak to trough fall in house prices in Ireland (55%). IBNR statement of financial position provisions of € 368 million are held for the performing book (96% of residential mortgage book) based on management's view of incurred loss in this book. The total income statement charge for 2010 was € 448 million (specific € 136 million and IBNR € 312 million). The IBNR charge was influenced by the increase in the level of arrears, requests for loan restructures and the level of interest only mortgages (€ 4.9 billion) in the portfolio.

AIB has received a number of requests for forbearance from customers who are experiencing cash flow difficulties. AIB considers these against the borrowers' current and likely future financial circumstances, their willingness to resolve these issues, as well as the legal and regulatory obligations. As part of that process loans are tested for impairment and where appropriate, the loans are downgraded to impaired status and provisions raised.

AIB Bank UK residential mortgages

Non NAMA residential mortgages in AIB Bank UK were € 3.4 billion at 31 December 2010. The level of >90 days in arrears was 4.1% compared with 2.5% at 31 December 2009 driven by an increase in Northern Ireland in particular.

Other personal lending

	31 December 2010		31 December 2009	
	€ m	**%**	€ m	%
Total personal lending portfolio	**6,021**	**-**	7,103	-
Credit profile				
Satisfactory	**3,916**	**65**	5,290	74
Watch	**634**	**11**	711	10
Vulnerable	**632**	**10**	489	7
Impaired	**839**	**14**	613	9
Statement of financial position provisions	**619**	**-**	375	-
Statement of financial position provisions/loans	**-**	**10.3**	-	5.3
Specific provisions/impaired loans cover	**-**	**61**	-	53
Total provisions/impaired loans	**-**	**74**	-	61
Impairment charge/average advances	**-**	**5.34**	-	3.51

The non NAMA other personal portfolio amounted to € 6.0 billion at 31 December 2010 and includes € 1.1 billion in credit card loans with the remaining € 4.9 billion relating to loans / overdrafts. The portfolio decreased by € 1.1 billion in the period, largely in AIB Bank ROI. € 2.1 billion (35%) of the portfolio was criticised at 31 December 2010 (up from 25% at 31 December 2009) of which € 0.8 billion were impaired. The increased level of criticised loans was largely due to high levels of unemployment which is impacting borrowers. Statement of financial position specific provisions of € 515 million provided cover of 61% and the ratio of total provisions to total loans was 10.3%. The income statement provision charge for this portfolio in 2010 was € 340 million or 5.34% of average advances up from € 268 million or 3.51% at 31 December 2009.

AIB

Property[1]	**31 December 2010 € m**	31 December 2009 € m
Investment		
Commercial investment	**13,679**	14,478
Residential investment	**3,497**	3,348
	17,176	17,826
Land and development		
Commercial development	**1,847**	1,499
Residential development	**5,543**	3,524
	7,390	5,023
Contractors	**807**	917
Total	**25,373**[2]	23,766[2]

	31 December 2010		31 December 2009	
	€ m	**%**	€ m	%
Credit profile (excluding housing associations)				
Satisfactory	**12,362**	**-**	15,416	-
Watch	**2,789**	**-**	3,330	-
Vulnerable	**3,215**	**-**	2,351	-
Impaired	**7,007**	**-**	2,722	-
Statement of financial position provisions	**4,047**	**-**	1,091	-
Statement of financial position provisions/loans	**-**	**16**	-	5
Specific provisions/impaired loans cover	**-**	**41**	-	27
Total provisions/impaired loans	**-**	**58**	-	40
Impairment charge/average advances	**-**	**9.09**	-	2.61

At 31 December 2010, excluding exposures to housing associations in AIB Bank UK of € 529 million (€ 577 million at 31 December 2009), the non NAMA property and construction portfolio was € 25.4 billion. Excluding exposure to housing associations, impaired loans for this portfolio amounted to € 7.0 billion which represented 58% of the total non NAMA impaired loans for continuing business of € 12.1 billion. Statement of financial position specific provisions of € 2.9 billion provided cover of 41% for this portfolio with total provisions to total loans of 16%. The income statement provision charge in 2010 was € 2,426 million or 9.09% of average property loans up from € 629 million or 2.61% of average property loans in 2009.

At 31 December 2010, investment property amounted to € 17.2 billion (€ 17.8 billion at 31 December 2009) of which € 13.7 billion related to commercial investment. € 7.8 billion of this related to loans for the purchase of property in the Republic of Ireland, € 7.1 billion in the UK, € 1.2 billion in the US and € 1.1 billion in other geographical locations. € 6.3 billion of investment property loans were criticised at 31 December 2010 of which € 2.6 billion were impaired. AIB had statement of financial position specific provisions of € 819 million at 31 December 2010 for these impaired loans which provide impaired loan cover of 31% and total provisions to total loans of 8.3%.

At 31 December 2010, land and development loans amounted to € 7.4 billion and related to loans of less than € 20 million. The portfolio is split by location as follows: € 5.2 billion in ROI, € 2.0 billion in UK and € 0.2 billion in other geographies. Criticised loans amounted to € 6.2 billion of which € 4.2 billion were impaired. The Group had statement of financial position specific provisions of € 2.0 billion providing cover of 47% on these impaired loans and total provisions to total loans of 34%.

[1]The segmentation of the loan book is based on the historical composition of the statement of financial position but may not be reflective of business segmentation under the new structure. The business segment reporting will reflect the new structure in future reporting periods.

[2]Excludes exposures to housing associations of € 529 million at 31 December 2010 and € 577 million at 31 December 2009.

Non NAMA SME/commercial

Not included in this analysis is the Corporate loan book of € 13 billion which is detailed in the following section.

	31 December 2010 € m	31 December 2009 € m
Hotels	**2,827**	2,907
Licensed premises	**1,181**	1,212
Retail/wholesale	**3,150**	3,355
Other services	**6,886**	7,912
Agriculture	**1,838**	1,897
Other	**1,764**	1,946
Total SME/commercial	**17,646**	19,229

	31 December 2010		31 December 2009	
	€ m	%	€ m	%
Credit profile				
Satisfactory	**10,444**	**59**	13,046	68
Watch	**2,405**	**14**	2,543	13
Vulnerable	**2,121**	**12**	1,897	10
Impaired	**2,676**	**15**	1,743	9
Statement of financial position provisions	**1,700**	**-**	861	-
Statement of financial position provisions/loans	**-**	**9.6**	-	4.5
Specific provisions/impaired loans cover	**-**	**50**	-	39
Total provisions/impaired loans	**-**	**64**	-	49
Impairment charge/average advances	**-**	**5.44**	-	2.65

The main sub-sectors included in the SME/commercial category of € 17.6 billion were: hotels and licensed premises € 4.0 billion; retail/wholesale € 3.1 billion; other services € 6.9 billion and agriculture € 1.8 billion. € 7.2 billion or 41% were in criticised grades (up from 32% at 31 December 2009) and include € 2.7 billion in impaired loans. € 5.2 billion or 45% of AIB Bank ROI's loans and loans to customers in this sector are criticised. The increase in criticised loans reflects the impact the continuing difficult economic conditions and high levels of unemployment, particularly in Ireland, are having on borrowers. Statement of financial position specific provisions of € 1.3 billion provide cover of 50% for the impaired element of this portfolio with total provisions to total loans (€ 17.7 billion) coverage of 9.6%. The income statement provision charge for this portfolio in 2010 was € 985 million or 5.44% of average loans up from € 541 million or 2.65% in 2009.

Corporate loans

	31 December 2010		31 December 2009	
	€ m	**%**	€ m	%
Total corporate portfolio	**13,412**	**-**	15,661	-
Credit profile				
Satisfactory	**12,693**	**95**	14,964	96
Watch	**176**	**1**	128	1
Vulnerable	**76**	**1**	174	1
Impaired	**467**	**3**	395	2
Total provisions	**285**	**-**	208	-
Total provisions/loans	**-**	**2.1**	-	1.3
Specific provisions/impaired loans	**-**	**45**	-	46
Total provisions/impaired loans	**-**	**61**	-	56
Impairment charge/average advances	**-**	**1.86**	-	0.29

The corporate book which relates to large corporate borrowers in Capital Markets division amounted to € 13.4 billion spread on a business unit basis as follows: Ireland € 3.0 billion, UK € 1.7 billion, US € 3.3 billion, International € 4.8 billion and Other € 0.6 billion. Included in this portfolio is a leveraged finance book of € 3.3 billion, down from € 4.3 billion at 31 December 2009 and € 1.7 billion of project finance (€ 1.5 billion at 31 December 2009). € 0.8 billion of corporate loans are in criticised grades of which € 0.5 billion are impaired. Statement of financial position specific provisions of € 211 million provided cover of 45% with total provisions to total loans of 2.12%. The income statement provision charge in 2010 for this portfolio was € 282 million or 1.86% of average loans. Further detail of the leveraged book by geographic location and industry sector is available in note 19.

Note: Further information relating to asset quality on continuing operations (on a geographic location and industry sector basis) is available in notes 19, 20, and 23 of this report.

Available for sale ("AFS") financial investments

	31 December 2010 € bn	**%**	31 December 2009 € bn	%
Government securities - Ireland	**4.3**	***20.7***	3.9	*15.4*
Government securities - Eurozone	**3.5**	***16.8***	2.1	*8.3*
Government securities - non Euro	**1.7**	***8.2***	2.6	*10.3*
Supranational banks and Government agencies	**1.3**	***6.3***	0.6	*2.4*
Senior bank and financial institution debt	**3.0**	***14.4***	6.5	*25.7*
Residential mortgage backed securities	**2.9**	***13.9***	3.7	*14.6*
Government guaranteed senior bank debt	**1.1**	***5.3***	1.5	*5.9*
Covered bonds (originated externally)	**0.9**	***4.3***	1.0	*3.9*
Corporate debt	**0.6**	***2.9***	0.8	*3.1*
Other asset backed securities	**0.6**	***2.9***	1.0	*4.0*
Subordinated bank debt	**0.5**	***2.4***	0.6	*2.4*
Other assets	**0.1**	***0.5***	0.3	*1.2*
Certificates of deposit	**-**	**-**	0.2	*0.8*
Equity investments (including subordinated NAMA bonds)	**0.3**	***1.4***	0.3	*1.2*
Other investments	**-**	**-**	0.2	*0.8*
	20.8	***100.0***	25.3	*100.0*

At 31 December 2010, 96% of the AFS securities of € 20.8 billion held by the Group were externally rated as investment grade and 69% were rated A- or stronger. Sovereign issued or guaranteed securities accounted for 58% of the holdings. Other asset classes included senior bank debt and covered bonds (19%), senior tranches of residential mortgage backed securities (14%). Smaller holdings included senior tranches of other asset backed securities (3%), as well as corporate debt (3%) and bank subordinated debt (2.4%). The makeup of the portfolio is more heavily weighted towards sovereign and sovereign guaranteed securities than at 31 December 2009. This is mainly due to sales and paydowns/maturities of bank and asset backed securities during the year of approximately € 8.3 billion with most new purchases concentrated in sovereign or sovereign guaranteed securities.

There were no specific impairments recognised during the year. Screen prices have been used to value the majority of the assets and the weighted average price for the overall portfolio is 94.8% of par value. The portfolio contains positions which have unrealised losses of € 709 million for more than one year. This relates to increased charges in the market for liquidity and credit risk since 2008 which the Group is satisfied does not constitute impairment. This is borne out of ongoing credit assessment and experience of continuing performance and full repayment at maturity of similar assets which were also subject to weak market pricing in the last two years.

An IBNR provision of € 59 million was made in 2010 against the subordinated bank debt holdings within the portfolio. Total nominal value of these holdings gains at 31 December 2010 was € 590 million with a fair value of € 450 million.

Movement in net unrealised gains/losses on the financial investments available for sale securities portfolio

In 2010 there was a negative pre-tax movement of € 1 billion in the net unrealised gains/losses of the financial instruments available for sale portfolio.

The principal contributor to the movement in net unrealised losses has been the impact of widening credit spreads for Irish sovereign debt in 2010 e.g. the cost of 5 year Irish sovereign credit default swaps moved from 156 basis points at 31 December 2009 to 615 basis points at 31 December 2010. The unrealised loss on Irish sovereign securities held at 31 December 2010 was € 632 million in comparison to a net unrealised gain of € 115 million at 31 December 2009. There were also negative movements of € 72 million on Eurozone government securities which related to widening credit spreads on smaller positions in Spanish, Portuguese and Greek sovereign debt and € 51 million on subordinated NAMA bonds, impacted by increased negative perception of Irish sovereign debt in 2010.

Associated undertakings	**31 December 2010 € m**	31 December 2009 € m
AIB Bank ROI	**16**	(4)
AIB Bank UK	**2**	1
AIB Group	**18**	(3)

Income from associated undertakings in 2010 was € 18 million compared with a loss of € 3 million in the comparative period. Associated undertakings includes AIB's share of Aviva Life Holdings Ireland Limited, Aviva Health Insurance Ireland Limited and AIB's share in the joint venture with First Data International trading as AIB Merchant Services. The improved financial out-turn reflected increased contributions from each of these businesses.

Income tax (income)/expense

The taxation credit for 2010 was € 1,710 million (including a € 1,714 million credit relating to deferred taxation), compared with a taxation credit of € 373 million in 2009 (including a credit of € 374 million relating to deferred taxation). The taxation credits exclude taxation on share of results of associated undertakings. Associated undertakings are reported net of taxation in the Group (loss)/profit before taxation. The credit is influenced by the geographic mix of profits and losses, which are taxed at the rates applicable in the jurisdictions where the Group operates.

NAMA

During 2010, loans of € 18.2 billion transferred to NAMA. Of the consideration received, 95% comprised Government guaranteed floating rate notes, with the remaining 5% comprising floating rate perpetual subordinated bonds. The aggregate discount on assets transferred in 2010 was 54%. The NAMA senior bonds have been classified as loans and receivables in the statement of financial position under the caption 'NAMA senior bonds' (the NAMA senior bonds were disclosed within financial investments available for sale in the half-yearly financial report 2010). The bonds were measured at initial recognition at fair value and subsequently measured as for loans and receivables, that is, at amortised cost using the effective interest method less any impaired losses.

At 31 December 2010, € 2.2 billion of gross loans were held for sale to NAMA. A provision of € 1.0 billion was made in relation to these remaining NAMA loans and was recorded as a provision for liabilities and commitments. This represented the excess amount required over existing provisions in order to apply a 60% discount on these loans. The total NAMA transfer related losses of € 7.0 billion are highlighted separately in this commentary on results.

Retirement benefits

The Group operates a number of pension and retirement benefit schemes for employees. These include defined benefit and defined contribution schemes. The net pension deficit at 31 December 2010 was € 400 million for all schemes, a reduction in the deficit from € 714 million at 31 December 2009. The Group agreed with the trustees of the Irish scheme as part of the triennial valuation process, that it will fund the deficit over approximately 15 years (UK scheme: 15 years).

Discontinued operations

Following the initial Prudential Capital Adequacy Review ("PCAR"), AIB Group announced, on 30 March 2010, that AIB Group (UK), BZWBK and M&T were available for sale. Subsequently, BACB was also included in the businesses to be disposed of. While AIB Group (UK) was reported as a discontinued operation at 30 June 2010, it was considered prior to 31 December 2010 that the sale was no longer highly probable within a 12 month period and the UK was reclassified as a continuing operation.

The results of the businesses mentioned above classified as discontinued operations are shown in the following table. Note 13 to the accounts includes further detail in relation to discontinued operations.

Discontinued operations profit	2010 € m	2009 € m	% change
BZWBK	**329**	265	*24*
M&T	**5**	(156)	*-103*
BACB	**(60)**	(103)	*-42*
Profit/(loss) before taxation	**274**	6	*4,467*
Income tax expense	**72**	51	*41*
Profit/(loss) after taxation	**202**	(45)	*-549*
Loss recognised on the remeasurement to fair value less costs to sell[1]	**(3)**	-	-
Profit/(loss) for the period from discontinued operations	**199**	(45)	*-542*

[1]Relates to impairment of intangible assets.

On 10 September 2010, AIB announced that it had conditionally agreed to sell its shareholding in Bank Zachodni WBK S.A. (BZWBK) in Poland to Banco Santander S.A. The sale was completed on 1 April 2011. Details of the sale are included in note 38.

On 4 November 2010, AIB Group announced the completed disposal of its shareholding in M&T.

Discontinued operations recorded a profit after taxation of € 199 million in 2010 compared to a loss after taxation of € 45 million in 2009. Discontinued operations were impacted by investment reviews carried out in 2010 and 2009. 2010 included a € 62 million writedown with regard to the investment in BACB. 2009 included impairment charges of € 200 million and € 108 million relating to M&T and BACB respectively.

BZWBK recorded a profit before taxation of € 329 million, compared with € 265 million in 2009, an increase of 24% or 15% on a constant currency basis. Net interest income was up, driven primarily by improved margins on customer deposits. Lending volumes were lower reflecting reduced exposure to the property sector and average deposit volumes were at similar levels to 2009. Total operating expenses were up 10% compared with 2009 (1% on a constant currency basis), while the provision charge for impairment of loans and receivables in 2010 decreased by 7% from 2009 (14% on a constant currency basis) to € 105 million. The provision charge represented 1.21% of average customer loans compared to 1.34% in 2009.

M&T's contribution was € 5 million in 2010 compared to a loss of € 156 million in 2009 (further details on M&T are available in note 13 to the accounts).

BACB recorded a loss of € 60 million in 2010 compared to a loss of € 103 million in 2009. A review of AIB's associate holding in BACB resulted in an income statement charge of € 62 million partly offset by an operating profit of € 2 million in 2010. As a result of the charge, AIB's investment in BACB was written down to Nil. 2009 included an impairment charge of € 108 million for BACB.

Statement of financial position

The commentary on the consolidated statement of financial position is on a continuing operations basis unless otherwise stated. AIB Group totals are shown where pertinent as it is not permitted to retrospectively re-present the consolidated statement of financial position.

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. Loan balances reported in the following tables exclude NAMA balances in 2010 and 2009, in line with the primary statements.

Gross loans to customers	**31 December 2010 € bn**	31 December 2009 € bn	*% change*
AIB Bank ROI	**58**	58	-
Capital Markets	**19**	22	*-15*
AIB Bank UK	**17**	17	-
Continuing operations	**94**	97	*-3*
BZWBK		9	
AIB Group		106	

Continued weak demand for credit in 2010 and deleveraging measures resulted in lower gross loans to customers, down 3% or € 3 billion since 31 December 2009. Excluding the impact of the changed threshold for NAMA eligibility, gross loans were down € 7 billion or 8%. AIB Bank UK gross loans decreased by 4% in 2010 (or 6% excluding currency factors).

Net loans to customers	**31 December 2010 € bn**	31 December 2009 € bn	*% change*
AIB Bank ROI	**52**	56	*-7*
Capital Markets	**18**	22	*-17*
AIB Bank UK	**16**	17	*-6*
Continuing operations	**86**	95	*-9*
BZWBK		8	
AIB Group		103	

Net loans decreased by € 9 billion or 9% as a result of a high level of provisions for non NAMA loans and receivables, the aforementioned weaker credit demand and deleveraging measures. AIB Bank UK net loans decreased by 6% in 2010 (or 9% excluding currency factors).

Customer accounts	**31 December 2010 € bn**	31 December 2009 € bn	*% change*
AIB Bank ROI	**35**	40	*-10*
Capital Markets	**8**	23	*-65*
AIB Bank UK	**9**	11	*-24*
Continuing operations	**52**	74	*-29*
BZWBK		10	
AIB Group		84	

AIB's ratings downgrade and sovereign ratings downgrade contributed to an outflow in deposits particularly from Non Bank Financial Institutions ("NBFIs") and international corporates. AIB Bank UK deposits decreased by 24% in 2010 (or 26% excluding currency factors).

Capital - Total Group basis

The Group's core tier 1 ratio was 4.0% and the total capital ratio was 9.2%[1] at 31 December 2010.

Capital	**31 December 2010 € bn**	31 December 2009 € bn
Core tier 1	**3.9**	9.5
Tier 1	**4.2**	8.7
Total capital	**9.1**	12.3

Risk weighted assets	**31 December 2010 € bn**	31 December 2009 € bn
AIB Bank ROI	**44**	54
Capital Markets	**26**	34
AIB Bank UK	**18**	21
Group	**1**	1
Continuing operations	**89**	110
BZWBK	**10**	10
AIB Group	**99**	120

Capital	**31 December 2010 %**	31 December 2009 %
Core tier 1	**4.0**	7.9
Tier 1	**4.3**	7.2
Total capital	**9.2**	10.2

Risk weighted assets reduced by € 21 billion in the period. The primary reasons for the reduction were the transfer of assets to NAMA and deleveraging of assets. These reductions were partly offset by downward grade migration of loans and the switch of the credit grading model in ROI Division for commercial property exposures from Internal Ratings Based ("IRB") to a standardised basis for the regulatory risk weighted assets calculation, as instructed by the Central Bank of Ireland in August 2010. Under the IRB approach, defaulted exposures are not included in risk weighted assets as they are included in the expected loss deduction from capital. However, under the standardised approach defaulted exposures are included in risk weighted assets. AIB Group risk weighted assets were 68% of total assets at 31 December 2010 (69% at 31 December 2009).

Core tier 1 capital reduced by € 5.6 billion during 2010. This was due to a loss in 2010 of € 10.2 billion partly offset by the net proceeds of the Irish Government capital injection of € 3.7 billion in December 2010 and € 0.9 billion capital benefit from the disposal of AIB's M&T shareholding. The net impact on the core tier 1 capital ratio was a decline from 7.9% at 31 December 2009 to 4.0% at 31 December 2010.

Tier 1 capital reduced by € 4.5 billion during 2010. In addition to the aforementioned factors relating to the decline in core tier 1 capital, the reduction in tier 1 capital was partly offset by a € 1.1 billion reduction in the regulatory deduction for expected loss in 2010 due to the change in the ROI commercial property model. These factors resulted in a tier 1 ratio of 4.3% at 31 December 2010, a reduction from 7.2% at 31 December 2009.

Tier 2 capital was up € 1.2 billion on 31 December 2009 benefiting from a € 1.1 billion reduction in the regulatory deduction for expected loss in 2010 due to the change in the ROI commercial property model while general provisions increased by € 0.4 billion in 2010. These increases were partly offset by a reduction of € 0.3 billion in subordinated debt as part of the capital exchange offering in March 2010.

The total capital ratio decreased from 10.2% to 9.2% which reflected the net movements in tier 1 and tier 2 capital detailed above partly offset by the reduction in risk weighted assets.

On 31 March 2011, the Central Bank of Ireland announced the results of the Prudential Capital Assessment Review ("PCAR"). The Central Bank of Ireland requires AIB to raise capital of € 13.3 billion of which an amount of € 1.4 billion may be in the form of contingent capital.

Capital exchange offering

In March 2010, AIB completed the exchange of lower tier 2 capital instruments for equivalent lower tier 2 capital qualifying securities. Details of the exchange are in note 6 to the financial statements. 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 € 1,161 million (€ 623 million in the income statement and € 538 million as a movement in equity) on redemption of subordinated liabilities and other capital instruments.

[1]At 31 December 2010, the Group benefited from derogations from certain regulatory capital requirements granted on a temporary basis by the Central Bank. These derogations remained in place until the completion of the liability management exercise on 24 January 2011.

Funding[1]

Sources of funds - Total AIB Group basis	31 December 2010 € bn	31 December 2010 %	31 December 2009 € bn	31 December 2009 %
Customer accounts	**63**	**45**	84	51
Deposits by central banks and banks - secured	**41**	**29**	24	15
- unsecured	**9**	**7**	9	5
Certificates of deposit and commercial paper	**1**	**1**	10	6
Asset covered securities	**3**	**2**	5	3
Senior debt	**12**	**9**	16	10
Capital[2]	**9**	**7**	16	10
Total source of funds	**138**	**100**	164	100
Other[3]	**7**		10	
	145		174	

The funding requirement of AIB reduced by € 26 billion in 2010. However customer accounts decreased by € 21 billion (€ 22 billion on a continuing operations basis), certificates of deposit and commercial paper decreased by € 9 billion, asset covered securities and senior debt decreased by € 6 billion with the balance of funding sourced from bank secured funding inclusive of a heavy reliance on ECB. Customer accounts remain the largest source of funding and comprised 45% of the Group's overall funding requirement at 31 December 2010. This was down from 51% at 31 December 2009, as customer accounts were affected by the adverse international sentiment towards the Irish sovereign and banking sector particularly in the second half of the year. These outflows were primarily from institutional and corporate customers but some reductions also occurred in AIB Bank ROI and AIB Bank UK. The Group remains committed to the gathering and retention of customer accounts in a very competitive and challenging market environment. AIB experienced customer deposit outflows early in the first quarter of 2011, these outflows were caused by a combination of cyclical seasonal outflows and customer withdrawals.

Net customer loans including loans held for sale to NAMA decreased by € 25 billion in the year to 31 December 2010. This decrease was mainly due to a combination of the transfer of loans to NAMA and deleveraging. The loan to deposit ratio (excluding NAMA loans) at 31 December 2010 was 165%, up from 123% at 31 December 2009.

Funding market conditions in the year to December were mixed with reasonable liquidity in the markets in the first half-year. The weakness in markets in the second half was principally attributable to increased negative sentiment towards the Irish sovereign, particularly following the IMF/EU programme of financial support. This resulted in the Group experiencing a reduction in its access to wholesale funding markets, which was offset by an increase in secured deposits by banks principally by monetary authorities. AIB had to rely significantly on its qualifying liquid assets/contingent funding capacity. In 2010, the Group successfully raised € 6 billion of unsecured term funding under the ELG scheme through a series of public and private placements. Issuances had an average life of over 3 years and the majority were executed in the first half of the year. At 31 December 2010 there was € 17 billion of wholesale funding with a maturity of greater than 1 year which represented 58% of wholesale funding (excluding repos and inclusive of subordinated debt), up from 30% at 31 December 2009. NAMA bonds received as consideration for loans transferred to NAMA further assisted in supporting the Group's liquidity position.

At 31 December 2010, the Group held € 46 billion (including pledged assets) in qualifying liquid assets/contingent funding of which approximately € 36 billion was pledged. The Group continues to explore and develop contingent collateral and funding facilities to support its funding requirements, however the credit rating downgrades in 2011 to AIB and the sovereign have had a negative impact on the funding value of the Group's bond holdings and internal asset covered securities.

Summary items from statement of financial position[4]		31 December 2010	31 December 2009
Total assets	€ bn	**145**	174
Net loans and receivables to customers	€ bn	**86**	103
Financial assets held for sale to NAMA	€ bn	**2**	19
Customer accounts	€ bn	**52**	84
Wholesale funding	€ bn	**66**	64
Loan deposit ratio		**165%**	123%

[1]The funding commentary is on a total AIB Group basis, with held for sale balances recorded across statement of financial position captions.

[2]Includes total shareholders' equity, subordinated liabilities and other capital instruments.

[3]Non-funding liabilities including derivative financial instruments, other liabilities, retirement benefits and accruals and other deferred income.

[4]2010 statement of financial position is shown with assets and liabilities for certain operations (mainly BZWBK) classified as held for sale. In 2009 these balances were recorded across the statement of financial position captions.

Basis of presentation

The following business segmentation structure has been reviewed as part of the restructuring plan of the organisation and the new structure will be reflected in future business segment reporting.

		2010			2009	
		Total	**NAMA**[1]	**Total excluding NAMA**	Total	
Divisional operating (loss)/profit before provisions		**m**	**m**	**m**	m	*% change 2010 v 2009*
AIB Bank ROI	€	**(5,378)**	**(5,567)**	**189**	881	*-79*
Capital Markets	€	**483**	**(94)**	**577**	853	*-32*
AIB Bank UK	*Stg £*	***(86)***	***(227)***	***141***	*336*	*-58*
	€	**(100)**	**(265)**	**165**	378	*-56*
Group	€	**(11)**	**(43)**	**32**	472	*-93*
AIB Group - continuing operations		**(5,006)**	**(5,969)**	**963**	2,584	*-63*

		2010			2009	
		Total	**NAMA**[1]	**Total excluding NAMA**	Total	
Divisional operating (loss)/profit before taxation		**m**	**m**	**m**	m	*% change 2010 v 2009*
AIB Bank ROI	€	**(10,750)**	**(5,870)**	**(4,880)**	(3,594)	*36*
Capital Markets	€	**71**	**(129)**	**200**	468	*-57*
AIB Bank UK	*Stg £*	***(1,181)***	***(819)***	***(362)***	*(15)*	*2,313*
	€	**(1,377)**	**(956)**	**(421)**	(16)	*2,531*
Group	€	**(15)**	**(43)**	**28**	480	*-94*
AIB Group - continuing operations		**(12,071)**	**(6,998)**	**(5,073)**	(2,662)	*91*

[1]NAMA transfer related losses.

Provisions for non NAMA loans € 3.7 billion

Provisions for NAMA loans, contingent provision for NAMA transfers and losses on transfer of NAMA loans € 7.2 billion

Operatiing profit before provisions and NAMA losses € 189 million

AIB Bank ROI *Retail and Business Banking operations in Republic of Ireland, Channel Islands and Isle of Man; AIB Finance and Leasing; AIB Card Services; Wealth Management and share of Aviva Life Holdings Ireland Limited, Aviva Health Insurance Ireland Limited and AIB's share in the joint venture with First Data International trading as AIB Merchant Services.*

			2010	2009	
	Total	**NAMA[1]**	**Total excluding NAMA**	Total	*% change*
AIB Bank ROI income statement	**€ m**	**€ m**	**€ m**	€ m	2010 v 2009
Net interest income	**790**	**-**	**790**	1,400	*-44*
Other income	**(5,279)**	**(5,567)**	**288**	331	*-13*
Total operating income	**(4,489)**	**(5,567)**	**1,078**	1,731	*-38*
Personnel expenses	**560**	**-**	**560**	533	*5*
General and administrative expenses	**284**	**-**	**284**	271	*5*
Depreciation, impairment and amortisation	**45**	**-**	**45**	46	*-2*
Total operating expenses	**889**	**-**	**889**	850	*5*
Operating profit/(loss) before provisions	**(5,378)**	**(5,567)**	**189**	881	*-79*
Provisions for impairment of loans and receivables	**5,084**	**-**	**5,084**	4,473	*14*
Provisions for liabilities and commitments	**303**	**303**	**-**	-	-
Provisions for impairment of financial investments available for sale	**2**	**-**	**2**	-	-
Total provisions	**5,389**	**303**	**5,086**	4,473	*14*
Operating loss	**(10,767)**	**(5,870)**	**(4,897)**	(3,592)	36
Associated undertakings	**16**	**-**	**16**	(4)	*-500*
Profit on disposal of property	**1**	**-**	**1**	2	*-80*
Loss before taxation	**(10,750)**	**(5,870)**	**(4,880)**	(3,594)	*36*

AIB Bank ROI reported a loss before taxation of € 10.8 billion in 2010 compared to a loss of € 3.6 billion in 2009. The following commentary excludes the impact of asset transfers to NAMA of € 5.9 billion.

The loss before taxation of € 4.9 billion in 2010 with provisions for impairment of loans and receivables of € 5.1 billion compared to a loss before taxation of € 3.6 billion in 2009 with provisions for loans and receivables of € 4.5 billion.

Operating profit before provisions was € 189 million. This was down 79% when compared to 2009, with total operating income of € 1,078 million down 38% and total operating expenses of € 889 million down 5% excluding the € 84 million gain in 2009 from a retirement benefits amendment.

