# Allied Irish Banks, p.l.c.

1 August 2013

# Interim Results Presentation

For the half year ended 30 June 2013

# Forward Looking Statements

**Important Notice**

This presentation should be considered in parallel with AIB's Half Year Financial Report for 2013, a copy of which including full disclosures and notes to the financial statements can be found at the following link:

www.aibgroup.com/investorrelations

A number of statements we will be making in our presentation and in the accompanying slides will not be based on historical fact but will be "forward-looking statements" within the meaning of Section 27A of the US Securities Act of 1933 (as amended) and Section 21E of the US Securities Exchange Act of 1934 (as amended), 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 presentation, 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 'Risk factors' include, but are not limited to the Group's access to funding and liquidity which is adversely affected by the financial instability within the Eurozone, contagion risks disrupting the financial markets, constraints on liquidity and market reaction to factors affecting Ireland and the Irish economy, the Group's markets, particularly for retail deposits, at risk from more intense competition, the Group's business being adversely affected by a further deterioration in economic and market conditions, general economic conditions being very challenging for our mortgage and other lending customers and increase the risk of payment default, the depressed Irish property prices may give rise to increased losses experienced by the Group, the Group faces market risks, including non-trading interest rate risk, the Group is subject to rigorous and demanding Government supervision and oversight, the Group may be subject to the risk of having insufficient capital to meet increased regulatory requirements, the Group's business activities must comply with increasing levels of regulation, the Group's participation in the NAMA Programme gives rise to certain residual financial risks, the Group may be adversely affected by further austerity and budget measures introduced by the Irish Government, the value of certain financial instruments recorded at fair value is determined using financial models incorporating assumptions, judgements and estimates that may change over time, or may ultimately not turn out to be accurate, the Group's deferred tax assets depend substantially on the generation of future profits over an extended number of years, adverse changes to tax legislation, regulatory requirements or accounting standards could impact capital ratios, the Group is subject to inherent credit risks in respect of customers, the Group faces heightened operational and reputational risks, the restructuring of the Group entails risk, the Group's risk management strategies and techniques may be unsuccessful, risk of litigation arising from the Group's activities. 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 referenced in this presentation 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.

# Agenda

| | |
|---|---|
| **David Duffy**<br>Chief Executive Officer | **Group Performance** |
| **Paul Stanley**<br>Acting Chief Financial Officer | **Financial Performance, Funding Position and Capital** |
| **Peter Rossiter**<br>Chief Risk Officer | **Asset Quality** |
| **David Duffy**<br>Chief Executive Officer | **Summary and Near-term Strategic Objectives** |

# Group Performance

David Duffy
Chief Executive Officer

# H1 2013 Highlights

## Improving Operating Performance

- Returned to pre-provision operating profit
- Positive momentum in NIM
- Total operating costs down significantly
- Impairments trending lower in line with expectations
- Reduction in loss before tax

## Balance Sheet Strengthening Continues

- Loan to deposit ratio further reduced
- Achieved year end 2013 non core deleveraging target ahead of schedule
- Overall capital position remains robust

## Supporting our Customers & Economic Growth

- Focused on Mortgage, SME and Corporate lending
- Exceeded Q2 2013 targets for mortgage arrears offers

# H1 2013 Financial Highlights

| Operating Metrics | H1 2012 | H1 2013 | |
|---|---|---|---|
| Operating Profit / (loss) before provisions | (€ 110m) | €162m | 19% increase in operating income and 14% reduction in costs year on year excluding exceptional items |
| NIM (ex ELG) (1) | 1.24% | 1.28% | Up 4bps year on year and 8bps from H2 2012, primarily driven by deposit and asset re-pricing |
| NIM (ex ELG, ex NAMA Senior Bonds ) (2) | 1.27% | 1.42% | Sustainable and economic pricing model performing well |
| Cost : Income Ratio (3) | 114% | 82% | Downward movement reflecting strong progress on strategic cost reductions and improvement in income generation |
| Impairment Charges / Provisions | € 973m | €738m | Down 24% vs. H1 2012 and 53% vs. H2 2012 |

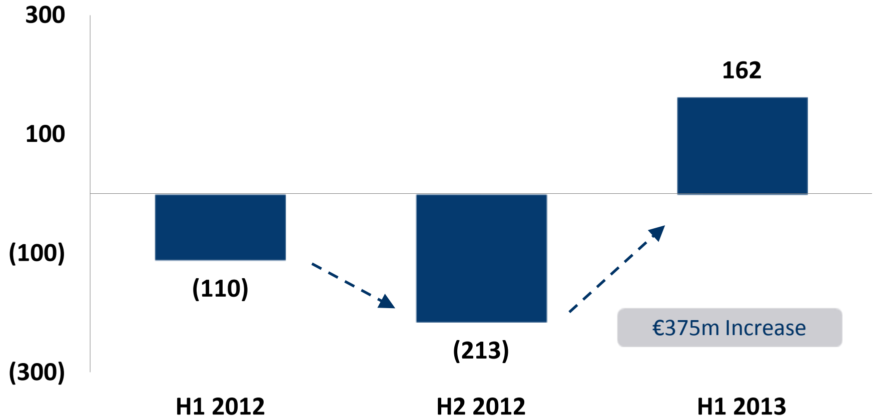
| Balance Sheet | Dec 2012 | June 2013 | |
|---|---|---|---|
| Loan: Deposit Ratio (4) | 115% | 106% | Reduction driven by increased customer accounts and deleveraging |
| Monetary Authority Funding | €22bn | €18bn | Down a further 20% in H1 2013 |
| Core Tier 1 Ratio | 15.1% | 15.1% | Robust position unchanged from year end |
| Basel III Tier 1 (Fully Loaded) (5) | 9.7% | 9.5% | Includes preference shares; reduction driven by regulatory requirements in relation to insurance undertakings |
| RWA | €71bn | €65bn | Down 8%, driven by non-core deleveraging and amortisation |

1. *ELG costs will largely phase out during 2013 & 2014*
2. *€16.4bn of NAMA senior bonds held at 30 June 2013*
3. *Cost income ratio excludes exceptional items*
4. *H1 2013 figure includes Repos*
5. *Includes Preference Shares and based on current CRD IV guidelines*

# Rebuilding Underlying Earnings Power

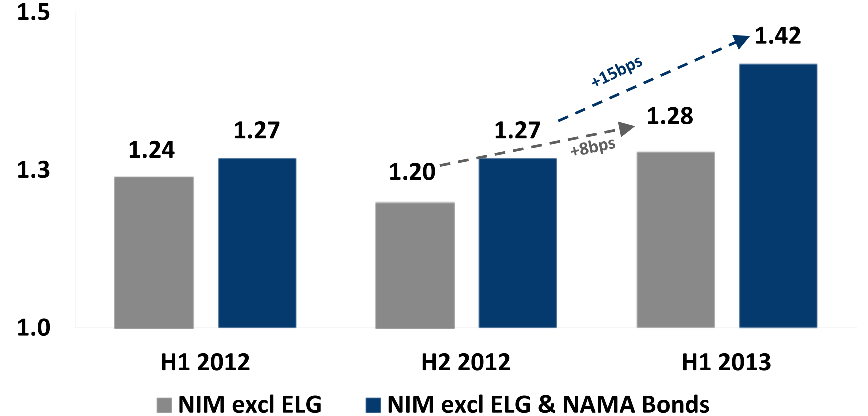
## Return to Positive Operating Profit

Operating Profit [1] (Pre-Provisions) (€m)



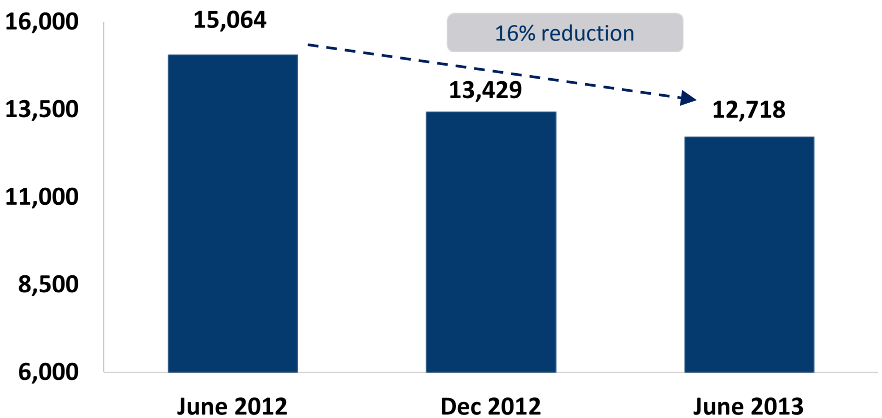

## Margin Growth

NIM %



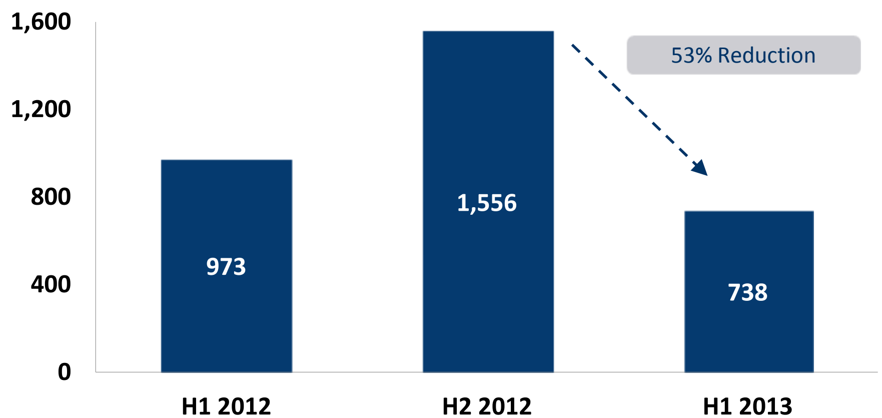

## Strong Cost Control

Number of Full Time Employees




## Asset Quality Trends Improving

Provision Charges (€m)

