

ALLIED IRISH BANKS, P.L.C.



QUESTIONNAIRE RESPONSES TO THE

HOUSES OF THE OIREACHTAS JOINT COMMITTEE ON FINANCE, PUBLIC EXPENDITURE AND REFORM

TITHE AN OIREACHTAIS
AN COMHCHOISTE UM AIRGEADAS, CAITEACHAS POIBLÍ AGUS ATHCHÓIRIÚ

22 April 2015

These materials and information provided should be considered with all relevant market disclosures and AIB's 2014 Annual Results. For full information on AIB's financial results and performance please visit the AIB Investor Relations website at:

investorrelations.aib.ie

Questionnaire

Note in relation to MART data.

MART data is presented as at 31 December 2014 as it is the most recently available data. For further details on AIB's mortgage portfolio please reference the 2014 Annual Report available [here](#).

Q1. What was the number of mortgages for Principal Dwelling Homes (PDH) that were reported as in arrears greater than 90 days as of 31st March 2015?

The number of PDH / Owner Occupier mortgage accounts >90 days past due at 31 December 2014 was c.**20,400**.

AIB's PDH / Owner Occupier Irish mortgage portfolio continues to perform better than the industry.

The total number of PDH / Owner Occupier accounts in arrears >90 days was c. 9%.

The total number of accounts in arrears >90 days in AIB's Irish residential mortgage portfolio has declined to c.11% in the year to 31 December 2014.

Q2. What was the number of mortgages for Buy-to-Let properties (BTL) that were reported as in arrears greater than 90 days as of 31st March 2015?

The number of BTL Mortgages >90 days past due at 31 December 2014 was c.**9,700**.

The total number of buy to let accounts >90 days was c. 25%.

The total number of accounts in arrears >90 days in AIB's Irish residential portfolio has declined to c.11% in the year to 31 December 2014.

The Central Bank Mortgage Arrears Resolution Target (MART) for period ended 31th December 2014.

The numbers in the following questions refer to the number of mortgage accounts and do not equate to either the number of properties or the number of customers.

The quarterly MART Return to the CBI at 31 December 2014 is made with reference to the balance of mortgage accounts that were greater than 90 days past due at 31 December 2013. This figure applies to MART returns for 2014 per CBI guidance.

Q3. What are the (PDH) short-term solutions being provided?

Q4. What are the (PDH) long-term solutions being provided?

Mortgage Arrears Resolution Targets performance for period end 31 December 2014.

MART Solution Offered	PDH (31/12/2014)	
	Offers	Concluded
Term Extensions	3,237	2,410
Split Mortgages	2,823	2,304
Arrears Capitalisations	2,650	1,974
Voluntary Disposals	2,316	452
Mortgage assessed to be affordable	1,875	844
Cases cured to zero days past due	1,688	1,519
Capital & Interest +	554	320
Mortgage to rent	377	0
Low Fixed Rate	364	270
Positive Equity	310	145
Capital and Interest Sustainable	286	129
Personal Insolvency Applications	213	185
Customer Treatment Strategy (SME linked)	208	25
Reduced Payments	75	5
Trade Down	68	3
Total excluding Legal	17,044	10,585
Intention to commence legal proceeding	9,580	5,709
Overall Total	26,624	16,294

Q5. (PDH) Legal proceedings

PDH Legal Conclusions		31/12/2014
Repossession proceedings initiated / concluded		
Legal proceedings	Issuing of a Civil Bill at the Circuit Court Office or Special Summons at the High Court	2,321
	Case moved to Judge's or Registrars List	2,116
	Property in Bank's Possession	608
	Order Granted for Repossession	482
	Property Disposed	136
Receivers		46
Total		5,709

Q6. What are the (BTL) short-term solutions being provided?

Q7. What are the (BTL) long-term solutions being provided?

MART Solution Offered	BTL (31/12/2014)	
	Offers	Concluded
Voluntary Disposals	3,531	678
Cases cured to zero days past due	1,678	1,619
Customer Treatment Strategy (SME linked)	1,007	253
Term Extensions	442	281
Mortgage assessed to be affordable	294	108
Arrears Capitalisations	278	185
Personal Insolvency Applications	179	171
Capital & Interest +	58	27
Reduced Payments	53	16
Split Mortgages	46	15
Capital and Interest Sustainable	29	9
Trade Down	14	0
Positive Equity	13	6
Low Fixed Rate	2	1
Mortgage to rent	0	0
Total excluding Legal	7,624	3,369
Intention to commence legal proceeding	3,708	1,548
Overall Total	11,332	4,917

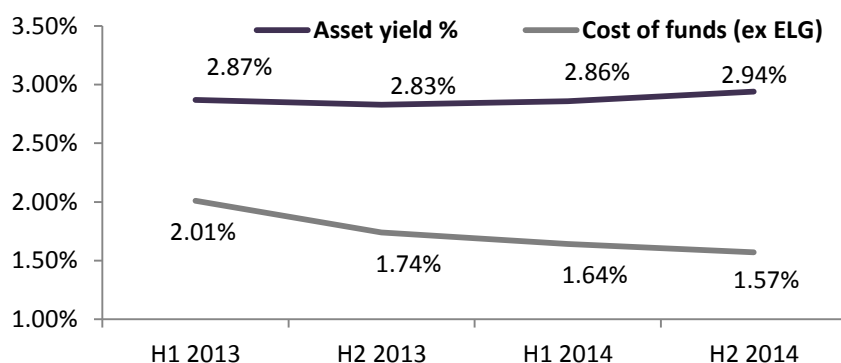
Q8. (BTL) Legal proceedings

BTL Legal Conclusions		31/12/2014
Repossession proceedings initiated / concluded		
Legal proceedings	Issuing of a Civil Bill at the Circuit Court Office or Special Summons at the High Court	428
	Order Granted for Repossession	88
	Property in Bank's possession	87
	Property disposed	79
	Case moved to Judge's or Registrars List	47
Receivers		819
Total		1,548

Q9. Details of the blended cost of funds including a breakdown of the source of funds- deposits, wholesale markets etc.

Cost of Funds as at 31 December 2014

- AIB's cost of funds in H2 2014 was 1.57%.