Consumer sentiment in the Republic of Ireland remained subdued during 2010 with ongoing concerns around job security and the impact of austerity measures. AIB is fully committed to supporting customers facing financial difficulty and provides a range of supports to 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 first time buyers and home movers and accounted for 34% by value of all new residential mortgage drawdowns in the Irish market in 2010.

Net interest income of € 790 million was 44% lower than 2009. This reduction in net interest income was due to the higher cost of deposits and wholesale funding, combined with the cost of the ELG scheme. Retail deposit pricing remained intensely competitive throughout the year with elevated customer deposit rates. This was partly offset by the re-pricing of lending products, including

[1]NAMA transfer related losses.

mortgages, to reflect the higher cost of funding. Loan pricing will be kept under review to ensure a more sustainable long-term economic proposition is maintained.

Total customer accounts reduced by 10% to € 35 billion at 31 December 2010 reflecting the impact of AIB and Irish sovereign rating downgrades in 2010. Gross loans were flat compared with December 2009 but were down excluding the change in NAMA eligibility during 2010. Demand for consumer credit remains low as consumers continue to take a cautious approach to additional debt and in many cases are reducing personal debt levels. Demand for business credit, particularly for investment purposes, also remained at subdued levels reflecting the uncertain economic outlook.

Other income of € 288 million was 13% lower than the comparative period reflecting lower levels of customer transaction activity with an adverse impact on fees and other income.

Excluding the gain in 2009 from the defined benefit pension amendment, personnel expenses were 9% lower due to reduced staff numbers and staff related costs. General and administrative expenses increased by 5% due to higher legal costs and increased regulatory costs.

The provision charge for impairment of loans and receivables for 2010 was € 5.1 billion and represents a charge of 6.98% of average loans. This included € 1.3 billion for loans held for sale to NAMA. In addition, the writedown in value of the remaining assets to be transferred to NAMA is provided for as a provision for liabilities and commitments of € 303 million in 2010. The impairment charge for 2009 was € 4.5 billion, 5.76% of average loans.

Associated undertakings of € 16 million represents AIB's share of Aviva Life Holdings Ireland Limited, Aviva Health Insurance Ireland Limited and AIB's share in the joint venture with First Data International trading as AIB Merchant Services. The improved financial out-turn reflected increased contributions from each of these businesses.

Resilient performance in Global Treasury in current market conditions
Corporate Banking impacted by continued elevated provisions for loan impairments
Investment Banking impacted by lower demand for investment products and lower asset values
Ongoing tight cost control

Capital Markets *AIB's corporate banking, treasury and investment banking operations principally in Ireland, Britain and the US, together with offices in Frankfurt, Paris, Luxembourg, Budapest, Zurich and Toronto.*

	2010			2009	
	Total	**NAMA**[1]	**Total excluding NAMA**	Total	
Capital Markets income statement	**€ m**	**€ m**	**€ m**	€ m	*% change 2010 v 2009*
Net interest income	**651**	**-**	**651**	1,025	*-36*
Other income	**77**	**(94)**	**171**	162	*6*
Total operating income	**728**	**(94)**	**822**	1,187	*-31*
Personnel expenses	**125**	**-**	**125**	216	*-42*
General and administrative expenses	**104**	**-**	**104**	101	*3*
Depreciation, impairment and amortisation	**16**	**-**	**16**	17	*-6*
Total operating expenses	**245**	**-**	**245**	334	*-27*
Operating profit before provisions	**483**	**(94)**	**577**	853	*-32*
Provisions for impairment of loans and receivables	**342**	**-**	**342**	361	*-5*
Provisions for liabilities and commitments	**35**	**35**	**-**	-	*-*
Provisions for impairment of financial investments available for sale	**24**	**-**	**24**	24	*-*
Total provisions	**401**	**35**	**366**	385	*-5*
Operating profit	**82**	**(129)**	**211**	468	*-55*
Loss on disposal of businesses	**(11)**	**-**	**(11)**	-	*-*
Profit before taxation	**71**	**(129)**	**200**	468	*-57*

Capital Markets profit before taxation was € 71 million in 2010 compared to € 468 million in 2009. Excluding losses relating to NAMA transfers of € 129 million, the profit before taxation was € 200 million and represented a reduction in profitability of 57% in 2010 while operating profit before provisions declined by 32% from € 853 million to € 577 million. Operating income was adversely impacted by higher Government guarantee costs, higher wholesale funding costs and lower wholesale treasury income. Ongoing deleveraging of the loan book outside Ireland continued to impact income on loans, although this was favourably offset by higher year on year margins and lower mark to market writedowns.

Total operating expenses fell by 27%, principally impacted by lower staff numbers and staff related costs. General and administrative expenses increased slightly compared to 2009, driven by higher legal and professional costs associated with the sale of businesses and additional costs associated with the introduction of a new customer loan platform in the second half of 2009. Excluding the loss on transfers to NAMA the cost income ratio increased from 28% to 30% and while costs decreased this reflected the impact of significantly reduced income in the period.

Provisions for impairment of loans and receivables decreased by 5% as the impact of elevated credit stresses eased somewhat compared to 2009.

[1]NAMA transfer related losses.

Capital Markets income statement	**2010** Total **€ m**	NAMA[1] **€ m**	**Total excluding NAMA** **€ m**	2009 Total € m	*% change 2010 v 2009*
Corporate Banking	**(268)**	**(129)**	**(139)**	37	*-476*
Global Treasury	**344**	**-**	**344**	423	*-19*
Investment Banking	**(5)**	**-**	**(5)**	8	*-163*
Profit before taxation	**71**	**(129)**	**200**	468	*-57*

Corporate Banking performance continued to be impacted by stressed credit markets and very difficult economic conditions. Provisions for impairment of loans and receivables decreased from € 356 million in 2009 to € 342 million in 2010. Profit before taxation declined from a profit of € 37 million in 2009 to a loss of € 139 million in 2010, while operating profit before provisions declined by 45% (€ 177 million) due to higher Government guarantee costs and lower loan volumes in line with management's ongoing overseas deleveraging strategy. While average loan volumes declined by 14% or € 3.6 billion from the combined impact of deleveraging and accelerated customer repayments, average loan margins increased reflecting the positive income flows arising from a significant re-pricing of the loan book undertaken during 2009. Other favourable contributors to performance included lower mark to market writedowns and the non-recurrence of once off interest rate swap costs incurred in 2009. Customer deposits fell by 56% reflecting the extent of adverse Irish sovereign and banking sector sentiment during the latter part of the year in particular.

Global Treasury generated profit before taxation of € 344 million, a decline of 19% compared to 2009. This represented a strong underlying performance in difficult market conditions, notwithstanding a decrease on exceptionally high income generated in 2009 due to interest rate positioning to benefit from interest rate cuts in the first half of 2009. Wholesale treasury was negatively impacted by lower income from cash management activities as interest rates remained at historically low levels and positions matured during the course of 2010. Similarly, income from the traded credit portfolio and strategic interest rate management declined as assets matured and overall funding costs increased. Customer treasury profits increased in 2010, particularly driven by higher foreign exchange income in Ireland as margins increased, although partly offset by lower interest rate swap income in overseas markets. Lower staff costs also favourably impacted performance.

Investment Banking performance was negatively impacted by losses incurred on the disposal of business, lower stockbroking, wealth management, trading and corporate finance income. This was partly offset by once off income generated on the sale of an equity investment while income from investment management and financial outsourcing activities was broadly in line with the comparative period. The sale of Goodbody Stockbrokers was concluded at the year end following receipt of regulatory approval. Total costs decreased by 18% reflecting lower staff numbers, salary related costs and ongoing cost control.

[1]NAMA transfer related losses.

Reorganisation of loan portfolio

Provision for impairment of loans and receivables of £ 505 million

AIB Bank UK *Retail and commercial banking operations in Great Britain and Northern Ireland.*

AIB Bank UK income statement		2010 Total Stg£ m	2010 NAMA[(1)] Stg£ m	2010 Total excluding NAMA Stg£ m	2009 Total Stg£ m	*% change 2010 v 2009*
Net interest income		**279**	**-**	**279**	422	*-34*
Other income		**(153)**	**(227)**	**74**	91	*-19*
Total operating income		**126**	**(227)**	**353**	513	*-31*
Personnel expenses		**138**	**-**	**138**	108	*28*
General and administrative expenses		**69**	**-**	**69**	63	*10*
Depreciation, impairment and amortisation		**5**	**-**	**5**	6	*-11*
Total operating expenses		**212**	**-**	**212**	177	*20*
Operating (loss)/profit before provisions		**(86)**	**(227)**	**141**	336	*-58*
Provisions for impairment of loans and receivables		**505**	**-**	**505**	352	*43*
Provisions for liabilities and commitments		**592**	**592**	**-**	-	-
Total provisions		**1,097**	**592**	**505**	352	*43*
Operating loss		**(1,183)**	**(819)**	**(364)**	(16)	*2,175*
Associated undertakings		**2**	**-**	**2**	1	*38*
Loss before taxation		**(1,181)**	**(819)**	**(362)**	(15)	*2,313*
Loss before taxation	**€ m**	**(1,377)**	**(956)**	**(421)**	(16)	*2,531*

AIB Bank UK reported a loss before taxation of £ 1.2 billion including losses incurred on loans transferring to NAMA of £ 819 million. The following commentary excludes the impact of this NAMA transfer related loss. AIB Bank UK reported an operating profit before provisions of £ 141 million. This was a reduction of 58% compared with 2009, reflecting the continued challenging economic environment, combined with intense competition for customer deposits, rising funding costs, and a reduction in loan volumes. Loan impairment charges at £ 505 million increased on 2009 reflecting the economic downturn, with a resultant loss before taxation of £ 362 million.

The reduction in operating profit was primarily driven by a 34% reduction in net interest income. This reduction reflects the impact of increased funding and liquidity costs, margin compression from competition for customer deposits as well as the cost of the ELG scheme in 2010. Lending margins increased over the year while gross customer loan volumes fell by 6% since 31 December 2009 (15% including the transfer of loans held for sale to NAMA). Customer deposits reduced by 26% since 31 December 2009, primarily reflecting concerns over Irish sovereign debt in Britain.

Other income fell by 19%, reflecting the gain in 2009 on the disposal of available for sale debt securities. Costs increased by 20% on the same period last year, however excluding the one-off benefit in 2009 from the amendment to retirement benefits, costs were up 4% in 2010. This increase is a reflection of several significant non recurring items over the two years.

Loan impairment charges for the year increased by 43% to £ 505 million, reflecting the economic downturn. In addition, the writedown in value of the remaining assets to be transferred to NAMA is provided for in provisions for liabilities and commitments of £ 592 million.

UK Loan Management

During 2010 AIB Bank UK division established a loan management company (UK Loan Management) to manage vulnerable, impaired and other non-core loans, which is reported as part of AIB Bank UK division. Approximately 23% of gross customer loans (£ 4 billion) were transferred to this company from AIB Group (UK) p.l.c. in December 2010 of which a portion was classified as held for sale to NAMA at 31 December 2010. The UK Loan Management company is a subsidiary of Allied Irish Banks, p.l.c. and consolidates into AIB Group's financial statements.

[(1)]NAMA transfer related losses.

AIB Bank UK business unit profit split	2010 Total Stg£ m	2010 NAMA[1] Stg£ m	2010 Total excluding NAMA Stg£ m	2009 Total Stg£ m	% change 2010 v 2009
AIB (GB)	**(501)**	**(374)**	**(127)**	71	*-281*
First Trust Bank	**(680)**	**(445)**	**(235)**	(86)	*173*
Loss before taxation	**(1,181)**	**(819)**	**(362)**	(15)	*2,313*

Excluding the NAMA transfer related losses in 2010, AIB (GB) recorded a loss before taxation of £ 127 million with an operating profit before provisions of £ 110 million which has reduced by 49% on 2009. This reduction was largely driven by reduced levels of net interest income, down 33% compared with 2009. The reduction in net interest income was driven by a combination of the cost of the ELG scheme, increased funding costs and lower deposit income, the latter due to margin compression, reflecting intense competition for deposits and the impact of deposit floors in the low interest rate environment. Provisions for loan impairment of £ 239 million increased by 62% on 2009.

Excluding the NAMA transfer related losses in 2010, First Trust Bank recorded a loss before taxation of £ 235 million with an operating profit before provisions of £ 30 million. This was significantly down on 2009, primarily a reflection of reduced net interest income (36% lower). This reduction in net interest income was due to the cost of the ELG scheme and lower deposit margins as a result of competitive pressure for customer deposits in the Northern Ireland market but also reflects the maturing of interest rate deposit hedges and to a lesser extent the increased cost of funding. Provisions for loan impairment at £ 266 million were 30% higher than 2009, reflecting the continued depressed economic environment in Northern Ireland, particularly with regard to property assets.

[1]NAMA transfer related losses.

AIB

Group

Group *includes interest rate hedge volatility (hedge ineffectiveness and derivative volatility), unallocated costs of central services, writedown of enterprise-wide projects and AmCredit.*

Group income statement	2010 Total € m	2010 NAMA[(1)] € m	2010 Total excluding NAMA € m	2009 Total € m
Net interest income	**78**	**-**	**78**	(27)
Other income	**179**	**(43)**	**222**	639
Total operating income	**257**	**(43)**	**300**	612
Personnel expenses	**76**	**-**	**76**	38
General and administrative expenses	**80**	**-**	**80**	45
Depreciation, impairment and amortisation	**112**	**-**	**112**	57
Total operating expenses	**268**	**-**	**268**	140
Operating (loss)/profit before provisions	**(11)**	**(43)**	**32**	472
Provisions for impairment of loans and receivables	**1**	**-**	**1**	13
Provisions for liabilities and commitments	**-**	**-**	**-**	1
Provisions for impairment of financial investments available for sale	**48**	**-**	**48**	-
Total provisions	**49**	**-**	**49**	14
Operating (loss)/profit	**(60)**	**(43)**	**(17)**	458
Profit on disposal of property	**45**	**-**	**45**	-
Profit on disposal of businesses	**-**	**-**	**-**	21
Construction contract income	**-**	**-**	**-**	1
(Loss)/profit before taxation	**(15)**	**(43)**	**28**	480

Group reported a € 15 million loss before taxation for 2010 compared with a profit of € 480 million for 2009. The result for 2010 included a gain of € 372 million on the capital exchange offering completed in March 2010 and a € 43 million provision relating to future servicing of NAMA loans, excluding which the loss was € 344 million. The comparative period to December 2009 included a capital exchange gain of € 623 million, excluding which the loss before taxation for 2009 was € 143 million. The decrease of € 201 million represented a loss on disposal of corporate loans, higher operating expenses including writedown of intangible assets and the writedown of available for sale financial instruments. The income commentary which follows excludes these items.

The trends in net interest income and other income in Group 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 a loss of € 11 million in 2009 to a loss of € 72 million in 2010. This decrease included a loss of € 50 million in the division on disposal of assets as part of loan deleveraging measures and lower capital income.

Total operating expenses increased from € 140 million in 2009 to € 268 million in 2010. Excluding the lower pension costs in 2009 of € 23 million, personnel expenses increased from € 61 million to € 76 million, mainly reflecting the cost, in this division, in 2010 of AIB resources transferred from other divisions to address NAMA transition requirements. General and administrative expenses increased from € 45 million in 2009 to € 80 million in 2010 reflecting professional fees (primarily legal and valuation) incurred in relation to NAMA transfers and costs relating to restructuring, business disposal and recapitalisation projects. Total expenditure in Group division relating to NAMA increased from € 28 million in 2009 to € 44 million in 2010. Depreciation, impairment and amortisation expenses increased from € 57 million in 2009 to € 112 million in 2010 mainly due to writedown of intangible assets in relation to projects that were discontinued.

The impairment of available for sale financial instruments of € 48 million relates to bonds held in other financial institutions.

Profit on disposal of property of € 45 million in 2010 included profit on the sale of 26 branches as part of the sale and leaseback programme.

[(1)]NAMA transfer related losses; provision for future servicing of NAMA loans.

Capital management

The objectives of the Group's capital management policy are to at all times comply with regulatory capital requirements and to ensure that the Group has sufficient capital to cover the current and future risks of its business and support its future development. The Group does this through an Internal Capital Adequacy Assessment Process ("ICAAP"), which is subject to supervisory review and evaluation. The capital adequacy requirements set by the Central Bank, which reflect the requirements of the Capital Requirements Directive ("CRD") establish a floor of 8% under which the total capital ratio must not fall (4% for tier 1 ratio). At 31 December 2010, the actual total capital ratio was 9.2%. (4.3% tier 1 ratio). These ratios form the basis of the Group's capital management policy.

During December 2010, the Group breached its capital ratios on a consolidated and individual basis, for a period of six days. This occurred between the transfer of financial instruments to NAMA on 17 December 2010, and the subsequent receipt of capital from the NPRFC on 23 December 2010, which remedied the breach. The breach was reported to the Central Bank.

At 31 December 2010, the Group, on a consolidated and individual basis, benefited from derogations from certain regulatory capital requirements granted on a temporary basis by the Central Bank. These derogations remained in place until the completion of the liability management exercise on 24 January 2011 (note 38).

Capital Requirements Directive

The CRD is set out in three distinct 'pillars' and has introduced some significant amendments to the capital adequacy framework since its implementation in 2007. In terms of minimum capital requirements ('Pillar 1') it brings greater granularity in risk weightings. Under Pillar 2 ('supervisory review') banks may estimate their own internal capital requirements. Pillar 3 ('market discipline') involves the disclosure of a suite of qualitative and quantitative risk management information to the market. The Group most recently disclosed this information in May 2010.

The European Commission issued Directive 2009/111/EC ("CRD 2") in December 2009 which was transposed into Irish law at the end of 2010. The measures introduced by CRD 2 were amendments to the original CRD and reflected in the main; new requirements on hybrid tier one capital instruments; updates to the large exposures regime; improved risk management requirements for securitisations; and changes to trading book capital requirements. These amendments have not had a material impact on the capital position of the Group.

Prudential Capital Assessment Review

Market expectations regarding capital ratios for banks have risen following the increase in loss expectations across the international banking industry. This has had a pronounced impact on Irish banks given the challenges currently facing the Irish economy as a whole and the Irish banking industry in particular. In light of the continued instability in the Irish banking industry, the Central Bank undertook Prudential Capital Assessment Reviews ("PCARs") in 2010 and 2011 to determine the forward-looking prudential capital requirements of certain of the Irish credit institutions, including the Group, covered by the Government guarantee. The PCAR assesses the capital requirements arising for expected loan losses, and other financial developments, over a three year time horizon.

2010

The Central Bank undertook a PCAR in March 2010, with the subsequent capital review updates in September and November 2010. Following completion of these PCARs, the Group was required by the Central Bank to raise c. € 13.1 billion of equivalent core tier 1 capital (sufficient to achieve a target capital ratio of at least 12% core tier 1, minimum 10.5% core tier 1).
This c. €13.1 billion is the total of the additional core tier 1 capital requirements prescribed for the Group in the Central Bank announcements dated 30 March 2010 (€ 4,865 million), 30 September 2010 (€ 3,000 million) and 28 November 2010 (€ 5,265 million).

After taking into account the equivalent core tier 1 capital generated by the M&T disposal (note 13), the BZWBK disposal (notes 13 and 38), the issue of ordinary share capital to the Irish Government, a liability management exercise undertaken in January 2011 (note 38) and other capital-generating activities undertaken by the Group, the Group had, at 31 December 2010, residual equity capital of € 4,225 million to raise in order to meet its regulatory capital requirement.

2011

Under the terms of the Joint EU-IMF Programme for Ireland, a further PCAR exercise was undertaken by the Central Bank in early 2011. The outcome of this review was published by the Central Bank in the Financial Measures Programme Report on 31 March 2011. The Group is now required to remain above a minimum capital target of 10.5% core tier 1 in the base scenario and 6% core tier 1 in the stress scenario. The equivalent core tier 1 capital requirement to meet these minimum targets is € 10.5 billion. The Central Bank has also allowed for an additional protective buffer of € 2.8 billion, bringing the total capital requirement of the Group to € 13.3 billion. These additional capital requirements supersede the previous additional capital requirements imposed by the Central Bank in 2010.

Regulatory capital ratios

The table on the following page sets out the components and calculation of the Group's capital ratios under the CRD at 31 December 2010 and 31 December 2009.

Core tier 1 capital was € 3.9 billion at 31 December 2010, compared with € 9.5 billion at 31 December 2009. The decrease is primarily driven by the losses incurred on the transfer of loans to NAMA of € 6.0 billion (pre-tax) and credit impairment losses of € 7.1 billion (pre-tax) partly offset by the issue of € 3.8 billion of equity in December 2010, gain of € 0.4 billion on the capital exchange (note 6), and a capital gain on the disposal of the Group's investment in M&T of € 0.9 billion.

Tier 1 capital was € 4.2 billion at 31 December 2010, down from € 8.7 billion at 31 December 2009. The decrease reflects the movements described above offset by reduced supervisory deductions of € 1.1 billion[1]. This primarily relates to the elimination of the expected loss deduction.

Tier 2 capital increased by € 1.2 billion to € 5.0 billion in the period to 31 December 2010. The increase reflects the reduced supervisory deductions[1] from tier 2 capital of € 1.1 billion and increased credit provision add-backs under both the standardised and IRB methods of € 0.4 billion offset by a net reduction in subordinated liabilities of € 0.3 billion under the capital exchange (note 6).

[1] The movement in the supervisory deduction from tier 1 capital and tier 2 capital primarily relates to the expected loss adjustment which is deducted 50% from tier 1 capital and 50% from tier 2 capital to the extent that there is an excess of expected loss on the IRBA portfolios over the IFRS provision on the IRBA portfolios. No such excess existed at 31 December 2010.

Regulatory capital ratios *(continued)*

Credit risk weighted assets decreased by € 21 billion primarily reflecting the transfer of loans to NAMA during the year. Market risk weighted assets have reduced mainly due to foreign exchange positions. Operational risk weighted assets have remained relatively stable year on year.

Capital adequacy information	2010 € m	2009 € m
Tier 1		
Paid up share capital and related share premium	**9,054**	5,304[1]
Eligible reserves	**(4,776)**	4,977[1]
Equity non-controlling interests in subsidiaries	**501**	437
Supervisory deductions from core tier 1 capital	**(851)**	(1,187)
Core tier 1 capital	**3,928**	9,531
Non-equity non-controlling interests in subsidiaries	**189**	189
Non-cumulative perpetual preferred securities	**138**	136
Reserve capital instruments	**239**	239
Supervisory deductions from tier 1 capital	**(259)**	(1,425)
Total tier 1 capital	**4,235**	8,670
Tier 2[2]		
Eligible reserves	**212**	239
Credit provisions	**929**	510
Subordinated perpetual loan capital	**197**	189
Subordinated term loan capital	**3,931**	4,261
Supervisory deductions from tier 2 capital	**(258)**	(1,425)
Total tier 2 capital	**5,011**	3,774
Gross capital	**9,246**	12,444
Supervisory deductions	**(141)**	(129)
Total capital	**9,105**	12,315
Risk weighted assets		
Credit risk	**89,415**	110,376
Market risk	**1,494**	2,196
Operational risk	**7,859**	7,808
Total risk weighted assets	**98,768**	120,380
Capital ratios		
Core tier 1	**4.0%**	7.9%
Tier 1	**4.3%**	7.2%
Total	**9.2%**	10.2%

The Group's capital ratios are based on Pillar 1 ('Minimum Capital Requirements') under the Capital Requirements Directive. Under Pillar 2 ('Supervisory Review') banks may estimate their own capital requirements through an ICAAP which is subject to supervisory review and evaluation.

[1]The share premium arising on the issue of both ordinary and 2009 Preference Shares has been reclassed from 'Eligible reserves' to 'Paid up share capital and related share premium'. In 2010, the share premium also includes that which arose on the issue of CNV shares.

[2]The Group's regulatory capital position at 31 December 2010 benefited from the following derogations from certain regulatory capital requirements granted by the Central Bank, on a temporary basis, following requests from the Group:

- that tier 2 capital cannot exceed tier 1 capital (Regulation 11 (1)(a) of the European Communities (Capital Adequacy of Credit Institutions) Regulation 2006 (SI No. 661 of 2006)); and
- that lower tier 2 capital cannot exceed 50% of tier 1 capital (Regulation 11(1)(b) of SI No. 661 of 2006).

Financial statements - Basis of preparation

Going concern

The financial statements have been prepared on a going concern basis. There are a number of material economic, political and market risks and uncertainties that impact the Irish banking system which may cast significant doubt upon the Group's ability to continue as a going concern. In making its assessment of the Group's ability to continue as a going concern, the Board of Directors has taken into consideration the uncertainties that currently impact Irish financial institutions and the Group. These include the continuing ability to access funding from the Eurosystem funding and Central Bank of Ireland liquidity facilities to meet liquidity requirements and the commitment of the Government to provide the Group's required capital.

Notwithstanding these uncertainties, the Directors, having considered the statement to the Dail (the lower house of the Irish parliament) by the Minister for Finance ('the Minister') on 31 March 2011 and also the terms of the EU/IMF memorandum of understanding, are satisfied that it continues to be appropriate to prepare the financial statements of the Group on a going concern basis based on the following risk mitigants:

- the Government has indicated that it will ensure the Group is strongly capitalised, meeting a minimum level of 10.5% tier 1 capital in a base scenario and 6% in a stress scenario;
- the Group's access to liquidity and funding, particularly the availability of Eurosystem funding and Central Bank of Ireland liquidity facilities will enable it to meet its immediate and estimated funding requirements over the period; and
- the Government has acknowledged the Group's systemic importance and the actions of the Government to date indicate that it will continue to support the Irish financial system given its importance to the continued functioning of the Irish economy generally.

The continued deterioration of the Irish economy throughout 2010 has significantly and adversely affected the Group's financial condition and performance and presents significant risks and challenges for the Group in the years ahead. The downgrading of the Group and sovereign credit ratings, the withdrawal of the Irish Government from the funding markets, the EU/IMF Programme of Financial Support for Ireland and the consequent withdrawal of funds from Irish banks have affected the Group's funding position in 2010. There is a significant ongoing liquidity challenge for the Group and for the Irish banking system generally. These challenges have given rise to breaches of regulatory liquidity requirements in the later part of 2010 and ongoing breaches in 2011. The downgrade in credit ratings and the risk of a further sovereign or Group downgrade has limited the Group's access to capital markets, as a result the Group has increased its recourse to Eurosystem financing facilities. At 31 December 2010, the Group had € 25.2 billion of collateralised funding from the European Central Bank and was accessing € 11.4 billion through non standard facilities with the Central Bank of Ireland. The Group expects that these facilities will continue to be available, if required, for the coming year.

On 31 March 2011, the Central Bank published the Financial Measures Programme Report which details the outcome of its review of the capital and funding requirements of domestic Irish banks.

This programme aims to place the Irish banking system in a position where it can fund itself and generate capital without undue reliance on the Irish and European public sectors, through a process of recapitalisation, deleveraging and reorganisation. Using a conservative approach, the Central Bank has set the following capital and liquidity requirements for the four banks examined under the programme.

Following the PCAR, AIB is required to raise € 13.3 billion in capital (€ 10.5 billion plus a € 2.8 billion capital buffer). This latest PCAR announcement subsumes all previous PCARs and ensures AIB will have capital buffers well in excess of the minimum core tier 1 requirements of 10.5% in a base case and 6% in a stressed case.

The Credit Institutions (Stabilisation) Act 2010 was passed in law on 21 December 2010. The Act provides the legislative basis for the reorganisation and restructuring of the Irish Banking system agreed in the joint EU/IMF programme for Ireland. The Act applies to banks who have received financial support from the State, Building Societies and Credit Unions. The Group by way of the Government Guarantee and direct capital injection has received such support. The Act provides broad powers to the Minister (in consultation with the Governor of the Central Bank of Ireland) to act on financial stability grounds to effect the restructuring action and recapitalisation measures envisaged in the programme. This allows the Minister to take actions required to bring about a domestic retail bank system that is proportionate to and focused on the Irish economy.

The Board's assessment of the appropriateness of preparing the financial statements on the going concern basis has considered the Group's business and funding plans taking into account:

- the period over which the Irish economy is expected to recover from the current crisis;
- the implementation of joint EU/IMF programme for Ireland;
- the Group's schedule of committed debt repayments;
- the Group's ability to continue to access liquidity and funding, in particular from the Eurosystem and Central Bank of Ireland liquidity facilities;
- the ability of the Group to raise additional required capital in the financial markets, through other internal actions or failing that from the Irish Government to meet its required regulatory capital ratios; and
- The ability of the Group to dispose of assets and/or increase its deposit base to meet the PLAR targets set by the Central Bank of Ireland.

The risk and uncertainties set out above and the options available to the Group have been considered by the directors in concluding that it is appropriate to prepare the financial statements in a going concern basis.

Financial statements - Basis of preparation

Accounting policies

Except as noted below, there have been no changes in the accounting policies as described on pages 125 to 145 in the 2009 Annual Financial Report.

Amendment to IFRS 2 - Group Cash-settled Share-based Payment Transactions

This amendment to IFRS 2 clarifies its scope and the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when that entity has no obligation to settle the share based payment transaction.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations for which the acquisition date is on or after the beginning of the first annual financial reporting period beginning on or after 1 July 2009. The changes affect the valuation of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions that increase the Group's ownership interest will no longer give rise to goodwill, any transaction that reduces the Group's ownership interest without loss of control will not give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The changes in IFRS 3 (Revised) and IAS 27 (Amended) affect acquisitions and loss of control of subsidiaries and transactions with non-controlling interests within the Group after 1 January 2010. The changes in accounting policy are being applied prospectively and did not have any impact on the Group's consolidated financial statements during 2010.

Amendment to IAS 24 -Related Parties Disclosures

As permitted in the amendment, the Group has partially early adopted the exemption for government-related entities included within the amendment to IAS 24-Related Parties Disclosures. This exemption removes the requirement for government-related entities to disclose details of all transactions with the Government and other government-related entities.

The amendment to this standard requires the reporting entity to disclose the following information about the transactions and related outstanding balances, as set out in the revised standard:

- the name of the government and the nature or its relationship with the reporting entity (i.e. control, joint control or significant influence).

The following information in sufficient detail:

- the nature and amount of each individually significant transaction;
- for other transactions that are collectively, but not individually significant, a qualitative or quantitative indication of their nature and extent.

The Group has not early adopted other aspects of the amendment to IAS 24 that revise the definition of related parties. Therefore, the disclosures relating to other (non-government) related parties are provided on the same basis as in prior years.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items

The amendments clarify the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The application of the amendments did not have any impact on the Group's consolidated financial statements in 2010.

Issued in May 2008

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the investing entity retains a non-controlling interest after the sale transaction. This amendment was applied prospectively from 1 January 2010 and had no impact on the financial position or financial performance of the Group for 2010.

Issued in April 2009

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that the disclosures required in respect of non-current assets and disposal groups, that are both classified as held for sale and in scope of the measurement requirements of IFRS 5, are the only disclosures required of that particular standard. In that situation disclosure requirements of other IFRSs, only apply if specifically required for such non-current assets or discontinued operations. Therefore as financial instruments are not in scope of IFRS 5 for measurement purposes the disclosure requirements of IFRS 7 continue to apply. This amendment is effective for annual periods beginning on or after 1 January 2010.