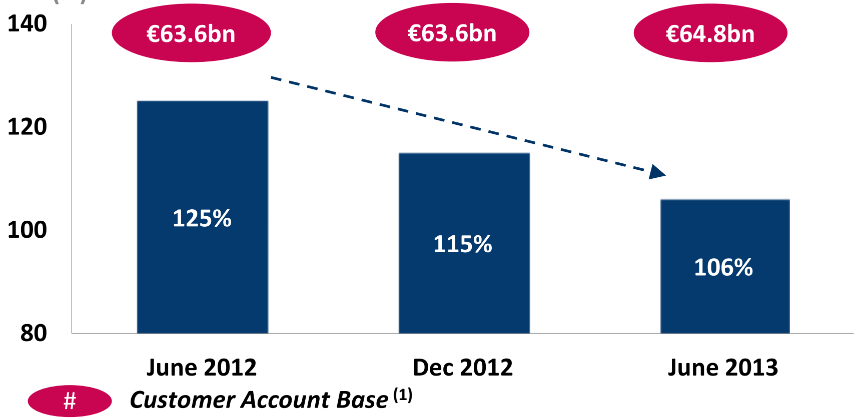



1. *Excludes Exceptional items*

# Strengthening the Balance Sheet

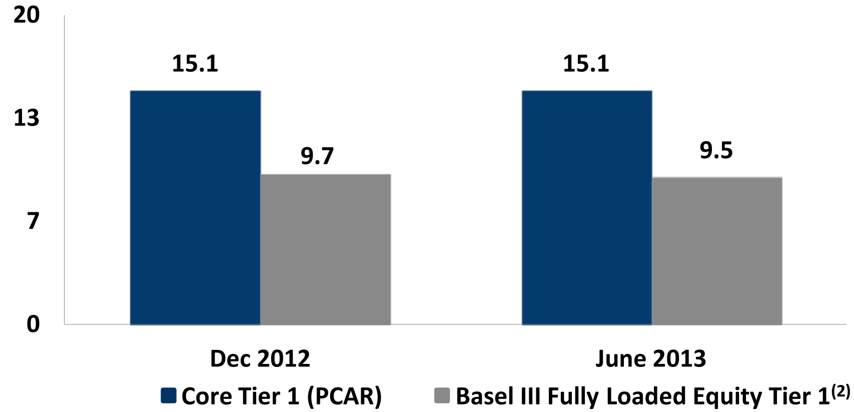
## Stabilising Funding Profile [1]

LDR (%)



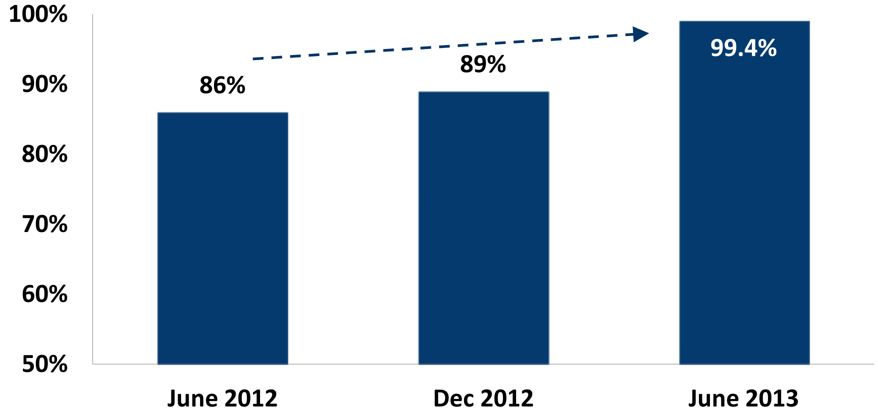

## Capital Ratios Remain Robust

Capital Ratio (%)



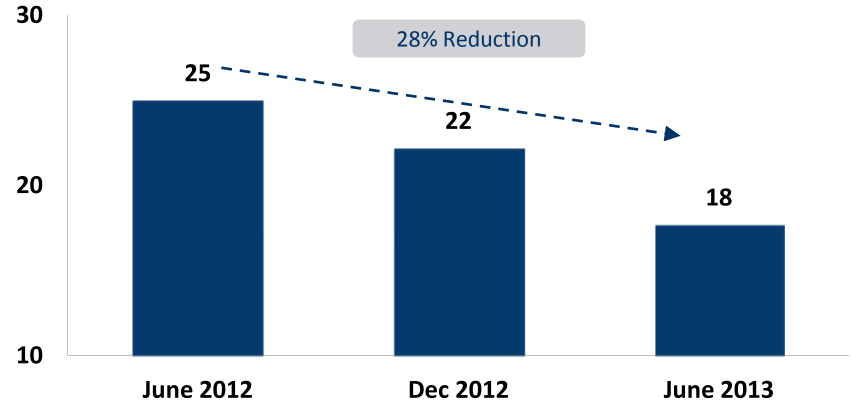

## Non Core Deleveraging Programme Achieved

Progress vs. Deleveraging Target of €20.5bn by end 2013 (€bn)




## Reducing Reliance on Monetary Authority Funding

(€bn)




*1. Includes Repos*
*2. Includes Preference Shares and based on current CRD IV guidelines*

# Supporting Economic Growth – over €3 bn in Lending Approvals June YTD

**Focused on SME & Corporate Customers**

- Sectoral approach to SME lending
  - Research reports and increased relationship management activity
- SME lending approval YTD June increased 3% to c.16,300 customers
  - Approvals for new facilities to SMEs up 11% year on year
  - 39% market share of Agri sector [1]
- Corporate lending supporting indigenous companies and FDI sector
- Approved €2.2bn billion in SME and Corporate lending June YTD
- Largest pipeline of lending in several years

**Largest Mortgage Provider in the Country**

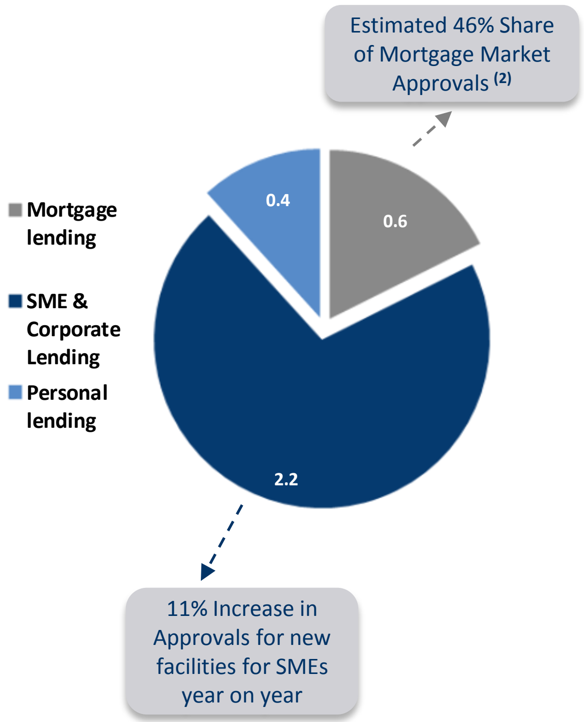
- Estimated 46% market share of approvals June YTD [2]
- €0.6 billion in approvals, €2.1billion in approvals since the beginning of 2012
- 2013; €2billion available for mortgage lending subject to demand
- Seminars for EBS and AIB customers
- 70% approval rate for mortgage applications YTD

**Supporting New Business/Farmers**

- Committed to 2 Seed Capital Funds totalling €75m which have invested in c.85 companies
- Launched €200m loan fund for SMEs in partnership with EIB – April 2013
- €50m million support package for the Agri Sector announced in April 2013
  - Follows launch of €250m Agri fund in 2012

**Over €3bn in Lending Approvals June YTD**

(€bn)

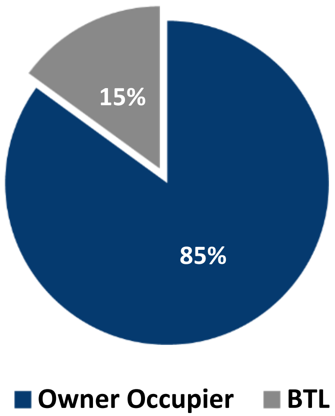



*1. Source : AIB and Central Bank of Ireland – Outstanding loan balances data Q1 2013*
*2. Source : Management estimate based on industry data as at June 2013*

# Mortgage Customers in Financial Difficulty

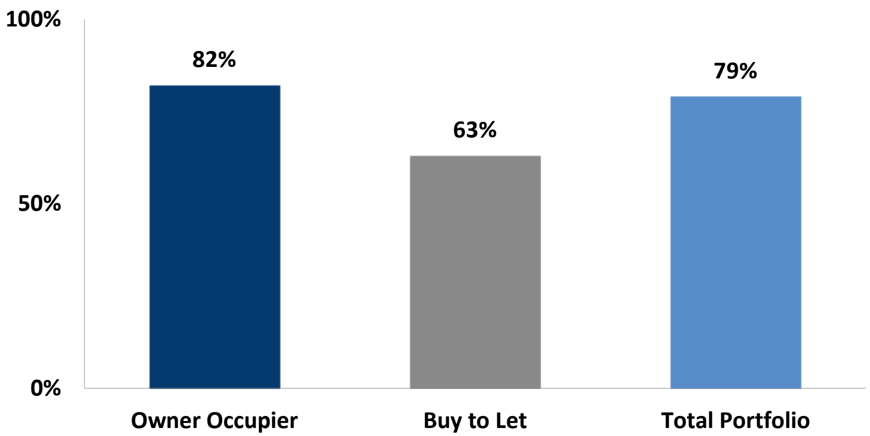
## RoI Mortgage Portfolio Overview by Number of Accounts

