Allied Irish Banks, p.l.c.

Half -Yearly Financial Report 2011

For the Half-Year ended 30 June 2011

Key Information - AIB Group interim results 2011

- The reported profit of € 2.2 billion includes the sale of BZWBK and capital initiatives taken in conjunction with the Irish Government.
- Underlying loss of € 2.6 billion (excluding debt buyback gains and BZWBK profit) driven by continuing elevated bad debts.
- Proforma core tier 1 capital (post recapitalisation) 22.4%.
- Fall in customer deposits in H1 excluding acquisition of Anglo deposit book and deposits placed by NTMA of c. € 5 billion but broadly stable in July 2011.
- Loans and receivables to customers down c. € 11 billion through a combination of action and natural deleveraging.
- Funding conditions remain highly challenging in volatile markets.

		30 June 2011	31 December 2010
Capital			
Risk weighted assets	€ bn	**78**	99
Core tier 1 ratio	%	**9.9**	4.0
Tier 1 ratio	%	**9.7**	4.3
Total capital ratio	%	**10.6**	9.2
Funding			
Loan to deposit ratio[1]	%	**143**	165
Wholesale funding as % of total funding	%	**41**	48

Summary profit statement		**Half-year June 2011**	Half-year June 2010
Profit/(loss) before tax - continuing operations	€ m	**260**	(2,438)
Profit/(loss) after tax - continuing operations	€ m	**611**	(2,075)
Profit after tax - discontinued operations	€ m	**1,628**	344
Profit/(loss) for the period	€ m	**2,239**	(1,731)

[1]Including corporate loans held for sale and excluding deposits placed by the NTMA.

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Dividend

No interim dividend will be paid.

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This Half-Yearly Financial Report and a detailed presentation can be viewed on our internet site at www.aibgroup.com/investorrelations

Forward-looking statements

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

Introduction

Basis of preparation

The information included in this Half-Yearly Financial Report 2011 was approved by the Board of Directors on 30 August 2011.

The interim financial statements for 30 June 2011 are unaudited, but have been reviewed by the independent Auditor.

For the half-year ended 30 June 2011, the performance of the Group has been assessed on a total Group ("One Bank") basis by the Board and Executive Committee and the results for the half-year have therefore been presented on a One Bank basis. AIB is in a period of transition at present as the former divisional structure is being dismantled and the new business segments are being established. Financial information is therefore presented as one operating segment. The half-year to June 2010 is now re-presented to show AIB Group (UK) as a continuing operation, as it had been classified as a discontinued operation in the Half-Yearly Financial Report 2010.

Going concern

The interim financial statements have been prepared on a going concern basis. There are a number of material economic, political and market risks and uncertainties that continue to impact on the Irish banking system which may cast significant doubt upon the Group's ability to continue as a going concern. These factors are outlined on page 148 of the Annual Financial Report 2010 and continue to be relevant. The sovereign debt issue in the Eurozone remains a concern.

In making its assessment of the Group's ability to continue as a going concern, the Board of Directors has taken into consideration the various uncertainties and concerns impacting Irish financial institutions and the Group. The considerations taken into account in determining the appropriateness of the going concern basis for preparing the financial statements are similar to those set out on page 149 of the Annual Financial Report 2010 and the events outlined below under 'Key events impacting on AIB since December 2010'. These considerations include the continuing ability to access funding from the Eurosystem and the Central Bank of Ireland liquidity facilities. They also include the commitment of the Government to provide the Group's required capital. Concern related to the sovereign debt issue in the Eurozone has also been considered.

Having evaluated the risks and uncertainties and the mitigating options available to the Group, the directors are satisfied that it remains appropriate to prepare the financial statements on a going concern basis.

1. AIB Strategy

1 Strategy and update on EU Restructuring Plan

Strategy

As outlined in the Annual Financial Report 2010, AIB's strategy is to establish a new core bank with a restructured balance sheet. This will be achieved through the separation and progressive disposal and winding down of non core assets through its deleverage plan with a target loan to deposit ratio of 122.5% by 2013.

In May 2011, AIB outlined the bank's new operating model and announced a number of appointments to its new top executive leadership team. The former divisional structure has been replaced by an integrated bank comprising the following customer facing units: Personal & Business Banking, Corporate & Institutional Banking and Commercial Banking. The operations of AIB and First Trust Bank will be more aligned. AIB (GB) will be managed as a separate unit. Control and support functions are in the process of being streamlined and centralised. To manage deleveraging, the Group has set up a non core unit to oversee the disposal and run-off of selected assets. This unit is now operational with its own management team since 1 July 2011. The team has a strong emphasis on governance, risk, performance measurement and oversight reporting. The entire organisational transformation process is supported by a dedicated team.

Through this transformation, AIB will have a strong foundation from which a profitable business can be rebuilt and will be well positioned in the market as one of two pillar domestic Irish banks. The acquisition of EBS Limited (formerly EBS Building Society) ("EBS"), on 1 July 2011 is expected to further support a return to economic viability.

Update on EU Restructuring Plan

The financial support provided to date by the Irish Government to AIB including the support provided under recapitalisation by the Irish Government in July 2011 is subject to review and approval by the European Commission under EU state aid rules. AIB's original restructuring plan was submitted to the European Commission in November 2009. An updated plan was submitted in May 2010. Following the capital injection from the Irish Government in December 2010, and the recapitalisation by the Irish Government in July 2011, a revised restructuring plan was necessary. This plan which incorporated the acquisition of EBS was submitted by AIB to the European Commission on 29 July 2011. The European Commission may require AIB to undertake structural and behavioural measures, including measures to support the development of competition in the Irish market.

2 Key events impacting on AIB since December 2010

A number of important events have impacted AIB during the year to date, these events include:

- Prudential Capital Assessment Review ("PCAR") 2011 and Prudential Liquidity Assessment Review ("PLAR") 2011;
- Recapitalisation by the Irish Government on 27 July 2011;
- Increase in Government shareholding;
- Acquisition of EBS to form a 'Pillar Bank' on 1 July 2011;
- Other capital generating measures in the first six months of 2011;
- Difficult economic environment and further credit impairment/asset quality deterioration; and
- Funding and liquidity conditions remain highly challenging in the context of the economic environment.

PCAR 2011 and PLAR 2011

On 31 March 2011, the Central Bank of Ireland ("Central Bank") published its Financial Measures Programme Report, which detailed the outcome of PCAR 2011 and PLAR 2011 for certain Irish credit institutions. The review, a requirement of the EU/IMF/ECB programme for Ireland, involved three separate but complementary exercises:

- an independent loan loss assessment exercise performed by BlackRock Solutions, the results of which informed the calculation of capital requirements under PCAR 2011;
- the PCAR 2011 exercise to stress-test the capital resources of Irish banks, in a given stress scenario, for the purposes of determining the level of the recapitalisation required to meet Central Bank required minimum ratios; and
- the PLAR 2011 exercise to establish funding targets for the credit institutions participating in the PCAR in order to reduce the leverage of the Irish banking system and short-term funding. This funding was significantly dependent on central banks. In addition the exercise set out targets to ensure convergence to Basel III liquidity standards over time.

PCAR 2011

PCAR 2011 relied heavily on the independent loan loss assessment exercise performed by BlackRock Solutions. For elements of the income and expenditure accounts, it relied, in part, on each bank's own forecasts based on Central Bank-specified parameters. Additional buffers to ensure sufficient capital to cover post-2013 events and other contingencies were also included. The Central Bank on the basis of its criteria set a new capital target for AIB and EBS which requires both institutions remain above a minimum capital target of 10.5% core tier 1 capital for its base scenario and in excess of 6% core tier 1 capital in its stress scenario. As a result and following the acquisition of EBS Limited by AIB, AIB was required to raise both the AIB PCAR and EBS PCAR requirements by 31 July 2011 to achieve its capital targets. This results in a total capital requirement of c. € 14.8 billion of core tier 1 capital, of which c. € 1.6 billion was to be in the form of contingent capital (see page 6 'Recapitalisation by the Irish Government').

PLAR 2011

PLAR 2011, undertaken by the Central Bank together with the EU/IMF/ECB, is an assessment of measures to be implemented requiring deleveraging of the Irish banking system and thereby reducing reliance on short term wholesale funding and liquidity support from monetary authorities.

PLAR 2011 assessed the funding and liquidity structure of the balance sheets of Irish credit institutions. The central target arising from PLAR is the loan to deposit ratio, with the explicit purpose of reducing the asset side of the balance sheets of Irish banks. Each of the credit institutions participating in PLAR 2011 must achieve a target loan to deposit ratio of 122.5% by December 2013. To achieve that target, AIB is required to sell assets in a controlled manner between 31 December 2010 and the end of 2013. In doing so, AIB is likely to incur losses relative to book value. An estimate of losses is included in the overall assessment of the capital needs of AIB as part of PCAR 2011.

2. Key events

Recapitalisation by the Irish Government

Placing of € 5 billion

Following shareholder approval at the EGM of 26 July 2011, AIB raised € 5 billion in core tier 1 capital. Under a placing agreement, the National Pensions Reserve Fund Commission ("NPRFC") agreed to subscribe in cash for 500,000,000,000 new ordinary shares at a price of € 0.01 per share. This capital was issued on 27 July 2011.

Contingent capital notes issue

Following shareholder approval at the EGM of 26 July 2011, contingent capital notes were issued by AIB to the Minister for Finance on 27 July 2011. These are subordinated tier 2 capital instruments issued at par with five year and one day maturities and an aggregate principal amount of € 1.6 billion. The contingent capital notes will convert immediately and mandatorily in their entirety into ordinary shares should a predefined capital deficiency or non-viability event occur.

Capital contributions

On 28 July 2011, AIB received capital contributions totalling € 6.054 billion from the Minister for Finance and the NPRFC. No new shares were issued in return for these capital contributions.

Increase in Government shareholding

As described in the Annual Financial Report 2010, on 8 April 2011, following the completion of the BZWBK disposal, all of the convertible non-voting ("CNV") shares of AIB were converted into ordinary shares on a one-for-one basis, which resulted in the NPRFC holding 92.8% of the issued ordinary shares at that date.

On 13 May 2011, 484,902,878 ordinary shares were issued to the NPRFC in part satisfaction of the bank's obligation to issue shares in lieu of a dividend on the 2009 Preference Shares held by the NPRFC. Following this issue of shares, the NPRFC held 93.1% of the total issued ordinary shares.

Following the issue of ordinary shares to the NPRFC on 27 July 2011 outlined above, a further 762,370,687 ordinary shares were issued in final settlement of the bonus shares due on the 2009 Preference Shares. The NPRFC now holds 99.8% of the total issued ordinary shares.

The NPRFC also currently holds 3.5 billion 2009 Preference Shares.

Following completion of the Irish Government's recapitalisation, and the other capital raising measures outlined below, AIB has fulfilled its PCAR requirements which has been confirmed by the Central Bank of Ireland.

Acquisition of EBS to form a 'Pillar Bank' on 1 July 2011

The acquisition by AIB of EBS Limited and the formation of one of two pillar banks in Ireland was completed on 1 July 2011. This acquisition represents a significant consolidation within the Irish banking sector.

Other capital generating measures in the first six months of 2011

AIB's capital requirements increased significantly in 2010 and again in 2011. As well as recapitalisation measures taken by the Irish Government, AIB has also progressed a series of other capital raising measures in 2011.

- On 24 January 2011, AIB completed a tender offer for certain of its tier 2 capital instruments, in which it offered to purchase for cash at 30% of their face value, lower tier 2 securities with a nominal value of € 3.9 billion. Tender offers were approved for approximately € 2 billion of these lower tier 2 securities. In addition, € 0.2 billion was exchanged for cash in a private placement. The Group generated core tier 1 capital of approximately € 1.5 billion as a result of this liability management exercise.
- On 24 February 2011, AIB acquired deposits of € 7 billion and NAMA senior bonds with a nominal value of € 12 billion from Anglo Irish Bank, pursuant to a transfer order issued by the High Court under the Credit Institutions (Stabilisation) Act 2010. AIB also acquired Anglo Irish Bank Corporation (International) PLC in the Isle of Man, including customer deposits of almost € 1.6 billion. Approximately € 1.5 billion of core tier 1 capital was generated by AIB as a result of these acquisitions.
- On 1 April 2011, AIB completed the sale of its 70.36% stake in BZWBK and its 50% stake in BZWBK Asset Management S.A. to Banco Santander S.A. for a total cash consideration of € 3.1 billion. AIB generated core tier 1 capital of approximately € 2.3 billion as a result of the disposal (excluding € 0.2 billion reported in the Group's income statement since the announcement of the transaction in September 2010).

Other capital raising measures in the first six months of 2011 ***(continued)***

- On 13 May 2011, AIB launched a tender offer for cash for all its outstanding subordinated liabilities and other capital instruments. Under this offer AIB agreed to purchase these instruments at prices ranging from 10% to 25% of their face value. Where the offer was accepted and completed by 30 June 2011, AIB recognised a gain of € 1.7 billion (€ 1.3 billion in its income statement and € 0.4 billion directly in equity). In the case of securities where the required quorum for acceptance was not reached or where the acceptance date was after 30 June 2011, these securities are now recorded at fair value, resulting in an additional gain of € 0.4 billion (recognised in the income statement). The total impact of the LME was a gain of € 2.1 billion, € 1.7 billion recognised in the income statement and € 0.4 billion recognised directly in equity.

Difficult economic environment and further credit impairment/asset quality deterioration

AIB's performance in recent years and for the year to date has been affected by economic conditions in Ireland in particular. While there are some emerging signs of recovery; predominantly export-led, concerns relating to the Irish public finances, increasing unemployment and falling property prices have contributed to weak consumer demand and a decreased level of business investment, which have resulted in an adverse impact on the Group's financial condition. These weak economic conditions have resulted in an impairment charge of almost € 3 billion for the six months ended 30 June 2011. See section 5 for commentary on levels of credit impairment and asset quality for the six months ended 30 June 2011.

Challenging funding/liquidity environment

AIB in common with other banks continues to face funding and liquidity issues and currently relies heavily on sourcing funding from monetary authorities. Monetary authority funding amounted to € 29 billion at 30 June 2011 (31 December 2010: € 39 billion). Despite this challenging environment AIB exited non standard funding facilities with the Central Bank of Ireland in the half-year to June 2011.

The acquisition of deposits from Anglo Irish Bank in February 2011 improved liquidity and the funding base of the Group. In the six months ended 30 June 2011 there was a net increase in deposits of € 1 billion (excluding the deposit placed by the NTMA of € 11 billion) which when combined with a loan reduction of € 11 billion, including deleveraging activity, resulted in an improvement in the Group's underlying loan to deposit ratio, to 143% at 30 June 2011, from 165% at 31 December 2010.

3. Condensed consolidated income statement *(unaudited)*

	Half-year June 2011 € m	Re-presented Half-year June 2010 € m
Continuing operations		
Interest and similar income	**2,096**	2,431
Interest expense and similar charges	**1,492**	1,404
Net interest income	**604**	1,027
Dividend income	**2**	1
Fee and commission income	**246**	296
Fee and commission expense	**(14)**	(65)
Net trading income/(loss)	**40**	(164)
Gain on redemption/remeasurement of subordinated liabilities and other capital instruments	**3,273**	372
Loss on transfer of financial instruments to NAMA	**(20)**	(963)
Other operating (loss)/income	**(151)**	100
Other income/(loss)	**3,376**	(423)
Total operating income	**3,980**	604
Administrative expenses	**772**	760
Impairment and amortisation of intangible assets	**36**	59
Depreciation of property, plant and equipment	**24**	26
Total operating expenses	**832**	845
Operating profit/(loss) before provisions	**3,148**	(241)
Provisions for impairment of loans and receivables	**2,961**	2,260
Writeback of provisions for liabilities and commitments	**(173)**	-
Provisions for impairment of financial investments available for sale	**99**	3
Operating profit/(loss)	**261**	(2,504)
Associated undertakings	**(2)**	28
Profit on disposal of property	**-**	38
Profit on disposal of business	**1**	-
Profit/(loss) before taxation from continuing operations	**260**	(2,438)
Income tax income from continuing operations	**(351)**	(363)
Profit/(loss) after taxation from continuing operations	**611**	(2,075)
Discontinued operations:		
Profit after taxation from discontinued operations	**1,628**	344
Profit/(loss) for the period	**2,239**	(1,731)

4. Operating and financial review

4.1 Overview of results

The Group recorded a profit for the period of € 2.2 billion in the half-year to June 2011 compared to a loss of € 1.7 billion in the comparative period to 30 June 2010. The outturn for the half-year to June 2011 included gains of € 3.3 billion on the two debt buyback offers in the first half of 2011 and profit on disposal of Bank Zachodni WBK S.A. "BZWBK" of € 1.5 billion. The outturn for the half-year to June 2010 included a gain of € 372 million on redemption of subordinated liabilities. Excluding these material items, the Group reported a loss for the period of € 2.6 billion in the half-year to June 2011 compared to a loss of € 2.1 billion in the half-year to June 2010.

The increase in underlying losses reflect continuing high provision levels, lower interest income on reducing balance sheet volumes and continued high funding costs combined with the loss of income from disposed businesses, particularly BZWBK and M&T Bank Corporation "M&T".

4.2 Income statement commentary

Net interest income	**Half-year June 2011 € m**	Half-year June 2010 € m	*% charge 2011 v 2010*
Net interest income	**604**	1,027	*-41*

Average interest earning assets	**Half-year June 2011 € m**	Half-year June 2010 € m	*% charge 2011 v 2010*
Average interest earning assets	**127,097**	147,514	*-14*

Net interest margin	**Half-year June 2011 %**	Half-year June 2010 %	*Basis point charge*
Group net interest margin	**0.96**	1.40	*-44*
Group net interest margin excluding eligible liabilities guarantee ("ELG")	**1.36**	1.56	*-20*

Net interest income was € 604 million in the half-year to June 2011 compared with € 1,027 million in the half-year to June 2010, a decrease of € 423 million or 41%. Net interest income for the half-years to June 2011 and June 2010 included charges for the ELG scheme of € 256 million and € 117 million[2] respectively excluding which net interest income reduced by € 284 million or 25%. The net interest income decrease excluding the ELG cost mainly reflected lower income on loans and higher wholesale funding costs. Excluding the cost of the ELG scheme, the net interest margin for the half-year to June 2011 was 1.36%. This was a reduction of 20 basis points compared with 1.56% in the half-year to June 2010. The estimated[1] factors contributing to the decline in the margin of 20 basis points were: -12bp due to higher wholesale funding costs, -12bp due to lower loan income and -2bp due to lower treasury /other net interest income. This was partly offset by +6bp due to higher income on capital. The cost of deposits were in line with the half-year to June 2010 and had no impact on the margin movement. The reduction in loan income reflects lower levels of earning loans and an increase in the level of impaired loans. The impact on income of deleveraging the loan portfolio was partly offset through the repricing of loans at higher margins.

[1] Management estimate.

[2] The total government guarantee charge was € 163 million in the half-year to June 2010 including Credit Institutions (Financial Support) scheme ("CIFS") charge of € 46 million which is included in other income and € 117 million ELG charge in net interest income.

Other income	Half-year June 2011 € m	Half-year June 2010 € m	% charge 2011 v 2010
Dividend income	**2**	1	*100*
Banking fees and commissions	**213**	249	*-14*
Investment banking and asset management fees	**33**	47	*-30*
Fee and commission income	**246**	296	*-17*
Irish Government guarantee scheme expense ("CIFS")	**-**	(46)	-
Other fee and commission expense	**(14)**	(19)	*26*
Less: Fee and commission expense	**(14)**	(65)	*78*
Trading income/(loss)	**23**	(96)	*124*
Interest rate hedge volatility	**17**	(68)	*125*
Net trading income/(loss)[1]	**40**	(164)	*124*
Other operating (loss)/income	**(10)**	102	*-110*
Subtotal	**264**	170	*55*
Loss on disposal of loans	**(141)**	(2)	*-6,950*
Loss on transfer of financial instruments to NAMA	**(20)**	(963)	*98*
Subtotal	**103**	(795)	*113*
Gain on redemption of subordinated debt and other capital instruments	**3,273**	372	*780*
Other income/(loss)	**3,376**	(423)	*898*

Other income was € 3,376 million in the half-year to June 2011 compared to a loss of € 423 million in the half-year to June 2010. The 2011 outturn included losses of € 141 million on disposal of non core and core loans, a loss of € 20 million on the transfer of assets to NAMA and € 3,273 million gains on redemption of subordinated liabilities from capital buyback offerings in the half-year to June 2011. The outturn for the half-year to June 2010 included losses of € 2 million on disposal of loans, a loss of € 963 million on the transfer of assets to NAMA and a € 372 million gain on redemption of subordinated liabilities from the capital exchange offering. Excluding these items other income was € 264 million in the half-year to June 2011, compared with € 170 million in the half-year to June 2010. This increase reflects no deposit guarantee costs for the CIFS scheme (see page 9 on net interest income in relation to government guarantee costs) through other income and a more positive trading income outcome in the half-year to June 2011. The weaker economic conditions and challenging trading markets in which AIB operates resulted in lower business volumes and lower revenues from its investment banking activities.

Banking fees and commissions decreased by 14% reflecting lower business volumes and activity.

Investment banking and asset management fees were down 30% in the half-year to June 2011 mainly reflecting lower brokerage income following the sale of Goodbody Stockbrokers in December 2010.

Fee and commission expense included the cost of the CIFS scheme of € 46 million in the half-year to June 2010.

Trading income was € 23 million in the half-year to June 2011 compared to a loss of € 96 million in the half-year to June 2010. Trading income excludes interest payable and receivable arising from hedging and the funding of trading activities, these are included in interest income. Trading income was impacted by reclassification of income between other income and net interest income. As a result the trend in trading income in other income cannot be considered in isolation.

Other operating income in the half-year to June 2011 was negative € 10 million compared with € 102 million in the half-year to June 2010, a reduction of € 112 million. In the half-year to June 2011 there was € 6 million income from the disposal of available for sale equity shares and a loss of € 17 million from the disposal of available for sale debt securities, these primarily related to bonds in peripheral Eurozone countries. In the half-year to June 2010 there was € 57 million profit from the disposal of available for sale debt securities and € 13 million profit from the disposal of available for sale equity shares.

[1] Trading income includes foreign exchange contracts, debt securities and interest rate contracts, credit derivative contracts, equity securities and index contracts.

4. Operating and financial review

Operating expenses	**Half-year June 2011 € m**	Half-year June 2010 € m	*% change 2011 v 2010*
Personnel expenses	**476**	514	-7
General and administrative expenses	**296**	246	*20*
Depreciation,[1] impairment and amortisation[2]	**60**	85	*-29*
Total operating expenses	**832**	845	-2

Total operating expenses were € 832 million in the half-year to June 2011, a decrease of € 13 million or 2% when compared to € 845 million in the half-year to June 2010. This decrease reflected cost management in a period of difficult economic conditions with lower staff numbers and reduced business activity, partly offset by the cost of significant external engagement in the half-year to June 2011.

Personnel expenses in the half-year to June 2011 were € 476 million, a decrease of € 38 million or 7% compared with € 514 million in the half-year to June 2010 reflecting a reduction of approximately 550 in staff numbers since 30 June 2010 (excluding Anglo staff who joined AIB in 2011) and a reduction in other associated staff costs.

General and administrative expenses of € 296 million in the half-year to June 2011 were € 50 million or 20% higher than € 246 million in the half-year to June 2010. The increase mainly related to higher professional fees of € 35 million due to significant external engagement including consultancy costs connected with the sale of businesses and business restructuring.

Depreciation and amortisation of € 60 million in the half-year to June 2011 was € 25 million or 29% lower than the half-year to June 2010 reflecting the writedown in the half-year to June 2010 of the value of intangible assets of € 25 million in relation to projects discontinued during 2010.

Cost income ratio	**Half-year June 2011 %**	Half-year June 2010 %
Cost income ratio - headline	**20.9**	139.9
Cost income ratio[3]	**114.4**	70.7

The headline cost income ratio benefits from gains on the redemption/remeasurement of subordinated liabilities and other capital instruments. The cost income ratio excluding the losses on transfer of assets to NAMA and the gains on the redemption/remeasurement of subordinated liabilities and other capital instruments was 114.4% for the half-year to June 2011 compared to 70.7% for the half-year to June 2010. While costs decreased, lower total income resulted in an increase in the underlying cost income ratio.

[1]Depreciation of property, plant and equipment.

[2]Impairment and amortisation of intangible assets.

[3]Cost income ratio excluding losses on transfer of assets to NAMA and gains on the redemption/remeasurement of subordinated liabilities and other capital instruments.

Associated undertakings	Half-year June 2011 € m	Half-year June 2010 € m
Associated undertakings	**(2)**	28

Loss from associated undertakings in the half-year to June 2011 was € 2 million compared with a profit of € 28 million in the comparative period. Associated undertakings includes AIB's share of Aviva Life Holdings Ireland Limited, Aviva Health Insurance Ireland Limited and AIB's share in the joint venture with First Data International trading as AIB Merchant Services. The decrease in profitability reflects losses on disposal of bonds and changes in the treatment of acquisition costs by Aviva Life Holdings Ireland Limited in the half-year to June 2011 and negative sentiment on life assurance business.

Income tax

The taxation credit for the half-year to June 2011 was € 351 million (including a € 356 million credit relating to deferred taxation), compared with a taxation credit of € 363 million in the half-year to June 2010 (including a credit of € 349 million relating to deferred taxation). The taxation credits exclude taxation on share of results of associated undertakings. Associated undertakings are reported net of taxation in the Group profit/(loss) before taxation. The credit is influenced by the geographic mix of profits and losses, which are taxed at the rates applicable in the jurisdictions where the Group operates. Deferred tax credit continues to be recognised in full for the value of tax losses arising in Group companies, as it is expected that the tax losses will be utilised in full against future profits.

Discontinued operations

The results for the half-year to June 2011 included the consolidated results of BZWBK for the quarter to 31 March 2011 and the profit on sale of BZWBK in the period.

Profit from discontinued operations	**Half-year June 2011 € m**	Half-year June 2010 € m
BZWBK	**99**	175
M&T	**-**	237
BACB	**-**	(26)
Profit before taxation	**99**	386
Income tax expense	**17**	39
Profit after taxation	**82**	347
Profit on disposal of business	**1,546**	-
Loss recognised on the remeasurement to fair value less costs to sell[1]	**-**	(3)
Profit for the period from discontinued operations	**1,628**	344

[1]Relates to impairment of intangible assets.

Discontinued operations recorded a profit after taxation of € 1,628 million in the half-year to June 2011 compared to € 344 million in the half-year to June 2010. Discontinued operations in 2010 were impacted by investment reviews which resulted in a € 28 million writedown with regard to the investment in BACB and a € 213 million writeback relating to M&T.

BZWBK recorded a profit before taxation of € 99 million in the three months to March 2011, compared with € 175 million in the half-year to June 2010 and there was a profit on disposal of the business of € 1,546 million, following completion of the sale on 1 April 2011.

4.3 Balance sheet commentary

The commentary on the balance sheet is on a continuing operations basis unless otherwise stated.

