Key Information - AIB Group annual results 2009

Profitability[(1)]
Operating profit before provisions of € 2,962 million
- Underlying operating profit before provisions of € 2,339 million, down 7%

Loss for the period € 2,334 million
AIB Bank ROI loss of € 3,594 million; operating profit before provisions, down 25%
Capital Markets profit of € 531 million down 7%; operating profit before provisions, up 23%
AIB Bank UK loss of £ 15 million; operating profit before provisions, up 4%
Poland profit of Pln 854 million down 8%; operating profit before provisions, up 6%[(2)]
M&T US$ contribution down 56%; impairment charge of € 200 million taken against investment

Efficiency
Costs reduction of 15%; 8% lower excluding retirement benefits amendment
Income/cost growth rate gap +4%[(3)]
Cost income ratio down to 44.8%[(4)] (39.0% headline) from 46.5% in 2008

Asset quality
Criticised loans at 29.4% of total loans
Impaired loans at 13.5% of total loans
Provision charge of € 5.35 billion or 4.05% of average customer loans

Earnings per share[(5)]

Basic loss per share	EUR	(215.2c)
less gain on redemption of capital instruments	EUR	(130.2c)
less profit on disposal/development of property	EUR	(2.0c)
adjust for interest rate hedge volatility	EUR	3.0c
Adjusted basic loss per share	EUR	(344.4c)

Balance sheet funding
Customer funding 51% of our balance sheet requirement
Loan deposit ratio of 146%, 156% at 30 June 2009, 140% at 31 December 2008

Capital ratios	31/12/09
Equity core tier 1 ratio[(6)]	5.0%
Core tier 1 ratio	7.9%
Tier 1 ratio	7.2%
Total capital ratio	10.2%

(1) The percentage changes are compared to 2008 and are on an underlying basis excluding the impact of exchange rate movements on the translation of foreign locations' profit, the impact of interest rate hedge volatility and the element of the gain (€ 623 million) recorded in the income statement on redemption of subordinated liabilities completed in June 2009.
(2) CEE division operating profit before provisions was up 17%. In addition to the 6% increase in Poland operating profit before provisions, AmCredit made a loss before provisions of € 24 million in 2008 (including a € 15 million goodwill impairment charge) and nil operating profit before provisions in 2009.
(3) Income/cost growth rate gap +4% excluding the € 623 million gain on redemption of subordinated liabilities or -3% excluding the retirement benefits amendment. See note 10 of this release.
(4) 44.8% before the gain on redemption of subordinated liabilities or 48.5% excluding this gain and the gain from the retirement benefits amendment. Including these gains the headline cost income ratio was 39.0%.
(5) See page 5 for further details on earnings per share.
(6) Core tier 1 ratio excluding the € 3.5 billion of core tier 1 capital from the Irish Government.

Allied Irish Banks, p.l.c.

Dividend

No dividend will be paid for 2009.

For further information please contact:

Alan Kelly	**Catherine Burke**
General Manager, Corporate Services	Head of Group Corporate Relations
Bankcentre	Bankcentre
Dublin	Dublin
353-1-660-0311	353-1-660-0311
Ext. 12162	Ext. 13894

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 the United States Private Securities Litigation Reform Act of 1995 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', 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 participation in the National Asset Management Agency ("NAMA"), conditions that may be imposed by the European Commission following consideration of the Group's restructuring plan, the effects of the challenging economic environment, both domestically and internationally, the effects of continued volatility in credit markets, the effects of changes in valuation of credit market exposures, changes in valuation of issued notes, changes in economic conditions globally and in the regions in which the Group conducts its business, changes to minimum capital ratios required by various regulatory bodies, changes in fiscal or other policies adopted by various governments and regulatory authorities, the effects of competition in the geographic and business areas in which the Group conducts its operations, the ability to increase market share and control expenses, the effects of changes in taxation or accounting standards and practices, acquisitions, 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 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.

Financial highlights *(unaudited)*

for the year ended 31 December 2009

	2009 **€ m**	Restated[1] 2008 € m
Results		
Total operating income	**4,859**	5,068
Operating (loss)/profit	**(2,418)**	862
(Loss)/profit before taxation	**(2,656)**	1,034
(Loss)/profit attributable to owners of the parent	**(2,413)**	772
Per € 0.32 ordinary share		
(Loss)/earnings – basic *(note 13(a))*	**(215.2c)**	83.4c
(Loss)/earnings – diluted *(note 13(b))*	**(215.2c)**	83.3c
Dividend	**-**	81.8c
Dividend payout	**-**	37%
Net assets	**€ 7.81**	€ 9.63
Performance measures		
Return on average total assets	**(1.29%)**	0.47%
Return on average ordinary shareholders' equity	**(24.8%)**	8.2%
Statement of financial position		
Total assets	**174,314**	182,174
Ordinary shareholders' equity	**6,970**	8,472
Loans and receivables to banks and customers[2]	**131,464**	135,755
Deposits[3]	**147,940**	155,996
Capital ratios		
Core tier 1 capital	**7.9%**	5.8%
Tier 1 capital	**7.2%**	7.4%
Total capital	**10.2%**	10.5%

[1]Restated due to change in accounting policy for insurance contracts - see page 33.

[2]Includes loans and receivables held for sale to NAMA.

[3]Deposits by banks, customer accounts and debt securities in issue.

Allied Irish Banks, p.l.c.
Group Headquarters &
Registered Office
Bankcentre, Ballsbridge
Dublin 4, Ireland
Telephone +353 1 6600311
Registered number 24173

Management report - Commentary on results

Overview

2009 was a very challenging year for AIB. Difficult economic conditions in Ireland and globally and significant asset impairments resulted in a material level of credit losses.

Operating profit before provisions was € 3.0 billion compared to € 2.7 billion in 2008. The 2009 profit included a gain of € 623 million from the capital exchange offering completed in June 2009 and € 159 million from an amendment to retirement benefits. The operating profit before provisions reflects the quality and diversity of the AIB businesses.

Provisions for loans and receivables were € 5.4 billion; a bad debt charge of 405 basis points with € 3.4 billion of this related to loans that have been identified for potential transfer to the National Asset Management Agency ("NAMA")[(1)].

The operating environment continued to be very difficult with both the increased cost of deposits and higher funding costs evident and the net interest margin decreasing 29 basis points to 1.92%. There has been active management and reduction of the cost base in a period of lower revenue generation and higher credit losses.

Total operating income was down 11% excluding the capital exchange offering with costs down 15%[(2)] creating a positive income/cost growth rate gap of 4%[(3)] and a cost income ratio of 44.8%[(3)] compared with 46.5% in 2008.

The cost reduction of 15% included a retirement benefits amendment of € 159 million related to a change to the basis for which pension benefits are determined, moving from a final salary basis to averaging for five years prior to retirement. Excluding this item, costs were down 8%.

AIB's loan/deposit ratio at 31 December 2009 was 146% (123% excluding loans held for sale to NAMA) compared to 156% at 30 June 2009 and 140% at 31 December 2008. Gross loans decreased 3% and customer deposits as a percentage of funding represented 51% of balance sheet requirement compared with 49% at 30 June 2009 and 54% at 31 December 2008.

During 2009, AIB's capital position benefited from € 3.5 billion of core tier 1 capital from the Irish Government and € 1.2 billion from the capital exchange offering completed in June 2009. At 31 December 2009, AIB's equity core tier 1 ratio[(4)] was 5.0%, core tier 1 capital ratio was 7.9% and total capital ratio was 10.2%.

AIB participates in the guarantee scheme for deposits and specified liabilities implemented by the Irish Government persuant to the Credit Institutions (Financial Support) Scheme 2008 ('the CIFS Scheme') and since 21 January 2010, in the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 ('the ELG Scheme').

On 12 November 2009, AIB submitted a restructuring plan to the Irish Government in compliance with European Commission requirements in relation to state aid. The requirement followed the € 3.5 billion recapitalisation by the Irish Government on 13 May 2009 and the restructuring plan is currently under review by the European Commission.

On 7 April 2009, the Minister for Finance announced the Government's intention to establish NAMA and on 22 November 2009, the NAMA Act was enacted providing for the establishment of NAMA. The participation of AIB in the NAMA programme was approved by shareholders at an Extraordinary General Meeting held on 23 December 2009.

Based on Irish Government statements, eligible asset regulations and ongoing interaction with NAMA, the Group estimates that NAMA may acquire from AIB land and development loans and certain associated loans with a gross value of up to approximately € 23 billion (before taking account of € 4.2 billion of loan loss provisions at 31 December 2009).

Outlook

The outlook and environment remain extremely challenging. There are very significant matters and initiatives including NAMA, the European Union decision on restructuring and funding costs/market conditions, all of which could materially affect the Group's performance. In line with global trends for banks to hold more capital, AIB will be moving to increase its capital ratios. In 2010 AIB will prioritise restructuring and restoring its businesses to underpin viability, and renewing the Group's credibility amongst all its stakeholders.

[(1)]See page 23.

[(2)]Costs down 8% excluding the gain from the retirement benefits amendment.

[(3)]Income/cost growth rate gap -3% and cost income ratio 48.5% excluding retirement benefits amendment.

[(4)]Core tier 1 ratio excluding the € 3.5 billion of core tier 1 capital from the Irish Government.

Earnings per share

The table below shows the adjusted basic (loss)/earnings per share excluding the gain on redemption of capital instruments[(1)], profit on disposal of business[(2)], profit on disposal/development of property[(3)] and adjusting for interest rate hedge volatility[(4)].

(Loss)/earnings per share	Year 2009	Year[(5)] 2008	% change 2009 v 2008
Basic (loss)/earnings per share	**(215.2c)**	83.4c	*-358*
less gain on redemption of capital instruments[(1)]	**(130.2c)**	-	-
less profit on disposal of business[(2)]	**-**	(12.0c)	-
less profit on disposal/development of property[(3)]	**(2.0c)**	(1.4c)	*43*
adjust for interest rate hedge volatility[(4)]	**3.0c**	(3.0c)	*-200*
Adjusted basic (loss)/earnings per share	**(344.4c)**	67.0c	*-614*

Rates of exchange

A significant proportion of the Group's earnings are denominated in currencies other than the euro. As a result, movements in exchange rates can have an impact on earnings. In 2009, the sterling and Polish zloty effective rates weakened relative to the euro by 16% and 18% respectively and the US dollar strengthened relative to the euro by 14%, compared with 2008. The impact of the movement in the average exchange rates was € 47 million after taxation and non-controlling interests or EUR 5.2c adverse impact on adjusted (loss)/earnings per share.

The following table shows the accounting rates and effective rates for both periods. The average effective rates include the impact of currency hedging activities.

	Average accounting rates		Average effective rates		Period end rates	
	Year 2009	Year 2008	**Year 2009**	Year 2008	**Year 2009**	Year 2008
US dollar	**1.39**	1.47	**1.31**	1.49	**1.44**	1.39
Sterling	**0.89**	0.80	**0.89**	0.75	**0.89**	0.95
Polish zloty	**4.33**	3.51	**4.42**	3.62	**4.10**	4.15

(1) A gain of € 1,161 million after taxation (€ 623 million in the income statement and € 538 million as a movement in equity) on redemption of subordinated liabilities and other capital instruments as part of the capital exchange offering completed in June 2009.

(2) Profit on disposal of 50.1% of AIB's merchant acquiring businesses (€ 106 million after taxation) in 2008.

(3) Includes profit on the sale of 15 branches (€ 21 million before taxation, € 17 million after taxation) and construction contract income (€ 1 million before taxation, € 1 million after taxation) in 2009 and construction contract income (€ 12 million before taxation, € 11 million after taxation) and profit on sale of 2 branches in the Republic of Ireland (€ 2 million before taxation, € 1 million after taxation) in 2008.

(4) The impact of interest rate hedge volatility (hedging ineffectiveness and derivative volatility) was a decrease of € 28 million to profit before taxation in 2009 (€ 27 million after taxation) and an increase of € 27 million to profit before taxation in 2008 (€ 26 million after taxation).

(5) Restated due to change in accounting policy for insurance contracts - see page 33.

Basis of presentation

Underlying percentage change: *The growth percentages are shown on an underlying basis, adjusted for the impact of exchange rate movements on the translation of foreign locations' profit and excluding profit on disposal of businesses, profit on disposal/development of Bankcentre and branches as part of the sale and leaseback programme, the gain on redemption of subordinated liabilities as part of the capital exchange offering completed in June 2009 and excluding interest rate hedge volatility (hedging ineffectiveness and derivative volatility).*

Operating profit before provisions of € 2,962 million [1]

Summary income statement	**Year 2009 € m**	**Capital[2] exchange € m**	**Year 2009 excluding capital exchange € m**	Year[3] 2008 € m	*Underlying % change 2009 v 2008*
Net interest income	**3,233**	**-**	**3,233**	3,867	*-13*
Other income	**1,626**	**(623)**	**1,003**	1,201	*-4*
Total operating income	**4,859**	**(623)**	**4,236**	5,068	*-11*
Personnel expenses	**1,113**	**-**	**1,113**	1,412	*-17*
General and administrative expenses	**628**	**-**	**628**	775	*-13*
Depreciation[4]/amortisation[5]	**156**	**-**	**156**	170	*-4*
Total operating expenses	**1,897**	**-**	**1,897**	2,357	*-15*
Operating profit before provisions	**2,962**	**(623)**	**2,339**	2,711	*-7*
Provisions for impairment of loans and receivables	**5,355**	**-**	**5,355**	1,822	*203*
Provisions/(writeback) for liabilities and commitments	**1**	**-**	**1**	(2)	*-163*
Amounts written off financial investments available for sale	**24**	**-**	**24**	29	*-17*
Total provisions	**5,380**	**-**	**5,380**	1,849	*200*
Operating (loss)/profit	**(2,418)**	**(623)**	**(3,041)**	862	-
Associated undertakings	**(262)**	**-**	**(262)**	42	-
Profit on disposal of property	**23**	**-**	**23**	12	-
Construction contract income	**1**	**-**	**1**	12	-
Profit on disposal of businesses	**-**	**-**	**-**	106	-
(Loss)/profit before taxation	**(2,656)**	**(623)**	**(3,279)**	1,034	-

Divisional(loss)/profit before taxation		**Year 2009 € m**	**Capital exchange € m**	**Year 2009 excluding capital exchange € m**	Year 2008 € m	*Underlying % change 2009 v 2008*
AIB Bank ROI	€	**(3,594)**	**-**	**(3,594)**	(47)	*3,001*
Capital Markets	€	**531**	**-**	**531**	585	-7
AIB Bank UK	*Stg£*	***(15)***	**-**	***(15)***	*152*	-
	€	**(16)**	**-**	**(16)**	190	-
CEE	€	**79**	**-**	**79**	174	*-36*[6]
Group	€	**344**	**(623)**	**(279)**	132	-
AIB Group	€	**(2,656)**	**(623)**	**(3,279)**	1,034	-

[1]Operating profit included a € 623 million gain on the redemption of subordinated liabilities as part of the capital exchange offering completed in June 2009, excluding which operating profit before provisions for the year to December 2009 was € 2,339 million.

[2]See note 7 in this release.

[3]Restated due to change in accounting policy for insurance contracts - see page 33.

[4]Depreciation of property, plant and equipment.

[5]Impairment and amortisation of intangible assets.

[6]Excluding acquisitions in 2008 (AmCredit and Bulgarian American Credit Bank), the reduction for Poland was 8%.

Divisional profit before provisions		Year 2009 m	Capital exchange m	Year 2009 excluding capital exchange m	Year 2008 m	*Underlying % change 2009 v 2008*
AIB Bank ROI	€	**881**	**-**	**881**	1,181	*-25*
Capital Markets	€	**916**	**-**	**916**	766	*23*
AIB Bank UK	*Stg£*	*336*	**-**	*336*	*323*	*4*
	€	**378**	**-**	**378**	405	*4*
CEE	€	**309**	**-**	**309**	335	*17*[1]
Group	€	**478**	**(623)**	**(145)**	24	-
AIB Group	€	**2,962**	**(623)**	**2,339**	2,711	-7

[1] *Includes a 6% increase in Poland operating profit before provisions. In addition AmCredit made a loss before provisions of € 24 million in 2008 (including a € 15 million goodwill impairment charge) and had nil operating profit before provisions in 2009. In total CEE division operating profit before provisions increased by 17% in 2009.*

Capital exchange offering

In June 2009, AIB completed the exchange of non-core tier 1 and upper tier 2 capital instruments for a lower tier 2 issue. Details of the exchange are in note 7.

These transactions resulted in a gain of € 1,161 million. This increased core tier 1 capital with no material effect on total capital. Of the gain on the redemption of subordinated loans, € 623 million was reflected in other income within the income statement and € 538 million was reflected as a movement in equity.

Retirement benefits amendment

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 average pensionable salary over the five years before retirement, as opposed to payable on the level of final salary. The effect of this amendment was a gain of € 159 million recognised in personnel expenses in the year to December 2009. Further detail on retirement benefits are included in note 10.

Net interest margin decreased by 29 basis points

Net interest margin negatively impacted by lower deposit income

Higher funding costs, lower capital income, higher loan margins

Net interest income	**Year 2009 € m**	Year 2008 € m	*% change 2009 v 2008*
Net interest income	**3,233**	3,867	*-13*

Average interest earning assets	**Year 2009 € m**	Year 2008 € m	*% change[1] 2009 v 2008*
Average interest earning assets	**168,139**	174,412	-4

[1]This particular analysis is not adjusted for the impact of exchange rate movements.

Net interest margin	**Year 2009 %**	Year 2008 %	*Basis point change*
Group net interest margin	**1.92**	2.21	*-29*

Net interest income

Net interest income was € 3,233 million in 2009, compared to € 3,867 million in 2008, a reduction of € 634 million. The reduction included the negative impact of currency movements of € 160 million. Excluding this item, net interest income reduced by € 474 million or 13%.

Weak demand for credit resulted in loans being lower than last year. Gross loans to customers reduced by 3% (including NAMA loans) and customer accounts decreased by 11% on a constant currency basis since 31 December 2008 (details of loan and deposit growth by division are contained on pages 18 and 19).

The domestic and foreign margins for 2009 are reported in note 36.

AIB Group manages its business divisionally on a product margin basis with funding and groupwide interest exposure centralised and managed by Global Treasury. While a domestic and foreign margin is calculated for the purpose of statutory accounts, the analysis of net interest margin trends is best explained by analysing business factors as follows:

The Group net interest margin amounted to 1.92%, a decrease of 29 basis points compared with 2008. The decrease in net interest margin mainly reflects the significantly increased cost of customer deposits in a highly competitive marketplace, higher wholesale funding costs and a lower return on invested capital partly offset by higher loan margins and a higher treasury margin. The following analysis approximates the impact of each factor on the net interest margin decline.