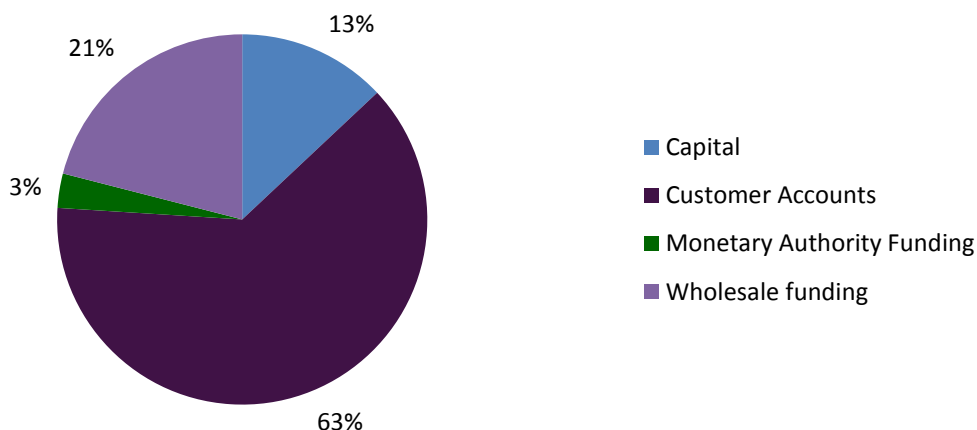
In addition to the cost of funds, the following items have to be factored into the overall operating performance of the bank:

- operating costs (which AIB is actively reducing)
- the cost of credit on defaulted loans (which has reduced from elevated levels)
- the requirement to generate a commercial return for shareholders on increasing capital requirements

Average Balance Sheet

	Year Ended 31 Dec 2014		
	Average balance €m	Interest €m	Average Rate %
Assets			
Loans and receivables to customers	65,391	2,237	3.42
NAMA senior bonds	12,569	80	0.64
Financial Investments AFS	19,444	567	2.92
Other interest earning assets	5,966	22	0.36
Net Interest on swaps		91	
Average interest earning assets	103,370	2,997	2.90
Non interest earning assets	8,237		
Total Assets	111,607	2,997	
Liabilities and shareholders' equity			
Deposits by banks	18,515	46	0.25
Customer accounts	48,944	637	1.30
Subordinated liabilities	1,401	256	18.30
Other debt issued	8,921	312	3.49
Average interest earning liabilities	77,781	1,251	1.61
Non interest earning liabilities	22,426		
Shareholders' equity	11,400		
Total liabilities and shareholders equity	111,607	1,251	
Net interest income excluding ELG		1,746	1.69
ELG		(59)	(0.06)
Net interest income including ELG		1,687	1.63

Source of Funds as at 31 December 2014



- Customer account balances at 31 December 2014 of c. €64bn were 63% of total funding.
- Reliance on Monetary Authority Funding reduced to €3.4bn for the year ending 31 December 2014 from €12.7bn at year end 2013, and is 3% of total funding.

AIB's blended cost of funding has reduced in 2014 as more normalised market conditions emerged. In October 2014 AIB announced reduced variable and fixed mortgage rates because of the bank's underlying positive performance and funding cost reductions to provide better value and certainty for customers.

AIB's Net Interest Margin in 2014 was 1.69%*

* Excluding ELG costs

Source: AIB's 2014 Annual Report and full year results presentation.

Q10. Number of branches and employees the bank had at end 2007 and the corresponding number expected at end 2015.

AIB Group, including EBS outlets, has the largest distribution reach in the country. AIB also has a joint venture with the Post Office which provides AIB services in over 1,000 outlets nationwide.

The table below contains the number of branches in AIB only as EBS was not acquired until July 2011.

	Dec-07	Dec-14
Number of Branches	267	c. 200*
Full time employees	25,898	11,047**

*Branches in the Republic of Ireland. This excludes EBS outlets.

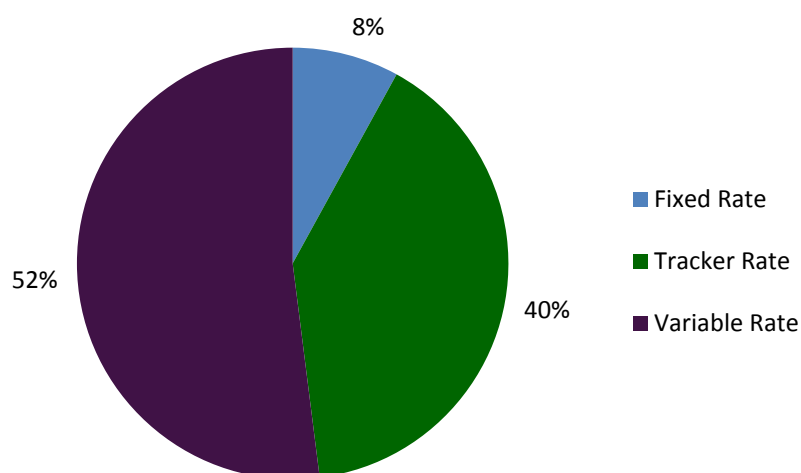
** Includes sale of BZWK – AIB's Polish business which accounted for 12,065 employees.

Source: AIB's 2014 full year results presentation.

Q11. *The number of fixed rate, tracker and standard variable rate residential mortgage customers.*

Accounts by value as at 31 December 2014

- As at 31 December 2014 AIB had c. 270,000 residential mortgage accounts.



Source: AIB's 2014 Annual Report.

Q12. *The number of rent receivers appointed to buy-to-let properties.*

	Number of BTL properties
2014 Appointments	557
2015 Appointments up to 31 March 2015	460

Q13. *Details of any functions which have been outsourced in the past 12 months, including outsourced abroad.*

AIB does not generally disclose details of individual or collective contracts on commercial confidentiality grounds. However the bank has entered into outsourcing arrangements in respect of a range of services including catering, learning and development and IT.

The significant majority of any outsourcing arrangements are with companies based in or operating in Ireland. Outsourcing to date has been conducted in full consultation with the relevant unions and has not involved compulsory redundancies.

AIB manages outsourcing within its commercial business requirements and enters into arrangements with service providers to deliver a range of services not conducted by the bank. Outsourcing is part of AIB's overall strategy to reduce costs and focus on core banking functions. It is up to each service provider to manage the number of staff required to fulfil the contract it enters into with AIB.

Q14. *The number of switcher mortgages completed so far this year.*

AIB is open and available to Switcher mortgages, activity however remains relatively low for AIB and the market and numbers are very minimal.

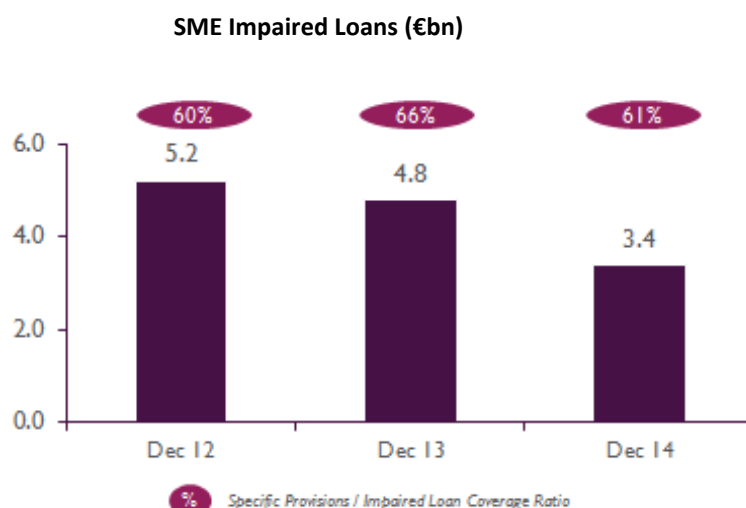
Q15. *Details of any product, the bank has, for tracker mortgage customers seeking to move home and keep the tracker rate and the number of such transactions completed in 2014 and so far in 2015.*

In July 2014, AIB launched a tracker retention product for customers who have an existing PDH Mortgage on a tracker rate and are selling the home to trade up/down and use the new property as their PDH. Under this offering, customers can retain their original tracker rate plus an additional margin of 1% for the remaining term and balance of the existing mortgage. Any additional mortgage amount required to purchase the new home is charged the prevailing new business interest rates.