The balance sheet identifies loans eligible for sale to NAMA and corporate loans classified as held for sale as part of deleveraging measures (included in 'disposal groups and non-current assets held for sale') separately from other customer loans. Loan balances reported in the following tables include these balances in order to reflect the full movement in customer loans:

Gross loans	**30 June 2011 € bn**	31 December 2010 € bn	*% change*
Gross loans to customers	**83**	94	*-12*
Gross loans held for sale to NAMA	**1**	2	*-50*
Corporate loans held for sale	**3**	–	-
Total	**87**	96	*-9*

Continued weak demand for credit in 2011 and ongoing deleveraging measures resulted in lower gross loans to customers, down 9% or € 9 billion since 31 December 2010.

Net loans	**30 June 2011 € bn**	31 December 2010 € bn	*% change*
Net loans to customers	**73**	86	*-15*
Net loans held for sale to NAMA	**1**	2	*-50*
Corporate loans held for sale	**3**	–	-
Total	**77**	88	*-13*

Net loans decreased by € 11 billion or 13% as a result of deleveraging measures (the identified pool of non core assets reducing from € 25 billion to € 17 billion), the aforementioned weaker credit demand and provisions for non NAMA eligible loans.

Customer accounts	**30 June 2011 € bn**	31 December 2010 € bn	*% change*
Customer accounts excluding deposits placed by NTMA	**53**	52	2
Deposits placed by NTMA	**11**	–	–
Customer accounts including deposits placed by NTMA	**64**	52	*23*

The increase in customer accounts reflects the acquisition of the Anglo deposit book in February 2011 (which amounted to € 6.4 billion at 30 June 2011) and the deposit placed by NTMA of € 11 billion. Excluding the deposit placed by NTMA, customer accounts were up € 1 billion or 2% but were down c. € 5 billion excluding the acquisition of the Anglo deposit book. Bank and sovereign ratings downgrades contributed to an outflow in deposits, particularly from Non Bank Financial Institutions ("NBFIs") and international corporates during Q1 2011.

4.4 Capital - Total Group basis

AIB has undertaken to rebuild its capital base from a variety of sources with the continued support of the Irish Government. This commitment is reflected in a significant strengthening of the capital ratios in the period from 31 December 2010 to 30 June 2011, during which the Group's core tier 1 ratio increased from 4.0% to 9.9% (total capital ratio increased from 9.2% to 10.6%). The following table summarises the Group capital position.

Capital	**30 June 2011 € bn**	31 December 2010 € bn
Core tier 1	**7.7**	3.9
Tier 1	**7.6**	4.2
Total capital	**8.3**	9.1

Risk weighted assets	**30 June 2011 € bn**	31 December 2010 € bn
Credit risk	**71.6**	89.4
Market risk	**1.2**	1.5
Operational risk	**5.6**	7.9
Total risk weighted assets	**78.4**	98.8

Capital ratios	**30 June 2011 %**	31 December 2010 %
Core tier 1	**9.9**	4.0
Tier 1	**9.7**	4.3
Total capital	**10.6**	9.2[1]

Risk weighted assets reduced by € 20.4 billion in the period. Credit risk weighted assets account for € 17.8 billion of the reduction, of which c. € 8.5 billion was related to the disposal of AIB's shareholding in BZWBK, c. € 1.3 billion relates to transfer of assets to NAMA, with the remaining reduction in credit risk weighted assets due mainly to deleveraging of assets. The disposal of BZWBK also contributed to the reduction in market risk weighted assets and operational risk weighted assets.

Core tier 1 capital increased by € 3.8 billion to June 2011. This was primarily due to the combined gains of the liability management exercises ("LME") of € 1.5 billion in the January LME and € 2.1 billion in the June LME, a € 1.5 billion gain on the disposal of AIB's shareholding in BZWBK in April 2011 and a € 1.5 billion net capital contribution resulting from the Anglo transaction. These gains were offset by underlying losses of € 2.6 billion in the period. The net impact of these movements together with the decrease in risk weighted assets is an increase in the core tier 1 capital ratio from 4.0% at 31 December 2010 to 9.9% at 30 June 2011.

Tier 1 capital increased by € 3.4 billion to June 2011. In addition to the aforementioned factors relating to the increase in core tier 1 capital, there was a reduction of c. € 560 million in tier 1 capital following the buyback of tier 1 capital instruments which were part of the June LME. These factors combined with the reduction in risk weighted assets resulted in a tier 1 ratio of 9.7% at 30 June 2011, up from 4.3% at 31 December 2010.

Tier 2 capital decreased by € 4.2 billion in the period. This was mainly due to the LMEs which resulted in a significant reduction in the carrying value of tier 2 capital instruments from € 4.1 billion as at 31 December 2010 to € 122 million at 30 June 2011.

The total capital ratio increased from 9.2% at 31 December 2010 to 10.6% at 30 June 2011 which reflected the net movements in tier 1 and tier 2 capital as detailed above, together with the reduction in risk weighted assets.

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

PCAR

On 31 March 2011, the Central Bank of Ireland announced the results of its PCAR exercise. The Central Bank of Ireland required AIB to raise core tier 1 capital of € 13.3 billion of which an amount of € 1.4 billion could be in the form of contingent capital (tier 2 capital). EBS was also included in the Central Bank's PCAR assessment. The Central Bank of Ireland required EBS to raise core tier 1 capital of € 1.5 billion of which an amount of € 0.2 billion could be in the form of contingent capital. Following the acquisition of EBS by AIB, the combined PCAR requirement of the Group was € 14.8 billion of which € 1.6 billion could be in the form of contingent capital. The June 2011 LME raised € 2.1 billion of the PCAR requirement. Following shareholder approval on 26 July 2011, a placing agreement with the NPRFC raised € 5 billion of core tier 1 capital and AIB also issued € 1.6 billion of contingent capital to the Minister for Finance which will rank as subordinated tier 2 capital. The portion of the PCAR requirement not met by the aforementioned capital raising measures was satisfied by way of a capital contribution amounting to € 6.054 billion from the Irish Government to AIB (see page 6).

If the acquisition of EBS and the satisfaction of the PCAR requirement by the Irish Government had been completed by 30 June 2011 the proforma core tier 1 capital ratio for June would be c. 22.4%.

European Banking Authority ("EBA") stress test

On 15 July 2011, the results of the EU-wide EBA stress test were published. The test showed that AIB would have a core tier 1 ratio of 11.7% (10.0% excluding contingent capital) at December 2012 following the application of the stress and the raising of capital required by PCAR. Measured against the threshold for passing the test of a core tier 1 ratio of 5%, AIB has no further capital raising requirements.

4.5 Funding[1]

Sources of funds - Total AIB Group basis	30 June 2011 € bn	30 June 2011 %	31 December 2010[2] € bn	31 December 2010[2] %
Customer accounts excluding deposits placed by NTMA	**53**	**44**	63	45
Deposits placed by NTMA	**11**	**9**	-	-
Deposits by central banks and banks - secured	**35**	**29**	41	29
- unsecured	**1**	**1**	9	7
Certificates of deposit and commercial paper	**-**	**-**	1	1
Asset covered securities ("ACS")	**3**	**2**	3	2
Senior debt	**11**	**9**	12	9
Capital[3]	**7**	**6**	9	7
Total source of funds	**121**	**100**	138	100
Other[4]	**6**		7	
	127		145	

The overall source of funds reduced by € 17 billion in the first half of 2011 reflecting a reduced funding requirement. This funding requirement reduction was primarily due to the disposal of BZWBK, the sale of securities held in AIB's available for sale ("AFS") portfolio and asset deleveraging. This reduction was partly offset by the transfer of Anglo's NAMA senior bonds of € 12 billion to AIB as part of the purchase of the Anglo deposit book in February 2011 which resulted in NAMA senior bonds increasing to € 20 billion at 30 June 2011.

Customer accounts excluding the deposits placed by NTMA, amounting to € 53 billion at 30 June 2011 are the largest funding source of the Group at 44%, down from 45% at 31 December 2010. Taking into account the reduction in customer accounts following the disposal of BZWBK (c. € 10 billion customer deposits) and the 30 June 2011 balance of € 6.4 billion of the acquired Anglo deposit book, underlying customer deposits have decreased by c. € 5 billion reflecting weak economic conditions, sovereign concerns about Ireland and more general uncertainty about Europe's solution to the peripheral country debt issue. Secured funding decreased by € 6 billion. The unsecured interbank reduced by € 8 billion to € 1 billion reflecting the exit of the Group from non standard facilities with the Central Bank of Ireland. Senior debt and ACS remain unchanged at 9% and 2% of funding sources respectively.

Net customer loans on a continuing basis decreased by € 13 billion or 15% in the half-year to June 2011. This decrease was due to a combination of deleveraging and the classification of € 3 billion corporate loans as held for sale. When combined with customer resources this resulted in a Group loan to deposit ratio of 114% down from 165% at 31 December 2010. The loan to deposit ratio including the held for sale corporate loans and excluding the deposits placed by the NTMA was 143%.

The Group experienced a reduction in its access to wholesale funding markets, a symptom of its credit rating, continued negative sentiment towards the Irish sovereign and lack of resolution to the Eurozone peripheral countries debt issue. The retention and gathering of customer accounts in a challenging and increasingly competitive market environment remains a key focus of the Group. This coupled with the action to deleverage non core assets is paramount to the Group's overall funding and liquidity strategy.

At 30 June 2011, the Group held € 44 billion (including pledged assets) in qualifying liquid assets/contingent funding of which approximately € 38 billion was used in repurchase agreements. The credit rating downgrades for both AIB and the Sovereign in 2011 had a negative impact on the funding value of the Group's bond holdings and internal asset covered securities. The Group continues to explore and develop contingent collateral and funding facilities to support its funding requirements.

[1] The funding commentary is on a total AIB Group basis.
[2] Includes BZWBK at 31 December 2010.
[3] Includes total shareholders' equity, subordinated liabilities and other capital instruments.
[4] Non-funding liabilities including derivative financial instruments, other liabilities, retirement benefits and accruals and other deferred income.

Summary items from the balance sheet	30 June 2011 € bn	31 December 2010 € bn
Total assets	**127**	145
Net loans and receivables to customers	**73**	86
NAMA senior bonds	**20**	8
Disposal groups and non-current assets held for sale	**3**	14
Financial assets held for sale to NAMA	**1**	2
Customer accounts	**53**	52
Deposits placed by NTMA	**11**	-
Wholesale funding	**50**	66
Loan to deposit ratio	**114%**	165%
Loan to deposit ratio (including held for sale corporate loans and excluding deposits placed by NTMA)	**143%**	165%

4.6 Non core/deleveraging

The Non Core Unit was established on 1 July 2011 to formulate and implement AIB's strategy of deleveraging its non core assets through a combination of disposals, run-off, refinancing and other forms of deleveraging. Non core assets are managed as a distinct portfolio within the business by a dedicated management team. The structure and operational framework for the non core management team is now implemented with strong focus on governance, risk, performance measurement and oversight reporting to the key stakeholders. The team has an explicit performance mandate to realise optimum value from the portfolio while also preserving AIB's core customer franchise within the overall objective of meeting the defined deleveraging targets as agreed with the authorities.

Total net loans of € 25.1 billion have been designated as non core assets, of which it is planned to deleverage € 17.4 billion over a three year period to the end of 2013. Deleveraging progress to 30 June 2011 is outlined in the following table.

	30 June 2011 2011 € bn	31 December 2010 € bn	Year to date movement € bn
Total non core portfolio	**16.8**	25.1	(8.3)

Deleveraging of non core assets amounted to € 8.3 billion during the half year to June 2011. This was achieved through a combination of disposals of specific asset pools, repayments and redemptions, increased provisioning and other deleveraging impacts. Asset disposals to date of € 1.5 billion were achieved, principally in property and project finance related assets located in the United States, United Kingdom and Europe. Repayments and redemptions to date amounted to € 3.6 billion principally in the United Kingdom and overseas, while increased impairment provisions, foreign exchange movements and other deleveraging impacts amounted to € 3.2 billion. The impact on capital as a consequence of deleveraging to date, including losses on disposal of € 131 million on non core assets, has been positive, due to the resulting reduction in risk weighted assets. The pipeline for further asset disposals in the second half of the year remains strong with a number of additional non core asset pools identified and in the course of disposal.

5. Asset quality

Asset quality

The credit quality profile of the Group was significantly impacted by further deterioration in Irish economic conditions. Increasing unemployment, higher interest rates, a lack of consumer spending and continued illiquidity in the property sector have influenced the increase in criticised loan levels, including higher impaired loans, and associated provisions. The Group had non NAMA total criticised loans and receivables for continuing operations of € 29.1 billion (34% of total gross loans of € 86 billion) at 30 June 2011 compared to € 27.3 billion at 31 December 2010. At 30 June 2011 the Group had loans held for sale to NAMA of € 1.1 billion of which € 306 million were impaired with balance sheet provisions of € 170 million.

				30 June 2011			31 December 2010
Criticised loans		**Non NAMA**	**NAMA**	**Total**	Non NAMA	NAMA	Total
Watch loans[1]	**€ m**	**6,864**	**285**	**7,149**	7,645	456	8,101
Vulnerable loans[2]	**€ m**	**6,995**	**271**	**7,266**	7,560	425	7,985
Impaired loans[3]	**€ m**	**15,213[4]**	**306**	**15,519**	12,141[4]	741	12,882
Criticised loans	**€ m**	**29,072**	**862**	**29,934**	27,346	1,622	28,968
Gross loans	**€ m**	**85,433[5]**	**1,110**	**86,543**	93,839	2,249	96,088
Criticised as % of total gross loans	**%**	**34.0**	**77.6**	**34.6**	29.2	72.2	30.2
Impaired as % of total gross loans	**%**	**17.8**	**27.5**	**17.9**	12.9	33.0	13.4

The following commentary excludes NAMA loans. The Group's criticised loans and receivables to customers in continuing operations amounted to € 29.1 billion or 34.0% of customer loans, up from € 27.3 billion or 29.2% at 31 December 2010, an increase of € 1.7 billion. Residential mortgages accounted for 19% of the Group's criticised loans compared with 16% at December 2010. Group watch loans decreased by € 781 million since 31 December 2010 to € 6.9 billion or 8% of advances. There were decreases in a number of sectors, particularly in the property and distribution sectors offset by increases in the residential mortgage sectors. Group vulnerable loans decreased by € 565 million to € 7.0 billion since December 2010 and remained at 8% of advances since December 2010. Decreases in vulnerable loans were evident particularly in the property sector in Ireland and the UK, however there was an increase in vulnerable residential mortgages in both locations. Group impaired loans increased significantly since December 2010, up € 3.1 billion to € 15.2 billion and now represent 17.8% of advances up from 12.9% at December 2010. The increases occurred mainly in the property, residential mortgage, distribution (hotels and licenced premises) and personal sectors in Ireland with borrowers continuing to be impacted by the ongoing challenging economic environment. Property loans represent 56% of Group impaired advances at June 2011 compared with 58% at December 2010. The increase in property impaired loans occurred largely in Ireland.

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

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

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

[4] Of which € 15,196 million relates to loans and receivables to customers and € 17 million relates to AmCredit within disposal groups and non-current assets held for sale (€ 12,114 million relates to loans and receivables to customers and € 27 million relates to AmCredit within disposal groups and non-current assets held for sale at December 2010).

[5] Includes € 124 million in unearned income.

5. Asset quality

Provisions (income statement)	**Half-year June 2011 € m**	Half-year June 2010 € m
Provisions for impairment of loans and receivables	**2,961**	2,260
Writeback of provisions for liabilities and commitments	**(173)**	-
Provisions for impairment of financial investments available for sale	**99**	3
Total provisions	**2,887**	2,263

The provision charge for loans and receivables was € 2,961 million or 6.48% of average customer loans and compared to € 2,260 million or 3.78% of average customer loans in the half-year to June 2010. The provision charge included € 54 million for loans held for sale to NAMA and the charge for loans and receivables to customers was € 2,907 million compared with € 1,221 million and € 1,039 million respectively for the same period last year.

The writeback of provisions for liabilities and commitments of € 173 million reflects the release of contingent provisions raised in 2010 for loans that were held for sale to NAMA at 31 December 2010 but were not classified as held for sale to NAMA at 30 June 2011.

The provision for impairment of financial investments available for sale mainly reflects provisions for bonds held in financial institutions.

Provisions for impairment of loans and receivables	**30 June 2011 € m**	**bps**	30 June 2010 € m	bps
Non NAMA[(1)]	**2,558**	**856**	931	270
Non NAMA residential mortgages	**349**	**233**	108	68
Subtotal non NAMA	**2,907**	**647**	1,039	212
NAMA	**54**	**654**	1,221	1,307
Total	**2,961**	**648**	2,260	378

[(1)]Non NAMA loans excluding residential mortgages.

The following comment excludes provisions on loans held for sale to NAMA. The Group provision charge for loans comprised € 2,766 million of specific provisions and € 141 million of IBNR provisions (€ 1,063 million in specific provisions and a release of IBNR of € 24 million in the half-year to June 2010). The increase in specific provisions was influenced by the impact of a continued fall in values attached to the bank's collateral for both existing and newly impaired loans in the period. This was particularly evident in commercial and residential property sectors in Ireland. The increase in IBNR provisions was due to management's view of the heightened level of incurred loss (not yet identified), particularly in the residential mortgage book in Ireland and the land and development book in Northern Ireland.

5. Asset quality

Gross loans and receivables to customers (non NAMA)	30 June 2011 € bn	31 December 2010 € bn
Retail[1]		
Residential mortgages	**30**	31
Other personal lending	**6**	6
Total retail	**36**	37
Commercial[1]		
Property	**24**	26
SME/commercial	**17**	18
Total commercial	**41**	44
Corporate[1]	**9**	13
Total	**86**	94

	30 June 2011 € bn	30 June 2011 %	31 December 2010 € bn	31 December 2010 %
Credit Profile				
Satisfactory	**56.4**	**66**	66.6	71
Watch	**6.9**	**8**	7.6	8
Vulnerable	**7.0**	**8**	7.6	8
Impaired	**15.2**	**18**	12.1	13
Balance sheet provisions	**9.6**	**-**	7.3	-
Balance sheet provisions/loans	**-**	**11.2**	-	7.8
Specific provisions/impaired loans cover	**-**	**48**	-	42
Total provisions/impaired loans	**-**	**63**	-	60

	Half-year June 2011	Half-year June 2010
Income statement provision charge/average advances	**6.47**	2.12

Gross loans and receivables to customers amounted to € 86 billion at 30 June 2011 (including € 2.6 billion loans which are classified as held for sale). € 29.1 billion or 34.0% of the portfolio is criticised of which € 15.2 billion is impaired. Balance sheet specific provisions of € 7.4 billion providing cover of 48% are held at 30 June 2011 for this portfolio with total provisions to total loans of 11.2%. The income statement provision charge for June 2011 was € 2,907 million or 6.47% of average advances up from € 1,039 million or 2.12% in June 2010. The key portfolios and credit quality are profiled in the following pages.

[1]The segmentation of the loan book is based on the historical composition of the balance sheet and is not reflective of business segmentation under the new structure. The new business segments will be reported in future reporting periods.

Residential mortgages

Residential mortgages for continuing operations amounted to € 30 billion at 30 June 2011 (including € 0.1 billion mortgages which are classified as held for sale).The provision charge for residential mortgages was € 349 million or 2.33% of average residential mortgages. Residential mortgages comprise owner occupier € 21.2 billion and Buy to Let ("BTL") € 8.6 billion. The portfolio held in the Republic of Ireland (€ 26.7 billion) is profiled below:

			30 June 2011
Republic of Ireland residential mortgages	**Owner occupier € m**	**Buy to Let € m**	**Total € m**
Total residential mortgages	**18,488**	**8,173**	**26,661**
In arrears (>30 days past due)	**982**	**1,604**	**2,586**
In arrears (>90 days past due)	**731**	**1,353**	**2,084**
Of which impaired	**545**	**1,123**	**1,668**
Balance sheet specific provisions	**158**	**317**	**475**
Balance sheet IBNR provisions	**137**	**251**	**388**
Income statement specific provisions 2011	**82**	**192**	**274**
Income statement IBNR provisions 2011	**7**	**13**	**20**
	%	**%**	**%**
Specific provisions/impaired loans cover	**29.0**	**28.2**	**28.5**

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

The portfolio in the Republic of Ireland has experienced an increase in arrears reflecting the impact of a harsher economic climate on borrowers' repayment affordability.The pace of increase in total arrears eased somewhat in the second half of 2010 but has accelerated in 2011.The level of >90 days in arrears was 7.82% at 30 June 2011 compared with 4.80% at 31 December 2010.

The level of total arrears (>90 days) in the owner occupier book increased since 31 December 2010 from € 557 million (2.87% of mortgages) to € 731 million or 3.95% at 30 June 2011. Unemployment, wage cuts and high levels of personal debt continued to be the principal drivers of increased arrears.

The level of total arrears (>90 days) in the BTL portfolio has increased significantly from € 747 million or 9.60% at 31 December 2010 to € 1,353 million or 16.55% at 30 June 2011 and was influenced by increased financial pressure on borrowers.

Total owner occupier and BTL impaired loans were € 1,668 million at 30 June 2011. Balance sheet specific provisions of € 475 million provided cover of 28.5% up from 20% at December 2010. IBNR balance sheet provisions of € 388 million are held for the performing book (94% of residential mortgage book) based on management's view of incurred loss in this book.The total income statement charge for the period was € 294 million (specific € 274 million and IBNR € 20 million).The IBNR charge was influenced by the increase in the level of arrears, requests for loan restructures and the level of interest only mortgages (€ 4.1 billion) in the portfolio.

Residential mortgages ***(continued)***

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

United Kingdom residential mortgages

Residential mortgages in the United Kingdom were € 3.1 billion at 30 June 2011. The level of >90 days in arrears was 5.4% compared with 4.1% at 31 December 2010, driven by an increase in Northern Ireland in particular.

	30 June 2011		31 December 2010	
Other personal lending	**€ m**	**%**	€ m	%
Total personal lending portfolio	**5,586**	-	6,021	-
Credit profile				
Satisfactory	**3,414**	**61**	3,916	65
Watch	**522**	**9**	634	11
Vulnerable	**577**	**11**	632	10
Impaired	**1,073**	**19**	839	14
Balance sheet provisions	**810**	**-**	619	-
Balance sheet provisions/loans	**-**	**14.5**	-	10.3
Specific provisions/impaired loans cover	**-**	**64**	-	61
Total provisions/impaired loans	**-**	**76**	-	74

	Half-year June 2011	Half-year June 2010
Income statement provision charge/average advances	**7.36**	4.09

The Group other personal portfolio amounted to € 5.6 billion at 30 June 2011 and includes € 1.1 billion in credit card loans with the remaining € 4.5 billion relating to loans/overdrafts. The portfolio decreased by € 435 million since December 2010, largely in the Republic of Ireland. € 2.2 billion (39%) of the portfolio was criticised at 30 June 2011 (up from 35% at 31 December 2010) of which € 1.1 billion were impaired. Balance sheet specific provisions of € 687 million provided cover of 64% of impaired loans and the ratio of total provisions to total loans was 14.5%.

The income statement provision charge for this portfolio in the half-year to June 2011 was € 216 million or 7.36% of average advances up from € 139 million or 4.09% in the half-year to June 2010.

5. Asset quality

Property and construction[1]	30 June 2011 € m	31 December 2010 € m
Investment		
Commercial investment	**12,882**	13,679
Residential investment	**3,318**	3,497
	16,200	17,176
Land and development		
Commercial development	**1,645**	1,847
Residential development	**5,117**	5,543
	6,762	7,390
Contractors	**513**	807
Total[1]	**23,475**	25,373

	30 June 2011 € m	30 June 2011 %	31 December 2010 € m	31 December 2010 %
Credit profile (excluding housing associations)				
Satisfactory	**10,178**	**43**	12,362	49
Watch	**2,277**	**10**	2,789	11
Vulnerable	**2,432**	**10**	3,215	13
Impaired	**8,588**	**37**	7,007	27
Balance sheet provisions	**5,415**	**-**	4,047	-
Balance sheet provisions/loans	**-**	**23**	-	16
Specific provisions/impaired loans cover	**-**	**49**	-	41
Total provisions/impaired loans	**-**	**63**	-	58

	Half-year June 2011	Half-year June 2010
Income statement provision charge/average advances	**12.98**	2.57

At 30 June 2011, excluding exposures to housing associations in the UK of € 494 million (€ 529 million at 31 December 2010), the property and construction portfolio was € 23.5 billion (including € 1.2 billion loans which are classified as held for sale). Balance sheet specific provisions of € 4.2 billion provided cover of 49% of impaired loans for this portfolio with total provisions to total loans of 23%. The income statement provision charge in the half-year to June 2011 was € 1,641 million or 12.98% of average property loans up from € 344 million or 2.57% of average property loans in the half-year to June 2010.

At 30 June 2011, investment property amounted to € 16.2 billion (€ 17.2 billion at 31 December 2010) of which € 12.9 billion related to commercial investment. € 8.0 billion of investment property related to loans for the purchase of property in the Republic of Ireland, € 6.7 billion in the United Kingdom, € 0.6 billion in the United States and € 0.9 billion in other geographical locations. € 7.0 billion of investment property loans were criticised at 30 June 2011 of which € 3.5 billion were impaired. AIB had balance sheet specific provisions of € 1,257 million at 30 June 2011 for these impaired loans which provide impaired loan cover of 36% and total provisions to total loans of 11.2%.

At 30 June 2011, land and development loans amounted to € 6.8 billion and related to loans of less than € 20 million. The portfolio is split by locations as follows: € 4.8 billion in Republic of Ireland, € 1.8 billion in the United Kingdom and € 0.2 billion in other geographic locations. Criticised loans amounted to € 6.0 billion of which € 4.9 billion were impaired. The Group had balance sheet specific provisions of € 2.8 billion providing cover of 57% on these impaired loans and total provisions to total loans of 51%.

[1]Excludes exposures to housing associations of € 494 million at 30 June 2011 and € 529 million at 31 December 2010.

SME/commercial	30 June 2011 € m	31 December 2010 € m
Hotels	**2,649**	2,827
Licensed premises	**1,147**	1,181
Retail/wholesale	**2,931**	3,150
Other services	**5,451**	6,886
Agriculture	**1,851**	1,838
Other	**2,554**	1,764
Total SME/commercial	**16,583**	17,646

	30 June 2011		31 December 2010	
	€ m	%	€ m	%
Credit profile				
Satisfactory	**9,228**	**55**	10,444	59
Watch	**1,934**	**12**	2,405	14
Vulnerable	**2,100**	**13**	2,121	12
Impaired	**3,321**	**20**	2,676	15
Balance sheet provisions	**2,083**	**-**	1,700	-
Balance sheet provisions/loans	**-**	**12.6**	-	9.6
Specific provisions/impaired loans cover	**-**	**51**	-	50
Total provisions/impaired loans	**-**	**63**	-	64

	Half-year June 2011	Half-year June 2010
Income statement provision charge/average advances	**6.50**	3.17

The main sub-sectors included in the SME/commercial category of € 16.6 billion were: hotels and licensed premises € 3.8 billion; retail/wholesale € 2.9 billion; other services € 5.5 billion and agriculture € 1.9 billion. € 7.4 billion or 45% were in criticised grades (up from 41% at 31 December 2010) and include € 3.3 billion in impaired loans. Balance sheet specific provisions of € 1.7 billion provide cover of 51% for the impaired element of this portfolio with total provisions to total loans (€ 16.6 billion) coverage of 12.6%.