The reduction in deposit income, resulting from the downward trend in interest rates and the increasing competitive nature of deposit markets, had a negative 42 basis point impact on the net interest margin.

Higher wholesale funding costs reduced the net interest margin by 4 basis points.

A lower return on invested capital in a low interest rate environment reduced the net interest margin by 6 basis points.

Higher loan income increased the net interest margin by 18 basis points and a higher treasury margin boosted the net interest margin by 5 basis points.

Investment banking and asset management fees down 19%

Other income	**Year 2009 € m**	**Capital[1] exchange € m**	**Year 2009 excluding capital exchange € m**	Year 2008 € m	*Underlying % change 2009 v 2008*
Dividend income	**26**	**-**	**26**	27	*10*
Banking fees and commissions	**787**	**-**	**787**	892	*-5*
Investment banking and asset management fees	**209**	**-**	**209**	291	*-19*
Fee and commission income	**996**	**-**	**996**	1,183	*-8*
Irish Government guarantee scheme	**(147)**	**-**	**(147)**	(28)	*516*
Other fee and commission expense	**(88)**	**-**	**(88)**	(114)	*-12*
Less: Fee and commission expense	**(235)**	**-**	**(235)**	(142)	*82*
Trading income/(loss)	**35**	**-**	**35**	(104)	-
Currency hedging profits	**4**	**-**	**4**	4	-
Interest rate hedge volatility	**(28)**	**-**	**(28)**	27	-
Net trading income/(loss)[2]	**11**	**-**	**11**	(73)	-
Gain on redemption of subordinated liabilities	**623**	**(623)**	**-**	-	-
Other operating income	**205**	**-**	**205**	206	*-6*
Total other income	**1,626**	**(623)**	**1,003**	1,201	*-4*

Other income was € 1,626 million in 2009, which included a € 623 million gain on redemption of subordinated liabilities from the capital exchange offering. Excluding this gain other income was € 1,003 million, compared with € 1,201 million in 2008, a decrease of € 198 million. This decrease included the negative impact of currency factors of € 100 million and the negative impact of interest rate hedge volatility between 2008 and 2009 of € 55 million, excluding these factors, other income was down 4% compared with 2008.

This reflected weaker economic conditions in the markets in which AIB operates, lower revenues from investment banking, asset management and wealth management activities and the € 147 million cost of the Irish Government guarantee scheme in 2009 (€ 28 million in 2008). The decline of these other income elements were largely offset by higher trading income, profit on disposal of available for sale debt securities and growth in Polish banking fee income.

Dividend income of € 26 million primarily reflects dividends from investments held by the Polish business. While underlying dividends were higher compared with 2008, dividend income in 2009 was impacted by a weakening in the Polish zloty rate relative to the euro in 2009.

Banking fees and commissions decreased by 5% (excluding currency factors) reflecting lower business volumes and activity.

Investment banking and asset management fees were down 19% (excluding currency factors) in 2009 mainly reflecting lower asset management income in Poland as a result of lower average managed funds in 2009.

The increase in fee and commission expense was due to the cost of the Irish Government guarantee scheme where 2009 has the full year costs of the schemes compared with a one quarter charge in 2008.

Trading income was € 35 million. Trading income excludes interest payable and receivable arising from hedging and the funding of trading activities, which are included in net interest income. Trading income in 2009 reflected a more positive fair value impact on bond assets than 2008 which experienced more difficult trading conditions and the reclassification of assets as available for sale in 2008. In 2009 there was a fair value charge of € 73 million to trading income in relation to the structured securities portfolio, while the charge was € 53 million in 2008.

Other operating income in 2009 was € 205 million compared with € 206 million in 2008. Profit from the disposal of available for sale debt securities of € 165 million was recorded in 2009. 2008 included € 71 million profit on disposal of available for sale debt securities and profit on disposal of available for sale equity shares of € 75 million, including the sale of Visa and MasterCard shares.

[1]See note 7 in this release.

[2]Trading income includes foreign exchange contracts, debt securities and interest rate contracts, credit derivative contracts, equity securities and index contracts (see note 6 in this release).

Costs reduced in a period of credit losses and lower revenue generation

Cost income ratio of 44.8%[1]

Total operating expenses

Operating expenses	**Year 2009 € m**	Year 2008 € m	*Underlying % change 2009 v 2008*
Personnel expenses	**1,113**	1,412	*-17*
General and administrative expenses	**628**	775	*-13*
Depreciation[2]/amortisation[3]	**156**	170	*-4*
Total operating expenses	**1,897**	2,357	*-15*

Operating expenses were € 1,897 million in 2009, a decrease of € 460 million when compared to € 2,357 million in 2008. This decrease of 20% included the positive impact of currency factors of € 128 million, excluding which costs decreased by 15%. There was a gain of € 159 million from an amendment to retirement benefits excluding which costs decreased by 8%. This reflected a strong focus on cost management as a key priority in a period of slower economic conditions and a difficult revenue generation environment. The cost savings achieved in 2009 were in addition to cost savings of 5% in 2008. The decrease in costs was achieved notwithstanding costs in 2009 associated with the preparation for participation in NAMA (€ 29 million) and the impact of the investment in the branch network in BZWBK.

Personnel expenses in 2009 were € 1,113 million, a reduction of € 299 million or 21% (17% excluding currency factors) compared with € 1,412 million in 2008. This reflected the aforementioned gain of € 159 million from the retirement benefits amendment, a reduction in staff numbers during 2009 of approximately 1,600, lower variable staff compensation costs and tight management of all expense categories. General and administrative expenses of € 628 million in 2009 were € 147 million or 19% lower than € 775 million in 2008 (13% lower excluding currency factors) due to cost saving initiatives and the ongoing monitoring of costs throughout the Group. Depreciation/amortisation of € 156 million in 2009 was 8% lower (4% excluding currency factors) than € 170 million in 2008. Amortisation in 2008 included an impairment charge of € 15 million in relation to the investment in AmCredit.

Efficiency measures	**Year 2009**	Year 2008
Cost income ratio	**44.8%**[1]	46.5%
Income/cost growth rate gap	**+4%**	+11%

The headline cost income ratio for 2009 was 39.0%. Excluding the gain on the capital exchange offering, the underlying cost income ratio was 44.8%. A vigilant focus on cost management was maintained which resulted in the underlying cost income ratio reducing by 1.7%, notwithstanding the weaker economic environment. The income/cost growth rate gap was +4%[4].

[1] 44.8% before the gain on redemption of subordinated liabilities and 48.5% before this gain and the gain from the retirement benefits amendment. Including these gains the cost income ratio was 39.0%.

[2] Depreciation of property, plant and equipment.

[3] Impairment and amortisation of intangible assets.

[4] Down 3% excluding the gain from the amendment to retirement benefits.

Criticised loans up to 29% of total loans

– property and construction comprise 65% of criticised loans

– 81% of increase in property and construction criticised loans relate to AIB Bank ROI

Provision charge up to 4.05% of average customer loans, 2.95% of which is related to property and construction loans

Asset quality

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

The table below shows the ratings profile of AIB's loan book.

Loans and receivables to customers **Ratings profiles - masterscale grade**	**2009**[(1)] **€ m**	2008 € m
1 to 3	**19,174**	20,924
4 to 10	**66,974**	93,477
11 to 13	**9,178**	5,896
	95,326	120,297
Past due but not impaired	**4,785**	8,875
Impaired[(2)]	**6,496**	2,991
	106,607	132,163
Unearned income	**(279)**	(382)
Provisions	**(2,987)**	(2,292)
Loans and receivables to customers	**103,341**	129,489

[(1)]Loans and receivables to customers at 31 December 2009 exclude loans held for sale to NAMA.

[(2)]Total impaired loans at 31 December 2009 were € 17,453 million including the € 6,496 million in the table above and € 10,957 million in relation to loans held for sale to NAMA in the following table.

Loans and receivables held for sale to NAMA **Ratings profiles - masterscale grade**	**2009** **€ m**	2008 € m
1 to 3	**21**	–
4 to 10	**7,665**	–
11 to 13	**2,684**	–
	10,370	–
Past due but not impaired	**1,868**	–
Impaired	**10,957**	–
	23,195	–
Provisions	**(4,165)**	–
Loans and receivables to customers held for sale to NAMA	**19,030**	–

The Group's rating systems consist of a number of individual rating tools in use across the Group designed to assess the risk within particular portfolios. These rating 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 incurred but not reported ("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. A recalibration of a rating tool can result in a change in the PD attached to an individual grade and hence can result in a change to the masterscale profile at portfolio level.

Grades 1 – 3 would typically include strong corporate and commercial lending combined with elements of the retail portfolios and residential mortgages.
Grades 4 – 10 would typically include new business written and existing satisfactorily performing exposures across all portfolios. The lower end of this category (Grade 10) includes a portion of the Group's criticised loans (i.e. loans requiring additional management attention over and above that normally required for the loan type). In the table on page 11, impaired loans and those loans that are past due but not impaired are identified separately.
Grades 11 – 13 contain the remainder of the Group's criticised loans, excluding impaired loans, together with loans written at a high PD where there is a commensurate higher margin for the risk taken.

The Group's total criticised loans and receivables to customers amounted to € 38.2 billion at 31 December 2009, comprising € 16.4 billion of loans and receivables held for sale to NAMA and € 21.8 billion for loans and receivables to customers.

The Group's criticised loans held for sale to NAMA of € 16.4 billion (detailed below) are distributed in the table on page 11 as follows: € 1.4 billion in grades 4 - 10; € 2.7 billion in grades 11 - 13; € 1.3 billion in past due but not impaired; and all of the impaired loans of € 11.0 billion. Included in loans and receivables are approximately € 23 billion which are held for sale to NAMA of which 71% are criticised. These criticised loans largely relate to land and development loans with the remaining related to NAMA associated loans mainly in the distribution, other services and personal sectors.

The Group's criticised loans of € 21.8 billion (excluding loans held for sale to NAMA) are distributed in the table on page 11 as follows: € 4.1 billion in grades 4 - 10; € 8.6 billion in grades 11 - 13; € 2.6 billion in past due but not impaired; and all of the impaired loans of € 6.5 billion.

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

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

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

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 cash flows 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 profit and loss.

					2009
Criticised loans by division (held for sale to NAMA)	**Watch loans € m**	**Vulnerable loans € m**	**Impaired loans € m**	**Total criticised loans € m**	**% of total 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**
CEE	**-**	**-**	**-**	**-**	**-**
AIB Group	**2,755**	**2,656**	**10,957**	**16,368**	**70.6**

					2009
Criticised loans by division (total)	**Watch loans € m**	**Vulnerable loans € m**	**Impaired loans € m**	**Total 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**
CEE	**1,002**	**241**	**519**	**1,762**	**20.1**
AIB Group	**12,120**	**8,604**	**17,453**	**38,177**	**29.4**

Criticised loans by division	Watch loans € m	Vulnerable loans € m	Impaired loans € m	Total criticised loans € m	2008 % of total gross loans
AIB Bank ROI	6,276	2,995	1,862	11,133	14.5
Capital Markets	190	141	338	669	2.6
AIB Bank UK	1,506	984	522	3,012	15.2
CEE	200	182	269	651	7.4
AIB Group	8,172	4,302	2,991	15,465	11.7

The Group's total criticised loans at 31 December 2009 were € 38.2 billion or 29.4% of total customer loans (€ 33.4 billion or 25% at 30 June 2009 and € 15.5 billion or 11.7% of loans at 31 December 2008).

Within total criticised loans, there has been a very significant increase in total Group watch/vulnerable loans which amount to € 20.7 billion (15.9% of total customer loans) up from € 12.5 billion (9.5% of total customer loans) at 31 December 2008. The pace of increase into criticised slowed during the second half of the year. This reflected the significant portion of the loan book already criticised rather than a material improvement in its quality.

AIB Bank ROI represents 77% of the increase in criticised loans and while heavily influenced by the downgrade of cases in the property and construction sector, there were also significant increases in the hotels, licensed trade and motor trade sub-sectors in the period. Levels of arrears also increased in the residential mortgage portfolio with 91+ days arrears at 1.96% up from 0.70% at December 2008 with arrears on the buy-to-let portfolio which represents approximately 29% of the portfolio at over twice the level of owner occupier arrears. The increased arrears levels reflect the impact of increased unemployment, however they are below industry average.

Capital Markets accounts for 3% of the increase of criticised loans, spread across a number of geographies and sectors, impacted by the downturn in the markets in which the division operates.

AIB Bank UK accounts for 15% of the increase in criticised loans in the period, influenced by continuing low levels of activity and weak asset prices in the property and construction portfolio and the deteriorating trend in the leisure sector, particularly in the licensed trade sub-sector.

CEE represents 5% of the increase in criticised loans which is largely impacted by the introduction of a broader definition of watch loans in Poland with the remaining increase due to deterioration in the property market in that region and an increase in arrears in the personal portfolio.

In the second half of 2008 and through 2009, AIB deployed significant additional experienced credit personnel to manage the increased level of criticised loans particularly in AIB Bank ROI and their objective is the proactive management, in terms of earlier identification and more intensive management, of problem loans, with a view to minimising the loss impact of borrower failure.

Following transfer of loans and receivables to NAMA, AIB Bank ROI division's loans and receivables at approximately € 58 billion will represent approximately 55% of the Group's loan portfolio comprising € 27 billion in residential mortgages, € 12.8 billion in property and construction loans, € 12.6 billion in non-property loans and a further € 6 billion in the personal sector.

Of the € 12.8 billion in the property and construction sector, € 5.4 billion (42%) is in criticised grades, including € 2.2 billion in impaired loans. Specific provisions of € 0.5 billion are held for these loans providing cover of 23% with total provisions to total loans of 6.1%.

Included in the € 12.6 billion in non-property loans are the following main sub-sectors: hotels € 1.6 billion; licenced trade € 1.1 billion; retail € 1.6 billion; motor trade € 0.3 billion; other services € 2.9 billion; and agriculture € 1.9 billion. Of the € 12.6 billion in non-property and the € 6 billion in the personal sector, 33% are in the criticised grades, including € 1.9 billion in impaired loans. Specific provisions of € 0.9 billion providing 47% cover are held for this portfolio, with total provisions to total loans (€ 18.6 billion) of 6.5%.

The following table shows impaired loan balances by division and as a percentage of customer loans.

Impaired loans by division	NAMA 2009 € m	Non NAMA 2009 € m	Total 2009 € m	Total 2008 € m
AIB Bank ROI	**10,114**	**4,506**	**14,620**	1,862
Capital Markets	**-**	**559**	**559**	338
AIB Bank UK	**843**	**912**	**1,755**	522
CEE	**-**	**519**	**519**	269
AIB Group	**10,957**	**6,496**	**17,453**	2,991

% of total gross loans	NAMA 2009 %	Non NAMA 2009 %	Total 2009 %	Total 2008 %
AIB Bank ROI	**52.2**	**7.7**	**18.9**	2.4
Capital Markets	**-**	**2.5**	**2.5**	1.3
AIB Bank UK	**25.8**	**5.3**	**8.6**	2.6
CEE	**-**	**5.9**	**5.9**	3.1
AIB Group	**47.2**	**6.1**	**13.5**	2.3

Group impaired loans as a percentage of total customer loans increased significantly to 13.5%, up from 2.3% at 31 December 2008.This increase reflects the considerable and continued deterioration in the markets in which the Group operates, primarily the ROI property market and to a lesser extent the UK, with contagion into other sectors also evident. Property & construction impaired loans constitute 77% of total Group impaired loans.

€ 11 billion or 63% of Group impaired loans relate to loans and receivables held for sale to NAMA and represent 47% of total NAMA eligible assets of up to approximately € 23 billion.

Impaired loans in AIB Bank ROI increased to 18.9% of total customer loans up from 2.4% at 31 December 2008, heavily impacted by the continuing and severe downturn in the property sector with little activity and reduced asset prices across the industry. Loans to the property sector now account for 81% of divisional impaired loans compared with 60% at 31 December 2008, with the majority of the impaired loans relating to the land/development sub-sectors. However other sectors which are also showing signs of pressure are residential mortgages and distribution (which includes hotels, licensed trade and motor trade) where impaired loans amount to 1.75% and 17.2% up from 0.64% and 2.3% respectively in 2008.

€ 10.1 billion representing 52% of the € 19.4 billion of loans and receivables in AIB Bank ROI division held for sale to NAMA are impaired. 96% of these impaired loans relate to the property and construction sector with the remainder relating to associated impaired loans in the distribution and personal sectors.

Impaired loans in Capital Markets increased to 2.5% of total customer loans, up from 1.3% at 31 December 2008 spread across portfolios and geographies, in particular in the property and other services sectors in the US and the financial sector where a small number of large cases and some structured securities were downgraded to impaired status in the period. At 31 December 2009, there were no impaired loans in the € 550 million portfolio of loans held available for sale to NAMA.

In AIB Bank UK, impaired loans increased to 8.6% of total customer loans compared with 2.6% at 31 December 2008.There were increases across a number of sectors, particularly the property and leisure sectors. € 843 million representing 25.8% of the loans and receivables held for sale to NAMA of € 3.3 billion are impaired and in the main relate to land and development exposures of € 2.3 billion. Other NAMA associated impaired loans are in the property investment, financial and other services sectors.

Impaired loans in Poland increased to 5.5% of total customer loans up from 2.9% at 31 December 2008 primarily reflecting the slowdown in the property sector in the period but also impacted by increased impairment in personal sector credits. Impaired loans in AmCredit at € 42 million or 47% of total customer loans at 31 December 2009 increased from € 19 million at 31 December 2008 and continue to be impacted by the severe downturn in the residential property market in the Baltic region. CEE impaired loans were 5.9% of total customer loans compared with 3.1% at 31 December 2008.

Total provisions[1] were € 5,380 million, up from € 1,849 million in 2008.

Provisions (income statement)	Year 2009 € m	Year 2008 € m
Provision for impairment of loans and receivables to customers	5,350	1,822
Provision for impairment of loans and receivables to banks	5	-
Provisions for impairment of loans and receivables	5,355	1,822
Provisions for liabilities and commitments	1	(2)
Amounts written off financial investments available for sale	24	29
Total provisions[1]	5,380	1,849

[1]Includes amounts written off financial investments available for sale.

The crisis in the global financial markets and the severe downturn in the economies in which the Group operates continued to significantly impact on our businesses throughout 2009 and resulted in a further substantial increase in the provision charge for loans and receivables to customers which was € 5,350 million or 4.05% of average customer loans in 2009 compared with € 1,822 million or 1.37% in 2008.