IFRS 8 Operating Segments: This amendment which is effective for annual periods beginning on or after 1 January 2010, clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker reviews segment assets and liabilities, the Group has continued to disclose this information.

IAS 7 Statement of Cash Flows: This amendment which is effective for annual periods beginning on or after 1 January 2010, states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.

IAS 36 Impairment of Assets: The amendment which has been applied prospectively from 1 January 2010 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

In addition, arising from business developments during 2010, the following policies are of particular relevance to the 2010 Annual Financial Report.

NAMA senior bonds designation and valuation

The NAMA senior bonds are separately disclosed in the statement of financial position. NAMA senior bonds have been designated as loans and receivables at 31 December 2010, as they meet the criteria to be so designated.

The bases for measurement, interest recognition and impairment for NAMA senior bonds are the same as those for loans and receivables. There is no active market for the NAMA senior bonds, accordingly, the fair value was determined using a valuation technique.

The absence of quoted prices in an active market required an increased use of management judgement in the estimation of fair value. This judgement included, but was not limited to: evaluating available market information; determining the cash flows generated by the instruments; identifying a risk free discount rate and applying an appropriate credit spread.

The valuation technique and critical assumptions used were subject to internal review and approval procedures. While the Group believes its estimates of fair value are appropriate, the use of different measurements, valuation techniques or assumptions could give rise to the NAMA senior bonds being measured at a different valuation, with a consequent impact on the income statement.

Non-current assets held for sale and discontinued operations

For a non-current asset or a disposal group to be classified as held for sale, the Group believes that its carrying amount will be recovered principally through sale rather than through continuing use. It is available for immediate sale and a sale is highly probable within one year. In the case of discontinued operations, these constitute both a major line of business and a geographical area of operation.

On initial classification as held for sale, these assets are measured at the lower of carrying value and fair value less costs to sell.

Discontinued operations are presented in the income statement (including comparatives) as a separate amount, comprising the total of the post tax profit or loss of the discontinued operations for the period together with any post-tax gain or loss recognised on the remeasurement to fair value less costs to sell, or on disposal of the assets/disposal groups constituting discontinued operations. In presenting interest income and interest expense and various expenses relating to discontinued operations, account is taken of the continuance or otherwise of these income statement items post disposal of the discontinued operation. Corporate overhead, which was previously allocated to the business being disposed of, is considered to be part of continuing operations. In the statement of financial position, the assets and liabilities of discontinued operations are shown within the caption 'Disposal groups and non-current assets/(liabilities) held for sale' separate from other assets and liabilities.

Financial statements - Basis of preparation

Annual Financial Report

The financial information presented herein does not amount to statutory financial statements. The Annual Financial Report for the year ended 31 December 2010 will be available on the Internet website http://www.aibgroup.com/investorrelations later this month. The Annual Financial Report for the year ended 31 December 2010 will be filed in the Companies Registration Office with the annual return. The Auditors have reported on the audited financial statements and their report was modified to include an emphasis of matter on going concern.

A copy of this Preliminary announcement is available on the Internet website http://www.aibgroup.com/investorrelations

Consolidated income statement

for the year ended 31 December 2010

	Notes	**2010 € m**	2009 € m
Continuing operations			
Interest and similar income	2	**4,609**	5,854
Interest expense and similar charges	2	**2,765**	2,982
Net interest income	2	**1,844**	2,872
Dividend income	3	**1**	4
Fee and commission income	4	**585**	636
Fee and commission expense	4	**(88)**	(184)
Net trading loss	5	**(201)**	(40)
Gain on redemption of subordinated liabilities and other capital instruments	6	**372**	623
Loss on transfer of financial instruments to NAMA	7	**(5,969)**	–
Other operating income	8	**99**	195
Other (loss)/income		**(5,201)**	1,234
Total operating income		**(3,357)**	4,106
Administrative expenses	9	**1,469**	1,395
Impairment and amortisation of intangible assets		**126**	69
Depreciation of property, plant and equipment		**54**	58
Total operating expenses		**1,649**	1,522
Operating (loss)/profit before provisions		**(5,006)**	2,584
Provisions for impairment of loans and receivables	20	**6,015**	5,242
Provisions for liabilities and commitments		**1,029**	1
Provisions for impairment of financial investments available for sale	11	**74**	24
Operating loss		**(12,124)**	(2,683)
Associated undertakings	24	**18**	(3)
Profit on disposal of property		**46**	23
Construction contract income		**–**	1
Loss on disposal of businesses		**(11)**	–
Loss before taxation from continuing operations		**(12,071)**	(2,662)
Income tax income from continuing operations	12	**(1,710)**	(373)
Loss after taxation from continuing operations		**(10,361)**	(2,289)
Discontinued operations			
Profit/(loss) after taxation from discontinued operations	13	**199**	(45)
Loss for the period		**(10,162)**	(2,334)
Attributable to:			
Owners of the parent:			
Loss from continuing operations		**(10,361)**	(2,309)
Profit/(loss) from discontinued operations		**129**	(104)
Loss for the period attributable to owners of the parent		**(10,232)**	(2,413)
Non-controlling interests:			
Profit from continuing operations		**–**	20
Profit from discontinued operations		**70**	59
Profit for the period attributable to non-controlling interests		**70**	79
		(10,162)	(2,334)
Basic (loss)/earnings per share			
Continuing operations	14(a)	**(571.1c)**	(203.5c)
Discontinued operations	14(a)	**7.1c**	(11.7c)
		(564.0c)	(215.2c)
Diluted (loss)/earnings per share			
Continuing operations	14(b)	**(571.1c)**	(203.5c)
Discontinued operations	14(b)	**7.1c**	(11.7c)
		(564.0c)	(215.2c)

Consolidated statement of comprehensive income

for the year ended 31 December 2010

	Notes	2010 € m	2009 € m
Loss for the period		**(10,162)**	(2,334)
Other comprehensive income			
Continuing operations			
Exchange translation adjustments		**89**	127
Net change in cash flow hedges, net of tax		**(41)**	(65)
Net change in fair value of available for sale securities, net of tax		**(813)**	219
Net actuarial gains/(losses) in retirement benefit schemes, net of tax	10	**1**	174
Share of other comprehensive income of associates, net of tax		**(13)**	-
Other comprehensive income for the period, net of tax, from continuing operations		**(777)**	455
Discontinued operations			
Exchange translation adjustments		**50**	31
Net change in cash flow hedges, net of tax		**-**	4
Net change in fair value of available for sale securities, net of tax		**3**	19
Share of other comprehensive income of associates, net of tax		**218**	(40)
Other comprehensive income for the period, net of tax, from discontinued operations		**271**	14
Total comprehensive income for the period		**(10,668)**	(1,865)
Attributable to:			
Owners of the parent:			
Continuing operations		**(11,138)**	(1,854)
Discontinued operations		**385**	(113)
		(10,753)	(1,967)
Non-controlling interests:			
Continuing operations		**-**	20
Discontinued operations		**85**	82
		85	102
Total comprehensive income for the period		**(10,668)**	(1,865)

Consolidated statement of financial position

for the year ended 31 December 2010

	Notes	**2010 € m**	2009 € m
Assets			
Cash and balances at central banks		**3,686**	4,382
Items in course of collection		**273**	251
Financial assets held for sale to NAMA	15	**1,937**	19,212
Disposal groups and non-current assets held for sale	16	**13,911**	50
Trading portfolio financial assets		**33**	296
Derivative financial instruments	17	**3,315**	6,071
Loans and receivables to banks	18	**2,943**	9,093
Loans and receivables to customers	19	**86,350**	103,341
NAMA senior bonds	21	**7,869**	-
Financial investments available for sale	22	**20,825**	25,336
Financial investments held to maturity		**-**	1,586
Interests in associated undertakings	24	**283**	1,641
Intangible assets and goodwill		**193**	782
Property, plant and equipment		**348**	536
Other assets		**264**	456
Current taxation		**30**	57
Deferred taxation	25	**2,384**	583
Prepayments and accrued income		**578**	641
Total assets		**145,222**	174,314
Liabilities			
Deposits by central banks and banks[1]	26	**49,869**	33,333
Customer accounts	27	**52,389**	83,953
Financial liabilities held for sale to NAMA	15	**-**	3
Disposal groups held for sale	16	**11,548**	-
Trading portfolio financial liabilities		**-**	23
Derivative financial instruments	17	**3,020**	5,520
Debt securities in issue	28	**15,664**	30,654
Current taxation		**21**	65
Other liabilities		**1,499**	3,025
Accruals and deferred income		**991**	1,027
Retirement benefit liabilities	10	**400**	714
Provisions for liabilities and commitments		**1,141**	76
Subordinated liabilities and other capital instruments	29	**4,331**	4,586
Total liabilities		**140,873**	162,979
Shareholders' equity			
Share capital	30	**3,965**	329
Share premium		**5,089**	4,975
Other equity interests	32	**239**	389
Reserves		**(330)**	935
Profit and loss account		**(5,304)**	4,081
Shareholders' equity		**3,659**	10,709
Non-controlling interests in subsidiaries	33	**690**	626
Total shareholders' equity including non-controlling interests		**4,349**	11,335
Total liabilities, shareholders' equity and non-controlling interests		**145,222**	174,314

[1]This includes € 38,616 million of Central Bank borrowings (2009: € 13,542 million).

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Consolidated statement of cash flows

for the year ended 31 December 2010

	Notes	2010 € m	2009 € m
Reconciliation of loss before taxation to net cash outflow from operating activities			
Loss for the period from continuing operations before taxation		**(12,071)**	(2,662)
Adjustments for:			
Gain on redemption of subordinated liabilities and other capital instruments	6	**(372)**	(623)
Loss on disposal of businesses		**11**	–
Construction contract income		**–**	(1)
Profit on disposal of property, plant and equipment		**(45)**	(19)
Dividend income		**(5)**	(8)
Associated undertakings	24	**(18)**	3
Impairment of associated undertakings		**–**	–
Profit on disposal of associated undertakings		**–**	–
Provisions for impairment of loans and receivables	20	**6,015**	5,242
Loss on transfer of financial instruments to NAMA	7	**5,969**	–
Provisions for liabilities and commitments		**1,029**	1
Provisions for impairment of financial investments available for sale		**74**	24
Increase/(decrease) in other provisions		**58**	(6)
Depreciation, amortisation and impairment		**180**	127
Interest on subordinated liabilities and other capital instruments		**382**	275
Profit on disposal of financial investments available for sale	8	**(88)**	(174)
Share based payments		**–**	1
Amortisation of premiums and discounts		**(13)**	(15)
(Increase)/decrease in prepayments and accrued income		**(115)**	370
(Decrease) in accruals and deferred income		**(79)**	(425)
		912	2,110
Net increase in deposits by central banks and banks		**16,703**	7,568
Net (decrease) in customer accounts		**(22,908)**	(9,573)
Net decrease in loans and receivables to customers[1]		**7,733**	3,578
Net (decrease)/increase in loans and receivables to banks		**353**	(1,116)
Net decrease/(increase) in trading portfolio financial assets/liabilities		**85**	(30)
Net decrease in derivative financial instruments		**210**	341
Net (increase)/decrease in items in course of collection		**(19)**	30
Net (decrease) in debt securities in issue		**(15,728)**	(7,166)
Net decrease in notes in circulation		**24**	54
Net decrease in other assets		**109**	184
Net (decrease)/increase in other liabilities		**(1,564)**	730
Effect of exchange translation and other adjustments[2]		**231**	(709)
Net cash outflow from operating assets and liabilities		**(14,771)**	(6,109)
Net cash outflow from operating activities before taxation		**(13,859)**	(3,999)
Taxation paid		**(36)**	30
Net cash outflow from operating activities		**(13,895)**	(3,969)
Investing activities *(note a)*		**4,576**	4,572
Financing activities *(note b)*		**3,446**	3,180
Net cash from discontinued operations		**–**	(324)
(Decrease)/increase in cash and cash equivalents		**(5,873)**	3,459
Opening cash and cash equivalents		**12,067**	8,522
Reclassified to disposal groups and non-current assets held for sale		**(716)**	–
Effect of exchange translation adjustments		**234**	86
Closing cash and cash equivalents[3]		**5,712**	12,067

Consolidated statement of cash flows *(continued)*

for the year ended 31 December 2010

	Notes	**2010 € m**	2009 € m
(a) Investing activities			
Purchase of financial investments available for sale	22	**(6,241)**	(3,803)
Proceeds from sales and maturity of financial investments available for sale		**9,305**	8,448
Additions to property, plant and equipment		**(25)**	(52)
Disposal of property, plant and equipment		**87**	42
Additions to intangible assets		**(23)**	(71)
Disposal of intangible assets		**1**	–
Additions to investment in associated undertakings	24	**–**	–
Disposal of investment in associated undertakings	24	**1,467**	–
Investment in Group undertakings		**–**	–
Dividends received from subsidiary companies		**–**	–
Disposal/redemption of investment in businesses and subsidiaries		**–**	–
Dividends received from associated undertakings	24	**5**	8
Investment in business		**–**	–
Cash flows from investing activities		**4,576**	4,572
(b) Financing activities			
Net proceeds of issue of shares to the NPRFC	30	**3,698**	–
Issue of 2009 preference shares	30	**–**	3,467
Re-issue of treasury shares	30	**–**	–
Issue of subordinated liabilities		**–**	–
Cost of redemption of capital instruments	6	**(5)**	(8)
Redemption of subordinated liabilities and other capital instruments		**–**	–
Interest paid on subordinated liabilities and other capital instruments		**(247)**	(215)
Equity dividends paid on ordinary shares		**–**	–
Dividends paid on other equity interests		**–**	(44)
Dividends paid to non-controlling interests		**–**	(20)
Cash flows from financing activities		**3,446**	3,180

[1] Net decrease in loans and receivables to customers includes financial assets held for sale to NAMA.

[2] Included within the effect of exchange translation and other adjustments are amounts in respect of pension contributions of € 375 million (2009: € 170 million).

[3] The 2009 consolidated statements of financial position have not been restated to reclassify cash and cash equivalents within disposal groups of discontinued operations. The closing amounts are as per the previously published 2009 Annual Financial Report.

Consolidated statement of changes in equity

	Attributable to equity holders of the parent												Non-controlling interests	Total
	Share capital	Share premium	Other equity interests	Capital reserves	Revaluation reserves	Available for sale securities reserves	Cash flow hedging reserves	Revenue reserves	Foreign currency translation reserves	Treasury shares	Share based payments reserves	Total		
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
2010														
At 1 January 2010	**329**	**4,975**	**389**	**683**	**33**	**(259)**	**478**	**5,103**	**(644)**	**(462)**	**84**	**10,709**	**626**	**11,335**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**(785)**	**(41)**	**(10,244)**	**317**	**-**	**-**	**(10,753)**	**85**	**(10,668)**
Ordinary shares issued in lieu of dividend *(note 30)*	**63**	**(63)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Issue of ordinary shares *(note 30)*	**216**	**34**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**250**	**-**	**250**
Issue of convertible non-voting shares *(note 30)*	**3,357**	**143**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,500**	**-**	**3,500**
Cancellation of warrants *(note 30)*	**-**	**-**	**(150)**	**-**	**-**	**-**	**-**	**98**	**-**	**-**	**-**	**(52)**	**-**	**(52)**
Dividends on other equity interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(21)**	**(21)**
Share based payments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**54**	**-**	**-**	**(54)**	**-**	**-**	**-**
Other movements	**-**	**-**	**-**	**(430)**	**(9)**	**-**	**-**	**444**	**-**	**-**	**-**	**5**	**-**	**5**
At 31 December 2010	**3,965**	**5,089**	**239**	**253**	**24**	**(1,044)**	**437**	**(4,545)**	**(327)**	**(462)**	**30**	**3,659**	**690**	**4,349**
Of which discontinued operations:	**-**	**-**	**-**	**-**	**(2)**	**71**	**(1)**	**898**	**129**	**-**	**-**	**1,095**	**501**	**1,596**
2009														
At 1 January 2009 as reported	294	1,693	497	683	33	(556)	538	6,882	(745)	(462)	81	8,938	1,344	10,282
Change in accounting policy	-	-	-	-	-	-	-	31	-	-	-	31	-	31
As restated	294	1,693	497	683	33	(556)	538	6,913	(745)	(462)	81	8,969	1,344	10,313
Total comprehensive income for the period	-	-	-	-	-	297	(60)	(2,305)	101	-	-	(1,967)	102	(1,865)
Issue of 2009 Preference Shares	35	3,282	150	-	-	-	-	-	-	-	-	3,467	-	3,467
Dividends on other equity interests	-	-	-	-	-	-	-	(44)	-	-	-	(44)	(20)	(64)
Share based payments	-	-	-	-	-	-	-	4	-	-	5	9	-	9
Redemption of capital instruments *(note 6)*	-	-	(258)	-	-	-	-	538	-	-	-	280	(801)	(521)
Net movement in own shares	-	-	-	-	-	-	-	(2)	-	-	-	(2)	-	(2)
Other movements	-	-	-	-	-	-	-	(1)	-	-	(2)	(3)	1	(2)
At 31 December 2009	329	4,975	389	683	33	(259)	478	5,103	(644)	(462)	84	10,709	626	11,335

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1 Segmental information

For management and reporting purposes, the activities of AIB Group are organised into three operating divisions supported by Group, which includes Operations and Technology. The Group Executive Committee as chief operating decision maker relies primarily on the management accounts to assess the performance of the segments and make decisions about resource allocations. The following comments reflect a description of the continuing operations of the Group.

AIB Bank ROI: Retail and commercial banking operations in the Republic of Ireland, Channel Islands and the Isle of Man, AIB Finance and Leasing, AIB Card Services, Wealth Management and its share of Aviva Life Holdings Ireland Limited, Aviva Health Insurance Ireland Limited and AIB's share in the joint venture with First Data International trading as AIB Merchant Services.

Capital Markets: AIB's corporate banking, treasury and investment banking operations principally in Ireland, Britain and the US, together with offices in Frankfurt, Paris, Luxembourg, Budapest, Zurich and Toronto.

AIB Bank UK: Retail and commercial banking operations in Britain (operating under the trading name Allied Irish Bank (GB)) and in Northern Ireland (operating under the trading name First Trust Bank).

Group: Includes interest rate hedge volatility (hedge ineffectiveness and derivative volatility), hedging in relation to the translation of foreign locations' profit, profit on disposal of property and AmCredit, a mortgage business in Lithuania, Latvia and Estonia.

This note reflects these continuing operations and excludes discontinued operations see (page 37 for basis of presentation). In previous reporting periods BZWBK was a significant portion of Central and Eastern Europe ("CEE") division but was presented as part of discontinued operations at 31 December 2010. M&T, which was presented as a discontinued operation at 31 December 2010, had previously been included in the group division segment. This business segmentation has been reviewed as part of the restructuring plan of the organisation and the new structure will be reflected in future business segment reporting.

The information presented to the chief operating decision maker includes continuing operations only.

1 Segmental information

					2010
	AIB Bank ROI € m	**Capital Markets € m**	**AIB Bank UK € m**	**Group € m**	**Total € m**
Operations by business segments					
Net interest income	**790**	**651**	**325**	**78**	**1,844**
Other (loss)/income[1]	**(5,279)**	**77**	**(178)**	**179**	**(5,201)**
Total operating income	**(4,489)**	**728**	**147**	**257**	**(3,357)**
Personnel expenses	**560**	**125**	**160**	**76**	**921**
General and administrative expenses	**284**	**104**	**80**	**80**	**548**
Impairment and amortisation of intangible assets	**19**	**11**	**1**	**95**	**126**
Depreciation of property, plant and equipment	**26**	**5**	**6**	**17**	**54**
Total operating expenses	**889**	**245**	**247**	**268**	**1,649**
Operating (loss)/profit before provisions	**(5,378)**	**483**	**(100)**	**(11)**	**(5,006)**
Provisions for impairment of loans and receivables	**5,084**	**342**	**588**	**1**	**6,015**
Provisions for liabilities and commitments	**303**	**35**	**691**	**-**	**1,029**
Provisions for impairment of financial investments available for sale	**2**	**24**	**-**	**48**	**74**
Provisions	**5,389**	**401**	**1,279**	**49**	**7,118**
Group operating (loss)/profit	**(10,767)**	**82**	**(1,379)**	**(60)**	**(12,124)**
Associated undertakings	**16**	**-**	**2**	**-**	**18**
Profit on disposal of property	**1**	**-**	**-**	**45**	**46**
Loss on disposal of business	**-**	**(11)**	**-**	**-**	**(11)**
(Loss)/profit before taxation - continuing activities	**(10,750)**	**71**	**(1,377)**	**(15)**	**(12,071)**
Other amounts					
Other significant non-cash expenses[2]	**-**	**-**	**-**	**-**	**-**

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1 Segmental information *(continued)*

	AIB Bank ROI € m	Capital Markets € m	AIB Bank UK € m	Group € m	2009 Total € m
Operations by business segments					
Net interest income	1,400	1,025	474	(27)	2,872
Other income[(1)]	331	162	102	639	1,234
Total operating income	1,731	1,187	576	612	4,106
Personnel expenses	533	216	122	38	909
General and administrative expenses	271	101	69	45	486
Impairment and amortisation of intangible assets	18	10	1	40	69
Depreciation of property, plant and equipment	28	7	6	17	58
Total operating expenses	850	334	198	140	1,522
Operating profit before provisions	881	853	378	472	2,584
Provisions for impairment of loans and receivables	4,473	361	395	13	5,242
Provisions for liabilities and commitments	–	–	–	1	1
Provisions for impairment of financial investments available for sale	–	24	–	–	24
Provisions	4,473	385	395	14	5,267
Group operating (loss)/profit	(3,592)	468	(17)	458	(2,683)
Associated undertakings	(4)	–	1	–	(3)
Profit on disposal of property	2	–	–	21	23
Construction contract income	–	–	–	1	1
(Loss)/profit before taxation – continuing activities	(3,594)	468	(16)	480	(2,662)
Other amounts					
Impairment of associated undertakings	–	–	–	–	–
Other significant non-cash expenses[(2)]	(1)	–	3	(1)	1

1 Segmental information ***(continued)***

					2010
Other amounts – statement of financial position	**AIB Bank ROI € m**	**Capital Markets € m**	**AIB Bank UK € m**	**Group € m**	**Total € m**
Financial assets held for sale to NAMA	**596**	**60**	**1,281**	**–**	**1,937**
Loans and receivables to customers	**52,038**	**18,414**	**15,552**	**346**	**86,350**
Interests in associated undertakings	**275**	**–**	**8**	**–**	**283**
Total assets[3]	**57,946**	**40,125**	**20,917**	**12,323**	**131,311**
Customer accounts	**35,716**	**7,850**	**8,823**	**–**	**52,389**
Total liabilities[4][5]	**42,921**	**71,744**	**10,783**	**3,877**	**129,325**
Capital expenditure	**21**	**4**	**2**	**21**	**48**

						2009
Other amounts – statement of financial position	AIB Bank ROI € m	Capital Markets € m	AIB Bank UK € m	Central and Eastern Europe € m	Group € m	Total € m
Financial assets held for sale to NAMA	15,466	675	3,071	–	–	19,212
Loans and receivables to customers	56,029	21,958	16,607	8,460	287	103,341
Interests in associated undertakings	277	–	4	78	1,282	1,641
Total assets	76,775	57,967	23,507	12,348	3,717	174,314
Customer accounts	39,666	22,702	11,614	9,971	–	83,953
Total liabilities[4]	47,069	87,780	12,994	10,459	4,677	162,979
Capital expenditure	53	11	3	21	56	144

1 Segmental information ***(continued)***

Geographic information[6][7]	**Republic of Ireland € m**	**United Kingdom € m**	**Poland**[11] **€ m**	**North America € m**	**Rest of the world € m**	**Total € m**
						2010
Net interest income	**1,397**	**390**	**-**	**49**	**8**	**1,844**
Other (loss)/income[8][9]	**(5,091)**	**(169)**	**-**	**43**	**16**	**(5,201)**
Non-current assets[10]	**491**	**47**	**-**	**2**	**1**	**541**

Geographic information[6][7]	Republic of Ireland € m	United Kingdom € m	Poland € m	North America € m	Rest of the world € m	Total € m
						2009
Net interest income	2,258	502	-	83	29	2,872
Other income[9]	1,077	123	-	35	(1)	1,234
Non-current assets[10]	625	51	638	1	3	1,318

Revenue from external customers comprises interest income (note 2); fee income (note 4) and trading income (note 5).

[1]Gain on redemption of subordinated liabilities and other capital instruments of € 372 million (2009: € 623 million) is recorded within the Group division.

[2]Comprises share based payments expense.

[3]Total assets excludes € 13,911 million which are shown on the statement of financial position within disposal groups and non current assets held for sale (note 16).

[4]The fungible nature of liabilities within the banking industry inevitably leads to allocations of liabilities to segments, some of which are necessarily subjective. Accordingly, the directors believe that the analysis of total assets is more meaningful than the analysis of liabilities.

[5]Total liabilities excludes € 11,548 million which are shown on the statement of financial position within disposal groups held for sale (note 16).

[6]The geographical distribution of net interest and other (loss)/income is based primarily on the location of the office recording the transaction.

[7]For details of significant geographic concentrations, see note 19 'Loans and receivables to customers'.

[8]Loss on disposal of financial assets to NAMA is recorded within the Republic of Ireland and United Kingdom.

[9]Gain on redemption of subordinated liabilities and other capital instruments is recorded in Republic of Ireland.

[10]Non current assets comprise intangible assets and goodwill, and property, plant and equipment.

[11]See discontinued operations (note 13).

2 Net interest income	2010 € m	2009 € m
Interest on loans and receivables to customers	**3,837**	4,845
Interest on loans and receivables to banks	**55**	91
Interest on trading portfolio financial assets	**2**	3
Interest on NAMA senior bonds	**29**	–
Interest on financial investments available for sale	**686**	915
Interest and similar income	**4,609**	5,854
Interest on deposits by central banks and banks	**375**	459
Interest on customer accounts	**1,313**	1,472
Interest on debt securities in issue	**695**	776
Interest on subordinated liabilities and other capital instruments	**382**	275
Interest expense and similar charges	**2,765**	2,982
Net interest income	**1,844**	2,872

Interest income includes a credit of € 526 million (2009: credit of € 597 million) removed from equity in respect of cash flow hedges. Interest expense includes a charge of € 135 million (2009: charge of € 117 million) removed from equity in respect of cash flow hedges. Included within interest expense is € 306 million (2009: Nil) in respect of the Irish Government's Eligible Liabilities Guarantee ("ELG") Scheme.

3 Dividend income

The dividend income relates to income from equity shares held as financial investments available for sale.

4 Net fee and commission income	2010 € m	2009 € m
Retail banking customer fees	**367**	388
Credit related fees	**94**	108
Asset management and investment banking fees	**81**	82
Brokerage fees	**18**	28
Insurance commissions	**25**	30
Fee and commission income	**585**	636
Irish Government Guarantee Scheme expense[1]	**(51)**	(147)
Other fee and commission expense	**(37)**	(37)
Fee and commission expense	**(88)**	(184)
	497	452

[1]This represents the charge in respect of the Credit Institutions (Financial Support) ("CIFS") Scheme.

5 Net trading loss	2010 € m	2009 € m
Foreign exchange contracts	**22**	(5)
Debt securities and interest rate contracts	**(183)**	30
Credit derivative contracts	**(41)**	(65)
Equity securities and index contracts	**1**	–
	(201)	(40)

The total hedging ineffectiveness on cash flow hedges reflected in the income statement amounted to a charge of € 2 million (2009: a credit of € 27 million) and is included in net trading income.

6 Gain on redemption of subordinated liabilities and other capital instruments

2010

Since 2009, the Group has been involved in a number of initiatives to increase its core tier 1 capital. In this regard, on 29 March 2010, the Group completed the exchange of lower tier 2 capital instruments for new lower tier 2 capital qualifying securities. This involved the issue of euro, dollar and sterling subordinated capital instruments in exchange for the securities outlined in the following table. The fair value of the instruments issued was at a premium to their par value and, in accordance with IAS 39, will be amortised to the income statement over the lives of the notes. This exchange of debt, accounted for under IAS 39, meets the requirements to be treated as an extinguishment of the original instruments. However, since the original instruments were extinguished by the issue of new subordinated capital instruments, this was a non-cash transaction except for the costs incurred in issuing the new instruments.

The following table sets out the carrying values of each instrument tendered for exchange, and the consideration given, including costs, to arrive at the gain on redemption.

Instruments exchanged	Percentage exchanged	2010 € m
Subordinated liabilities		
€ 400m Floating Rate Notes due March 2015	**53%**	**212**
€ 500m Callable Step-up Floating Rate Notes due October 2017	**66%**	**332**
US$ 400m Floating Rate Notes due July 2015	**55%**	**164**
Stg£ 700m Callable Fixed/Floating Rate Notes due July 2023	**78%**	**609**
Stg£ 500m Callable Fixed/Floating Rate Notes due March 2025	**96%**	**535**
Stg£ 350m Callable Fixed/Floating Rate Notes due November 2030	**92%**	**360**
Total carrying value of instruments exchanged		**2,212**
Instruments issued including costs		
€ 419m 10.75% Subordinated Notes due March 2017		**437**
US$ 177m 10.75% Subordinated Notes due March 2017		**136**
Stg£ 1,096m 11.50% Subordinated Notes due March 2022		**1,262**
Costs		**5**
Total consideration including costs		**1,840**
Gain on redemption of subordinated liabilities		**372**

These instruments were exchanged at discounts ranging from 9% to 26%. It resulted in a total gain of € 372 million (€ 372 million after taxation) all of which is recorded in the income statement. This gain was treated as tax exempt.

The subordinated liabilities and other capital instruments of the Group as at 31 December 2010, are set out in note 29.

6 Gain on redemption of subordinated liabilities and other capital instruments *(continued)*

2009

In June 2009, the Group completed the exchange of non-core tier 1 and upper tier 2 capital instruments for a lower tier 2 issue. This involved the redemption of the securities outlined in the following table at a discount to their nominal value or issue price, but at a premium to their trading range. The consideration for the redemption was the issue of euro and sterling subordinated capital instruments. This exchange of debt is accounted for under IAS 39 and meets the requirements to be treated as an extinguishment of the original instruments. It resulted in a total gain of € 1,161 million (€ 1,161 million after taxation) with € 623 million being recorded in the income statement and a gain of € 538 million being recorded directly in equity. The gain recorded in the income statement relates to those instruments which were held as liabilities on the statement of financial position as 'Subordinated liabilities and other capital instruments' whilst the gain recorded directly in equity refers to instruments recorded under 'Shareholders' equity'. However, since the original instruments were extinguished by the issue of new subordinated capital instruments, this was a non-cash transaction except for the costs incurred in issuing the new instruments.

The following table sets out the carrying values of each instrument tendered for exchange, the consideration given and costs arising, to arrive at the gain on redemption.