The income statement provision charge for this portfolio in June 2011 was € 554 million or 6.50% of average loans up from € 288 million or 3.17% in June 2010.

Corporate loans	30 June 2011 € m	30 June 2011 %	31 December 2010 € m	31 December 2010 %
Total corporate portfolio	**9,207**	**–**	13,412	–
Credit profile				
Satisfactory	**8,537**	**93**	12,679	95
Watch	**176**	**2**	176	1
Vulnerable	**116**	**1**	90	1
Impaired	**378**	**4**	467	3
Balance sheet provisions	**273**	**–**	285	–
Balance sheet provisions/loans	**–**	**3.0**	–	2.1
Specific provisions/impaired loans	**–**	**53**	–	45
Total provisions/impaired loans	**–**	**72**	–	61

	Half-year June 2011	Half-year June 2010
Income statement provision charge/average advances	**2.53**	1.16

The corporate book which relates to large corporate borrowers amounted to € 9.2 billion (including € 1.3 billion loans which are classified as held for sale) spread as follows: Republic of Ireland € 2.7 billion, United Kingdom € 1.1 billion, United States € 1.9 billion, International € 3.2 billion and other € 0.3 billion. Included in this portfolio is a leveraged finance book of € 1.8 billion down from € 3.3 billion at December 2010 and € 1.5 billion of project finance (€ 1.7 billion at 31 December 2010). € 0.7 billion of corporate loans are in criticised grades of which € 0.4 billion are impaired. Balance sheet specific provisions of € 200 million provided cover of 53% of impaired loans with total provisions to total loans of 3.0%.

The income statement provision charge in the half-year to June 2011 for this portfolio was € 147 million or 2.53% of average loans compared to € 92 million or 1.16% of average advances in the half-year to June 2010. This is partly due to the reduction of € 3.6 billion in average loans in the half-year to June 2011 as a result of deleveraging and flowback in the period.

5. Asset quality

Available for sale ("AFS") financial investments	30 June 2011 € bn	30 June 2011 %	31 December 2010 € bn	31 December 2010 %
Government securities - Ireland	**3.4**	**24.6**	4.3	20.7
Government securities - Eurozone	**1.8**	**13.0**	3.5	16.8
Government securities - non Euro	**1.1**	**8.0**	1.7	8.2
Supranational banks[(1)] and government agencies	**1.2**	**8.7**	1.3	6.3
Senior bank and monetary financial institutions debt	**1.5**	**10.9**	3.0	14.4
Residential mortgage backed securities	**2.0**	**14.5**	2.9	13.9
Government guaranteed senior bank debt	**0.8**	**5.8**	1.1	5.3
Covered bonds (originated externally)	**0.7**	**5.1**	0.9	4.3
Corporate debt	**0.4**	**2.9**	0.6	2.9
Other asset backed securities	**0.3**	**2.2**	0.6	2.9
Subordinated bank and monetary financial institutions debt	**0.3**	**2.2**	0.5	2.4
Other assets	-	**-**	0.1	0.5
Equity investments (including subordinated NAMA bonds)	**0.3**	**2.1**	0.3	1.4
Total	**13.8**	**100.0**	20.8	100.0

At 30 June 2011, 94% of the AFS securities of € 13.8 billion held by the Group were externally rated as investment grade, with 64% rated A- or stronger. Sovereign issued or government guaranteed securities accounted for 51% of the holdings. Other asset classes included 'senior bank and monetary financial institutions debt' and 'covered bonds' (16%), 'supranational banks and government agencies' (9%) and senior tranches of 'residential mortgage backed securities' (15%). Smaller holdings included senior tranches of 'other asset backed securities' (2%), as well as 'corporate debt' (3%) and 'subordinated bank and monetary financial institutions debt' (2%).

The AFS portfolio has reduced significantly in the period by € 7.0 billion largely driven by reductions in government securities and senior bank bonds.

Included in 'government securities – Eurozone' of € 1.8 billion are securities with the following carrying values: Portugal € 99 million, Italy € 211 million, Greece € 30 million and Spain Nil (31 December 2010: Portugal € 237 million, Italy € 805 million, Greece € 36 million and Spain € 326 million). Included in 'senior bank and monetary financial institutions debt' of € 1.5 billion are amounts with the following carrying values: Portugal € 54 million, Italy € 61 million, Greece Nil and Spain € 45 million (31 December 2010: Portugal € 52 million, Italy € 289 million, Greece Nil and Spain € 404 million). Included in the 'subordinated bank and monetary financial institution debt' of € 0.3 billion are exposures to Portugal Nil, Italy Nil, Greece Nil and Spain € 69 million (December 2010: Portugal Nil, Italy € 58 million, Greece Nil and Spain € 104 million).

An impairment charge of € 95 million was taken in the period to June 2011 on the AFS portfolio. This includes an impairment charge of € 75 million (being a specific loss of € 134 million, offset by a release of an IBNR provision of € 59 million) in relation to Irish subordinated bank bonds (nominal value € 202 million) which were the subject of liability management exercises in the period. An impairment charge of € 10 million for a Greek Government security (nominal value of € 40 million) and the creation of an IBNR provision of € 10 million for the residual subordinated bank bonds (nominal value € 221 million, 85% of which are investment grade) are also included in the total impairment charge.

(1) Relates to institutions which have the backing of a number of Sovereigns.

Reporting entity

Allied Irish Banks, p.l.c. ('the parent company') is a company domiciled in Ireland. The condensed consolidated interim financial statements for the six months ended 30 June 2011 comprise the parent company and its subsidiary undertakings, collectively referred to as the 'Group', and the Group's interest in associated undertakings.

The consolidated financial statements of the Group for the year ended 31 December 2010 ('the Annual Financial Report 2010') are available upon request from the Company Secretary or at www. aibgroup.com/investorrelations.

Going concern

The condensed consolidated interim financial statements are being prepared on a going concern basis. There are a number of material economic, political and market risks and uncertainties that impact the Irish banking system which may cast significant doubt upon the Group's ability to continue as a going concern. These factors are outlined on page 148 of the Annual Financial Report 2010 and continue to be relevant. In addition, there has been increased concern and uncertainty in the period about the resolution of the EU's sovereign debt crisis.

In making its assessment of the Group's ability to continue as a going concern, the Board of Directors has taken into consideration the various uncertainties and concerns that currently impact Irish financial institutions and the Group. The considerations taken into account in determining the appropriateness of the going concern basis for preparing the financial statements are similar to those set out on page 149 of the Annual Financial Report 2010. These include the continuing ability to access funding from the Eurosystem funding and Central Bank of Ireland ('Central Bank') liquidity facilities to meet liquidity requirements and the commitment of the Government to provide the Group's required capital. Concern about the EU sovereign debt crisis has also been taken into account in these considerations.

Having evaluated the risks and uncertainties and the options available to the Group, the directors are satisfied that it continues to be appropriate to prepare the financial statements on a going concern basis.

Accounting policies

The condensed consolidated interim financial statements (hereafter 'Interim financial statements') for the half-year ended 30 June 2011, which should be read in conjunction with the Annual Financial Report 2010, have been prepared in accordance with International Accounting Standards and International Financial Reporting Standards (collectively "IFRS") as issued by the International Accounting Standards Board ("IASB") and IFRS as adopted by the European Union ("EU"). The financial statements comprise the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of cash flows, and the condensed consolidated statement of changes in equity together with the related notes.

In the half-year to June 2010, AIB Group (UK) was shown as a discontinued operation. However, following a strategic review in November 2010, it was decided to halt the sales process. Accordingly, AIB Group (UK) is now presented as a continuing operation with comparative data for June 2010 being re-presented in respect of the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, and the condensed consolidated statement of cash flows.

There have been no significant changes to the accounting policies described on pages 146 to 171 in the Annual Financial Report 2010.

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of certain assets, liabilities, revenues and expenses, and disclosures of contingent assets and liabilities. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Since management's judgement involves making estimates concerning the likelihood of future events, the actual results could differ from those estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected. The estimates that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are in the areas of loan impairment and impairment of financial instruments; financial assets held for sale to NAMA; determination of the fair value of certain financial assets and financial liabilities; retirement benefit liabilities; the recoverability of deferred tax assets; and NAMA bonds valuation. In addition, the classification and designation of financial assets and financial liabilities has a significant impact on their income statement treatment and could have a significant impact on reported income.

Critical accounting policies adopted by the Group are set out on pages 61 to 64 of the Annual Financial Report 2010. In addition, the policy on accounting for loans and receivables held for sale is considered to be critical for the interim period 30 June 2011. These assets are measured on the same basis as prior to their classification as held for sale (see accounting policy number 18 in the Annual Financial Report 2010). Interest income and fee income for such assets are recognised on the same basis as for loans and receivables and will be recognised up to the date of derecognition (see accounting policy number 6). The impairment policy for loans and receivables as set out in accounting policy number 15 continues to apply.

Furthermore, it is Group policy to account for the transfer of businesses or investments in subsidiary undertakings between members of the Group at carrying value at the date of the transaction (see policy number 18 in the Annual Financial Report 2010). This policy now includes transfers of businesses between the Group and other entities under the control of the Irish Government.

Adoption of new accounting standards

The following amendments to standards have been adopted by the Group during the period ended 30 June 2011:

Amendment to IAS 24 – Related Party Disclosures

This amendment simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. It also provides a partial exemption from the disclosure requirements for government-related entities which, as permitted by the amendment, was early adopted by the Group in 2010.The remainder of the amendment impacts upon the disclosure of certain related party relationships, transactions and outstanding balances including commitments in the financial statements of the Group.

Amendment to IAS 32 – Financial Instruments: Presentation-Classification of rights issues

The amendment which is effective for annual periods beginning on or after 1 February 2010, states that if rights issues are issued by an entity pro rata to all existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated.This amendment did not have any impact on the Group's financial statements but may do so in the future.

Amendment to IFRIC 14 - Prepayments of a Minimum Funding Requirement

The amendment which is effective for annual periods beginning on or after 1 January 2011 corrects an unintended consequence of IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. Without the amendment, in some circumstances entities would not be permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendment corrects the problem. The revision will allow such prepayments to be recorded as assets in the statement of financial position. This IFRIC did not have an impact on the Group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

This IFRIC which is effective for annual periods beginning on or after 1 July 2010, clarifies the requirements of International Financial Reporting Standards ("IFRSs") when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The impact on the Group will be dependent on the nature of any future liability management actions undertaken by the Group.

Improvement to IFRSs May 2010

In May 2010, the IASB issued its third edition of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording.

The adoption of the following amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Group.

- IFRS 3 Business Combinations: The measurement options available for non-controlling interest ("NCI") have been amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation shall be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.
- IFRS 7 Financial Instruments - Disclosures: The amendment to IFRS 7 clarifies the required level of disclosure about credit risk and collateral held and provides relief from disclosures previously required regarding renegotiated loans.
- IAS 1 Presentation of Financial Statements: The amendment clarifies that an option to present an analysis of each component of other comprehensive income may be included either in the statement of changes in equity or in the notes to the financial statements. The Group has adopted the option of disclosing this analysis in the notes to the financial statements.
- IAS 34 Interim Financial Reporting: These amendments, which are effective for annual periods beginning on or after 1 January 2011, emphasise the principle in IAS 34 that disclosures about significant events and transactions in interim periods should update the relevant information presented in the most recent annual financial report. Additional disclosure requirements included in the amendment require the Group to disclose:
  - transfers between levels of the 'fair value hierarchy' used in measuring the fair value of financial instruments;
  - changes in the classification of financial assets as a result of a change in the purpose or use of those assets;
  - changes in the business or economic circumstances that affect the fair value of the entity's financial assets and financial liabilities, whether those assets or liabilities are recognised at fair value or amortised cost; and
  - changes in contingent liabilities or contingent assets.

Other amendments resulting from Improvements to IFRSs did not have any impact on the accounting policies, financial position or performance of the Group.

Interim financial statements - Basis of preparation

Statement of compliance

The consolidated interim financial statements comply with International Accounting Standard 34 - Interim Financial Reporting, as issued by the IASB and adopted by the EU.

Both the interim figures for the six months ended 30 June 2011 and the comparative amounts for the six months ended 30 June 2010 are unaudited but have been reviewed by the independent Auditor, whose report is set out on page 104. The Auditor's review is unqualified, however, it contains an emphasis of matter relating to going concern. The summary financial statements for the year ended 31 December 2010 as presented in the Interim financial statements, represent an abbreviated version of the Group's full accounts for that year, on which the independent auditors issued an unqualified audit report which was modified for an emphasis of matter relating to going concern. The Group's annual financial statements for 2010 which are not annexed to these interim financial statements, have been filed in the Companies Registration Office. The financial information presented herein does not amount to statutory financial statements.

Condensed consolidated income statement *(unaudited)*

for the half-year ended 30 June 2011

	Notes	**Half-year 30 June 2011 € m**	Re-presented[1] Half-year 30 June 2010 € m
Continuing operations			
Interest and similar income	2	**2,096**	2,431
Interest expense and similar charges	2	**1,492**	1,404
Net interest income		**604**	1,027
Dividend income	3	**2**	1
Fee and commission income	4	**246**	296
Fee and commission expense	4	**(14)**	(65)
Net trading income/(loss)	5	**40**	(164)
Gain on redemption/remeasurement of subordinated liabilities and other capital instruments	6	**3,273**	372
Loss on transfer of financial instruments to NAMA	7	**(20)**	(963)
Other operating (loss)/income	8	**(151)**	100
Other income/(loss)		**3,376**	(423)
Total operating income		**3,980**	604
Administrative expenses	9	**772**	760
Impairment and amortisation of intangible assets		**36**	59
Depreciation of property, plant and equipment		**24**	26
Total operating expenses		**832**	845
Operating profit/(loss) before provisions		**3,148**	(241)
Provisions for impairment of loans and receivables	22	**2,961**	2,260
Writeback of provisions for liabilities and commitments		**(173)**	–
Provisions for impairment of financial investments available for sale	11	**99**	3
Operating profit/(loss)		**261**	(2,504)
Associated undertakings	26	**(2)**	28
Profit on disposal of property		**–**	38
Profit on disposal of business		**1**	–
Profit/(loss) before taxation from continuing operations		**260**	(2,438)
Income tax income from continuing operations	12	**(351)**	(363)
Profit/(loss) after taxation from continuing operations		**611**	(2,075)
Discontinued operations:			
Profit after taxation from discontinued operations	13	**1,628**	344
Profit/(loss) for the period		**2,239**	(1,731)
Attributable to:			
Owners of the parent:			
Profit/(loss) from continuing operations		**611**	(2,075)
Profit from discontinued operations		**1,608**	309
Profit/(loss) for the period attributable to owners of the parent		**2,219**	(1,766)
Non-controlling interests:			
Profit from continuing operations		**–**	–
Profit from discontinued operations		**20**	35
Profit for the period attributable to non-controlling interests		**20**	35
		2,239	(1,731)
Basic earnings/(loss) per share			
Continuing operations	14(a)	**7.1c**	(192.4c)
Discontinued operations	14(a)	**11.9c**	28.6c
		19.0c	(163.8c)
Diluted earnings/(loss) per share			
Continuing operations	14(b)	**7.1c**	(192.4c)
Discontinued operations	14(b)	**11.9c**	28.6c
		19.0c	(163.8c)

[1]See discontinued operations (note 13).

Condensed consolidated statement of comprehensive income

(unaudited) for the half year ended 30 June 2011

	Notes	Half-year 30 June 2011 € m	Re-presented[1] Half-year 30 June 2010 € m
Profit/(loss) for the period		**2,239**	(1,731)
Other comprehensive income			
Continuing operations			
Net change in foreign currency translation reserves	35	**(75)**	199
Net change in cash flow hedges, net of tax	35	**(131)**	103
Net change in fair value of available for sale securities, net of tax	35	**(216)**	(306)
Net actuarial losses in retirement benefit schemes, net of tax	10	**(5)**	(349)
Share of other comprehensive income of associates, net of tax		**4**	(12)
Other comprehensive income for the period, net of tax, from continuing operations		**(423)**	(365)
Discontinued operations			
Net change in foreign currency translation reserves	35	**(134)**	(16)
Net change in cash flow hedges, net of tax	35	**1**	1
Net change in fair value of available for sale securities, net of tax	35	**(74)**	2
Share of other comprehensive income of associates, net of tax		**-**	256
Other comprehensive income for the period, net of tax, from discontinued operations		**(207)**	243
Total comprehensive income for the period		**1,609**	(1,853)
Attributable to:			
Owners of the parent:			
Continuing operations		**188**	(2,440)
Discontinued operations		**1,409**	556
		1,597	(1,884)
Non-controlling interests:			
Continuing operations		**-**	-
Discontinued operations		**12**	31
		12	31
Total comprehensive income for the period		**1,609**	(1,853)

[1]See discontinued operations (note 13).

Condensed consolidated statement of financial position *(unaudited)*

as at 30 June 2011

	Notes	**30 June 2011 € m**	31 December 2010 € m
Assets			
Cash and balances at central banks		**3,269**	3,686
Items in course of collection		**277**	273
Financial assets held for sale to NAMA	16	**952**	1,937
Disposal groups and non-current assets held for sale	17	**2,619**	13,911
Trading portfolio financial assets	18	**58**	33
Derivative financial instruments	19	**2,753**	3,315
Loans and receivables to banks	20	**5,992**	2,943
Loans and receivables to customers	21	**73,097**	86,350
NAMA senior bonds	23	**19,549**	7,869
Financial investments available for sale	24	**13,754**	20,825
Interests in associated undertakings	26	**281**	283
Intangible assets and goodwill		**163**	193
Property, plant and equipment		**329**	348
Other assets		**491**	264
Current taxation		**6**	30
Deferred taxation	27	**2,740**	2,384
Prepayments and accrued income		**545**	578
Total assets		**126,875**	145,222
Liabilities			
Deposits by central banks and banks[1]	28	**36,294**	49,869
Customer accounts	29	**63,932**	52,389
Disposal groups held for sale	17	**12**	11,548
Derivative financial instruments	19	**2,331**	3,020
Debt securities in issue	30	**14,374**	15,664
Current taxation		**12**	21
Other liabilities		**1,308**	1,499
Accruals and deferred income		**778**	991
Retirement benefit liabilities	10	**277**	400
Provisions for liabilities and commitments		**570**	1,141
Subordinated liabilities and other capital instruments	31	**126**	4,331
Total liabilities		**120,014**	140,873
Shareholders' equity			
Share capital	32	**4,120**	3,965
Share premium	32	**4,934**	5,089
Other equity interests	33	**-**	239
Reserves		**(746)**	(330)
Profit and loss account		**(1,447)**	(5,304)
Shareholders' equity		**6,861**	3,659
Non-controlling interests in subsidiaries	34	**-**	690
Total shareholders' equity including non-controlling interests		**6,861**	4,349
Total liabilities, shareholders' equity and non-controlling interests		**126,875**	145,222

[1]Includes € 28,541 million (December 2010: € 38,616 million) of borrowings from central banks.

Condensed consolidated statement of cash flows *(unaudited)*

for the half-year ended 30 June 2011

	Notes	Half-year 30 June 2011 € m	Re-presented[1] Half-year 30 June 2010 € m
Reconciliation of profit/(loss) before taxation to net cash outflow from operating activities			
Profit/(loss) for the period from continuing operations before taxation		**260**	(2,438)
Adjustments for:			
Gain on redemption of subordinated liabilities and other capital instruments	6	**(3,273)**	(372)
Profit on disposal of business		**(1)**	–
Profit on disposal of property, plant and equipment		**–**	(38)
Dividend income		**(3)**	(2)
Associated undertakings	26	**2**	(28)
Provisions for impairment of loans and receivables	22	**2,961**	2,260
Loss on transfer of financial instruments held for sale to NAMA	7	**20**	963
Writeback of provisions for liabilities and commitments		**(173)**	–
Provisions for impairment of financial investments available for sale	11	**99**	3
Increase/(decrease) in other provisions		**25**	(7)
Depreciation, amortisation and impairment		**60**	85
Interest on subordinated liabilities and other capital instruments		**75**	178
Loss/(profit) on disposal of financial investments available for sale	8	**11**	(70)
Amortisation of premiums and discounts		**(24)**	(24)
Decrease in prepayments and accrued income		**63**	50
Increase in accruals and deferred income		**59**	123
		161	683
Net decrease in deposits by central banks and banks		**(13,336)**	(1,734)
Net increase/(decrease) in customer accounts[2]		**3,660**	(3,932)
Net decrease in loans and receivables to customers[3]		**6,671**	3,699
Net decrease in NAMA senior bonds		**533**	–
Net decrease/(increase) in loans and receivables to banks		**296**	(1,398)
Net (increase)/decrease in trading portfolio financial assets/liabilities		**(20)**	60
Net decrease in derivative financial instruments		**139**	177
Net increase in items in course of collection		**(10)**	(76)
Net decrease in debt securities in issue		**(1,151)**	(4,321)
Net (decrease)/increase in notes in circulation		**(55)**	9
Net increase in other assets		**(233)**	(525)
Net decrease in other liabilities		**(122)**	(661)
Effect of exchange translation and other adjustments[4]		**230**	204
Net cash outflow from operating assets and liabilities		**(3,398)**	(8,498)
Net cash outflow from operating activities before taxation		**(3,237)**	(7,815)
Taxation paid		**14**	(44)
Net cash outflow from operating activities		**(3,223)**	(7,859)
Investing activities *(note a)*		**5,628**	2,318
Financing activities *(note b)*		**(1,256)**	(243)
Increase/(decrease) in cash and cash equivalents		**1,149**	(5,784)
Opening cash and cash equivalents		**5,712**	12,067
Reclassified to disposal groups and non-current assets held for sale	39	**–**	(716)
Effect of exchange translation adjustments		**(139)**	562
Closing cash and cash equivalents		**6,722**	6,129

Condensed consolidated statement of cash flows *(unaudited)*

for the half-year ended 30 June 2011

(a) Investing activities	Notes	Half-year 30 June 2011 € m	Re-presented[1] Half-year 30 June 2010 € m
Net cash paid on acquisition of Anglo business	15	**(3,779)**	-
Purchase of financial investments available for sale		**(159)**	(2,936)
Proceeds from sales and maturity of financial investments available for sale		**6,460**	5,210
Additions to property, plant and equipment		**(7)**	(11)
Disposal of property, plant and equipment		**3**	68
Disposal of investment in business and subsidiaries		**3,118**	-
Additions to intangible assets		**(11)**	(15)
Dividends received from associated undertakings		**3**	2
Cash flows from investing activities		**5,628**	2,318
(b) Financing activities			
Cost of redemption of subordinated liabilities and other capital instruments	6	**(9)**	(5)
Redemption of subordinated liabilities and other capital instruments		**(1,024)**	-
Interest paid on subordinated liabilities and other capital instruments		**(223)**	(238)
Cash flows from financing activities		**(1,256)**	(243)

[1]See discontinued operations (note 13).

[2]Includes deposits placed by the NTMA of € 11,020 million (note 45).

[3]Includes financial assets held for sale to NAMA.

[4]Included within the effect of exchange translation and other adjustments are amounts in respect of pension contributions of € 160 million (June 2010: € 213 million).

Condensed consolidated statement of changes in equity *(unaudited)*

	Attributable to equity holders of parent														
	Share capital	Share premium	Other equity interests	Capital reserves	Revaluation reserves	Capital contribution reserves	Available for sale securities reserves	Cash flow hedging reserves	Revenue reserves	Foreign currency translation reserves	Treasury shares	Share based payments reserves	Total	Non-controlling interests	Total
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
2011															
At 1 January 2011	3,965	5,089	239	253	24	-	(1,044)	437	(4,545)	(327)	(462)	30	3,659	690	4,349
Total comprehensive income for the period *(note 35)*	-	-	-	-	-	-	(287)	(130)	2,218	(204)	-	-	1,597	12	1,609
Capital contribution *(note 15)*	-	-	-	-	-	1,498	-	-	-	-	-	-	1,498	-	1,498
Ordinary shares issued in lieu of dividend *(note 32)*	155	(155)	-	-	-	-		-	-	-	-	-	-	-	-
Redemption of capital instruments *(notes 33, 34)*	-	-	(239)	-	-	-		-	344	-	-	-	105	(189)	(84)
Share based payments	-	-	-	-	-	-		-	1	-	-	(1)	-	-	-
Extinguishment of non-controlling interests *(note 34)*	-	-	-	-	-	-		-	-	-	-	-	-	(513)	(513)
Other movements	-	-	-	-	1	-		-	1	-	-	-	2	-	2
At 30 June 2011	4,120	4,934	-	253	25	1,498	(1,331)	307	(1,981)	(531)	(462)	29	6,861	-	6,861

Condensed consolidated statement of changes in equity *(unaudited)*

	Attributable to equity holders of the parent												Non-controlling interests	Total
	Share capital	Share premium	Other equity interests	Capital reserves	Revaluation reserves	Available for sale securities reserves	Cash flow hedging reserves	Revenue reserves	Foreign currency translation reserves	Treasury shares	Share based payments reserves	Total		
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
2010														
At 1 January 2010	329	4,975	389	683	33	(259)	478	5,103	(644)	(462)	84	10,709	626	11,335
Total comprehensive income for the period *(note 35)*	-	-	-	-	-	(785)	(41)	(10,244)	317	-	-	(10,753)	85	(10,668)
Ordinary shares issued in lieu of dividend *(note 32)*	63	(63)	-	-	-	-	-	-	-	-	-	-	-	-
Issue of ordinary shares *(note 32)*	216	34	-	-	-	-	-	-	-	-	-	250	-	250
Issue of convertible non-voting shares *(note 32)*	3,357	143	-	-	-	-	-	-	-	-	-	3,500	-	3,500
Cancellation of warrants *(note 33)*	-	-	(150)	-	-	-	-	98	-	-	-	(52)	-	(52)
Dividends on other equity interests	-	-	-	-	-	-	-	-	-	-	-	-	(21)	(21)
Share based payments	-	-	-	-	-	-	-	54	-	-	(54)	-	-	-
Other movements	-	-	-	(430)	(9)	-	-	444	-	-	-	5	-	5
At 31 December 2010	3,965	5,089	239	253	24	(1,044)	437	(4,545)	(327)	(462)	30	3,659	690	4,349
Of which discontinued operations:	-	-	-	-	(2)	71	(1)	898	129	-	-	1,095	501	1,596

1 Segmental information

Basis of preparation

For the half-year ended 30 June 2011, the performance of the Group has been assessed on a total Group ("One Bank") basis by the Board and Executive Committee and the results for the half-year have therefore been presented on this basis. AIB is in a period of transition at present as the former divisional structure is being dismantled and the new business segments are being established. Financial information is therefore presented as one operating segment. The half-year to June 2010 is now re-presented to show AIB Group (UK) as a continuing operation, as it had been classified as a discontinued operation in the Half-Yearly Financial Report 2010.