The provision charge for loans and receivables to customers included specific provisions of € 5,159 million (3.91% of average loans) and IBNR provisions of € 191 million (0.14% of average loans) compared with € 848 million or 0.64% and € 974 million or 0.73% respectively in 2008. The increased specific charge resulted largely from the significant level of impairment and associated provisions in our property portfolios in RoI. The IBNR charge at € 191 million was low relative to 2008 reflecting the substantial recognition of impairment in the year which is covered by specific provisions and management's view at balance sheet date of the incurred but not reported loss in the remaining performing book. The Group holds a stock of IBNR provisions of € 1.4 billion as at balance sheet date (€ 1.15 billion as at December 2008).

The property and construction sector accounted for 73% or € 3.9 billion of the Group's total provision charge for the year of € 5.4 billion for loans and receivables to customers compared to 79% or € 1.4 billion of the total charge of € 1.8 billion in 2008. Other sectors have also been impacted during the year as the non-property related provision charge was € 1.5 billion compared with € 0.4 billion in 2008.

Of the € 5,350 million of provisions for impairment for loans and receivables to customers, € 3,373 million or 63% relates to loans and receivables held for sale to NAMA. At 31 December 2009 the statement of financial position included € 4.2 billion of provisions for loans held for sale to NAMA.

			Year 2009	Year 2008
Divisional impairment charges	NAMA € m	Non NAMA € m	Total € m	Total € m
AIB Bank ROI	3,215	1,258	4,473	1,298
Capital Markets	(8)	364	356	160
AIB Bank UK	166	229	395	257
CEE	-	126	126	107
AIB Group	3,373	1,977	5,350	1,822

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

				Year 2009	Year 2008
Divisional impairment charges	NAMA bps	Non NAMA[1] bps	Non NAMA residential mortgages bps	Total bps	Total bps
AIB Bank ROI	1,659	363	33	576	174
Capital Markets	(1)	148	145	141	60
AIB Bank UK	509	157	33	191	111
CEE	-	155	116	147	126
AIB Group	1,454	241	40	405	137

[1]*Non NAMA loans excluding residential mortgages.*

The AIB Group provision charge of 4.05% of average total customer loans comprised of 14.54% relating to NAMA and 1.82% relating to the non NAMA portfolio (including 0.40% for residential mortgages and 2.41% for other non NAMA loans).

In AIB Bank ROI the provision charge increased to 5.76% of average customer loans compared with 1.74% at December 2008. The charge included specific provisions of € 4,323 million and IBNR provisions of € 150 million. Provisions for loans in the property portfolio accounted for approximately 80% of the charge primarily in the land and development element of the property portfolio (€ 17.1 billion) where the illiquid property market and reduced asset values continued to impact our borrowers.

There was an addition to IBNR provisions of € 150 million in the year and the factors influencing this were the introduction of enhanced credit management processes and the significant level of impaired loans and their related specific provisions which were recognised in the period, and by the reduction in performing advances at € 63.2 billion compared with € 74.9 billion at 31 December 2008.

The total residential mortgage portfolio in ROI division amounted to € 27.1 billion at 31 December 2009, split 64% owner occupier, 29% buy-to-let with staff and other accounting for the remaining 7%. The provision charge for this book was € 91 million or 0.35% of total average residential mortgages compared with € 35 million or 0.16% in December 2008 impacted by increasing unemployment.

The provision charge in the finance & leasing operation in ROI (excluding residential mortgages) increased significantly to € 166 million compared with € 80 million for December 2008 with the main contributors to this position being the plant, equipment and transport financing sub-sectors (portfolio size of € 2.1 billion) which are continuing to be impacted by the low levels of activity in the property and construction sector.

€ 3,215 million or 72% of the charge of € 4,473 million related to loans and receivables held for sale to NAMA. The charge represents 16.6% of the € 19.4 billion of loans and receivables held for sale to NAMA in AIB Bank ROI division and these primarily relate to loans in the land and development sub-sector but also include associated loans in the property investment, distribution, other services and personal sectors.

In Capital Markets the provision charge was € 356 million or 1.41% of average customer loans compared with € 160 million or 0.60% in 2008. The charge included a specific provision of € 326 million and an IBNR provision of € 30 million to recognise the deteriorating grade profile within the performing book. While the provision charge was spread across a number of geographies, the principal sectors impacted were financial, manufacturing, distribution and property sectors.

Included in the above charge is a credit of € 8 million for provisions in relation to loans and receivables held for sale to NAMA. The positive position is largely as a result of the write-back of a provision which is no longer required due to improved performance relating to an associated loan in the property sector.

In AIB Bank UK, the provision charge increased to € 395 million or 1.91% of average loans compared with € 257 million or 1.11% in 2008. While the increase was heavily influenced by property sector cases which accounted for 66% of the charge, there was also evidence of increased provisioning relating to other sectors, particularly the leisure sector where a number of customers in the licensed trade sub-sector have been experiencing problems.

42% (€ 166 million) of the charge of € 395 million related to loans and receivables of € 3.3 billion which are held for sale to NAMA. 90% of the charge related to land and development advances with the remainder largely held for associated property investment assets.

The provision charge for CEE was 1.47% of average customer loans. The provision charge in Poland at € 113 million or 1.34% of average customer loans increased from € 98 million or 1.16% in 2008 reflecting increases in provisions in property sector and personal sectors. The provision charge for AmCredit was € 13 million or 11.75% of gross customer loans, reflecting the continuing weak mortgage market in the Baltics.

Associated undertakings loss – impairment charge of € 308 million on investments

Associated undertakings	**2009 € m**	Restated[1] 2008 € m
- Share of profits	**44**	94
- Impairment	**(200)**	-
M&T	**(156)**	94
- Share of profits	**5**	3
- Impairment	**(108)**	(57)
BACB	**(103)**	(54)
- Share of profits	**(3)**	2
- Impairment	**-**	-
Other[2]	**(3)**	2
AIB Group	**(262)**	42

Associated undertakings by division	**Year 2009 € m**	Restated[1] Year 2008 € m
AIB Bank ROI	**(4)**	-
AIB Bank UK	**1**	2
CEE	**(103)**	(54)
Group (M&T)	**(156)**	94
AIB Group	**(262)**	42

Associated undertakings

Losses from associated undertakings in 2009 were € 262 million compared with income from associated undertakings of € 42 million in 2008. Associated undertakings include the income after taxation of AIB's 23.3% average share of M&T Bank Corporation, AIB's investment in BACB in Bulgaria and Aviva Life Holdings Ireland Limited (previously known as Hibernian Life Holdings Limited), the joint venture in Life and Pensions with Aviva. Following the global economic downturn and the resultant impact on banking valuations generally, an impairment review resulted in impairment charges of € 200 million to AIB's investment in M&T and € 108 million to AIB's investment in BACB, which is reflected in the associated undertakings loss. Excluding the impairment, M&T's contribution of US$ 61 million (€ 44 million) was down 56% relative to 2008 contribution of US$ 138 million (€ 94 million). The performance of M&T in 2009 was affected by merger costs related to the Provident acquisition, a Federal Deposit Insurance Corporation charge, writedowns on the securities portfolio and higher credit provisions. The contribution of M&T to AIB Group's 2009 performance in euro was impacted by a strengthening in the US dollar rate relative to the euro in 2009. The associate holding in BACB resulted in a loss of € 103 million in 2009 (excluding funding costs of € 1 million).

Income tax (income)/expense

The taxation credit for 2009 was € 322 million, compared with a tax charge of € 144 million in 2008. The taxation charge/credit excludes taxation on share of results of associated undertakings. Share of results of associated undertakings is reported net of taxation in the Group (loss)/profit before taxation. The charge/credit is influenced by the geographic mix of profits and losses, which are taxed at the rates applicable in the jurisdictions where we operate.

[1]Restated due to change in accounting policy for insurance contracts - see page 33.

[2]Mainly AIB's share of Aviva Life Holdings Ireland Limited.

Risk weighted assets down 11%

Gross customer loans down 3%

Balance sheet[(1)]

Total assets amounted to € 174 billion at 31 December 2009 compared to € 182 billion at 31 December 2008 a decrease of € 8 billion. This decrease included the impact of currency factors of € 1.8 billion, excluding this factor, total assets decreased by € 10 billion or 5% due to provisions taken against impaired loans and receivables to customers, deleveraging of assets and a reduction in available for sale assets. Risk weighted assets, amounted to € 120 billion at 31 December 2009 compared to € 134 billion at 31 December 2008. This included the impact of currency factors of € 1.9 billion, excluding this factor, risk weighted assets decreased by € 16 billion or 11%. The decrease mainly reflects the reduction of 3% in gross loans from deleveraging of AIB's international loan portfolios and the migration of loans from performing to impaired.

AIB Group risk weighted assets were 69% of total assets at 31 December 2009 (73% at 31 December 2008).

Risk weighted assets	**31 December 2009 € bn**	31 December 2008 € bn	*% change*[(2)]
AIB Bank ROI	**54**	63	*-14*
Capital Markets	**34**	38	*-10*
AIB Bank UK	**21**	21	*-8*
CEE	**10**	10	*-4*
Group	**1**	2	*-5*
AIB Group	**120**	134	*-11*

The balance sheet now identifies loans eligible for sale to NAMA separately from other customer loans. For the purposes of aiding understanding of balance sheet dynamics and trends, NAMA loan balances have been included in their respective division in the table below.

Gross loans to customers	**31 December 2009 as reported € bn**	**31 December 2009 including NAMA € bn**	31 December 2008 € bn	*% change*[(3)]
AIB Bank ROI	**58**	**78**	77	*1*
Capital Markets	**22**	**23**	26	*-14*
AIB Bank UK	**17**	**20**	20	*-5*
CEE	**9**	**9**	9	-
AIB Group	**106**	**130**	132	*-3*

Net loans to customers	**31 December 2009 as reported € bn**	**31 December 2009 including NAMA € bn**	31 December 2008 € bn	*% change*[(3)]
AIB Bank ROI	**56**	**71**	75	*-5*
Capital Markets	**22**	**23**	26	*-14*
AIB Bank UK	**17**	**20**	20	*-6*
CEE	**8**	**8**	8	*-1*
AIB Group	**103**	**122**	129	*-7*

[(1)]Consolidated statement of financial position.

[(2)]Excluding currency factors.

[(3)]Excluding currency factors and including NAMA loans.

Customer accounts down 11%
Capital ratios – equity core tier 1 ratio 5.0%
– core tier 1 ratio 7.9%
– total capital ratio 10.2%

Customer accounts of € 84 billion at 31 December 2009 were € 9 billion (9%) lower than € 93 billion at 31 December 2008. The decrease included the impact of currency factors of € 1.2 billion, excluding which customer accounts decreased by 11%. The reduction in customer accounts was concentrated in the first quarter of 2009 and balances stabilised over the remainder of the year.

Customer accounts	**31 December 2009 € bn**	31 December 2008 € bn	*% change*[1]
AIB Bank ROI	**40**	42	*-6*
Capital Markets	**23**	27	*-15*
AIB Bank UK	**11**	14	*-20*
CEE	**10**	10	*-4*
AIB Group	**84**	93	*-11*

[1] Excluding currency factors.

Capital

The Group's core tier 1 ratio increased to 7.9% at 31 December 2009 with the total capital ratio decreasing to 10.2%.

Capital	**31 December 2009**[1] **€ bn**	Restated[2] 31 December 2008 € bn
Equity core tier 1[3]	**6.0**	7.8
Core tier 1	**9.5**	7.8
Tier 1	**8.7**	9.9
Total capital	**12.3**	14.1
Risk weighted assets	**120.4**	133.9

Capital ratios	**31 December 2009**[1]	Restated[2] 31 December 2008
Equity core tier 1[3]	**5.0%**	5.8%
Core tier 1	**7.9%**	5.8%
Tier 1	**7.2%**	7.4%
Total capital	**10.2%**	10.5%

[1]Includes the € 3.5 billion of core tier 1 capital from the Irish Government.

[2]Restated due to change in accounting policy for insurance and investment contracts - see page 33.

[3]Equity core tier 1 excludes the € 3.5 billion of core tier 1 capital from the Irish Government.

Risk weighted assets decreased by 11% since 31 December 2008. The core tier 1 ratio increased to 7.9%, the tier 1 ratio was 7.2% and the total capital ratio was 10.2%.

Core tier 1 capital was € 9.5 billion at 31 December 2009 compared with € 7.8 billion at 31 December 2008. The increase reflects the issue of € 3.5 billion 2009 non-cumulative preference shares to the National Pensions Reserve Fund Commission, a gain of € 1.2 billion on subordinated liabilities and other capital instruments arising from the capital exchange offering partly offset by net negative retentions, exchange rate movements and other movements totalling € 3.0 billion.

Tier 1 capital was € 8.7 billion at 31 December 2009, compared with € 9.9 billion at 31 December 2008. The decrease reflects a reduction in non-core tier 1 instruments of € 1.8 billion arising from the capital exchange offering and higher supervisory deduction of €1.3 billion for Expected Loss ("EL") partly offset by the aforementioned increase in core tier 1 of € 1.7 billion and other increases of € 0.2 billion.

Total capital decreased to € 12.3 billion from € 14.1 billion at 31 December 2008. In addition to the € 1.2 billion reduction in tier 1 mentioned above, there was a reduction of € 0.5 billion and subsequent issue of € 1.2 billion from the capital exchange offering, and higher supervisory deductions of € 1.3 billion for EL.

Assets under management

Assets under management in the Group amounted to € 13 billion at 31 December 2009 compared with € 12 billion at 31 December 2008.

Credit ratings

AIB is rated by independent rating agencies Standard & Poor's, Moody's and Fitch. As at 26 February 2010, Standard & Poor's have an A- long-term rating on AIB, AIB's long-term rating with Moody's was A1 and Fitch have a long-term rating of A- on AIB. AIB's liabilities covered under the terms of the Irish Government guarantee schemes ('Credit Institutions (Financial Support) Scheme 2008' or 'Credit Institutions (Eligible Liability Guarantee) Scheme 2009') are rated AA by Standard & Poor's, Aa1 by Moody's and AA- by Fitch.

Trading portfolio financial assets

There was a balance of € 296 million in the trading portfolio as at 31 December 2009 (€ 401 million at 31 December 2008). Global Treasury recorded a fair value charge to income of € 4 million during 2009 in relation to the traded credit portfolio.

Financial investments available for sale

Global Treasury manages the significant majority of AIB's 'financial investments available for sale' portfolio of € 25.3 billion. The portfolio includes securities reclassified from the trading portfolio during 2008 in line with the IAS 39 amendment. The accounting requirement is to fair value these assets through equity and not the income statement, unless impaired or being disposed of. The fair value of financial assets is determined by reference to market prices where these are available in an active market. Where market prices are not available or markets are inactive, as is the situation in certain sectors at present, fair values are determined using valuation techniques, which use observable and non-observable market parameters.

December 2009

Portfolio	*Treatment/impact*	*Valuation method*
- Traded credit portfolio financial assets	€ 4 million charge to income	Quoted prices[1]/observable market parameters
- Financial investments available for sale	€ 297 million (after taxation) credit to equity account[2]	Quoted prices[1]/observable and non-observable market parameters

December 2008

Portfolio	*Treatment/impact*	*Valuation method*
- Traded credit portfolio financial assets	€ 31 million charge to income	Quoted prices[1]/observable market parameters
- Financial investments available for sale	€ 465 million (after taxation) charge to equity account[2]	Quoted prices[1]/observable and non-observable market parameters

The above charges reflect the accounting convention to fair value these assets.

[1]Quoted prices in relation to debt securities and quoted/unquoted prices in relation to equity shares.

[2]This is taken directly to reserves and not through the income statement.

Structured securities portfolio (held by Corporate Banking)

The structured securities portfolio consists of US subprime mortgages, CDOs/CLOs and other structured securities. The following summarises the size of each portfolio and the charge taken in the income statement in 2009 and 2008.

		2009		2008
Portfolio	**Nominal € m**	**Income statement charge € m**	Nominal € m	Income statement charge € m
US subprime mortgages				
- Whole loan format	**88**	**8**	111	-
- Securitisations	**156**	**60**	197	19
Total US subprime	**244**	**68**	308	19
CDOs/CLOs	**581**	**22**	603	11
Other structured securities	**532**	**34**	565	14
Disposal/restructuring of assets	**-**	**-**	-	17

The total charge in the reporting period for the structured securities portfolio was € 124 million compared to € 61 million in 2008. The increased charge was driven by some deterioration in the subprime portfolio and further pressure on the other portfolios. The fair value charge to other income was € 73 million. There was an impairment provision of € 26 million against our subprime assets, € 1 million against CDO's/CLO's and € 24 million in relation to a number of under performing assets in other structured securities.

Funding

Customer resources recovered in the second half of 2009 with a 9% decline (11% excluding currency factors) on December 2008 compared with a June 2009 decline on December 2008 of 12% (excluding currency factors). The reduction in deposits was concentrated in the first quarter and the start of the second quarter and conditions improved over the course of the second quarter of 2009. Gathering customer resources was a key focus for the Group in 2009 with good progress in raising deposits in the second half of the year. Net customer loans including loans held for sale to NAMA decreased by 7% (excluding currency factors) over the year, when combined with customer resources this resulted in a Group loan to deposit ratio of 146% at 31 December 2009 (156% at 30 June 2009 and 140% at 31 December 2008). The Group loan to deposit ratio was 123% excluding loans held for sale to NAMA at 31 December 2009. The net loan decrease is a combination of higher provisions for impairment and successful deleveraging of AIB's international loan portfolios. The decrease in customer resources from December 2008 reflects a number of factors which include: the impact of the economic downturn; sovereign and bank credit rating downgrades; negative sentiment towards Ireland impacting on the Group's market activities and on its overseas franchise in quarter 1 2009, a factor that subsequently stabilised in quarter 2. At 31 December 2009 customer resources represented 51% of the Group's total funding, up from 49% at June 2009 (54% at 31 December 2008).

In a difficult market environment, the Group continued to diversify its funding across currencies, geographies, investor base and products through a range of programmes. During 2009 AIB successfully issued over € 6 billion under the Irish Government guarantee scheme ('the CIFS scheme') through a series of public and private placements. The Group also issued senior unsecured unguaranteed bonds totalling € 1.75 billion. In addition, the Group received a € 3.5 billion capital injection from the Irish Government in May 2009. Over the second half of 2009 the Group reduced its secured funding from € 32 billion at 30 June 2009 to € 24 billion at 31 December 2009 and increased its medium and long term unsecured funding activity. The Group continues to develop contingent collateral and liquidity facilities to further support its funding requirements. At 31 December 2009, the Group held € 48 billion (including pledged assets) in qualifying liquid assets/contingent funding. The NAMA bonds received as consideration for loans that may be transferred to NAMA would substantially increase AIB's level of qualifying liquid assets. The Group's liquidity levels continue to represent a surplus over the group's regulatory requirements.