June 2013




## ROI Performing Mortgage Portfolio by Number of Accounts

June 2013




## Summary – ROI Mortgages

- 8 out of 10 mortgage accounts fully performing
  - 85% of portfolio is owner occupier mortgages
- Exceeded Mortgage Arrears Resolution Target offers for Q2 2013 (1)
- Portfolio continues to perform better than the comparable March 2013 industry data (2)
- Target customer engagement prior to potential arrears
  - Number of accounts in pre-arrears has been declining since January 2013 (3)
- Focused on management of early arrears
  - Customer contact levels and cash collection has increased significantly YTD (3)
- Replacing short term forbearance measures with sustainable solutions including legal options for non co-operating customers
  - Continued evidence of strategic default within the arrears portfolio

## ROI Residential Mortgages >90 Days Past Due

| | By Number of Accounts | | |
|---|---|---|---|
| Owner Occupier + BTL Portfolios | AIB | Industry (3) | Industry Ex AIB (3) |
| Residential Mortgages Mortgages >90 days past due | 11.6% | 13.5% | 14.7% |

*1. Subject to CBI confirmation.*
*2. CBI Industry data as at March 2013.*
*3. Reflects activity within the arrears support unit of the Financial Solutions Group which manages the majority of mortgage arrears cases.*

# Financial Performance, Funding & Capital

Paul Stanley
Acting Chief Financial Officer

# Operating Performance: H1 2013

| Income Statement €m | H1 2012 | H1 2013 |
|---|---|---|
| Net Interest Income (Before ELG) | 783 | 718 |
| ELG Fees | (215) | (123) |
| Net Other Income | 203 | 321 |
| Total Operating Income | 771 | 916 |
| Operating Expenses [(1)] | (881) | (754) |
| **Operating Profit / (Loss)** | **(110)** | **162** |
| Provisions | (973) | (738) |
| Assoc Undertakings / Business Disposals | (1) | 4 |
| **Operating Loss (Before Exceptionals)** | **(1,084)** | **(572)** |
| Exceptional Items | (57) | (266) |
| (Loss) Before Tax *(including restatement)* | (1,141) | (838) |
| | | |
| Net Interest Margin (Excluding ELG) | 1.24% | 1.28% |
| Net Interest Margin (Excluding ELG, NAMA bonds) | 1.27% | 1.42% |

| Other Key Metrics | Dec 2012 | June 2013 |
|---|---|---|
| Loans/ Customer Accounts | 115% | 106% |
| Customer Accounts / Total Funding | 55% | 58% |
| Wholesale Funding with Maturity > 1 Year | 48% | 56% |
| RWAs | €71bn | €65bn |
| Core Tier 1 Capital Ratio | 15.1% | 15.1% |
| Total Capital Ratio | 17.6% | 17.4% |
| Basel III fully loaded Equity Tier 1 [(2)] | 9.7% | 9.5% |

*1. Including IAS 19 pension adjustment /Excluding exceptional items*
*2. Includes Preference Shares*

## Operating Metrics

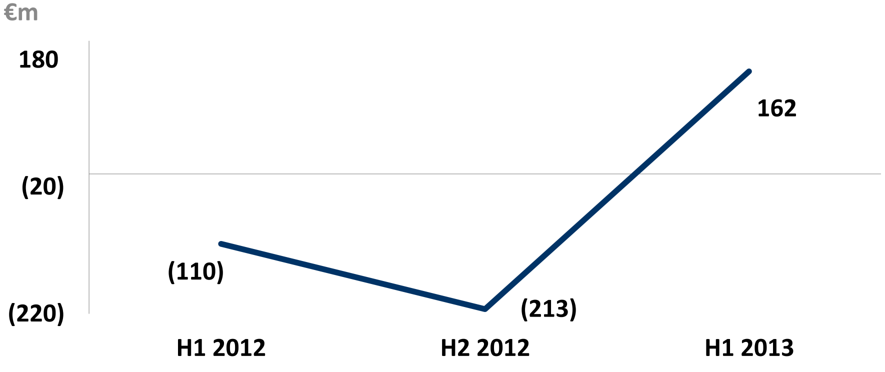
- 5% increase yoy in net interest income from €568m to €595m including ELG costs
  - €92m reduction in ELG costs
  - Product repricing offset by lower gross loan volumes
- Other income increased to €321m due to higher banking fees and trading income
- 19% increase in total operating income
- Total operating expenses reduced by €127m or 14% reflecting staff exits and other cost control initiatives
- 24% reduction in total provisions year on year
  - 53% reduction compared to H2 2012
- 47% improvement in operating loss before tax and exceptionals
  - Exceptional items include:
    - Loss and disposal of loans
    - NAMA revaluation
    - Restructuring and restitution expenses
- Loss before tax reduced to €838m from €1,141m

## Balance Sheet

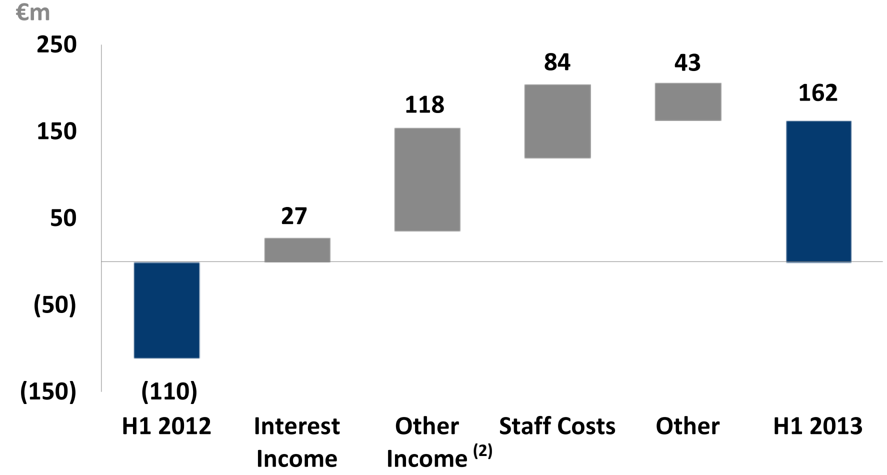
- LDR reduced to 106% from 115%
- Core Tier 1 capital ratio of 15.1%, unchanged from Dec 2012
- Customer Accounts as % of total funding increased to 58% from 55%
- RWA’s reduced to €65bn from €71bn