Given that this offering has only been available since July 2014 and several months can be required to complete the transactions (i.e. the sale of the existing PDH and purchase of the new property), current volumes are minimal at this point with just over 100 to-date.

Q16. *Details of the performance of the SME loan-book, including the percentage in arrears, restructured etc.*

SME/other commercial lending of €12.9bn as at 31 December 2014



- Total portfolio of €12.9bn amounted to 17% of total loans and receivables.
- 65% of the loans are in the Republic of Ireland and 35% in the UK concentrated in sectors that are dependent on respective domestic economies.
- Improving macroeconomic indicators are starting to positively impact demand for credit and overall asset quality
- Impaired loans are €3.4bn at 31 December 2014, a reduction of 29% from December 2013
- The specific provision cover to impaired loans reduced to 61%
- Impairment charge of €81m is down 63% compared to 2013.

Restructuring Activity

- Credit quality within the portfolio improved due to high levels of restructuring and stronger economic environment, with a significant reduction in new impairments.
- High levels of refinancing activity in 2014 reflects AIB's commitment to putting long term solutions in place with SME customers in difficulty
 - Meeting targets for restructuring SME's in financial difficulty
 - Facilitating many SME customers to return to a position of manageable debt levels and the opportunity to move into a growth phase for their business

Source: AIB's 2014 Annual Report and full year results presentation.

Q17. *Details of any loan-book sold by the bank or a subsidiary of their business in 2014 or to date in 2015.*

Following the Prudential Capital Assessment Review (PCAR)/Prudential Liquidity Assessment Review (PLAR) conducted by the Central Bank of Ireland in March 2011, AIB was set a non-core deleveraging target of €20.5bn to reduce its loan to deposit ratio and to become a more streamlined, domestically focused bank. The non-core deleveraging target was completed in mid - 2013. As part of this non-core deleveraging, AIB sold a number of portfolios including project and leverage finance; asset backed securities and property portfolios across a number of geographies. AIB has divested a number of businesses over the last several years including its Polish and US businesses, Goodbody Stockbrokers and AIB Investment Managers. Further details on AIB's restructuring activity and disposals are available in the Bank's annual accounts.

Q18. *How much is your non-tracker, owner occupied mortgage book in the Republic?*

66% (or c.€20bn) of AIB's owner-occupier mortgage book are non-Tracker i.e. Variable & Fixed (by number of accounts).

Source: AIB's 2014 full year results presentation.

Q19. *What is the average rate you are charging for new mortgages for owner occupied home loans? Please include genuine new business only and do not include restructured trackers or restructured variable rate mortgages.*

Summary of variable rates:

Variable Rates	AIB			Haven			EBS		
	Previous	New*	Reduction	Previous	New	Reduction	Previous	New	Reduction
Owner Occupier									
Standard Variable Rate	4.40%	4.15%	0.25%	4.60%	4.35%	0.25%	4.58%	4.33%	0.25%
LTV Variable:									
LTV <=50%	4.09%	3.85%	0.24%	4.09%	3.85%	0.24%	4.05%	3.80%	0.25%
LTV >50% <=80%	4.29%	4.05%	0.24%	4.29%	4.05%	0.24%	4.25%	4.00%	0.25%
LTV >80%	4.49%	4.25%	0.24%	4.49%	4.25%	0.24%	4.45%	4.20%	0.25%

* Refers to the rates introduced from 1st December 2014

Summary of Fixed rates:

Fixed Rates	AIB		Haven		EBS	
	Previous	New	Previous	New	Previous	New
1 Year (New Bus.)	3.50%	No change	3.50%	No change	3.50%	No change
1 Year (Exist Bus.)	4.40%	4.15%	4.40%	4.15%	4.40%	4.15%
2 Year (New Bus.)	4.60%	3.80%	4.60%	3.80%	4.60%	3.80%
2 Year (Exist Bus.)			4.60%	3.80%	4.60%	3.80%
3 Year (New Bus.)	4.80%	3.80%	4.20%	3.80%	4.20%	3.80%
3 Year (Exist Bus.)			4.80%	3.80%	4.80%	3.80%
4 Year (New Bus.)	5.00%	3.90%	5.00%	3.90%	5.00%	3.90%
4 Year (Exist Bus.)			5.00%	3.90%	5.00%	3.90%
5 Year (New Bus.)	5.20%	3.90%	5.20%	3.90%	5.20%	3.90%
5 Year (Exist Bus.)			5.20%	3.90%	5.20%	3.90%

Q20. *What is the absolute lowest rate you charge for mortgages for new home loans and how does a customer qualify for that? For example, < 50% Loan to Value and having the current account with the lender, discount for the first year etc. What percentage of your customers qualifies for this lowest rate?*

The lowest LTV rates are included on the table below. Normal lending criteria is applied and if a customer has funds to support a lower LTV they will qualify for the appropriate LTV rate.

Current AIB Rol Group PDH Variable Rates			
	AIB	Haven	EBS
Standard Variable Rate	4.15%	4.35%	4.33%
<u>LTV Variable:</u>			
LTV <=50%	3.85%	3.85%	3.80%
LTV >50%<=80%	4.05%	4.05%	4.00%
LTV >80%	4.25%	4.25%	4.20%

Q21. What is the highest rate you currently charge and what sort of customers pay this rate?

The highest PDH Variable Rate currently charged is the Loan to Value (LTV) Variable Rate >80% currently at 4.25% for AIB/Haven and 4.20% for EBS (see summary of AIB Group PDH interest rates below).

Current AIB Rol Group PDH Variable Rates			
	AIB	Haven	EBS
Standard Variable Rate	4.15%	4.35%	4.33%
<u>LTV Variable:</u>			
LTV <=50%	3.85%	3.85%	3.80%
LTV >50%<=80%	4.05%	4.05%	4.00%
LTV >80%	4.25%	4.25%	4.20%

Q22. What percentage of your customers pays the highest rate?

As per the table in Question 19, the rate charged to customers is dependent on individual circumstances and preferences.

Q23. What percentage of your new business are switchers from other lenders?

Switcher activity remains relatively low both for AIB and the total market and represented less than 1% of new AIB mortgage drawdowns year to date March 2015.