Statement of financial position summary	**31 December 2009**	31 December 2008
Total assets € bn	**174**	182
Loans and receivables to customers € bn	**103**	129
Held for sale assets NAMA € bn	**19**	-
Customer deposits € bn	**84**	93
Wholesale funding € bn	**64**	63
Loan deposit ratio (excluding loans held for sale to NAMA)	**123%**	140%
Loan deposit ratio	**146%**	140%

	31 December 2009		31 December 2008	
Sources of funds	**€ bn**	**%**	€ bn	%
Customer accounts	**84**	**51**	93	54
Deposits by banks - secured	**24**	**15**	8	5
- unsecured[(1)]	**9**	**5**	17	10
Certificates of deposit and commercial paper	**10**	**6**	21	12
Asset covered securities	**5**	**3**	7	4
Senior debt	**16**	**10**	10	6
Capital[(2)]	**16**	**10**	15	9
Total source of funds	**164**	**100**	171	100
Other[(3)]	**10**		11	
Total liabilities, shareholders' equity and non-controlling interests	**174**		182	
[(1)]Deposits by banks (unsecured) when netted against loans to banks:	**-**	**-**	11	6

[(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.

Relationship with the Irish Government

In the second half of 2008 and in 2009, the Irish Government introduced a range of measures, and took a number of steps, to strengthen the Irish banking industry and its participants, including the Group.

The Government's support package commenced with the adoption in late 2008 of a scheme under which the Government guaranteed the deposits and other liabilities of participating institutions (including AIB and certain 'covered' subsidiaries) to 29 September 2010. This was followed in May 2009 by the subscription by the Government through the National Pension Reserve Fund Commission ("NPRFC") for € 3.5 billion of non-cumulative redeemable preference shares in AIB. During the fourth quarter of 2009, the Government introduced a modified deposit and liability-specific guarantee scheme to apply to senior unsecured debt obligations of the Group issued prior to 29 September 2010. Finally, the National Asset Management Agency ("NAMA") Act was enacted on 22 November 2009, with participation in NAMA approved by the AIB shareholders on 23 December 2009.

The Irish Government measures referred to above have had a significant impact on the manner in which the Group conducts its business and also resulted in the need for a restructuring plan to be submitted to the Minister for Finance of Ireland, which ultimately requires approval by the European Commission. As a result of the Government Guarantee and the purchase of the preference shares, three non-executive directors have been nominated by the Minster for Finance and appointed to the AIB Board. There are also measures that influence the manner in which the Group extends credit to first time buyers of residential premises, small to medium enterprises ("SMEs") and to other customers. The most significant restriction relates to the manner in which the Group can deal with its NAMA assets.

These Irish Government measures, and the ability of the European Commission to influence the future composition of the Group's business, are significant factors that may influence our future results and financial condition.

The Irish Government, by virtue of the guarantee scheme and the issue of the € 3.5 billion preference shares to the NPRFC, is a related party to AIB.

In December 2009, the Board resolved that the non-cumulative distribution on the Stg£ 350 million Fixed Rate/Floating Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities of AIB UK 3 LP which has the benefit of a subordinated guarantee of AIB ('the LP3 Preferred Securities'), which otherwise would have been paid on 14 December 2009, would not be paid.

The effect of this decision by the Group was to trigger the 'Dividend Stopper' provisions of the LP 3 Preferred Securities, which precluded the Group for a period of one calendar year from and including 14 December 2009, from declaring and paying any distribution or dividend on its 'Junior Share Capital', an expression which, at the moment, comprises the Group's ordinary shares and the Irish Government € 3.5 billion preference shares ('the Preference Shares') issued on 13 May 2009 to the NPRFC.

The Group is similarly precluded, for the same period of time, from declaring and paying any distribution or dividend (or, where applicable, is bound to procure that no distribution or dividend is declared or paid) on any 'Parity Security', an expression which at the moment, comprises the Group's 7.5% Step-up Callable Perpetual Reserve Capital Instruments on which an annual Coupon Payment was due on 28 February 2010, the Fixed Rate/Floating Rate Guaranteed Non-Voting Non-Cumulative Perpetual Preferred Securities issued by AIB UK I LP ('the LP 1 Preferred Securities') on which an annual non-cumulative distribution was due on 17 December 2009 and the Fixed Rate/Floating Rate Guaranteed Non-Voting Non-Cumulative Perpetual Preferred Securities issued by AIB UK 2 LP ('the LP 2 Preferred Securities') on which an annual non-cumulative distribution would otherwise be due on 16 June 2010.

Basis of presentation

Underlying percentage change: *The growth percentages are shown on an underlying basis, adjusted for the impact of exchange rate movements on the translation of foreign locations' profit and excluding profit on disposal of businesses.*

AIB Bank ROI recorded a loss of € 3.6 billion in 2009.

Provision charge of € 4.5 billion

Operating profit before provisions of € 881 million

Cost reduction of 15%[(1)]

AIB Bank ROI *Retail and business banking operations in Republic of Ireland, Channel Islands and Isle of Man; AIB Finance and Leasing; Card Services; Wealth Management and share of Aviva Life Holdings Ireland Limited, AIB's venture with Aviva Group Ireland plc.*

AIB Bank ROI income statement	**Year 2009 € m**	Restated[(2)] Year 2008 € m	*Underlying[(3)] % change 2009 v 2008*
Net interest income	**1,400**	1,705	*-18*
Other income	**331**	478	*-31*
Total operating income	**1,731**	2,183	*-21*
Personnel expenses	**533**	640	*-17*
General and administrative expenses	**271**	313	*-13*
Depreciation/amortisation	**46**	49	*-7*
Total operating expenses	**850**	1,002	*-15*
Operating profit before provisions	**881**	1,181	*-25*
Provisions for impairment of loans and receivables	**4,473**	1,298	*244*
Amounts written off financial investments available for sale	**-**	4	-
Total provisions	**4,473**	1,302	*243*
Operating loss	**(3,592)**	(121)	*2,837*
Associated undertakings	**(4)**	-	-
Profit on disposal of property	**2**	6	*-68*
Loss before disposal of business	**(3,594)**	(115)	*3,001*
Profit on disposal of business	**-**	68	-
Loss before taxation	**(3,594)**	(47)	*3,001*

AIB Bank ROI reported a loss before taxation of € 3.6 billion in 2009 driven by higher provisions for impairment of loans and receivables of € 4.5 billion. This compares to a loss before taxation of € 47 million in 2008, when provisions for impairment of loans and receivables were € 1.3 billion. Operating profit before provisions of € 881 million was down 25% compared with 2008, with total operating income of € 1,731 million lower by 21% and total operating expenses of € 850 million down 15%[(1)].

2009 was a very difficult year for the Republic of Ireland division. Key sectors within the Irish economy suffered in a worsening economic climate which, when coupled with rising unemployment and more depressed consumer demand, resulted in a significant increase in impaired loans and a lack of opportunity to grow income across all major business lines. In addition, wholesale and retail funding markets remained stressed giving rise to higher customer deposit acquisition costs, shorter duration term market funding combined with higher longer-term wholesale funding costs. Against this challenging economic and financial markets backdrop, an operating profit of € 881 million was achieved. AIB continued to support customers through this difficult period with particular emphasis on viable small and medium sized enterprises (SME) and mortgage business. However, demand for credit from customers was subdued throughout 2009 reflecting customer concerns around job security, reductions in disposable income and a more cautious approach when evaluating investment opportunities.

(1)Down 7% excluding the retirement benefits amendment in 2009.

(2)Restated due to change in accounting policy for insurance contracts - see page 33.

(3)Underlying growth percentages are shown on a constant currency basis.

Total operating income for the year was € 1,731 million, 21% lower than 2008. The key variables driving this fall in income were the higher cost of deposits and longer-term wholesale funding, partially offset by some widening of loan margins and the availability of cheaper short-term funding on the inter-bank market. Deposit pricing in the Irish market was highly competitive throughout 2009 and at an unsustainable loss making level. The weaker Irish economy also adversely impacted activity driven fee income and commissions, with investment product and credit card income also down on 2008 levels. The full year cost of the Irish Government guarantee scheme was also a factor behind the fall in income, with one quarter charge included in 2008 compared to a full year charge in 2009 partly offset by profit from disposal of available for sale debt securities.

From a balance sheet perspective, gross loans grew by 1%, with mortgages up 6% and non-mortgage lending lower by 1% reflecting weaker customer demand and evidence of some deleveraging by customers. AIB had an estimated 36% share of all new business written in the Irish mortgage market in 2009. On the liability side, customer accounts reduced by 6% reflecting lower retail deposits and lower current account balances as the deterioration in the economic climate resulted in lower account transaction activity.

Costs were tightly managed in 2009 and total operating expenses were down 15% compared to 2008. There was a one-off gain in 2009 from a retirement benefits amendment excluding which costs were down 7%. Personnel costs were down 17% (4% lower excluding the retirement benefits amendment) due to a reduction in staff numbers (approximately 380 lower than December 2008) and staff related costs. General and administrative expenses were 13% lower than 2008 driven by tight management of all areas of expenditure.

The provision for impairment of loans and receivables increased significantly to € 4.5 billion, 5.76% of average loans. This was up from € 1.3 billion (1.74%) in 2008. Property and construction accounted for approximately 80% of the December 2009 charge. Of the total loan book of € 78 billion in Republic of Ireland division it is anticipated that approximately € 19 billion may transfer to NAMA over the coming months. In 2009 the impairment charge associated with these NAMA loans was € 3.2 billion resulting in cumulative credit provisions at 31 December 2009 of € 3.9 billion against the NAMA book[(1)]. In the non NAMA book there was also evidence of some deterioration in credit quality which is being tightly managed.

Associated undertakings mainly represents AIB's share of Aviva Life Holdings Ireland Limited with the financial out-turn for 2009 lower than 2008 primarily due to a reduction in new business volumes and investment markets.

The profit on disposal of business of € 68 million in 2008 reflects the division's share of profits from the sale of 50.1% of AIB's merchant acquiring businesses. Following this transaction the Group formed a merchant acquiring joint venture with First Data Corporation.

[(1)]In addition there are provisions in relation to the UK NAMA book. Total AIB Group provisions in relation to loans held for sale to NAMA at 31 December 2009 were € 4.2 billion.

Capital Markets profit was € 531 million in 2009 compared with € 585 million in 2008.

Exceptional performance in Global Treasury

Resilient profit out-turn in Corporate Banking notwithstanding impact of global economic downturn

Investment Banking impacted by continued market volatility, lower demand for investment products and lower asset values

Tight cost control

Continued improvement in cost income ratio from 33.9% to 27.3%

Capital Markets *Corporate Banking, Global Treasury and Investment Banking.*

Capital Markets income statement	**Year 2009 € m**	Year 2008 € m	*Underlying[1] % change 2009 v 2008*
Net interest income	**1,007**	1,064	*-4*
Other income	**252**	94	*213*
Total operating income	**1,259**	1,158	*11*
Personnel expenses	**223**	268	*-16*
General and administrative expenses	**103**	108	*-2*
Depreciation/amortisation	**17**	16	*5*
Total operating expenses	**343**	392	*-11*
Operating profit before provisions	**916**	766	*23*
Provisions for impairment of loans and receivables[2]	**361**	160	*137*
Provisions for liabilities and commitments	**-**	(4)	-
Amounts written off financial investments available for sale	**24**	25	*-4*
Total provisions	**385**	181	*122*
Profit before taxation	**531**	585	*-7*

Capital Markets profit before taxation of € 531 million declined by 9% on 2008 (7% excluding currency factors of € 12 million) while operating profit before provisions grew by 20% from € 766 million to € 916 million (23% excluding currency factors). Net interest income was negatively impacted by higher funding costs, lower margin on USD/Euro liquidity management activities and lower average loan volumes, though partly offset by increased income on strategic interest rate management activities and higher advances margins. The strong growth in other income was driven by a lower cost of cross currency interest rate swaps used to manage liquidity, lower mark to market write downs and profit from disposal of available for sale debt securities. Other income also included the full year cost of the Irish Government guarantee scheme. While the net interest income trend was negatively impacted by a lower margin on USD/Euro liquidity management, other income benefited by a commensurate amount from a lower cost of cross currency swaps with no impact on the total income trend.

Total operating expenses fell by 12% (11% excluding currency factors of € 6 million) reflecting the division's flexible cost structure and strong management focus on costs across all areas and headings. Excluding the gain from the retirement benefits amendment and currency factors, total operating expenses fell by 6%. Lower staff numbers, salary containment and reduced variable compensation contributed to the fall in personnel expenses while the decrease in other administrative expenses was largely due to the effective operation of cost control initiatives. The impact of these initiatives and the retirement benefits amendment has manifested in a continuation of the downward trend in the cost income ratio, falling from 33.9% in 2008 to 27.3% in 2009.

Total provisions amounted to € 385 million, an increase of 122% (excluding currency factors) on 2008, reflecting the scale of the economic downturn across our principal credit markets and the consequent level of difficulties experienced by borrowers.

[1]Underlying growth percentages are shown on a constant currency basis.

[2]Includes provisions on loans and receivables to customers (€ 356 million) and to banks (€ 5 million).

Capital Markets business unit profit split	**Year 2009 € m**	Year 2008 € m	*Underlying[1] % change 2009 v 2008*
Corporate Banking	**37**	335	*-89*
Global Treasury	**470**	213	*124*
Investment Banking[2]	**24**	37	*-21*
Profit before taxation	**531**	585	-7

Corporate Banking experienced very difficult trading conditions during the year as the scale of economic downturn across key credit markets significantly impacted the level of provisions for loan impairments. Profit before taxation declined as credit impairment provisions increased from € 160 million in 2008 to € 356 million in 2009. This represented an impairment charge of 1.41% of average loans, up from 0.60% in 2008. Profit before provisions fell by 20% (18% excluding currency factors), principally due to higher funding costs, higher mark to market writedowns on the structured securities portfolio and lower demand for credit. Given the unprecedented economic circumstances, management attention was focussed on raising customer deposits, de-risking and re-pricing the balance sheet and engaging in constant monitoring of the credit portfolio. As a consequence, customer deposits increased by 17% year on year, underpinned by the strength of customer relationships in each of our markets, while gross loan volumes declined by € 3.5 billion (14%). Average loan margins increased and overall asset quality continued to remain strong.

Global Treasury profit before taxation increased by 121% (124% excluding currency factors) to € 470 million while profit before provisions increased by 109% (112% excluding currency factors). This reflected exceptionally strong profit growth in Wholesale Treasury, principally benefiting from increased income on strategic interest rate management activities from being well positioned in a low interest rate environment. Higher income from cash management activities, higher amortised income on bonds and lower mark to market writedowns in 2009 compared with 2008 also contributed to the overall growth in income. Customer treasury profits were down on the comparative period, significantly impacted by the economic downturn in the Irish and UK economies, as lower volumes of foreign exchange, derivatives and cross border payments contributed to the fall in income. Impairment provisions were marginally up on 2008.

Investment Banking profit before taxation fell by 35% (21% excluding currency factors) on 2008. The investment banking market continued to be challenging as lower demand for investment banking products and lower asset values negatively impacted asset management income, stockbroking fees and once-off income from structured transactions. Year on year trading income grew as equity markets emerged from exceptionally low levels in 2007/2008 and the benefits of strong management focus on risk containment materialised. Corporate Finance income benefited from the completion of a number of significant transactions and financial outsourcing activities continued to be resilient in difficult market conditions. Aggressive cost and efficiency initiatives were implemented across all business units in line with lower revenue generation and activity levels. Total costs decreased by 11% arising from reduced staff numbers, lower variable compensation and tight cost control over all cost categories.

[1] Underlying growth percentages are shown on a constant currency basis.

[2] Investment Banking mainly comprises Goodbody Stockbrokers, asset management activities, Corporate Finance and AIB International Financial Services.

AIB Bank UK division recorded a loss of £ 15 million in the year to December 2009. Operating profit before provisions of £ 336 million was 4% higher than 2008.

Operating profit before provisions increased by 4%

Costs reduced by 31%

Impairment charge of £ 352 million

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

AIB Bank UK income statement		**Year 2009 Stg£ m**	Year 2008 Stg£ m	*Underlying[1] % change 2009 v 2008*
Net interest income		**422**	471	*-10*
Other income		**91**	107	*-16*
Total operating income		**513**	578	*-11*
Personnel expenses		**108**	157	*-31*
General and administrative expenses		**63**	91	*-31*
Depreciation/amortisation		**6**	7	*-15*
Total operating expenses		**177**	255	*-31*
Operating profit before provisions		**336**	323	*4*
Provisions for impairment of loans and receivables		**352**	204	*73*
Provisions for liabilities and commitments		**-**	-	-
Total provisions		**352**	204	*73*
Operating (loss)/profit		**(16)**	119	-
Associated undertaking		**1**	1	*8*
Profit on disposal of property		**-**	2	-
(Loss)/profit before disposal of business		**(15)**	122	-
Profit on disposal of business		**-**	30	-
(Loss)/profit before taxation		**(15)**	152	-
(Loss)/profit before taxation	€ m	**(16)**	190	-

AIB Bank UK reported an operating profit before provisions of £ 336 million, an increase of 4% on the previous year, in an economic environment that remains very challenging. Impairment charges for the year were £ 352 million compared to £ 204 million in 2008 reflecting the deteriorating economy and increased levels of customers facing financial difficulties. AIB Bank UK reported a net loss of £ 15 million compared to a net profit before disposal of business of £ 122 million in the previous year. Despite the increased impairment provisions, Allied Irish Bank (GB) reported a net profit of £ 71 million for the year, while First Trust Bank recorded a net loss of £ 86 million.

In what continued to be a difficult operating environment, AIB Bank UK focused on managing interest margins on both loans and deposits and continued its strong focus on cost management. Intense competition for deposits and higher wholesale funding costs put pressure on margins, which has been partly offset by increased returns on lending, resulting in a 10% reduction in net interest income. Customer deposit balances reduced by 20% compared with 31 December 2008, reflecting concerns about the Irish sovereign which abated after the first quarter and a highly competitive environment for deposit taking and customer loan balances reduced by 5% on 31 December 2008, in line with a lower demand for credit. Other income declined by 16% on the previous period, however excluding profit on disposal of available for sale debt securities and the cost of the Irish Government deposit guarantee scheme paid within other income, other income showed a decline of 15% on the previous year. This underlying decline was due to decreased transaction income due to lower demand and reduced customer activity reflecting the broad economic environment.

[1]Underlying growth percentages are shown on a constant currency basis.

Costs have been very actively managed and have decreased by 31% period on period. Excluding the one-off gain from the retirement benefits amendment, costs have reduced by 20% on 2008. Management actions in 2009 include significant reductions in performance compensation, reduced headcount through natural attrition and reduced discretionary spend. In addition, costs in 2009 included £ 3 million relating to the UK Financial Services Compensation Scheme ("FSCS"), down from £ 17 million in 2008.

The provision charge for the year at £ 352 million was mainly in the property sector of the loan portfolio. This was particularly evident in First Trust Bank, which accounts for 58% of the total provision charge.