# Improving Profitability and Margin Growth……

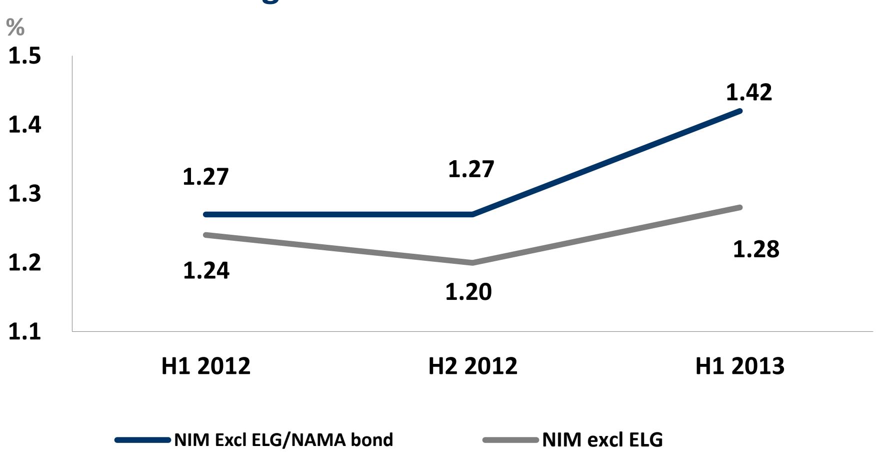
## Operating Profit



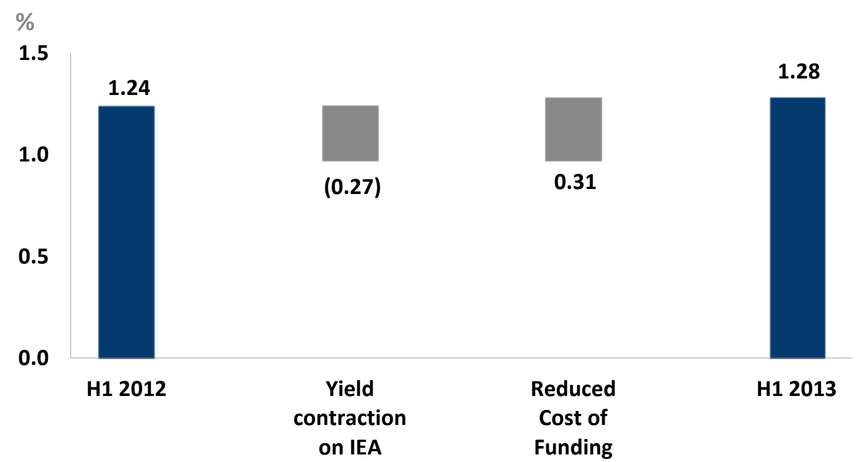

## Components of Return to Operating Profit




## Net Interest Margin



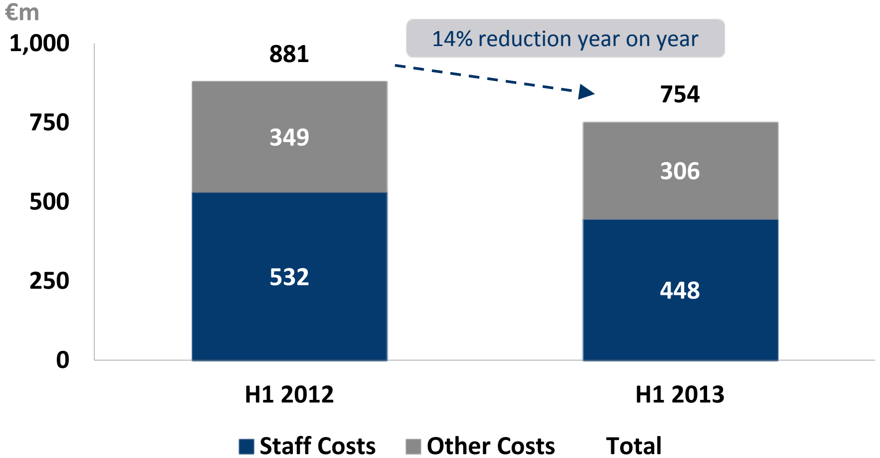

## Components of Net Interest Margin (1) - Expansion



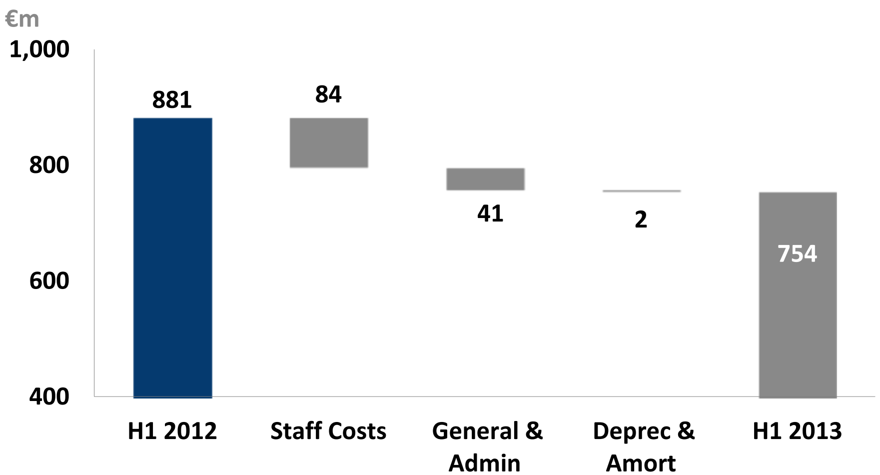

1. *Excluding ELG*
2. *Primarily due to higher banking fees and trading income*

# .....Supported by Significant Cost Reduction

## Operating Expenses (1)




## Operating Expenses (1)




## Operating Expenses

- Total operating expenses reduced by €127m
- Staff costs reduced by €84m or 16%
  - c. 2,300 (16%) reduction in staff numbers since June 2012
- General and administrative expenses reduced by €41m or 14%
  - lower occupancy fees and external provider fees

## Business Focus

- Investment in core business and digital strategy
  - Branch and Direct Channel investments
- Built capability to support customers in difficulty

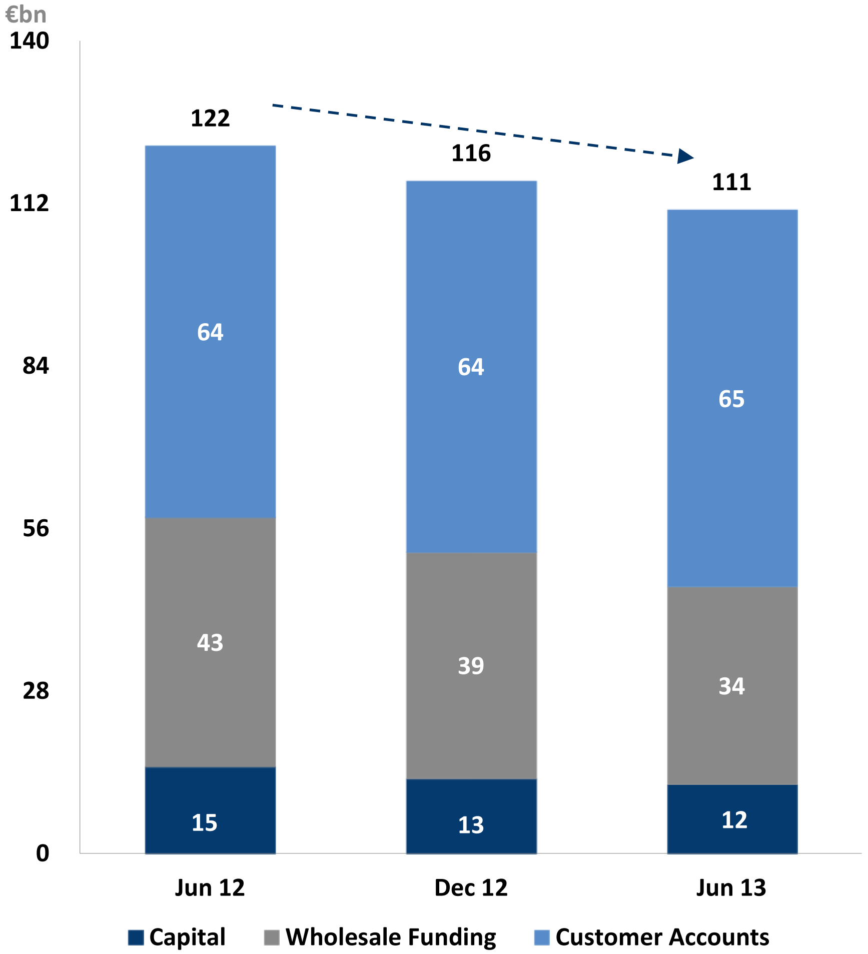
## Future Cost Reductions

- Ongoing severance program
- Planned closure of DB Scheme to future accrual
- Announced changes to staff pay and conditions
- Ongoing outsourcing considerations
- Operational and process efficiency improvements
- Continued focus on delivering cost effective model right sized to current market

*1. Excluding Exceptionals*

# Funding Position Continues to Normalise and Improve

## Funding Sources




## Customer Accounts

- Customer accounts [(1)] increased by €1.2bn since Dec 12 to €64.8bn at June 2013
- Customer accounts, 58% of the total funding requirement
  - Increased 6% year on year
  - Underlying customer deposits decreased by c.€2bn reflecting managed and targeted reduction in high price deposits
  - Continued focus on reduction in overall cost of deposits
  - No material impact from withdrawal of ELG

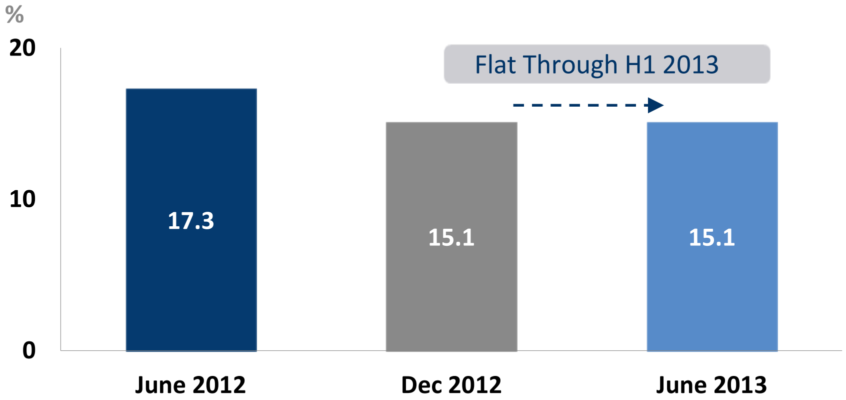
## Wholesale Funding

- Wholesale funding reduced reflecting lower loan volume
  - 31% of total funding requirement
- Funding from Monetary Authorities reduced by c.20% or €4bn to €18bn since Dec 2012
  - €11bn of 3 year LTRO
- Issuance of €500m covered bond in January 2013 and increased bilateral repo activity in H1 2013
- Further market issuances planned in H2 2013 as part of a balanced and measured engagement over time

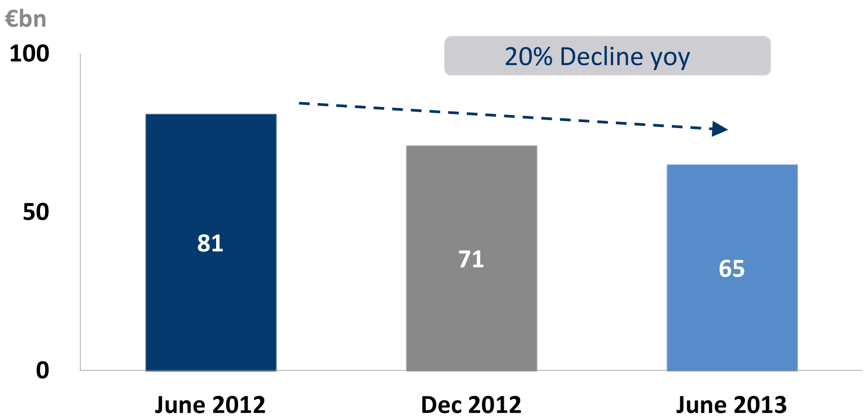
1. *Includes Repos*

# Capital Position - Robust Capital Levels

## Core Tier One Ratio




## RWAs Significantly Reduced




## Capital

- Capital ratios largely unchanged
- Total Capital of 17.4% at June 2013 vs. 17.6% at Dec 2012
- Core Tier 1 ratio of 15.1%
- Basel III fully loaded equity ratio of 9.5% [(1)]
  - 0.2% decrease Vs. year end 2012 position of 9.7%

## Risk Weighted Assets

- Reduction of €6bn since Dec 2012, (20% reduction year on year) driven by
  - Credit Risk reduction of €4.4bn driven by decreasing balances, deleveraging and provisions
  - Operational Risk decrease of €1.3bn
  - Market Risk €0.3bn lower

## Forward Looking

- Continued focus on Basel III deduction mitigants
  - Pension deficit, Deferred Tax Assets
- Migration to IRB models on-going