	Half-year 30 June 2011 AIB Group € m	Half-year 30 June 2010 AIB Group € m
Operations by segment		
Net interest income	**604**	1,027
Other income/(loss)	**3,376**	(423)
Total operating income	**3,980**	604
Personnel expenses	**476**	514
General and administrative expenses	**296**	246
Impairment and amortisation of intangible assets	**36**	59
Depreciation of property, plant and equipment	**24**	26
Total operating expenses	**832**	845
Operating profit/(loss) before provisions	**3,148**	(241)
Provisions for impairment of loans and receivables	**2,961**	2,260
Writeback of provisions for liabilities and commitments	**(173)**	-
Provisions for impairment of financial investments available for sale	**99**	3
Provisions	**2,887**	2,263
Group operating profit/(loss)	**261**	(2,504)
Associated undertakings	**(2)**	28
Profit on disposal of property	**-**	38
Profit on disposal of business	**1**	-
Profit/(loss) before taxation - continuing activities	**260**	(2,438)

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

Other amounts - statement of financial position	30 June 2011 AIB Group € m	31 December 2010 AIB Group € m
Financial assets held for sale to NAMA[5]	**952**	1,937
Loans and receivables to customers[5]	**73,097**	86,350
Interests in associated undertakings	**281**	283
Total assets[1]	**124,256**	131,311
Customer accounts	**63,932**[2]	52,389
Total liabilities[3]	**120,002**	129,325
Capital expenditure	**18**	48

					Half-year 30 June 2011
Geographic information - continuing operations[4]	**Republic of Ireland € m**	**United Kingdom € m**	**North America € m**	**Rest of the World € m**	**Total € m**
Net interest income	**475**	**115**	**13**	**1**	**604**
Other income/(loss)[6][7]	**3,323**	**53**	**-**	**-**	**3,376**

					Half-year 30 June 2010
Geographic information - continuing operations[4]	Republic of Ireland € m	United Kingdom € m	North America € m	Rest of the World € m	Total € m
Net interest income	784	212	26	5	1,027
Other (loss)/income[6][7]	(498)	42	25	8	(423)

					30 June 2011
Geographic information	**Republic of Ireland € m**	**United Kingdom € m**	**North America € m**	**Rest of the World € m**	**Total € m**
Non-current assets[8]	**449**	**42**	**1**	**-**	**492**

					31 December 2010
Geographic information	Republic of Ireland € m	United Kingdom € m	North America € m	Rest of the World € m	Total € m
Non-current assets[8]	491	47	2	1	541

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

[1]Total assets excludes € 2,619 million (31 December 2010: € 13,911 million) which are shown on the statement of financial position within disposal groups and non current assets held for sale (note 17).

[2]Includes deposits placed by the NTMA of € 11,020 million (note 45).

[3]Total liabilities excludes € 12 million (31 December 2010: € 11,548 million) which are shown on the statement of financial position within disposal groups held for sale (note 17).

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

[5]For details of significant geographic concentrations, see note 43(a) 'Total loans and receivables to customers by geographic location and industry sector'.

[6]Loss on disposal of financial assets to NAMA of € 14 million and € 6 million is recorded within the Republic of Ireland and United Kingdom respectively (June 2010: € 956 million and € 7 million is recorded within the Republic of Ireland and United Kingdom respectively).

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

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

2 Net interest income	**Half-year 30 June 2011 € m**	Half-year 30 June 2010 € m
Interest on trading portfolio financial assets	**1**	1
Interest on loans and receivables to banks	**26**	33
Interest on loans and receivables to customers	**1,631**	2,052
Interest on NAMA senior bonds	**142**	-
Interest on financial investments available for sale	**296**	345
Interest and similar income	**2,096**	2,431
Interest on deposits by central banks and banks	**322**	128
Interest on customer accounts	**806**	728
Interest on debt securities in issue	**289**	370
Interest on subordinated liabilities and other capital instruments	**75**	178
Interest expense and similar charges	**1,492**	1,404
Net interest income	**604**	1,027

Interest income includes a credit of € 148 million (30 June 2010: a credit of € 411 million) removed from equity in respect of cash flow hedges.

Interest expense includes a charge of € 58 million (30 June 2010: a charge of € 129 million) removed from equity in respect of cash flow hedges.

Included within interest expense is € 256 million (30 June 2010: € 117 million) in respect of the Irish Government's Eligible Liabilities Guarantee ("ELG") Scheme.

3 Dividend income

The dividend income relates to income from equity shares held as financial investments available for sale amounting to € 2 million (30 June 2010: € 1 million).

4 Net fee and commission income	**Half-year 30 June 2011 € m**	Half-year 30 June 2010 € m
Retail banking customer fees	**172**	187
Credit related fees	**30**	50
Asset management and investment banking fees	**33**	38
Brokerage fees	**-**	9
Insurance commissions	**11**	12
Fee and commission income	**246**	296
Irish Government Guarantee Scheme expense[1]	**-**	(46)
Other fee and commission expense	**(14)**	(19)
Fee and commission expense	**(14)**	(65)
	232	231

[1]This represents the charge in respect of the Credit Institutions (Financial Support) ("CIFS") Scheme which expired on 29 September 2010.

5 Net trading income/(loss)	**Half-year 30 June 2011 € m**	Half-year 30 June 2010 € m
Foreign exchange contracts	**17**	12
Debt securities and interest rate contracts	**47**	(168)
Credit derivative contracts	**(26)**	(8)
Equity securities and index contracts	**2**	–
	40	(164)

The total hedging ineffectiveness on cash flow hedges reflected in the income statement amounted to a credit of € 1 million (30 June 2010: a credit of € 6 million) and is included in net trading income/(loss).

6 Gain on redemption/remeasurement of subordinated liabilities and other capital instruments

2011

Since 2009, the Group has been involved in a number of initiatives to increase its core tier 1 capital. In this regard, in January and June 2011, the Group completed offers to purchase for cash certain capital instruments as outlined in the tables below. In addition, the date for settlement of three further instruments was 22 July 2011. These offers to purchase for cash, accounted for under IAS 39, meet the requirements to be treated as an extinguishment of the original instruments.

January

This transaction comprised a tender offer by AIB for cash for certain of its tier 2 capital instruments denominated in various currencies. These instruments were purchased at 30% of their face value. It resulted in a total gain of € 1,534 million (€ 1,534 million after taxation) all of which is recorded in the income statement.

June

On 14 April 2011, the High Court issued a Subordinated Liabilities Order under section 29 of the Credit Institutions (Stabilisation) Act 2010 (the "SLO"), with the consent of AIB. The SLO changed the terms of all outstanding instruments resulting in a gain for AIB. (See note 41(g)(iii)).

On 13 May 2011, AIB launched a tender offer for cash for all its outstanding subordinated liabilities and other capital instruments. Under this offer, AIB agreed to purchase the instruments at 10% to 25% of their face value. Following completion of the offer and where a certain percentage (a quorum) of the holders agreed to accept the offer, AIB had an option to redeem or purchase all of the remaining outstanding instruments at an option price of 0.001% of the nominal amount, which it exercised.

In relation to instruments settled on or before 30 June 2011 a gain amounting to € 1,343 million (€ 1,312 million after taxation) was recognised in the income statement and a gain amounting to € 387 million (€ 344 million after taxation) was recognised directly in equity.

At 30 June 2011, balances remained outstanding on six instruments set out below. Three of these, denoted by * were settled on 22 July 2011 (note 45), with the remaining three i.e. those where a quorum was not reached, opting not to accept the offer.

(i) Stg£ 700m Callable Fixed/Floating Rate Notes due July 2023*;
(ii) € 400m Floating Rate Notes due March 2015*;
(iii) € 419m 10.75% Subordinated Notes due March 2017*;
(iv) € 500m Callable Step-up Floating Rate Notes due October 2017 (maturity extended to 2035 as a result of the SLO);
(v) Stg£ 368m 12.50% Subordinated Notes due June 2019 (maturity extended to 2035 as a result of the SLO); and
(vi) Stg£ 500m Callable Fixed/Floating Rate Notes due March 2025 (maturity extended to 2035 as a result of the SLO).

Since the terms of the above six series of notes changed arising from the SLO which was effective from 22 April 2011, the original liabilities have been derecognised and new liabilities recognised, with their remeasurement based on fair value. The gain of € 396 million arising on derecognition of the original liabilities/initial recognition of the new liabilities has been recognised in the income statement.

The subordinated liabilities and other capital instruments of the Group are set out in note 31. The RCI and LPI are set out in notes 33 and 34 respectively.

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

The table below sets out the amount redeemed/remeasured for each instrument, the consideration given less costs arising, to arrive at the gain on redemption/remeasurement.

	Redemption January 2011 € m	Redemption June 2011 € m	Remeasurement 2011 € m
Subordinated liabilities and other capital instruments			
€ 500m Callable Step-up Floating Rate Notes due October 2017	**92**	**50**	**25**
€ 869m 12.5% Subordinated Notes due June 2019	**223**	**586**	**-**
€ 419m 10.75% Subordinated Notes due March 2017	**209**	**-**	**226**
€ 200m Fixed Rate Perpetual Subordinated Notes	**-**	**54**	**-**
€ 400m Floating Rate Notes due March 2015	**140**	**-**	**48**
US$ 100m Floating Rate Primary Capital Perpetual Notes	**-**	**70**	**-**
US$ 400m Floating Rate Notes due July 2015	**102**	**28**	**-**
US$ 177m 10.75% Subordinated Notes due March 2017	**52**	**78**	**-**
Stg£ 700m Callable Fixed/Floating Rate Notes due July 2023	**134**	**-**	**40**
Stg£ 500m Callable Fixed/Floating Rate Notes due March 2025	**21**	**-**	**1**
Stg£ 350m Callable Fixed/Floating Rate Notes due November 2030	**31**	**-**	**-**
Stg£ 1,096m 11.5% Subordinated Notes due March 2022	**851**	**449**	**-**
Stg£ 368m 12.5% Subordinated Notes due June 2019	**166**	**43**	**182**
Stg£ 400m Perpetual Callable Step-up Subordinated Notes	**-**	**66**	**-**
Stg£ 350m Fixed Rate/Floating Rate Guaranteed Non-Voting Non-cumulative Perpetual Preferred Securities ("LP3")	**-**	**42**	**-**
JPY 20bn Callable Step-up Fixed/Floating Rate Note due March 2042	**178**	**-**	**-**
€ 500m Fixed Rate/Floating Rate Guaranteed Non-Voting Non-cumulative Perpetual Preferred Securities ("LP2")	**-**	**95**	**-**
Interest accrual to date of redemption	**-**	**109**	**-**
Carrying value of subordinated liabilities and other capital instruments at redemption/remeasurement	**2,199**	**1,670**	**522**
Other equity interests and non-controlling interests			
€ 500m 7.5% Step Up Callable Perpetual Reserve Capital Instrument ("RCI")	**-**	**239**	**-**
€ 1bn Fixed Rate/Floating Rate Guaranteed Non-Voting Non-cumulative Perpetual Preferred Securities ("LPI")	**-**	**189**	**-**
Carrying value of other equity interests and non-controlling interests at redemption	**-**	**428**	**-**
	2,199	**2,098**	**522**
Consideration paid on redemption of subordinated liabilities and other capital instruments	**(660)**	**(323)**	
Consideration paid on redemption of other equity interests and non-controlling interests	**-**	**(41)**	
Costs	**(5)**	**(4)**	
	(665)	**(368)**	
Gain on redemption	**1,534**	**1,730**	
Remeasurement of subordinated liabilities and other capital instruments			**126**
Gain on remeasurement			**396**

	Recognised in income statement € m	Recognised in equity € m	Total € m
Instruments offered for cash - January	**1,534**	**-**	**1,534**
- June	**1,343**	**387**	**1,730**
Instruments remeasured	**396**	**-**	**396**
Total	**3,273**	**387**[1]	**3,660**

[1] € 344 million after taxation.

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

2010

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

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

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

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

7 Loss on transfer of financial instruments to NAMA

At 31 December 2009, the Group classified certain financial assets and financial liabilities (mainly loans and receivables) as held for sale to NAMA. By 31 December 2010, financial assets with a net carrying value of € 14,010 million had transferred leaving a residual of € 1,937 million. € 742 million of this residual transferred in three transactions during the six months to 30 June 2011. The consideration received was in the form of Government Guaranteed Floating Rate Notes (senior bonds), and Floating Rate Perpetual Subordinated Bonds (subordinated bonds) issued by NAMA which were initially measured at fair value (notes 23 and 24). A loss arose on transfer due to NAMA acquiring these financial instruments at a discount to their carrying value. The loss on transfer of the residual financial assets was provided for at 31 December 2010 and was included within provisions for liabilities and commitments in the consolidated statement of financial position.

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

	Half-year 30 June 2011 € m	Half-year 30 June 2010 € m
Gross carrying value of loans transferred to NAMA	**1,080**	3,263
Specific provisions	**(269)**	(544)
IBNR provisions	**(74)**	(80)
Net loans	**737**	2,639
Accrued interest and other	**4**	18
Carrying value of derivatives transferred to NAMA	**1**	153
Net carrying value of financial instruments transferred	**742**	2,810
Fair value of consideration received:		
Government Guaranteed Floating Rate Notes	**328**	1,784
Floating Rate Perpetual Subordinated Bonds	**4**	63
	332	1,847
Utilisation of provision for liabilities and commitments[1]	**(347)**	-
Writeback of provision for servicing liability	**(43)**	-
Loss	**20**	963

[1]€ 347 million of the loss is offset by the utilisation of the provisions for liabilities and commitments that was charged to the consolidated income statement in 2010 in relation to financial assets held for sale to NAMA.

7 Loss on transfer of financial instruments to NAMA ***(continued)***

The following tables set out details of the individual tranches of financial instruments that transferred to NAMA:

	Date of transfer	Net carrying value € m	Fair value of consideration € m	Loss on transfer € m	Discount %
					Half-year 30 June 2011
Tranche 5	**5 March 2011**	**741**	**413**	**328**	**61**
Tranche 6	**27 April 2011**	**30**	**11**	**19**	**60**
		771	**424**	**347**	
Utilisation of provision for liabilities and commitments		**–**	**–**	**(347)**	
Tranche 7A – loans returned by NAMA	**30 May 2011**	**(29)**	**(21)**	**(8)**	**59**
Tranche 7B – consideration adjustments to previous tranches	**30 May 2011**	**-**	**(71)**	**71**	**-**
Writeback of provision for servicing liability		**-**	**-**	**(43)**	
Total		**742**	**332**	**20**	

	Date of transfer	Net carrying value € m	Fair value of consideration € m	Loss on disposal € m	Discount %
					Half-year 30 June 2010
Tranche 1	6 April 2010	2,810	1,847	963	42
Total		2,810	1,847	963	42

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

	Half-year 30 June 2011 € m	Half-year 30 June 2010 € m
Included within		
Loss on transfer of financial instruments to NAMA	**20**	963
Administrative expenses *(note 9)*	**11**	14
Provisions for impairment of loans and receivables	**54**	1,221
Writeback of provisions for liabilities and commitments[3]		
Utilisation of provisions for impairment of loans and receivables	**(54)**	–
Release of surplus provisions	**(108)**	–
	(162)	–
	(77)	2,198

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

[3]Of the credit of € 162 million in provisions for liabilities and commitments, € 54 million is offset by a charge to the provisions for impairment of loans and receivables relating to additional credit impairments incurred in the period on NAMA loans. The remaining credit of € 108 million is a release of surplus provisions in respect of reclassifications from financial assets held for sale to NAMA to loans and receivables to customers during the period.

8 Other operating (loss)/income	**Half-year 30 June 2011 € m**	Half-year 30 June 2010 € m
Loss on disposal of loans and receivables to customers	**(141)**	(2)
(Loss)/profit on disposal of available for sale debt securities	**(17)**	57
Profit on disposal of available for sale equity securities	**6**	13
Miscellaneous operating income[(1)]	**1**	32
	(151)	100

[(1)]Includes a charge of € 6 million (June 2010: a charge of € 4 million) in respect of foreign exchange gains and losses. Also includes a loss on disposal of equipment of Nil (June 2010: loss of € 1 million).

9 Administrative expenses	**Half-year 30 June 2011 € m**	Half-year 30 June 2010 € m
Personnel expenses:		
Wages & salaries	**376**	405
Retirement benefits	**37**	50
Social security costs	**39**	43
Other personnel expenses	**24**	16
	476	514
General and administrative expenses[(1)]	**296**	246
	772	760

[(1)]Includes external costs relating to the transfer of financial instruments to NAMA that amounted to € 11 million (June 2010: € 14 million).

10 Retirement benefits

The Group's accounting policy for retirement benefit obligations and the demographic and financial assumptions are set out on page 154 and in note 11 to the consolidated financial statements of the Annual Financial Report 2010, respectively.

The Group's pension deficit as at 30 June 2011 was € 277 million (31 December 2010: € 400 million). The net recognised deficit comprised retirement benefit liabilities of € 3,888 million (31 December 2010: € 3,939 million) and assets of € 3,611 million (31 December 2010: € 3,539 million).

(a) Change in pension scheme assumptions

The following table summarises the main financial assumptions used in the preparation of these accounts in respect of the Irish and UK schemes:

Financial assumptions	**Half-year 30 June 2011 %**	Half-year 30 June 2010 %
Irish scheme		
Rate of increase in salaries	**3.30**	3.10
Rate of increase of pensions in payment	**2.00**	2.00
Discount rate	**5.80**	5.20
Inflation assumptions	**2.00**	2.00
UK scheme		
Rate of increase in salaries	**4.10**	3.40
Rate of increase of pensions in payment	**3.40**	3.20
Discount rate	**5.30**	5.40
Inflation assumptions (RPI)	**3.40**	3.20

The other financial assumptions, including mortality assumptions, are unchanged since 31 December 2010.

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

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

The following table sets out the components of the actuarial gains and losses for half-years ended 30 June 2011 and 2010:

	Half-year June 2011 € m	Half-year 30 June 2010 € m
Actual return less expected return on pension scheme assets	**(109)**	(63)
Experience gains and losses on scheme liabilities	**11**	18
Changes in demographic and financial assumptions	**87**	(357)
Actuarial loss recognised	**(11)**	(402)
Deferred tax	**6**	53
	(5)	(349)

11 Provision for impairment of financial investments available for sale	**Half-year 30 June 2011 € m**	Half-year 30 June 2010 € m
Debt securities	**93**	(3)
Equity securities	**6**	6
	99	3

12 Income tax income	**Half-year 30 June 2011 € m**	Half-year 30 June 2010 € m
Allied Irish Banks, p.l.c. and subsidiaries		
Corporation tax in Republic of Ireland		
Current tax on income for the period	**-**	(6)
Adjustments in respect of prior periods	**11**	(13)
	11	(19)
Double taxation relief	**-**	(1)
	11	(20)
Foreign tax		
Current tax on income for the period	**(4)**	14
Adjustments in respect of prior periods	**(2)**	(8)
	(6)	6
	5	(14)
Deferred taxation		
Origination and reversal of temporary differences	**(357)**	(339)
Adjustments in respect of prior periods	**1**	(10)
	(356)	(349)
Total income tax income	**(351)**	(363)
Effective income tax rate	**(135%)**	14.9%

13 Discontinued operations

Arising from the Prudential Capital Assessment Review ("PCAR") 2010 requirement to raise additional capital, the Group announced on 30 March 2010 that its investments in AIB Group (UK), BZWBK and M&T Bank Corporation were for sale. Subsequently, Bulgarian American Credit Bank AD ("BACB") was also included in the investments to be disposed of. However, in the light of continuing challenging market conditions, AIB announced on 19 November 2010 that it had decided to halt the sale process of its UK business and to undertake a strategic review of this business in the context of reviewing AIB's overall businesses. Accordingly, AIB Group (UK) is shown as a continuing operation in these financial statements with the comparative condensed consolidated income statement, condensed consolidated statement of comprehensive income and condensed consolidated statement of cash flows being re-presented to reflect this. In the Half-Yearly Financial Report 2010, AIB Group (UK) was shown as a discontinued operation.

The disposal of M&T Bank Corporation was completed on 4 November 2010. This transaction led to a loss on disposal of € 231 million. The sale of BZWBK was agreed on 10 September 2010 subject to regulatory approval and completed on 1 April 2011 and the sale of BACB completed on 17 June 2011.

The following tables set out income statement analysis of discontinued operations for 30 June 2011 together with comparative data:

Profit after taxation from discontinued operations	Notes	**Half-year 30 June 2011 € m**	Half-year 30 June 2010 € m
BZWBK	(A)	**1,628**	133
M&T Bank Corporation	(B)	**-**	237
Bulgarian American Credit Bank AD	(C)	**-**	(26)
Total		**1,628**	344

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

(A) - BZWBK

Disposal of BZWBK

On 1 April 2011, AIB completed the sale of its entire shareholding of 51,413,790 BZWBK shares representing 70.36% of its share capital and its 50% shareholding in BZWBK Asset Management. The proceeds of the sale amounted to € 3.1 billion giving rise to a profit on disposal of € 1.5 billion which is recorded in the income statement as set out below.

BZWBK has been treated as a discontinued business, the results of which are set out below to the disposal date 1 April 2011. Prior to classification as held for sale BZWBK was accounted for as a subsidiary undertaking.

Profit from discontinued operations	**To date of disposal 1 April 2011 € m**	Half-year 30 June 2010 € m
Net interest income	**126**	215
Dividend income	**–**	13
Net fee and commission income	**86**	160
Net trading income	**9**	37
Other operating income	**5**	5
Other income	**100**	215
Total operating income	**226**	430
Total operating expenses	**103**	201
Operating profit before provisions	**123**	229
Provisions for impairment of loans and receivables and other financial instruments	**24**	55
Provisions for liabilities and commitments	**–**	(1)
Operating profit	**99**	175
Profit before taxation from discontinued operations	**99**	175
Income tax expense from discontinued operations	**17**	39
Profit after taxation from discontinued operations	**82**	136
Loss recognised on the remeasurement to fair value less cost to sell[1]	**–**	(3)
Income tax on loss on the remeasurement to fair value	**–**	–
Profit on disposal[2]	**1,546**	–
Profit for the period after taxation from discontinued operations	**1,628**	133

€ 1,608 million of the profit from discontinued operations of € 1,628 million (June 2010: € 98 million of the profit from discontinued operations of € 133 million) is attributable to the owners of the parent.

Profit on disposal of BZWBK	**1 April 2011 € m**
Gross proceeds from sale	**3,112**
Less: costs of disposal	**(13)**
Net proceeds	**3,099**
Carrying value at date of disposal	**1,722**
	1,377
Reclassification of currency translation reserves to the income statement	**106**
Reclassification of available for sale and cash flow hedging reserves to the income statement (net of deferred tax)	**63**
Profit on disposal[2]	**1,546**

[1]Relates to impairment of intangible assets.

[2]No tax charge arises on this disposal.

13 Discontinued operations *(continued)*

Effect of disposal on cash flows of the Group	Half-year 30 June 2011 € m
Consideration received satisfied in cash	**3,112**
less: costs of disposal	**(13)**
Cash and cash equivalents disposed of *(note 39)*	**(673)**
Net cash inflow	**2,426**

The table below sets out the assets and liabilities of BZWBK at disposal date 1 April 2011 (excluding inter group balances):

	1 April 2011 € m	31 December 2010 € m
Assets		
Cash and balances at central banks	**311**	638
Trading portfolio financial assets	**578**	446
Disposal groups and non-current assets held for sale	**2**	2
Derivative financial instruments	**95**	113
Loans and receivables to banks	**365**	132
Loans and receivables to customers	**8,125**	8,230
Financial investments available for sale	**1,890**	1,892
Financial investments held to maturity	**1,391**	1,411
Interests in associated undertakings	**18**	18
Intangible assets and goodwill	**496**	504
Property, plant and equipment	**161**	161
Other assets	**137**	97
Deferred taxation	**76**	76
Prepayments and accrued income	**129**	100
Total assets	**13,774**	13,820
Liabilities		
Deposits by central banks and banks	**713**	550
Customer accounts	**10,105**	10,496
Trading portfolio financial liabilities	**7**	2
Derivative financial instruments	**121**	115
Current taxation	**4**	21
Other liabilities	**318**	133
Accruals and deferred income	**99**	114
Retirement benefit liabilities	**10**	10
Provisions for liabilities and commitments	**6**	6
Subordinated liabilities	**98**	99
Total liabilities	**11,481**	11,546

13 Discontinued operations *(continued)*

(B) - M&T Bank Corporation

In the half-year to 30 June 2010, the profit arising from AIB's shareholding in M&T Bank Corporation amounted to € 237 million which is set out in the table below:

	Half-year June 2011 € m	Half-year 30 June 2010 € m
Profit from discontinued operations		
Share of profits from associated undertakings net of tax[1]	-	24
Reversal of impairment of associated undertakings	-	167
Results from discontinued operations, net of taxation	-	191
Gain recognised on the remeasurement to fair value less costs to sell	-	46
Income tax on gain on the remeasurement to fair value	-	-
Profit after taxation for the period from discontinued operations	-	237

The profit from discontinued operations of € 237 million at 30 June 2010 is attributable to the owners of the parent.

[1]The tax charge amounted to € 12 million at 30 June 2010.

On 4 November 2010, AIB completed the disposal of its shareholding in M&T, resulting in a loss of € 231 million. This loss was included within discontinued operations in the income statement for the year ended 31 December 2010.

(C) - Bulgarian American Credit Bank AD	**To date of disposal 17 June 2011 € m**	Half-year 30 June 2010 € m
Loss from discontinued operations		
Share of profits from associated undertakings net of tax[2]	-	2
Impairment of associated undertakings	-	(12)
Results from discontinued operations, net of taxation	-	(10)
Loss recognised on the remeasurement to fair value less costs to sell	-	(16)
Income tax on loss on the remeasurement to fair value	-	-
Profit/(loss) on disposal[3]	-	-
Loss after taxation for the period from discontinued operations	-	(26)

The loss from discontinued operations of Nil (June 2010 loss of: € 26 million) is attributable to the owners of the parent.

[2]There was no tax charge for the period to 17 June 2011 (June 2010: Nil).

[3]At 31 December 2010, the investment in BACB was written down to Nil.

On 16 May 2011, the Group announced that it had signed an agreement to sell its 49.99% shareholding in Bulgarian-American Credit Bank AD to CSIF AD. The sale completed on 17 June 2011 resulting in a gain of € 0.1 million.

14 Earnings per share

For the purpose of calculating earnings per share, both the € 0.32 ordinary shares and the € 0.32 convertible non-voting ("CNV") shares have the same entitlement to dividend. On 8 April 2011, all outstanding CNV shares converted to ordinary shares. The calculation of basic earnings per unit of € 0.32 ordinary/CNV shares is based on the profit/(loss) attributable to ordinary/CNV shareholders divided by the weighted average of ordinary/CNV shares in issue excluding treasury shares and own shares held.