The £ 30 million profit on disposal of business in 2008 reflects the division's share of profits from the sale of 50.1% of AIB's merchant acquiring businesses. Following this transaction the Group formed a merchant acquiring joint venture with First Data Corporation.

AIB Bank UK profit/(loss) split	**Year 2009 Stg£ m**	Year 2008 Stg£ m	*Underlying % change 2009 v 2008*
AIB (GB)	**71**	89	*-21*
First Trust Bank	**(86)**	33	-
Profit on sale of business	**-**	30	-
(Loss)/profit before taxation	**(15)**	152	-

Allied Irish Bank (GB), operating profit before provisions increased by 13% to £ 217 million on prior year, however as a result of increased impairment charges profit before taxation of £ 71 million was down 21% on 2008. Net interest income declined by 3% on 2008, as lower deposit income in a low rate environment along with intense competitor pricing were offset by increased margins on loans. Customer loan balances fell by 4% on 31 December 2008 while customer deposit balances reduced by 29% reflecting sovereign concerns in the early part of the year and a period where deposit pricing in the marketplace increased. Other income declined by 5% on the previous year, however excluding the impact of the Irish Government deposit guarantee scheme and profit on disposal of available for sale debt securities, other income was down 2%. Costs declined by 26% on 2008 due to continued focus on managing the cost base. Excluding the one-off gain from the retirement benefits amendment, costs decreased by 18% on 2008. As a result of the continued deterioration in the economy, impairment charges increased significantly on the previous year.

First Trust Bank made an operating profit before provisions of £ 119 million, a reduction of 9% on last year. After higher impairment provisions the loss before taxation was £ 86 million, reflecting the sharp deterioration in the Northern Ireland economy, particularly within the property sector. Net interest income was 21% lower than last year reflecting lower deposit margins driven by increased competition for deposit balances and the impact of a very low rate environment, which has been partly mitigated by an improvement in lending margins. Customer deposit balances increased by 3% over the course of the year, driven by the launch of several fixed term deposit offerings, while customer loans reduced by 5% when compared to December 2008. Other income fell significantly compared to last year reflecting the impact of reduced economic activity on transaction income and costs associated with the Irish Government deposit guarantee scheme, partly offset by a gain on disposal of available for sale debt securities which are accounted for within other income. Costs were 36% lower compared with 2008 (22% lower excluding the one-off gain from the retirement benefits amendment).

Central & Eastern Europe (CEE) profit in 2009 was € 79 million compared with € 174 million in 2008

Robust operating profit before provisions growth in Poland +6%

Excellent loan to deposit ratio maintained, now 85% for CEE

Tight cost control a feature

CEE profit split	Year 2009 € m	Year 2008 € m	Underlying[1] % change 2009 v 2008
Poland	**196**	263	*-8*
BACB	**(104)**	(56)	*87*
AmCredit	**(13)**	(33)	*-60*
CEE	**79**	174	*-36*

Poland *Bank Zachodni WBK ("BZWBK"), in which AIB has a 70.4% shareholding, together with its subsidiaries and associates. BZWBK Wholesale Treasury and Capital Markets share of certain Investment Banking subsidiaries results are reported in Capital Markets division.*

Poland income statement		Year 2009 Pln m	Year 2008 Pln m	Underlying[1] % change 2009 v 2008
Net interest income		**1,628**	1,542	*6*
Other income		**1,315**	1,362	*-3*
Total operating income		**2,943**	2,904	*1*
Personnel expenses		**867**	870	-
General and administrative expenses		**609**	656	*-7*
Depreciation/amortisation		**123**	110	*12*
Total operating expenses		**1,599**	1,636	*-2*
Operating profit before provisions		**1,344**	1,268	*6*
Provisions for impairment of loans and receivables		**487**	344	*42*
Provisions for liabilities and commitments		**2**	7	*-72*
Total provisions		**489**	351	*39*
Operating profit		**855**	917	*-7*
Associated undertakings		**-**	(2)	-
Profit on disposal of property		**(1)**	8	-
Profit before taxation		**854**	923	*-8*
Profit before taxation	€ m	**196**	263	*-8*

Poland recorded a profit before taxation of Pln 854 million in 2009, compared with Pln 923 million in 2008, a decrease of Pln 69 million or 8%. Operating profit before provisions increased by 6% as a result of decisive management action in response to a difficult economic environment and market conditions.

Net interest income grew by 6%. Gross customer loans were in line with 31 December 2008. BZWBK has adapted its approach to lending to reflect the slowing economic conditions and its ongoing objective to be self financing. The focus has been on maintaining loan quality and ensuring diversity in the overall loan portfolio. Special focus was directed at deepening the footprint in the retail and SME sectors where higher returns are achievable. Margins steadily improved across all lines of lending in the year following various management initiatives while meeting our structured managed risk approach. Deposits decreased by 4% compared with 31 December 2008, which is considered a good outcome in the context of the very competitive market for deposits generally. Deposit pricing has remained very competitive in the sector, though some of the pressures noted previously have eased.

[1]Underlying growth percentages are shown on a constant currency basis.

Strong underlying growth in banking fee income was recorded. This included a 15% increase in fees on daily banking services, loans, debit cards, credit cards and the provision of third party services. Dividend income from equity investments recorded a substantial increase of 38%. These strong performances were negated by lower profits on equity disposals where the level of disposals in 2008 were not repeated in 2009 and a fall of 35% in fees earned from mutual funds and asset portfolios as a result of the adverse conditions on the local and global financial markets. At 31 December 2009, mutual fund volumes had increased by 25% to Pln 10.5 billion. This followed the substantial reduction of 63% recorded in 2008. BZWBK maintained second place in the market (11.22% v 11.29% in December 2008). Income from the brokerage business was also negatively impacted, a 12% reduction, as a result of depressed market trading conditions during the year. Overall, other income decreased by 3%.

Total operating expenses reduced by 2% reflecting cost reductions in a number of areas. The branch network development programme finalised in 2009 bringing the total number of branches to 512 at the end of 2009. Staff numbers (Full Time Equivalent) reduced by 8% since December 2008. A positive income/cost growth rate gap of 3% leaves the cost income ratio at 54.3%, down from 56.3% in the year ended 31 December 2008.

The provision charge for impairment of loans and receivables of Pln 487 million reflects the challenging environment for lending activities in both retail and business segments. The provision charge represents 1.34% (2008: 1.16%) of average customer loans. At 31 December 2009, impaired loans as a percentage of total loans increased to 5.5% from 2.9% as at the end of 2008.

BACB – Bulgaria

AIB share from profits in BACB for 2009 amounted to € 5 million. A further impairment review was carried out on the investment in 2009 which resulted in an additional impairment charge of € 108 million in AIB's investment in BACB (2008: € 57 million). There were funding costs of € 1 million in the period.

AmCredit - Baltic Region

AmCredit recorded a loss before taxation of € 13 million in 2009, compared with a loss of € 33 million in 2008. The result in 2009 primarily reflects impairment provisions on loans of € 13 million (11.75% charge on average gross customer loans) arising from the continuation of the sharp downturn in the three Baltic economies and the extremely depressed mortgage market in 2009. A nil operating profit before provisions was recorded in 2009 compared to an operating loss before provisions of € 24 million in 2008, which included a € 15 million goodwill impairment charge.

Group

Group *includes interest rate hedge volatility (hedge ineffectiveness and derivative volatility), hedging in relation to the translation of foreign locations' profit, unallocated costs of central services, AIB's average share of 23.3% in M&T Bank Corporation ("M&T") and profit on disposal of property.*

Group income statement	**Year 2009 € m**	Year 2008 € m
Net interest (expense)/income	**(26)**	70
Other income	**635**	104
Total operating income	**609**	174
Personnel expenses	**33**	53
General and administrative expenses	**43**	51
Depreciation/amortisation	**55**	46
Total operating expenses	**131**	150
Operating profit	**478**	24
Associated undertaking - M&T	**(156)**	94
Profit on disposal of property	**21**	2
Construction contract income	**1**	12
Profit before taxation	**344**	132

Group reported a € 344 million profit in 2009 compared with € 132 million in 2008. The result in 2009 included a gain of € 623 million on the capital exchange offering completed in June 2009. Excluding this one-off item, the Group loss before taxation in 2009 was € 279 million. The commentary which follows excludes this one-off item.

The trends in net interest income and other income in Group division are impacted by 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 € 174 million in 2008 to a loss of € 14 million in 2009. This mainly reflects a reduction in income earned on capital and the impact of interest rate hedge volatility (hedge ineffectiveness and derivative volatility), a charge of € 28 million in 2009 compared with an increase of € 27 million in 2008. Income was also impacted by the capital exchange offering, where the dividends on tier 1 instruments redeemed as part of the capital exchange previously had been paid out of Group profit after tax whereas dividends on the lower tier 2 subordinated debts instruments issued as part of the capital exchange are charged to net interest income. Total operating income also includes hedging profits in relation to foreign currency translation hedging (€ 4 million profit in both 2008 and 2009).

Total operating expenses decreased from € 150 million in 2008 to € 131 million in 2009 notwithstanding significant investment in structures and resources related to NAMA. Total operating expenses included € 28 million in relation to preparation for NAMA, including external professional fees relating to the preparation of the circular, other costs relating to the extraordinary general meeting and costs relating to the valuation of properties. Excluding these costs, the Group division cost base reduced by € 47 million to € 103 million. Personnel expenses decreased from € 53 million in 2008 to € 33 million in 2009, a decrease of € 20 million. General and administrative expenses decreased from € 51 million to € 43 million mainly reflecting lower Group operations and technology costs benefiting from the single enterprise agenda and active management of all cost categories. Depreciation/amortisation expenses increased from € 46 million in 2008 to € 55 million in 2009 reflecting project and investment spend in recent years on the single enterprise agenda.

AIB's share of M&T's after tax profit in 2009 amounted to € 44 million. In the first half of 2009, an impairment review resulted in an impairment charge of € 200 million to AIB's investment in M&T. On a local currency basis, excluding the impairment charge, M&T's net income of US$ 61 million was down 56% relative to the 2008 contribution of US$ 138 million. M&T reported its results on 20 January 2010, showing net income down 32% to US$ 380 million compared to 2008. The M&T euro contribution to AIB Group performance was impacted by the strengthening in the US dollar rate relative to the euro during 2009.

Profit on disposal of property of € 21 million in 2009 reflects profit on sale of 15 branches (€ 17 million after taxation) as part of the sale and leaseback programme.

Financial statements - Basis of preparation

Going concern

The Group's activities are subject to risk factors. The continued global financial crisis and the deteriorated economic environments in the countries in which it operates have increased the intensity of these risk factors. The Directors have reviewed the Group's Business and Financial Plan for 2010/2011 which incorporates its funding and capital plan and considered the critical assumptions underpinning same. They have also considered the measures introduced by the Irish Government to improve liquidity, including the Government Guarantee, the € 3.5 billion recapitalisation, AIB's participation in NAMA; the Government's acknowledgement of AIB's systemic importance to the Irish economy; and the Government's continued stated support including the provision of additional capital if necessary. The financial statements continue to be prepared on a going concern basis, as the Directors are satisfied that the Company and the Group as a whole have access to the resources to continue in business for the foreseeable future.

Accounting policies

Except as noted below, there have been no changes in the accounting policies as described on pages 119 to 135 in the 2008 Annual Financial Report.

Insurance contracts

In the preparation of the 2009 Annual Financial Report, the Group has changed its method of accounting for insurance contracts from European Embedded Value ("EEV") to Market Consistent Embedded Value ("MCEV") principles. This follows the publication by the European Insurance CFO Forum of the MCEV principles, which will replace the EEV principles as the CFO Forum endorsed method of embedded value reporting from 1 January 2011.

These principles provide a framework intended to improve comparability and transparency in embedded value reporting across Europe. The adoption of MCEV principles is expected to deliver a shareholder perspective on value, being the present value of cash flows available to shareholders, adjusted for the risks of those cash flows; and a market consistent approach to financial risk.

This change in accounting policy has been accounted for retrospectively and the comparative financial statements have been restated. The change had the impact of increasing investment in associates, total assets, retained earnings and total liabilities by € 26 million at 31 December 2007 and by € 31 million at 31 December 2008. Share of income from associated undertakings and profit before tax each increased by € 5 million in the year ended 31 December 2008. The change in accounting policy increased basic earnings per share for the year ended 31 December 2008 by EUR 0.5 cent to EUR 83.4 cent and diluted earnings per share by EUR 0.5 cent to EUR 83.3 cent.

Borrowing costs

The Group has implemented the revised IAS 23 - Borrowing Costs in the preparation of its financial statements for the year ended 31 December 2009. Previously, the Group's policy was to expense borrowing costs related to the acquisition, construction or production of qualifying assets.

Commencing on 1 January 2009, it is Group policy to capitalise, as part of the cost of an asset, borrowing costs that are directly attributable to the acquisition, construction or production of that asset. This applies to qualifying assets, which are assets that take a substantial period of time to complete and for which the acquisition, construction or production commenced after 1 January 2009. This change in accounting policy did not have a material impact in the year ended 31 December 2009. Comparative figures have not been adjusted.

The following standards/amendments to standards have been adopted by the Group during the year ended 31 December 2009:

IFRS 8 - Operating Segments

This standard is effective from 1 January 2009, replacing IAS 14 - Segmental Reporting. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Revised IAS 1 - Presentation of Financial Statements

The revisions to this standard include changes in the titles of some of the primary financial statements to reflect their function more clearly. The Group has adopted the 'two separate statements approach' of presenting items of income and expense and components of other comprehensive income. The revised standard requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity in the 'Consolidated statement of changes in equity'. Comparative information has been re-presented in accordance with the requirements of the revised standard.

Improving Disclosures about Financial Instruments (Amendments to IFRS 7)
This amended standard requires enhanced disclosures about fair value measurements and liquidity risk in respect of financial instruments.

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 2009 will be available on the Internet website http://www.aibgroup.com/investorrelations in early March 2010. The Annual Financial Report for the year ended 31 December 2009 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 unqualified.

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 2009

	Notes	2009 € m	Restated[1] 2008 € m
Interest and similar income	2	**6,596**	10,228
Interest expense and similar charges	3	**3,363**	6,361
Net interest income		**3,233**	3,867
Dividend income	4	**26**	27
Fee and commission income	5	**996**	1,183
Fee and commission expense	5	**(235)**	(142)
Net trading income/(loss)	6	**11**	(73)
Gain on redemption of subordinated liabilities and other capital instruments	7	**623**	–
Other operating income	8	**205**	206
Other income		**1,626**	1,201
Total operating income		**4,859**	5,068
Administrative expenses	9	**1,741**	2,187
Impairment and amortisation of intangible assets		**77**	78
Depreciation of property, plant and equipment		**79**	92
Total operating expenses		**1,897**	2,357
Operating profit before provisions		**2,962**	2,711
Provisions for impairment of loans and receivables	20	**5,355**	1,822
Provisions for liabilities and commitments		**1**	(2)
Amounts written off financial investments available for sale	11	**24**	29
Operating (loss)/profit		**(2,418)**	862
Associated undertakings	23	**(262)**	42
Profit on disposal of property		**23**	12
Construction contract income		**1**	12
Profit on disposal of businesses		**–**	106
(Loss)/profit before taxation		**(2,656)**	1,034
Income tax (income)/expense	12	**(322)**	144
(Loss)/profit for the period		**(2,334)**	890
Attributable to:			
Owners of the parent		**(2,413)**	772
Non-controlling interests		**79**	118
		(2,334)	890
Basic (loss)/earnings per share	13(a)	**(215.2c)**	83.4c
Diluted (loss)/earnings per share	13(b)	**(215.2c)**	83.3c

[1]Restated due to change in accounting policy for insurance contracts - see Financial statements - Basis of preparation.

Consolidated statement of comprehensive income

for the year ended 31 December 2009

	2009 € m	Restated[1] 2008 € m
(Loss)/profit for the period	**(2,334)**	890
Other comprehensive income:		
Exchange translation adjustments	**158**	(655)
Net change in cash flow hedges, net of tax	**(61)**	678
Net change in fair value of available for sale securities, net of tax	**238**	(383)
Net actuarial gain/(loss) in retirement benefit schemes, net of tax	**174**	(706)
Recognised (losses)/gains in associated undertakings, net of tax	**(40)**	73
Other comprehensive income for the period, net of tax	**469**	(993)
Total comprehensive income for the period	**(1,865)**	(103)
Attributable to:		
Owners of the parent	**(1,967)**	(162)
Non controlling interests	**102**	59
Total comprehensive income for the period	**(1,865)**	(103)

Effect of change in accounting policy adjusted against opening retained earnings	1 January 2008 € m
Attributable to:	
Owners of the parent	26
Non-controlling interests	-
	26

[1]Restated due to change in accounting policy for insurance contracts - see Financial statements - Basis of preparation.

Consolidated statement of financial position

for the year ended 31 December 2009

	Notes	2009 € m	Restated[1] 2008 € m	Restated[1] 2007 € m
Assets				
Cash and balances at central banks		**4,382**	2,466	1,264
Items in course of collection		**251**	272	383
Financial assets held for sale to NAMA	15	**19,212**	-	-
Disposal group and assets classified as held for sale		**50**	8	239
Trading portfolio financial assets	16	**296**	401	8,256
Derivative financial instruments	17	**6,071**	7,328	4,557
Loans and receivables to banks	18	**9,093**	6,266	9,465
Loans and receivables to customers	19	**103,341**	129,489	127,603
Financial investments available for sale	21	**25,336**	29,024	20,984
Financial investments held to maturity	22	**1,586**	1,499	-
Interests in associated undertakings	23	**1,641**	1,999	1,708
Intangible assets and goodwill		**782**	774	636
Property, plant and equipment		**536**	603	608
Other assets		**456**	673	786
Current taxation		**57**	69	2
Deferred taxation		**583**	248	254
Prepayments and accrued income		**641**	1,055	1,143
Total assets		**174,314**	182,174	177,888
Liabilities				
Deposits by banks	24	**33,333**	25,578	30,389
Customer accounts	25	**83,953**	92,604	81,308
Financial liabilities held for sale to NAMA	15	**3**	-	-
Disposal group classified as held for sale		**-**	-	161
Trading portfolio financial liabilities		**23**	111	194
Derivative financial instruments	17	**5,520**	6,468	4,142
Debt securities in issue	26	**30,654**	37,814	41,866
Current taxation		**65**	35	181
Deferred taxation		**-**	2	60
Other liabilities		**3,025**	2,158	1,473
Accruals and deferred income		**1,027**	1,375	1,808
Retirement benefit liabilities	10	**714**	1,105	423
Provisions for liabilities and commitments		**76**	85	74
Subordinated liabilities and other capital instruments	27	**4,586**	4,526	4,605
Total liabilities		**162,979**	171,861	166,684
Shareholders' equity				
Share capital	28	**329**	294	294
Share premium	28	**4,975**	1,693	1,693
Other equity interests	28	**389**	497	497
Reserves		**935**	698	327
Profit and loss account		**4,081**	5,787	7,042
Shareholders' equity		**10,709**	8,969	9,853
Non-controlling interests in subsidiaries		**626**	1,344	1,351
Total shareholders' equity including non-controlling interests		**11,335**	10,313	11,204
Total liabilities, shareholders' equity and non-controlling interests		**174,314**	182,174	177,888

[1]Restated due to change in accounting policy for insurance contracts - see Financial statements - Basis of preparation.