*1. Includes Preference Shares and based on current CRD IV guidelines*

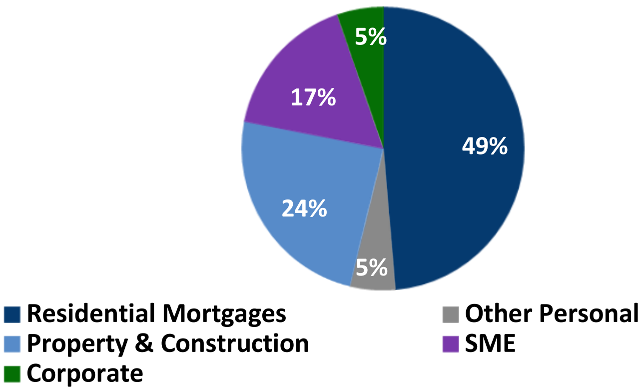
# Asset Quality

Peter Rossiter
Chief Risk Officer

# Loan Book Composition and Credit Profile – Evidence of Stabilisation

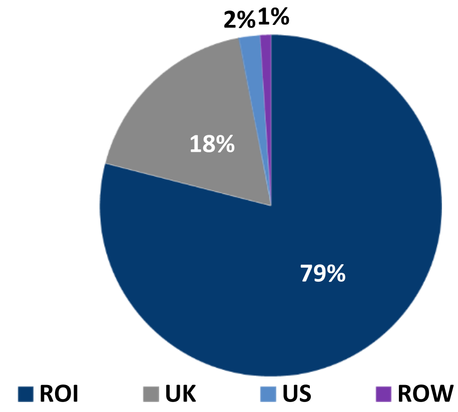
## Total Loan Portfolio Profile by Value

%



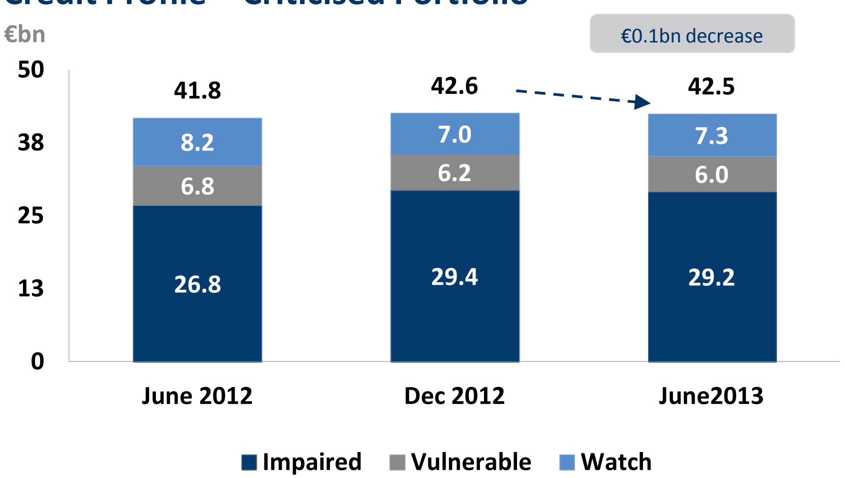

## Total Loan Portfolio -- Geographic Profile by Value (1)

%




## Credit Profile – Criticised Portfolio

€bn




## Summary

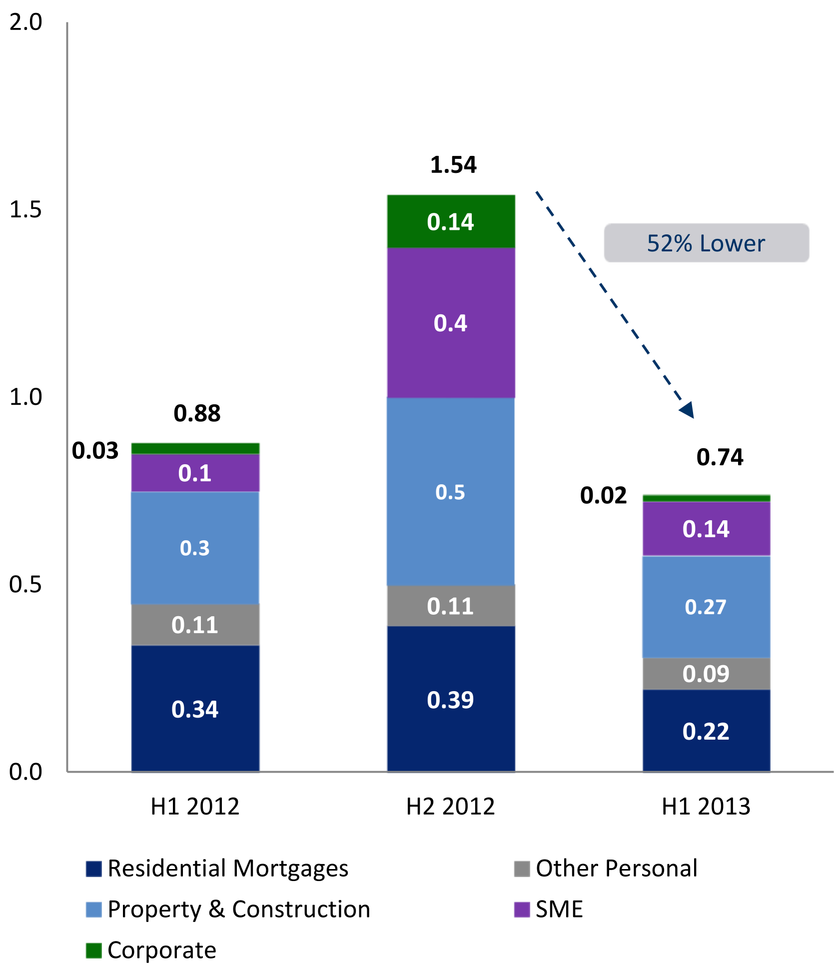
- Gross loans reduced by €4.6bn to €85.3bn due to non-core deleveraging and amortisation
- Non Core deleveraging now effectively complete
- Residential mortgages remains the largest component of overall loan book at 49%
- 79% of loan book in ROI with a further 18% in UK
- Decrease of €0.1bn in total criticised loans to €42.5bn
  - Impaired loans reduced by €0.2bn June 2013 Vs. Dec 2012

*1. Geographical split by country of risk*
*2. Definitions of criticised loans contained on Appendix slide No.34*