Instruments exchanged	Percentage exchanged	2009 € m
Subordinated liabilities and other capital instruments		
€ 200m Fixed Rate Perpetual Subordinated Notes	73%	146
Stg£ 400m Perpetual Callable Step-Up Subordinated Notes	85%	400
Stg£ 350m Fixed Rate/Floating Rate Guaranteed Non-Voting Non-cumulative Perpetual Preferred Securities	90%	366
€ 500m Fixed Rate/Floating Rate Guaranteed Non-Voting Non-cumulative Perpetual Preferred Securities	81%	403
Shareholders' equity and non-controlling interests		
€ 500m 7.5 per cent Step-up Callable Perpetual Reserve Capital Instrument ("RCI")	52%	258
€ 1bn Fixed Rate/Floating Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities ("LPI")	81%	801
Total carrying value of instruments exchanged		2,374
Instruments issued including costs		
€ 869 million 12.5 per cent Subordinated Notes due 25 June 2019		802
Stg£ 368 million 12.5 per cent Subordinated Notes due 25 June 2019		403
Costs		8
Total consideration including costs		1,213
Gain on redemption of subordinated liabilities and other capital instruments		1,161

The subordinated liabilities and other capital instruments were exchanged at discounts ranging from 33% to 50%. The gain relating to the subordinated liabilities and other capital instruments recognised in the income statement amounted to € 623 million (€ 623 million after taxation). The gain relating to the redemption of the RCI and LPI amounted to € 538 million (€ 538 million after taxation) and this has been recognised directly in equity. This gain was treated as tax exempt.

The subordinated liabilities and other capital instruments of the Group as at 31 December 2009 are set out in note 29; the RCI in note 32; and LPI in note 33.

7 Loss on transfer of financial instruments to NAMA

At 31 December 2009, certain financial assets and financial liabilities (mainly loans and receivables) were classified as held for sale to NAMA. By 31 December 2010, the transfer of these financial instruments was substantially complete. The consideration received was in the form of Government Guaranteed Floating Rate Notes (senior bonds), and Floating Rate Perpetual Subordinated Bonds (subordinated bonds), issued by NAMA and were initially measured at fair value. A loss arose on transfer due to NAMA acquiring these financial instruments at a discount to their carrying value. The loss on transfer is recorded within other (loss)/income in the consolidated income statement. For further information, refer to note 34 'Memorandum items: contingent liabilities and commitments, and contingent assets'.

The following table sets out the loss on transfer to NAMA.

	2010 € m
Gross carrying value of loans transferred to NAMA	**18,245**
Specific provisions	**(4,166)**
IBNR provisions	**(403)**
Net loans	**13,676**
Accrued interest and other	**163**
Carrying value of derivatives transferred to NAMA	**171**
Net carrying value of financial instruments transferred	**14,010**
Fair value of consideration received:	
Government Guaranteed Floating Rate Notes	**7,864**
Floating Rate Perpetual Subordinated Bonds	**220**
	8,084
Provision for servicing liability	**43**
Loss[1]	**5,969**

[1]External costs relating to the transfer of financial instruments to NAMA amounted to € 21 million (December 2009: € 11 million) and have been included in administrative expenses (note 9).

The following table sets out details of the individual tranches of financial instruments that transferred to NAMA.

	Date of transfer	Net carrying value € m	Fair value of consideration € m	Loss on disposal € m	Discount %
Tranche 1	**6 April 2010**	**2,811**	**1,854**	**957**	**42**
Tranche 2	**12 July 2010**	**1,890**	**1,356**	**534**	**48.5**
Tranche 3	**5 November 2010**	**2,480**	**1,297**	**1,183**	**60**
Tranche 4	**17 December 2010**	**6,829**	**3,577**	**3,252**	**60**
Provision for servicing liability				**43**	
Total		**14,010**	**8,084**	**5,969**	**54**

The following table analyses the overall impact in the consolidated income statement of financial instruments, both transferred and held for sale to NAMA[2].

	2010 € m
Included within	
Loss on transfer of financial instruments to NAMA	**5,969**
Administrative expenses	**21**
Provisions for impairment of loans and receivables	**1,497**
Provisions for liabilities and commitments[3]	**1,029**
	8,516

[2]Excludes amounts relating to interest income, related funding and other income on the underlying financial instruments.

[3]At 31 December 2010, the transfer in 2011 of certain loans to NAMA was deemed to be unavoidable, accordingly a provision has been made for the expected discount based on the loans identified for transfer and the haircut that NAMA had communicated would be applied to such loans.

8 Other operating income	2010 € m	2009 € m
Profit on disposal of available for sale debt securities	**75**	167
Profit on disposal of available for sale equity securities	**13**	7
Miscellaneous operating income[1]	**11**	21
	99	195

[1]Includes a credit of € 8 million (2009: a charge of € 13 million) in respect of foreign exchange gains and losses. Also includes a loss on disposal of equipment of € 1 million (2009: loss of € 4 million).

9 Administrative expenses	2010 € m	2009 € m
Personnel expenses		
Wages & salaries	**722**	821
Share-based payment schemes	**-**	1
Retirement benefits *(note 10)*	**92**	(20)
Social security costs	**74**	86
Other personnel expenses	**33**	21
	921	909
General and administrative expenses[1]	**548**	486
	1,469	1,395

[1]Includes external costs relating to the transfer of financial instruments to NAMA that amounted to € 21 million (2009: € 11 million).

10 Retirement benefits

The Group operates a number of pension and retirement benefit schemes for employees, the majority of which are funded. These include defined benefit and defined contribution schemes. In December 2007, the Group introduced a hybrid pension arrangement for employees in the Republic of Ireland who were not members of the defined benefit scheme. The hybrid pension arrangement includes elements of both a defined benefit and a defined contribution scheme.

(i) Defined benefit schemes

The Group operates a number of defined benefit schemes, the most significant being the AIB Group Irish Pension Scheme ('the Irish scheme') and the AIB Group UK Pension Scheme ('the UK scheme'). The Irish scheme and the UK Scheme were closed to new members from December 1997. Staff joining the Group in the Republic of Ireland between December 1997 and December 2007 became members of the Defined Contribution ("DC") scheme. A hybrid pension arrangement was introduced in Ireland in December 2007 and members of the Irish DC scheme had the option at that time to switch to the hybrid pension arrangement. Staff joining the Group in the Republic of Ireland after December 2007 automatically join the hybrid pension arrangement. Members of the hybrid arrangement become members of the Irish scheme in respect of their basic annual salary up to a certain limit. Those members whose salaries exceed the limit will also remain members of the DC scheme in respect of that part of their basic annual salary above the limit. Approximately 86 per cent. of staff in the Republic of Ireland are members of the Irish scheme while 49 per cent. of staff in the UK are members of the UK scheme.

Retirement benefits for the defined benefit schemes are calculated by reference to service and pensionable salary at normal retirement date. The benefits payable to future retirees of the Irish and UK schemes were amended during 2009. Retirement benefits payable upon retirement will in future be based on the average pensionable salary over the five years before retirement, as opposed to being payable on the level of final salary, subject to a retiree not receiving a pension lower than their current accrued benefit. The effect of this curtailment was a reduction of € 159 million on the liability and a gain to the income statement of € 159 million in 2009.

Independent actuarial valuations for the main Irish and UK schemes are carried out on a triennial basis by the Group's actuary, Mercer. The last such valuations were carried out on 30 June 2009 using Projected Unit Methods.

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10 Retirement benefits *(continued)*

The schemes are funded with a contribution rate of 28.6 per cent. of pensionable salaries set for the Irish scheme with effect from 1 January 2007. This funding rate was amended following the introduction of the hybrid pension arrangement and from January 2009 to December 2010 was set at 23 per cent. In addition, further payments totalling € 199 million were made into the scheme in 2010. With effect from 1 January 2011, the contribution rate has reduced to 16.0 per cent. of pensionable salaries. Members of the hybrid pension arrangement contribute 5 per cent. of pensionable salary.

For the UK scheme, a contribution rate of 30.8 per cent. of pensionable salaries together with quarterly payments of Stg£ 9.7 million from 1 April 2016 increasing by 3.4 per cent. per annum to Stg£ 12.6 million on 1 April 2024 were agreed. A payment of Stg£ 50.8 million was paid into the UK scheme in December 2010 and a further Stg£ 102 million paid in January 2011. These sums are part of a schedule of contributions agreed between the Group and the Trustees and accepted by the Pensions Regulator in the United Kingdom.

The Group agreed with the Trustees of the Irish scheme as part of the triennial valuation process, that it will fund the deficit over approximately 15 years (UK scheme: 15 years). The total contributions to the defined benefit pension schemes in 2011 is estimated to be € 86 million. The actuarial valuations are available for inspection by the members of the schemes.

The following table summarises the financial assumptions adopted in the preparation of these financial statements in respect of the main schemes. The assumptions, including the expected long-term rate of return on assets, have been set based upon the advice of the Group's actuary.

	as at 31 December	
Financial assumptions	**2010 %**	2009 %
Irish scheme		
Rate of increase in salaries[(1)]	**3.20**	3.50
Rate of increase of pensions in payment	**2.00**	2.00
Expected return on scheme assets	**6.47**	7.10
Discount rate	**5.60**	6.00
Inflation assumptions	**2.00**	2.00
UK scheme		
Rate of increase in salaries[(1)]	**3.75**	4.25
Rate of increase of pensions in payment	**3.40**	3.50
Expected return on scheme assets	**6.11**	6.86
Discount rate	**5.30**	5.70
Inflation assumptions (RPI)	**3.40**	3.50
Other schemes		
Rate of increase in salaries	**3.1 - 4.15**	3.5 - 4.25
Rate of increase of pensions in payment	**0.0 - 3.4**	0.0 - 3.5
Expected return on scheme assets	**5.6 - 8.0**	6.6 - 7.4
Discount rate	**5.3 - 6.1**	5.5 - 6.0
Inflation assumptions	**2.0 - 3.4**	2.0 - 4.0

[(1)]The rate of increase in salaries includes the impact of salary scale improvements.

10 Retirement benefits *(continued)*

Mortality assumptions

The mortality assumptions for the Irish and UK schemes were updated in 2009. The updated life expectancies underlying the value of the scheme liabilities for the Irish and UK schemes at 31 December 2010 and 2009 are shown in the following table.

		Life expectancy – years			
		Irish scheme		UK scheme	
		2010	2009	**2010**	2009
Retiring today age 63					
	Males	**22.5**	22.5	**24.7**	24.7
	Females	**25.6**	25.6	**27.0**	27.0
Retiring in 10 years at age 63					
	Males	**25.5**	25.5	**25.6**	25.6
	Females	**28.6**	28.6	**28.0**	28.0

Sensitivity analysis for principal assumptions used to measure scheme liabilities

There are inherent uncertainties surrounding the financial assumptions adopted in calculating the actuarial valuation of the AIB Group Pension Schemes. Set out in the table below is a sensitivity analysis for the key assumptions for the Irish scheme and the UK scheme. Note that the change in assumptions are independent of each other i.e. the effect of the reflected change in the discount rate assumes that there has been no change in the rate of mortality assumption and vice versa.

Assumption	**Change in assumption**	**Impact on scheme liabilities**	
		Irish scheme	**UK scheme**
Inflation	Increase by 0.25%	Increase by 2.9%	Increase by 4.3%
Salary growth	Increase by 0.25%	Increase by 1.1%	Increase by 0.9%
Discount rate	Increase by 0.25%	Decrease by 4.4%	Decrease by 5.5%
Rate of mortality	Increase life expectancy by 1 year	Increase by 2.2%	Increase by 2.4%

The following tables set out on a combined basis for all schemes, the fair value of the assets held by the schemes together with the long-term rate of return expected for each class of asset for the Group. The expected rates of return on individual asset classes are estimated using current and projected economic and market factors at the measurement date in consultation with the Group's actuaries.

	2010			2009		
Group	**Long term rate of return expected %**	**Value € m**	**Scheme assets %**	Long term rate of return expected %	Value € m	Scheme assets %
Equities	**7.5**	**2,358**	**67**	8.0	2,094	71
Bonds	**4.2**	**657**	**18**	4.5	483	16
Property	**6.0**	**210**	**6**	6.0	195	7
Cash/other	**3.5**	**314**	**9**	3.6	167	6
Total market value of assets	**6.5**	**3,539**	**100**	7.0	2,939	100
Actuarial value of liabilities of funded schemes		**(3,883)**			(3,595)	
Deficit in the funded schemes		**(344)**[1]			(656)[1]	
Unfunded deferred benefit obligation		**(56)**			(58)	
Net pension deficit		**(400)**			(714)	

[1]Of which € 284 million relates to the Irish scheme, € 51 million relates to the UK scheme and € 9 million relates to other schemes (2009: € 516 million, € 129 million and € 11 million respectively).

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10 Retirement benefits *(continued)*

At 31 December 2010, the Group pension scheme assets included AIB shares amounting to € 1 million (2009: € 6 million). Included in the actuarial value of the liabilities is an amount in respect of commitments to pay annual pensions amounting to € 109,813 (2009: € 109,813) in aggregate to a number of former directors.

The following table sets out the components of the defined benefit expense for each of the three years ended 31 December 2010 and 2009.

	2010 € m	2009 € m
Included in administrative expenses:		
Current service cost	**69**	91
Past service cost	**4**	2
Expected return on pension scheme assets	**(215)**	(189)
Interest on pension scheme liabilities	**214**	211
Curtailment	**-**	(159)
Cost of providing defined retirement benefits	**72**	(44)

The actual return/(loss) on scheme assets during the year ended 31 December 2010 was € 328 million (2009: € 339 million).

Movement in defined benefit obligation during the year	**2010 € m**	2009 € m
Defined benefit obligation at beginning of year	**3,653**	3,604
Reclassification to disposal groups and non-current assets held for sale	**(29)**	-
Current service cost	**69**	91
Past service cost	**4**	2
Interest cost	**214**	211
Contributions by employees	**14**	7
Actuarial (gains) and losses	**110**	(30)
Benefits paid	**(124)**	(116)
Curtailments/settlements	**-**	(159)
Translation adjustment on non-euro schemes	**28**	43
Defined benefit obligation at end of year	**3,939**	3,653

10 Retirement benefits ***(continued)***

Movement in the scheme assets during the year	**2010 € m**	2009 € m
Fair value of scheme assets at beginning of year	**2,939**	2,499
Reclassification to disposal groups and non-current assets held for sale	**(16)**	-
Expected return	**215**	189
Actuarial gains and (losses)	**113**	150
Contributions by employer	**375**	170
Contributions by employees	**14**	7
Benefits paid	**(124)**	(116)
Translation adjustment on non-euro schemes	**23**	40
Fair value of scheme assets at end of year	**3,539**	2,939

Analysis of the amount recognised in the statement of comprehensive income	**2010 € m**	2009 € m
Actual return less expected return on pension scheme assets	**113**	150
Experience gains and losses on scheme liabilities	**107**	122
Changes in demographic and financial assumptions	**(217)**	(92)
Actuarial gain recognised	**3**	180
Deferred tax	**(2)**	(6)
Recognised in the consolidated statement of comprehensive income[1]	**1**	174

[1]The Group's share of recognised (losses)/gains in associated undertakings, in the consolidated statement of comprehensive income includes an actuarial loss of € 13 million for the year ended 31 December 2010 (2009: an actuarial gain of € 9 million).

History of experience gains and losses	**2010 € m**	2009 € m	2008 € m	2007 € m	2006 € m
Difference between expected and actual return on scheme assets:					
Amount	**113**	150	(1,367)	(212)	234
Percentage of scheme assets	**3%**	5%	55%	6%	6%
Experience gains and losses on scheme liabilities:					
Amount	**107**	122	(51)	(32)	(121)
Percentage of scheme liabilities	**3%**	3%	1%	1%	2%
Total gross amount recognised in SOCI[1]*:*					
Amount	**3**	180	(807)	470	227
Percentage of scheme liabilities	**0%**	5%	22%	11%	5%

[1]Statement of comprehensive income

Defined benefit pension schemes	**2010 € m**	2009 € m	2008 € m	2007 € m	2006 € m
Funded defined benefit obligation	**3,883**	3,595	3,548	4,062	4,551
Scheme assets	**3,539**	2,939	2,499	3,693	3,697
Deficit within funded schemes	**344**	656	1,049	369	854
Unfunded defined benefit obligation	**56**	58	56	54	83
Deficit within schemes	**400**	714	1,105	423	937

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10 Retirement benefits *(continued)*

The following table details benefits expected to be paid over each of the next five years and in aggregate for the five years thereafter.

Future benefits expected to be paid	2011 € m	2012 € m	2013 € m	2014 € m	2015 € m	2016-2020 € m
AIB Group Irish Pension Scheme	88	92	96	100	104	550
AIB Group UK Pension Scheme	21	23	26	27	28	150

(ii) Defined contribution schemes

The Group operates a number of defined contribution schemes. The defined benefit schemes in Ireland and the UK were closed to new members from December 1997. Employees joining after December 1997 joined on a defined contribution basis. Members of the Irish defined contribution scheme were offered the option to join the hybrid arrangement when it was introduced in December 2007. The standard contribution rate to the defined contribution scheme in Ireland was 8 per cent. during 2010 and 10 per cent. in respect of the defined contribution elements of the hybrid arrangement.

UK staff joining after December 1997 join on a defined contribution basis. Staff joining from 1 January 2009 join a new enhanced defined contribution scheme. Existing members of the UK defined contribution scheme were also given the opportunity to join the enhanced scheme. The new enhanced scheme has employer contributions ranging from 5 per cent. to 20 per cent., increasing as the employee gets older. The member contribution rate also increases with age. These members are also accruing benefits under S2P (the UK State Second Pension).

The total cost in respect of defined contribution schemes for 2010 was € 13 million (2009: € 16 million) all of which relates to continuing operations. The cost in respect of defined contributions is included in administrative expenses (note 9).

(iii) Long-term disability payments

AIB provide an additional benefit to employees who suffer prolonged periods of sickness. It provides for the partial replacement of income in event of illness or injury resulting in the employee's long term absence from work. In 2010, the Group contributed € 7 million (2009: € 8 million) towards insuring this benefit. This amount is included in administrative expenses (note 9). Some elements of this benefit are self-insured by AIB. For all years this relates to continuing activities.

11 Provisions for impairment of financial investments available for sale	**2010 € m**	2009 € m
Debt securities *(note 22)*	**56**	20
Equity securities *(note 22)*	**18**	4
	74	24

12 Income tax (income)/expense	2010 € m	2009 € m
Allied Irish Banks, p.l.c. and subsidiaries		
Corporation tax in Republic of Ireland		
Current tax on income for the period	**(6)**	(34)
Adjustments in respect of prior periods	**(8)**	(4)
	(14)	(38)
Double taxation relief	**(2)**	(2)
	(16)	(40)
Foreign tax		
Current tax on income for the period	**30**	53
Adjustments in respect of prior periods	**(10)**	(12)
	20	41
	4	1
Deferred taxation		
Origination and reversal of temporary differences	**(1,709)**	(361)
Adjustments in respect of prior periods	**(5)**	(13)
	(1,714)	(374)
Total income tax (income)/expense	**(1,710)**	(373)
Effective income tax rate	**14.2%**	14.0%

Factors affecting the effective income tax rate

The effective income tax rate for 2010 is lower (2009 higher) than the weighted average of the Group's statutory corporation tax rates across its geographic locations. The differences are explained in the following table.

	2010 %	2009 %
Weighted average corporation tax rate	**14.4**	9.6
Effects of:		
Expenses not deductible for tax purposes	**(0.1)**	(0.9)
Exempted income, income at reduced rates and tax credits	**0.3**	5.9
Income taxed at higher rates	**(0.2)**	(0.2)
Other differences	**(0.5)**	(1.4)
Tax on associated undertakings	**0.1**	(0.1)
Adjustments to tax charge in respect of previous periods	**0.2**	1.1
Effective income tax rate	**14.2**	14.0

13 Discontinued operations

On 30 March 2010, the Central Bank published details of the Prudential Capital Assessment Review ("PCAR"), its assessment of the forward-looking prudential capital requirements of certain Irish credit institutions, including AIB, that are covered by Government guarantee schemes to strengthen and increase their capital bases to help restore confidence in the Irish banking sector.

The PCAR concluded at that time that in common with other Irish credit institutions, the target equity core tier 1 capital ratio for AIB would be 7% and the target core tier 1 capital ratio would be 8%. In order to meet the target equity core tier 1 capital ratio, the PCAR determined that AIB must generate the equivalent of € 7.4 billion of new equity capital by 31 December 2010. These targets have subsequently been amended (note 38).

Arising from this requirement to raise additional capital, on 30 March 2010 the Group announced that its investments in AIB Group (UK), BZWBK and M&T Bank Corporation were for sale. Subsequently, Bulgarian American Credit Bank AD was also included in the investments to be disposed of. However, in the light of continuing challenging market conditions, AIB announced on 19 November 2010 that it had decided to halt the sale process of its UK business and to undertake a strategic review of this business in the context of reviewing AIB's overall businesses. Accordingly, AIB Group (UK) is shown as a continuing operation in these financial statements. The disposal of M&T Bank Corporation was completed on 4 November 2010. The sale of BZWBK was agreed on 10 September 2010 and completed on 1 April 2011.

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13 Discontinued operations ***(continued)***

In line with the policy for 'non-current assets held for sale and discontinued operations', the results of these investments are now shown as discontinued operations in the Group's financial statements. Accordingly, the following changes to presentation have been made:

- Discontinued operations are shown as a single line item in: the consolidated income statement, the consolidated statement of cash flows and the consolidated statement of comprehensive income, both for the current period and all comparative periods presented.
- Since the disposal announcement was made subsequent to the 2009 year end, the consolidated statement of financial position and consolidated statement of changes in equity have not been re-presented. The cash flow impacts are set out within this note.

The following tables set out income statement analysis of discontinued operations for 31 December 2010 together with comparative data:

Profit/(loss) after taxation from discontinued operations	Notes	**2010 € m**	2009 € m
BZWBK	**(A)**	**254**	214
M&T Bank Corporation	**(B)**	**5**	(156)
Bulgarian American Credit Bank AD	**(C)**	**(60)**	(103)
Total		**199**	(45)

(A) - BZWBK	**2010 € m**	2009 € m
Net interest income	**443**	361
Dividend income	**14**	22
Net fee and commission income	**324**	309
Net trading income	**69**	51
Other operating income	**(4)**	10
Other income	**403**	392
Total operating income	**846**	753
Administrative expenses[1]	**404**	346
Impairment and amortisation of intangible assets	**2**	8
Depreciation of property, plant and equipment	**6**	21
Total operating expenses	**412**	375
Operating profit before provisions	**434**	378
Provisions for impairment of loans and receivables and other financial instruments	**105**	113
Provisions for liabilities and commitments	**-**	-
Operating profit	**329**	265
Profit on disposal of property	**-**	-
Profit before taxation from discontinued operations	**329**	265
Income tax expense from discontinued operations	**72**	51
Profit after taxation from discontinued operations	**257**	214
Loss recognised on the remeasurement to fair value less cost to sell[2]	**(3)**	-
Income tax on loss on the remeasurement to fair value	**-**	-
Profit for the period from discontinued operations	**254**	214

€ 184 million of the profit from discontinued operations of € 254 million (2009: € 155 million of the profit from discontinued operations of € 214 million) is attributable to the owners of the parent.

[1]Includes share-based payments expense of Nil (2009: € 1 million).

[2]Relates to impairment of intangible assets.

13 Discontinued operations *(continued)*

(B) – M&T Bank Corporation

Disposal of M&T

On 4 November 2010, AIB completed the disposal of 26,700,000 shares of common stock of M&T Bank Corporation. The proceeds from the sale amounted to US$ 77.50 per share, or total proceeds of € 1,467 million, after costs.

M&T was previously accounted for as an interest in associated undertakings.

	2010 € m	2009 € m
Profit/(loss) from discontinued operations		
Share of profits from associated undertakings net of tax[(1)]	**23**	44
Reversal of impairment/(impairment) of associated undertakings	**213**	(200)
Results from discontinued operations, net of taxation	**236**	(156)
Loss on the disposal of investment in associated undertakings	**(231)**	–
Income tax on loss on disposal	**–**	–
Profit/(loss) after taxation for the period from discontinued operations	**5**	(156)

The profit from discontinued operations of € 5 million (2009: loss of € 156 million) is attributable to the owners of the parent.

[(1)]The tax charge amounted to € 11 million (2009: € 16 million).

Effect of disposal on cash flows of the Group	**2010 € m**
Consideration received – satisfied in cash	**1,487**
Cash and cash equivalents disposed of	**–**
Net cash inflow	**1,487**

Loss on disposal of M&T Bank Corporation	**2010 € m**
Gross proceeds from sale	**1,487**
Less: costs of disposal	**20**
Net proceeds	**1,467**
Carrying value at 1 January 2010	**1,282**
Exchange adjustments	**37**
Share of results	**23**
Reversal of impairment	**213**
Other reserve movements	**(26)**
Carrying value at date of disposal	**1,529**
Underlying loss on disposal	**(62)**
Reclassification of currency translation reserves into the income statement	**(157)**
Reclassification of available for sale reserves into the income statement	**(12)**
Loss on disposal of investment	**(231)**

The loss on disposal of the investment in M&T includes € 157 million from the reclassification of exchange translation adjustments from foreign currency translation reserves to the income statement.

13 Discontinued operations *(continued)*

(C) – Bulgarian American Credit Bank AD	2010 € m	2009 € m
Loss from discontinued operations		
Share of profits from associated undertakings net of tax[2]	**2**	5
Impairment of associated undertakings	**(12)**	(108)
Results from discontinued operations, net of tax	**(10)**	(103)
Loss recognised on the remeasurement to fair value less costs to sell	**(50)**	–
Income tax on loss on the remeasurement to fair value	**–**	–
Loss after taxation for the period from discontinued operations	**(60)**	(103)

The loss from discontinued operations of € 60 million (2009: loss of € 103 million) is attributable to the owners of the parent.

[2]There was no tax charge for the year ended 31 December 2010 (2009: € 1 million).

14 Earnings per share

For the purpose of earnings per share calculations both the € 0.32 ordinary shares and the € 0.32 convertible non-voting ("CNV") shares have the same entitlement to dividend (note 30).

The calculation of basic earnings per unit of € 0.32 ordinary share/CNV share is based on the (loss)/profit attributable to ordinary/CNV shareholders divided by the weighted average of ordinary shares and CNV shares in issue excluding treasury shares and own shares held.

The diluted earnings per share is based on the (loss)/profit attributable to ordinary/CNV shareholders divided by the weighted average ordinary and CNV shares in issue excluding treasury shares and own shares held, adjusted for the effect of dilutive potential ordinary/CNV shares.

(a) Basic	2010 € m	2009 € m
Loss attributable to equity holders of the parent from continuing operations	**(10,361)**	(2,309)
Distributions to other equity holders	**–**	(44)
Gain on redemption of RCI and LPI recognised in equity *(note 6)*	**–**	538
Loss attributable to ordinary/CNV shareholders from continuing operations	**(10,361)**	(1,815)
Profit/(loss) attributable to ordinary/CNV shareholders from discontinued operations	**129**	(104)
	Number of shares (millions)	
Weighted average number of ordinary shares in issue during the period	**1,023.8**	880.6
Weighted average number of CNV shares in issue during the period	**258.7**	–
Contingently issuable shares[1]	**531.7**	11.5
Weighted average number of shares	**1,814.2**	892.1
Loss per share from continuing operations – basic	**EUR (571.1c)**	EUR (203.5c)
Earnings/(loss) per share from discontinued operations – basic	**EUR 7.1c**	EUR (11.7c)

14 Earnings per share *(continued)*

(b) Diluted	2010 € m	2009 € m
Loss attributable to ordinary/CNV shareholders		
from continuing operations *(note 14 (a))*	**(10,361)**	(1,815)
Profit/(loss) attributable to ordinary/CNV shareholders		
from discontinued operations	**129**	(104)
Adjusted loss attributable to ordinary/CNV shareholders		
from continuing operations	**(10,361)**	(1,815)
Adjusted profit/(loss) attributable to ordinary/CNV shareholders		
from discontinued operations	**129**	(104)
	Number of shares (millions)	
Weighted average number of ordinary shares in issue during the period	**1,023.8**	880.6
Weighted average number of CNV shares in issue during the period	**258.7**	–
Contingently issuable shares[(1)]	**531.7**	11.5
Dilutive effect of options and warrants outstanding[(2)]	**–**	–
Potential weighted average number of shares	**1,814.2**	892.1
Loss per share from continuing operations - diluted	**EUR (571.1c)**	EUR (203.5c)
Earnings/(loss) per share from discontinued operations - diluted	**EUR 7.1c**	EUR (11.7c)

On 23 December 2010, AIB issued 675,107,845 ordinary shares and 10,489,899,564 CNV shares to the NPRFC. The CNV shares rank equally with the ordinary shares in terms of dividend payment and will be convertible into ordinary shares on a one to one basis. Both the ordinary and CNV shares are included in the weighted average number of shares on a time apportioned basis.

[(1)]Contingently issuable shares are treated as outstanding from 14 December 2009, the date the 'Dividend Stopper' came into effect. The shares relate to the number of shares (on a time apportioned basis) that would issue to the National Pension Reserve Fund Commission ("NPRFC"), if the coupon on the € 3.5 billion Preference Shares was not paid in cash. These contingently issuable shares were issued on 13 May 2010. The dividend stopper remained in force throughout 2010, accordingly, contingently issuable shares have been treated as outstanding from 13 May 2010 in respect of the dividend payment due 13 May 2011.

[(2)]The incremental shares from assumed conversions of options and warrants are not included in calculating the diluted per share amounts because they are anti-dilutive. With effect from 23 December 2010, the outstanding warrants were cancelled and will no longer be included in calculating the diluted earnings per share.

15 Financial assets and financial liabilities held for sale to NAMA

On 7 April 2009, the Minister for Finance announced the Government's intention to establish a National Asset Management Agency ("NAMA") and on 22 November 2009, the NAMA Act was enacted providing for the establishment of NAMA. The purposes of the NAMA Act include the restoration of stability to the banking system and the facilitation of restructuring of credit institutions of systemic importance to the Irish economy. The participation of AIB in the NAMA programme was approved by shareholders at an Extraordinary General Meeting held on 23 December 2009.

Allied Irish Banks, p.l.c. and each of its subsidiaries, were designated a participating institution under the Act on 12 February 2010. BZWBK and its subsidiaries were excluded from this designation. By 31 December 2010, financial assets with a net carrying value of € 14,010 million of assets had transferred to NAMA (note 7), leaving a residual of € 1,937 million which AIB is committed to transfer in early 2011.

The consideration for the NAMA assets acquired from AIB comprises the issue to AIB of NAMA bonds and subordinated NAMA bonds equal in nominal value to the purchase price of the NAMA assets. However, the fair value of such bonds has differed to the nominal value, dependent upon the terms of issue (note 7).

The following table provides an analysis of assets and liabilities classified as held for sale to NAMA.

	Assets	**Liabilities**
	2010 € m	**2010 € m**
Loans and receivables[1]	**1,919**	**–**
Derivative financial instruments	**15**	**–**
Accrued income	**3**	**–**
	1,937	**–**

[1]Net of provisions of € 329 million.

	Assets	Liabilities
	2009 € m	2009 € m
Loans and receivables[2]	19,030	–
Derivative financial instruments	125	3
Accrued income	57	–
	19,212	3

[2]Net of provisions of € 4,165 million.

The following table provides a movement analysis of loans and receivables held for sale to NAMA.

	Total loans and receivables € m	**Impairment provisions € m**	**Carrying value € m**
At 1 January 2010	**23,195**	**4,165**	**19,030**
Exchange translation adjustments	**135**	**6**	**129**
Transferred to NAMA during 2010	**(18,245)**	**(4,569)**	**(13,676)**
Reclassifications/movements[3]	**(2,837)**	**(770)**	**(2,067)**
New impairment provisions in 2010	**–**	**1,497**	**(1,497)**
At 31 December 2010	**2,248**	**329**	**1,919**

[3]Includes changes in threshold for NAMA eligible loans during 2010, along with movements in the number of loans and receivables within the eligible pool.