Consolidated statement of cash flows

for the year ended 31 December 2009

	2009 € m	Restated[1] 2008 € m
Reconciliation of profit before taxation to net cash inflow from operating activities		
(Loss)/profit before taxation	**(2,656)**	1,034
Adjustments for:		
Gain on redemption of subordinated liabilities and other capital instruments	**(623)**	–
Profit on disposal of businesses	**–**	(106)
Construction contract income	**(1)**	(12)
Profit on disposal of property, plant and equipment	**(23)**	(12)
Investment income	**(64)**	(55)
Associated undertakings	**(46)**	(99)
Impairment of associated undertakings	**308**	57
Provisions for impairment of loans and receivables	**5,355**	1,822
Provisions for liabilities and commitments	**1**	(2)
Amounts written off financial investments available for sale	**24**	29
(Decrease)/increase in other provisions	**(6)**	26
Depreciation, amortisation and impairment	**156**	170
Interest on subordinated liabilities and other capital instruments	**275**	249
Profit on disposal of financial investments available for sale	**(173)**	(146)
Share based payment	**1**	5
Amortisation of premiums and discounts	**(46)**	(18)
Decrease/(increase) in prepayments and accrued income	**377**	1
(Decrease)/increase in accruals and deferred income	**(429)**	(306)
	2,430	2,637
Net increase/(decrease) in deposits by banks	**7,636**	(3,880)
Net (decrease)/increase in customer accounts	**(9,957)**	16,939
Net decrease/(increase) in loans and receivables to customers[2]	**3,656**	(11,895)
Net (increase)/decrease in loans and receivables to banks	**(1,116)**	11
Net decrease/(increase) in trading portfolio financial assets/liabilities	**26**	1,466
Net decrease/(increase) in derivative financial instruments	**249**	(500)
Net decrease/(increase) in items in course of collection	**30**	70
Net (decrease)/increase in debt securities in issue	**(7,203)**	(2,335)
Net (increase)/decrease in notes in circulation	**54**	(109)
Net decrease/(increase) in other assets	**231**	668
Net increase/(decrease) in other liabilities	**716**	1,016
Effect of exchange translation and other adjustments	**(961)**	934
Net cash (outflow)/inflow from operating assets and liabilities	**(6,639)**	2,385
Net cash (outflow)/inflow from operating activities before taxation	**(4,209)**	5,022
Taxation paid	**(54)**	(357)
Net cash (outflow)/inflow from operating activities	**(4,263)**	4,665
Investing activities *(note a)*	**4,542**	(5,544)
Financing activities *(note b)*	**3,180**	(540)
Increase/(decrease) in cash and cash equivalents	**3,459**	(1,419)
Opening cash and cash equivalents	**8,522**	10,427
Effect of exchange translation adjustments	**86**	(486)
Closing cash and cash equivalents	**12,067**	8,522

Consolidated statement of cash flows *(continued)*

for the year ended 31 December 2009

	2009 **€ m**	2008 € m
(a) Investing activities		
Purchase of financial investments available for sale	**(4,812)**	(19,404)
Proceeds from sales and maturity of financial investments available for sale	**9,450**	14,294
Purchase of financial investments held to maturity	**(128)**	–
Proceeds from maturity of financial investments held to maturity	**71**	–
Additions to property, plant and equipment	**(64)**	(140)
Disposal of property, plant and equipment	**43**	26
Additions to intangible assets	**(80)**	(150)
Additions to investment in associated undertakings	**(2)**	(231)
Disposal of investment in associated undertakings	**–**	5
Disposal/redemption of investment in businesses and subsidiaries	**–**	114
Dividends received from associated undertakings	**64**	55
Investment in business	**–**	(113)
Cash flows from investing activities	**4,542**	(5,544)
(b) Financing activities		
Re-issue of treasury shares	**–**	10
Issue of 2009 preference shares	**3,467**	–
Cost of redemption of capital instruments	**(8)**	–
Issue of subordinated liabilities	**–**	885
Redemption of subordinated liabilities and other capital instruments	**–**	(356)
Interest paid on subordinated liabilities and other capital instruments	**(215)**	(255)
Equity dividends paid on ordinary shares	**–**	(720)
Dividends on other equity interests	**(44)**	(38)
Dividends paid to non-controlling interests	**(20)**	(66)
Cash flows from financing activities	**3,180**	(540)

[1]Restated due to change in accounting policy for insurance contracts - see Financial statements - Basis of preparation.

[2]Net decrease/(increase) in loans and receivables to customers includes financial assets held for sale to NAMA.

Consolidated statement of changes in equity

	Attributable to equity holders of the parent												
	Share capital € m	Share premium € m	Other equity interests € m	Capital reserves € m	Revaluation reserves € m	Available for sale securities reserves € m	Cash flow hedging reserves € m	Revenue reserves € m	Foreign currency translation reserves € m	Treasury shares € m	Share based payments reserves € m	Total € m	Non-controlling interests € m	Total € m
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 7)	**–**	**–**	**(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**
2008														
At 1 January 2008 as reported	294	1,693	497	527	33	(91)	(142)	7,682	(251)	(491)	76	9,827	1,351	11,178
Change in accounting policy	–	–	–	–	–	–	–	26	–	–	–	26	–	26
As restated	294	1,693	497	527	33	(91)	(142)	7,708	(251)	(491)	76	9,853	1,351	11,204
Total comprehensive income for the period	–	–	–	–	–	(465)	680	117	(494)	–	–	(162)	59	(103)
Dividends on ordinary shares	–	–	–	–	–	–	–	(720)	–	–	–	(720)	(18)	(738)
Dividends on other equity interests	–	–	–	–	–	–	–	(38)	–	–	–	(38)	(48)	(86)
Share based payments	–	–	–	–	–	–	–	–	–	–	5	5	–	5
Other movements	–	–	–	156	–	–	–	(156)	–	–	–	–	–	–
Ordinary shares re-issued	–	–	–	–	–	–	–	–	–	29	–	29	–	29
Net movement in own shares	–	–	–	–	–	–	–	2	–	–	–	2	–	2
At 31 December 2008 - restated	294	1,693	497	683	33	(556)	538	6,913	(745)	(462)	81	8,969	1,344	10,313

1 Segmental information

For management and reporting purposes, the activities of AIB Group are organised into four 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.

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, AIB's venture with Aviva Group Ireland plc.

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

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).

Central and Eastern Europe[1]: This division comprises: Bank Zachodni WBK S.A. ("BZWBK"), in which AIB has a 70.4% shareholding, together with its subsidiaries and associates which operate in Poland; Bulgarian American Credit Bank, a specialist provider of secured finance to small and medium sized companies in Bulgaria, in which AIB has a 49.99% shareholding; and AmCredit, a mortgage business in Lithuania, Latvia and Estonia.

Group: Includes hedge volatility (hedge ineffectiveness and derivative volatility), hedging in relation to the translation of foreign locations' profit, unallocated costs of central services, AIB's average share of 23.3% in M&T Bank Corporation and profit on disposal of property.

[1] During 2008, the Central & Eastern Europe ("CEE") division was formed bringing together the Group's interests in Poland, Bulgaria and the Baltic region.

1 Segmental information *(continued)*

	AIB Bank ROI € m	Capital Markets € m	AIB Bank UK € m	Central & Eastern Europe € m	Group € m	Total € m
						2009
Operations by business segments						
Net interest income	1,400	1,007	474	378	(26)	3,233
Other income[1]	331	252	102	306	635	1,626
Total operating income	1,731	1,259	576	684	609	4,859
Administrative expenses	804	326	191	344	76	1,741
Impairment and amortisation of intangible assets	18	10	1	10	38	77
Depreciation of property, plant and equipment	28	7	6	21	17	79
Total operating expenses	850	343	198	375	131	1,897
Operating profit before provisions	881	916	378	309	478	2,962
Provisions for impairment of loans and receivables	4,473	361	395	126	–	5,355
Provisions for liabilities and commitments	–	–	–	1	–	1
Amounts written off financial investments available for sale	–	24	–	–	–	24
Operating (loss)/profit	(3,592)	531	(17)	182	478	(2,418)
Associated undertakings	(4)	–	1	(103)	(156)	(262)
Profit on disposal of property	2	–	–	–	21	23
Construction contract income	–	–	–	–	1	1
(Loss)/profit before taxation	(3,594)	531	(16)	79	344	(2,656)
Other amounts						
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[2]	47,069	87,780	12,994	10,459	4,677	162,979
Ordinary shareholders' equity[2]	3,125	1,977	1,193	592	83	6,970
Capital expenditure	53	11	3	21	56	144
Impairment of associated undertakings	–	–	–	108	200	308
Other significant non-cash expenses[3]	(1)	–	2	1	(1)	1

1 Segmental information *(continued)*

Restated[4] 2008

	AIB Bank ROI € m	Capital Markets € m	AIB Bank UK € m	Central & Eastern Europe € m	Group € m	Total € m
Operations by business segments						
Net interest income	1,705	1,064	591	437	70	3,867
Other income	478	94	135	390	104	1,201
Total operating income	2,183	1,158	726	827	174	5,068
Administrative expenses	953	376	312	442	104	2,187
Impairment and amortisation of intangible assets	17	9	–	26	26	78
Depreciation of property, plant and equipment	32	7	9	24	20	92
Total operating expenses	1,002	392	321	492	150	2,357
Operating profit before provisions	1,181	766	405	335	24	2,711
Provisions for impairment of loans and receivables	1,298	160	257	107	–	1,822
Provisions for liabilities and commitments	–	(4)	–	2	–	(2)
Amounts written off financial investments available for sale	4	25	–	–	–	29
Operating (loss)/profit	(121)	585	148	226	24	862
Associated undertakings	–	–	2	(54)	94	42
Profit on disposal of property	6	–	2	2	2	12
Construction contract income	–	–	–	–	12	12
Profit on disposal of businesses	68	–	38	–	–	106
(Loss)/profit before taxation	(47)	585	190	174	132	1,034
Other amounts						
Loans and receivables to customers	75,033	26,120	19,551	8,514	271	129,489
Interests in associated undertakings	282	6	3	174	1,534	1,999
Total assets	80,819	60,477	22,036	12,368	6,474	182,174
Customer accounts	42,295	26,536	13,539	10,234	–	92,604
Total liabilities[2]	49,398	89,827	14,776	11,228	6,632	171,861
Ordinary shareholders' equity[2]	4,012	2,384	1,322	656	98	8,472
Capital expenditure	89	24	5	79	93	290
Impairment of associated undertakings	–	–	–	57	–	57
Other significant non-cash expenses[3]	(6)	(5)	6	2	5	2

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

	Republic of Ireland € m	United Kingdom € m	Poland € m	North America € m	Rest of the world € m	Total € m
						2009
Operations by geographical segments[5]						
Net interest income	2,258	502	361	83	29	3,233
Other income[6]	1,178	123	291	35	(1)	1,626
Total operating income	3,436	625	652	118	28	4,859
Administrative expenses	1,080	259	360	21	21	1,741
Impairment and amortisation of intangible assets	65	2	8	–	2	77
Depreciation of property, plant and equipment	50	7	21	1	–	79
Total operating expenses	1,195	268	389	22	23	1,897
Operating profit before provisions	2,241	357	263	96	5	2,962
Provisions for impairment of loans and receivables	4,668	530	113	10	34	5,355
Provisions for liabilities and commitments	–	–	–	–	1	1
Amounts written off financial investments available for sale	8	6	–	10	–	24
Operating (loss)/profit	(2,435)	(179)	150	76	(30)	(2,418)
Associated undertakings	(6)	3	–	(156)	(103)	(262)
Profit on disposal of property	21	2	–	–	–	23
Construction contract income	1	–	–	–	–	1
(Loss)/profit before taxation	(2,419)	(174)	150	(80)	(133)	(2,656)
Other amounts						
Financial assets held for sale to NAMA	15,661	3,521	–	30	–	19,212
Loans and receivables to customers	69,911	21,448	8,390	2,520	1,072	103,341
Interests in associated undertakings	276	5	18	1,282	60	1,641
Total assets	122,164	32,112	14,129	4,739	1,170	174,314
Customer accounts	52,010	17,250	9,976	4,073	644	83,953
Total liabilities[2]	115,022	20,578	11,877	14,682	820	162,979
Ordinary shareholders' equity[2]	3,141	2,117	833	879	–	6,970
Capital expenditure	119	3	22	–	–	144

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

						Restated[4] 2008
	Republic of Ireland € m	United Kingdom € m	Poland € m	North America € m	Rest of the world € m	Total € m
Operations by geographical segments[5]						
Net interest income	2,568	714	475	76	34	3,867
Other income	525	181	447	39	9	1,201
Total operating income	3,093	895	922	115	43	5,068
Administrative expenses	1,326	370	442	25	24	2,187
Impairment and amortisation of intangible assets	49	2	8	–	19	78
Depreciation of property, plant and equipment	56	10	24	1	1	92
Total operating expenses	1,431	382	474	26	44	2,357
Operating profit/(loss) before provisions	1,662	513	448	89	(1)	2,711
Provisions for impairment of loans and receivables	1,341	362	98	12	9	1,822
Provisions for liabilities and commitments	(3)	(1)	2	–	–	(2)
Amounts written off financial investments available for sale	18	4	–	7	–	29
Operating profit/(loss)	306	148	348	70	(10)	862
Associated undertakings	(1)	3	–	94	(54)	42
Profit on disposal of property	8	2	2	–	–	12
Construction contract income	12	–	–	–	–	12
Profit on disposal of businesses	106	–	–	–	–	106
Profit/(loss) before taxation	431	153	350	164	(64)	1,034
Other amounts						
Loans and receivables to customers	90,788	25,573	8,427	3,352	1,349	129,489
Interests in associated undertakings	288	3	11	1,534	163	1,999
Total assets	128,459	30,918	14,629	6,825	1,343	182,174
Customer accounts	59,653	20,656	10,239	1,936	120	92,604
Total liabilities[2]	115,386	28,780	12,382	14,756	557	171,861
Ordinary shareholders' equity[2]	5,259	1,499	819	886	9	8,472
Capital expenditure	202	7	79	1	1	290

[1] Gain on redemption of subordinated liabilities is recorded within the Group division.

[2] 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 ordinary shareholders' equity or liabilities.

[3] Comprises share based payments expense.

[4] Restated due to change in accounting policy for insurance contracts – see Financial statements – Basis of preparation.

[5] The geographical distribution of profit before taxation is based primarily on the location of the office recording the transaction.

[6] Gain on redemption of subordinated liabilities is recorded within the Republic of Ireland.

2 Interest and similar income	2009 € m	2008 € m
Interest on loans and receivables to customers	**5,405**	8,336
Interest on loans and receivables to banks	**103**	420
Interest on trading portfolio financial assets	**13**	200
Interest on financial investments available for sale	**988**	1,246
Interest on financial investments held to maturity	**87**	26
	6,596	10,228

Interest income in 2009 includes a credit of € 597 million (2008: a charge of € 69 million) removed from equity in respect of cash flow hedges.

3 Interest expense and similar charges	2009 € m	2008 € m
Interest on deposits by banks	**501**	1,380
Interest on customer accounts	**1,810**	2,867
Interest on debt securities in issue	**777**	1,865
Interest on subordinated liabilities and other capital instruments	**275**	249
	3,363	6,361

Interest expense in 2009 includes a charge of € 120 million (2008: a credit of € 35 million) removed from equity in respect of cash flow hedges.

4 Dividend income

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

5 Net fee and commission income	2009 € m	2008 € m
Fee and commission income:		
Retail banking customer fees	**599**	696
Credit related fees	**135**	138
Asset management & investment banking fees	**152**	221
Brokerage fees	**57**	70
Insurance commissions	**53**	58
	996	1,183
Irish Government Guarantee Scheme expense	**(147)**	(28)
Other fee and commission expense	**(88)**	(114)
	761	1,041

6 Net trading income/(loss)	2009 € m	2008 € m
Foreign exchange contracts	**47**	(46)
Debt securities and interest rate contracts	**26**	38
Credit derivative contracts	**(65)**	(53)
Equity securities and index contracts	**3**	(12)
	11	(73)

The total hedging ineffectiveness on cash flow hedges credited to the income statement amounted to € 26 million (2008: a credit of € 8 million) and is included in net trading income.

7 Gain on redemption of capital instruments

As part of the Group's initiative to raise additional core tier 1 capital, the Group completed the exchange of non-core tier 1 and upper tier 2 capital instruments for a lower tier 2 issue on 25 June 2009. This involved the redemption of the securities outlined below 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 met 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'. The tables below set 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	€ 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**
Shareholder's equity and non-controlling interest		
€ 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**
Consideration given including costs		
€ 868,518,000 12.5 per cent subordinated notes due 25 June 2019		**802**
Stg£ 368,253,000 12.5 per cent subordinated notes due 25 June 2019		**403**
Costs		**8**
Total consideration including costs		**1,213**
Gain on redemption of 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 in relation to the redemption of the RCI and LPI amounted to € 538 million (€ 538 million after taxation) and this has been recognised directly in equity. The subordinated liabilities and other capital instruments of the Group as at 31 December 2009 are set out in notes 27 and 28.

8 Other operating income	2009 € m	2008 € m
Profit on disposal of available for sale debt securities	**165**	71
Profit on disposal of available for sale equity shares	**8**	75
Miscellaneous operating income[1]	**32**	60
	205	206

[1]Includes a charge of € 9 million (2008: a credit of € 5 million) in respect of foreign exchange gains and losses.

9 Administrative expenses	**2009 € m**	2008 € m
Personnel expenses:		
Wages & salaries	**987**	1,105
Share-based payment schemes	**1**	2
Retirement benefits *(note 10)*	**(20)**	112
Social security costs	**114**	132
Other personnel expenses	**31**	61
	1,113	1,412
General and administrative expenses	**628**	775
	1,741	2,187

10 Retirement benefits

The Group's pension deficit across all schemes as at 31 December 2009 was € 714 million (31 December 2008: € 1,105 million). The net recognised deficit comprised retirement benefit liabilities of € 3,653 million (31 December 2008: € 3,604 million) and assets of € 2,939 million (31 December 2008: € 2,499 million).