# Credit Impairments Significantly Reduced with Total Stock of Provisions Stable

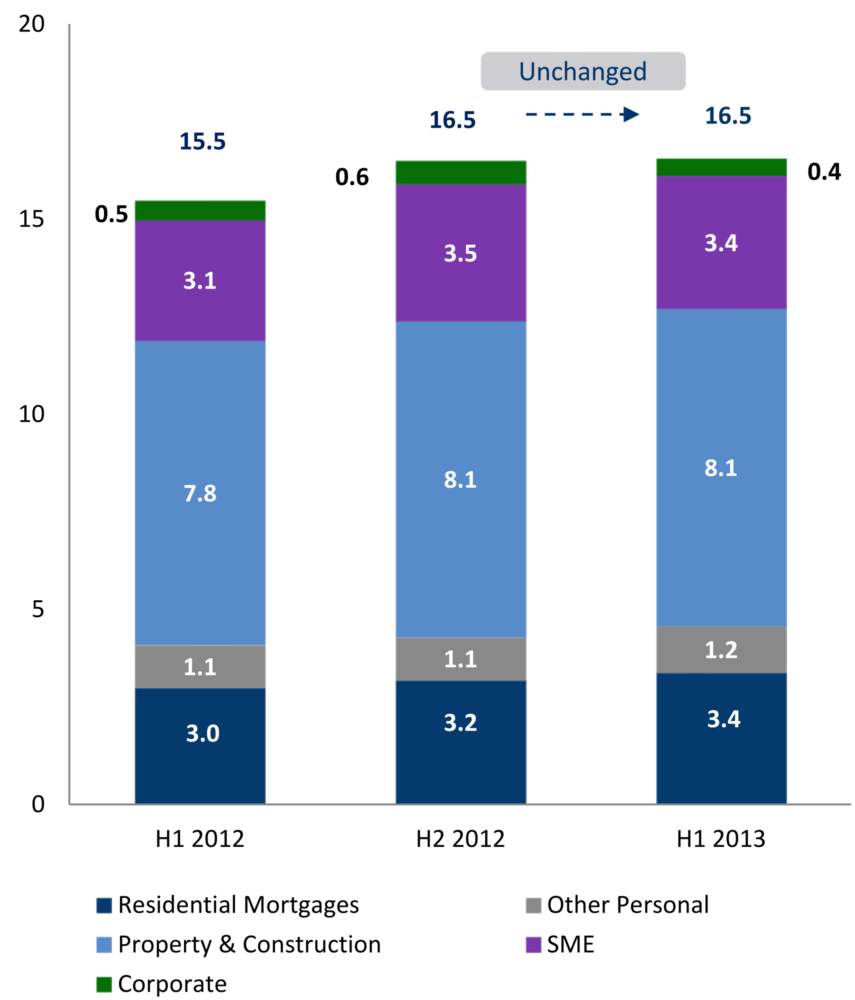
## Credit Impairment Charge

€bn



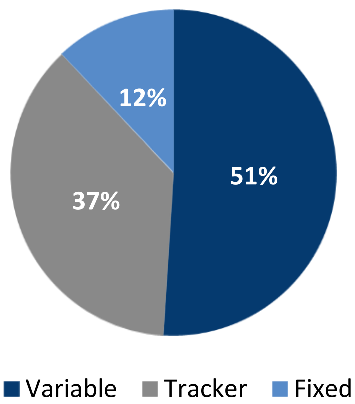

## Credit Profile – Balance Sheet provisions

€bn

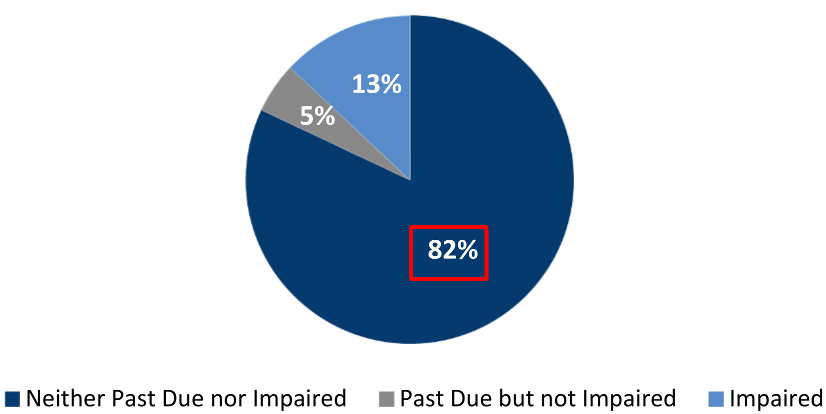


# ROI Owner Occupied Mortgages: €31.1bn

## Asset Profile Components by Value (€m)




## Asset Quality Profile by Number of Accounts




## Arrears Profile & Provisions (€m)

| 6 Month Period Ending | June 2012 | Dec 2012 | June 2013 |
|---|---|---|---|
| 1-90 days Past Due | 1,704 | 1,863 | 1,994 |
| *of which Impaired* | *390* | *496* | *554* |
| 90+ days past Due | 3,090 | 3,424 | 3,771 |
| *of which Impaired* | *2,904* | *3,245* | *3,568* |
| Impaired Loans not Past Due | 612 | 782 | 770 |
| Total Impaired Loans | 3,906 | 4,523 | 4,892 |
| | | | |
| Impairment Charge (Total) | 140 | 316 | 96 |
| Impairment Charge (bps) | 88bps | 198bps | 62bps |
| Total Specific Provisions | 935 | 1,224 | 1,409 |
| Specific Provisions / Impaired Loans | 24% | 27% | 29% |

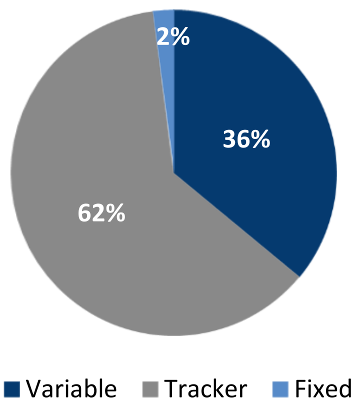
## Summary

- 85% of ROI Mortgage portfolio is owner occupier (1)
  - 3% of the portfolio is interest only (1)
- 82% of portfolio is neither past due or impaired (1)
- Environment :
  - Evidence of residential property price stabilisation
  - Average fall of 50% from peak values (2)
  - Unemployment remains elevated but declining
- Provision assumptions include 55% peak to trough fall in prices, forced sale discount, disposal costs
- Pace of increase in total impaired loans slowed in H1 2013 vs. H2 2012
- Impairment charge for H1 2013 down 70% from H2 2012
- Specific coverage increased to 29% at June 2013 from 27% at Dec 2012

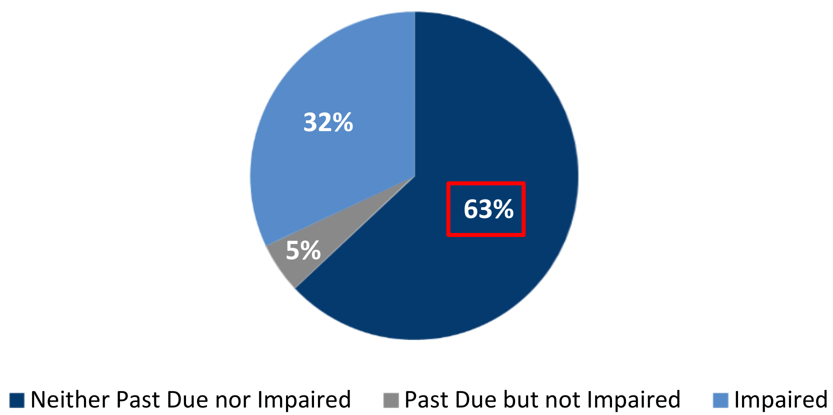
*1. By number of accounts*
*2. Source : Central Statistics Office*

# ROI Buy to Let Mortgages: €7.7bn

## Asset Profile Components by Value (€m)




## Asset Quality Profile by Number of Accounts




## Arrears Profile & Provisions (€m)

| 6 Month Period Ending | June 2012 | Dec 2012 | June 2013 |
|---|---|---|---|
| 1-90 Days Past Due | 804 | 681 | 677 |
| *of which Impaired* | *410* | *425* | *448* |
| 90+ Days Past Due | 2,114 | 2,013 | 2,302 |
| *of which Impaired* | *1,874* | *1,883* | *2,163* |
| Impaired Loans not Past Due | 966 | 1,025 | 956 |
| Total Impaired Loans | 3,250 | 3,333 | 3,567 |
| | | | |
| Impairment Charge (Total) | 201 | 74 | 141 |
| Impairment Charge (bps) | 429bps | 170bps | 354bps |
| Total Specific Provisions | 1,180 | 1,365 | 1,540 |
| Specific Provisions / Impaired Loans | 36% | 41% | 43% |

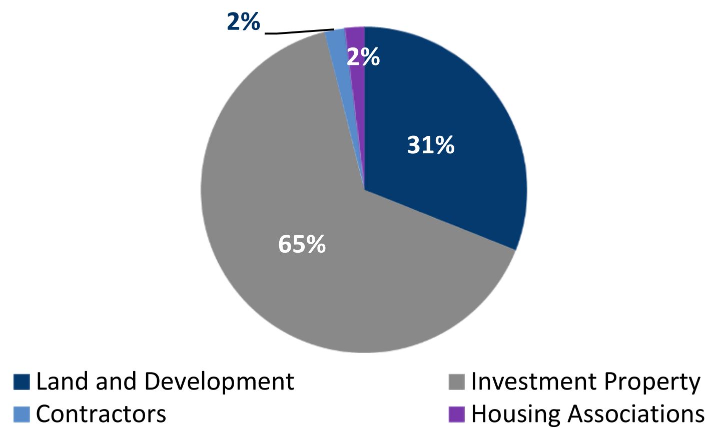
## Summary

- 15% of ROI Mortgage portfolio is buy-to-let (1)
  - 14% of the portfolio is interest only (1)
- 63% of portfolio is neither past due or impaired (1)
- Evidence of property price stabilisation
  - Average fall of 50% from peak values (2)
- Provision assumptions include 55% peak to trough fall in prices, forced sale discount, disposal costs
- Impairment charge for H1 2013 increased to €141 from €74m in H2 2012
- Specific Coverage Increased to 43% at June 2013 from 41% at Dec 2012

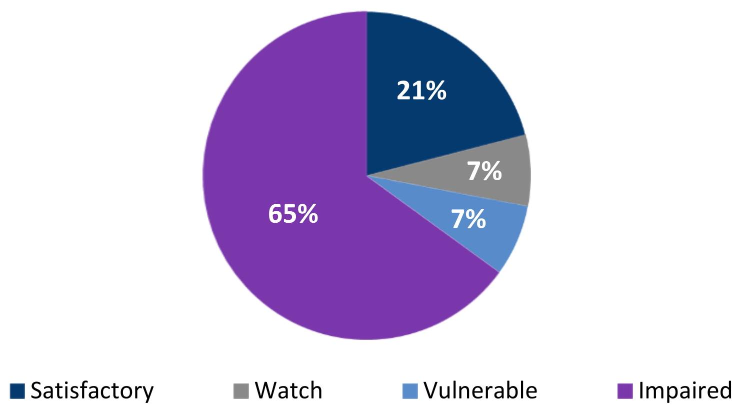
1. *By number of accounts*
2. *Source : Central Statistics Office*

# Property and Construction: €20.7bn

## Asset Profile (€20.7bn)




## Asset Quality Profile (€20.7bn)




## Impairment Charge & Provisions (€m)

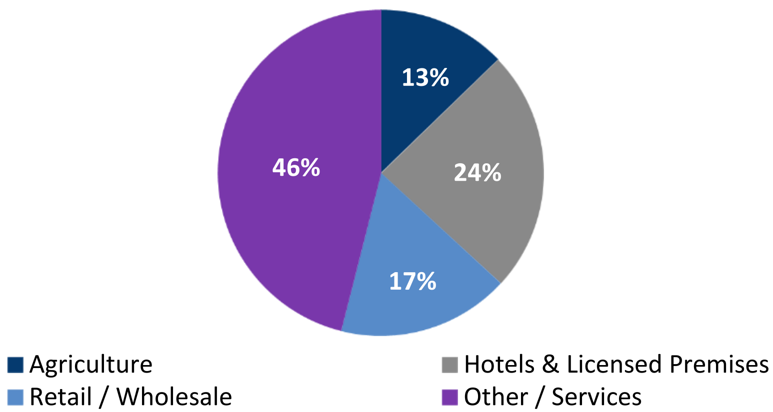
| 6 Month Period Ending | June 2012 | Dec 2012 | June 2013 |
|---|---|---|---|
| Impaired Loans | 12,421 | 13,830 | 13,491 |
| Impairment Charge | 290 | 491 | 272 |
| Impairment Charge (bps) | 242bps | 426bps | 253bps |
| Total Specific Provisions | 6,935 | 7,707 | 7,824 |
| Specific Provisions / Impaired Loans | 56% | 56% | 58% |

## Summary

- Indication of stabilisation reported by some sectors in prime rents and yields
    - Rents for secondary properties or properties in provincial locations continue to come under pressure
- Total gross loans reduced by €1.6bn since Dec 2012 reflecting the sale of assets and amortisation
- Impaired loans have reduced by €0.3bn
    - Specific provision cover increased to 58%
    - Impairment charge down 45%
- €1.3bn reduction in property investment portfolio to €13.6bn at June 2013 primarily due to deleveraging
    - c. 58% of property investment portfolio is impaired with specific provision cover of 45%
- Land & Development portfolio of €6.3bn at June 2013, 72% of which is in Ireland
    - 85% of L&D portfolio is impaired with 77% specific provision cover