The unwind of the discount on the carrying amount of impaired loans amounted to € 122 million (2009: € 92 million) and is included in the carrying value of loans and receivables held for sale to NAMA. This has been credited to interest income.

16 Disposal groups and non-current assets held for sale

At 31 December 2010, disposal groups and non-current assets held for sale comprise discontinued operations and non-current assets and non-current liabilities held for sale but does not include those assets held for sale to NAMA (note 15). Details of the circumstances leading to the classification as discontinued operations and the income statement impacts are set out in note 13 and in the Basis of preparation on page 37. Disposal groups and non-current assets/liabilities are shown as single line items in the statement of financial position with no re-presentation of comparatives. However, the tables below set out an analysis of the single line items in the statement of financial position of disposal groups and non-current assets held for sale.

Discontinued operations have been set out separately in the following table from non-current assets and disposal groups held for sale.

	2010		2009	
	Assets € m	**Liabilities € m**	Assets € m	Liabilities € m
Disposal groups and non-current assets held for sale	**91**	**2**	50	–
Discontinued operations				
BZWBK	**13,820**	**11,546**	–	–
Bulgarian American Credit Bank AD[1]	**–**	**–**	–	–
	13,820	**11,546**	–	–
Total disposal groups and non-current assets held for sale	**13,911**	**11,548**	50	–

[1]The carrying of AIB's investment in Bulgarian American Credit Bank AD has been written down to Nil (note 24).

Disposal groups and non-current assets held for sale

Disposal groups and non-current assets classified as held for sale have been measured at the lower of carrying amount and fair value less costs to sell in accordance with the accounting policy.

Assets held for sale total € 91 million (2009: € 50 million) and mainly comprise mortgages to customers of AmCredit amounting to € 74 million (2009: Nil), bank branches amounting to € 5 million (2009: € 40 million) and repossessed assets of € 12 million (2009: € 10 million). At 31 December 2010, the Group's bank branches held for sale are being sold as part of the sale and leaseback programme which began in 2006. Repossessed assets relate to defaulted loans where the Group has taken possession of the underlying security and consist of commercial and residential properties, motor vehicles and equipment.

Liabilities amounting to € 2 million (2009: Nil) relate to deposits from banks.

16 Disposal groups and non-current assets held for sale ***(continued)***

Discontinued operations

This table shows the assets and liabilities of BZWBK which is classified as a discontinued operation at 31 December 2010.

Assets	**2010 € m**
Cash and balances at central banks	**638**
Trading portfolio financial assets	**446**
Disposal groups and non-current assets held for sale	**2**
Derivative financial instruments	**113**
Loans and receivables to banks	**132**
Loans and receivables to customers	**8,230**
Financial investments available for sale	**1,892**
Financial investments held to maturity	**1,411**
Interests in associated undertakings	**18**
Intangible assets and goodwill	**504**
Property, plant and equipment	**161**
Other assets	**97**
Deferred taxation	**76**
Prepayments and accrued income	**100**
Total assets	**13,820**
Liabilities	
Deposits by central banks and banks	**550**
Customer accounts	**10,496**
Trading portfolio financial liabilities	**2**
Derivative financial instruments	**115**
Current taxation	**21**
Other liabilities	**133**
Accruals and deferred income	**114**
Retirement benefit liabilities	**10**
Provisions for liabilities and commitments	**6**
Subordinated liabilities	**99**
Total liabilities	**11,546**

A sale was agreed on 10 September 2010 for the Group's shareholding in BZWBK and completed on 1 April 2011.

17 Derivative financial instruments

Derivatives are used to service customer requirements, to manage the Group's interest rate, exchange rate, equity and credit exposures and for trading purposes. Derivative instruments are contractual agreements whose value is derived from price movements in underlying assets, interest rates, foreign exchange rates or indices. The majority of the Group's derivative activities are undertaken at the parent company level and the following discussion applies equally to the parent company and Group.

Market risk is the exposure to potential loss through holding interest rate, exchange rate and equity positions in the face of absolute and relative price movements, interest rate volatility, movements in exchange rates and shifts in liquidity. Credit risk is the exposure to loss should the counterparty to a financial instrument fail to perform in accordance with the terms of the contract.

While notional principal amounts are used to express the volume of derivative transactions, the amounts subject to credit risk are much lower because derivative contracts typically involve payments based on the net differences between specified prices or rates.

Credit risk in derivatives contracts is the risk that the Group's counterparty in the contract defaults prior to maturity at a time when the Group has a claim on the counterparty under the contract (i.e. contracts with a positive fair value). The Group would then have to replace the contract at the current market rate, which may result in a loss. For risk management purposes, consideration is taken of the fact that not all counterparties to derivative positions are expected to default at the point where the Group is most exposed to them.

17 Derivative financial instruments ***(continued)***

The following tables present the notional principal amount together with the positive fair value of interest rate, exchange rate, equity and credit derivative contracts for 2010 and 2009. In 2010, only continuing operations are shown for AIB Group.

	2010 € m	2009 € m
Interest rate contracts[1]		
Notional principal amount	**147,985**	164,663
Positive fair value	**3,035**	5,627
Exchange rate contracts[1]		
Notional principal amount	**15,777**	25,877
Positive fair value	**137**	303
Equity contracts[1]		
Notional principal amount	**3,715**	3,853
Positive fair value	**143**	141
Credit derivatives[1]		
Notional principal amount	**598**	870
Positive fair value	**–**	-
Total		
Notional principal amount	**168,075**	195,263
Positive fair value[2]	**3,315**	6,071

[1]Interest rate, exchange rate and credit derivative contracts are entered into for both hedging and trading purposes. Equity contracts are entered into for trading purposes only.

[2]77% of fair value relates to exposures to banks (2009: 81%).

The Group uses the same credit control and risk management policies in undertaking all off-balance sheet commitments as it does for on balance sheet lending including counterparty credit approval, limit setting and monitoring procedures. In addition, derivative instruments are subject to market risk policy and control framework.

The following table analyses the notional principal amount and positive fair value of interest rate, exchange rate, equity and credit derivative contracts by maturity.

				Residual maturity
	< 1 year € m	**1 < 5 years € m**	**5 years + € m**	**Total € m**
2010				
Notional principal amount	**80,052**	**65,119**	**22,904**	**168,075**
Positive fair value	**435**	**1,495**	**1,385**	**3,315**
2009				
Notional principal amount	99,191	71,293	24,779	195,263
Positive fair value	2,412	2,081	1,578	6,071

17 Derivative financial instruments ***(continued)***

AIB Group has the following concentration of exposures in respect of notional principal amount and positive fair value of interest rate, exchange rate, equity and credit derivative contracts. The concentrations are based primarily on the location of the office recording the transaction.

	Notional principal amount		**Positive fair value**	
	2010 € m	2009 € m	**2010 € m**	2009 € m
Republic of Ireland	**158,244**	173,036	**2,763**	4,743
United Kingdom	**7,368**	8,950	**471**	449
Poland	**-**	9,048	**-**	773
United States of America	**2,463**	4,151	**81**	95
Rest of World	**-**	78	**-**	11
	168,075	195,263	**3,315**	6,071

Trading activities

The Group maintains trading positions in a variety of financial instruments including derivatives. These derivative financial instruments include interest rate, foreign exchange, equity and credit derivatives. Most of these positions arise as a result of activity generated by corporate customers while the remainder represent trading decisions of the Group's derivative and foreign exchange traders with a view to generating incremental income.

All trading activity is conducted within risk limits approved by the Board. Systems are in place which measure risks and profitability associated with derivative trading positions as market movements occur. Independent risk control units monitor these risks.

The risk that counterparties to derivative contracts might default on their obligations is monitored on an ongoing basis and the level of credit risk is minimised by dealing with counterparties of good credit standing and by the use of Credit Support Annexes and ISDA Master Netting Agreements. As the traded instruments are recognised at market value, these changes directly affect reported income for the period. Exposure to market risk is managed in accordance with risk limits approved by the Board through buying or selling instruments or entering into offsetting positions.

The Group undertakes trading activities in interest rate contracts with the Group being a party to interest rate swap, forward, future, option, cap and floor contracts. The Group's largest activity is in interest rate swaps. The two parties to an interest rate swap agree to exchange, at agreed intervals, payment streams calculated on a specified notional principal amount. Forward rate agreements are also used by the Group in its trading activities. Forward rate agreements settle in cash at a specified future date based on the difference between agreed market rates applied to a notional principal amount.

Risk management activities

In addition to meeting customer needs, the Group's principal objective in holding or issuing derivatives for purposes other than trading is the management of interest rate and foreign exchange rate risks.

The operations of the Group are exposed to interest rate risk arising from the fact that assets and liabilities mature or reprice at different times or in differing amounts. Derivatives are used to modify the repricing or maturity characteristics of assets and liabilities in a cost-efficient manner. This flexibility helps the Group to achieve liquidity and risk management objectives. Similarly, foreign exchange derivatives can be used to hedge the Group's exposure to foreign exchange risk.

Derivative prices fluctuate in value as the underlying interest rate or foreign exchange rates change. If the derivatives are purchased or sold as hedges of balance sheet items, the appreciation or depreciation of the derivatives will generally be offset by the unrealised depreciation or appreciation of the hedged items.

To achieve its risk management objectives, the Group uses a combination of derivative financial instruments, particularly interest rate swaps, cross currency interest rate swaps, forward rate agreements, futures, options and currency swaps, as well as other contracts. The notional principal and fair value amounts, for instruments held for risk management purposes entered into by the Group at 31 December 2010 and 2009, are presented within this note.

17 Derivative financial instruments *(continued)*

The following table shows the notional principal amounts and the fair values of derivative financial instruments analysed by product and purpose as at 31 December 2010 and 31 December 2009.

	2010			2009		
	Notional principal amount	**Fair values**		Notional principal amount	Fair values	
		Assets	**Liabilities**		Assets	Liabilities
	€ m	**€ m**	**€ m**	€ m	€ m	€ m
Derivatives held for trading						
Interest rate derivatives - over the counter (OTC)						
Interest rate swaps	**57,798**	**1,528**	**(1,697)**	80,774	1,825	(1,889)
Cross-currency interest rate swaps	**938**	**69**	**(55)**	2,372	2,399	(2,425)
Forward rate agreements	**7,565**	**3**	**(4)**	7,542	5	(7)
Interest rate options	**2,494**	**23**	**(18)**	3,244	34	(31)
Total OTC interest rate contracts	**68,795**	**1,623**	**(1,774)**	93,932	4,263	(4,352)
Interest rate derivatives - exchange traded						
Interest rate futures	**1,432**	**–**	**(2)**	6,504	–	–
Interest rate contracts total	**70,227**	**1,623**	**(1,776)**	100,436	4,263	(4,352)
Foreign exchange derivatives (OTC)						
Foreign exchange contracts	**11,575**	**104**	**(190)**	21,326	211	(228)
Currency options bought & sold	**486**	**6**	**(6)**	1,613	19	(17)
Foreign exchange derivatives total	**12,061**	**110**	**(196)**	22,939	230	(245)
Equity derivatives (OTC)						
Equity index options	**3,715**	**143**	**(145)**	3,853	141	(136)
Equity index contracts total	**3,715**	**143**	**(145)**	3,853	141	(136)
Credit derivatives (OTC)						
Credit derivatives	**538**	**–**	**(122)**	815	–	(127)
Credit derivatives contracts total	**538**	**–**	**(122)**	815	–	(127)
Total trading contracts	**86,541**	**1,876**	**(2,239)**	128,043	4,634	(4,860)
Derivatives designated as fair value hedges *(OTC)*						
Interest rate swaps	**23,824**	**610**	**(471)**	19,501	526	(393)
Cross currency interest rate swaps	**240**	**10**	**–**	–	–	–
Derivatives designated as cash flow hedges *(OTC)*						
Interest rate swaps	**48,801**	**725**	**(280)**	44,726	838	(263)
Cross currency interest rate swaps	**4,893**	**67**	**(4)**	–	–	–
Currency swaps	**3,716**	**27**	**(23)**	2,938	73	–
Credit default swaps	**60**	**–**	**(3)**	55	–	(4)
Total hedging contracts	**81,534**	**1,439**	**(781)**	67,220	1,437	(660)
Total derivative financial instruments	**168,075**	**3,315**	**(3,020)**	195,263	6,071	(5,520)

17 Derivative financial instruments ***(continued)***

Cash flow hedges

The cash flows are expected to occur in the following periods:

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
					2010
	€ m	**€ m**	**€ m**	**€ m**	**€ m**
Forecast receivable cash flows	**290**	**282**	**564**	**397**	**1,533**
Forecast payable cash flows	**131**	**83**	**212**	**300**	**726**
					2009
Forecast receivable cash flows	280	460	1,052	877	2,669
Forecast payable cash flows	39	89	224	343	695

The cash flows, including amortisation of terminated cashflow hedges, are expected to impact the income statement in the following periods:

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
					2010
	€ m	**€ m**	**€ m**	**€ m**	**€ m**
Forecast receivable cash flows	**318**	**296**	**583**	**399**	**1,596**
Forecast payable cash flows	**133**	**84**	**213**	**300**	**730**
					2009
Forecast receivable cash flows	319	479	1,057	877	2,732
Forecast payable cash flows	39	89	224	343	695

For AIB Group, the ineffectiveness reflected in the income statement that arose from cash flow hedges is a charge of € 2 million, a charge of € 2 million in continuing operations, Nil in discontinued operations (2009: a credit of € 26 million, a credit of € 27 million in continuing operations, offset by a charge of € 1 million in discontinued operations).

The pay fixed cash flow hedges are used to hedge the cash flows on variable rate liabilities, primarily floating rate notes. The receive fixed cash flow hedges are used to hedge the cash flows on variable rate assets, primarily the variable rate loan portfolio.

The total amount recognised in other comprehensive income during the period in respect of cash flow hedges was a charge of € 41 million. In 2009 there was a charge of € 62 million (of which a credit of € 6 million related to discontinued operations) including a credit of € 1 million recognised within gains in associated undertakings.

Fair value hedges

The fair value hedges are entered into to hedge the exposure to changes in the fair value of recognised assets or liabilities arising from changes in interest rates, primarily available for sale securities and fixed rate liabilities. The net mark to market on fair value hedging derivatives, excluding accrual, is € 106 million (2009: positive € 71 million) and the net mark to market on the related hedged items is negative € 118 million (2009: negative € 88 million).

Netting financial assets and financial liabilities

Derivative financial instruments are shown on the statement of financial position at their fair value, those with a positive fair value are reported as assets and those with a negative fair value are reported as liabilities.

The Group has a number of ISDA Master Agreements (netting agreements) in place which may allow it to net the termination values of derivative contracts upon the occurrence of an event of default with respect to its counterparties. The enforcement of netting agreements would potentially reduce the statement of financial position carrying amount of derivative assets and liabilities by € 1,687 million (2009: € 3,750 million). The Group has Credit Support Annexes ("CSAs") in place which provide collateral for derivative contracts. At 31 December 2010, the value of these CSAs were € 932 million for derivative financial assets (2009: € 657 million) and € 542 million for derivative financial liabilities (2009: € 631 million). Additionally the Group has agreements in place which may allow it to net the termination values of cross currency swaps upon the occurrence of an event of default. The enforcement of these netting agreements would have no impact in 2010, in 2009 these would have had the potential to further reduce the carrying amount of derivative assets and liabilities by € 593 million.

18 Loans and receivables to banks	2010 € m	2009 € m
Funds placed with central banks	**1,051**	5,677
Funds placed with other banks	**1,896**	3,420
Provision for impairment	**(4)**	(4)
	2,943	9,093
Amounts include:		
Reverse repurchase agreements	**-**	679

Loans and receivables to banks by geographical area[1]	2010 € m	2009 € m
Republic of Ireland	**1,033**	7,586
United States of America	**212**	271
United Kingdom	**1,695**	1,158
Poland	**-**	70
Rest of the world	**3**	8
	2,943	9,093

[1]The classification of loans and receivables to banks by geographical area is based primarily on the location of the office recording the transaction.

Under reverse repurchase agreements, the Group has accepted collateral that it is permitted to sell or repledge in the absence of default by the owner of the collateral. The fair value of collateral received amounted to Nil (2009: € 679 million). The collateral received consisted of government securities of Nil (2009: € 573 million) and other securities of Nil (2009: € 106 million). The fair value of collateral sold or repledged amounted to Nil (2009: € 108 million). This consisted of government securities of Nil (2009: € 26 million) and other securities of Nil (2009: € 82 million). The Group is obliged to return equivalent collateral. These transactions are conducted under terms that are usual and customary to standard reverse repurchase agreements.

19 Loans and receivables to customers	Group 2010 € m	2009 € m
Loans and receivables to customers	**91,120**	102,192
Amounts receivable under finance leases and		
hire purchase contracts	**1,552**	2,668
Unquoted securities	**965**	1,468
Provisions for impairment *(note 20)*	**(7,287)**	(2,987)
	86,350	103,341
Of which repayable on demand or at short notice	**14,894**	4,958
Amounts include:		
Due from associated undertakings	**128**	117

Amounts include reverse repurchase agreements of Nil (2009: € 2 million).

The unwind of the discount on the carrying amount of impaired loans amounted to € 156 million (2009: € 80 million) and is included in the carrying value of loans and receivables to customers. This has been credited to interest income.

In 2009 certain financial investments available for sale amounting to € 13 million were reclassified to the loans and receivables to customers' category. The fair value of reclassified assets at 31 December 2010 was € 9 million (2009: € 11 million). As of reclassification date, the effective interest rates on reclassified available for sale portfolio financial assets were in the range 4.79% - 6.44%; the expected gross recoverable cash flows were € 18 million; and the fair value loss recognised in equity was € 8 million. If the reclassification had not been made, the Group's statement of comprehensive income for the period ended 31 December 2010 would have included fair value gains of € 1 million (2009: loss € 4 million).

By geographic location and industry sector

2010	Republic of Ireland € m	United Kingdom € m	Poland[1] € m	United States of America € m	Rest of the world € m	Total € m
Agriculture	**1,939**	**67**	**–**	**–**	**–**	**2,006**
Energy	**686**	**304**	**–**	**201**	**163**	**1,354**
Manufacturing	**2,617**	**843**	**–**	**60**	**153**	**3,673**
Construction and property	**17,246**	**7,430**	**–**	**732**	**494**	**25,902**
Distribution	**7,626**	**2,439**	**–**	**122**	**58**	**10,245**
Transport	**809**	**749**	**–**	**73**	**2**	**1,633**
Financial	**1,368**	**525**	**–**	**29**	**–**	**1,922**
Other services	**4,080**	**4,523**	**–**	**751**	**98**	**9,452**
Personal						
- Home mortgages	**27,290**	**3,534**	**–**	**–**	**–**	**30,824**
- Other	**5,349**	**672**	**–**	**–**	**–**	**6,021**
Lease financing	**764**	**8**	**–**	**–**	**–**	**772**
	69,774	**21,094**	**–**	**1,968**	**968**	**93,804**
Unearned income	**(102)**	**(58)**	**–**	**(5)**	**(2)**	**(167)**
Provisions	**(6,230)**	**(1,017)**	**–**	**(23)**	**(17)**	**(7,287)**
Total	**63,442**	**20,019**	**–**	**1,940**	**949**	**86,350**

[1]Included within disposal groups and non-current assets held for sale for 2010.

19 Loans and receivables to customers ***(continued)***

	Republic of Ireland € m	United Kingdom € m	Poland € m	United States of America € m	Rest of the world € m	2009 Total € m
Agriculture	2,015	120	126	3	–	2,264
Energy	844	292	86	435	23	1,680
Manufacturing	3,108	1,193	1,024	161	207	5,693
Construction and property	15,930	7,068	2,852	904	441	27,195
Distribution	8,182	2,639	804	162	66	11,853
Transport	979	601	83	69	44	1,776
Financial	1,403	696	143	54	22	2,318
Other services	4,700	4,936	322	753	213	10,924
Personal						
– Home mortgages	27,818	3,635	1,538	–	90	33,081
– Other	6,242	861	1,039	–	–	8,142
Lease financing	922	48	711	–	–	1,681
	72,143	22,089	8,728	2,541	1,106	106,607
Unearned income	(122)	(86)	(60)	(8)	(3)	(279)
Provisions	(2,110)	(555)	(278)	(13)	(31)	(2,987)
Total	69,911	21,448	8,390	2,520	1,072	103,341

At 31 December 2010, construction and property loans, excluding those held for sale to NAMA (note 15), amounted to € 25,902 million (2009: € 27,195 million) and represented 28% (2009: 26%) of gross loans and receivables to customers. The following table analyses the exposures at 31 December 2010 and 2009 by division and portfolio sub-sector. Certain customer relationships span the portfolio sub-sectors and accordingly an element of management estimation has been applied in this sub-categorisation.

Construction and property loans by division

	AIB Bank ROI € m	**Capital Markets € m**	**AIB Bank UK € m**	**Central &[1] Eastern Europe € m**	**2010 Total € m**
Investment					
Commercial investment	**6,862**	**4,226**	**2,591**	**–**	**13,679**
Residential investment	**1,825**	**444**	**1,228**	**–**	**3,497**
	8,687	**4,670**	**3,819**	**–**	**17,176**
Development					
Commercial development	**1,496**	**143**	**208**	**–**	**1,847**
Residential development	**3,711**	**109**	**1,723**	**–**	**5,543**
	5,207	**252**	**1,931**	**–**	**7,390**
Contractors	**601**	**31**	**175**	**–**	**807**
Housing associations	**–**	**–**	**529**	**–**	**529**
Total	**14,495**	**4,953**	**6,454**	**–**	**25,902**

[1]Included within disposal groups and non-current assets held for sale for 2010.

Loans for property investment comprises of loans for investment in commercial, retail office and residential property (the majority of these loans are 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.

The commercial investment exposure of € 6,862 million in AIB Bank ROI is spread across the following property types: retail 38%; office 26%; industrial 9%; and mixed 27%. The € 4,226 million in Capital Markets is spread across the following property types: retail 29%; office 42%; industrial 3%; and mixed 26%.

19 Loans and receivables to customers ***(continued)***

	AIB Bank ROI € m	Capital Markets € m	AIB Bank UK € m	Central & Eastern Europe € m	2009 Total € m
Investment					
Commercial investment	7,064	4,607	2,807	1,357	15,835
Residential investment	1,610	525	1,213	32	3,380
	8,674	5,132	4,020	1,389	19,215
Development[(2)]					
Commercial development	1,138	228	133	709	2,208
Residential development	2,364	184	976	611	4,135
	3,502	412	1,109	1,320	6,343
Contractors	667	35	215	143	1,060
Housing associations	–	–	577	–	577
Total	12,843	5,579	5,921	2,852	27,195

[(2)]As stated in the December 2009 financial statements, certain customer relationships span the portfolio sub-sectors and accordingly an element of management estimation has been applied. The allocation to sub-sectors has been refined during the period to December 2010 and consequently the profile as at December 2009 has been amended to reflect this.

The commercial investment exposure of € 7,064 million in AIB Bank ROI is spread across the following property types: retail 39%; office 27%; industrial 9%; and mixed 25%. The € 4,607 million in Capital Markets is spread across the following property types: retail 27%; office 43%; industrial 3%; and mixed 27%.

Information on ratings profiles of loans and receivables to customers is set out in note 23.

Large exposures (including NAMA and discontinued operations)

AIB's Group Large Exposure Policy sets out maximum exposure limits to, or on behalf of, a customer or a group of connected customers.

At 31 December 2010, the Group's top 50 exposures amounted to € 11.5 billion, and accounted for 11.0% (€ 20.0 billion and 15.4% at 31 December 2009) of the Group's on-balance sheet total gross loans and receivables to customers. Of this amount € 0.2 billion relates to loans held for sale to NAMA (2009: € 11.2 billion) and € 0.5 billion relates to loans included within discontinued operations (2009: Nil). No single customer exposure exceeds regulatory guidelines.

19 Loans and receivables to customers *(continued)*

Aged analysis of contractually past due but not impaired facilities[1]

					2010
	1-30 days € m	**31-60 days € m**	**61-90 days € m**	**91+ days € m**	**Total € m**
Agriculture	**91**	**40**	**16**	**46**	**193**
Energy	**6**	**1**	**1**	**2**	**10**
Manufacturing	**29**	**15**	**11**	**18**	**73**
Construction and property	**661**	**418**	**150**	**842**	**2,071**
Distribution	**223**	**109**	**60**	**207**	**599**
Transport	**29**	**5**	**5**	**8**	**47**
Financial	**11**	**2**	**–**	**13**	**26**
Other services	**177**	**51**	**25**	**106**	**359**
Personal					
- Home mortgages	**542**	**242**	**170**	**347**	**1,301**
- Credit cards	**63**	**22**	**13**	**10**	**108**
- Other	**209**	**101**	**53**	**229**	**592**
	2,041	**1,006**	**504**	**1,828**	**5,379**
As a percentage of total loans[2]	**2.2%**	**1.1%**	**0.5%**	**1.9%**	**5.7%**

					2009
	1-30 days € m	31-60 days € m	61-90 days € m	91+ days € m	Total € m
Agriculture	134	35	15	13	197
Energy	3	5	–	1	9
Manufacturing	85	20	10	7	122
Construction and property	990	427	135	227	1,779
Distribution	285	156	63	53	557
Transport	56	23	4	6	89
Financial	19	8	1	2	30
Other services	247	73	21	39	380
Personal					
- Home mortgages	413	182	93	130	818
- Credit cards	68	20	11	8	107
- Other	366	163	55	113	697
	2,666	1,112	408	599	4,785
As a percentage of total loans[2]	2.5%	1.0%	0.4%	0.6%	4.5%

[1]Excluding loans and receivables held for sale to NAMA (note 15).

[2]Total loans relate to loans and receivables to customers and are gross of provisions and unearned income.

The figures reported are inclusive of overdrafts, bridging loans and cases with expired limits. Where a borrower is past due, the entire exposure is reported, rather than the amount of any arrears.

Loans and receivables renegotiated

Loans and receivables renegotiated are those facilities at the current reporting date that, during the financial year, have had their terms renegotiated resulting in an upgrade from 91+ days past due or impaired status to performing status such that if they were not renegotiated they would be otherwise past due or impaired. The following table is presented on a Group basis and comprises loans and receivables renegotiated within continuing operations (including loans and receivables held for sale to NAMA) and discontinued operations.

	2010 € m	2009 € m
Renegotiated loans and receivables	**2,511**	4,459

19 Loans and receivables to customers *(continued)*

Impaired loans by geographic location and industry sector[1]

						2010
	Republic of Ireland	**United Kingdom**	**Poland**[2]	**United States of America**	**Rest of the world**	**Total**
	€ m	**€ m**	**€ m**	**€ m**	**€ m**	**€ m**
Agriculture	**193**	**10**	**–**	**–**	**–**	**203**
Energy	**7**	**–**	**–**	**1**	**–**	**8**
Manufacturing	**293**	**75**	**–**	**–**	**3**	**371**
Construction and property	**5,510**	**1,408**	**–**	**40**	**14**	**6,972**
Distribution	**1,505**	**240**	**–**	**22**	**–**	**1,767**
Transport	**77**	**2**	**–**	**12**	**–**	**91**
Financial	**61**	**15**	**–**	**–**	**–**	**76**
Other services	**384**	**117**	**–**	**–**	**24**	**525**
Personal						
- Home mortgages	**1,013**	**115**	**–**	**–**	**–**	**1,128**
- Other	**777**	**61**	**–**	**–**	**–**	**838**
Lease financing	**135**	**–**	**–**	**–**	**–**	**135**
	9,955	**2,043**	**–**	**75**	**41**	**12,114**

						2009
	Republic of Ireland	United Kingdom	Poland	United States of America	Rest of the world	Total
	€ m	€ m	€ m	€ m	€ m	€ m
Agriculture	105	4	10	–	–	119
Energy	11	2	2	–	–	15
Manufacturing	134	66	74	11	19	304
Construction and property	2,275	449	194	8	–	2,926
Distribution	846	229	52	–	7	1,134
Transport	34	2	8	–	–	44
Financial	70	85	1	–	–	156
Other services	206	168	13	23	–	410
Personal						
- Home mortgages	475	56	13	–	42	586
- Other	556	40	75	–	–	671
Lease financing	96	–	35	–	–	131
	4,808	1,101	477	42	68	6,496

[1]Excluding impaired loans and receivables held for sale to NAMA of € 741 million and impaired loans and receivables within disposal groups and non-current assets held for sale of € 614 million (of which € 27 million relates to AmCredit and € 587 million relates to discontinued operations).

[2]Included within disposal groups and non-current assets held for sale for 2010.

Collateral and other credit enhancements

The Group takes collateral in support of its lending activities when deemed appropriate and has a series of policies and procedures in place for the assessment, valuation and taking of such collateral. In some circumstances, depending on the customers' standing and/or the nature of the product, the Group may lend unsecured.

The main types of collateral for loans and receivables to customers are as follows:

- Home mortgages: The Group takes collateral in support of lending transactions for the purchase of residential property. There are clear policies in place which set out the type of property acceptable as collateral and the relationship of loan to property value. All properties are required to be fully insured and be subject to a legal charge in favour of the Group.
- Corporate/commercial lending: For property related lending, it is normal practice to take a charge over the property being financed. This includes investment and development properties. For non-property related lending, collateral typically includes a charge over business assets such as stock and debtors but which may also include property. In some circumstances, personal guarantees supported by a lien over personal assets are also taken as security.

19 Loans and receivables to customers ***(continued)***

The following table sets out, at 31 December 2010 and 2009, loans identified as impaired, analysed between those instances where provisions are calculated based on loans that are individually significant and those that are individually insignificant. This analysis includes impaired loans and receivables to customers of € 12,114 million, impaired loans and receivables held for sale to NAMA of € 741 million, and impaired loans and receivables included within disposal groups and non-current assets held for sale of € 614 million of which € 587 million is included within discontinued operations.

					2010
	Individually significant		**Individually insignificant**		**Total**
Division	**€ m**	**%**	**€ m**	**%**	**€ m**
AIB Bank ROI	**8,337**	**86**	**1,412**	**14**	**9,749**
Capital Markets	**748**	**100**	**–**	**–**	**748**
AIB Bank UK	**2,299**	**98**	**59**	**2**	**2,358**
Disposal groups and non-current assets held for sale[1]	**241**	**39**	**373**	**61**	**614**
Total	**11,625**	**86**	**1,844**	**14**	**13,469**

					2009
	Individually significant		Individually insignificant		Total
Division	€ m	%	€ m	%	€ m
AIB Bank ROI	13,676	94	944	6	14,620
Capital Markets	559	100	–	–	559
AIB Bank UK	1,705	97	50	3	1,755
Central and Eastern Europe	223	43	296	57	519
Total	16,163	93	1,290	7	17,453

[1]Disposal groups and non-current assets held for sale comprise operations which were previously recorded within Central and Eastern Europe.

The level of provision and associated provision cover individually significant and individually insignificant impaired loans by division as at 31 December 2010 and 2009 are outlined in the following table.