Q24. What is the estimated total value of your bank's liabilities still underwritten by all the existing various forms of government bank guarantees and the estimated value of these guarantees to the banks on an annual basis e.g. the DJEI's SME Credit Guarantee Scheme, Deposit Guarantee Scheme, ELG [the bank guarantee scheme]?

AIB had c. €4.6bn of covered liabilities under Eligible Liabilities Guarantee (ELG) at 31 December 2014. The quantum of ELG covered liabilities significantly reduced in 2014 as a result of cessation of the ELG

scheme in March 2013 and will continue to reduce in 2015 as existing liabilities that are covered by the scheme mature.

Deposits held with banks, building societies and credit unions are protected by the Deposit Guarantee Scheme (DGS) in the event of credit institution being unable to repay deposits. All eligible deposits up to a limit of €100,000 per person per institution are guaranteed to be repaid by the DGS which is administered by the Central Bank of Ireland.

Source: AIB's 2014 Annual Report.

Q25. Could you please give details of all personal loans/loan-books (including mortgages) sold off to third parties since 2008, and the third parties involved?

Following the Prudential Capital Assessment Review (PCAR)/ Prudential Liquidity Assessment Review (PLAR) conducted by the Central Bank of Ireland in March 2011, AIB was set a non-core deleveraging target of €20.5bn to reduce its loan to deposit ratio and to become a more streamlined, domestically focused bank. The non-core deleveraging target was completed in mid - 2013. As part of this non-core deleveraging, AIB sold a number of portfolios including project and leverage finance; asset back securities and property portfolios across a number of geographies. Further details are available in AIB's annual accounts.

Q26. How many and what percentage of personal loans, including mortgages, have been restructured in some way, since 2008, with annual breakdowns?

AIB developed its Mortgage Arrears Resolution Strategy in 2012 which incorporated long term forbearance/restructuring solutions for customers in financial difficulty.

The following is the cumulative stock per balance sheet accounts of Republic of Ireland residential mortgages subject to forbearance measures.

	Dec-11	Dec-12	Dec-13	Dec-14
Interest Only	21,082	15,718	7,465	5,626
Reduced payment	1,437	2,809	2,818	2,162
Payment moratorium	1,574	917	462	862
Arrears Capitalisation	2,335	4,939	9,993	17,050
Term Extension	5,836	6,453	7,043	6,378
Split	ND	ND	236	2,399
Voluntary sale for loss	ND	ND	ND	550
Low fixed interest rate	ND	ND	ND	377
Positive equity solution	ND	ND	ND	228
Other	2	337	140	18
Total	32,266	31,173	28,157	35,650

Source: AIB's Annual Reports.

Q27. How many and what percentage of their personal loans, including mortgages, are in arrears, and a breakdown of this by length of arrears?

Total loans in arrears in the Republic of Ireland residential mortgage portfolio decreased by 18% during the year, reflecting a decrease of 22% in the owner-occupier portfolio and a decrease of 7% in the buy-to-let portfolio.

For details on the credit quality of AIB's mortgage portfolio as of 31 December 2014 please see pages 98-107 of AIB's Annual Financial Report available [here](#).

AIB does not separately disclose arrears on its personal loan portfolio. As at 31 December 2014, this portfolio was c. €3.8bn of which 27%, or €1.04bn was non-performing/impaired. AIB has a specific provision cover of 69% against those impaired loans.

Source: AIB's 2014 Annual Report.

Q28. How many and what percentage of their personal loans, including mortgages, have you foreclosed on since 2008, with annual breakdowns?

Republic of Ireland residential mortgages – stock of possessions

Please note the following:

The majority of the properties taken into possession in the period were by way of voluntary surrender or abandonment of the property.

	31/12/2014 ¹	31/12/2013 ¹	31/12/2012	31/12/2011	31/12/2010
Owner Occupier	548	308	80	91	5
Buy to let	82	70	53	39	15
Total	630²	378	133	130	20

1. A residential property is considered to be in AIB's possession when AIB has taken possession of and is in a position to dispose of the property. This includes situations of repossession, voluntary surrender and abandonment of the property. This amendment to reporting methodology was reflected in the 2013 Annual Financial Report.
2. The stock of residential properties in possession relates to those held as security for residential mortgages only. The increase in the stock of residential properties in possession in 2014 relates to the addition of 352 properties, partly offset by the disposal of 100 properties. There has been a significant increase in stock due to the focus on restructuring during the year.

AIB does not provide disclosures on foreclosures in its personal loan portfolio.

Source: AIB's 2014 Annual Report.

Q29. *Can you provide details of each of the companies from which you outsource staff?*

See question 13.

Q30. *To provide in tabular form the number of employees currently on a total remuneration package between €100,000 -€200,000; €200,001 - €300,000; €300,001- €400,000; €400,001-500,000 and in excess of €500,000 based on the latest figures from the bank as opposed to the Mercer Report.*

Since 2012, AIB has reduced its operational costs, excluding exceptional items by c.€350m, in large part due to significant reductions in staff costs.

Details in respect of AIB remuneration and policies are available in the bank's annual report and remuneration disclosures are made as part of the bank's annual Pillar III disclosure. Additionally, the following table, which is published on the AIB investor relations website, summarises salary and total remuneration as at 31 December 2014. The number of staff in AIB at end December 2014 was 11,047 (FTE). The table shows annual salary and total remuneration which includes annual salary, non-pensionable allowances and pension contribution.

Following the closure of the Defined Benefit Scheme to future accrual on 31 December 2013, all staff transferred to the Defined Contribution Scheme.

AIB continues to comply with its remuneration requirements following receipt of government support with the remuneration of all members of staff within the government pay cap, with no employee earning an annual salary in excess of €500k.

The following table is available at All relevant information is available at investorrelations.aib.ie/shareholder-information/other-shareholder-information

31 December 2014					
Annual Salary	> €100k	> €200k	> €300k	> €400k+	Total
Number of Staff (FTE)	559	28	3	7	597
Total Remuneration	> €100k	> €200k	> €300k	> €400k+	Total
Number of Staff (FTE)	993	77	13	9	1092

Q31. *Costs of variable rate mortgages – Irish variable rate mortgages are significantly higher than the Eurozone average and can be almost five times higher than a tracker rate. Are you considering cutting variable mortgage rates?*

As previously announced, AIB cut its variable rates for new and existing mortgage customers in late 2014. The bank continues to keep its lending rates under review.

The move benefited approx. 146,000 existing mortgage account holders; for example customers with a €200,000 mortgage will save up to c.€334 per annum, based on a 25 year term.

AIB also reduced fixed rates. For example, if a customer with a c.€200k mortgage on a 25 year term moved to the 2 or 3 year fixed rate option of 3.8%, this would have resulted in savings of c. €800 per annum.

Q32. *What is the difference to the bank in the cost of providing a mortgage to a new customer and an existing customer if their loan to value ratio is the same?*

The costs associated with new and existing customers may differ due to individual circumstances, including credit related costs, or loan acquisition costs, which form part of the overall cost of providing a mortgage. Existing customer loans may have been funded in a higher rate environment, and therefore the cost of funding may be higher than the marginal cost for new customers.