# SME / Other Commercial Lending: €14.2bn

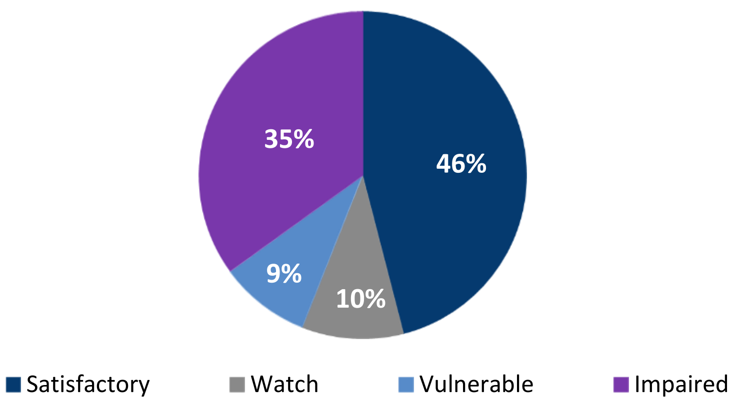
## Asset Profile (€14.2bn)




## Impairment Charge & Provisions (€m)

| 6 Month Period Ending | June 2012 | Dec 2012 | June 2013 |
|---|---|---|---|
| Impaired Loans | 4,896 | 5,221 | 4,942 |
| Impairment Charge | 110 | 408 | 144 |
| Impairment Charge (bps) | 138bps | 526bps | 196bps |
| Total Specific Provisions | 2,822 | 3,230 | 3,180 |
| Specific Provisions / Impaired Loans | 58% | 62% | 64% |

## Asset Quality Profile (€14.2bn)

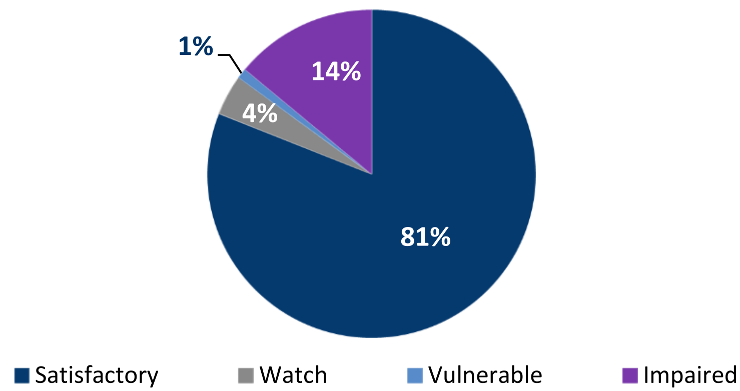



## Summary

- Overall portfolio has reduced by €0.9bn YTD
- 69% of exposure is to SMEs in Ireland who are dependent on the challenged domestic economy
- Reduction in criticised and impaired loans of €0.5bn and €0.3bn respectively
  - Total impaired loans of €4.9bn with specific provision cover of 64%
  - Impairment charge down 65%

# Corporate Lending: €4.5bn

## Asset Quality Profile (€4.5bn)




## Impairment Charge & Provisions (€m)

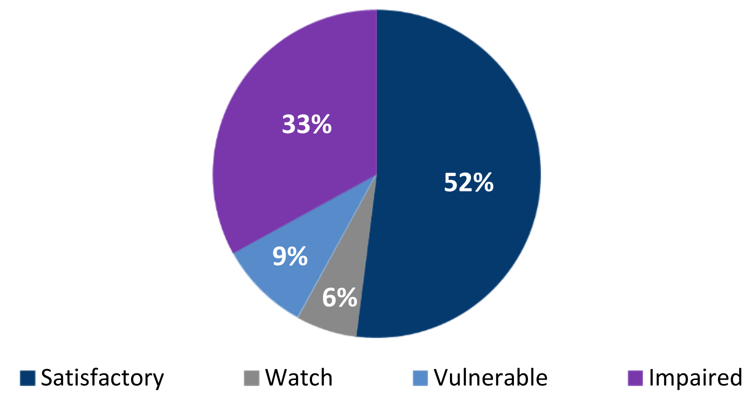
| 6 Month Period Ending | June 2012 | Dec 2012 | June 2013 |
|---|---|---|---|
| Impaired Loans | 596 | 803 | 620 |
| Impairment Charge | 26 | 141 | 18 |
| Impairment Charge (bps) | 75bps | 484bps | 74bps |
| Total Specific Provisions | 383 | 485 | 355 |
| Specific Provisions / Impaired Loans | 64% | 60% | 57% |

## Summary

- Portfolio reduction of €0.7bn reflecting deleveraging and amortisation
- Criticised and impaired loans have both decreased by €0.2bn
  - Impaired loans of €0.6bn at June 2013 with specific provision cover of 57%
  - Impairment charge down c.87% in H1 2013

# Personal Lending: €4.4bn

## Asset Quality Profile (€4.4bn)




## Impairment Charge & Provisions (€m)

| 6 Month Period Ending | June 2012 | Dec 2012 | June 2013 |
|---|---|---|---|
| Impaired Loans | 1,404 | 1,432 | 1,427 |
| Impairment Charge | 112 | 107 | 85 |
| Impairment Charge (bps) | 433bps | 440bps | 375bps |
| Total Specific Provisions | 980 | 1,064 | 1,091 |
| Specific Provisions / Impaired Loans | 70% | 74% | 76% |

## Summary

- Overall portfolio reduction of €0.3bn
  - €3.5bn in loans and overdrafts; €0.9bn in credit card facilities
- Criticised loans have decreased by €0.1bn since Dec 2012
  - Impaired loans of €1.4bn at June 2013 with specific provision cover of 76%
  - Impairment Charge down 21% in H1 2013

# Summary & Near Term Strategic Priorities

David Duffy
Chief Executive Officer

# Overall Summary

**Improving Operating Performance**

- Returned to pre-provision operating profit
- Positive momentum in NIM
- Total operating costs down significantly
- Impairments trending lower in line with expectations
- Reduction in loss before tax

**Balance Sheet Strengthening Continues**

- Loan to deposit ratio further reduced
- Achieved year end 2013 non core deleveraging target ahead of schedule
- Overall capital position remains robust

**Supporting our Customers & Economic Growth**

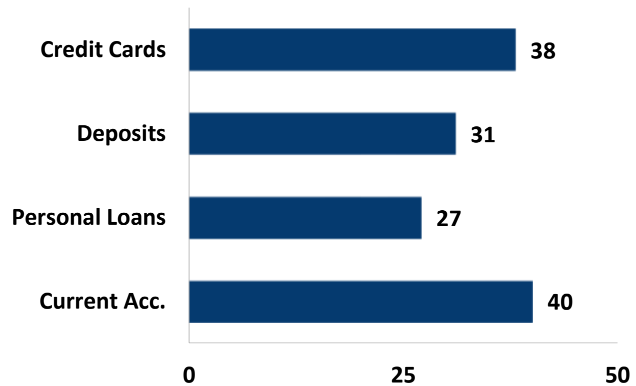
- Focused on Mortgage, SME and Corporate lending
- Exceeded Q2 2013 targets for mortgage arrears offers

# Leading Position in the Irish Banking Market

| aib.ie | POS | Mobile Banking | Internet Banking | ATMs | Phone Banking | IBB |
|---|---|---|---|---|---|---|
| 78m visits p.a [3] | 348m transactions in 2012 | 383k Active Customers [4] | 739k Active Customers [4] | 53m transactions p.a [3] | 9.3m calls p.a. [3] | 43k customers [4] |

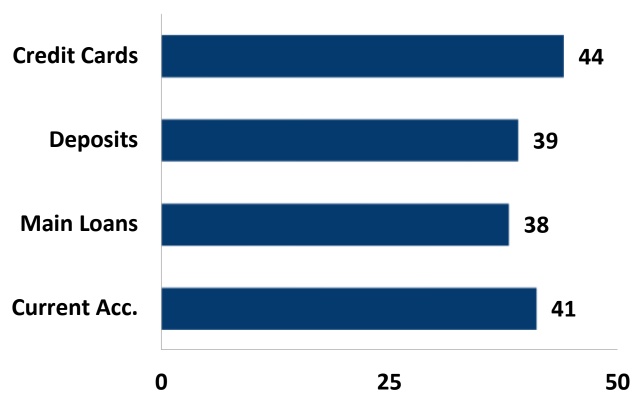
## Number 1 in Personal Banking [1]

Market Share (%)




## Number 1 in Business Banking [2]

Market Share (%)




- Largest distribution reach of c.200 AIB branches, 76 EBS outlets and partnership with An Post
  - Increased self-service technology deployment
  - Improving customer satisfaction & NPS scores, high levels of customer adoption
- On-going focus on technology, innovation and digital strategy to increase efficiency and distribution
  - Digital store opened April
  - Focus on on-going further digital initiatives
- Target key customer segments within the Personal & Business markets
  - New customer focused operating model implementation on-going
- Comprehensive customer experience programme to enhance customer service insight

*1. Personal Market Share data based on Millward Brown Lansdowne report Q4 2012*
*2. Business Market Share data based on IPSOS MRBI report November 2012*
*3. Data as of March 2013*
*4. Data as of July 2013*

# Summary of Strategic Focus

**Focus On Commercial Agenda**

***2013***

- Secure pre-provision operating profit for the full year
  - On-going reduction in credit provisions
  - Implement further cost savings
  - Continue progress in NIM and other financial and operational metrics
- Progress on balance sheet and capital efficiency
- Exceed lending targets in key product segments
- Exceed Central Bank targets in relation to arrears