			2010
	Individually significant	**Provision**	**Provision cover**
Division	**€ m**	**€ m**	**%**
AIB Bank ROI	**8,337**	**3,281**	**39**
Capital Markets	**748**	**332**	**44**
AIB Bank UK	**2,299**	**829**	**36**
Disposal groups and non-current assets held for sale[1]	**241**	**86**	**36**
Total	**11,625**	**4,528**	**39**

			2009
	Individually significant	Provision	Provision cover
Division	€ m	€ m	%
AIB Bank ROI	13,676	4,257	31
Capital Markets	559	269	48
AIB Bank UK	1,705	473	28
Central and Eastern Europe	223	72	32
Total	16,163	5,071	31

[1]Disposal groups and non-current assets held for sale comprise operations which were previously recorded within Central and Eastern Europe.

19 Loans and receivables to customers ***(continued)***

			2010
Division	**Individually insignificant € m**	**Provision € m**	**Provision cover %**
AIB Bank ROI	**1,412**	**888**	**63**
AIB Bank UK	**59**	**47**	**80**
Disposal groups and non-current assets held for sale	**373**	**179**	**48**
Total	**1,844**	**1,114**	**60**

			2009
Division	Individually insignificant € m	Provision € m	Provision cover %
AIB Bank ROI	944	560	59
AIB Bank UK	50	36	72
Central and Eastern Europe	296	127	43
Total	1,290	723	56

Leveraged debt amounts to € 3,356 million of which € 3,335 million is included within loans and receivables to customers and € 21 million is included within discontinued operations.

Leveraged debt by geographic location

	2010		2009	
	Funded € m	**Unfunded € m**	Funded € m	Unfunded € m
United Kingdom	**600**	**102**	638	121
Rest of Europe	**906**	**214**	1,302	181
United States of America	**1,684**	**326**	2,056	406
Rest of world	**166**	**100**	294	40
	3,356	**742**	4,290	748

Funded leveraged debt by industry sector

	2010 € m	2009 € m
Agriculture	**6**	**30**
Construction and property	**17**	**25**
Distribution	**597**	**750**
Energy	**70**	**71**
Financial	**100**	**113**
Manufacturing	**1,342**	**1,704**
Transport	**113**	**184**
Other services	**1,111**	**1,413**
	3,356	**4,290**

Leveraged lending (including the financing of management buy-outs, buy-ins and private equity buyouts) is conducted primarily through specialist lending teams. The leveraged loan book is held as part of the loans and receivables to customers portfolio, part of which is classified as discontinued operations. Specific impairment provisions of € 79 million (2009: € 55 million) are currently held against impaired exposures of € 190 million (2009: € 231 million) where there has been a permanent reduction in the value of the credit assets in question. These impaired exposures are not included in the analysis above. The unfunded element above includes off-balance sheet facilities and the undrawn element of facility commitments.

20 Provisions for impairment of loans and receivables

The following tables show provisions for impairment of loans and receivables (both to banks and customers) on a total Group basis and include (i) continuing operations; (ii) held for sale to NAMA; and (iii) discontinued operations.

				2010
Provisions	**Corporate/ Commercial € m**	**Residential mortgages € m**	**Other € m**	**Total € m**
At the beginning of period	**6,407**	**141**	**608**	**7,156**
Adjustment to opening classifications[1]	**(142)**	**44**	**98**	**–**
Exchange translation adjustments	**31**	**1**	**8**	**40**
Charge against income statement:				
Continuing operations	**5,177**	**512**	**326**	**6,015**
Discontinued operations	**11**	**3**	**91**	**105**
	5,188	**515**	**417**	**6,120**
Amounts written off	**(669)**	**(36)**	**(108)**	**(813)**
Recoveries of amounts written off in previous years	**43**	**–**	**5**	**48**
Provisions on loans and receivable transferred to NAMA	**(4,569)**	**–**	**–**	**(4,569)**
Transfers out	**(6)**	**–**	**–**	**(6)**
At end of period	**6,283**	**665**	**1,028**	**7,976**
Total provisions are split between specific and IBNR as follows:				
Specific	**4,605**	**257**	**784**	**5,646**
IBNR	**1,678**	**408**	**244**	**2,330**
	6,283	**665**	**1,028**	**7,976**
Amounts include:				
Loans and receivables to banks *(note 18)*				**4**
Loans and receivables to customers *(note 19)*				**7,287**
Loans and receivables held for sale to NAMA *(note 15)*				**329**
Loans and receivables of discontinued operations				**344**
Loans and receivables of disposal groups and non-current assets held for sale *(note 16)*				**12**
				7,976

[1]The analysis between corporate/commercial, residential mortgages, and other was amended in 2010 to a more appropriate classification.

				2009
Provisions	Corporate/ Commercial € m	Residential mortgages € m	Other € m	Total € m
At the beginning of period	1,860	64	370	2,294
Exchange translation adjustments	18	2	11	31
Charge against income statement:				
Continuing operations	4,951	86	205	5,242
Discontinued operations	36	2	75	113
	4,987	88	280	5,355
Amounts written off	(453)	(13)	(54)	(520)
Recoveries of amounts written off in previous years	5	–	1	6
Transfers out	(10)	–	–	(10)
At end of period	6,407	141	608	7,156
Total provisions are split between specific and IBNR as follows:				
Specific	5,324	71	403	5,798
IBNR	1,083	70	205	1,358
	6,407	141	608	7,156
Amounts include:				
Loans and receivables to banks *(note 18)*				4
Loans and receivables to customers *(note 19)*				2,987
Loans and receivables held for sale to NAMA *(note 15)*				4,165
				7,156

The classification of loans and receivables into corporate/commercial, residential mortgages, and other, relate to classifications used in the Group's ratings tools and are explained in note 23.

20 Provision for impairment of loans and receivables *(continued)*

Provision for impairment of loans and receivables to customers by geographic location and industry sector

	Republic of Ireland € m	United Kingdom € m	Poland[1] € m	United States of America € m	Rest of the world € m	Total € m
						2010
Agriculture	**100**	**5**	**–**	**–**	**–**	**105**
Energy	**5**	**–**	**–**	**–**	**–**	**5**
Manufacturing	**128**	**30**	**–**	**–**	**3**	**161**
Construction and property	**2,310**	**525**	**–**	**14**	**4**	**2,853**
Distribution	**678**	**121**	**–**	**2**	**–**	**801**
Transport	**44**	**1**	**–**	**6**	**–**	**51**
Financial	**45**	**3**	**–**	**–**	**–**	**48**
Other services	**200**	**49**	**–**	**–**	**10**	**259**
Personal						
- Home mortgages	**212**	**30**	**–**	**–**	**–**	**242**
- Other	**479**	**35**	**–**	**–**	**–**	**514**
Lease financing	**109**	**–**	**–**	**–**	**–**	**109**
Specific	**4,310**	**799**	**–**	**22**	**17**	**5,148**
IBNR	**1,920**	**218**	**–**	**1**	**–**	**2,139**
Total	**6,230**	**1,017**	**–**	**23**	**17**	**7,287**

	Republic of Ireland € m	United Kingdom € m	Poland € m	United States of America € m	Rest of the world € m	Total € m
						2009
Agriculture	44	1	7	–	–	52
Energy	4	–	1	–	–	5
Manufacturing	58	29	24	–	6	117
Construction and property	557	178	45	2	–	782
Distribution	286	88	23	–	5	402
Transport	20	2	4	–	–	26
Financial	49	35	1	–	–	85
Other services	90	61	8	4	–	163
Personal						
- Home mortgages	81	16	6	–	13	116
- Other	302	24	58	–	–	384
Lease financing	67	–	11	–	–	78
Specific	1,558	434	188	6	24	2,210
IBNR	554	121	90	5	7	777
Total	2,112	555	278	11	31	2,987

[1]Included within disposal groups and non-current assets held for sale for 2010.

21 NAMA senior bonds

During 2010, loans and receivables transferred to NAMA for which AIB received as consideration NAMA senior bonds and NAMA subordinated bonds (notes 7 and 22).

The NAMA senior bonds were initially designated as financial investments available for sale, and disclosed as such in the Half-Yearly Financial Report 2010. At 31 December 2010, upon further consideration and experience on the structure of these bonds it was concluded that the most appropriate classification of the bonds is as loans and receivables and accordingly, they have been redesignated as loans and receivables. AIB has the ability and the intention to hold these bonds to maturity.

The senior bonds have been classified as loans and receivables in the statement of financial position under the caption 'NAMA senior bonds'. The bonds were measured at initial recognition at fair value and measured, up to the date of reclassification as financial investments available for sale. The transfer from financial investments available for sale to loans and receivables took place at fair value. On reclassification, the bonds are measured as for loans and receivables, that is at amortised cost using the effective interest method less any impairment losses. The carrying value of the bonds on 31 December 2010 amounts to € 7,869 million (which includes amortisation of € 5 million). The accounting policy for the senior bonds is that for loans and receivables.

The notes carry a guarantee of the Irish Government. The interest rate is payable and reset semi-annually each 1 March and 1 September at a rate of six month euribor. New notes will be issued at each maturity date, if the issuer elects to physically settle existing notes with new notes, with the first maturity date being 1 March 2011. Any such new notes will be issued on the same terms as the existing notes. Notes may be issued with an extendible maturity at the option of the issuer, which extension may be for a period of up to 364 days.

AIB

22 Financial investments available for sale

The following tables give, for the Group, at 31 December 2010 and 31 December 2009, the carrying value (fair value) of financial investments available for sale by major classifications together with the unrealised gains and losses.

						2010
	Fair value € m	**Unrealised gross gains € m**	**Unrealised gross losses € m**	**Net unrealised gains/(losses) € m**	**Tax effect € m**	**Net after tax € m**
Debt securities						
Irish Government securities	**4,309**	**–**	**(632)**	**(632)**	**111**	**(521)**
Euro government securities	**3,517**	**44**	**(50)**	**(6)**	**1**	**(5)**
Non Euro government securities	**1,693**	**88**	**(3)**	**85**	**(17)**	**68**
Supranational banks and government agencies	**1,317**	**15**	**(8)**	**7**	**(1)**	**6**
U.S. Treasury & U.S. Government agencies	**183**	**2**	**–**	**2**	**–**	**2**
Collateralised mortgage obligations	**885**	**1**	**(22)**	**(21)**	**3**	**(18)**
Other asset backed securities	**2,560**	**1**	**(291)**	**(290)**	**36**	**(254)**
Euro bank securities	**3,966**	**25**	**(79)**	**(54)**	**7**	**(47)**
Non Euro bank securities	**1,433**	**6**	**(87)**	**(81)**	**10**	**(71)**
Euro corporate securities	**187**	**10**	**(3)**	**7**	**(2)**	**5**
Non Euro corporate securities	**449**	**27**	**(3)**	**24**	**(6)**	**18**
Other investments	**12**	**–**	**–**	**–**	**–**	**–**
Total debt securities	**20,511**	**219**	**(1,178)**	**(959)**	**142**	**(817)**
Equity securities						
Equity securities – NAMA subordinated bonds	**169**	**–**	**(51)**	**(51)**	**6**	**(45)**
Equity securities – other	**145**	**23**	**(11)**	**12**	**(2)**	**10**
Total financial investments available for sale	**20,825**	**242**	**(1,240)**	**(998)**	**146**	**(852)**

						2009
	Fair value € m	Unrealised gross gains € m	Unrealised gross losses € m	Net unrealised gains/(losses) € m	Tax effect € m	Net after tax € m
Debt securities						
Irish Government securities	3,941	137	(22)	115	(10)	105
Euro government securities	2,104	69	(3)	66	(10)	56
Non Euro government securities	2,629	65	(8)	57	(11)	46
Supranational banks and government agencies	619	28	(2)	26	(3)	23
U.S. Treasury & U.S. Government agencies	351	10	(1)	9	(1)	8
Collateralised mortgage obligations	1,134	–	(36)	(36)	5	(31)
Other asset backed securities	3,528	2	(320)	(318)	40	(278)
Euro bank securities	6,804	72	(86)	(14)	2	(12)
Non Euro bank securities	2,873	21	(46)	(25)	3	(22)
Certificates of deposit	207	1	–	1	–	1
Other investments	819	34	(18)	16	(3)	13
Total debt securities	25,009	439	(542)	(103)	12	(91)
Equity securities	327	158	(7)	151	(30)	121
Total financial investments available for sale	25,336	597	(549)	48	(18)	30

22 Financial investments available for sale ***(continued)***

Analysis of movements in financial investments available for sale	**Debt securities € m**	**Equity securities € m**	**Total € m**
At 1 January 2010	**25,009**	**327**	**25,336**
Reclassification to disposal groups and non-current assets held for sale	**(1,426)**	**(162)**	**(1,588)**
Exchange translation adjustments	**632**	**4**	**636**
Purchases	**6,375**	**17**	**6,392**
Additions[1]	**–**	**27**	**27**
NAMA senior bonds/subordinated bonds	**7,864**	**220**	**8,084**
Sales	**(5,133)**	**(47)**	**(5,180)**
Maturities	**(4,125)**	**–**	**(4,125)**
Reclassification of NAMA senior bonds to loans and receivables	**(7,869)**	**–**	**(7,869)**
Provisions for impairment of financial investments available for sale	**(56)**	**(18)**	**(74)**
Amortisation of discounts net of premiums	**13**	**–**	**13**
Movement in unrealised losses	**(773)**	**(54)**	**(827)**
At 31 December 2010	**20,511**	**314**	**20,825**

At 31 December 2010, NAMA senior bonds initially designated as financial investments available for sale were reclassified to loans and receivables. These bonds were reclassified because of the nature of the bonds and the fact that AIB has the ability and intention to hold them to maturity.

Analysis of movements in financial investments available for sale	Debt securities € m	Equity securities € m	Total € m
At 1 January 2009	28,737	287	29,024
Exchange translation adjustments	460	2	462
Purchases	4,809	3	4,812
Additions[1]	–	34	34
Sales	(4,679)	(9)	(4,688)
Maturities	(4,838)	–	(4,838)
IAS 39 reclassifications out	(13)	–	(13)
Provisions for impairment of financial investments available for sale:			
Continuing operations	(20)	(4)	(24)
Discontinued operations	–	–	–
	(20)	(4)	(24)
Amortisation of discounts net of premiums:			
Continuing operations	16	–	16
Discontinued operations	21	–	21
	37	–	37
Movement in unrealised gains	516	14	530
At 31 December 2009	25,009	327	25,336

[1]Additions relate to transfers from loans and receivables arising from debt/equity restructures and other additions.

During 2009 financial investments available for sale of €13 million were reclassified to the loans and receivables to customers category.

22 Financial investments available for sale ***(continued)***

Debt securities analysed by remaining contractual maturity	2010 € m	2009 € m
Due within one year	**4,547**	4,375
After one year, but within five years	**7,791**	11,118
After five years, but within ten years	**4,113**	3,829
After ten years	**4,060**	5,687
	20,511	25,009

Financial investments available for sale	2010 € m	2009 € m
Of which listed:		
Debt securities	**20,499**	24,995
Equity securities	**37**	53
	20,536	25,048
Of which unlisted:		
Debt securities	**12**	14
Equity securities	**277**	274
	289	288
	20,825	25,336

22 Financial investments available for sale ***(continued)***

The following table gives for the Group, at 31 December 2010, an analysis of the securities portfolio with unrealised losses, distinguished between securities with continuous unrealised loss positions of less than 12 months and those with continuous unrealised loss positions for periods in excess of 12 months.

			2010			2010
			Fair value			Unrealised losses
	Investments with unrealised losses of less than 12 months € m	Investments with unrealised losses of more than 12 months € m	Total € m	Unrealised losses of less than 12 months € m	Unrealised losses of more than 12 months € m	Total € m
Group						
Debt securities						
Irish Government securities	**3,540**	**769**	**4,309**	**(376)**	**(256)**	**(632)**
Euro government securities	**2,029**	**104**	**2,133**	**(43)**	**(7)**	**(50)**
Non Euro government securities	**900**	**57**	**957**	**(1)**	**(2)**	**(3)**
Supranational banks and government agencies	**432**	**18**	**450**	**(7)**	**(1)**	**(8)**
US Treasury and US Government agencies	**1**	**21**	**22**	**–**	**–**	**–**
Collateralised mortgage obligations	**17**	**598**	**615**	**–**	**(22)**	**(22)**
Other asset backed securities	**27**	**2,496**	**2,523**	**–**	**(291)**	**(291)**
Euro bank securities	**918**	**1,829**	**2,747**	**(43)**	**(36)**	**(79)**
Non Euro bank securities	**209**	**778**	**987**	**(3)**	**(84)**	**(87)**
Euro corporate securities	**6**	**65**	**71**	**–**	**(3)**	**(3)**
Non Euro corporate securities	**21**	**42**	**63**	**–**	**(3)**	**(3)**
Total debt securities	**8,100**	**6,777**	**14,877**	**(473)**	**(705)**	**(1,178)**
Equity securities:						
Equity securities – NAMA subordinated bonds	**169**	**–**	**169**	**(51)**	**–**	**(51)**
Equity securities – other	**17**	**(2)**	**15**	**(7)**	**(4)**	**(11)**
Total	**8,286**	**6,775**	**15,061**	**(531)**	**(709)**	**(1,240)**

Available for sale financial investments with unrealised losses have been assessed for impairment based on the credit risk profile of the counterparties involved. Impairment losses on debt securities of € 56 million and € 18 million on equity securities have been recognised as set out in note 11.

22 Financial investments available for sale *(continued)*

The following table gives for the Group, at 31 December 2009, an analysis of the securities portfolio with unrealised losses, distinguished between securities with continuous unrealised loss positions of less than 12 months and those with continuous unrealised loss positions for periods in excess of 12 months.

			2009			2009
			Fair value			Unrealised losses
	Investments with unrealised losses of less than 12 months € m	Investments with unrealised losses of more than 12 months € m	Total € m	Unrealised losses of less than 12 months € m	Unrealised losses of more than 12 months € m	Total € m
Group						
Debt securities						
Irish Government securities	107	856	963	(3)	(19)	(22)
Euro government securities	330	20	350	(3)	–	(3)
Non Euro government securities	158	209	367	(3)	(5)	(8)
Supranational banks and government agencies	4	23	27	–	(2)	(2)
US Treasury and US Government agencies	–	46	46	–	(1)	(1)
Collateralised mortgage obligations	24	1,089	1,113	–	(36)	(36)
Other asset backed securities	302	3,134	3,436	(19)	(301)	(320)
Euro bank securities	118	3,039	3,157	(5)	(81)	(86)
Non Euro bank securities	175	1,962	2,137	(9)	(37)	(46)
Other investments	8	217	225	(1)	(17)	(18)
Total debt securities	1,226	10,595	11,821	(43)	(499)	(542)
Equity securities	–	8	8	(3)	(4)	(7)
Total	1,226	10,603	11,829	(46)	(503)	(549)

Available for sale financial investments with unrealised losses have been assessed for impairment based on the credit risk profile of the counterparties involved. Impairment losses of € 20 million on debt securities and € 4 million on equity securities have been recognised as set out in note 11.

22 Financial investments available for sale *(continued)*

Collateralised mortgage obligations by geography and industry sector of the issuer

			2010
	Governments	**Other financial**	**Total**
	€ m	**€ m**	**€ m**
United Kingdom	**–**	**56**	**56**
United States of America	**820**	**–**	**820**
Rest of World	**–**	**9**	**9**
	820	**65**	**885**

			2009
	Governments	Other financial	Total
	€ m	€ m	€ m
United Kingdom	–	57	57
United States of America	1,068	–	1,068
Rest of World	–	9	9
	1,068	66	1,134

Other asset backed securities by geography and industry sector of the issuer

				2010
	Governments	**Banks**	**Other financial**	**Total**
	€ m	**€ m**	**€ m**	**€ m**
Republic of Ireland	**–**	**–**	**224**	**224**
United Kingdom	**–**	**–**	**562**	**562**
United States of America	**139**	**–**	**216**	**355**
Australia	**–**	**–**	**363**	**363**
Italy	**–**	**–**	**122**	**122**
Spain	**–**	**17**	**800**	**817**
Rest of World	**–**	**–**	**117**	**117**
	139	**17**	**2,404**	**2,560**

				2009
	Governments	Bank	Other financial	Total
	€ m	€ m	€ m	€ m
Republic of Ireland	–	–	285	285
United Kingdom	–	25	704	729
United States of America	302	–	433	735
Australia	–	7	474	481
Italy	–	–	186	186
Spain	–	23	943	966
Rest of World	–	–	146	146
	302	55	3,171	3,528

23 Credit ratings

Internal credit ratings

Ratings profiles

The Group's rating systems consist of a number of individual rating tools designed to assess the risk within particular portfolios. These ratings tools are calibrated to meet the needs of individual business units in managing their portfolios. All rating tools are built to a Group standard and independently validated by Group.

The identification of loans for specific impairment assessment is driven by the Group's rating systems. In addition, the ratings profiles are one of the factors that are referenced in determining the appropriate level of IBNR provisions.

The Group uses a 13 point Group ratings masterscale to provide a common and consistent framework for aggregating comparing and reporting exposures, on a consolidated basis, across all lending portfolios. The masterscale, which is not in itself a rating tool, is probability of default (PD) based, and is not used in provision methodologies. The masterscale consists of a series of PD ranges between 0% and 100% (where 100% indicates a borrowing already in default) and facilitates the aggregation of borrowers for comparison and reporting that have been rated on any of the individual rating tools in use across the Group.

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23 Credit ratings ***(continued)***

Loans and receivables to customers - continuing operations

Lendings classifications:

Corporate/commercial includes loans to corporate and larger commercial enterprises processed through one of the Group's corporate/commercial rating tools, where the exposure is typically greater than € 300,000.

Residential mortgages includes loans for the purchase of residential properties processed through Group residential mortgage rating tools. In some circumstances, residential mortgage exposures can be processed through the Group's Corporate and Commercial rating tools (e.g. where a borrower has multiple investment properties).

Other includes loans to SMEs and individuals. In some cases, behaviour scoring and credit scoring methodologies are used.

				2010				2009
Masterscale grade	**Corporate/ Commercial € m**	**Residential mortgages € m**	**Other € m**	**Total € m**	Corporate/ Commercial € m	Residential mortgages € m	Other € m	Total € m
1 to 3	**2,915**	**12,638**	**1,156**	**16,709**	3,435	14,847	892	19,174
4 to 10	**34,527**	**12,871**	**3,407**	**50,805**	46,896	13,480	6,598	66,974
11 to 13	**5,806**	**1,436**	**1,555**	**8,797**	6,322	956	1,900	9,178
	43,248	**26,945**	**6,118**	**76,311**	56,653	29,283	9,390	95,326
Past due but not impaired	**3,347**	**1,313**	**719**	**5,379**[1]	2,947	819	1,019	4,785
Impaired	**10,115**	**839**	**1,160**	**12,114**	5,088	469	939	6,496
	56,710	**29,097**	**7,997**	**93,804**	64,688	30,571	11,348	106,607
Unearned income				**(167)**				(279)
Provisions				**(7,287)**				(2,987)
Total				**86,350**				103,341

[1]Of this amount € 95 million relates to masterscale grade 1 - 3, € 1,798 million relates to masterscale grade 4 - 10, and € 3,486 million relates to masterscale grade 11 - 13.

External credit ratings

The external ratings profiles of loans and receivables to banks, NAMA senior bonds, trading portfolio financial assets (excluding equity securities), financial investments available for sale (excluding equity shares) and financial investments held to maturity are as follows:

					2010
	Bank € m	**Corporate € m**	**Sovereign € m**	**Other € m**	**Total € m**
AAA/AA	**3,708**	**3**	**5,604**	**3,249**	**12,564**
A	**2,685**	**23**	**1,013**	**122**	**3,843**
BBB+/BBB/BBB-	**1,811**	**176**	**12,235**	**45**	**14,267**
Sub investment	**134**	**249**	**36**	**39**	**458**
Unrated	**13**	**197**	**-**	**12**	**222**
Total	**8,351**	**648**	**18,888**	**3,467**	**31,354**

					2009
	Bank € m	Corporate € m	Sovereign € m	Other € m	Total € m
AAA/AA	9,873	4	7,425	5,059	22,361
A	8,091	37	3,941	85	12,154
BBB+/BBB/BBB-	335	356	109	17	817
Sub investment	6	280	-	16	302
Unrated	15	155	-	143	313
Total	18,320	832	11,475	5,320	35,947

24 Interests in associated undertakings

Included in the Group income statement is the contribution from investments in associated undertakings as follows:

Income statement	**2010 € m**	2009 € m
Share of results of associated undertakings	**43**	46
Reversal of impairment/(impairment) of associated undertakings	**201**	(308)
Loss recognised on the remeasurement to fair value less costs to sell of discontinued operations	**(50)**	-
Loss on the disposal of investment in associated undertakings	**(231)**	-
	(37)	(262)
Analysed as to:		
Continuing operations	**18**	(3)
Discontinued operations *(note 13)*[1]	**(55)**	(259)
	(37)	(262)

Share of net assets including goodwill	**2010 € m**	2009 € m
At 1 January	**1,641**	1,999
Exchange translation adjustments	**37**	(43)
Purchases	**-**	2
Disposals *(note 13)*	**(1,529)**	-
Income for the period		
Continuing operations	**18**	(3)
Discontinued operations	**25**	49
	43	46
Dividends received from associates	**(48)**	(64)
Reversal of impairment/(impairment) of associated undertakings		
Continuing operations	**-**	-
Discontinued operations	**201**	(308)
	201	(308)
Loss recognised on the remeasurement to fair value less costs to sell of discontinued operations	**(50)**	-
Other movements	**6**	9
At 31 December	**301**	1,641
Analysed as to:		
M&T Bank Corporation *(note 13)*	**-**	1,282
Aviva Life Holdings Ireland Limited	**245**	258
Bulgarian American Credit Bank AD	**-**	60
Other[2]	**56**	41
	301	1,641
Disclosed in the statement of financial position within		
Interests in associated undertakings	**283**	1,641
Disposal groups and non-current assets held for sale *(note 16)*	**18**	-
	301	1,641
Of which listed on a recognised stock exchange	**3**	1,344

[1]At 30 March 2010, the Group announced that certain of its operations were to be sold, amongst which included M&T Bank Corporation. Subsequently, Bulgarian American Credit Bank AD, and associate interests held by BZWBK, were considered to be held for sale. These associates are no longer accounted for using the equity method in accordance with IAS 28 as they are classified as discontinued operations and are detailed in note 16. The comparative statements of financial position have not been restated. On 4 November 2010, the sale of M&T Bank corporation was completed with the investment derecognised from that date (note 13).

[2]Relates to the Groups investments in Aviva Health Insurance Ireland Limited, AIB Merchant Services and associates of BZWBK.

24 Interests in associated undertakings ***(continued)***

Summarised financial information for the Group's associates is as follows:

	2010 € m	2009 € m
Total assets	**12,901**	59,438
Total liabilities	**11,453**	54,763
Revenues	**1,371**	4,595
Net profit	**101**	299

In relation to associated undertakings at 31 December 2010, contingent liabilities amount to Nil (2009: Nil) and commitments amount to Nil (2009: Nil).

Principal associated undertakings		**Nature of business**
Aviva Life Holdings Ireland Limited[1]		Manufacturer and distributor of life and pension products
Registered office:	1 Park Place, Hatch Street, Dublin 2, Ireland (Ordinary shares of € 1.25 par value each – Group interest 24.99%)	
Bulgarian American Credit Bank AD		Banking and financial services
Registered office:	16 Krakra Street, Sofia 1504, Bulgaria (Ordinary shares of BNG 1 – Group interest 49.99%)	

Other than as described for Aviva Life Holdings Ireland Limited and BACB, the Group's interests in associated undertakings are non-credit institutions and are held by subsidiary undertakings.

In accordance with the European Communities (Credit Institutions: Accounts) Regulations, 1992, Allied Irish Banks, p.l.c. will annex a full listing of associated undertakings to its annual return to the Companies Registration Office.

Bulgarian American Credit Bank AD

The Group holds a 49.99% interest in Bulgarian American Credit Bank ("BACB"). The Group's interest is held directly by Allied Irish Banks, p.l.c. and BACB shares are listed on the Bulgarian Stock Exchange. BACB is a specialist provider of secured finance to small and medium sized companies in Bulgaria. The Group initially accounted for its interest in BACB as an associated undertaking as the Group did not have the power to govern the financial and operating policies of BACB.

During 2010, the Group decided that its investment in BACB was for sale. In accordance IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations ("IFRS 5"), the Group's investment in BACB is now measured at the lower of carrying value and fair value less costs to sell. It is reported as a discontinued operation within 'Disposal groups and non-current assets held for sale' in the statement of financial position.

In 2010, the Group's share of income of BACB, up to its classification as a discontinued operation amounted to a loss of € 10 million (2009: loss € 103 million), this includes an impairment charge of € 12 million (2009: €108 million).

In accordance with Group policy, IFRS 5 and IAS 36 – Impairment of Assets, an impairment review was carried out as part of the assessment of the carrying value of BACB at year end. A loss on remeasurement, in accordance with IFRS 5, of € 50 million was recorded which resulted in the write-down of the investment to Nil. At 31 December 2009, the carrying value of the Group's investment in BACB was € 60 million.

The Group's loss from discontinued operations for the year to 31 December 2010 was € 60 million (2009: loss of € 103 million). Further details in relation to the loss from discontinued operations is in note 13.

25 Deferred taxation	2010 € m	2009 € m
Deferred tax assets:		
Provision for impairment of loans and receivables	**(69)**	(65)
Amortised income	**(23)**	(26)
Available for sale securities	**(159)**	(16)
Retirement benefits	**(63)**	(112)
Temporary difference on provisions for future commitments in relation to the funding of Icarom plc (under Administration)	**(3)**	(4)
Assets leased to customers	**(35)**	(33)
Unutilised tax losses	**(2,138)**	(381)
Other	**(40)**	(27)
Total gross deferred tax assets	**(2,530)**	(664)
Deferred tax liabilities:		
Cash flow hedges	**61**	68
Assets used in the business	**9**	13
Total gross deferred tax liabilities	**70**	81
Net deferred tax assets	**(2,460)**	(583)
Represented on the balance sheet as follows:		
Deferred tax assets	**(2,460)**	(583)
Of which:		
Continuing operations	**(2,384)**	(583)
Discontinued operations	**(76)**	-
	(2,460)	(583)

For each of the years ended 31 December 2010 and 2009 full provision has been made for capital allowances and other temporary differences.

Analysis of movements in deferred taxation	2010 € m
At 1 January	**(583)**
Reclassification to disposal groups and non-current assets held for sale *(note 16)*	**65**
Exchange translation and other adjustments	**(1)**
Deferred tax through equity	**(151)**
Income statement *(note 12)*	**(1,714)**
At 31 December - continuing operations	**(2,384)**

25 Deferred taxation ***(continued)***

Analysis of movements in deferred taxation	2009 € m
At 1 January	(246)
Exchange translation and other adjustments	(4)
Deferred tax through equity	64
Income statement:	
Continuing operations *(note 12)*	(374)
Discontinued operations	(23)
	(397)
At 31 December	(583)

Deferred tax assets relating to unutilised tax losses and deductible temporary differences are recognised if it is probable that they can be offset against future taxable profits or other temporary differences. At 31 December 2010 capitalised deferred tax assets on tax losses and other temporary differences, net of deferred tax liabilities, totalled € 2,384 million (2009: € 583 million). The most significant tax losses arise in the Irish tax jurisdiction and their utilisation is dependent on future taxable profits. The Directors have considered the assumptions underpinning the restructuring plan and have determined that future taxable profits will be available to absorb the deferred tax assets including the unutilised tax losses. Accordingly, it is considered that recoverability of the deferred tax asset is probable.