Q33. *Does the bank allow existing customers on a variable rate, as they pay off their mortgage and the value of their home may increase, to move a new interest rate relevant to their new loan to value ratio band?*

If the customer is currently on our Standard Variable Rate they can select one of our LTV variable interest rates based on the current Loan to Value of their property, subject to the bank receiving an up to date valuation.

Where a customer has previously availed of a LTV variable interest rate or is currently on a LTV variable interest rate, they cannot move between LTV rates based on movements in the value of the property or the balance of the mortgage.

Q34. *Where a borrower with an unsustainable mortgage agrees to a voluntary surrender or an agreed sale, do you specify how any shortfall will be dealt with as part of the agreement?*

Yes. If the customer agrees to a voluntary surrender/agreed sale and there is a shortfall, AIB agrees in advance, where possible, how that shortfall will be dealt with. AIB will make an assessment in advance of the sale of the customer's post-sale affordability to determine the extent (if any) of the customer's ability to fund the shortfall over a reasonable time frame either from Net Disposable Income (after allowing for alternative housing costs) and/or from equity available to the customer from other assets (if any).

Q35. *Has the Central Bank MART regime increase the level of legal actions you are taking. In other words, if the MART were not in existence, would you take fewer legal actions?*

AIB is engaged in a process of working through arrears cases with its customers. Our primary goal is to do so based on a consensual approach based on mutual engagement and full disclosure. AIB is required to offer and conclude solutions to prescribed levels of customers under the MART programme as part of its ongoing activities. Where a customer does not engage with the bank over a period of time and subject to consideration of the MART guidelines, the Bank will move to seek a legal resolution. Depending on the level of customer engagement thereafter, the Bank may proceed to a civil bill or other legal outcomes. At all times during the legal process, AIB is willing to enter into discussions with

customers on the basis of full engagement and full disclosures and to pause the legal process pending the implementation of a sustainable restructure at which stage the borrower will exit from the legal process.

See also question 36.

Q36. *Does the bank initiate legal proceedings in an effort to prompt engagement from the borrower or to actually repossess the property?*

AIB initiates legal proceedings only after all efforts to prompt engagement from the borrower have been exhausted. Prior to the initiation of legal proceedings and over the course of a prolonged period, AIB would have tried to engage with the customer as per the MARP process.

Typical Process

If meaningful engagement is not forthcoming and in advance of the issuance of any legal proceedings, customers will have been advised in writing in the first instance that absent their engagement they will be deemed to be non-cooperating (as per CCMA – Provision 28).

In the absence of engagement for a further predetermined period following the issuance of the Provision 28 notification, the bank advise the customer in writing that they have now been deemed non-cooperating as a result of their non-engagement and that they no longer enjoy the protection of MARP (as per CCMA – Provision 29)

It is only after these letters have issued and in the absence of meaningful engagement in response to these letters that the bank initiates legal proceedings.

AIB has multiple engagement channels available to customers in mortgage difficulty, including the IMHO channel for AIB/EBS customers. AIB will only initiate legal proceedings as a last resort but when it does it is for the purpose of seeking possession of the underlying property.

It is the experience of AIB however that the initiation of legal proceedings in and of itself does prompt a cohort of borrowers not previously engaging to engage with the bank and it is also the experience of AIB that this engagement can and does lead to the implementation of sustainable restructures for a cohort of customers such that the customer exits from the legal process.

Q37. *Since the beginning of 2014, how many repossession orders for PDH dwellings has your bank secured and, of these, how many have been invoked with repossession taking place?*

See question 28.

Q38. *For every 100 cases where you actually initiate a civil bill for repossession, can you estimate the eventual end result*

a. Property is vacant and is repossessed

b. Customer re-engages and reaches satisfactory payment arrangement

c. Customer voluntarily surrenders or agrees the sale of their home

d. Proceeds to eventual repossession order.

It is not possible at this stage in the cycle for the bank to estimate an eventual result as requested above in respect of cases where a civil bill has been filed. The extent to which a borrower re-engages in a meaningful way during the legal process itself is the primary determinant of the eventual outcome.

See question 36.

Q39. *What is the blended cost of funds of your Irish operation and, separately, of your UK operation – if applicable?*

See question 9. AIB does not disclose cost of funds segmentation between Irish and UK operation.

Q40. *How many borrowers who previously had trackers on their PPRs have been moved to a non-tracker rate?*

This information is not specifically tracked but we expect the numbers would be minimal.

Q41. *Has the Department of Finance asked you about the mortgage rates?*

The State has a 99.8% stake in Allied Irish Banks plc and, as such, the relationship between the bank and the Department of Finance involves very significant communications and interactions at senior levels across the company, on a constant basis. The relationship between the Minister for Finance and the banks is governed by what is known as the Relationship Framework and, under this agreement, the Minister recognises that the bank remains a separate economic unit with independent powers of decision. The bank's Board and management team retain responsibility and authority for determining the bank's strategy and commercial policies including business plans, budgets etc. The Relationship Framework ensures that the State's investment in the bank is managed on a commercial basis and does not intervene in the day-to-day management decisions of the bank, including pricing and lending.

Q42. *Has the Central Bank asked you about mortgage rates?*

As the Central Bank of Ireland is the banking sector's regulator in Ireland, there is of course a high level of interaction between it and AIB on an on-going basis. Many of these concern matters of particular commercial sensitivity where public disclosure is not an option.

Q43. *Can the banks state, in cases where the owner made an agreement a result of which was they (the banks) ended up in possession of the property, in how many cases did the agreement involve a writing off of all residual debt?*

In 2014 AIB engaged in €4.7bn of contractual and non-contractual write offs. The amount of write off depends on individual circumstances and AIB does not separately disclose number of cases involving debt write off.

Segmentation of write offs by category has been summarised in the below tables.

	2014 € m	2013 € m	2012 € m
Residential mortgages	461	87	59
Other personal	403	114	103
Property and construction	2,664	296	237
SME/Other commercial	1,013	456	152
Corporate	114	181	122
Total	4,655	1,134	673

Source: AIB's Annual Reports.

Q44. *In how many cases which ended in a legal solution in which the house was taken into possession was the residual debt written off?*

See question 43.

Q45. *Can this figure be broken down into PDH cases and BTL cases?*

Segmentation of write offs by category has been summarised in question 43. AIB does not disclose further segmentation of residential mortgages between principal dwelling and buy-to-let.

Q46. *Can you specify how many times your bank has rejected a proposal from a PIP for an Insolvency Arrangement that involves maintaining the Family Home, and the number that you have approved that involved maintaining the Family Home (on both cases the question applies to cases where the bank was in apposition to use the veto)?*

Can you provide these figures for each of 2013, 2014 and 2015?

PIA proposals where the Bank held Family Home Mortgage and also held Blocking/Controlling vote.