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

(a) Basic	**Half-year 30 June 2011 € m**	Half-year 30 June 2010 € m
Profit/(loss) attributable to equity holders of the parent from continuing operations	**611**	(2,075)
Gain on redemption of RCI and LPI recognised in equity *(note 6)*	**344**	–
Profit/(loss) attributable to ordinary/CNV shareholders from continuing operations	**955**	(2,075)
Profit attributable to ordinary/CNV shareholders from discontinued operations	**1,608**	309
	Number of shares (millions)	
Weighted average number of ordinary shares in issue during the period[(1)]	**6,753.8**	934.1
Weighted average number of CNV shares in issue during the period	**5,621.7**	–
Contingently issuable shares[(2)]	**1,088.2**	144.5
Weighted average number of shares	**13,463.7**	1,078.6
Earnings/(loss) per share from continuing operations - basic	**EUR 7.1c**	EUR (192.4c)
Earnings per share from discontinued operations - basic	**EUR 11.9c**	EUR 28.6c

(b) Diluted	**Half-year 30 June 2011 € m**	Half-year 30 June 2010 € m
Profit/(loss) attributable to ordinary/CNV shareholders from continuing operations *(note 14(a))*	**955**	(2,075)
Profit attributable to ordinary/CNV shareholders of the parent from discontinued operations	**1,608**	309
Profit/(loss) attributable to ordinary/CNV shareholders from continuing operations	**955**	(2,075)
Profit attributable to ordinary/CNV shareholders from discontinued operations	**1,608**	309
	Number of shares (millions)	
Weighted average number of ordinary shares in issue during the period[(1)]	**6,753.8**	934.1
Weighted average number of CNV shares in issue during the period	**5,621.7**	–
Contingently issuable shares[(2)]	**1,088.2**	144.5
Dilutive effect of options and warrants outstanding[(3)]	**–**	–
Potential weighted average number of shares	**13,463.7**	1,078.6
Earnings/(loss) per share from continuing operations - diluted	**EUR 7.1c**	EUR (192.4c)
Earnings per share from discontinued operations - diluted	**EUR 11.9c**	EUR 28.6c

[(1)]The bonus shares issued on the 2009 Preference Shares have been included in the weighted average number of shares in issue prospectively from the date they were issued as they represent a dilution of earnings per share from that date.

[(2)]Contingently issuable shares are treated as outstanding from 14 December 2009, the date the 'Dividend Stopper' came into effect (see Annual Financial Report 2010, note 55 (viii)). The shares relate to the number of shares (on a time apportioned basis) that would issue to the National Pension Reserve Fund Commission ("NPRFC"), if the annual coupon on the € 3.5 billion Preference Shares was not paid in cash. The contingently issuable shares were issued on 13 May 2010. The dividend stopper remained in force throughout 2010, accordingly contingently issuable shares have been treated as outstanding from 13 May 2010 in respect of the dividend payment due on 13 May 2011. This dividend was satisfied through bonus shares, 484,902,878 of which were issued on 13 May 2011, leaving a residual of 762,370,687 to be issued in July 2011. Accordingly, 484,902,878 were treated as contingently issuable for the period to 13 May 2011, with 724, 252,152 contingently issuable for the full period. In addition, 38,118,535 contingently issuable shares have been included from 13 May to 30 June 2011 as the full issue of shares was not satisfied on the due date (notes 32 and 45).

[(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.

15 Transfer of business from Anglo Irish Bank Corporation

On 24 February 2011, AIB announced that it had agreed, pursuant to a transfer order issued by the High Court (under the Credit Institutions (Stabilisation) Act 2010), the transfer of deposits and NAMA senior bonds from Anglo Irish Bank Corporation ('Anglo') to AIB. AIB also announced the transfer of Anglo Irish Bank Corporation (International) PLC in the Isle of Man ('Anglo IOM'), which included customer deposits to AIB by way of a share sale. In total, € 6.9 billion in deposits and € 11.9 billion in NAMA senior bonds (nominal value € 12.2 billion) transferred. In addition, a further € 1.6 billion in deposits were held in Anglo IOM. A net capital contribution of € 1.5 billion was generated on the date of the transaction.

Transferred deposits will continue to receive protection under the various Irish Government guarantee schemes that are already in place in respect of such deposits.

This transaction between AIB and Anglo, both of which are under the effective control of the Irish Government, is a transfer of a business (as defined by IFRS 3). In line with the Group accounting policy for transfer of a business under common control, this transaction is accounted for at carrying value.

The key elements of the transfer are:

	At date of acquisition € m
Identifiable assets acquired at carrying value	
NAMA senior bonds *(note 23)*	**11,854**
Accrued interest on NAMA senior bonds	**55**
Anglo IOM adjusted net assets	**180**
Amounts due from Anglo	**56**
Identifiable liabilities acquired at carrying value	
Deposits[1]	**(6,868)**
Total	**5,277**
Consideration transferred	
AIB net cash payment	**3,779**
Net capital contribution[2]	**1,498**
	5,277

[1]Included within customer deposits (note 29).

[2]The net capital contribution is recorded in the statement of changes in equity.

15 Transfer of business from Anglo Irish Bank Corporation ***(continued)***

The adjusted statement of financial position of Anglo IOM at 31 January 2011 is set out in the following table:

	31 January 2011 € m
Assets	
Loans and advances to banks[1]	**1,713**
Loans and advances to customers	**75**
Prepayments and accrued income	**1**
Total assets	**1,789**
Liabilities	
Deposits by banks[2]	**37**
Customer accounts	**1,570**
Current taxation	**1**
Accruals and deferred income	**1**
Total liabilities	**1,609**
Share capital	**158**
Retained profits	**22**
Shareholders' equity	**180**
Total shareholders' equity and liabilities	**1,789**

[1]Includes balances with Anglo group companies of € 1,113 million.

[2]Includes balances with Anglo group companies of € 37 million.

16 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 participation of AIB in the NAMA programme was approved by shareholders at an Extraordinary General Meeting held on 23 December 2009.

At 31 December 2010, financial assets with a net carrying value of € 14,010 million had transferred to NAMA, leaving a residual of € 1,937 million. Details of the movements during 2011 on this residual balance are set out below.

The consideration for the NAMA assets acquired from AIB comprises the issue to AIB of NAMA senior bonds and NAMA subordinated bonds equal in nominal value to the purchase price of the NAMA assets. However, the fair value of such bonds has differed to the nominal value, dependent on market sentiment (note 23).

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

	30 June 2011		31 December 2010	
	Assets € m	**Liabilities € m**	Assets € m	Liabilities € m
Loans and receivables[1]	**940**	**–**	1,919	–
Derivative financial instruments	**8**	**–**	15	–
Accrued income	**4**	**–**	3	–
	952	**–**	1,937	–

[1]Net of provisions of € 170 million at 30 June 2011 (31 December 2010: € 329 million).

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

	30 June 2011			31 December 2010		
	Gross loans and receivables € m	**Impairment provisions € m**	**Carrying value € m**	Gross loans and receivables € m	Impairment provisions € m	Carrying value € m
Opening balance at beginning of period	**2,248**	**329**	**1,919**	23,195	4,165	19,030
Exchange translation adjustments	**(37)**	**(5)**	**(32)**	135	6	129
Transferred to NAMA during period	**(1,080)**	**(343)**	**(737)**	(18,245)	(4,569)	(13,676)
Reclassifications/movements[2]	**(21)**	**135**	**(156)**	(2,837)	(770)	(2,067)
Impairment charge for period *(note 22)*	**–**	**54**	**(54)**	–	1,497[1]	(1,497)
At end of period	**1,110**	**170**	**940**	2,248	329	1,919

[1]Of which € 1,221 million relates to the half-year June 2010.

[2]During the half-year to June 2011, the transfer of gross loans from loans and receivables to customers to loans and receivables held for sale to NAMA in the Republic of Ireland was € 262 million with related impairment provisions of € 138 million. The transfer of gross loans from loans and receivables held for sale to NAMA to loans and receivables to customers in the United Kingdom was € 283 million with related impairment provisions of € 3 million.

The unwind of the discount on impaired loans amounted to € 2 million at 30 June 2011 (31 December 2010: € 122 million) and is included in the carrying value of loans and receivables held for sale to NAMA. This has been credited to interest income.

Further details of financial assets and financial liabilities held for sale to NAMA are set out in notes 22 and 43.

17 Disposal groups and non-current assets held for sale

At 30 June 2011, disposal groups and non-current assets held for sale comprise non-current assets and non-current liabilities held for sale (mainly loans and receivables) but does not include those assets held for sale to NAMA (note 16).

Arising from the results of the PCAR/PLAR in March 2011, AIB is required to dispose of non-core financial assets (note 41(e)). Accordingly, certain of these financial assets are classified as held for sale at 30 June 2011. These assets do not constitute a major line of business or a geographical area of operations. At 31 December 2010, discontinued operations were included within this caption and comprised BZWBK and Bulgarian American Credit Bank AD.

Disposal groups and non-current assets/liabilities are shown as single line items in the statement of financial position with no re-presentation of comparatives. An analysis of the components of these single line items are set out below:

	30 June 2011		31 December 2010	
	Assets € m	**Liabilities € m**	Assets € m	Liabilities € m
Disposal groups and non-current assets held for sale				
Loans and receivables[1]	**2,577**	**-**	74[2]	-
Other[3]	**42**	**12**	17	2
	2,619	**12**	91	2
Discontinued operations				
BZWBK[4]	**-**	**-**	13,820	11,546
Bulgarian American Credit Bank AD[5]	**-**	**-**	-	-
	-	**-**	13,820	11,546
Total disposal groups and non-current assets held for sale	**2,619**	**12**	13,911	11,548

[1]Net of provisions of € 5 million and unearned income of € 6 million at 30 June 2011 (31 December 2010: net of provisions of € 12 million).

[2]Comprises € 62 million relating to loans and receivables to customers and € 12 million relating to loans and receivables to banks.

[3]Includes € 14 million (31 December 2010: € 12 million) relating to repossessed assets.

[4]On 1 April 2011, AIB completed the sale of its entire shareholding of 51,413,790 BZWBK shares representing 70.36% of its share capital and its 50% shareholding in BZWBK Asset Management (note 13).

[5]The carrying value of AIB's investment in Bulgarian American Credit Bank AD had been written down to Nil at 31 December 2010 (note 26). This operation was disposed of on 17 June 2011.

Further details of loans and receivables held for sale are set out in notes 22 and 43.

18 Trading portfolio financial assets

	30 June 2011 € m	31 December 2010 € m
Debt securities:		
Government securities	**22**	–
Bank eurobonds	**9**	9
Other debt securities	**25**	22
	56	31
Equity securities	**2**	2
	58	33

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 30 June 2011 was € 1,777 million (31 December 2010: € 2,538 million). Substantial sales and maturities of these assets have taken place since December 2010.

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 half-year ended 30 June 2011 would have included unrealised fair value gains on reclassified trading portfolio financial assets of € 33 million (30 June 2010: gains of € 20 million).

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

	30 June 2011 € m	30 June 2010 € m
Interest on financial investments available for sale	**31**	43
Provision for impairment of financial investments available for sale	**19**	–

19 Derivative financial instruments

The following table presents the notional principal amount and fair values of interest rate, exchange rate, equity and credit derivative contracts for 30 June 2011 and 31 December 2010 in respect of continuing operations:

	30 June 2011			31 December 2010		
	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	**152,787**	**2,509**	**(2,069)**	147,985	3,035	(2,531)
Exchange rate contracts	**8,727**	**109**	**(55)**	15,777	137	(219)
Equity contracts	**3,963**	**135**	**(138)**	3,715	143	(145)
Credit derivatives	**213**	**–**	**(69)**	598	–	(125)
Total	**165,690**	**2,753**	**(2,331)**	168,075	3,315	(3,020)

Interest rate, exchange rate and credit derivative contracts are entered for both trading and hedging 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.

20 Loans and receivables to banks	**30 June 2011 € m**	31 December 2010 € m
Funds placed with central banks	**968**	1,051
Funds placed with other banks	**5,028**	1,896
Provision for impairment *(note 22)*	**(4)**	(4)
	5,992	2,943
Amounts include:		
Reverse repurchase agreements	**1,525**	-

Under reverse repurchase agreements, the Group has accepted collateral that it is permitted to sell or repledge in the absence of default by the owner of the collateral. The fair value of collateral received amounted to € 1,478 million (31 December 2010: Nil). The collateral received consisted of government securities of € 1,196 million (31 December 2010: Nil) and other securities of € 282 million (31 December 2010: Nil). The fair value of collateral sold or repledged amounted to € 1,126 million (31 December 2010: Nil). This consisted of government securities of € 974 million (31 December 2010: Nil) and other securities of € 152 million (31 December 2010: Nil). The Group is obliged to return equivalent collateral. These transactions were conducted under terms that are usual and customary to standard reverse repurchase agreements.

21 Loans and receivables to customers	**30 June 2011 € m**	31 December 2010 € m
Loans and receivables to customers	**80,436**	91,120
Amounts receivable under finance leases and hire purchase contracts	**1,399**	1,552
Unquoted securities	**892**	965
Provisions for impairment *(note 22)*	**(9,630)**	(7,287)
	73,097	86,350

The unwind of the discount on impaired loans amounted to € 102 million (30 June 2010: € 54 million) and is included in the carrying value of loans and receivables to customers. This has been credited to interest income.

In 2009, certain financial investments available for sale amounting to € 13 million were reclassified to the loans and receivables to customers' category. The fair value of reclassified assets at 30 June 2011 was € 3 million (31 December 2010: € 9 million). As of reclassification date, the effective interest rates on reclassified available for sale financial assets were in the range 4.79% - 6.44%; the expected gross recoverable cash flows were € 18 million; and the fair value loss recognised in equity was € 8 million. If the reclassification had not been made, the Group's statement of comprehensive income for the period ended 30 June 2011 would have included fair value gains of € 3 million (30 June 2010: gains of € 3 million).

The amounts above exclude loans and receivables held for sale to NAMA and loans and receivables held within the caption 'Disposal groups and non-current assets held for sale' (notes 16 and 17).

Further details of loans and receivables to customers are set out in notes 22 and 43.

Large exposures

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

At 30 June 2011, the Group's top 50 exposures amounted to € 10.4 billion and accounted for 12.0% of the Group's on-balance sheet gross loans and receivables to customers including those held for sale to NAMA and those classified under disposal groups and non-current assets held for sale (€ 11.5 billion and 11% at 31 December 2010). Of this amount, € 0.2 billion relates to loans held for sale to NAMA (31 December 2010: € 0.2 billion), and € 0.5 billion relates to loans classified under disposal groups and non-current assets held for sale. No single customer exposure exceeds regulatory guidelines.

22 Provisions for impairment of loans and receivables

The tables below show provisions for impairment of loans and receivables (both to banks and customers) on a total Group basis and include (i) continuing operations; (ii) held for sale to NAMA; and (iii) loans and receivables within disposal groups and non-currents assets held for sale. The classification of loans and receivables into corporate/commercial, residential mortgages, and other relate to classifications used in the Group's ratings tools and are explained in note 43(h).

				30 June 2011
Provisions	**Corporate/ Commercial € m**	**Residential mortgages € m**	**Other € m**	**Total € m**
At the beginning of period	**6,283**	**665**	**1,028**	**7,976**
Exchange translation adjustments	**(67)**	**(6)**	**(9)**	**(82)**
Acquisition of subsidiary	**56**	**-**	**-**	**56**
Transferred on disposal of subsidiary	**(133)**	**(11)**	**(216)**	**(360)**
Charge against income statement:				
Continuing operations	**2,440**	**351**	**170**	**2,961**
Discontinued operations	**9**	**-**	**15**	**24**
	2,449	**351**	**185**	**2,985**
Amounts written off	**(356)**	**(16)**	**(51)**	**(423)**
Recoveries of amounts written off in previous years	**1**	**-**	**2**	**3**
Provisions on loans and receivable transferred to NAMA *(note 16)*	**(339)**	**(2)**	**(2)**	**(343)**
Transfers out	**(3)**	**-**	**-**	**(3)**
At end of period	**7,891**	**981**	**937**	**9,809**
Total provisions are split between specific and IBNR as follows:				
Specific	**6,281**	**535**	**697**	**7,513**
IBNR	**1,660**	**461**	**175**	**2,296**
	7,941	**996**	**872**	**9,809**
Amounts include:				
Loans and receivables to banks *(note 20)*				**4**
Loans and receivables to customers *(note 21)*				**9,630**
Loans and receivables held for sale to NAMA *(note 16)*				**170**
Loans and receivables of disposal groups and non-current assets held for sale *(note 17)*				**5**
				9,809

22 Provisions for impairment of loans and receivables *(continued)*

Provisions	Corporate/ Commercial € m	Residential mortgages € m	Other € m	Total € m
				31 December 2010
At the beginning of period	6,407	141	608	7,156
Adjustments to opening classifications[1]	(142)	44	98	-
Exchange translation adjustments	31	1	8	40
Charge against income statement:				
Continuing operations	5,177	512	326	6,015
Discontinued operations	11	3	91	105
	5,188	515	417	6,120[2]
Amounts written off	(669)	(36)	(108)	(813)
Recoveries of amounts written off in previous years	43	-	5	48
Provisions on loans and receivables transferred to NAMA *(note 16)*	(4,569)	-	-	(4,569)
Transfers out	(6)	-	-	(6)
At end of period	6,283	665	1,028	7,976
Total provisions are split between specific and IBNR as follows:				
Specific	4,605	257	784	5,646[3]
IBNR	1,678	408	244	2,330[4]
	6,283	665	1,028	7,976
Amounts include:				
Loans and receivables to banks *(note 20)*				4
Loans and receivables to customers *(note 21)*				7,287
Loans and receivables held for sale to NAMA *(note 16)*				329
Loans and receivables of discontinued operations				344
Loans and receivables of disposal groups and non-current assets held for sale *(note 17)*				12
				7,976

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

[2]Of which € 2,260 million relates to the half-year to June 2010 for continuing operations and € 55 million relates to the half-year to June 2010 for discontinued operations.

[3]€ 259 million of which relates to BZWBK which is a discontinued operation.

[4]€ 85 million of which relates to BZWBK which is a discontinued operation.

23 NAMA senior bonds

During 2010 and 2011, loans and receivables transferred to NAMA for which AIB received as consideration NAMA senior bonds and NAMA subordinated bonds.

The NAMA senior bonds were initially designated as financial investments available for sale, and disclosed as such in the Half-Yearly Financial Report 2010. At 31 December 2010, upon further consideration and experience on the structure of these bonds it was concluded that the most appropriate classification of the bonds is as loans and receivables and accordingly, they were redesignated as loans and receivables in the statement of financial position under the caption 'NAMA senior bonds'.

The accounting policy for the senior bonds is that for loans and receivables which is set out on page 161 of the Annual Financial Report 2010.

The bonds carry a guarantee of the Irish Government with interest payable semi-annually each March and September at a rate of six month Euribor. The interest reset date is the second business day prior to the start of each interest period. The bonds were issued from 1 March 2010 and all bonds issued on or after 1 March in any year will mature on or prior to 1 March in the following year. The bonds will therefore be issued with a maximum maturity of 364 days from the date of issue.

At the option of the issuer, all or some of the bonds may be physically settled at maturity by issuing a new bond on the same terms as the existing bond, other than maturity which may be up to 364 days from the date of issue even if the existing bond has a shorter maturity.

The following table provides a movement analysis of the NAMA senior bonds:

	30 June 2011 € m	31 December 2010 € m
Opening balance at beginning of period	**7,869**	-
Purchased from Anglo Irish Bank Corporation *(notes 15 and 41(g)(ii))*	**11,854**	-
Net additions[1]	**328**	7,864
Amortisation of discount	**31**	5
Maturities	**(533)**	-
Balance at end of period	**19,549**	7,869

[1]Net consideration for tranches transferred during 2011 (note 7).

The estimated fair value of these bonds at 30 June 2011 was € 18,996 million. The nominal value of these bonds is € 20,027 million. These bonds have an external credit rating of BBB+ at 30 June 2011.

24 Financial investments available for sale	**30 June 2011 € m**	31 December 2010 € m
Debt securities		
Government securities	**6,291**	9,519
Supranational banks and government agencies	**1,232**	1,500
Collateralised mortgage obligations	**685**	885
Other asset backed securities	**1,599**	2,560
Bank securities	**3,250**	5,399
Other investments	**435**	648
Total debt securities	**13,492**	20,511
Equity securities		
Equity securities - NAMA subordinated bonds	**159**	169
Equity securities - other	**103**	145
Total equity securities	**262**	314
Total financial investments available for sale	**13,754**	20,825

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

The tables below set out further analyses in relation to the financial investments available for sale portfolio:

Government securities by geography	30 June 2011 € m
Republic of Ireland[1]	3,405
United Kingdom	926
Italy	212
Austria	176
France	684
Germany	256
Greece	30
Portugal	99
Netherlands	307
Rest of the World	196
	6,291

[1]Full exposure to the Irish Government is set out in note 41 (i) 'Related party transactions'.

Irish Government bonds

The following table sets out the maturity profile of Irish Government bonds together with the cumulative charge to available for sale securities reserves[1] in respect of each maturity band:

	0-12 months € m	1-5 years € m	5-10 years € m	Total € m
Fair value	1,093	776	1,536	3,405
Cumulative charge to available for sale securities reserves[1]	22	213	804	1,039

[1]Gross of hedging and deferred tax

Irish Government bonds have an external credit rating of BBB+ at 30 June 2011.

Collateralised mortgage obligations by geography and industry sector of the issuer

	30 June 2011			31 December 2010		
	Governments € m	Other financial € m	Total € m	Governments € m	Other financial € m	Total € m
United Kingdom	–	34	34	–	56	56
United States of America	642	–	642	820	–	820
Rest of the World	–	9	9	–	9	9
	642	43	685	820	65	885

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

	30 June 2011			
	Governments € m	Banks € m	Other financial € m	Total € m
Republic of Ireland	–	–	207	207
United Kingdom	–	–	252	252
United States of America	–	–	89	89
Australia	–	–	64	64
Italy	–	–	108	108
Spain	–	16	754	770
Rest of the World	–	–	109	109
	–	16	1,583	1,599

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

Other asset backed securities by geography and industry sector of the issuer *(continued)*

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

Bank securities by geography	30 June 2011 € m
Republic of Ireland	**303**
United Kingdom	**413**
United States of America	**165**
Australia	**96**
Italy	**111**
Austria	**87**
France	**349**
Germany	**591**
Portugal	**54**
Netherlands	**181**
Spain	**455**
Sweden	**137**
Belgium	**133**
Denmark	**65**
Rest of the World	**110**
	3,250

The cumulative charge to available for sale securities reserves relating to bank securities is € 87 million which is gross of hedging and taxation.

Equity securities – NAMA subordinated bonds

The nominal value of these bonds is € 442 million. The cumulative fair value adjustment to available for sale securities reserves gross of deferred tax amounts to € 65 million.

25 External credit ratings and cross border outstandings

External credit ratings

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

					30 June 2011
	Bank € m	**Corporate € m**	**Sovereign € m**	**Other € m**	**Total € m**
AAA/AA	**3,842**	**3**	**3,704**	**2,048**	**9,597**
A	**3,369**	**10**	**212**	**149**	**3,740**
BBB+/BBB/BBB-	**1,677**	**93**	**23,123**	**25**	**24,918**
Sub investment	**373**	**159**	**33**	**87**	**652**
Unrated	**12**	**170**	**–**	**–**	**182**
Total	**9,273**	**435**	**27,072**	**2,309**	**39,089**

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

Cross border outstandings[1]

The following table sets out the Group's exposure to certain EU countries. These exposures are based on the country of domicile of the borrower. These include loans and receivables to banks, loans and receivables to customers, trading portfolio financial assets (excluding equity securities) and financial investments available for sale (excluding equity securities). Both trading portfolio financial assets and financial investments available for sale within these tables are carried at fair value with all other financial assets carried at amortised cost.

	As % of total assets[2]	**Banks and other financial institutions € m**	**Government and official institutions € m**	**Commercial industrial and other private sector € m**	**Total € m**
30 June 2011					
Greece	**0.1**	**–**	**33**	**49**	**82**
Italy	**0.4**	**112**	**212**	**148**	**472**
Portugal	**0.2**	**54**	**99**	**62**	**215**
Spain	**1.4**	**438**	**–**	**1,388**	**1,826**
31 December 2010					
Greece	0.1	67	41	11	119
Italy	1.0	405	824	199	1,428
Portugal	0.4	206	246	78	530
Spain	2.0	900	340	1,701	2,941

[1]Includes discontinued operations in 2010.

[2]Total assets as reported in the consolidated statement of financial position amounted to € 126,875 million (31 December 2010: € 145,222 million).

26 Interests in associated undertakings

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

Income statement	**Half year 30 June 2011 € m**	Half year 30 June 2010 € m
Share of results of associated undertakings	**(2)**	54
Reversal of impairment of associated undertakings	**-**	155
Gain recognised on the remeasurement to fair value less costs to sell	**-**	30
	(2)	239
Analysed as to:		
Continuing operations	**(2)**	28
Discontinued operations *(note 13)*[(1)]	**-**	211
	(2)	239

Share of net assets including goodwill	**30 June 2011 € m**	31 December 2010 € m
At 1 January	**301**	1,641
Exchange translation adjustments	**(1)**	37
Disposal of associate held by subsidiary *(note 13)*	**(18)**	-
Disposal of associate	**-**	(1,529)
Income for the period		
Continuing operations	**(2)**	18
Discontinued operations	**-**	25
	(2)	43[(2)]
Dividends received from associates	**(3)**	(48)
Reversal of impairment of associated undertakings		
Continuing operations	**-**	-
Discontinued operations	**-**	201[(3)]
	-	201
Loss recognised on the remeasurement to fair value less costs to sell of discontinued operations	**-**	(50)[(4)]
Other movements	**4**	6
At end of period	**281**	301
Analysed as to:		
M&T Bank Corporation	**-**	-
Aviva Life Holdings Ireland Limited	**239**	245
Bulgarian American Credit Bank AD	**-**	-
Other[(5)]	**42**	56
	281	301
Disclosed in the statement of financial position within		
Interests in associated undertakings	**281**	283
Disposal groups and non-current assets held for sale *(note 13)*	**-**	18
	281	301
Of which listed on a recognised stock exchange	**-**	3

[(1)]At 30 March 2010, the Group announced that certain of its operations were to be sold, amongst which included M&T Bank Corporation. Subsequently, Bulgarian American Credit Bank AD ("BACB") and associate interests held by BZWBK, were considered to be held for sale. These associates were no longer accounted for using the equity method in accordance with IAS 28 as they were classified as discontinued operations. On 4 November 2010, the sale of M&T Bank Corporation was completed with the investment derecognised from that date (note 13). The sale of BACB completed on 17 June 2011.

[(2)]Of which € 28 million relates to the half-year to June 2010 for continuing operations and € 26 million relates to the half-year to June 2010 for discontinued operations.

[(3)]Of which € 155 million relates to the half year to June 2010.

[(4)]Of which a gain of € 30 million was recognised in the half year to June 2010.

[(5)]Relates to the Group's investments in Aviva Health Insurance Ireland Limited, AIB Merchant Services and in 2010 also includes associates of BZWBK which have since been disposed of.