Temporary differences recognised in equity comprise of deferred tax on available for sale securities, cash flow hedges and actuarial gain/loss on retirement benefit schemes. Temporary differences recognised in the income statement comprise of provision for impairment of loans and receivables, amortised income, assets leased to customers, and assets used in the course of business.

Net deferred tax assets of € 2,384 million (2009: € 446 million) are expected to be recovered after more than 12 months. Deferred tax assets have not been recognised in respect of tax losses amounting to € 0.5 million (2009: € 25.5 million) and tax credits € 5 million (2009: € 14.8 million). Tax losses of € 0.5 million expire in 2013. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

The aggregate amount of temporary differences associated with investments in subsidiaries, branches and associates and interests in joint ventures, for which deferred tax liabilities have not been recognised amounted to Nil (2009: Nil).

The net deferred tax asset on items recognised directly in equity amounted to € 168 million (2009: € 40 million).

25 Deferred taxation ***(continued)***

Analysis of income tax relating to other comprehensive income

					2010
	Gross	Tax	Net of tax	Non-controlling interests net of tax	Net amount attributable to owners of the parent
Continuing operations	**€ m**	**€ m**	**€ m**	**€ m**	**€ m**
Loss for the period	**(12,071)**	**1,710**	**(10,361)**	**-**	**(10,361)**
Exchange translation adjustments	**89**	**-**	**89**	**-**	**89**
Net change in cash flow hedge reserve	**(48)**	**7**	**(41)**	**-**	**(41)**
Net change in fair value of available for sale securities	**(957)**	**144**	**(813)**	**-**	**(813)**
Net actuarial gains in retirement benefit schemes	**3**	**(2)**	**1**	**-**	**1**
Recognised losses in associated undertakings	**(13)**	**-**	**(13)**	**-**	**(13)**
Total comprehensive income for the period	**(12,997)**	**1,859**	**(11,138)**	**-**	**(11,138)**
Attributable to:					
Owners of the parent	**(12,997)**	**1,859**	**(11,138)**	**-**	**(11,138)**
Non-controlling interests	**-**	**-**	**-**	**-**	**-**
	(12,997)	**1,859**	**(11,138)**	**-**	**(11,138)**

					2010
	Gross	Tax	Net of tax	Non-controlling interests net of tax	Net amount attributable to owners of the parent
Discontinued operations	**€ m**	**€ m**	**€ m**	**€ m**	**€ m**
Loss for the period	**271**	**(72)**	**199**	**70**	**129**
Exchange translation adjustments	**50**	**-**	**50**	**14**	**36**
Net change in fair value of available for sale securities	**4**	**(1)**	**3**	**1**	**2**
Recognised gains in associated undertakings	**218**	**-**	**218**	**-**	**218**
Total comprehensive income for the period	**543**	**(73)**	**470**	**85**	**385**
Attributable to:					
Owners of the parent	**458**	**(73)**	**385**	**-**	**385**
Non-controlling interests	**85**	**-**	**85**	**85**	**-**
	543	**(73)**	**470**	**85**	**385**

25 Deferred taxation ***(continued)***

Analysis of income tax relating to other comprehensive income

					2009
	Gross	Tax	Net of tax	Non-controlling interests net of tax	Net amount attributable to owners of the parent
Continuing operations	€ m	€ m	€ m	€ m	€ m
Loss for the period	(2,662)	373	(2,289)	20	(2,309)
Exchange translation adjustments	127	–	127	–	127
Net change in cash flow hedge reserve	(69)	4	(65)	–	(65)
Net change in fair value of available for sale securities	277	(58)	219	–	219
Net actuarial gains in retirement benefit schemes	180	(6)	174	–	174
Total comprehensive income for the period	(2,147)	313	(1,834)	20	(1,854)
Attributable to:					
Owners of the parent	(2,167)	313	(1,854)	–	(1,854)
Non-controlling interests	20	–	20	20	–
	(2,147)	313	(1,834)	20	(1,854)

					2009
	Gross	Tax	Net of tax	Non-controlling interests net of tax	Net amount attributable to owners of the parent
Discontinued operations	€ m	€ m	€ m	€ m	€ m
Loss for the period	6	(51)	(45)	59	(104)
Exchange translation adjustments	31	–	31	14	17
Net change in cash flow hedge reserve	6	(2)	4	–	4
Net change in fair value of available for sale securities	23	(4)	19	9	10
Recognised losses in associated undertakings	(40)	–	(40)	–	(40)
Total comprehensive income for the period	26	(57)	(31)	82	(113)
Attributable to:					
Owners of the parent	(56)	(57)	(113)	–	(113)
Non-controlling interests	82	–	82	82	–
	26	(57)	(31)	82	(113)

26 Deposits by central banks and banks

	2010 € m	2009 € m
Central banks		
Securities sold under agreements to repurchase	**30,635**	11,111
Other borrowings	**7,981**	2,431
	38,616	13,542
Banks		
Securities sold under agreements to repurchase	**10,025**	13,270
Other borrowings	**1,228**	6,521
	11,253	19,791
	49,869	33,333
Of which:		
Domestic offices	**49,057**	29,017
Foreign offices	**812**	4,316
	49,869	33,333
Amounts include:		
Due to associated undertakings	**-**	-

Securities sold under agreements to repurchase, all of which mature within six months, are secured by Irish Government bonds, NAMA senior bonds, US Treasury, US Government agency and other marketable securities. The Group has securitised certain of its mortgage and loan portfolios. The Group has also utilised its mortgage loans portfolio under the Mortgage Covered Secured Programme. These securities, other than issued to external investors, have been pledged as collateral in addition to other securities held by the Group.

Financial assets pledged under agreements to repurchase with central banks and banks are as detailed in the following table. In addition, the Group has granted a floating charge over certain residential mortgage pools.

	2010 Central banks € m	2010 Banks € m	Total € m	2009 Central banks € m	2009 Banks € m	Total € m
Total carrying value of financial assets pledged	**50,635**	**11,702**	**62,337**	18,925	13,519	32,444
Of which:						
Government securities	**11,686**	**5,325**	**17,011**	980	6,133	7,113
Other securities	**38,949**	**6,377**	**45,326**	17,945	7,386	25,331

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27 Customer accounts	**2010 € m**	2009 € m
Current accounts	**16,357**	21,652
Demand deposits	**7,147**	9,193
Time deposits	**28,885**	53,108
	52,389	83,953
Of which:		
Non-interest bearing current accounts		
Domestic offices	**4,440**	5,895
Foreign offices	**1,824**	1,788
Interest bearing deposits, current accounts and short-term borrowings		
Domestic offices	**35,459**	46,115
Foreign offices	**10,666**	30,155
	52,389	83,953
Amounts include:		
Due to associated undertakings	**1,400**	1,333

28 Debt securities in issue	**2010 € m**	2009 € m
Bonds and medium term notes:		
European medium term note programme	**11,933**	15,510
Bonds and other medium term notes	**2,765**	4,740
	14,698	20,250
Other debt securities in issue:		
Commercial paper	**712**	5,036
Commercial certificates of deposit	**254**	5,368
	966	10,404
	15,664	30,654

29 Subordinated liabilities and other capital instruments	Notes	2010 € m	2009 € m
Allied Irish Banks, p.l.c.			
Undated loan capital		**197**	189
Dated loan capital		**3,996**	4,261
		4,193	4,450
Subsidiary undertakings			
Perpetual preferred securities		**138**	136
		4,331	4,586
Undated loan capital[1]			
Allied Irish Banks, p.l.c.			
US$ 100m Floating Rate Primary Capital Perpetual Notes[2]	(a)	**75**	69
€ 200m Fixed Rate Perpetual Subordinated Notes[2]	(b)	**54**	54
Stg£ 400m Perpetual Callable Step-Up Subordinated Notes[2]	(c)	**68**	66
		197	189
Subsidiary undertakings - perpetual preferred securities			
Stg£ 350m Fixed Rate/Floating Rate Guaranteed Non-Voting Non-cumulative Perpetual Preferred Securities[2]	(d)	**43**	41
€ 500m Fixed Rate/Floating Rate Guaranteed Non-Voting Non-cumulative Perpetual Preferred Securities[2]	(e)	**95**	95
		138	136
		335	325
Dated loan capital[1]			
Allied Irish Banks, p.l.c.			
European Medium Term Note Programme:			
US$ 400m Floating Rate Notes due July 2015	(f)	**134**	278
€ 400m Floating Rate Notes due March 2015	(g)	**188**	400
€ 500m Callable Step-up Floating Rate Notes due October 2017	(h)	**167**	499
€ 419m 10.75% Subordinated Notes due March 2017	(i)	**436**	-
US$ 177m 10.75% Subordinated Notes due March 2017	(j)	**137**	-
€ 869m 12.5% Subordinated Notes due June 2019	(k)	**807**	803
Stg£ 368m 12.5% Subordinated Notes due June 2019	(l)	**401**	387
Stg£ 1,096m 11.50% Subordinated Notes due March 2022	(m)	**1,314**	-
Stg£ 700m Callable Fixed/Floating Rates Notes due July 2023	(n)	**175**	787
Stg£ 500m Callable Fixed/Floating Rate Notes due March 2025	(o)	**22**	563
Stg£ 350m Callable Fixed/Floating Rate Notes due November 2030	(p)	**31**	394
JPY 20bn Callable Step-up Fixed/Floating Rate Notes due March 2042	(q)	**184**	150
		3,996	4,261

Analysis of maturity dated loan capital	2010 € m	2009 € m
The dated loan capital outstanding is repayable as follows:		
In one year or less	**-**	-
Between 1 and 2 years	**-**	-
Between 2 and 5 years	**322**	-
In 5 years or more	**3,674**	4,261
	3,996	4,261

(1)The carrying value may differ to nominal value due to premia, discounts and note issue costs.

(2)In November 2009, the European Commission indicated that, in line with its policy on State Aid and pending its assessment of the AIB Restructuring Plan, the Group was not to make coupon payments on its tier 1 and tier 2 Capital instruments unless under a binding legal obligation to do so. As a result, no coupon payments were made on these instruments.

The loan capital of the Group and its subsidiaries is unsecured and is subordinated in right of payment to the ordinary creditors, including depositors, of the Group and its subsidiaries.

29 Subordinated liabilities and other capital instruments ***(continued)***

Undated loan capital - Allied Irish Banks, p.l.c.

(a) The US$ 100 million Floating Rate Primary Capital Perpetual Notes, with interest payable quarterly, have no final maturity but may be redeemed at par at the option of the Group, on each coupon payment date, with the prior approval of the Central Bank of Ireland ('the Central Bank').

(b) The € 200 million Fixed Rate Perpetual Subordinated Notes, with interest payable quarterly at a rate of 2.25% per annum above 3 month EURIBOR since 3 August 2009, have no final maturity but may be redeemed at the option of the Group, with the prior approval of the Central Bank, on each coupon payment date on or after 3 August 2009. At 31 December 2010, € 53.8 million remained outstanding following the redemption in June 2009 of € 146.2 million of the subordinated notes (note 6).

(c) The Stg£ 400 million Perpetual Callable Step-Up Subordinated Notes with interest payable annually up to 1 September 2015 and with interest payable quarterly thereafter, have no final maturity but may be redeemed at the option of the Group, with the prior approval of the Central Bank, on 1 September 2015 and every interest payment date thereafter. At 31 December 2010, Stg£ 58.6 million remained outstanding following the redemption in June 2009 of Stg£ 341.4 million of the subordinated notes (note 6).

Undated loan capital, subsidiary undertakings - perpetual preferred securities

The Fixed Rate/Floating Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities ('Preferred Securities') were issued through Limited Partnerships. The Preferred Securities were issued at par, have the benefit of a subordinated guarantee of Allied Irish Banks, p.l.c. ("AIB"), have no fixed final redemption date and the holders have no rights to call for the redemption of the Preferred Securities. The substitution of the Preferred Securities with fully paid non-cumulative preference shares issued by the Guarantor is subject, in particular cases, to certain events and conditions that are beyond the control of both the Guarantor and the holders of the Preferred Securities.

The distributions on the Preferred Securities are non-cumulative. The Board of Directors has the discretion not to pay a distribution on the Preferred Securities, unless the Preferred Securities no longer qualify as regulatory capital resources of AIB, and AIB is in compliance with its capital adequacy requirements.

In the event of the dissolution of the Limited Partnerships, holders of Preferred Securities will be entitled to receive a liquidation preference in an amount equal to the distributions that those holders would have received in a dissolution of AIB at that time, if they had held, instead of the Preferred Securities, non-cumulative preference shares issued directly by AIB, having the same liquidation preference as the Preferred Securities, and ranking junior to all liabilities of AIB including subordinated liabilities.

(d) The distributions on the Stg£ 350 million Preferred Securities ("LP3") are payable at a rate of 6.271% semi-annually until 14 June 2016 and thereafter at a rate of 1.23% per annum above 3 month LIBOR, payable quarterly.
The LP3 Preferred Securities are redeemable in whole but not in part at the option of the general partner and with the agreement of the Central Bank (i) upon the occurrence of certain events or (ii) on or after 14 June 2016.
At 31 December 2010, Stg£ 36.7 million remained outstanding following the redemption in June 2009 of Stg£ 313 million of the preferred securities (note 6).

(e) The distributions on the € 500 million Preferred Securities ("LP2") are payable at a rate of 5.142% per annum until 16 June 2016 and thereafter at a rate of 1.98% per annum above 3 month LIBOR, payable quarterly.
The LP2 preferred securities are redeemable in whole but not in part at the option of the general partner and with the agreement of the Central Bank (i) upon the occurrence of certain events or (ii) on or after 16 June 2016.
At 31 December 2010, € 95 million remained outstanding following the redemption in June 2009 of € 405 million of the preferred securities (note 6).

Dated loan capital

The dated loan capital in this section issued under the European Medium Term Note Programme is subordinated in right of payment to the ordinary creditors, including depositors, of the Group.

The Group redeemed certain of its subordinated liabilities and other capital instruments in both March 2010 and June 2009, details of which are set out in the following page and in note 6.

29 Subordinated liabilities and other capital instruments *(continued)*

(f) The US$ 400 million Floating Rate Notes★ with interest payable quarterly, may be redeemed, in whole but not in part, on any interest payment date falling on or after July 2010. The Group redeemed US$ 221.4 million of these notes in March 2010, leaving US$ 178.6 million outstanding following redemption (note 6).

(g) The € 400 million Floating Rate Notes★ with interest payable quarterly, may be redeemed, in whole but not in part, on any interest payment date falling on or after March 2010. The Group redeemed € 212.2 million of these notes in March 2010, leaving € 187.8 million outstanding following redemption (note 6).

(h) The € 500 million Callable Subordinated Step-Up Floating Rate Notes★ with interest payable quarterly may be redeemed in whole but not in part on any interest payment date falling on or after 24 October 2012. The Group redeemed € 332.5 million of these notes in March 2010, leaving € 167.5 million outstanding following redemption (note 6).

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(i) The € 419 million Subordinated Notes★ with interest paid annually in arrears, at a rate of 10.75% per annum until maturity in March 2017, may be redeemed at par, up to and including 29 March 2017.

(j) The US$ 177 million Subordinated Notes★ with interest paid annually in arrears, at a rate of 10.75% per annum until maturity in March 2017, may be redeemed at par, up to and including March 2017.

(k) The € 869 million Subordinated Notes★ with interest paid annually in arrears, at a rate of 12.5% per annum until maturity in June 2019, may be redeemed at par, on 25 June 2019.

(l) The Stg£ 368 million Subordinated Notes★ with interest paid annually in arrears, at a rate of 12.5% per annum until maturity in June 2019, may be redeemed at par, on 25 June 2019.

(m) The Stg£ 1,096 million Subordinated Debt Notes★ with interest paid annually in arrears, at a rate of 11.5% per annum until maturity in March 2022, may be redeemed at par, up to and including 29 March 2022.

(n) The Stg£ 700 million Callable Dated Subordinated Fixed/Floating Rate Notes★ with interest paid semi-annually in arrears, at a rate of 7.875% per annum until June 2018. The notes may be redeemed, in whole but not in part, on any quarterly interest payment date falling on or after June 2018 during which period the floating rate will be 3.5% above 3 month sterling Libor. The Group redeemed Stg£ 548.6 million of these notes in March 2010, leaving Stg£ 151.4 million outstanding following redemption (note 6).

(o) The Stg£ 500 million Subordinated Callable Fixed/Floating Rate Notes★ with interest payable annually, up to 10 March 2020 at a rate of 5.25% and with interest payable quarterly thereafter at a rate of 1.28% above 3 month sterling Libor may be redeemed, in whole but not in part on any interest payment date falling on or after 10 March 2020. The Group redeemed Stg£ 481 million of these notes in March 2010, leaving Stg£ 19 million outstanding following redemption (note 6).

(p) The Stg£ 350 million Callable Fixed/Floating Rate Notes★ with interest payable annually in arrears on 26 November in each year, at a rate of 5.625% up to November 2025. The notes may be redeemed, in whole but not in part, on the 26 November 2025 and on each interest payment date thereafter during which period the floating rate will be 1.45% above 3 month sterling Libor. The Group redeemed Stg£ 323.3 million of these notes in March 2010, leaving Stg£ 26.7 million outstanding following redemption (note 6).

(q) The Japanese Yen ("JPY") 20 billion Callable Subordinated Step-up Fixed/Floating Rate Notes★ with interest payable semi annually at a rate of 2.75% up to March 2037 and with interest payable semi annually thereafter at a rate of 0.78% above JPY Libor, are redeemable in whole but not in part on any interest payment date falling on or after 8 March 2037.

In all cases, redemption prior to maturity is subject to the necessary prior approval of the Central Bank.

The instruments denoted by★ were partially/fully exchanged for cash in January 2011 (note 38).

AIB

30 Share capital

	Authorised		Issued	
	2010 m	2009 m	**2010 m**	2009 m
Ordinary share capital				
Ordinary shares of € 0.32 each	**2,535.1**	1,860.0	**1,791.6**	918.4
Convertible non-voting shares of € 0.32 each	**10,489.9**	–	**10,489.9**	–
Preference share capital				
2009 Non cumulative preference shares of € 0.01 each	**3,500.0**	3,500.0	**3,500.0**	3,500.0
Non cumulative preference shares of € 1.27 each	**200.0**	200.0	**–**	–
Non cumulative preference shares of Stg£ 1 each	**200.0**	200.0	**–**	–
Non cumulative preference shares of US$ 25	**20.0**	20.0	**–**	–
Non cumulative preference shares of JPY 175	**200.0**	200.0	**–**	–

2010

(i) On 13 May 2010, Allied Irish Banks, p.l.c. issued 198,089,847 new ordinary shares, by way of a bonus issue, to the National Pension Reserve Fund Commission ("NPRFC") in lieu of a dividend of € 280 million which was payable on the 2009 Non-Cumulative Preference Shares. In accordance with AIB's Articles of Association an amount € 63 million equal to the nominal value of the shares issued was transferred from share premium to ordinary share capital.

(ii) On 23 December 2010, consequent upon a Direction Order under the Credit Institutions (Stabilisation) Act 2010 ('the Direction Order'), the Company increased its authorised share capital from € 884,200,000, US$ 500,000,000, Stg£ 200,000,000 and Yen 35,000,000,000 to € 4,457,002,371, US$ 500,000,000, Stg£ 200,000,000 and Yen 35,000,000,000, by the creation of 675,107,845 ordinary shares of € 0.32 each, such shares forming one class with the existing ordinary shares, and 10,489,564 convertible non-voting shares of € 0.32 each ("CNV Shares"), which ranked pari passu with the ordinary shares other than in respect of voting, and are convertible into ordinary shares on a one for one basis following completion of the disposal of the Company's 70.36% stake in Bank Zachodni WBK S.A. to Banco Santander ('the BZWBK disposal').

(iii) On 23 December 2010, consequent upon the Direction Order, the Company issued 675,107,845 new ordinary shares and 10,489,564 CNV shares to the NPRFC.

(iv) On 1 April 2011, the Company completed the sale of its stake in Bank Zachodni WBK S.A. and, accordingly, on 7 April 2011, the NPRFC issued a Conversion Order to convert all of its CNV shares into Ordinary Shares. The conversion was completed on 8 April 2011, bringing the NPRFC total holding of the Company's Ordinary Shares to 11,366,120,185, which equates to 92.8% of the total issued ordinary share capital.

Total gross proceeds from the issue before costs of € 65.9 million amounted to € 3,818.4 million. Warrants with a carrying value of € 150 million relating to the 2009 recapitalisation which were held by the NPRFC were cancelled on 23 December 2010 for € 52.5 million from the proceeds of the share issue. The difference between the carrying value of the warrants and the consideration for cancellation was transferred as a credit of € 97.5 million to revenue reserves.

2009

On 13 May 2009, the authorised share capital of Allied Irish Banks, p.l.c. was increased by the creation of (i) 700,000,000 new ordinary shares of € 0.32 each and (ii) 3,500,000,000 non-cumulative preference shares of € 0.01 each.

Allied Irish Banks, p.l.c. issued to the NPRFC 3,500,000,000 preference shares of € 0.01 (the '2009 Preference Shares') giving rise to the receipt of € 3,500 million, before costs, of which € 35 million is recorded in the share capital; € 3,315 million is recorded in share premium; and € 150 million is recorded in other equity interests (note 32), representing the fair value of the warrants issued to the NPRFC as an integral part of the investment by the NPRFC.

The following tables show the movements within the relevant captions of share capital during the year:

Issued share capital	**2010 € m**	2009 € m
Ordinary share capital as at 1 January	**294**	294
Issued during year:		
– Ordinary shares in lieu of dividend on 2009 Preference Shares	**63**	–
– Ordinary shares issued under Direction Order	**216**	–
	279	–
Convertible non-voting share capital issued under Direction Order	**3,357**	–
2009 Preference Share capital – 3.5 billion shares at € 0.01 each	**35**	35
	3,965	329

30 Share capital *(continued)*

Share premium	**2010 € m**	2009 € m
Share premium as at 1 January	**4,975**	1,693
2009 Preference Shares:		
Excess of issue price over the nominal value	**-**	3,315
Issue costs	**-**	(33)
	-	3,282
Transfer to ordinary share capital in respect of ordinary shares issued in lieu of dividend on 2009 Preference Shares	**(63)**	-
Ordinary shares issued for consideration:		
Excess of issue price over the nominal value	**40**	-
Issue costs	**(6)**	-
	(29)	-
Convertible non-voting shares issued for consideration:		
Excess of issue price over the nominal value	**205**	-
Issue costs	**(62)**	-
	143	-
	5,089	4,975

Structure of the Company's share capital as at 31 December 2010	**Authorised share capital %**	**Issued share capital %**
Class of share		
Ordinary share capital	**15**	**14**
Convertible non-voting shares	**62**	**85**
2009 Preference Shares	**23**	**1**

Capital resources

The following table shows the Group's capital resources at 31 December 2010 and 31 December 2009.

	2010 € m	2009 € m
Shareholders' equity[(1)]	**3,659**	10,709
Non-controlling interests in subsidiaries	**690**	626
Perpetual preferred securities	**138**	136
Undated capital notes	**197**	189
Dated capital notes	**3,996**	4,261
Total capital resources	**8,680**	15,921

[(1)]Includes other equity interests.

31 Own shares

Treasury shares

The details of ordinary shares previously purchased under shareholder authority, and held as Treasury Shares are as follows:

	2010	2009
At 31 December	**35,680,114**	35,680,114

Since 2008, the company has not reissued any ordinary shares from its pool of Treasury Shares.

Employee share schemes and trusts

The Group sponsors a number of employee share plans whereby purchases of shares are made in the open market to satisfy commitments under the schemes.

At 31 December 2010, 1.7 million shares (2009 1.7 million) were held by trustees with a book value of € 24.9 million (2009: € 24.1 million), and a market value of € 0.5 million (2009: € 2.1 million). The book value is deducted from the profit and loss account reserve while the shares continue to be held by the Group.

The Group sponsors SAYE schemes for eligible employees in the UK, the Isle of Man and Channel Islands. The trustees of the schemes have borrowed funds from Group companies, interest free, to enable them to purchase Allied Irish Banks, p.l.c. ordinary shares in the open market. These shares are used to satisfy commitments arising under the schemes. The trustees receive dividends on the shares which are used to meet the expenses. The cost of providing these shares is charged to the income statement on a systematic basis over the period that the employees are expected to benefit. At 31 December 2010, 1.5 million shares (2009: 1.5 million) were held by the trustees with a book value of € 22.5 million (2009: € 21.8 million) and a market value of € 0.4 million (2009: € 1.8 million).

In 2001, the AIB Group Employee Share Trust was established to satisfy commitments arising under the AIB Group Long-Term Incentive Plan ("LTIP"). Funds were provided to the trustees to enable them to purchase Allied Irish Banks, p.l.c. ordinary shares in the open market. The trustees have waived their entitlement to dividends. At 31 December 2010, 0.01 million shares (2009: 0.01 million shares) were held by the trustees with a book value of € 0.1 million (2009: € 0.1 million) and a market value of € 0.004 million (2009: € 0.02 million).

At 31 December 2010, 0.2 million (2009: 0.2 million) ordinary shares were held by the trust with a cost of € 2.3 million (2009: € 2.2 million) and a market value of € 0.1 million (2009: € 0.3 million) in relation to the Allfirst Stock Option Plans.[1]

Subsidiary companies

Certain subsidiary companies may hold shares in AIB for customer facilitation and in the normal course of business. At the end of 2010, Nil shares (2009: 1.7 million shares) were held for this purpose. The cost of purchasing these shares is deducted from the profit and loss account reserve. These shares were held by Goodbody Stockbrokers which was derecognised at 31 December 2010.

The accounting treatment is not intended to affect the legal characterisation of the transaction or to change the situation at law achieved by the parties to it. Thus, the inclusion of the shares as a deduction against shareholders' funds on the Group statement of financial position does not imply that they have been purchased by the company as a matter of law.

[1]Prior to its disposal to M&T Bank Corporation, Allfirst Financial, Inc. sponsored the Allfirst Stock Option Plans, for the benefit of key employees of Allfirst.

32 Other equity interests	**2010 € m**	2009 € m
Reserve capital instruments (“RCI”)	**239**	497
Redemption of RCI *(note 6)*	**–**	(258)
Fair value of warrants attaching to 2009 Preference Shares	**150**	150
Cancellation of warrants	**(150)**	–
	239	389

In February 2001, Reserve Capital Instruments (“RCIs”) of € 500 million were issued by Allied Irish Banks, p.l.c. at an issue price of 100.069%. The RCIs are perpetual securities and have no maturity date. The RCIs are redeemable, in whole but not in part, at the option of the Bank and with the agreement of the Central Bank (i) upon the occurrence of certain events, or (ii) on or after 28 February 2011, an authorised officer having reported to the Trustees within the previous six months that a solvency condition is met.

The RCIs bear interest at a rate of 7.50% per annum from (and including) 5 February 2001 to (and including) 28 February 2011 and thereafter at 3.33% per annum above three month EURIBOR, reset quarterly.

At 31 December 2009, € 239 million remained outstanding following the redemption in June 2009 of € 258 million of the RCI (note 6).

The rights and claims of the RCI holders and the coupon holders are subordinated to the claims of the senior creditors and the senior subordinated creditors of the issuer. In the event of a winding up of the issuer, the RCI holders will rank *pari passu* with the holders of the classes of preference shares (if any) from time to time issued by the issuer and in priority to all other shareholders. The coupon on the RCI which was due to be paid on 28 February 2010 was not paid.

On 23 December 2010, the Warrants held by the National Pensions Reserve Fund Commission attaching to the 2009 Preference Shares were cancelled for a total consideration of € 52.5 million. The balance of € 97.5 million remaining in the Warrants account, was transferred to revenue reserves.

33 Non-controlling interests in subsidiaries	**2010 € m**	2009 € m
Equity interest in subsidiaries	**501**	437
Non-cumulative Perpetual Preferred Securities	**189**	189
	690	626

Non-cumulative Perpetual Preferred Securities

The € 1 billion Fixed Rate/Floating Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities (‘Preferred Securities’) were issued through a Limited Partnership (“LPI”) at par and have the benefit of a subordinated guarantee of Allied Irish Banks, p.l.c. (“AIB”). The Preferred Securities have no fixed final redemption date and the holders have no rights to call for the redemption of the Preferred Securities. At 31 December 2009, € 189 million remained outstanding following the redemption in June 2009 of € 801 million of the Preferred Securities (note 6).

The Preferred Securities are redeemable in whole but not in part at the option of the general partner and with the agreement of the Central Bank (i) upon the occurrence of certain events, or (ii) on or after 17 December 2014, subject to the provisions of the Limited Partnership Act, 1907.

Distributions on the Preferred Securities are non-cumulative. The distributions are payable at a rate of 4.781% per annum up to 17 December 2014 and thereafter at the rate of 1.10% per annum above 3 month EURIBOR, reset quarterly. The discretion of the Board of Directors of AIB to resolve that a distribution should not be paid is unfettered. The coupon on the Preferred Securities which was due to be paid on 17 December 2010 was not paid.

In the event of the dissolution of the Limited Partnership, holders of Preferred Securities will be entitled to receive a liquidation preference in an amount equal to the distributions that those holders would have received in a dissolution of AIB at that time, if they had held, instead of the Preferred Securities, non-cumulative preference shares issued directly by AIB, having the same liquidation preference as the Preferred Securities, and ranking junior to all liabilities of AIB including subordinated liabilities.

AIB

34 Memorandum items: contingent liabilities and commitments, and contingent assets

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk to meet the financing needs of customers.

These instruments involve, to varying degrees, elements of credit risk which are not reflected in the consolidated statement of financial position. Credit risk is defined as the possibility of sustaining a loss because the other party to a financial instrument fails to perform in accordance with the terms of the contract.

The Group's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and risk management policies in undertaking off-balance sheet commitments as it does for on balance sheet lending.

The following tables give, for the Group, the nominal or contract amounts of contingent liabilities and commitments.

	Contract amount	
	2010	2009
	€ m	€ m
Contingent liabilities[1]		
Guarantees and assets pledged as collateral security:		
Guarantees and irrevocable letters of credit	**3,360**	6,232
Other contingent liabilities	**732**	735
	4,092	6,967
Commitments[2] [3]		
Documentary credits and short-term trade-related transactions	**80**	73
Undrawn note issuance and revolving underwriting facilities	**1**	1
Undrawn formal standby facilities, credit lines and other commitments to lend:		
Less than 1 year	**8,820**	9,538
1 year and over	**5,543**	7,568
	14,444	17,180
	18,536	24,147
Of which:		
Continuing operations	**16,818**	22,386
Discontinued operations	**1,718**	1,761
	18,536	24,147

[1]Contingent liabilities are off-balance sheet products and include guarantees, standby letters of credit and other contingent liability products such as performance bonds.

[2]A commitment is an off-balance sheet product, where there is an agreement to provide an undrawn credit facility. The contract may or may not be cancelled unconditionally at any time without notice depending on the terms of the contract.

[3]Of which € 3 million (2009: € 252 million) are commitments relating to financial assets held for sale to NAMA.