(a) Change in pension scheme financial assumptions

The following table summarises the financial assumptions adopted in the preparation of these accounts 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, Mercer.

	Irish scheme		UK Scheme	
Financial assumptions	**2009 %**	2008 %	**2009 %**	2008 %
Rate of increase in salaries[1]	**3.50**	4.00	**4.25**	4.00
Rate of increase of pensions in payment	**2.00**	2.00	**3.50**	2.75
Expected return on scheme assets	**7.10**	7.58	**6.86**	6.99
Discount rate	**6.00**	5.80	**5.70**	6.25
Inflation assumptions	**2.00**	2.00	**3.50**	2.75

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

(b) Change in mortality assumptions

The mortality assumptions for the Irish and UK schemes have been updated since 31 December 2008. The updated life expectancies underlying the value of the scheme liabilities for the Irish and UK schemes at 31 December 2009 are shown in the table below with comparatives for 2008:

		Life expectancy - years			
		Irish scheme		UK scheme	
		2009	2008	**2009**	2008
Retiring today age 63					
	Males	**22.5**	21.7	**24.7**	23.1
	Females	**25.6**	24.6	**27.0**	26.0
Retiring in 10 years at age 63					
	Males	**25.5**	23.9	**25.6**	25.0
	Females	**28.6**	26.9	**28.0**	27.8

(c) Income statement expense

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 is a reduction of € 159 million on the liability and a gain to the income statement of € 159 million.

10 Retirement benefits *(continued)*

The following table sets out the components of the retirement benefit expense for year ended 31 December 2009, and year ended 31 December 2008.

	2009 € m	2008 € m
Included in administrative expenses:		
Current service cost	**91**	110
Past service cost	**2**	3
Expected return on pension scheme assets	**(189)**	(247)
Interest on pension scheme liabilities	**211**	221
Curtailment	**(159)**	–
Cost of providing defined benefit retirement benefits	**(44)**	87
Cost of providing defined contribution schemes	**16**	18
Payment protection insurance	**8**	7
	(20)	112

(d) Actuarial gains and losses recognised in the consolidated statement of comprehensive income

The following table sets out the components of the actuarial gains and losses for year ended 31 December 2009, and the year ended 31 December 2008.

Analysis of the amount recognised in the consolidated statement of comprehensive income	**2009 € m**	2008 € m
Actual return less expected return on pension scheme assets	**150**	(1,367)
Experience gains and losses on scheme liabilities	**122**	(51)
Changes in demographic and financial assumptions	**(92)**	611
Actuarial gain/(loss) recognised	**180**	(807)
Deferred tax	**(6)**	101
Recognised in the consolidated statement of comprehensive income	**174**	(706)

The Group's share of recognised (losses)/gains in associated undertakings are included in the consolidated statement of comprehensive income and includes an actuarial gain of € 9 million for the year ended 31 December 2009 (2008: an actuarial loss of € 21 million).

11 Amounts written off financial investments available for sale	**2009 € m**	2008 € m
Debt securities	**20**	24
Equity securities	**4**	5
	24	29

12 Income tax (income)/expense	2009 € m	2008 € m
Allied Irish Banks, p.l.c. and subsidiaries		
Corporation tax in Republic of Ireland		
Current tax on income for the period	**(34)**	79
Adjustments in respect of prior periods	**(4)**	(40)
	(38)	39
Double taxation relief	**(2)**	(16)
	(40)	23
Foreign tax		
Current tax on income for the period	**124**	116
Adjustments in respect of prior periods	**(9)**	(4)
	115	112
	75	135
Deferred taxation		
Origination and reversal of temporary differences	**(381)**	(9)
Adjustments in respect of prior periods	**(16)**	18
Total income tax (income)/expense	**(322)**	144
Effective income tax rate	**12.1%**	14.0%

13 Earnings per share

(a) Basic	2009 € m	Restated[1] 2008 € m
(Loss)/profit attributable to equity holders of the parent	**(2,413)**	772
Distributions to other equity holders	**(44)**	(38)
Gain on redemption of RCI and LPI recognised in equity *(note 7)*	**538**	-
(Loss)/profit attributable to ordinary shareholders	**(1,919)**	734
	Number of shares (millions)	
Weighted average number of shares in issue during the period	**880.6**	879.9
Contingently issuable shares[2]	**11.5**	-
Weighted average number of shares	**892.1**	879.9
(Loss)/earnings per share	**EUR (215.2c)**	EUR 83.4c

13 Earnings per share *(continued)*

(b) Diluted	**2009 € m**	Restated[1] 2008 € m
(Loss)/profit attributable to ordinary shareholders *(note 13(a))*	**(1,919)**	734
Dilutive impact of potential ordinary shares in subsidiary and associated companies	**–**	(1)
Adjusted (loss)/profit attributable to ordinary shareholders	**(1,919)**	733
	Number of shares (millions)	
Weighted average number of shares in issue during the period	**880.6**	879.9
Dilutive effect of options outstanding	**–**[3]	0.2
Contingently issuable shares[2]	**11.5**	–
Potential weighted average number of shares	**892.1**	880.1
(Loss)/earnings per share – diluted	**EUR (215.2c)**	EUR 83.3c

[1]Restated due to change in accounting policy for insurance contracts – see Financial statements – Basis of preparation.

[2]Contingently issuable shares are treated as outstanding from 14 December 2009, the date the 'Dividend Stopper' came into effect (see page 23). The shares relate to the number of shares (on a time apportioned basis) that would issue to the Government, if the coupon on the € 3.5 billion Preference Shares is not paid in cash.

[3]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.

14 Adjusted earnings per share	**Profit attributable** 2009 € m	Profit attributable Restated[1] 2008 € m	**Earnings per share** 2009 cent	Earnings per share Restated[1] 2008 cent
(a) Basic earnings per share				
As reported *(note 13(a))*	**(1,919)**	734	**(215.2)**	83.4
Adjustments:				
Construction contract income	**(1)**	(11)	**(0.1)**	(1.2)
Hedge volatility[2]	**27**	(26)	**3.0**	(3.0)
Profit on disposal of property[3]	**(17)**	(1)	**(1.9)**	(0.2)
Profit on disposal of businesses	**–**	(106)	**–**	(12.0)
Gain on redemption of capital instruments *(note 7)*	**(1,161)**	–	**(130.2)**	–
	(3,071)	590	**(344.4)**	67.0

	Profit attributable 2009 € m	Profit attributable Restated[1] 2008 € m	**Earnings per share** 2009 cent	Earnings per share Restated[1] 2008 cent
Diluted earnings per share				
As reported *(note 13(b))*	**(1,919)**	733	**(215.2)**	83.3
Adjustments:				
Construction contract income	**(1)**	(11)	**(0.1)**	(1.2)
Hedge volatility[2]	**27**	(26)	**3.0**	(3.0)
Profit on disposal of property[3]	**(17)**	(1)	**(1.9)**	(0.2)
Profit on disposal of businesses	**–**	(106)	**–**	(12.0)
Gain on redemption of capital instruments *(note 7)*	**(1,161)**	–	**(130.2)**	–
	(3,071)	589	**(344.4)**	66.9

[1]Restated due to change in accounting policy for insurance contracts – see Financial statements – Basis of preparation.

[2]Hedge volatility (hedging ineffectiveness and derivative volatility) is included in net trading income.

[3]Profit on disposal of property is related to the sale and leaseback programme.

Although not required under IFRS, adjusted earnings per share is presented to help readers understand the underlying performance of the Group. The adjustments in 2009 and 2008 are items that management believe do not reflect the underlying business performance. Only material profits on disposal of businesses are excluded in the calculation of adjusted EPS. The adjustments listed above are shown net of taxation.

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 was designated a participating institution under the Act on 12 February 2010. BZWBK and its subsidiaries was excluded from the designation. Based on Government statements, eligible asset regulations and its on-going interaction with NAMA, the Group estimates that NAMA may acquire from AIB land and development loans and certain associated loans with a gross value of up to approximately € 23.2 billion (i.e. before taking account of € 4.2 billion of loan loss provisions) together with related derivatives and accrued interest of € 0.2 billion.

The consideration for the NAMA assets acquired from AIB will comprise the issue to AIB of NAMA bonds and subordinated NAMA bonds equal in nominal value to the agreed purchase price of the NAMA Assets.

The NAMA assets and liabilities recorded in the statement of financial position as held for sale to NAMA are measured on the same basis as prior to their classification as held for sale. Derecognition will take place on a date specified by NAMA for the legal transfer of the assets, which will also be the date on which the risks and rewards inherent in these assets will transfer.

The following table provides an analysis of the assets and liabilities that may transfer to NAMA by original statement of financial position classification.

	Assets	**Liabilities**
	2009 € m	**2009 € m**
Loans and receivables held for sale to NAMA[1]	**19,030**	**–**
Derivative financial instruments held for sale to NAMA	**125**	**3**
Accrued income held for sale to NAMA	**57**	**–**
	19,212	**3**

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

Loans and receivables held for sale to NAMA by geographic location and industry sector

						2009
	Republic of Ireland € m	**United Kingdom € m**	**Poland € m**	**United States of America € m**	**Rest of the world € m**	**Total € m**
Agriculture	**24**	**1**	**–**	**–**	**–**	**25**
Energy	**64**	**4**	**–**	**–**	**–**	**68**
Manufacturing	**37**	**16**	**–**	**–**	**–**	**53**
Construction and property	**18,055**	**3,523**	**–**	**29**	**–**	**21,607**
Distribution	**602**	**85**	**–**	**–**	**–**	**687**
Transport	**19**	**–**	**–**	**–**	**–**	**19**
Financial	**16**	**20**	**–**	**–**	**–**	**36**
Other services	**200**	**57**	**–**	**–**	**–**	**257**
Personal						
- Home mortgages	**138**	**6**	**–**	**–**	**–**	**144**
- Other	**289**	**10**	**–**	**–**	**–**	**299**
	19,444	**3,722**	**–**	**29**	**–**	**23,195**
Provisions *(note 20)*	**(3,933)**	**(232)**	**–**	**–**	**–**	**(4,165)**
Total	**15,511**	**3,490**	**–**	**29**	**–**	**19,030**

15 Financial assets and financial liabilities held for sale to NAMA ***(continued)***

Construction and property loans held for sale to NAMA by division

	AIB Bank ROI € m	Capital Markets € m	AIB Bank UK € m	Central & Eastern Europe € m	2009 Total € m
Investment					
Commercial investment	3,687	323	661	-	4,671
Residential investment	816	-	122	-	938
	4,503	323	783	-	5,609
Development					
Commercial development	5,558	45	411	-	6,014
Residential development	7,998	77	1,849	-	9,924
	13,556	122	2,260	-	15,938
Contractors	38	-	22	-	60
Total	18,097	445	3,065	-	21,607

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 € 3,687 million in AIB Bank RoI is spread across the following property types: retail 35%; office 36%; industrial 5%; and mixed 24%. The € 323 million in Capital Markets predominantly relates to offices.

16 Trading portfolio financial assets

	2009 € m	2008 € m
Debt securities:		
Government securities	**245**	348
Bank eurobonds	**9**	13
Other debt securities	**5**	7
	259	368
Equity securities	**37**	33
	296	401

	2009 € m	2008 € m
Of which listed:		
Debt securities	**259**	368
Equity securities	**29**	23
Of which unlisted:		
Equity securities	**8**	10
	296	401

During 2008, trading portfolio financial assets reclassified to financial investments available for sale, in accordance with the amended IAS 39 'Financial instruments: Recognition and Measurement', amounted to € 6,104 million. The fair value of reclassified assets at 31 December 2009 was € 4,104 million (2008: € 5,674 million).

As of the reclassification date, effective interest rates on reclassified trading portfolio financial assets ranged from 4% to 10% with expected gross recoverable cash flows of € 7,105 million. If the reclassification had not been made, the Group's income statement for the year ended 31 December 2009 would have included unrealised fair value gains on reclassified trading portfolio financial assets of € 5 million (2008: losses € 236 million).

After reclassification, the reclassified assets contributed the following amounts to the income statement:

	2009 € m	2008 € m
Interest on financial investments available for sale	**148**	161
Amounts written off financial investments available for sale	**(12)**	(3)

Up to the date of reclassification, in 2008 € 55 million of unrealised losses on the reclassified trading portfolio financial assets were recognised in the income statement.

17 Derivative financial instruments

The following table presents the notional principal amount and fair value of interest rate, exchange rate, equity and credit derivative contracts for 31 December 2009, and 2008.

	2009			2008		
	Notional amount € m	Fair values Assets € m	Fair values Liabilities € m	Notional amount € m	Fair values Assets € m	Fair values Liabilities € m
Interest rate contracts	**166,336**	**5,627**	**(5,008)**	221,617	6,026	(4,738)
Exchange rate contracts	**25,877**	**303**	**(245)**	34,297	1,215	(1,564)
Equity contracts	**3,853**	**141**	**(136)**	4,254	86	(82)
Credit derivatives	**870**	**–**	**(131)**	937	1	(84)
Total	**196,936**	**6,071**	**(5,520)**	261,105	7,328	(6,468)

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.

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 including counterparty credit approval, limit setting and monitoring procedures. In addition, in relation to derivative instruments, the Group's exposure to market risk is controlled within the risk limits in the Group's Interest Rate Risk and Foreign Exchange Risk Policies and is further constrained by the risk parameters incorporated in the Group's Derivatives Policy as approved by the Board.

18 Loans and receivables to banks	2009 € m	2008 € m
Funds placed with central banks	**5,677**	2,539
Funds placed with other banks	**3,420**	3,729
Provision for impairment of loans and receivables *(note 20)*	**(4)**	(2)
	9,093	6,266

19 Loans and receivables to customers	2009 € m	2008 € m
Loans and receivables to customers	**102,192**	126,940
Amounts receivable under finance leases and hire purchase contracts	**2,668**	3,236
Unquoted securities	**1,468**	1,605
Provisions for impairment of loans and receivables *(note 20)*	**(2,987)**	(2,292)
	103,341	129,489

The amounts above exclude loans and receivables held for sale to NAMA (see note 15).

19 Loans and receivables to customers *(continued)*

By geographic location and industry sector

	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**
Guaranteed by Irish government	**–**	**–**	**–**	**–**	**–**	**–**
	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**

	Republic of Ireland € m	United Kingdom € m	Poland € m	United States of America € m	Rest of the world € m	2008 Total € m
Agriculture	2,217	149	165	6	–	2,537
Energy	992	372	76	614	26	2,080
Manufacturing	3,801	1,348	1,145	260	403	6,957
Construction and property	33,290	10,312	2,760	1,090	474	47,926
Distribution	9,364	2,615	790	209	77	13,055
Transport	1,016	647	100	76	30	1,869
Financial	1,549	826	237	146	25	2,783
Other services	5,422	5,356	461	977	230	12,446
Personal						
- Home mortgages	26,546	3,629	1,352	–	98	31,625
- Other	7,357	757	857	–	–	8,971
Lease financing	1,107	61	745	–	–	1,913
Guaranteed by Irish government	1	–	–	–	–	1
	92,662	26,072	8,688	3,378	1,363	132,163
Unearned income	(193)	(122)	(48)	(14)	(5)	(382)
Provisions	(1,681)	(377)	(213)	(12)	(9)	(2,292)
Total	90,788	25,573	8,427	3,352	1,349	129,489

At 31 December 2009, construction and property loans, excluding those held for sale to NAMA (see note 15), amounted to € 27,195 million (2008: € 47,926 million) and represented 26% (2008: 36%) of gross loans and receivables to customers. The following table analyses the exposures at 31 December 2009 and 2008 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.

19 Loans and receivables to customers *(continued)*

	AIB Bank ROI	Capital Markets	AIB Bank UK	Central & Eastern Europe	Total
					2009
	€ m	**€ m**	**€ m**	**€ m**	**€ 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					
Commercial development	**440**	**228**	**133**	**709**	**1,510**
Residential development	**3,062**	**184**	**976**	**611**	**4,833**
	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**

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 € 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%.

	AIB Bank ROI	Capital Markets	AIB Bank UK	Central & Eastern Europe	Total
					2008
	€ m	€ m	€ m	€ m	€ m
Investment					
Commercial investment	10,528	5,060	3,098	1,271	19,957
Residential investment	2,104	443	1,016	27	3,590
	12,632	5,503	4,114	1,298	23,547
Development					
Commercial development	6,016	442	781	691	7,930
Residential development	10,829	380	2,868	635	14,712
	16,845	822	3,649	1,326	22,642
Contractors	601	–	448	138	1,187
Housing associations	–	–	550	–	550
Total	30,078	6,325	8,761	2,762	47,926

The commercial investment exposure of € 10,528 million in AIB Bank RoI is spread across the following property types: retail 36%; office 29%; industrial 8%; and mixed 27%. The € 5,060 million in Capital Markets is spread across the following property types: retail 22%; office 43%; industrial 3%; and mixed 32%.

Large exposures

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 2009, the Group's top 50 exposures amounted to € 20.0 billion, and accounted for 15.4% of the Group's on-balance sheet gross loans and receivables to customers including those held for sale to NAMA (€ 19.0 billion and 14.4% at 31 December 2008). Of this amount € 11.2 billion relate to loans held for sale to NAMA. No single customer exposure exceeds regulatory guidelines.

20 Provisions for impairment of loans and receivables

	Corporate/ Commercial € m	Residential mortgages € m	Other € m	2009 Total € m
Provisions				
At the beginning of period	**1,860**	**64**	**370**	**2,294**
Exchange translation adjustments	**18**	**2**	**11**	**31**
Charge against income statement	**5,017**	**58**	**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	**6,437**	**111**	**608**	**7,156**
Total provisions are split between specific and IBNR as follows:				
Specific	**5,311**	**84**	**403**	**5,798**
IBNR	**1,126**	**27**	**205**	**1,358**
	6,437	**111**	**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

	Corporate/ Commercial € m	Residential mortgages € m	Other € m	2008 Total € m
Provisions				
At the beginning of period	486	26	232	744
Exchange translation adjustments	(90)	(3)	(24)	(117)
Charge against income statement	1,593	44	185	1,822
Amounts written off	(136)	(3)	(27)	(166)
Recoveries of amounts written off in previous years	7	–	4	11
At end of period	1,860	64	370	2,294
Total provisions are split between specific and IBNR as follows:				
Specific	877	32	239	1,148
IBNR	983	32	131	1,146
	1,860	64	370	2,294
Amounts include:				
Loans and receivables to banks *(note 18)*				2
Loans and receivables to customers *(note 19)*				2,292
				2,294

21 Financial investments available for sale	2009 € m	2008 € m
Debt securities:		
Government securities	**9,644**	9,001
Collateralised mortgage obligations	**1,134**	1,541
Other asset backed securities	**3,528**	4,054
Bank securities	**9,677**	12,916
Certificates of deposit	**207**	212
Other investments	**819**	1,013
	25,009	28,737
Equity securities	**327**	287
	25,336	29,024

22 Financial investments held to maturity

Financial investments held to maturity of € 1,586 million (2008: € 1,499 million) are non-euro Government securities. All of these securities are listed on a recognised stock exchange.