27 Deferred taxation

Analysis of movements in deferred taxation	30 June 2011 € m	31 December 2010 € m
Opening balance	**2,384**	583
Reclassified to disposal groups and non-current assets held for sale	**-**	(65)
Exchange translation and other adjustments	**(29)**	1
Deferred tax through other comprehensive income	**29**	151
Income statement *(note 12)*	**356**	1,714
Closing balance	**2,740**	2,384

Deferred tax assets relating to unutilised tax losses and deductible temporary differences are recognised if it is probable that they can be offset against future taxable profits or other temporary differences. At 30 June 2011, capitalised deferred tax assets on tax losses and other temporary differences, net of deferred tax liabilities, totalled € 2,740 million (31 December 2010: € 2,384 million). The most significant tax losses arise in the Republic of Ireland tax jurisdiction and their utilisation is dependent on future taxable profits. The Directors have considered the assumptions underpinning the restructuring plan which has been submitted to the European Commission ("EC") (see Annual Financial Report 2010, note 55(vii)) and have determined that future taxable profits will be available to absorb the deferred tax assets including the unutilised tax losses. Accordingly, it is considered that recoverability of the deferred tax assets is probable.

Net deferred tax assets of € 2,740 million (31 December 2010: € 2,384 million) are expected to be recovered after more than 12 months.

28 Deposits by central banks and banks	30 June 2011 € m	31 December 2010 € m
Central banks		
Securities sold under agreements to repurchase	**28,200**	30,635
Other borrowings	**341**	7,981
	28,541	38,616
Banks		
Securities sold under agreements to repurchase	**6,879**	10,025
Other borrowings	**874**	1,228
	7,753	11,253
	36,294	49,869
Amounts include:		
Due to associated undertakings	**-**	-

Securities sold under agreements to repurchase are secured by Irish Government bonds, NAMA senior bonds, US Treasury, US Government agency and other marketable securities. The Group has securitised certain of its mortgage and loan portfolios. These securities, other than issued to external investors, have been pledged as collateral in addition to other securities held by the Group.

Financial assets pledged under agreements to repurchase with central banks and banks are as detailed in the following table.

	30 June 2011			31 December 2010		
	Central banks € m	**Banks € m**	**Total € m**	Central banks € m	Banks € m	Total € m
Total carrying value of financial assets pledged	**32,575**	**7,579**	**40,154**	50,635	11,702	62,337
Of which:						
Government securities	**19,916**[1]	**4,204**	**24,120**	11,686	5,325	17,011
Other securities	**12,659**	**3,375**	**16,034**	38,949	6,377	45,326

[1]Includes NAMA senior bonds.

29 Customer accounts	30 June 2011 € m	31 December 2010 € m
Current accounts	**15,111**	16,357
Demand deposits	**6,810**	7,147
Time deposits	**30,991**	28,885
	52,912	52,389
Deposits placed by NTMA[1]	**11,020**	-
	63,932	52,389

[1]Deposits placed by the NTMA which were repaid prior to the recapitalisation of AIB which took place on 27 July 2011 (note 45). Normal day to day deposits with the NTMA have been included within the other categories in this note, as appropriate.

30 Debt securities in issue	30 June 2011 € m	31 December 2010 € m
Bonds and medium term notes:		
European medium term note programme	**11,402**	11,933
Bonds and other medium term notes	**2,765**	2,765
	14,167	14,698
Other debt securities in issue:		
Commercial paper	**6**	712
Commercial certificates of deposit	**201**	254
	207	966
	14,374	15,664

31 Subordinated liabilities and other capital instruments	30 June 2011 € m	31 December 2010 € m
Allied Irish Banks, p.l.c.		
Undated loan capital	-	197
Dated loan capital	**126**	3,996
	126	4,193
Subsidiary undertakings		
Perpetual preferred securities	-	138
	126	4,331
Undated loan capital		
Allied Irish Banks, p.l.c.		
US$ 100m Floating Rate Primary Capital Perpetual Notes	-	75
€ 200m Fixed Rate Perpetual Subordinated Notes	-	54
Stg£ 400m Perpetual Callable Step-Up Subordinated Notes	-	68
	-	197
Subsidiary undertakings - perpetual preferred securities		
Stg£ 350m Fixed Rate/Floating Rate Guaranteed Non-Voting Non-cumulative Perpetual Preferred Securities ("LP3")	-	43
€ 500m Fixed Rate/Floating Rate Guaranteed Non-Voting Non-cumulative Perpetual Preferred Securities ("LP2")	-	95
	-	138
	-	335
Dated loan capital		
Allied Irish Banks, p.l.c.		
European Medium Term Note Programme:		
US$ 400m Floating Rate Notes due July 2015	-	134
€ 400m Floating Rate Notes due March 2015*	**12**	188
€ 500m Callable Step-up Floating Rate Notes due October 2017 (maturity extended to 2035 as a result of the SLO)	**6**	167
€ 419m 10.75% Subordinated Notes due March 2017*	**49**	436
US$ 177m 10.75% Subordinated Notes due March 2017	-	137
€ 869m 12.5% Subordinated Notes due June 2019	-	807
Stg£ 368m 12.5% Subordinated Notes due June 2019 (maturity extended to 2035 as a result of the SLO)	**49**	401
Stg£ 1,096m 11.50% Subordinated Notes due March 2022	-	1,314
Stg£ 700m Callable Fixed/Floating Rate Notes due July 2023*	**10**	175
Stg£ 500m Callable Fixed/Floating Rate Notes due March 2025 (maturity extended to 2035 as a result of the SLO)	-[1]	22
Stg£ 350m Callable Fixed/Floating Rate Notes due November 2030	-	31
JPY 20bn Callable Step-up Fixed/Floating Rate Notes due March 2042	-	184
	126	3,996

[1]Carrying value on remeasurement was € 0.3 million.

Following on the liability management exercises in January and June 2011 and the SLO in April 2011, the carrying values above remained outstanding. The terms of the remaining notes outstanding at 30 June 2011 changed arising from the SLO which was effective from 22 April 2011. The original liabilities were derecognised and new liabilities recognised, with their initial measurement based on fair value at inception.

The contractual maturity date changed as a result of the SLO to 2035, with the coupon to be payable at the option of AIB. However, three of the above notes denoted by * were purchased in full for cash on 22 July 2011. See notes 6, 33, 34, 41(g)(iii) and 45.

32 Shareholders' equity

The following tables show the movements within the relevant captions of shareholders' equity in the statement of financial position during the period:

Issued share capital	Half-year 30 June 2011 € m	31 December 2010 € m
Share capital as at 1 January	**3,965**	329
Issued during period:		
– Ordinary shares in lieu of dividend on 2009 Preference Shares	**155**	63
– Ordinary shares issued under Direction Order	**–**	216
– Convertible non-voting ("CNV") shares issued under Direction Order	**–**	3,357
– Ordinary shares issued on conversion of CNV shares	**3,357**	–
CNV shares converted to ordinary shares	**(3,357)**	–
At end of period	**4,120**	3,965
Of which:		
Ordinary shares	**4,085**	573
2009 Preference shares	**35**	35
CNV shares	**–**	3,357
	4,120	3,965

Share premium	Half-year 30 June 2011 € m	31 December 2010 € m
Share premium as at 1 January	**5,089**	4,975
Transfer to ordinary share capital in respect of ordinary shares issued in lieu of dividend on 2009 Preference Shares	**(155)**	(63)
Ordinary shares issued for consideration:		
Excess of issue price over the nominal value	**–**	40
Issue costs	**–**	(6)
	(155)	(29)
Convertible non-voting shares issued for consideration:		
Excess of issue price over the nominal value	**–**	205
Issue costs	**–**	(62)
	–	143
At end of period	**4,934**	5,089

2011

(i) On 1 April 2011, the Company completed the sale of its stake in Bank Zachodni WBK S.A. and, accordingly, on 7 April 2011, the NPRFC issued a Conversion Order to convert all of its CNV shares (total shares 10,489,899,564 (€ 3,357 million)) into ordinary shares. The conversion was completed on 8 April 2011.

(ii) Arising from the non-payment of dividend amounting to € 280 million on the 2009 Preference Shares, the NPRFC became entitled to bonus shares. On 13 May 2011, Allied Irish Banks, p.l.c. issued 484,902,878 new ordinary shares by way of a bonus issue to the NPRFC in part settlement of the dividend of € 280 million. In accordance with AIB's Articles of Association, an amount of € 155 million, equal to the nominal value of the shares issued, was transferred from share premium to ordinary share capital. The issue to the NPRFC of a further 762,370,687 ordinary shares, being the remainder of the bonus shares due to the NPRFC, was deferred until the holding of an EGM, held on the 26 July 2011 in order to increase the authorised share capital of the Company. An additional 38,118,535 shares were included in the 762,370,687 shares due to the shares issuable in lieu of cash dividend not being satisfied on the due date (note 45).

Pending the issue of outstanding bonus shares, the NPRFC received provisional voting rights equivalent to the voting rights that would have attached to the new bonus shares if they had been issued on 13 May 2011.

32 Shareholders' equity ***(continued)***

2010

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

(ii) On 23 December 2010, consequent upon a Direction Order under the Credit Institutions (Stabilisation) Act 2010 ('the Direction Order'), the Company increased its authorised share capital.

(iii) On 23 December 2010, consequent upon the Direction Order, the Company issued 675,107,845 new ordinary shares (€ 216 million) and 10,489,899,564 CNV shares (€ 3,357 million) to the NPRFC. Total gross proceeds from the issue before costs of € 65.9 million amounted to € 3,818.4 million. Warrants with a carrying value of € 150 million relating to the 2009 recapitalisation which were held by the NPRFC were cancelled on 23 December 2010 for € 52.5 million from the proceeds of the share issue. The difference between the carrying value of the warrants and the consideration for cancellation was transferred as a credit of € 97.5 million to revenue reserves.

33 Other equity interests	30 June 2011 € m	31 December 2010 € m
Reserve capital instruments ("RCI")		
At 1 January	**239**	239
Redemption of RCI *(notes 6 and 41(g)(iii))*	**(239)**	-
	-	239
Warrants		
At 1 January	**-**	150
Cancellation of warrants	**-**	(150)
	-	-
	-	239

34 Non-controlling interests in subsidiaries	30 June 2011 € m	31 December 2010 € m
Equity interests in subsidiaries		
At 1 January	**501**	437
Movement during the period	**12**	64
Extinguishment of equity interests[1]	**(513)**	-
	-	501
Non-cumulative Perpetual Preferred Securities ("LPI")		
At 1 January	**189**	189
Redemption of Non-cumulative Perpetual Preferred Securities[2]	**(189)**	-
	-	189
	-	690

[1] On 1 April 2011, AIB disposed of its 70.36% shareholding in BZWBK (note 13).

[2] On 22 June 2011, AIB purchased for cash all outstanding securities (notes 6 and 41(g)(iii)).

35 Analysis of movements in other comprehensive income

Continuing operations	Half-Year 30 June 2011 Gross €m	Tax €m	Net €m	Half-year 30 June 2010 Gross €m	Tax €m	Net €m
Foreign currency translation reserves						
Change in foreign currency translation reserves	**(75)**	**-**	**(75)**	199	-	199
Total	**(75)**	**-**	**(75)**	199	-	199
Cash flow hedging reserves						
Fair value (gains) transferred to income statement	**(90)**	**12**	**(78)**	(282)	40	(242)
Fair value (losses)/gains taken to equity	**(61)**	**8**	**(53)**	398	(53)	345
Total	**(151)**	**20**	**(131)**	116	(13)	103
Available for sale securities reserves						
Fair value losses transferred to income statement	**166**	**(19)**	**147**	-	-	-
Fair value (losses) taken to equity	**(425)**	**62**	**(363)**	(350)	44	(306)
Total	**(259)**	**43**	**(216)**	(350)	44	(306)

Discontinued operations	Half-Year 30 June 2011 Gross €m	Tax €m	Net €m	Half-year 30 June 2010 Gross €m	Tax €m	Net €m
Foreign currency translation reserves						
Change in foreign currency translation reserves	**(28)**	**-**	**(28)**	(16)	-	(16)
Transferred to income statement on disposal of foreign operation	**(106)**	**-**	**(106)**	-	-	-
Total	**(134)**	**-**	**(134)**	(16)	-	(16)
Cash flow hedging reserves						
Fair value (gains) transferred to income statement	**-**	**-**	**-**	(28)	-	(28)
Transferred to income statement on disposal of foreign operation	**4**	**(1)**	**3**	-	-	-
Fair value (losses)/gains taken to equity	**(3)**	**1**	**(2)**	29	-	29
Total	**1**	**-**	**1**	1	-	1
Available for sale securities reserves						
Fair value (gains) transferred to income statement	**-**	**-**	**-**	(2)	1	(1)
Transferred to income statement on disposal of foreign operation	**(82)**	**16**	**(66)**	-	-	-
Fair value (losses)/gains taken to equity	**(17)**	**9**	**(8)**	4	(1)	3
Total	**(99)**	**25**	**(74)**	2	-	2

35 Analysis of movements in other comprehensive income *(continued)*

Analysis of total comprehensive income included within statement of changes in equity

						30 June 2011
			Revenue reserves			
	Available for sale securities reserves € m	**Cash flow hedging reserves € m**	**Net actuarial gains/(losses) in retirement benefit schemes € m**	**Other revenue reserves € m**	**Foreign currency translation reserves € m**	**Total € m**
Parent and subsidiaries	**(290)**	**(130)**	**(5)**	**2,239**	**(209)**	**1,605**
Associated undertakings	–	–	**4**	–	–	**4**
Total	**(290)**	**(130)**	**(1)**	**2,239**	**(209)**	**1,609**
Non-controlling interests	**(3)**	**–**	**–**	**20**	**(5)**	**12**
Attributable to equity holders of the parent	**(287)**	**(130)**	**(1)**	**2,219**	**(204)**	**1,597**

						31 December 2010
			Revenue reserves			
	Available for sale securities reserves € m	Cash flow hedging reserves € m	Net actuarial gains/(losses) in retirement benefit schemes € m	Other revenue reserves € m	Foreign currency translation reserves € m	Total € m
Parent and subsidiaries	(810)	(41)	1	(10,162)	139	(10,873)
Associated undertakings	26	–	(13)	–	192	205
Total	(784)	(41)	(12)	(10,162)	331	(10,668)
Non-controlling interests	1	–	–	70	14	85
Attributable to equity holders of the parent	(785)	(41)	(12)	(10,232)	317	(10,753)

36 Fair value hierarchy

The following tables set out, by financial instrument measured at fair value, the valuation methodologies[1] adopted in the financial statements as at 30 June 2011 and as at 31 December 2010:

				30 June 2011
	Level 1 **€ m**	**Level 2** **€ m**	**Level 3** **€ m**	**Total** **€ m**
Financial assets				
Derivative financial instruments held for sale to NAMA	**–**	**8**	**–**	**8**
Trading portfolio financial assets	**48**	**10**	**–**	**58**
Derivative financial instruments	**1**	**2,752**	**–**	**2,753**
Financial investments available for sale - debt securities	**11,909**	**1,571**	**12**	**13,492**
- equity securities	**33**	**14**	**215**	**262**
	11,991	**4,355**	**227**	**16,573**
Financial liabilities				
Derivative financial instruments	**1**	**2,262**	**68**	**2,331**
	1	**2,262**	**68**	**2,331**

				31 December 2010
	Level 1 € m	Level 2 € m	Level 3 € m	Total € m
Financial assets				
Derivative financial instruments held for sale to NAMA	–	15	–	15
Trading portfolio financial assets	23	10	–	33
Derivative financial instruments	–	3,315	–	3,315
Financial investments available for sale - debt securities	18,395	2,104	12	20,511
- equity securities	37	14	263	314
	18,455	5,458	275	24,188
Financial liabilities				
Derivative financial instruments	2	2,896	122	3,020
	2	2,896	122	3,020

[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.

Significant transfers between Level 1 and Level 2

	30 June 2011			31 December 2010		
	Financial assets			Financial assets		
Group	**Trading portfolio € m**	**Debt securities € m**	**Total € m**	Trading portfolio € m	Debt securities € m	Total € m
Transfer into Level 1 from Level 2	**–**	**–**	**–**	–	4,929	4,929
Transfer into Level 2 from Level 1	**–**	**–**	**–**	9	231	240

36 Fair value hierarchy *(continued)*

Reconciliation of balances in Level 3 of the fair value hierarchy

The following tables show a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

30 June 2011

	Financial assets					Financial liabilities	
	Trading portfolio	**Derivatives**	**AFS Debt securities**	**AFS Equity securities**	**Total**	**Derivatives**	**Total**
Group	**€ m**	**€ m**	**€ m**	**€ m**	**€ m**	**€ m**	**€ m**
At 1 January 2011	**–**	**–**	**12**	**263**	**275**	**122**	**122**
Total gains or losses in:							
– Profit or loss	**–**	**–**	**–**	**(12)**	**(12)**	**19**	**19**
– Other comprehensive income	**–**	**–**	**–**	**(11)**	**(11)**	**–**	**–**
NAMA subordinated bonds	**–**	**–**	**–**	**2**	**2**	**–**	**–**
Purchases	**–**	**–**	**–**	**5**	**5**	**–**	**–**
Sales	**–**	**–**	**–**	**(32)**	**(32)**	**–**	**–**
Settlements	**–**	**–**	**–**	**–**	**–**	**(73)**	**(73)**
At 30 June 2011	**–**	**–**	**12**	**215**	**227**	**68**	**68**

31 December 2010

	Financial assets					Financial liabilities	
	Trading portfolio	Derivatives	AFS Debt securities	AFS Equity securities	Total	Derivatives	Total
Group	€ m	€ m	€ m	€ m	€ m	€ m	€ m
At 1 January 2010	8	8	2,826	241	3,083	7	7
Reclassified to disposal groups and non-current assets held for sale	–	(8)	(20)	(157)	(185)	(7)	(7)
Reclassification between categories	(8)	–	(7,869)	8	(7,869)	–	–
Transfers into Level 3	–	–	–	43	43	127	127
Transfers out of Level 3	–	–	(2,794)	(21)	(2,815)	–	–
Total gains or losses in:							
– Profit or loss	–	–	5	(13)	(8)	50	50
– Other comprehensive income	–	–	–	(53)	(53)	–	–
NAMA senior bonds/ subordinated bonds	–	–	7,864	220	8,084	–	–
Purchases	–	–	–	9	9	–	–
Sales	–	–	–	(14)	(14)	–	–
Settlements	–	–	–	–	–	(55)	(55)
At 31 December 2010	–	–	12	263	275	122	122

NAMA senior bonds were designated at initial recognition as financial investments available for sale (note 23). At 31 December 2010, these bonds were reclassified to loans and receivables because of the nature of the bonds and the fact that AIB has the ability and intention to hold them to maturity.

Transfers into Level 3 occurred because the market prices for these instruments became unobservable.
Transfers out of Level 3 occurred because of increased observability in the market prices of these instruments.

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

Group	Contract amount 30 June 2011 € m	Contract amount 31 December 2010 € m
Contingent liabilities - credit related[1]		
Guarantees and assets pledged as collateral security:		
Guarantees and irrevocable letters of credit	**1,777**	3,360
Other contingent liabilities	**527**	732
	2,304	4,092
Contingent liability - non-credit related[2]	**25**	-
Commitments[3][4]		
Documentary credits and short-term trade-related transactions	**62**	80
Undrawn note issuance and revolving underwriting facilities	**1**	1
Undrawn formal standby facilities, credit lines and other commitments to lend:		
Less than 1 year	**7,437**	8,820
1 year and over	**2,879**	5,543
	10,379	14,444
	12,708	18,536
Of which:		
Continuing operations	**12,708**	16,818
Discontinued operations	**-**	1,718
	12,708	18,536

Contingent liability/contingent asset - NAMA

(a) In respect of tranches of loans which transferred to NAMA at the end of 2010 and during 2011, an aggregate discount of 60 per cent. was applied to the gross carrying value. These transfers were not subject to due diligence at the time of transfer, this will take place later in 2011 and will set the final haircut for the transfers. However, the haircut has not yet been finally determined and could result in further outflows.

Under NAMA legislation, an institution can formally raise an objection to the portfolio acquisition value specified in the acquisition schedule. As the timing of any formal objection is unknown at this time but is not expected to be completed until 2012, this may result in an inflow of economic benefit to the Group.

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

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

[2]This relates to a contingent liability of the Group which may arise as part of a disposal.

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

[4]Of which € 0.1 million (31 December 2010: € 2.7 million) are commitments relating to financial assets held for sale to NAMA.

38 Capital expenditure

Capital expenditure	30 June 2011 € m	31 December 2010 € m
Estimated outstanding commitments for capital expenditure not provided for in the financial statements	**13**	20
Capital expenditure authorised but not yet contracted for	**34**	7

39 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:

	30 June 2011 € m	30 June 2010 € m
Cash and balances at central banks	**3,269**	3,840
Loans and receivables to banks	**3,453**	2,130
Short term investments	**-**	159
	6,722	6,129

Discontinued operations

The following cash flows relate to discontinued operations:

	Period to 1 April 2011 € m	Half-year 30 June 2010 € m
Profit after taxation[1]	**1,628**	344
Income tax	**17**	39
Profit before taxation	**1,645**	383
Net movement in non cash items from operating activities	**(1,573)**	(189)
Net cash outflow from operating assets and liabilities	**(87)**	(341)
Taxation paid	**(34)**	(17)
Net cash flows from operating activities	**(49)**	(164)
Net cash flows from investing activities	**(38)**	15
Net cash flows from financing activities	**-**	(21)
Decrease in cash and cash equivalents	**(87)**	(170)
Cash and cash equivalents at beginning of period	**767**	716
Cash and cash equivalents disposed of	**(673)**	-
Effect of exchange rates on cash and cash equivalents	**(7)**	(4)
Cash and cash equivalents at date of disposal/half-year end	**-**	542

[1]See note 13.

These cash flows all relate to BZWBK which was disposed of on 1 April 2011 (note 13).

Further details in relation to discontinued operations are set out in notes 13 and 17.

40 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 half-year ended 30 June 2011 and year ended 31 December 2010. The calculation of average balances include daily and monthly averages for reporting units. The average balances used are considered to be representative of the operations of the Group. The average balance sheet is presented on a continuing operations basis. Comparative figures have also been re-presented on this basis.

	Half-year ended 30 June 2011			Year ended 31 December 2010		
Assets	**Average balance €m**	**Interest €m**	**Average rate %**	Average balance €m	Interest €m	Average rate %
Trading portfolio financial assets						
Domestic offices	**25**	**-**	**2.6**	54	1	1.9
Foreign offices	**22**	**1**	**4.3**	13	1	3.8
Loans and receivables to banks						
Domestic offices	**3,188**	**11**	**0.7**	4,453	32	0.7
Foreign offices	**4,380**	**15**	**0.7**	3,550	19	0.5
Loans and receivables to customers[(1)]						
Domestic offices	**63,286**	**1,036**	**3.3**	80,899	2,415	3.0
Foreign offices	**22,302**	**381**	**3.4**	27,535	919	3.3
NAMA senior bonds						
Domestic offices	**16,376**	**142**	**1.7**	2,230	29	1.3
Financial investments available for sale						
Domestic offices	**15,582**	**251**	**3.2**	19,990	590	2.9
Foreign offices	**1,936**	**45**	**4.7**	2,369	96	4.1
Average interest earning assets						
Domestic offices	**98,457**	**1,440**	**3.0**	107,626	3,067	2.8
Foreign offices	**28,640**	**442**	**3.1**	33,467	1,035	3.1
Net interest on swaps		**79**			369	
Total average interest earning assets	**127,097**	**1,961**	**3.1**	141,093	4,471	3.2
Non-interest earning assets	**6,619**			8,352		
Total average assets	**133,716**	**1,961**	**3.0**	149,445	4,471	3.0
Percentage of assets applicable to foreign activities			**22.8**			24.8

[(1)]Includes loans and receivables held for sale to NAMA (note 16).

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

Liabilities and shareholders' equity	Half-year ended 30 June 2011 Average balance € m	Interest € m	Average rate %	Year ended 31 December 2010 Average balance € m	Interest € m	Average rate %
Due to central banks and banks						
Domestic offices	**45,489**	**319**	**1.4**	35,402	368	1.0
Foreign offices	**926**	**3**	**0.8**	1,722	7	0.4
Due to customers						
Domestic offices	**40,811**	**573**	**2.8**	43,827	924	2.1
Foreign offices	**11,381**	**98**	**1.7**	17,719	251	1.4
Other debt issued						
Domestic offices	**14,561**	**281**	**3.9**	21,533	650	3.0
Foreign offices	**375**	**8**	**4.2**	3,700	45	1.2
Subordinated liabilities						
Domestic offices	**2,178**	**79**	**7.3**	4,284	382	8.9
Foreign offices	**292**	**(4)**	**(2.9)**	127	–	–
Average interest earning liabilities						
Domestic offices	**103,039**	**1,252**	**2.5**	105,046	2,324	2.2
Foreign offices	**12,974**	**105**	**1.6**	23,268	303	1.3
Total average interest earning liabilities	**116,013**	**1,357**	**2.4**	128,314	2,627	2.0
Non-interest earning liabilities	**13,163**			14,428		
Total average liabilities	**129,176**	**1,357**	**2.1**	142,742	2,627	1.8
Shareholders' equity	**4,540**			6,703		
Total average liabilities and shareholders' equity	**133,716**	**1,357**	**2.0**	149,445	2,627	1.8
Percentage of liabilities applicable to foreign operations			**13.0**			18.9

41 Related party transactions

Other than as mentioned below, there have been no related party transactions or changes therein since 31 December 2010 that have materially affected the Group's financial position or performance in the half-year to 30 June 2011.

Transactions with key management personnel

As at 30 June 2011 the aggregate of loans, overdrafts/credit cards outstanding to key management personnel (executive and non-executive directors and senior executive officers who were in office during the half year) amounted to € 2.2 million; 11 persons (31 December 2010: € 5.9 million; 20 persons).

The aggregate of loans, overdrafts/credit cards outstanding to connected persons of directors in office as at 30 June 2011, as defined in section 26 of the Companies Act 1990, amounted to € 1.2 million; 15 persons (31 December 2010: € 0.7 million; 18 persons).

Loans to key management personnel and connected persons of directors, are made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons of similar standing not connected with AIB, and do not involve more than the normal risk of collectability or present other unfavourable features. Loans to executive directors and senior executive officers are also made, in the ordinary course of business, on terms available to other employees in AIB generally, in accordance with established policy, within limits set on a case by case basis.

No impairment charge or provisions have been recognised in respect of any loans or facilities and all interest that has fallen due has been paid.

41 Related party transactions *(continued)*

Relationship with the Irish Government

AIB's relationship with the Irish Government is set out in note 55 of the Annual Financial Report 2010 with an update provided in Note 69 'Non-adjusting events after the reporting period'. As detailed, this relationship encompasses a number of dimensions, namely:

a) Guarantee schemes

The Irish Government has guaranteed relevant deposits and debt securities of AIB through the Credit Institutions (Financial Support) Scheme 2008 ('the CIFS scheme') and the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 ("ELG Scheme"). The CIFS scheme expired on 29 September 2010. The ELG Scheme, which was due to expire on 30 June 2011, was extended to 31 December 2011 by the European Commission on 1 June 2011. The extension of the ELG Scheme means that bonds and deposits issued or rolled over before 31 December 2011 will be guaranteed under the scheme up to maturity, subject to a maximum maturity of five years.