34 Memorandum items: contingent liabilities and commitments, and contingent assets ***(continued)***

	Contingent liabilities		Commitments	
	2010 € m	2009 € m	**2010 € m**	2009 € m
Concentration of exposure				
Republic of Ireland	**1,110**	1,171	**9,743**	11,570
United Kingdom	**569**	889	**1,872**	2,068
Poland	**298**	213	**1,420**	1,548
United States of America	**2,098**	4,678	**1,226**	1,513
Rest of the world	**17**	16	**183**	481
Total	**4,092**	6,967	**14,444**	17,180

There exists a contingent liability to repay in whole or in part grants received on equipment leased to customers if certain events set out in the agreements occur.

The credit rating of contingent liabilities and commitments as at 31 December 2010 is set out in the following table. Details of the Group's rating profiles and masterscale ranges are set out in note 23.

Masterscale grade

Group	**2010 € m**	2009 € m
1 to 3	**7,003**	7,723
4 to 10	**7,218**	11,216
11 to 13	**1,628**	813
Unrated	**2,687**	4,395
	18,536	24,147

Legal Proceedings

AIB Group is not, nor has been involved in, nor are there, so far as the Company is aware, pending or threatened by or against AIB Group any legal or arbitration proceedings, including governmental proceedings, which may have, or have had during the previous twelve months, a significant effect on the financial position or profitability of AIB Group.

Contingent liability/contingent asset – NAMA

(a) On 17 December 2010, part of the final tranche of loans with a net carrying value of € 6,829 million was transferred to NAMA. An aggregate discount of 60 per cent. was applied to the gross carrying value of the loans (note 7). This transfer was not subject to due diligence at that time but will take place in 2011 which will set the final haircut for this transfer. However, it is not expected that the final discount will differ materially from the 60 per cent.
Under NAMA legislation, an institution can formally raise an objection to the portfolio acquisition value specified in the acquisition schedule. As the timing of any formal objection is unknown at this time but is not expected to be completed until 2012, this may result in an inflow of economic benefit to the Group.

(b) In addition, AIB provided for a constructive obligation in respect of loans due to transfer to NAMA in 2011. The discount applied to the expected transfer was 60 per cent. based on previous experience and statements from the Irish Minister for Finance.
If the discount ultimately proves to be lower/higher than the 60 per cent. provided, an inflow/outflow of economic benefits may result to AIB.

34 Memorandum items: contingent liabilities and commitments, and contingent assets *(continued)*

TARGET 2 – Gross settlement system

Allied Irish Banks, p.l.c. migrated to the TARGET 2 system during 2008. TARGET 2, being the wholesale payment infrastructure for credit institutions across Europe, is a real time gross settlement system for large volume interbank payments in euro. The following disclosures relate to the charges arising as a result of the migration to TARGET 2.

On 15 February 2008, a first floating charge was placed in favour of the Central Bank of Ireland ('the Central Bank') over all Allied Irish Banks, p.l.c.'s right, title, interest and benefit, present and future, in and to: (i) the balances now or at any time standing to the credit of Allied Irish Banks, p.l.c.'s account held as a TARGET 2 participant with the Central Bank ('the Charged Property'); and (ii) certain segregated securities ('the Charged Property') listed in an Eligible Securities Schedule kept by Allied Irish Banks, p.l.c. for the purpose of participating in TARGET 2.

These floating charges contain a provision whereby during the subsistence of the security, otherwise than with the prior written consent of the Central Bank , Allied Irish Banks, p.l.c. shall:

(a) not create or attempt to create or permit to arise or subsist any encumbrance on or over the charged property or any part thereof; or

(b) not, otherwise than in the ordinary course of business, sell, transfer, lend or otherwise dispose of the charged property or any part thereof or attempt or agree to do so whether by means of one or a number of transactions related or not and whether at one time or over a period of time.

35 Statement of cash flows

Analysis of cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition:

	2010 € m	2009 € m
Cash and balances at central banks	**3,686**	4,382
Loans and receivables to banks[1]	**1,875**	7,685
Short term investments	**151**	-
	5,712	12,067

[1]Includes € 7 million in relation to mortgage business in AmCredit which is included in disposal groups and non-current assets held for sale.

The Group is required to maintain balances with the Central Bank which amounted to € 118 million at 31 December 2010 (2009: € 124 million).

The Group is required by law to maintain reserve balances with the Bank of England, the National Bank of Poland and with central banks in Latvia, Lithuania and Estonia. At 31 December 2010 these amounted to € 1,630 million (2009: € 1,928 million).

36 Financial and other information	2010	2009
Operating ratios		
Operating expenses/operating income[1][2]	**73.6%**	43.7%
Other income/operating income[1][2]	**17.7%**	17.5%
Rates of exchange		
€ /US$		
Closing	**1.3362**	1.4406
Average	**1.3259**	1.3947
€ /Stg£		
Closing	**0.8608**	0.8881
Average	**0.8578**	0.8908
€ /PLN		
Closing	**3.9750**	4.1045
Average	**3.9943**	4.3269

[1]Excludes gain on redemption of subordinated liabilities and the loss on transfer of financial instruments to NAMA.

[2]Relates to continuing operations only.

	Assets		Liabilities	
Currency information	**2010 € m**	2009 € m	**2010 € m**	2009 € m
Euro	**94,328**	104,363	**104,297**	103,952
Other	**50,894**	69,951	**40,925**	70,362
	145,222	174,314	**145,222**	174,314

37 Average balance sheets and interest rates

The following table shows interest rates prevailing at 31 December 2010 together with average prevailing interest rates, gross yields, spreads and margins for the years ended 31 December 2010 and 2009.

Interest rates	As at 31 December 2010 %	Average interest rates for Years ended 31 December 2010 %	2009 %
Ireland			
AIB Group's prime lending rate	**1.38**	**1.38**	1.48
European inter-bank offered rate			
One month euro	**0.78**	**0.81**	0.45
Three month euro	**1.01**	**1.02**	0.72
United Kingdom			
AIB Group's base rate	**0.50**	**0.50**	0.65
London inter-bank offered rate			
One month sterling	**0.65**	**0.65**	0.50
Three month sterling	**0.80**	**0.80**	0.63
Poland			
One month zloty	**3.52**	**3.52**	3.48
United States			
Prime rate	**3.25**	**3.25**	3.25

Gross yields, spreads and margins[1]	2010	2009
Gross yield[2]		
Group	**3.40**	3.77
Domestic	**2.83**	3.19
Foreign	**3.95**	4.11
Continuing operations[5]	**3.16**	3.57
Interest rate spread[3]		
Group	**1.30**	1.73
Domestic	**0.63**	1.17
Foreign	**2.14**	2.00
Continuing operations[5]	**1.12**	1.65
Net interest margin[4] :		
Group	**1.49%**	1.92%
Domestic	**1.02%**	1.81%
Foreign	**2.57%**	2.21%
Continuing operations[5]	**1.31%**	1.84%

Average interest earning assets	2010 € m	2009 € m
Group	**153,551**	168,139
Domestic	**107,437**	120,424
Foreign	**46,114**	47,715
Continuing operations[5]	**141,093**	156,439

[1]The gross yields, spreads and margins presented in this table are extracted from the average balance sheets and interest rates on the following pages and this breakdown into domestic and foreign has been compiled on the basis of location of office.

[2]Gross yield represents the average interest rate earned on interest earning assets.

[3]Interest rate spread represents the difference between the average interest rate earned on interest earning assets and the average interest rate paid on interest bearing liabilities.

[4]Net interest margin represents net interest income as a percentage of average interest earning assets. Net interest margin is presented on a total Group basis and includes both continuing and discontinued operations.

[5]Continuing operations include both domestic and foreign offices.

37 Average balance sheets and interest rates *(continued)*

The following tables show the average balances and interest rates of interest earning assets and interest bearing liabilities for the years ended 31 December 2010 and 2009. The calculation of average balances include daily and monthly averages for reporting units. The average balances used are considered to be representative of the operations of the Group. The average balance sheet is presented on a total Group basis and includes both continuing and discontinued operations.

	Year ended 31 December 2010			Year ended 31 December 2009		
Assets	**Average balance €m**	**Interest €m**	**Average rate %**	Average balance €m	Interest €m	Average rate %
Loans and receivables to customers[1]						
Domestic offices	**80,899**	**2,398**	**3.0**	90,347	2,973	3.3
Foreign offices	**36,037**	**1,501**	**4.2**	38,117	1,636	4.3
Trading portfolio financial assets						
Domestic offices	**54**	**1**	**1.9**	163	2	1.2
Foreign offices	**588**	**22**	**3.7**	190	11	5.8
Loans and receivables to banks						
Domestic offices	**4,264**	**32**	**0.8**	5,044	69	1.4
Foreign offices	**4,039**	**35**	**0.9**	3,966	34	0.9
NAMA senior bonds						
Domestic offices	**2,230**	**29**	**1.3**	–	–	–
Financial investments available for sale						
Domestic offices	**19,990**	**590**	**2.9**	24,870	796	3.2
Foreign offices	**3,906**	**172**	**4.4**	3,949	192	4.9
Financial investments held to maturity						
Foreign offices	**1,544**	**91**	**5.9**	1,493	87	5.8
Average interest earning assets						
Domestic offices	**107,437**	**3,050**	**2.8**	120,424	3,840	3.2
Foreign offices	**46,114**	**1,821**	**3.9**	47,715	1,960	4.1
Net interest on swaps		**366**			538	
Total average interest earning assets	**153,551**	**5,237**	**3.4**	168,139	6,338	3.8
Non-interest earning assets	**9,974**			13,073		
Total average assets	**163,525**	**5,237**	**3.2**	181,212	6,338	3.5
Percentage of assets applicable to foreign activities			**31.4**			30.1

[1]Includes loans and receivables held for sale to NAMA as at 31 December 2010 and 31 December 2009.

37 Average balance sheets and interest rates *(continued)*

	2010			2009		
Liabilities & shareholders' equity	**Average balance € m**	**Interest € m**	**Average rate %**	Average balance € m	Interest € m	Average rate %
Due to banks						
Domestic offices	**35,402**	**368**	**1.0**	34,379	437	1.3
Foreign offices	**2,718**	**38**	**1.4**	4,947	64	1.3
Due to customers						
Domestic offices	**43,827**	**924**	**2.1**	49,254	929	1.9
Foreign offices	**27,999**	**541**	**1.9**	27,385	623	2.3
Other debt issued						
Domestic offices	**21,533**	**650**	**3.0**	21,610	589	2.7
Foreign offices	**3,738**	**47**	**1.3**	9,668	188	1.9
Subordinated liabilities						
Domestic offices	**4,284**	**382**	**8.9**	3,783	248	6.6
Foreign offices	**127**	**–**	**–**	844	27	3.2
Average interest earning liabilities						
Domestic offices	**105,046**	**2,324**	**2.2**	109,026	2,203	2.0
Foreign offices	**34,582**	**626**	**1.8**	42,844	902	2.1
Total average interest earning liabilities	**139,628**	**2,950**	**2.1**	151,870	3,105	2.0
Non-interest earning liabilities	**15,972**			19,501		
Total average liabilities	**155,600**	**2,950**	**1.9**	171,371	3,105	1.8
Shareholders' equity	**7,925**			9,841		
Total average liabilities and shareholders' equity	**163,525**	**2,950**	**1.8**	181,212	3,105	1.7
Percentage of liabilities applicable to foreign operations			**24.4**			27.0

37 Average balance sheets and interest rates *(continued)*

The following table allocates changes in net interest income between volume and rate for the year ended 31 December 2010 compared with the year ended 31 December 2009 and the year ended 31 December 2009 compared with the year ended 31 December 2008. Volume and rate variances have been calculated based on the movements in average balances over the period and changes in interest rates on average interest earning assets and average interest bearing liabilities respectively. Changes due to a combination of volume and rate are allocated ratably to volume and rate.

	December 2010 over December 2009			December 2009 over December 2008		
	Increase/(decrease) due to changes in					
	Average Volume €m	**Average Rate €m**	**Net Change €m**	Average Volume €m	Average Rate €m	Net Change €m
Interest earning assets						
Trading portfolio financial assets						
Domestic offices	**(1)**	**–**	**(1)**	(175)	(7)	(182)
Foreign offices	**23**	**(12)**	**11**	(10)	5	(5)
Loans and receivables to banks						
Domestic offices	**(11)**	**(26)**	**(37)**	(124)	(123)	(247)
Foreign offices	**1**	**–**	**1**	122	(192)	(70)
Loans and receivables to customers[(1)]						
Domestic offices	**(311)**	**(264)**	**(575)**	42	(2,431)	(2,389)
Foreign offices	**(89)**	**(46)**	**(135)**	(368)	(1,008)	(1,376)
NAMA senior bonds						
Domestic offices	**29**	**–**	**29**	–	–	–
Financial investments available for sale						
Domestic offices	**(156)**	**(50)**	**(206)**	132	(335)	(203)
Foreign offices	**(2)**	**(18)**	**(20)**	(38)	(17)	(55)
Financial investments held to maturity						
Foreign offices	**3**	**1**	**4**	62	(1)	61
Total interest income	**(514)**	**(415)**	**(929)**	(357)	(4,109)	(4,466)
Interest bearing liabilities						
Due to banks						
Domestic offices	**13**	**(82)**	**(69)**	305	(1,102)	(797)
Foreign offices	**(29)**	**3**	**(26)**	55	(137)	(82)
Due to customers						
Domestic offices	**(102)**	**97**	**(5)**	107	(704)	(597)
Foreign offices	**14**	**(96)**	**(82)**	(137)	(573)	(710)
Other debt issued						
Domestic offices	**(2)**	**63**	**61**	(171)	(332)	(503)
Foreign offices	**(115)**	**(26)**	**(141)**	(386)	(199)	(585)
Subordinated liabilities						
Domestic offices	**33**	**101**	**134**	(20)	71	51
Foreign offices	**(23)**	**(4)**	**(27)**	(1)	(24)	(25)
Total interest expense	**(211)**	**56**	**(155)**	(248)	(3,000)	(3,248)
Net interest income						
Domestic offices	**(392)**	**(519)**	**(911)**	(346)	(829)	(1,175)
Foreign offices	**89**	**48**	**137**	237	(280)	(43)
Net interest income (interest earning assets and interest bearing liabilities)	**(303)**	**(471)**	**(774)**	(109)	(1,109)	(1,218)
Net interest on swaps			**(172)**			584
Net interest income			**(946)**			(634)

[(1)]Includes loans and receivables held for sale to NAMA at 31 December 2010 and 31 December 2009.

38 Non-adjusting events after the reporting period

The following are the significant non-adjusting events that have taken place since 31 December 2010:

Liability management exercise

On 13 January 2011, AIB offered to purchase for cash at 30 per cent. of their face value, lower tier 2 securities (subordinated debt) with a nominal value of € 3.9 billion. On 24 January 2011, the Board approved tender offers for approximately € 2 billion of these lower tier 2 securities. In addition, € 0.2 billion was exchanged for cash in a private placement. These transactions gave rise to a gain of c. € 1.5 billion, increased core tier 1 capital by € 1.5 billion and will be reflected as profit in the 2011 financial statements.

Causeway Securities p.l.c., Clogher Securities Limited and Wicklow Gap Limited

On 17 January 2011 Causeway Securities p.l.c. notes, on 21 February 2011 Clogher Securities Limited notes and on 6 April 2011 Wicklow Gap Limited notes were redeemed in full. This had no material financial effect on the Group.

Listing status

On 25 January 2011, AIB ceased trading on the Main Securities Market ("MSM") of the Irish Stock Exchange and the London Stock Exchange and was listed on the Enterprise Securities Market ("ESM") of the Irish Stock Exchange, prior to market opening on 26 January 2011. The move to the ESM should not impact shareholders' ability to buy or sell shares.

Deferral of coupon payment

During 2009, the EC indicated that, in line with its policy and pending its assessment of the Group restructuring plan, the Group should not make coupon payments on its tier 1 and tier 2 capital instruments unless under a binding legal obligation to do so. The Group agreed to this request by the EC and no distributions were made during 2010 on certain instruments.

The deferral of coupon payments continues to be effective and a number of coupon payments have not been made in 2011. The coupon amounting to $ 0.2 million which is cumulative on the US$ 100 million Floating Rate Primary Capital Perpetual Notes was due to be paid on 31 January 2011. The coupon amounting to € 0.5 million which is cumulative on the € 200 million Fixed Rate Perpetual Subordinated Notes was due to be paid on 3 February 2011. The coupon amounting to € 18 million on the RCIs (see note 32) which is non-cumulative was due to be paid on the 28 February 2011.

The above impacted core tier 1 capital.

Completion of the disposal of BZWBK

On 24 February 2011, AIB announced that it had accepted the tender offer of Banco Santander S.A. for shares in Bank Zachodni WBK ("BZWBK") in respect of its entire shareholding of 51,413,790 shares representing 70.36 per cent. of the share capital of BZWBK. The sale completed on 1 April 2011. The proceeds on sale amounting to € 3.1 billion gave rise to a profit on disposal of approximately € 1.6 billion. The equivalent core tier 1 impact for AIB Group arising from the disposal is approximately € 2.3 billion.

Transfer of business from Anglo Irish Bank

On 24 February 2011, AIB announced, pursuant to the Transfer order (under the Credit Institutions (Stabilisation) Act 2010) issued by the High Court, the immediate transfer of € 7.1 billion deposits and € 12.2 billion NAMA senior bonds from Anglo Irish Bank to AIB. AIB also announced the transfer of Anglo Irish Bank Corporation (International) PLC in the Isle of Man, including customer deposits of c. € 1.5 billion, to AIB by way of a share sale. A capital contribution of c. € 1.5 billion was generated on the date of the transaction.

Transfer of loans to NAMA

On 4 March 2011, AIB transferred a tranche of loans and receivables to NAMA which were included in 'financial assets held for sale to NAMA' in the statement of financial position at 31 December 2010. The carrying value net of provisions of the assets transferred amounted to € 0.8 billion, with the proceeds on sale amounting to € 0.4 billion giving rise to a loss on disposal of € 0.4 billion. This loss had been fully provided for at 31 December 2010.

38 Non-adjusting events after the reporting period *(continued)*

Financial Measures Programme/Government restructuring of Irish domestic banks

On 31 March 2011, the Central Bank published the Financial Measures Programme Report which details the outcome of its review of the capital (PCAR) and funding (PLAR) requirements of domestic Irish banks. The main features of this report as impacting on AIB are as follows:

- a minimum capital target of 10.5% core tier 1 in the base scenario, and a 6% core tier 1 in the stress scenario, plus an additional protective buffer;
- a target loan to deposit ratio of 122.5% by 2013 through a combination of run-off and disposal of non-core assets;
- AIB will have to raise total equity capital of € 13.3 billion (€ 10.5 billion plus € 2.8 billion capital buffer) of which € 1.4 billion may be in the form of contingent capital.

Following on this report, the Minister for Finance announced on 31 March 2011 a restructuring of the Irish banking system. This restructuring revolves around two pillar banks, with AIB and EBS merging in the coming months (subject to State aid and regulatory approvals) to form one of these pillar banks. The non-core division of the combined entity will be required to deleverage assets to achieve the target loan to deposit ratio.

The Government has signalled its support for the recapitalisation of the Irish banks, which in total amounts to € 24 billion, to ensure that the Irish banking system is returned to health. It has also signalled that it will seek direct contributions to solving the capital issues of the banking system by requiring further significant contributions from other sources, including from subordinated debt holders, by the sale of assets to generate capital and where possible, by seeking private sector investors. In its announcement, the Government reconfirmed that all deposits remain fully guaranteed by the State under the deposit guarantee scheme and the ELG scheme.

Specific details of the recapitalisation will be worked out in the coming weeks.

Replacement of investment manager of CDO funds

On 31 March 2011, the Group completed the sale of its collateral management business and it was replaced as the investment manager of the CDO funds. This had no material financial effect on the Group.

Conversion of CNV shares

On 8 April 2011, the NPRFC as holder of 10,489,899,564 CNV shares, converted these shares into 10,489,899,564 ordinary shares of Allied Irish Banks, p.l.c. in accordance with the Company's Articles of Association. This conversion resulted in the NPRFC increasing its holding in the ordinary shares of the Company to 92.8%.

39 Approval of accounts

The Annual Financial Report was approved by the Board of Directors on 11 April 2011.

Glossary

AIB

ABS — Asset backed securities are securities which are collateralised by income producing assets other than mortgage loans. They are typically structured in tranches of differing credit qualities. Some common types of asset backed securities are those backed by credit card receivables, home equity loans and car loans.

Arrears — Arrears relates to any interest or principal on a loan which was due for payment, but where payment has not been received.

Buy to let — A residential mortgage loan approved for the purpose of purchasing a residential investment property to rent out.

CBOs/CDOs — A collateralised bond obligation ("CBO")/collateralised debt obligation ("CDO") is an investment vehicle (generally an SPE) which allows third party investors to make debt and/or equity investments in a vehicle containing a portfolio of loans and bonds with certain common features. In the case of synthetic CBOs/CDOs the risk is backed by credit derivatives instead of the sale of assets (cash CBOs/CDOs).

Commercial paper (CP) — Commercial Paper is similar to a deposit and is a relatively low-risk, short-term, unsecured promissory note traded on money markets issued by companies or other entities to finance their short-term expenses. In the USA, commercial paper matures within 270 days maximum, while in Europe, it may have a maturity period of up to 365 days; although maturity is commonly 30 days in the USA and 90 days in Europe.

Commercial property — Commercial Property – focuses primarily on the following property segments:
a) Apartment complexes;
b) Develop to sell;
c) Office projects;
d) Retail projects;
e) Hotels; and
f) Selective mixed-use projects and special purpose properties.

Contractual maturity — The period when a scheduled payment is due and payable in accordance with the terms of a financial instrument.

Core tier 1 capital — Called-up share capital and eligible reserves plus equity non-controlling interests, less goodwill, intangible assets and deductions as specified by the Central Bank.

Credit default swaps — An agreement between two parties whereby one party pays the other a fixed coupon over a specified term. The other party makes no payment unless a specified credit event such as a default occurs, at which time a payment is made and the swap terminates. Credit default swaps are typically used by the purchaser to provide credit protection in the event of default by a counterparty.

Credit derivatives — Financial instruments with which credit risk connected with loans, bonds or other risk-weighted assets or market risk positions is transferred to counterparties providing credit protection. The credit risk might be the exposure inherent in a financial asset such as a loan or might be generic credit risk such as the bankruptcy risk of an entity.

Credit risk — The risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

Credit risk spread — Credit spread can be defined as the difference in yield between a given security and a comparable benchmark government security or the difference in value of two securities with comparable maturity and yield but different credit qualities. It gives an indication of the issuer's or borrower's credit quality.

Criticised loans — Loans requiring additional management attention over and above that normally required for the loan type.

Customer accounts — A liability of the Group where the counterparty to the financial contract is typically a personal customer, a corporation (other than a financial institution) or the government. This caption includes various types of deposits and credit current accounts, all of which are unsecured.

Glossary

Debt restructuring	This is the process whereby customers in arrears, facing cash flow or financial distress renegotiate the terms of their loan agreements in order to improve the likelihood of repayment. Restructuring may involve altering the terms of a loan agreement including a partial writedown of the balance. In certain circumstance, the loan balance may be swapped for equity in the counterparty.
Default	When a customer breaches a term and/or condition of a loan agreement, a loan is deemed to be in default for case management purposes. Depending on the materiality of the default, if left unmanaged it can lead to loan impairment. Default is also used in Basel II context when a loan is either 91+ days past due or impaired, and may require additional capital to be set aside.
Earnings constraint	Within AIB, market risk portfolios are controlled from a risk (using VaR limits) and financial perspective. The Earnings Constraint is the Group's primary financial limit. It is an expression of the Group's tolerance for gross income loss in any financial period (i.e. utilisation against the Earnings Constraint Limit is based on cumulative gross income in each half year).
Delinquency	Failure by a customer to repay an obligation when due or as agreed. In the case of loans and credit cards, this will be when a payment of either capital and/or interest is 1 day or more overdue. In the case of an overdraft it is delinquent if an excess over an approved limit appears for 1 day or more.
Economic capital	The amount of capital which the bank needs to protect against extreme losses from a material risk it is running (e.g. credit risk, market risk). It is based on internally developed calculation methodology and estimates, as opposed to regulatory capital which uses a methodology determined by the Basel Accord and imposed by the Regulator.
Exposure at Default	The EAD is the expected or actual amount of exposure to the borrower at the time of default.
First/ Second lien	Where a property or other security is taken as collateral for a loan, first lien holders are paid before all other claims on the property. Second lien holders are subordinate to the rights of first lien holders to a property security.
Funded/ unfunded exposures	Funded: Loans, advances or debt securities where funds have been given to a debtor with an obligation to repay at some future date and on specific terms. Unfunded: Unfunded exposures are those where funds have not yet been advanced to a debtor, but where a commitment exists to do so at a future date or event.
General Government Debt	General government gross debt according to the convergence criteria set out in the Maastricht Treaty comprises currency, bills and short- term bonds, other short- term loans and other medium- and long- term loans and bonds, defined according to ESA 95.
Home loan	A loan secured by a mortgage on the primary residence or second home of a borrower.
Impaired loans	Loans are typically reported as impaired when interest thereon is 91 days or more past due or where a provision exists in anticipation of loss, except: (i) where there is sufficient evidence that repayment in full, including all interest up to the time of repayment (including costs) will be made within a reasonable and identifiable time period, either from realisation of security, refinancing commitment or other sources; or (ii) where there is independent evidence that the balance due, including interest, is adequately secured. Upon impairment the accrual of interest income based on the original terms of the claim is discontinued but the increase of the present value of impaired claims due to the passage of time is reported as interest income.
IRBA	The Internal Ratings Based Approach ("IRBA") allows banks, subject to regulatory approval, to use their own estimates of certain risk components to derive regulatory capital requirements for credit risk across different asset classes. The relevant risk components are; Probability of Default ("PD"); Loss Given Default ("LGD"); and Exposure at Default ("EAD").

Glossary

Leveraged lending	Leveraged lending involves lending to entities by leveraging off their equity structures having considered the cash generating capacity of the business and its capacity to repay any associated debt. Leveraging structures are typically used in management and private equity buy-outs, mergers and acquisitions. Leverage lending typically is to non investment grade borrowers and carries commensurate rates of return.
Loan workout	Loan workout is the process whereby once an advance is deemed to be criticised (i.e.'Watch', 'Vulnerable' or 'Impaired'), the Group monitors and reviews the advance regularly with the objective of working with the customer to resolve their financial difficulties, which may include restructuring, in order to maximise the level of recovery by the Group.
Loans past due	When a borrower fails to make a contractually due payment, a loan is deemed to be past due. 'Past due days' is a term used to describe the cumulative numbers of days that a missed payment is overdue. Past due days commence from the close of business on the day on which a payment is due but not received. In the case of overdrafts, past due days are counted once a borrower: - has breached an advised limit; - has been advised of a limit lower than the then current outstandings; or - has drawn credit without authorisation. When a borrower is past due, the entire exposure is reported as past due, rather than the amount of any excess or arrears.
Loans to deposit ratio	This is the ratio of loans and receivables to customers as presented in the Statement of financial position compared to customer accounts.
Loss Given Default ("LGD")	The LGD is the expected or actual loss in the event of default, expressed as a percentage of 'exposure at default'.
Monte Carlo Simulation	A mathematical modelling process or analytical technique for solving a problem by performing a large number of trial runs, called simulations, and inferring a solution from the collective results of the trial runs. It is a standard method for calculating the probability distribution of possible outcomes and has particular application in determining the 'Value at Risk' ("VaR") of portfolios containing option products.
Mortgage covered securities	Mortgage covered securities (also known as covered bonds) are debt securities backed by cash flows from mortgages. They are issued for the purpose of financing loans secured on residential property.
NAMA	National Asset Management Agency
NAMA 2	Other loans that may transfer to NAMA during 2011, currently classified as 'loans and receivables to customers'.
Prime loan	Loan in which both the criteria used to grant the loan (loan-to-value, debt-to-income, etc.) and to assess the borrower's history (no past due reimbursements of loans, no bankruptcy, etc.) are sufficiently conservative to rank the loan as high quality and low-risk.
Principal components analysis	A mathematical way of identifying patterns in data. It used to analyse interest rate shock scenarios by decomposing the interest rate term structure into its principal components.
Probability of Default ("PD")	The PD is the likelihood that a borrower will default on an obligation to repay.
Renegotiated loan	Loans and receivables renegotiated are those facilities outstanding at the reporting date that, during the financial year have had their terms renegotiated, resulting in an upgrade from 91+ days past due default status to performing status such that if they were not renegotiated they would otherwise be past due or impaired.

Glossary

Risk weighted assets	A measure of assets (including off-balance sheet items converted into asset equivalents e.g. credit lines) which are weighted in accordance with prescribed rules and formulas as defined in the Basel Accord to reflect the risks inherent in those assets.
RMBS	Residential mortgage-backed securities ("RMBS") are debt obligations that represent claims to the cash flows from pools of mortgage loans, most commonly on residential property.
Securitisation or	The process of aggregation and repackaging of non-tradeable financial instruments such as loans and receivables, company cash flow into securities that can be issued and traded in the capital markets.
SPE	Special purpose entity ("SPE") is a legal entity which can be a limited company or a limited partnership created to fulfil narrow or specific objectives. A company will transfer assets to the SPE for management or use by the SPE to finance a large project thereby achieving a narrow set of goals without putting the entire firm at risk.
Structured securities	This involves non standard lending arrangements through the structuring of assets or debt issues in accordance with customer and/or market requirements. The requirements may be concerned with funding, liquidity, risk transfer or other needs that cannot be met by an existing off the shelf product or instrument. To meet this requirement existing products and techniques must be engineered into a tailor made product or process.
Student loan related assets	Loans advanced to students for the students' maintenance made under specific United States law.
Sub-prime	Extensions of credit to borrowers who, at the time of the loans' origination, exhibit characteristics indicating a significantly higher risk of default than traditional bank lending customers.
Tier 1 capital	A measure of a bank's financial strength defined by the Basel Accord. It captures core tier 1 capital plus other tier 1 securities in issue, but is subject to deductions relating to the excess of expected loss on the IRBA portfolios over the IFRS provision on the IRBA portfolios, securitisation positions and material holdings in financial companies.
Tier 2 capital	Broadly includes qualifying subordinated debt and other tier 2 securities in issue, eligible collective impairment provisions, unrealised available for sale equity gains and revaluation reserves. It is subject to deductions relating to the excess of expected loss on the IRBA portfolios over the accounting impairment provisions on the IRBA portfolios, securitisation positions and material holdings in financial companies.
Tracker mortgage	A tracker mortgage has a variable interest rate. The rate tracks the European Central Bank ("ECB") rate, at an agreed margin above the ECB rate and will increase or decrease within five days of an ECB rate movement.
VaR	The Group's core risk measurement methodology is based on a variance co-variance application of the industry standard Value at Risk ("VaR") technique that incorporates the portfolio diversification effect within each standard risk factor (interest rate, foreign exchange, equity, as applicable). The resulting VaR figures, calculated at the close of business each day, are an estimate of the probable maximum loss in fair value over a one month holding period that would arise from a 'worst case' movement in market rates. This 'worst case' is derived from an observation of historical prices over a period of three years, assessed at a 99% statistical confidence level. Instruments with significant embedded or explicit option characteristics receive special attention, including Monte Carlo simulation and a full analysis of option sensitivities.
Vulnerable loans	Loans where repayment is in jeopardy from normal cashflow and may be dependent on other sources.
Watch loans	Loans exhibiting weakness but with the expectation that existing debt can be fully repaid from normal cashflow.

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