	2013	2014	YTD 31/03/2015	Total
Where Bank voted "Yes"	0	60	23	83
Where Bank voted "No"	0	13	6	19
	0	73	29	102

Note:

1. Of the 83 cases where the Bank voted "Yes", 21 cases related to a Voluntary Sale for Loss (VSFL) solution. In all cases these solutions were proposed by the PIP and the Debtor and accepted by the Bank.
2. Of the 19 cases where the Bank voted "No", 16 solutions offered involved a borrower remaining in their home. Breakdown of the 19 cases is as follows;
 - a) In 12 cases the Bank offered standard forbearance solution
 - b) In 4 cases the Bank offered advanced forbearance solution
 - c) In 3 cases the Bank offered VSFL solution.

Q47.

Can you specify the number of times you had contact with the Department of Finance or Department of Justice or the Central Bank regarding the Land and Conveyancing legislation and to detail the content of those communications

See question 41 and 42. AIB does not disclose the nature of any contacts with the Department of Justice or the details or content of any communications.

Can you elaborate on how the changes to the Land and Conveyancing Act facilitated your policy?

The changes to the Land & Conveyancing act have not changed or facilitated any policy of AIB as it relates to dealing with mortgages in arrears cases. AIB's policy is to seek, where possible, to keep customers who engage with the bank and prioritise their mortgage payments in their homes through the implementation of a sustainable mortgage restructure. Where the customer does not have affordability that allows for the implementation of a sustainable mortgage restructure, the bank will offer a voluntary sale/assisted sale/voluntary surrender option and agree, where possible, the treatment of residual shortfall debt based on the post-sale affordability of the customer, if any.

Where a borrower is in arrears on their mortgage and does not engage meaningfully with the bank and/or does not prioritise their mortgage payment and/or where a borrower refuses the offer of a sustainable solution, the bank will issue legal proceedings and seek to enforce its security as a matter of last resort. This has always been the policy of AIB as it relates to dealing with mortgages in arrears and it is not impacted by changes to the Land & Conveyancing Act.

Q48. *Can you specify the number of times you had contact with the Department of Finance or Department of Justice or the Central Bank regarding the Personal Insolvency Act and the Personal Insolvency (Amendment) Bill and to detail the content of those communications.*

See questions 41, 42 and 47.

Q49. *Can you specify the number of times you had contact with the Department of Finance or the Central Bank regarding the revision to the Code of Conduct on Mortgage Arrears and to detail the content of those communications*

See questions 41, 42 and 47.

Can you elaborate on how the changes to the Code of Conduct on Mortgage Arrears facilitated your policy?

The changes to the Code of Conduct on Mortgage Arrears (CCMA) have not changed or facilitated any policy of AIB as it relates to dealing with mortgages in arrears cases. AIB's policy is to seek, where possible, to keep customers who engage with the bank and prioritise their mortgage payments in their homes through the implementation of a sustainable mortgage restructure. Where the customer does not have affordability that allows for the implementation of a sustainable mortgage restructure, the bank will offer a voluntary sale/assisted sale/voluntary surrender option and agree, where possible, the treatment of residual shortfall debt based on the post-sale affordability of the customer, if any.

Where a borrower is in arrears on their mortgage and does not engage meaningfully with the bank and/or does not prioritise their mortgage payment and/or where a borrower refuses the offer of a sustainable solution, the bank will issue legal proceedings and seek to enforce its security as a matter of last resort.

This has always been the policy of AIB as it relates to dealing with mortgages in arrears and it is not impacted by changes to the CCMA, which is concerned with the process of customer engagement that the bank must abide by in relation to the implementation of the policy as outlined above.

Q50. *Can you specify the number of times you had contact with the Department of Finance or the Central Bank regarding any possible change to the MARTs and to detail the content of those communications*

Has the Minister or any other member of government ever expressed any opinions directly to your bank about how you are handling the mortgage arrears situation and to detail the content of any such communications?

See question 41.

Q51. *What relationship will your bank have with Stepchange from next month and why did you choose that body instead of established Irish bodies such as MABS or the IMHO?*

To the extent that Stepchange establishes itself as a participant in the consumer-led debt advisory business in Ireland, AIB will deal with Stepchange as it would with any other third party advisor representing a customer of the Bank. AIB will continue to deal with all third party advisors representing AIB Group clients, including MABS and the IMHO (with whom AIB have a specific arrangement regarding the provision of representation to AIB Group clients).

To the extent that Stepchange does establish a consumer-led debt-advisory service in Ireland, AIB would welcome the increase in capacity and choices in the industry and would be hopeful that it might lead to increased levels of engagement from customers in debt difficulty and an increase in customer debt resolutions.

Q52.

To provide in tabular form the amount of debt write offs by the bank each year in since the bank guarantee and to also breakdown the figures according to the writes offs for residential mortgages for principal dwellings, Buy-to lets, commercial property loans and any other relevant category of loan.

Segmentation of write offs by category has been summarised in the below tables per the Bank's existing disclosures. AIB does not disclose further segmentation of residential mortgages between principal dwelling and buy-to-let.

These figures include contractual and non-contractual provision write offs.

	2014 € m	2013 € m	2012 € m
Residential mortgages	461	87	59
Other personal	403	114	103
Property and construction	2,664	296	237
SME/Other commercial	1,013	456	152
Corporate	114	181	122
Total	4,655	1,134	673

	2011 € m	2010 € m	2009 € m	2008 € m
Residential mortgages	32	36	13	3
Corporate / Commercial*	665	669	453	136
Other	105	108	54	27
Total	802	813	520	166

* Includes property and construction

Source: AIB's Annual Reports.

Q53. Can the bank outline the policy regarding current account fees charged to personal customers and the revenue gained from such fees each year since 2008?

Approximately 39% of AIB personal current account customers do not pay quarterly Maintenance and Transactions fees, as they are availing of the one of the bank's maintenance and transaction free banking options (includes Students, Graduates and AIB Advantage account holders).

Where customers do not qualify for one of these options, AIB applies Maintenance and Transaction fees to cover the cost of providing the range of payment and channel options available to them.

AIB has c. 200 branches nationwide and 12 self-service lobby locations operating from 8am to 9pm seven days a week. In addition, AIB has a range of digital options including debit card, internet, mobile, tablet, and phone banking enabling customers to avail of cheaper and more convenient banking options.

More information on AIBs fees and charges and details on how customers may avoid/reduce these can be found in our Personal Fees and Charges booklet [here](#).

Fee and commission income is reported as part of AIB's accounts as other income. Details of which can be found in AIB's annual reports.

Q54. Can the bank provide the number of repossessions, including the numbers of repossession proceedings filed with the courts and 'voluntary surrenders', carried out by the bank per quarter since 2008?

See question 28. The majority of the properties taken into possession were by way of voluntary surrender or abandonment of the property.

Q55. How many proposals through the Personal Insolvency Service scheme have been made to the bank and how many have not been accepted by the bank?