23 Interests in associated undertakings

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

Income statement	2009 € m	Restated[1] 2008 € m
Share of results of associated undertakings	**46**	99
Impairment of associated undertakings	**(308)**	(57)
	(262)	42

Share of net assets including goodwill	2009 € m	Restated[1] 2008 € m
At 1 January	**1,999**	1,682
Change in accounting policy - insurance contracts[1]	**-**	26
At 1 January, as restated	**1,999**	1,708
Exchange translation adjustments	**(43)**	76
Purchases	**2**	231
Disposals	**-**	(5)
Income for the period	**46**	99
Dividends received from associates	**(64)**	(55)
Impairment of associated undertakings	**(308)**	(57)
Other movements	**9**	2
At 31 December	**1,641**	1,999
Analysed as to:		
M&T Bank Corporation	**1,282**	1,534
Aviva Life Holdings Ireland Limited	**258**	278
Bulgarian American Credit Bank	**60**	163
Other	**41**	24
	1,641	1,999
Of which listed on a recognised stock exchange	**1,344**	1,697

[1]Restated due to change in accounting policy for insurance contracts - see Financial statements - Basis of preparation.

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

M&T

The carrying value of the Group's investment in M&T at 31 December 2009 was € 1,282 million (2008: € 1,534 million) after recording an impairment loss of € 200 million in June 2009. This has been assessed for impairment in accordance with IAS 36 - Impairment of Assets. The carrying value is compared to the recoverable amount, which is the higher of value in use or fair value less costs to sell of the investment in M&T. The market value of the investment based on quoted share price at 31 December 2009 is € 1,240 million.

The value in use of the investment in M&T at 31 December 2009 is € 1,355 million. This has been determined based on the Group's share of the cash flows expected to be generated by M&T. The value has been determined using management's profit forecasts for 2010, extended to anticipate a recovery in the US economy and consequent reduction in credit losses through 2013. A pre tax risk discount rate of 12% has been applied to the cash flows and a compound growth rate of 4% has been assumed from 2011 onwards. The pre tax risk discount rate is calculated based on externally observable data in the market as well as management's view of the appropriate risk premium to be applied to investments in the US banking industry. As the value in use is greater than the carrying value at 31 December 2009, it is considered that no further impairment is required at 31 December 2009.

The results of the valuation are sensitive to changes in the growth and discount rates. Changing the pre tax risk discount rate to 13% and the growth rate of 3% from 2011 into perpetuity would value the investment in M&T at € 1,075 million. If the pre tax risk discount rate was 11% and the growth rate 5%, the investment would be valued at € 1,825 million.

BACB

The Group's share of income of BACB for the year to 31 December 2009 amounted to € 5 million (2008: € 3 million).

The carrying value, before impairment, of the Group's investment in BACB at 31 December 2009 was € 168 million (2008: € 220 million). The fair market value of the investment at 31 December 2009 is € 55 million (2008: € 38 million). In accordance with IAS 36 - Impairment of Assets, this value is compared to the recoverable amount (higher of value in use and fair value less costs to sell) of the investment in BACB.

The value in use of the investment in BACB at 31 December 2009 has been determined based on the Group's share of the cash flows expected to be generated by BACB. The value has been determined using management's estimates for 2010 - 2015. A risk discount rate of 16% has been applied to the cash flows and a compound growth rate of 4% has been assumed from 2015 onwards. The discount rate is calculated based on externally observable data in the market as well as management's view of the appropriate risk premium to be applied to investments in the Central and Eastern Europe banking industry. The growth rate is based on forecast long-term real GDP growth rates and historically high inflation rates.

This methodology valued BACB at € 60 million, and gave rise to an impairment charge of € 108 million for the year ended 31 December 2009 (2008: € 57 million). These values are sensitive to the cash flows projected for the period for which detailed forecasts are available, and to assumptions regarding the availability of funding and long-term sustainable pattern of cash flows thereafter.

The results of this valuation are sensitive to changes in the growth and discount rates. Changing the discount rate to 17% and the growth rate into perpetuity from 2015 to 3% would value the investment in BACB at € 56 million. If the discount rate was 15% and the growth rate 5% from 2015, the investment would be valued at € 65 million.

24 Deposits by banks	**2009 € m**	2008 € m
Securities sold under agreements to repurchase	**24,381**	8,609
Other borrowings from banks	**8,952**	16,969
	33,333	25,578

25 Customer accounts	**2009 € m**	2008 € m
Current accounts	**21,652**	21,528
Demand deposits	**9,193**	8,370
Time deposits	**53,108**	62,705
Securities sold under agreements to repurchase	**-**	1
	83,953	92,604

26 Debt securities in issue	2009 € m	2008 € m
Bonds and medium term notes:		
European medium term note programme	**15,510**	9,641
Bonds and other medium term notes	**4,740**	7,211
	20,250	16,852
Other debt securities in issue:		
Commercial paper	**5,036**	5,912
Commercial certificates of deposit	**5,368**	15,050
	10,404	20,962
	30,654	37,814

27 Subordinated liabilities and other capital instruments	2009 € m	2008 € m
Allied Irish Banks, p.l.c.		
Undated loan capital	**189**	692
Dated loan capital	**4,261**	2,970
	4,450	3,662
Subsidiary undertakings		
Perpetual preferred securities	**136**	864
	4,586	4,526
Undated loan capital		
Allied Irish Banks, p.l.c.		
US$ 100m Floating Rate Primary Capital Perpetual Notes	**69**	72
€ 200m Fixed Rate Perpetual Subordinated Notes	**54**	200
Stg£ 400m Perpetual Callable Step-Up Subordinated Notes	**66**	420
	189	692
Subsidiary undertakings - perpetual preferred securities		
Stg£ 350m Fixed Rate/Floating Rate Guaranteed Non-Voting Non-cumulative Perpetual Preferred Securities	**41**	366
€ 500m Fixed Rate/Floating Rate Guaranteed Non-Voting Non-cumulative Perpetual Preferred Securities	**95**	498
	136	864
	325	1,556
Dated loan capital		
Allied Irish Banks, p.l.c.		
European Medium Term Note Programme:		
US$ 400m Floating Rate Notes due July 2015	**278**	287
€ 400m Floating Rate Notes due March 2015	**400**	400
€ 500m Callable Subordinated Step-up Floating Rate Notes due 2017	**499**	499
€ 869m Fixed Rate Subordinated Notes due June 2019	**803**	-
Stg£ 368m Fixed Rate Subordinated Notes due June 2019	**387**	-
Stg£ 700m Callable Fixed/Floating Rate Notes due July 2023	**787**	733
Stg£ 500m Callable Subordinated Fixed/Floating Rate Notes due March 2025	**563**	525
Stg£ 350m Fixed Rate Notes due November 2030	**394**	367
JPY 20bn Callable Subordinated Step-up Fixed/Floating Rate Notes due March 2042	**150**	159
	4,261	2,970

28 Shareholders' equity

The following tables show the movements within the relevant shareholders' equity statement of financial position captions during the period, arising from the issue of the 2009 Preference Shares and the exchange of certain capital instruments (note 7).

Share capital	**2009 € m**	2008 € m
Ordinary share capital	**294**	294
2009 Preference Shares - 3.5 billion shares at € 0.01 each	**35**	-
	329	294

Share premium	**2009 € m**	2008 € m
Ordinary share premium	**1,693**	1,693
2009 Preference Shares:		
Excess of issue price over the nominal value	**3,315**	-
Issue costs	**(33)**	-
	3,282	-
	4,975	1,693

Other equity interests	**2009 € m**	2008 € m
Reserve capital instruments ("RCI")	**497**	497
Redemption of RCI *(note 7)*	**(258)**	-
Fair value of Warrants attaching to 2009 Preference Shares	**150**	-
	389	497

2009 Preference Shares

On 13 May 2009, Allied Irish Banks p.l.c. issued € 3.5 billion of core tier 1 securities in the form of Preference Shares (the '2009 Preference Shares') to the National Pensions Reserve Fund Commission ("NPRFC"). These shares carry a fixed non-cumulative dividend at a rate of 8% per annum, payable annually in arrears at the discretion of AIB. If a cash dividend is not paid, AIB must issue bonus ordinary shares to the holders of the Preference Shares by capitalising its reserves. AIB may defer the issue of bonus shares beyond the annual dividend payment date but may not defer it beyond the date on which AIB next:

(a) pays a cash dividend on the 2009 Preference Shares, the Perpetual Preferred Securities issued by LPI, or on the Ordinary Shares; or

(b) redeems or purchases any of the 2009 Preference Shares, the Perpetual Preferred Securities issued by LPI, or Ordinary Shares.

The Preference Shares were issued at a subscription price of € 1 per share with each Preference Share having a nominal value of € 0.01 which is shown in share capital in the statement of financial position. The residual of the issue price of € 3,465 million less the fair value of the attached Warrants of € 150 million, NPRFC fee of € 30 million and note issue costs of € 3 million is shown in share premium.

The 2009 Preference Shares may be purchased or redeemed at the option of AIB, in whole or in part, from distributable profits and/or the proceeds of an issue of shares constituting core tier 1 capital, for the first five years after the date of issue for the subscription price of € 1.00 per share and thereafter at redemption or purchase price of 125 per cent of the subscription price, subject at all times to the consent of the Financial Regulator.

Warrants

In conjunction with the issue of the 2009 Preference Shares, AIB has also issued 294,251,819 Warrants to the NPRFC.

Each Warrant entitles the holder to one ordinary share of Allied Irish Banks, p.l.c.. The Warrants are exercisable in the period between the fifth and tenth anniversary of the date of issue of the Preference Shares or earlier if a third party proposes to acquire control of the Company.

The Warrants are not transferable except to a Government entity, and will not be listed or quoted on any stock exchange.

The NPRFC will be entitled to exercise no more than 50% of the voting rights attaching to any shares issued as a result of exercising the Warrants. The Warrants comprise 155,780,375 Core Tranche Warrants with an exercise price of € 0.975 per share and 138,471,444 Secondary Tranche Warrants with an exercise price of € 0.375 per share.

The Warrants are equity instruments held in the books at the fair value at date of issue with an amount of € 150 million recorded in other equity interests.

28 Shareholders' equity *(continued)*

Non-controlling interests in subsidiaries

In June 2009, € 801 million of the € 1 billion Fixed Rate/Floating Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities was redeemed (note 7).

29 Fair value hierarchy

The following table sets out an analysis of the valuation methodologies[1] adopted for financial assets and financial liabilities measured at fair value in the financial statements as at 31 December 2009.

				2009
	Level 1 € m	Level 2 € m	Level 3 € m	Total € m
Financial assets				
Derivative financial instruments held for sale to NAMA	–	125	–	125
Trading portfolio financial assets	288	–	8	296
Derivative financial instruments	–	6,063	8	6,071
Financial investments available for sale – debt securities	12,429	9,754	2,826	25,009
– equity securities	53	33	241	327
	12,770	15,975	3,083	31,828
Financial liabilities				
Derivative financial instruments held for sale to NAMA	–	3	–	3
Trading portfolio financial liabilities	23	–	–	23
Derivative financial instruments	–	5,513	7	5,520
	23	5,516	7	5,546

[1]Valuation methodologies in the fair value hierarchy:

(a) quoted market prices (unadjusted) – Level 1;

(b) valuation techniques which use observable market data – Level 2; and

(c) valuation techniques which use unobservable market data – Level 3.

30 Memorandum items: contingent liabilities and commitments	Contract amount 2009 € m	2008 € m
Contingent liabilities:		
Guarantees and assets pledged as collateral security:		
Guarantees and irrevocable letters of credit	**6,232**	7,146
Other contingent liabilities	**735**	1,044
	6,967	8,190
Commitments:		
Documentary credits and short-term trade-related transactions	**73**	242
Undrawn note issuance and revolving underwriting facilities	**1**	1
Undrawn formal standby facilities, credit lines and other commitments to lend:		
Less than 1 year	**9,538**	10,241
1 year and over	**7,568**	9,765
	17,180	20,249
	24,147	28,439

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.

31 Capital expenditure

Estimated outstanding commitments for capital expenditure not provided for in the accounts amounted to € 35 million (2008: € 91 million). Capital expenditure authorised, but not yet contracted for, amounted to € 88 million (2008: € 154 million;).

32 Statement of cash flows

Analysis of cash and cash equivalents

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

	2009 € m	2008 € m
Cash and balances at central banks	**4,382**	2,466
Loans and receivables to banks	**7,685**	5,975
Short term investments	**–**	81
	12,067	8,522

33 Average balance sheets and interest rates

The following tables show the average balances and interest rates of interest earning assets and interest bearing liabilities for the years ended 31 December 2009 and 2008. 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.

	Year ended 31 December 2009			Year ended 31 December 2008		
Assets	**Average balance €m**	**Interest €m**	**Average rate %**	Average balance €m	Interest €m	Average rate %
Loans and receivables to customers[1]						
Domestic offices	**90,347**	**2,973**	**3.3**	89,641	5,362	6.0
Foreign offices	**38,117**	**1,636**	**4.3**	43,449	3,012	6.9
Trading portfolio financial assets						
Domestic offices	**163**	**2**	**1.2**	3,390	184	5.4
Foreign offices	**190**	**11**	**5.8**	508	16	3.0
Loans and receivables to banks						
Domestic offices	**5,044**	**69**	**1.4**	8,357	316	3.8
Foreign offices	**3,966**	**34**	**0.9**	1,821	104	5.7
Financial investments available for sale						
Domestic offices	**24,870**	**796**	**3.2**	22,081	999	4.5
Foreign offices	**3,949**	**192**	**4.9**	4,722	247	5.2
Financial investments held to maturity						
Foreign offices	**1,493**	**87**	**5.8**	443	26	5.9
Average interest earning assets						
Domestic offices	**120,424**	**3,840**	**3.2**	123,469	6,861	5.5
Foreign offices	**47,715**	**1,960**	**4.1**	50,943	3,405	6.7
Net interest on swaps		**538**			(46)	
Total average interest earning assets	**168,139**	**6,338**	**3.8**	174,412	10,220	5.8
Non-interest earning assets	**13,073**			13,183		
Total average assets	**181,212**	**6,338**	**3.5**	187,595	10,220	5.4
Percentage of assets applicable to foreign activities			**30.1**			30.5

[1]Includes loans and receivables held for sale to NAMA.

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

Liabilities & shareholders'equity	Average balance €m (2009)	Interest €m (2009)	Average rate % (2009)	Average balance €m (2008)	Interest €m (2008)	Average rate % (2008)
Due to banks						
Domestic offices	**34,379**	**437**	**1.3**	27,592	1,234	4.5
Foreign offices	**4,947**	**64**	**1.3**	3,576	146	4.1
Due to customers						
Domestic offices	**49,254**	**929**	**1.9**	46,015	1,527	3.3
Foreign offices	**27,385**	**623**	**2.3**	30,569	1,332	4.3
Other debt issued						
Domestic offices	**21,610**	**589**	**2.7**	25,578	1,092	4.3
Foreign offices	**9,668**	**188**	**1.9**	19,384	773	4.0
Subordinated liabilities						
Domestic offices	**3,783**	**248**	**6.6**	4,206	197	4.7
Foreign offices	**844**	**27**	**3.2**	864	52	6.0
Average interest earning liabilities						
Domestic offices	**109,026**	**2,203**	**2.0**	103,391	4,050	3.9
Foreign offices	**42,844**	**902**	**2.1**	54,393	2,303	4.2
Total average interest earning liabilities	**151,870**	**3,105**	**2.0**	157,784	6,353	4.0
Non-interest earning liabilities	**19,501**			20,871		
Total average liabilities	**171,371**			178,655	6,353	3.5
Shareholders' equity	**9,841**			8,940		
Total average liabilities and shareholders' equity	**181,212**	**3,105**	**1.7**	187,595	6,353	3.4
Percentage of liabilities applicable to foreign operations			**27.0**			33.9

34 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.

35 Non-adjusting events after the reporting date

Deferral of coupon payment on RCI

On 2 February 2010, AIB announced the deferral of the coupon payment on the RCIs which would otherwise have been paid on 28 February 2010.

Capital Exchange

On 1 March 2010, the Board approved an offer to exchange existing lower tier 2 securities for new, higher yielding lower tier 2 securities. This involves the redemption of securities at a discount to their nominal value or issue price, but at a premium to their trading range.

36 Other financial information	2009	2008
Operating ratios		
Operating expenses/operating income	**44.8%**[1]	46.5%
Other income/operating income	**23.7%**[1]	23.7%
Net interest margin:		
Group	**1.92%**	2.21%
Domestic	**1.81%**	2.23%
Foreign	**2.21%**	2.16%
Rates of exchange		
€/US $		
Closing	**1.4406**	1.3917
Average	**1.3947**	1.4707
€/Stg		
Closing	**0.8881**	0.9525
Average	**0.8908**	0.7964
€/PLN		
Closing	**4.1045**	4.1535
Average	**4.3269**	3.5114

[1]Excludes gain on redemption of subordinated liabilities.

37 Approval of Accounts

The Annual Financial Report was approved by the Board of Directors on 1 March 2010.

Capital adequacy information

Capital adequacy information	2009 € m	Restated[1] 2008 € m
Tier 1		
Paid up ordinary share capital	**329**	294
Eligible reserves	**9,952**	8,600
Equity non-controlling interests in subsidiaries	**437**	354
Supervisory deductions from core tier 1 capital	**(1,187)**	(1,490)
Core tier 1 capital	**9,531**	7,758
Non-equity non-controlling interests in subsidiaries	**189**	990
Non-cumulative perpetual preferred securities	**136**	864
Reserve capital instruments	**239**	497
Supervisory deductions from tier 1 capital	**(1,425)**	(172)
Total tier 1 capital	**8,670**	9,937
Tier 2		
Eligible reserves	**239**	232
Credit provisions	**510**	536
Subordinated perpetual loan capital	**189**	692
Subordinated term loan capital	**4,261**	2,970
Supervisory deductions from tier 2 capital	**(1,425)**	(172)
Total tier 2 capital	**3,774**	4,258
Gross capital	**12,444**	14,195
Supervisory deductions	**(129)**	(142)
Total capital	**12,315**	14,053
Risk weighted assets		
Credit risk	**110,376**	124,606
Market risk	**2,196**	2,043
Operational risk	**7,808**	7,250
Total risk weighted assets	**120,380**	133,899
Capital ratios		
Core tier 1	**7.9%**	5.8%
Tier 1	**7.2%**	7.4%
Total	**10.2%**	10.5%

[1]Restated due to change in accounting policy for insurance contracts - see Financial statements - Basis of preparation.

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.