Additionally, the European Communities (Deposit Guarantee Schemes) Regulations 1995 continue in operation. This guarantees certain deposits up to a maximum of € 100,000.

b) Investments in AIB

The Irish Government's investments in AIB are held through the National Pension Reserve Fund Commission ("NPRFC").

- In May 2009, the Group issued € 3.5 billion capital in the form of Non-cumulative preference shares (the '2009 Preference Shares') to the NPRFC;
- On 13 May 2010, the Group issued 198,089,847 ordinary shares in lieu of the annual dividend amounting to € 280 million on the 2009 Preference shares to the NPRFC pursuant to the Bonus Issue 2010.
- On 23 December 2010, arising from a Direction Order issued by the High Court, the Group issued 675,107,845 ordinary shares and 10,489,899,564 convertible non-voting shares ("CNV") to the NPRFC. Net proceeds from this issue amounted to € 3.7 billion;
- On 8 April 2011, the CNV shares were converted to ordinary shares on a one-for-one basis by the NPRFC;
- On 13 May 2011, a further 484,902,878 ordinary shares were issued to the NPRFC in part settlement of the annual dividend due on that date pursuant to the Bonus Issue 2011. The residual of the Bonus Share 2011 entitlement, amounting to 762,370,687 ordinary shares were issued in July 2011 following the increase at EGM of the authorised ordinary share capital of AIB.

See note 45 for capital update subsequent to 30 June 2011.

c) NAMA

Since the enactment of the NAMA Act in November 2009, AIB has transferred financial assets with a net carrying value of € 14,752 million to NAMA for which it has received consideration from NAMA in the form of NAMA senior bonds and subordinated NAMA bonds with a fair value on issue of € 8,192 million and € 224 million respectively. The NAMA senior bonds are guaranteed by the Irish Government.

Included in the transfers are financial assets with a net carrying value of € 742 million which transferred during 2011 and for which the fair value net consideration in the form of NAMA senior bonds and subordinated NAMA bonds amounted to € 328 million and € 4 million respectively. A further € 952 million in financial assets is due to transfer to NAMA in the near future. During 2011 NAMA redeemed, for cash, NAMA senior bonds at their par value of € 533 million.

On 15 April 2011, the Government announced that no further loans would transfer to NAMA, apart from those above already earmarked for transfer.

In addition to the NAMA senior bonds received as consideration for financial assets transferred to NAMA (note 23), AIB also acquired NAMA senior bonds as part of the Anglo transaction (€ 11,854 million fair value at acquisition date), details of which are set out in note 15.

d) Funding Support

Arising from liquidity difficulties in the Irish market, the Central Bank of Ireland has provided a number of funding support mechanisms to AIB. At 30 June 2011, € 28.2 billion was outstanding to the Central Bank of Ireland in respect of this support as set out later in this note.

41 Related party transactions ***(continued)***

e) PCAR/PLAR

On 31 March 2011, the Central Bank of Ireland published the 'Financial Measures Programme Report' which details the outcome of its review of the capital (PCAR) and funding requirements (PLAR) of the domestic Irish banks. Arising from this, AIB is required to raise € 13.3 billion in capital (€ 10.5 billion plus € 2.8 billion capital buffer of which € 1.4 billion is contingent capital). In addition, the target loan to deposit ratio has been set at 122.5% for all banks, including AIB by the end of 2013.

Also on 31 March 2011, and arising from the results of the PCAR and PLAR assessments, the Minister for Finance (the 'Minister') announced a restructuring of the Irish banking system. This restructuring revolves around two pillar banks, with AIB acquiring EBS to form one of these pillar banks. This acquisition was effective from 1 July 2011. A non-core division of the combined entity will be required to deleverage assets to achieve the target loan to deposit ratio.

These PCAR/PLAR assessments follow on the announcement in November 2010 of the EU-IMF Programme for Ireland whereby the provision of an overall amount of € 85 billion in financial support was agreed in principle. Up to € 35 billion of this support is earmarked for the banking system, € 10 billion for immediate recapitalisation with the remaining € 25 billion to be provided on a contingency basis.

f) Deferral of coupon payments

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

The deferral of coupon payments continued to be effective until 22 April 2011. On this date, the SLO became effective changing the terms of the subordinated debt instruments by making the payment of coupons discretionary on the part of AIB. See notes 6 and 31.

g) Credit Institutions (Stabilisation) Act 2010

The Credit Institutions (Stabilisation) Act 2010 (the 'Act') was signed into Irish law on 21 December 2010. The Act provides the legislative basis for the reorganisation and restructuring of the Irish banking system, details of which are set out on page 275 of the Annual Financial Report 2010.

The powers in relation to relevant financial institutions given to the Minister for Finance ('the Minister') under the Act include: direction orders, special management orders, subordinated liabilities orders, and transfer of assets and liabilities orders. In addition, the Act gives the Minister broad powers in relation to directors and officers and their appointment/removal/duties. Various other terms are also imposed on relevant financial institutions as a condition for financial support.

Since the enactment of this legislation, the Minister has invoked certain of his powers under the Act in relation to AIB as follows:

(i) Direction Orders

On 23 December 2010, the High Court, on application from the Minister, directed AIB to increase its authorised share capital, and adopt amended Articles of Association to give effect to the capital increase and to issue ordinary and CNV shares to the NPRFC (see (b) above).

AIB was also directed by the High Court as follows:

- to cancel its listing on the Main Securities Market and to apply for listing on the Enterprise Securities Market ("ESM") of the Irish Stock Exchange;
- to cancel admission of its ordinary shares to the Official List maintained by the UK Financial Services Authority and to cancel trading on the main market of the London Stock Exchange;
- to complete the sale of its Polish interest to Banco Santander (see note 13).

(ii) Transfer Order

On 24 February 2011, following an application by the Minister for Finance, the High Court issued a transfer order for the immediate transfer of certain deposits and corresponding assets from Anglo Irish Bank Corporation ('Anglo') to AIB. Certain employees who dealt with the deposit taking activities in Anglo also transferred to AIB (see note 15).

41 Related party transactions *(continued)*

(iii) Subordinated Liabilities Order

On 14 April 2011, following an application by the Minister under section 29 of the Credit Institutions (Stabilisation) Act 2010, the High Court issued a Subordinated Liabilities Order (the "SLO") in relation to all outstanding subordinated liabilities and other capital instruments (including certain tier 1 capital instruments), with the consent of AIB. The High Court declared the SLO effective as of 22 April 2011. See notes 6, 31, 33 and 34.

The effect of the SLO was to amend the terms of certain subordinated liabilities and other capital instruments as follows:

- mandatory interest falling due on certain subordinated liabilities is to be payable by AIB in its sole discretion, and the maturity date of the subordinated liabilities is to be extended to 2035;
- in respect of certain subordinated liabilities, restrictions on (i) the payment of any distribution or dividend on any other junior or parity securities of AIB; or (ii) any repurchase or redemption of such junior or parity securities have been removed; and
- in respect of certain subordinated liabilities, (i) the requirement to pay any arrears of interest on such liabilities upon the payment of any dividends by AIB has been removed, and (ii) the payment of any coupon on such liabilities following the payment of a dividend by AIB is now entirely at the option of AIB.

h) Central Bank and Credit Institutions (Resolution) Bills

On 28 February 2011, the Government published the Central Bank and Credit Institutions (Resolution) Bill. The Bill is intended to provide a permanent resolution regime for credit institutions in Ireland as the Credit Institutions (Stabilisation) Act 2010 is a temporary measure for a period of two years (to 31 December 2012), unless further extended by resolution of both Houses of the Oireachtas.

On 24 May 2011, the Central Bank and Credit Institutions (Resolution) (No.2) Bill 2011 was published which is substantially the same as the Central Bank and Credit Institutions (Resolution) Bill above which lapsed upon the dissolution of the previous Government.

This legislation, if enacted, will provide the Central Bank with additional powers to achieve an effective and efficient resolution regime for credit institutions that are failing or likely to fail and that is effective in protecting the Exchequer and the stability of the financial system and the economy. The Bill provides for the establishment of "Bridge-Banks" for the purposes of holding assets or liabilities which have been transferred under a transfer order. Bridge-Banks are only intended to hold such assets or liabilities on a temporary basis pending onward transfer as soon as possible.

The Bill also provides for the establishment of a Resolution Fund to minimise taxpayers' exposure to future financial sector difficulties which would be funded by contributions from credit institutions.

41 Related party transactions ***(continued)***

(i) Transactions with the Irish Government and Irish Government related entities

The following table outlines the balances held with Irish Government entities[1] at 30 June 2011 and 31 December 2010, together with the highest balances held at any point during the period:

	Note	**30 June 2011** Balance € m	**30 June 2011** Highest[2] balance held € m	31 December 2010 Balance € m	31 December 2010 Highest[2] balance held € m
Assets					
Cash and balances at central banks	a	**756**	**2,201**	1,158	6,912
Trading portfolio financial assets		**–**	**–**	–	40
Derivative financial instruments		**45**	**75**	46	101
Loans and receivables to banks	b	**459**	**2,115**	484	6,453
Loans and receivables to customers	c	**13**	**13**	1	1,012
NAMA senior bonds	d	**19,549**	**19,549**	7,869	7,869
Financial investments available for sale	e	**3,564**	**4,537**	4,478	4,784
Total assets		**24,386**		14,036	

		30 June 2011 Balance € m	**30 June 2011** Highest[2] balance held € m	31 December 2010 Balance € m	31 December 2010 Highest[2] balance held € m
Liabilities					
Deposits by central banks and banks	f	**28,541**	**48,002**	37,151	38,814
Customer accounts	g	**11,374**	**11,410**	274	343
Derivative financial instruments		**1**	**31**	–	3
Total liabilities		**39,916**		37,425	

[1]Includes all departments of the Irish Government located in the State and embassies, consulates and other institutions of the Irish Government located outside the State. The Post Office Savings Banks ("POSB") and the National Treasury Management Agency ("NTMA") are included.

[2]The highest balance during the period, together with the outstanding balance at the end of each period, is considered the most meaningful way of representing the amount of transactions that have occurred between AIB and the Irish Government.

a Cash and balances at the Central Bank represents the minimum reserve requirements which AIB is required to hold. Balances on this account can fluctuate significantly due to the reserve requirement being determined on the basis of the institutions average daily reserve holdings over a one month maintenance period.

b The balances on loans and receivables to banks includes statutory balances with the Central Bank as well as overnight funds placed.

c This balance relates to funds placed with the NTMA in the normal course of business cash management.

d NAMA senior bonds were received as consideration for loans transferred to NAMA and as part of the Anglo transaction. These are detailed in note 23 and under 'NAMA' above.

e Financial investments available for sale comprise € 3,405 million (31 December 2010: € 4,309 million) in Irish Government securities held in the normal course of business and NAMA subordinated bonds which have a fair value at 30 June 2011 of € 159 million (31 December 2010: € 169 million) detailed above under 'NAMA'.

f This relates to funding received from the Central Bank which is detailed under 'Funding Support' above, the total of which amounts to € 28,200 million (31 December 2010: € 36,635 million). In addition, a deposit relating to Icarom and other funds accepted from the Central Bank are included.

g Includes deposits of € 11,020 million placed by the NTMA which were repaid prior to the recapitalisation of AIB which took place on 27 July 2011. Normal day to day deposits with the NTMA have been included within the other categories in this note as appropriate.

All other balances, both assets and liabilities are carried out in the ordinary course of banking business on normal terms and conditions.

41 Related party transactions ***(continued)***

(i) Transactions with the Irish Government and Irish Government related entities ***(continued)***

Local government

During the period to 30 June 2011, AIB entered into banking transactions in the normal course of business with local government bodies. These transactions include the granting of loans and the acceptance of deposits, and clearing transactions.

Commercial semi-state bodies

During the period to 30 June 2011, AIB entered into banking transactions in the normal course of business with semi-state bodies. These transactions principally include the granting of loans and the acceptance of deposits as well as derivative transactions and clearing transactions.

Financial institutions under Irish Government control/significant influence

Certain financial institutions are related parties to AIB by virtue of the Irish Government either controlling or having a significant influence over these institutions. The following institutions are controlled by the Irish Government: Anglo Irish Bank Corporation Limited, EBS Building Society (from 1 July 2011 known as EBS Limited) ("EBS") and Irish Nationwide Building Society. As detailed under 41 (e) and in note 45, EBS was acquired by AIB effective from 1 July 2011. In the case of both Bank of Ireland and Irish Life and Permanent, the Irish Government is deemed to have significant influence over these.

Transactions with these institutions are normal banking transactions entered into in the ordinary course of cash management business under normal business terms. The transactions constitute the short-term placing and acceptance of deposits, derivative transactions, investment in available for sale debt securities and repurchase agreements.

At 30 June 2011, the following balances were outstanding in total to these financial institutions:

	30 June 2011 € m	31 December 2010 € m
Assets		
Derivative financial instruments	**135**	135
Loans and receivables to banks[(1)]	**189**	99
Financial investments available for sale	**315**[(2)]	361
Liabilities		
Deposits by central banks and banks[(3)]	**116**	593
Derivative financial instruments	**73**	39

[(1)]The highest balance in loans and receivables to banks amounted to € 1.8 billion (31 December 2010: € 450 million) in respect of a placing during the period.

[(2)]Net of provisions € 133 million at 30 June 2011.

[(3)]In relation to deposits by central banks and banks, the highest balance was a deposit of € 650 million (31 December 2010: € 1.3 billion).

42 Other financial information	Half-year 30 June 2011 %	Half-year 30 June 2010 %
Operating ratios		
Operating expenses/operating income[1][2]	**114.4**	70.7
Other income/operating income[1][2]	**16.9**	14.1
Net interest margin[3]:		
Group	**0.96**	1.40
Domestic	**0.55**	1.19
Foreign	**2.35**	2.11

Average interest earning assets - continuing operations	Half-year 30 June 2011	Year ended 31 December 2010
Group	**127,097**	141,093
Domestic	**98,457**	107,626
Foreign	**28,640**	33,467

Rates of exchange	Half-year 30 June 2011	Half-year 30 June 2010
€/US$		
Closing	**1.4453**	1.2271
Average	**1.4038**	1.3266
€/Stg£		
Closing	**0.9026**	0.8175
Average	**0.8685**	0.8697
€/PLN		
Closing	**3.9903**	4.1470
Average	**3.9523**	4.0020

[1]Excludes gains on redemption of subordinated liabilities (note 6) and the loss on disposal of financial instruments held for sale to NAMA (note 16).

[2]Relate to continuing operations only.

[3]Net interest margin represents net interest income as a percentage of average interest earning assets.

43 Loans and receivables - risk information

The following tables set out various risk disclosures on loans and receivables incorporating (i) loans and receivables to customers; (ii) loans and receivables to customers within financial assets held for sale to NAMA; and (iii) loans and receivables to customers within disposal groups and non-current assets held for sale. The loans and receivables of BZWBK which was a discontinued operation at 31 December 2010 have been excluded from the comparative information.

The risk disclosures are as follows:

(a) Total loans and receivables to customers by geographic location and industry sector
(b) Total construction and property loans by geographic location
(c) Total leveraged debt by geographic location and industry sector
(d) Aged analysis of contractually past due but not impaired facilities
(e) Total impaired loans by geographic location and industry sector
(f) Total provision for impairment by geographic location and industry sector
(g) Impaired loans analysis
(h) Internal credit ratings - total loans and receivables to customers

43 Loans and receivables - risk information

(a) Total loans and receivables to customers by geographic location and industry sector

30 June 2011

	Republic of Ireland			United Kingdom			United States of America			Rest of the World			Total		
	Loans and receivables to customers € m	Financial assets held for sale to NAMA € m	Disposal groups and non-current assets held for sale € m	Loans and receivables to customers € m	Financial assets held for sale to NAMA € m	Disposal groups and non-current assets held for sale € m	Loans and receivables to customers € m	Financial assets held for sale to NAMA € m	Disposal groups and non-current assets held for sale € m	Loans and receivables to customers € m	Financial assets held for sale to NAMA € m	Disposal groups and non-current assets held for sale € m	Loans and receivables to customers € m	Financial assets held for sale to NAMA € m	Disposal groups and non-current assets held for sale € m
Agriculture	1,916	2	6	58	-	-	-	-	-	-	-	-	1,974	2	6
Energy	364	-	186	242	2	22	42	-	52	-	-	159	648	2	419
Manufacturing	1,671	-	188	586	-	-	15	-	2	-	-	69	2,272	-	259
Construction and property	15,887	444	676	6,812	509	-	117	-	337	-	-	140	22,816	953	1,153
Distribution	6,624	29	171	2,137	75	-	28	-	22	-	-	45	8,789	104	238
Transport	666	-	32	608	-	62	21	-	37	-	-	2	1,295	-	133
Financial	1,069	-	5	365	2	-	5	-	-	-	-	-	1,439	2	5
Other services	3,303	4	132	3,589	1	167	390	-	13	4	-	9	7,286	5	321
Personal															
- Home mortgages	26,829	20	-	3,206	2	-	-	-	-	-	-	54	30,035	22	54
- Other	4,995	18	-	591	2	-	-	-	-	-	-	-	5,586	20	-
Lease financing	705	-	-	-	-	-	-	-	-	-	-	-	705	-	-
	64,029	517	1,396	18,194	593	251	618	-	463	4	-	478	82,845	1,110	2,588
Unearned income	(77)	-	(4)	(40)	-	-	(1)	-	(1)	-	-	(1)	(118)	-	(6)
Provisions	(8,219)	(104)	-	(1,383)	(66)	-	(28)	-	-	-	-	(5)	(9,630)	(170)	(5)
Total	55,733	413	1,392	16,771	527	251	589	-	462	4	-	472	73,097	940	2,577

Notes to the Interim financial statements

43 Loans and receivables - risk information *(continued)*

(a) Total loans and receivables to customers by geographic location and industry sector *(continued)*

31 December 2010

	Republic of Ireland			United Kingdom			United States of America			Rest of the World			Total		
	Loans and receivables to customers	Financial assets held for sale to NAMA	Disposal groups and non-current assets held for sale	Loans and receivables to customers	Financial assets held for sale to NAMA	Disposal groups and non-current assets held for sale	Loans and receivables to customers	Financial assets held for sale to NAMA	Disposal groups and non-current assets held for sale	Loans and receivables to customers	Financial assets held for sale to NAMA	Disposal groups and non-current assets held for sale	Loans and receivables to customers	Financial assets held for sale to NAMA	Disposal groups and non-current assets held for sale
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Agriculture	1,939	-	-	67	-	-	-	-	-	-	-	-	2,006	-	-
Energy	686	-	-	304	3	-	201	-	-	163	-	-	1,354	3	-
Manufacturing	2,617	-	-	843	15	-	60	-	-	153	-	-	3,673	15	-
Construction and property	17,246	567	-	7,430	1,351	-	732	-	-	494	-	-	25,902	1,918	-
Distribution	7,626	43	-	2,439	92	-	122	-	-	58	-	-	10,245	135	-
Transport	809	1	-	749	-	-	73	-	-	2	-	-	1,633	1	-
Financial	1,368	-	-	525	27	-	29	-	-	-	-	-	1,922	27	-
Other services	4,080	27	-	4,523	17	-	751	-	-	98	-	-	9,452	44	-
Personal															
- Home mortgages	27,290	86	-	3,534	-	-	-	-	-	-	-	74	30,824	86	74
- Other	5,349	8	-	672	11	-	-	-	-	-	-	-	6,021	19	-
Lease financing	764	-	-	8	-	-	-	-	-	-	-	-	772	-	-
	69,774	732	-	21,094	1,516	-	1,968	-	-	968	-	74	93,804	2,248	74
Unearned income	(102)	-	-	(58)	-	-	(5)	-	-	(2)	-	-	(167)	-	-
Provisions	(6,230)	(137)	-	(1,017)	(192)	-	(23)	-	-	(17)	-	(12)	(7,287)	(329)	(12)
Total	63,442	595	-	20,019	1,324	-	1,940	-	-	949	-	62	86,350	1,919	62

43 Loans and receivables - risk information *(continued)*

(b) Total construction and property loans by geographic location

The following tables analyse the exposures at 30 June 2011 and 31 December 2010 by geography 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. The geographic distribution of balances is based on the location of the office recording the transaction and is not necessarily the location of the property being purchased.

30 June 2011

	Republic of Ireland			United Kingdom			United States of America			Rest of the World			Total		
	Loans and receivables to customers	Financial assets held for sale to NAMA	Disposal groups and non-current assets held for sale	Loans and receivables to customers	Financial assets held for sale to NAMA	Disposal groups and non-current assets held for sale	Loans and receivables to customers	Financial assets held for sale to NAMA	Disposal groups and non-current assets held for sale	Loans and receivables to customers	Financial assets held for sale to NAMA	Disposal groups and non-current assets held for sale	Loans and receivables to customers	Financial assets held for sale to NAMA	Disposal groups and non-current assets held for sale
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Investment															
- Commercial	8,805	341	595	3,158	295	-	46	-	172	-	-	106	12,009	636	873
- Residential	1,843	37	30	1,259	13	-	26	-	160	-	-	-	3,128	50	190
	10,648	378	625	4,417	308	-	72	-	332	-	-	106	15,137	686	1,063
Land and development															
- Commercial	1,358	17	47	187	17	-	43	-	-	-	-	10	1,588	34	57
- Residential	3,548	47	4	1,534	182	-	2	-	5	-	-	24	5,084	229	33
	4,906	64	51	1,721	199	-	45	-	5	-	-	34	6,672	263	90
Contractors	333	2	-	180	2	-	-	-	-	-	-	-	513	4	-
Housing associations	-	-	-	494	-	-	-	-	-	-	-	-	494	-	-
Total	15,887	444	676	6,812	509	-	117	-	337	-	-	140	22,816	953	1,153
As a percentage of total loans	25%[(1)]	86%[(2)]	48%[(3)]	37%[(1)]	86%[(2)]	0%[(3)]	19%[(1)]	0%[(2)]	73%[(3)]	0%[(1)]	0%[(2)]	29%[(3)]	28%[(1)]	86%[(2)]	45%[(3)]

[(1)]Total loans relate to loans and receivables to customers within relevant geographic split and are gross of provisions and unearned income.

[(2)]Total loans relate to loans and receivables held for sale to NAMA within relevant geographic split and are gross of provisions and unearned income.

[(3)]Total loans relate to loans held for sale as part of disposal groups and non-current assets held for sale within relevant geographic split and are gross of provisions and unearned income.

Loans for property investment comprise 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 € 9,741 million in the Republic of Ireland is spread across the following property types: retail 36%; office 30%; industrial 7%; and mixed 27%. The € 3,453 million in the United Kingdom is spread across the following property types: retail 30%; office 36%; industrial 23%; and mixed 11%. The € 218 million in the United States of America is spread across the following property types: retail 17%; office 64%; industrial 5%; and mixed 14%. The € 106 million in the Rest of the World relates to the office property type only.

43 Loans and receivables - risk information ***(continued)***

(b) Total construction and property loans by geographic location (*continued*)

31 December 2010

	Republic of Ireland			United Kingdom			United States of America			Rest of the World			Total		
	Loans and receivables to customers € m	Financial assets held for sale to NAMA € m	Disposal groups and non-current assets held for sale € m	Loans and receivables to customers € m	Financial assets held for sale to NAMA € m	Disposal groups and non-current assets held for sale € m	Loans and receivables to customers € m	Financial assets held for sale to NAMA € m	Disposal groups and non-current assets held for sale € m	Loans and receivables to customers € m	Financial assets held for sale to NAMA € m	Disposal groups and non-current assets held for sale € m	Loans and receivables to customers € m	Financial assets held for sale to NAMA € m	Disposal groups and non-current assets held for sale € m
Investment															
- Commercial	9,425	354	-	3,403	533	-	409	-	-	442	-	-	13,679	887	-
- Residential	1,893	24	-	1,362	48	-	242	-	-	-	-	-	3,497	72	-
	11,318	378	-	4,765	581	-	651	-	-	442	-	-	17,176	959	-
Land and development															
- Commercial	1,566	53	-	208	73	-	42	-	-	31	-	-	1,847	126	-
- Residential	3,749	136	-	1,736	665	-	37	-	-	21	-	-	5,543	801	-
	5,315	189	-	1,944	738	-	79	-	-	52	-	-	7,390	927	-
Contractors	613	-	-	192	12	-	2	-	-	-	-	-	807	12	-
Housing associations	-	-	-	529	20	-	-	-	-	-	-	-	529	20	-
Total	17,246	567	-	7,430	1,351	-	732	-	-	494	-	-	25,902	1,918	-
As a percentage of total loans	25%(1)	77%(2)	0%(3)	35%(1)	89%(2)	0%(3)	37%(1)	0%(2)	0%(3)	51%(1)	0%(2)	0%(3)	28%(1)	85%(2)	0%(3)

(1)Total loans relate to loans and receivables to customers within relevant geographic split and are gross of provisions and unearned income.

(2)Total loans relate to loans and receivables held for sale to NAMA within relevant geographic split and are gross of provisions and unearned income.

(3)Total loans relate to loans held for sale as part of disposal groups and non-current assets held for sale within relevant geographic split and are gross of provisions and unearned income.

Loans for property investment comprise 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 € 9,779 million in the Republic of Ireland is spread across the following property types: retail 36%; office 31%; industrial 7%; and mixed 26%. The € 3,936 million in the United Kingdom is spread across the following property types: retail 30%; office 40%; industrial 20%; and mixed 10%. The € 409 million in the United States of America is spread across the following property types: retail 23%; office 50%; industrial 12%; and mixed 15%. The € 442 million in the Rest of the World is spread across the following property types: retail 42%; office 52%; industrial 5%; and mixed 1%.

43 Loans and receivables - risk information ***(continued)***

(c) Total leveraged debt by geographic location and industry sector

Leveraged lending (including the financing of management buy-outs, buy-ins and private equity buy-outs) is conducted primarily through specialist lending teams. The leveraged loan book set out below includes € 1,781 million of loans and receivables to customers and Nil for disposal groups and non-current assets held for sale. Specific impairment provisions of € 54 million (31 December 2010: € 79 million) are currently held against impaired exposures of € 83 million (31 December 2010: € 190 million) where there has been a permanent reduction in the value of the credit assets in question. These impaired exposures are not included in the analysis below. The unfunded element below includes off-balance sheet facilities and the undrawn element of facility commitments.

Total leveraged debt by geographic location

	30 June 2011		31 December 2010	
	Funded € m	**Unfunded € m**	Funded € m	Unfunded € m
United Kingdom	**233**	**45**	600	102
Rest of Europe	**432**	**87**	885[1]	214
United States of America	**1,007**	**152**	1,684	326
Rest of the World	**109**	**13**	166	100
	1,781	**297**	3,335	742

Funded leveraged debt by industry sector

	30 June 2011 € m	31 December 2010 € m
Agriculture	**6**	6
Construction and property	**7**	17
Distribution	**368**	597
Energy	**44**	70
Financial	**27**	100
Manufacturing	**710**	1,321[1]
Transport	**66**	113
Other services	**553**	1,111
	1,781	3,335

[1]In the Annual Financial Report 2010 funded leveraged debt of € 21 million relating to BZWBK was included in this analysis.