In the period from January 2014 to end-March 2015, where AIB had the controlling vote as the most significant creditor, the Bank voted for approval in 97% of DSA arrangements (31/32). The equivalent number for PIA arrangements is 82% (111/136) and where the Bank offered PDH solutions as part of the PIA process, 75% of those solutions offered involve a borrower remaining in their home.

What criteria are used when making the decision to accept a proposal or not?

Each DSA & PIA proposal is considered on its own merits and with reference to the specifics of the customer circumstances and their financial position.

Q56. Can the bank outline how many repossessions the bank has carried out per quarter for the last 3 years?

See question 28. The majority of the properties taken into possession were by way of voluntary surrender or abandonment of the property.

Q57. *When repossessing a buy-to-let property with sitting tenants what is the bank's policy regarding keeping the tenants on in the property or seeking to terminate the lease?*

The bank appoints receivers to commercial BTL properties where the rent received by the landlord is not being paid against the outstanding mortgage or the Borrower is deemed not cooperating.

The bank considers every case based on the specific circumstances of that case but in general the policy of the bank is as follows:

In cases where a receiver is appointed to a BTL property and the sitting tenant provides the receiver with a copy of their formal lease, then the bank will honour the terms of that formal lease.

In cases where a receiver is appointed to a BTL property and there is no formal lease in place, then the bank will seek vacant possession of the BTL property. In such cases, the bank/receiver will seek to ascertain the length of occupation and will afford the tenant the appropriate notice period in accordance with the PRTB rules and regulations. In the event that the length of occupation cannot be ascertained the bank/receiver extends to the tenant a notice period equal to the maximum notice period as per PRTB rules.

Could the bank outline the number of termination or non-renewal of leases of sitting tenants of repossessed buy-to-lets have taken place each year for the last 5 years?

The bank does not keep a record in this regard.

Q58. *Can the bank outline the number of mortgages in arrears on its books, both residential and buy-to-let; the value of these loans; the value of the arrears; how many are in arrears over 90 days, over 180 days and 270 days, or other appropriate time frames?*

Total loans in arrears in the Republic of Ireland residential mortgage portfolio decreased by 18% during the year, reflecting a decrease of 22% in the owner-occupier portfolio and a decrease of 7% in the buy-to-let portfolio.

For details on the credit quality of AIB's mortgage portfolio as of 31 December 2014 please see pages 98-107 of AIB's Annual Financial Report available [here](#).

Source: AIB's 2014 Annual Report.

Q59. *Can the bank outline what arrangements have been put in place for restructured loans and a breakdown of the numbers of loans in each arrangement and to provide information on how many of these loans are now performing?*

See question 26.

Q60. Can the bank outline the variable rates available to new and existing customers of the bank, the cost of these funds to the bank and the justification for the margin?

AIB implemented a number of reductions in December 2014 to its variable and fixed interest rates for owner occupier mortgages. These include a reduction of 0.25% for Standard Variable Rate (SVR) customers and the introduction of new lower Loan to Value (LTV) and fixed rates across AIB, EBS and Haven.

The move benefited approx. 146,000 existing mortgage account holders; for example customers with a €200,000 mortgage will save up to €334 per annum, based on a 25 year term.

New and existing customers benefited from reduced pricing across all LTV variable rates. AIB and Haven cut all LTV mortgage rates by 0.24%, while EBS is reduced all its LTV rates by 0.25%. AIB and Haven customers with an LTV of 50% or less have seen their interest rate drop to 3.85%, while EBS customers have seen it fall to 3.80%.

AIB was in a position to reduce variable mortgage interest rates due to the bank's underlying positive performance. The introduction of the Bank's reduced fixed rate pricing has provided better value and certainty for customers should they so choose. We keep our rates under constant review.

Summary of variable changes announced:

Variable Rates	AIB			Haven			EBS		
	Previous	New*	Reduction	Previous	New	Reduction	Previous	New	Reduction
Owner Occupier									
Standard Variable Rate	4.40%	4.15%	0.25%	4.60%	4.35%	0.25%	4.58%	4.33%	0.25%
LTV Variable:									
LTV <=50%	4.09%	3.85%	0.24%	4.09%	3.85%	0.24%	4.05%	3.80%	0.25%
LTV >50% <=80%	4.29%	4.05%	0.24%	4.29%	4.05%	0.24%	4.25%	4.00%	0.25%
LTV >80%	4.49%	4.25%	0.24%	4.49%	4.25%	0.24%	4.45%	4.20%	0.25%

* Refers to the rates introduced from 1st December 2014

Summary of Fixed Changes announced:

Fixed Rates	AIB		Haven		EBS	
	Previous	New	Previous	New	Previous	New
1 Year (New Bus.)	3.50%	No change	3.50%	No change	3.50%	No change
1 Year (Exist Bus.)	4.40%	4.15%	4.40%	4.15%	4.40%	4.15%
2 Year (New Bus.)	4.60%	3.80%	4.60%	3.80%	4.60%	3.80%
2 Year (Exist Bus.)			4.60%	3.80%	4.60%	3.80%
3 Year (New Bus.)	4.80%	3.80%	4.20%	3.80%	4.20%	3.80%
3 Year (Exist Bus.)			4.80%	3.80%	4.80%	3.80%
4 Year (New Bus.)	5.00%	3.90%	5.00%	3.90%	5.00%	3.90%
4 Year (Exist Bus.)			5.00%	3.90%	5.00%	3.90%
5 Year (New Bus.)	5.20%	3.90%	5.20%	3.90%	5.20%	3.90%
5 Year (Exist Bus.)			5.20%	3.90%	5.20%	3.90%

Q61. *Is it the policy of the bank to seek to minimise losses on loan books by increasing the margin on variable mortgages?*

AIB's mortgage pricing reflects the cost of risk in making the loan, the cost of capital in generating sustainable and viable returns for shareholders, the cost of funding through international markets and deposits and operational costs for the bank.

AIB, as a commercial and systemically important institution must ensure that it is lending at sustainable rates to ensure it is able to generate a return for shareholders but also to rebuild its capital to insulate against any future adverse shocks.

Q62. *Can the bank outline the length of mortgages terms of new mortgages in the following time periods, less than 20 years, 20 to 25 years, 25 to 30 years, 30 to 35 years, 35 to 40 years and over 40 years? For each year since 2008.*

	2008	2009	2010	2011	2012	2013	2014
<20 yrs	25.9%	26.0%	22.6%	26.4%	20.4%	21.2%	17.7%
20 - 25yrs	16.6%	16.3%	13.9%	15.6%	16.3%	15.7%	15.5%
25 - 30yrs	18.7%	18.5%	17.8%	20.0%	23.3%	22.8%	25.7%
30 - 35 rs	19.8%	14.7%	18.2%	21.0%	24.7%	26.0%	28.7%
35+yrs	19.0%	24.5%	27.5%	17.0%	15.3%	14.2%	12.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Above is completed at a/c level based on a/cs set-up each year.