**Returning to Profitability**

***2014 and Beyond***

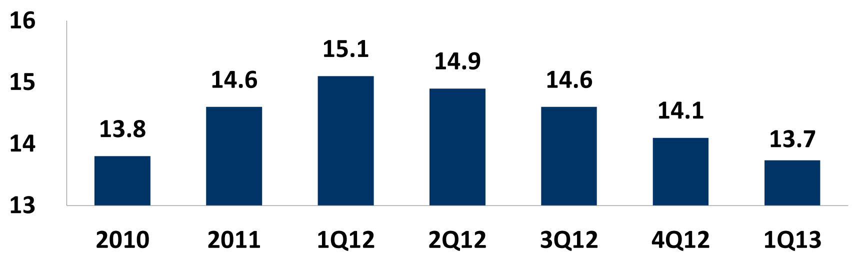
- Target a return to sustainable profitability during 2014
- Full funding market access and further capital structure improvements
- Substantially complete restructuring for mortgage and SME arrears customers
- Work to return capital to the Irish State at appropriate time

# Appendix

# Irish Economic Summary

## Unemployment Rate

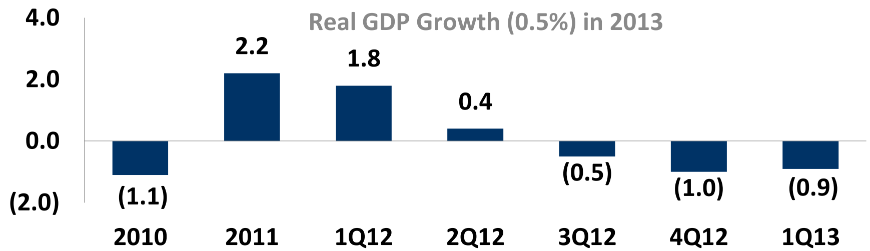
%




*Source: CSO Live Register June 2013, 3 July 2013*

## GDP

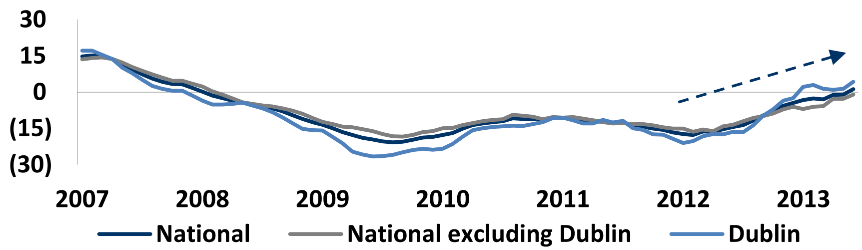
YoY Change (%)




*Source: CSO Quarterly National Accounts, 27 June 2013*

## Residential Property Prices

YoY Change (%)




*Source: CSO*

- Irish GDP fell in Q1 2013 but strong rise in GNP in the quarter
  - Forecasting GDP growth of 0.5% in 2013 and 2.2% in 2014
- Government Budget deficit declining at an encouraging pace
  - On course for sub 3% budget deficit by 2015
  - EU/IMF bailout programme exit on schedule for end 2013
- Domestic economy stabilising
  - Housing, labour market and domestic demand either stabilising or improving
- Ongoing signs of housing market improvement
  - Dublin market appears to be leading indicator
  - Demand & supply issues evident in some areas
- Signs of investor confidence returning
  - Sovereign's re-entry to funding markets
  - Irish Bond yields have stabilised and fallen sharply from crisis levels

# Customer Loan Book – Impairment and Provisioning

| Loan Book Sectoral Profile - June 2013 Amount in €bn's | ROI Mortgages | UK Mortgages | Land & Development | Investment Property | SME / Other Commercial (1) | Personal | Corporate | Total |
|---|---|---|---|---|---|---|---|---|
| Advances | 38.8 | 2.7 | 6.3 | 13.6 | 14.2 | 4.4 | 4.5 | **84.5** |
| Impaired | 8.5 | 0.3 | 5.4 | 7.9 | 4.9 | 1.4 | 0.6 | **29.0** |
| Impairment Charge (6 Months P&L) | 0.2 | 0.0 | 0.1 | 0.1 | 0.2 | 0.1 | 0.0 | **0.7** |
| Balance Sheet Provisions (Specific + IBNR) | 3.2 | 0.2 | 4.2 | 3.7 | 3.6 | 1.2 | 0.4 | **16.5** |
| Specific Provisions / Impaired Loans (%) | 35% | 42% | 77% | 45% | 64% | 76% | 57% | **54%** |
| Total Provisions / Impaired Loans (%) | 38% | 53% | 78% | 48% | 69% | 81% | 71% | **57%** |

| Loan Book Sectoral Profile – Dec 2012 Amount in €bn's | ROI Mortgages | UK Mortgages | Land & Development | Investment Property | SME / Other Commercial (1) | Personal | Corporate | Total |
|---|---|---|---|---|---|---|---|---|
| Advances | 39.5 | 3.0 | 6.4 | 14.9 | 15.1 | 4.7 | 5.2 | **88.9** |
| Impaired | 7.9 | 0.3 | 5.5 | 8.0 | 5.2 | 1.4 | 0.8 | **29.1** |
| Impairment Charge (6 Months P&L) | 0.4 | 0.0 | 0.3 | 0.4 | 0.4 | 0.1 | 0.1 | **1.5** |
| Balance Sheet Provisions (Specific + IBNR) | 3.0 | 0.2 | 4.2 | 3.8 | 3.5 | 1.1 | 0.6 | **16.5** |
| Specific Provisions / Impaired Loans (%) | 33% | 40% | 74% | 42% | 62% | 74% | 60% | **52%** |
| Total Provisions / Impaired Loans (%) | 38% | 67% | 75% | 47% | 66% | 80% | 73% | **56%** |

**RoI Mortgage Portfolio**

- Specific provision cover to impaired loans has increased to 35% from 33% at Dec 2012

**Property & Construction Portfolio**

- Remains challenging however evidence of stabilisation of prime rents and yields

**SME/Other Commercial**

- c. 69% of this portfolio is to SME's in Ireland who are exposed to a challenged domestic economy

**Personal Portfolio**

- Evidence of stabilisation in unemployment and house prices, however, the reduction in the overall personal lending book reflects the continued lack of demand for personal credit as households focus on reducing debt

**Corporate Portfolio**

- Reduction of €0.8bn due to deleveraging along with scheduled payments

*1. Excludes €0.8bn for contractors and housing associations ( €0.9bn Dec 2012)*

# Summary Balance Sheet

| Group Balance Sheet | Dec 2012 (€bn) | June 2013 (€bn) |
|---|---|---|
| Net Loans & Advances to Customers | 73 | 69 |
| NAMA Bonds | 17 | 16 |
| Financial Investment Available for Sale | 16 | 19 |
| Other Assets | 17 | 17 |
| Total Assets | 123 | 121 |
| Customer Accounts | 64 | 65 |
| Wholesale Funding | | |
| – Debt Securities | 11 | 8 |
| – Monetary Authorities & Banks | 28 | 26 |
| Other Liabilities | 9 | 11 |
| Total Liabilities | 112 | 110 |
| Shareholders Equity | 11 | 11 |
| Total Liabilities & Shareholders Equity | 123 | 121 |

# Capital Structure

| Capital Adequacy information | 31 December 2012 (€m) | 30 June 2013 (€m) |
|---|---|---|
| **Core Tier 1** | | |
| Paid Up Share Capital and Related Share Premium | 8,096 | 8,096 |
| Eligible Reserves | 3,022 | 2,315 |
| Regulatory Adjustments | (312) | (324) |
| **Supervisory Deductions:** | | |
| Unconsolidated Financial Investments | (6) | (159) |
| Securitisations | (45) | (53) |
| **Core tier 1 Capital** | **10,755** | **9,875** |
| **Tier 2** | | |
| Eligible Reserves | 125 | 120 |
| Credit Provisions | 682 | 632 |
| Subordinated Term Loan Capital | 1,154 | 993 |
| Supervisory Deductions from Tier 2 Capital | (51) | (212) |
| Total Tier 2 Capital | 1,910 | 1,533 |
| **Gross Capital** | **12,665** | **11,408** |
| Supervisory Deductions | (74) | - |
| **Total Capital** | **12,591** | **11,408** |
| **Risk Weighted Assets (Unaudited)** | | |
| Credit Risk | 66,335 | 61,916 |
| Market Risk | 616 | 331 |
| Operational Risk | 4,466 | 3,174 |
| **Total Risk Weighted Assets** | **71,417** | **65,421** |
| **Capital Ratios (Unaudited)** | | |
| **Core Tier 1** | **15.1%** | **15.1%** |
| **Total** | **17.6%** | **17.4%** |

## State 2009 Preference Shares

- €3.5bn perpetual, non-cumulative Preference Shares
- 8% fixed non-cumulative annual coupon, no coupon step up, payable either by cash or an issue of bonus ordinary shares
- Qualifying as Core Tier 1 until 2018
- May be purchased or redeemed at the option of AIB, in whole or in part, from distributable profits and/or proceeds of an issue of shares constituting Core Tier 1 capital
- 25% redemption step up applied from May 2014

## State Equity Investments

- €3.8bn of equity received in December 2010
- €5bn of equity received in July 2011 – 500 billion of ordinary shares issued at €0.01 per share
- State ownership is 99.8%
- €6.05bn Capital Contribution received in July 2011

## Contingent Capital Notes

- €1.6bn Contingent Capital Notes issued by the Irish State in July 2011
- 10% fixed annual coupon
- Qualifying as Tier 2 capital
- Convertible into equity upon trigger of 8.25% Core Tier 1 ratio [(1)]
- Maturing July 2016

*1. Or at the discretion of the Central Bank of Ireland.*

# Criticised Loan Definitions

| | |
|---|---|
| **Watch** | The credit is exhibiting weakness but with the expectation that existing debt can be fully repaid from normal cash flows |
| **Vulnerable** | Credit where repayment is in jeopardy from normal cash flows and may be dependent on other sources |
| **Impaired** | A loan is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact such that the present value of future cash flows is less than the current carrying value of the financial asset or group of assets and requires an impairment provision to be recognised in the income statement |