Notes to the Interim financial statements

43 Loans and receivables - risk information ***(continued)***

(d) Aged analysis of contractually past due but not impaired facilities

30 June 2011

	1-30 days			31-60 days			61-90 days			91+ days			Total		
	Loans and receivables to customers € m	Financial assets held for sale to NAMA € m	Disposal groups and non-current assets held for sale € m	Loans and receivables to customers € m	Financial assets held for sale to NAMA € m	Disposal groups and non-current assets held for sale € m	Loans and receivables to customers € m	Financial assets held for sale to NAMA € m	Disposal groups and non-current assets held for sale € m	Loans and receivables to customers € m	Financial assets held for sale to NAMA € m	Disposal groups and non-current assets held for sale € m	Loans and receivables to customers € m	Financial assets held for sale to NAMA € m	Disposal groups and non-current assets held for sale € m
Agriculture	66	-	-	29	-	-	11	-	-	62	-	-	168	-	-
Energy	10	-	-	1	-	-	-	-	-	8	-	-	19	-	-
Manufacturing	33	-	-	10	-	-	4	-	-	17	-	-	64	-	-
Construction and property	428	17	-	216	5	-	141	1	-	933	3	23	1,718	26	23
Distribution	198	-	-	95	-	-	35	-	-	283	1	2	611	1	2
Transport	17	-	-	8	-	-	2	-	-	16	-	-	43	-	-
Financial	13	-	-	2	-	-	2	-	-	5	-	-	22	-	-
Other services	101	-	-	47	-	-	22	-	-	116	1	-	286	1	-
Personal															
- Home mortgages	738	-	2	328	1	-	197	-	-	442	4	-	1,705	5	2
- Credit cards	44	-	-	18	-	-	13	-	-	9	-	-	84	-	-
- Other	139	1	-	86	-	-	45	-	-	261	2	-	531	3	-
	1,787	18	2	840	6	-	472	1	-	2,152	11	25	5,251	36	27
As a percentage of total loans	2.2%(1)	1.6%(2)	0.1%(3)	1.0%(1)	0.5%(2)	0%(3)	0.6%(1)v	0.1%(2)	0%(3)	2.6%(1)	1.0%(2)	1.0%(3)	6.4%(1)	3.2%(2)	1.1%(3)

(1) Total loans relate to loans and receivables to customers and are gross of provisions and unearned income.

(2) Total loans relate to loans and receivables held for sale to NAMA and are gross of provisions and unearned income.

(3) Total loans relate to loans held for sale as part of disposal groups and non-current assets held for sale and are gross of provisions and unearned income.

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

43 Loans and receivables - risk information *(continued)*

(d) Aged analysis of contractually past due but not impaired facilities (*continued*)

31 December 2010

	1-30 days			31-60 days			61-90 days			91+ days			Total		
	Loans and receivables to customers € m	Financial assets held for sale to NAMA € m	Disposal groups and non-current assets held for sale € m	Loans and receivables to customers € m	Financial assets held for sale to NAMA € m	Disposal groups and non-current assets held for sale € m	Loans and receivables to customers € m	Financial assets held for sale to NAMA € m	Disposal groups and non-current assets held for sale € m	Loans and receivables to customers € m	Financial assets held for sale to NAMA € m	Disposal groups and non-current assets held for sale € m	Loans and receivables to customers € m	Financial assets held for sale to NAMA € m	Disposal groups and non-current assets held for sale € m
Agriculture	91	-	-	40	-	-	16	-	-	46	-	-	193	-	-
Energy	6	-	-	1	-	-	1	-	-	2	-	-	10	-	-
Manufacturing	29	-	-	15	-	-	11	-	-	18	-	-	73	-	-
Construction and property	661	4	-	418	70	-	150	67	-	842	18	-	2,071	159	-
Distribution	223	-	-	109	-	-	60	-	-	207	1	-	599	1	-
Transport	29	-	-	5	-	-	5	-	-	8	-	-	47	-	-
Financial	11	-	-	2	-	-	-	-	-	13	-	-	26	-	-
Other services	177	-	-	51	-	-	25	-	-	106	2	-	359	2	-
Personal															
- Home mortgages	542	3	3	242	1	-	170	1	-	347	6	-	1,301	11	3
- Credit cards	63	-	-	22	-	-	13	-	-	10	-	-	108	-	-
- Other	209	-	-	101	-	-	53	-	-	229	1	-	592	1	-
	2,041	7	3	1,006	71	-	504	68	-	1,828	28	-	5,379	174	3
As a percentage of total loans	2.2%[1]	0.3%[2]	4.1%[3]	1.1%[1]	3.2%[2]	0%[3]	0.5%[1]	3.0%[2]	0%[3]	1.9%[1]	1.3%[2]	0%[3]	5.7%[1]	7.8%[2]	4.1%[3]

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

[2]Total loans relate to loans and receivables held for sale to NAMA and are gross of provisions and unearned income.

[3]Total loans relate to loans and receivables within disposal groups and non-current assets held for sale and are gross of provisions and unearned income.

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

Notes to the Interim financial statements

43 Loans and receivables - risk information *(continued)*

(e) Total impaired loans by geographic location and industry sector

30 June 2011

	Republic of Ireland			United Kingdom			United States of America			Rest of the World			Total		
	Loans and receivables to customers	Financial assets held for sale to NAMA	Disposal groups and non-current assets held for sale	Loans and receivables to customers	Financial assets held for sale to NAMA	Disposal groups and non-current assets held for sale	Loans and receivables to customers	Financial assets held for sale to NAMA	Disposal groups and non-current assets held for sale	Loans and receivables to customers	Financial assets held for sale to NAMA	Disposal groups and non-current assets held for sale	Loans and receivables to customers	Financial assets held for sale to NAMA	Disposal groups and non-current assets held for sale
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Agriculture	268	1	-	11	-	-	-	-	-	-	-	-	279	1	-
Energy	19	-	-	-	-	-	-	-	-	-	-	-	19	-	-
Manufacturing	232	-	-	85	-	-	-	-	-	-	-	-	317	-	-
Construction and															
property	6,902	94	-	1,670	157	-	16	-	-	-	-	-	8,588	251	-
Distribution	1,775	27	-	289	-	-	20	-	-	-	-	-	2,084	27	-
Transport	87	-	-	6	-	-	12	-	-	-	-	-	105	-	-
Financial	58	-	-	4	-	-	-	-	-	-	-	-	62	-	-
Other services	429	-	-	251	1	-	8	-	-	-	-	-	688	1	-
Personal															
- Home mortgages	1,693	10	-	144	-	-	-	-	-	-	-	17	1,837	10	17
- Other	1,002	15	-	71	1	-	-	-	-	-	-	-	1,073	16	-
Lease financing	144	-	-	-	-	-	-	-	-	-	-	-	144	-	-
Total	**12,609**	**147**	**-**	**2,531**	**159**	**-**	**56**	**-**	**-**	**-**	**-**	**17**	**15,196**	**306**	**17**

43 Loans and receivables - risk information *(continued)*

(e) Total impaired loans by geographic location and industy sector (*continued*)

31 December 2010

	Republic of Ireland			United Kingdom			United States of America			Rest of the World			Total		
	Loans and receivables to customers	Financial assets held for sale to NAMA	Disposal groups and non-current assets held for sale	Loans and receivables to customers	Financial assets held for sale to NAMA	Disposal groups and non-current assets held for sale	Loans and receivables to customers	Financial assets held for sale to NAMA	Disposal groups and non-current assets held for sale	Loans and receivables to customers	Financial assets held for sale to NAMA	Disposal groups and non-current assets held for sale	Loans and receivables to customers	Financial assets held for sale to NAMA	Disposal groups and non-current assets held for sale
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Agriculture	193	-	-	10	-	-	-	-	-	-	-	-	203	-	-
Energy	7	-	-	-	-	-	1	-	-	-	-	-	8	-	-
Manufacturing	293	-	-	75	-	-	-	-	-	3	-	-	371	-	-
Construction and															
property	5,510	167	-	1,408	450	-	40	-	-	14	-	-	6,972	617	-
Distribution	1,505	36	-	240	13	-	22	-	-	-	-	-	1,767	49	-
Transport	77	-	-	2	-	-	12	-	-	-	-	-	91	-	-
Financial	61	-	-	15	-	-	-	-	-	-	-	-	76	-	-
Other services	384	15	-	117	15	-	-	-	-	24	-	-	525	30	-
Personal															
- Home mortgages	1,013	37	-	115	-	-	-	-	-	-	-	27	1,128	37	27
- Other	777	5	-	61	3	-	-	-	-	-	-	-	838	8	-
Lease financing	135	-	-	-	-	-	-	-	-	-	-	-	135	-	-
Total	9,955	260	-	2,043	481	-	75	-	-	41	-	27	12,114	741	27

Collateral and other credit enhancements

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

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

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

Notes to the Interim financial statements

43 Loans and receivables - risk information *(continued)*

(f) Total provision for impairment by geographic location and industry sector

30 June 2011

	Republic of Ireland			United Kingdom			United States of America			Rest of the World			Total		
	Loans and receivables to customers	Financial assets held for sale to NAMA	Disposal groups and non-current assets held for sale	Loans and receivables to customers	Financial assets held for sale to NAMA	Disposal groups and non-current assets held for sale	Loans and receivables to customers	Financial assets held for sale to NAMA	Disposal groups and non-current assets held for sale	Loans and receivables to customers	Financial assets held for sale to NAMA	Disposal groups and non-current assets held for sale	Loans and receivables to customers	Financial assets held for sale to NAMA	Disposal groups and non-current assets held for sale
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Agriculture	146	1	-	5	-	-	-	-	-	-	-	-	151	1	-
Energy	17	-	-	-	-	-	-	-	-	-	-	-	17	-	-
Manufacturing	117	-	-	37	-	-	-	-	-	-	-	-	154	-	-
Construction and															
property	3,584	62	-	652	54	-	14	-	-	-	-	-	4,250	116	-
Distribution	835	15	-	135	-	-	5	-	-	-	-	-	975	15	-
Transport	56	-	-	2	-	-	6	-	-	-	-	-	64	-	-
Financial	52	-	-	1	-	-	-	-	-	-	-	-	53	-	-
Other services	238	-	-	118	1	-	2	-	-	-	-	-	358	1	-
Personal															
- Home mortgages	487	3	-	49	-	-	-	-	-	-	-	-	536	3	-
- Other	646	9	-	41	-	-	-	-	-	-	-	-	687	9	-
Lease financing	119	-	-	-	-	-	-	-	-	-	-	-	119	-	-
Specific	6,297	90	-	1,040	55	-	27	-	-	-	-	-	7,364	145	-
IBNR	1,922	14	-	343	11	-	1	-	-	-	-	5	2,266	25	5
Total	8,219	104	-	1,383	66	-	28	-	-	-	-	5	9,630	170	5

43 Loans and receivables - risk information *(continued)*

(f) Total provision for impairment by geographic location and industry sector *(continued)*

31 December 2010

	Republic of Ireland			United Kingdom			United States of America			Rest of the World			Total		
	Loans and receivables to customers € m	Financial assets held for sale to NAMA € m	Disposal groups and non-current assets held for sale € m	Loans and receivables to customers € m	Financial assets held for sale to NAMA € m	Disposal groups and non-current assets held for sale € m	Loans and receivables to customers € m	Financial assets held for sale to NAMA € m	Disposal groups and non-current assets held for sale € m	Loans and receivables to customers € m	Financial assets held for sale to NAMA € m	Disposal groups and non-current assets held for sale € m	Loans and receivables to customers € m	Financial assets held for sale to NAMA € m	Disposal groups and non-current assets held for sale € m
Agriculture	100	-	-	5	-	-	-	-	-	-	-	-	105	-	-
Energy	5	-	-	-	-	-	-	-	-	-	-	-	5	-	-
Manufacturing	128	-	-	30	-	-	-	-	-	3	-	-	161	-	-
Construction and															
property	2,310	39	-	525	176	-	14	-	-	4	-	-	2,853	215	-
Distribution	678	8	-	121	-	-	2	-	-	-	-	-	801	8	-
Transport	44	-	-	1	-	-	6	-	-	-	-	-	51	-	-
Financial	45	-	-	3		-	-	-	-	-	-	-	48	-	-
Other services	200	3	-	49	1	-	-	-	-	10	-	-	259	4	-
Personal															
- Home mortgages	212	-	-	30	-	-	-	-	-	-	-	6	242	-	6
- Other	479	2	-	35	-	-	-	-	-	-	-	-	514	2	-
Lease financing	109	-	-	-	-	-	-	-	-	-	-	-	109	-	-
Specific	4,310	52	-	799	177	-	22	-	-	17	-	6	5,148	229	6
IBNR	1,920	85	-	218	15	-	1	-	-	-	-	6	2,139	100	6
Total	6,230	137	-	1,017	192	-	23	-	-	17	-	12	7,287	329	12

43 Loans and receivables - risk information ***(continued)***

(g) Impaired loans analysis

The following tables set out, at 30 June 2011 and 31 December 2010, loans identified as impaired, analysed between those instances where provisions are calculated based on loans that are individually significant and those that are individually insignificant. This analysis includes impaired loans and receivables to customers of € 15,196 million (31 December 2010: € 12,114 million), impaired loans and receivables held for sale to NAMA of € 306 million (31 December 2010: € 741 million), and impaired loans and receivables included within disposal groups and non-current assets held for sale of € 17 million (31 December 2010: € 27 million).

The level of provision and associated provision cover for individually significant and individually insignificant impaired loans as at 30 June 2011 and 31 December 2010 are outlined in the following tables:

			30 June 2011
	Individually significant € m	**Individually insignificant € m**	**Total € m**
Balance	**13,608**	**1,911**	**15,519**
% of total	**88**	**12**	**100**
Provision	**6,259**	**1,250**	**7,509**
% provision cover	**46**	**65**	**48**

			31 December 2010[1]
	Individually significant € m	Individually insignificant € m	Total € m
Balance	11,384	1,498	12,882
% of total	88	12	100
Provision	4,442	941	5,383
% provision cover	39	63	42

[1]Excludes BZWBK at 31 December 2010.

43 Loans and receivables - risk information *(continued)*

(h) Internal credit ratings - total loans and receivables to customers

Internal credit ratings

Ratings profiles

The Group's rating systems consist of a number of individual rating tools designed to assess the risk within particular portfolios. These 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 the Group.

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

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

Masterscale rating ranges:

Grade 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).

Grades 11 – 13 contains the remainder of the Group's criticised loans, including impaired loans, together with loans written at a high PD where there is a commensurate higher margin for the risk taken.

Loans and receivables to customers

Lending classifications:

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

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

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

The tables for Internal credit ratings - total loans and receivables to customers are shown on the following pages.

Notes to the Interim financial statements

43 Loans and receivables - risk information *(continued)*

(h) Internal credit ratings - total loans and receivables to customers *(continued)*

												30 June 2011
	Corporate/Commercial			Residential mortgages			Other			Total		
	Loans and receivables to customers	Financial assets held for sale to NAMA	Disposal groups and non-current assets held for sale	Loans and receivables to customers	Financial assets held for sale to NAMA	Disposal groups and non-current assets held for sale	Loans and receivables to customers	Financial assets held for sale to NAMA	Disposal groups and non-current assets held for sale	Loans and receivables to customers	Financial assets held for sale to NAMA	Disposal groups and non-current assets held for sale
Masterscale grade	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
1 to 3	1,827	-	125	11,349	1	-	990	-	-	14,166	1	125
4 to 10	24,565	392	2,362	12,133	3	35	3,168	11	-	39,866	406	2,397
11 to 13	4,553	359	22	2,145	2	-	1,668	-	-	8,366	361	22
	30,945	751	2,509	25,627	6	35	5,826	11	-	62,398	768	2,544
Past due but not impaired	3,157	30	25	1,516	5	2	578	1	-	5,251[1]	36[2]	27[3]
Impaired	12,664	294	-	1,369	10	17	1,163	2	-	15,196	306	17
	46,766	1,075	2,534	28,512	21	54	7,567	14	-	82,845	1,110	2,588
Unearned income										(118)	-	(6)
Provisions										(9,630)	(170)	(5)
Total										73,097	940	2,577

[1]Of this amount, € 74 million relates to masterscale grade 1 - 3, € 2,039 million relates to masterscale grade 4 - 10, and € 3,138 million relates to masterscale grade 11 - 13.

[2]Of this amount, Nil relates to masterscale grade 1 - 3, € 5 million relates to masterscale grade 4 - 10, and € 31 million relates to masterscale grade 11 - 13.

[3]Of this amount, Nil relates to masterscale grade 1 - 3, € 2 million relates to masterscale grade 4 - 10, and € 25 million relates to masterscale grade 11 - 13.

43 Loans and receivables - risk information *(continued)*

(h) Internal credit ratings - total loans and receivables to customers *(continued)*

31 December 2010

	Corporate/Commercial			Residential mortgages			Other			Total		
Masterscale grade	Loans and receivables to customers € m	Financial assets held for sale to NAMA € m	Disposal groups and non-current assets held for sale € m	Loans and receivables to customers € m	Financial assets held for sale to NAMA € m	Disposal groups and non-current assets held for sale € m	Loans and receivables to customers € m	Financial assets held for sale to NAMA € m	Disposal groups and non-current assets held for sale € m	Loans and receivables to customers € m	Financial assets held for sale to NAMA € m	Disposal groups and non-current assets held for sale € m
1 to 3	2,915	-	-	12,638	7	-	1,156	-	-	16,709	7	-
4 to 10	34,527	863	-	12,871	5	44	3,407	12	-	50,805	880	44
11 to 13	5,806	439	-	1,436	5	-	1,555	1	-	8,797	445	-
	43,248	1,302	-	26,945	17	44	6,118	13	-	76,311	1,332	44
Past due but not impaired	3,347	164	-	1,313	10	3	719	1	-	5,379[1]	175[2]	3[3]
Impaired	10,115	710	-	839	30	27	1,160	1	-	12,114	741	27
	56,710	2,176	-	29,097	57	74	7,997	15	-	93,804	2,248	74
Unearned income										(167)	-	-
Provisions										(7,287)	(329)	(12)
Total										86,350	1,919	62

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

[2]Of this amount, Nil relates to masterscale grade 1 - 3, € 19 million relates to masterscale grade 4 - 10, and € 156 million relates to masterscale grade 11 - 13.

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

44 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 six months, a significant effect on the results or the financial position of AIB Group.

45 Non-adjusting events after the reporting period

Repayment of NTMA deposits

The deposits were repaid to the NTMA prior to the recapitalisation which took place on 27 July 2011 (see below).

Acquisition of EBS Limited ("EBS") (formerly EBS Building Society)

On 31 March 2011, the Minister for Finance ('the Minister') proposed the combination of AIB and EBS (formerly EBS Building Society) to form one of the pillar banks. On 26 May 2011, AIB entered into an agreement with EBS, the Minister and the NTMA to acquire EBS for a consideration of € 1 (one euro). The acquisition was effective from 1 July 2011. As both AIB and EBS are under the common control of the Minister, the acquisition will be accounted for on a carrying value basis. At 1 July 2011, EBS had € 18.9 billion of total assets and net assets of € 0.8 billion after adjusting for intergroup balances. It had approximately € 16.0 billion of customer loans and € 10.1 billion of customer deposits. The net assets of € 0.8 billion will be reflected as a capital contribution in AIB Group.

The Central Bank of Ireland PCAR requirements for EBS were € 1.5 billion in core tier 1 capital of which € 0.2 billion could be in the form of contingent capital.

European Banking Authority stress test

The results of the recent EU-wide capital stress test carried out by the European Banking Authority ("EBA") were announced on 15 July 2011. The EBA 2012 stress scenario expects AIB, post capitalisation (but excluding the impact of EBS), to have a core tier 1 capital ratio of 11.70% (including € 1.4 billion contingent capital) and it is expected that no further capital injections will be required.

Board changes

On 24 June 2011, Mr Bernard Byrne was appointed Executive Director.

On 26 July 2011, Mr Stephen Kingon, Ms Anne Maher and Mr David Pritchard resigned as Non-Executive Directors.

Liability management exercise

Three instruments which were part of the liability management exercise of 13 May 2011, had a settlement date of 22 July 2011. These instruments were: a) € 400m Floating Rate Notes due March 2015; b) € 419m 10.75% Subordinated Notes due March 2017; and c) Stg£ 700m Callable Fixed/Floating Rate Notes due July 2023.

AIB announced on 25 July 2011 that a quorum had accepted the tender offer in relation to the instruments set out above, accordingly, these instruments will be derecognised in the year end financial statements. The profit on these instruments has been largely accounted for in the period to June 2011 since they were held at fair value (notes 6 and 31).

Renominalisation of Ordinary Shares – 26 July 2011

Each of the ordinary shares of € 0.32 in the capital of the AIB plc was subdivided into one ordinary share of € 0.01 each carrying the same rights and obligations as an existing ordinary share and thirty one deferred shares of € 0.01 each on 26 July 2011 after the passing of shareholder resolutions at the EGM on that day. The deferred shares created on this renominalisation had no voting or dividend rights and had no economic value. AIB acquired all of the deferred shares for nil consideration and immediately cancelled them in accordance with its Articles of Association adopted at the EGM. This resulted in € 3.958 billion transferring from share capital to a capital redemption reserve fund.

Capital update - July

Following the required approvals by the shareholders at the EGM held on 26 July 2011, the following capital was issued:

- On 27 July 2011, AIB issued (i) 500 billion ordinary shares of € 0.01 each to the NPRFC at a subscription price of € 0.01 per share; and (ii) € 1.6 billion of contingent capital notes at par to the Minister for Finance. These transactions raised € 6.6 billion in total.
- Further to the announcement on 13 May 2011, AIB issued 762,370,687 ordinary shares to the NPRFC being the remainder of bonus shares in lieu of dividend due on the 2009 Preference shares. This share issue included an additional 38,118,535 shares prescribed by AIB's Articles of Association as a result of the 2011 annual cash dividend not being satisfied in full on the due date.

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

Capital update - July *(continued)*

Following the ordinary share issue described above, the NPRFC's shareholding in AIB increased from 93.1% to 99.8%.

On 28 July 2011, AIB received capital contributions totalling € 6.054 billion from the Minister for Finance and the NPRFC. No new shares were issued in return for these capital contributions.

As a result of the capital issued above, the capital contributions and the earlier capital raising initiatives including the liability management exercises AIB has now fulfilled its PCAR Requirement which has been confirmed by the Central Bank of Ireland.

NYSE Listing Status

On 26 August 2011, the Group announced that its American Depositary Shares ("ADSs") had been delisted and had ceased to be traded on the New York Stock Exchange effective from the close of business on 25 August 2011.

46 Approval of Half-Yearly Financial Report

The Half-Yearly Financial Report was approved by the Board of Directors on 30 August 2011.

47 Copies of the Half-Yearly Financial Report 2011 and Annual Financial Report 2010

The Half-Yearly Financial Report and the Annual Financial Report 2010 are available on AIB Group's internet site at: www.aibgroup.com/investorrelations

Capital adequacy information *(unaudited)*

Capital adequacy information	**30 June 2011 € m**	31 December 2010 € m
Tier 1		
Paid up share capital and related share premium	**9,054**	9,054
Eligible reserves	**(1,039)**	(4,776)
Equity non-controlling interests in subsidiaries	**–**	501
Supervisory deductions from core tier 1 capital	**(266)**	(851)
Core tier 1 capital	**7,749**	3,928
Non-equity non-controlling interests in subsidiaries	**–**	189
Non-cumulative perpetual preferred securities	**–**	138
Reserve capital instruments	**–**	239
Supervisory deductions from tier 1 capital	**(147)**	(259)
Total tier 1 capital	**7,602**	4,235
Tier 2		
Eligible reserves	**126**	212
Credit provisions	**738**	929
Subordinated perpetual loan capital	**–**	197
Subordinated term loan capital	**122**	3,931
Supervisory deductions from tier 2 capital	**(147)**	(258)
Total tier 2 capital	**839**	5,011
Gross capital	**8,441**	9,246
Supervisory deductions	**(122)**	(141)
Total capital	**8,319**	9,105
Risk weighted assets		
Credit risk	**71,556**	89,415
Market risk	**1,264**	1,494
Operational risk	**5,587**	7,859
Total risk weighted assets	**78,407**	98,768
Capital ratios		
Core tier 1	**9.9%**	4.0%
Tier 1	**9.7%**	4.3%
Total	**10.6%**	9.2%

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

Responsibility statement

for the half-year ended 30 June 2011

We, being the persons responsible within Allied Irish Banks, p.l.c., each confirm that to the best of his knowledge:

(1) the condensed set of financial statements comprising the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of cash flows, the consolidated statement of changes in equity, and related notes 1- 47, has been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting, being the international accounting standard applicable to the interim financial reporting, issued by the IASB and adopted unchanged pursuant to the procedure provided for under Article 6 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

(2) the interim management report includes a fair review of:

(a) the important events that have occurred during the first six months of the financial year, and their impact on the condensed set of financial statements;

(b) the principal risks and uncertainties for the remaining six months of the financial year;

(c) related parties' transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the enterprise during that period; and

(d) any changes in the related parties' transactions described in the last annual report, that could have a material effect on the financial position or performance of the enterprise in the first six months of the current financial year.

David Hodgkinson
Executive Chairman

Catherine Woods
Director, Audit Committee Chairman

Independent review report of KPMG to Allied Irish Banks, p.l.c.

Introduction

We have been engaged by the company to review the condensed set of financial statements in the Half-Yearly Financial Report for the six months ended 30 June 2011 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of cash flows, condensed consolidated statement of changes in equity and the related explanatory notes. We have read the other information contained in the Half-Yearly Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Transparency (Directive 2004/109/EC) Regulations 2007 and the Rules of the Enterprise Securities Market. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The Half-Yearly Financial Report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Half-Yearly Financial Report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 and the Rules of the Enterprise Securities Market.

As disclosed in the Basis of preparation, the annual financial statements of the Group are prepared in accordance with IFRSs as issued by the IASB and as adopted by the EU. The condensed set of financial statements included in this Half-Yearly Financial Report has been prepared in accordance with IAS 34 - *Interim Financial Reporting*, as issued by the IASB and as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the Half-Yearly Financial Report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 - *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in Ireland and the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Half-Yearly Financial Report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with IAS 34 as issued by the IASB and as adopted by the EU, the Transparency (Directive 2004/109/EC) Regulations 2007 and the Rules of the Enterprise Securities Market.

Emphasis of Matter - going concern

In reaching our conclusion, which is not qualified, we have considered the adequacy of the disclosures in the Basis of preparation note on page 28. These disclosures set out a number of material economic, political and market risks and uncertainties that impact the Irish banking system which have been considered by the directors in concluding that it is appropriate to prepare the condensed set of financial statements on a going concern basis. They include the Group's continued ability to access funding from the Eurosystem and the Irish Central Bank to meet its liquidity requirements. These conditions indicate the existence of a material uncertainty which may cast significant doubt upon the Group's ability to continue as a going concern. The condensed financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

N. Marshall.

N. Marshall
For and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1-2 Harbourmaster Place
International Financial Services Centre
Dublin 1
Ireland
30 August 2011