Q63. *Can the bank outline the pay and reward structure for its senior management; in particular if there is any performance related pay and if this is linked to the level of profits made by the bank, the share price or any other indices such as lending growth, return on equity and price-earnings ratio and the cost/income ratio?*

Remuneration is closely monitored in line with financial performance and the constraints arising under the Subscription and Placing Agreements with the State.

Remuneration is principally comprised of fixed pay and pension provisions. There have been no performance related or incentive schemes in operation since 2009.

The salaries of Senior Executives within the Bank are managed by the Remuneration Committee in accordance with the Subscription and Placing Agreements.

For details on the AIB's Remuneration Policy please see pages 179-184 of AIB's Annual Financial Report available [here](#).

Q64. *Can the bank outline how many senior managers hold shares in the bank and the total value of these shares?*

As at 31 December 2014, the AIB Directors and Leadership Team as a group (including their spouses and minor children) held beneficial interests in 17,659 AIB Ordinary Shares. The total shares in issue at 31 December 2014, excluding 35,680,114 Treasury Shares, was 523,438,445,437.

Q65. *Has the pay policy for senior management changed since the bank guarantee especially with regard to performance related pay and to outline any changes and the existing policy?*

At the time of the Bank Guarantee introduction in September 2008, the Bank operated an annual salary review process, a bonus scheme, a performance share plan, a share option scheme and an employee profit sharing scheme.

No bonuses were paid to Executive Directors or other members of the Group Executive Committee in office at that time in respect of 2008 or subsequently.

No awards were made under the Performance Share Plan, the Share Option Scheme, or the Employee's Profit Sharing Scheme in 2009 or since.

The entire memberships of the Board and Leadership Team (previously the Group Executive Committee) have changed on a number of occasions since the introduction of the Bank Guarantee, and remuneration of the new members has been closely monitored in line the State's Subscription and Placing Agreements in 2010 and 2011.

Details of the bonus and various share-based compensation schemes in operation at the time of the Bank Guarantee, as outlined in the 2008 Annual Report, please see pages 155-158 of AIB's Annual Financial Report available [here](#).

Q66. *Can the bank give its cost/income ratio?*

AIB's cost / income ratio for 2014 was 55% excluding exceptional cost items.

Q67. *With regard to commercial property loans not managed by NAMA, can the bank report on this section of borrowers, the number of them, the level of non-performing loans and the value of any debt write downs to this section of borrowers each year since 2008?*

The property and construction portfolio amounted to 20% of total loans and receivables. The property market in the Republic of Ireland has seen resurgence in demand as well as increased property values during 2014. This reflects a more positive economic environment and increased liquidity which has resulted in a greater level of transactions across all sectors. The portfolio of c €16bn is comprised of 69% investment loans, 26% land and development loans and 5.1% other property and construction loans. Overall, the portfolio reduced by € 4.2 bn or 21% during 2014, with all of the reduction coming from the criticised grades. This reduction is due to the impact of write-offs, amortisations and repayments, resulting from asset disposals by customers within the criticised portfolio.

	31/12/2014	31/12/2013	31/12/2012	31/12/2011	31/12/2010	31/12/2009
	€ m	€ m	€ m	€ m	€ m	€ m
Loans and receivables	15,537	19,747	22,251	23,972	25,373	23,766
Impaired loans	8,836	13,176	13,804	11,899	7,007	2,739
Amount written off	2,664	269	237	292	256	182

Source: AIB's Annual Reports.

Q68. Can the bank outline its relationship with staff unions and report on any ongoing discussions with them? Are any reforms to pay, pensions or working conditions envisaged?

AIB Group has constructive working relations with all of its employee representative unions – IBOA, SIPTU and Unite. An initiative is currently underway between AIB and IBOA to enhance working relationships between management and union representatives at all levels across the organisation by developing more effective processes of local engagement.

In 2013 the Labour Court and Labour Relations Commission issued recommendations on terms and conditions of employment for staff across AIB Group, which addressed future pay and pension arrangements.

Arising from the Labour Court recommendation, AIB has entered into discussions with IBOA that include the make-up of future reward arrangements across the Bank. These discussions are ongoing.

The same Labour Court Recommendation facilitated pension scheme reform through the closure of the Defined Benefit (DB) Pension Scheme to future accrual and the migration of all staff to a Defined Contribution (DC) pension plan.

Q69. Can the bank outline any meetings or representations the bank have had with the Central Bank regarding the changes to the MARP procedures made last year and if any further representations have been made.

See question 42.

Q70. Can the bank outline the content of their lobbying of the Central Bank in relation to the new mortgage lending rules and whether they are pleased with the outcome?

The Bank is supportive of the new mortgage lending rules and has participated in the consultation process with the Central Bank. AIB's response to the consultation paper is available [here](#).

Q71. Can the bank report on dealings with Goldman Sachs following their appointment by the government as advisors on the sale of the state's share of AIB?

The Group expects to continue its discussions with the Irish Department of Finance regarding the appropriate capital structure of the Group in the context of regulatory and market requirements. These discussions are currently focused on:

1. Options in relation to the €3.5bn 2009 Preference Shares, including the possible conversion into ordinary shares of part or all of the Preference Shares
2. Options in relation to the €1.6bn Contingent Capital Notes which mature in July 2016
3. A possible significant consolidation in the number of ordinary shares in issue given AIB currently has in excess of 523bn ordinary shares in issue
 - Based on the closing share price on 17 April 2015, AIB trades on a valuation multiple of c.6x (excluding the 2009 Preference Shares) the net asset value of the Group as at 31 December 2014. The Group continues to note that the median for comparable European banks is c.1x NAV.

Any future actions in respect of the Group's capital structure will be subject to relevant regulatory and shareholder approvals, where necessary. There is no definitive set of outcomes or completion date for these discussions.

Q72. *Can the bank report on dealings with the Unite trade union regarding the pension scheme of EBS staff and if AIB will honour an existing agreement between the union and EBS?*

AIB engages with Unite on any individual issues raised by former EBS employees who are Unite members. This is in line with protocols agreed between IBOA and Unite on union representation within AIB Group.

AIB has honoured all collective agreements in place and implemented in full a binding Labour Court recommendation in 2013 which addressed outstanding matters relating to the harmonisation of EBS terms and conditions of employment – including pension - within AIB Group. There are no plans for further changes.

Q73. *Can the bank report on ongoing industrial relations issues and discussions held with the unions, in particular the intention to outsource jobs, reform of the pension scheme and upcoming pay discussions. Can the bank also outline the rationale for these proposed changes?*

Please see answer to question 68 in relation to industrial relations, pension and pay.

Please see question 13 in relation to outsourcing.

Q74. *How many mortgage transactions have been completed by the bank in 2014 and to date in 2015 under their tracker portability product (whereby an existing customer on a tracker mortgage retains their tracker interest rate, on taking out a new mortgage, on the original mortgage balance). Also, to provide details of how the product works.*

See question 15.



For full information on AIB's financial results and performance please visit the AIB Investor Relations website at:

investorrelations.aib.ie