

Preliminary Results 2009



For the year ended 31 December 2009, Allied Irish Banks, p.l.c.

Colm Doherty, Group Managing Director



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 the United States Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those projected in the forward looking statements. Factors that could cause actual results to differ materially from those in the forward looking statements include, but are not limited to, global, national and regional economic conditions, levels of market interest rates, credit or other risks of lending and investment activities, competitive and regulatory factors and technology change. Any ‘forward-looking statements made by or on behalf of the Group speak only as of the date they are made.

The following commentary is on a continuing operations basis. The growth percentages (excl. EPS) are shown on an underlying basis, adjusted for the impact of exchange rate movements on the translation of foreign locations’ profit and excluding interest rate hedge volatility.

- Key priorities
- Need for further clarity on significant issues
  - NAMA
  - Eligible Liability Guarantee (ELG)
  - EC ruling on restructuring plan
  - Capital levels
- 2009 preliminary results and driving forces

- Appointment of senior management team
- Reorganisation of credit and risk functions
- Development of deliverable capital actions
- Improvement of new business margins
- Achievement of lower costs to reflect smaller bank and lower income

- NAMA
  - 1<sup>st</sup> tranche of loans transfers expected shortly
  - Writedown on 1<sup>st</sup> tranche not necessarily indicative of overall discount
- ELG
  - Quantum of covered liabilities and associated cost as yet unclear
- Restructuring plan
  - EU decision awaited
- Capital levels
  - Ongoing discussions with regulator

GDP		
% volume	2009 est	2010 f
Ireland	-7.5	-2.5
UK	-4.9	0.8
Poland	1.7	2.6
Eurozone	-4.0	1.0
US	-2.4	2.5
World	-0.8	3.9

Source: AIB ERU

## Ireland

- Difficult decisions made to tackle budget deficit
- Net Government debt ratio of 51% in 2010
- Improved competitiveness; price reductions and real devaluation
- Increase in unemployment moderating
- Lower exposure to construction; further fall in housing output in 2010

- Stark contrast between high performing international businesses and property focused, principally Irish businesses
- Over exposure to property sector. Compounded by recession and market conditions
- Pre-provision operating profit of c. €3bn (c. €2.3bn excluding capital exchange gain) in the face of severe income pressure

2009		€ m
Total operating income		4,859
Total operating expenses		1,897
Operating profit		2,962
Credit provisions		(5,355)
Associated undertakings / other		(263)
Loss before tax		(2,656)
<ul style="list-style-type: none"> <li>● AIB Bank Rol</li> <li>● Capital Markets</li> <li>● AIB Bank UK</li> <li>● CEE</li> <li>● Group</li> </ul>	<ul style="list-style-type: none"> <li>(3,594)</li> <li>531</li> <li>(16)</li> <li>79</li> <li>344</li> </ul>	

€m	2009	2008	%
AIB Bank Rol	881	1,181	-25
Capital Markets	916	766	23
AIB Bank UK	377	405	
Stg £	336	323	4
CEE	310	335	17 *
Group	478	24	
Reported	<u>2,962</u>	<u>2,711</u>	
Capital Exchange	623		
Underlying	<u>2,339</u>	<u>2,711</u>	-7

\* includes a 6% increase in Poland and a nil outcome in AmCredit following losses of €24m in 2008

- 2009 total income €4,859, ↓ 11%
- Movements include:
  - Lower deposit income (€732m)
  - Higher funding costs (€ 62m)
  - Lower capital income (€106m)
  - Higher Government guarantee cost (€118m)
  - Higher loan income €175m
  - Higher trading income / other movements €11m
- Loans ↓ 3%; weak customer demand, de-leveraging in international portfolios
- Deposits ↓ 11%; stable and improving following large institutional outflows in Q1

Dec 2008	Dec 2009	change
2.21%	1.92%	- 29 bps *

## Key factors

- Increased cost of customer deposits - 42 bps
- Increased cost of wholesale funding - 4 bps
- Lower return on capital - 6 bps
- Higher loan margins + 18 bps
- Higher treasury margins + 5 bps

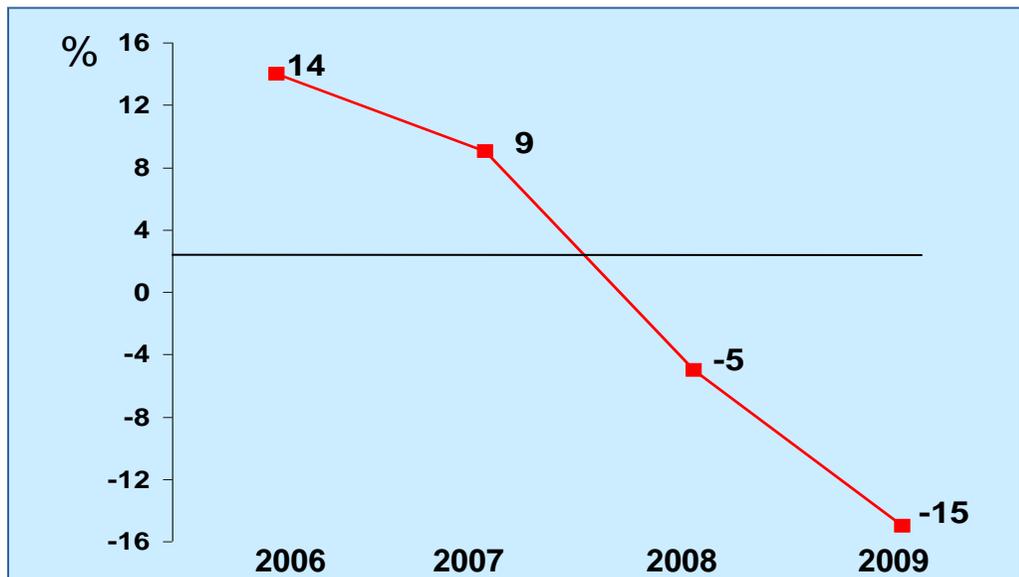
\* 5 bps of the reduction is due to \$ / € funding effect which has no impact on overall income

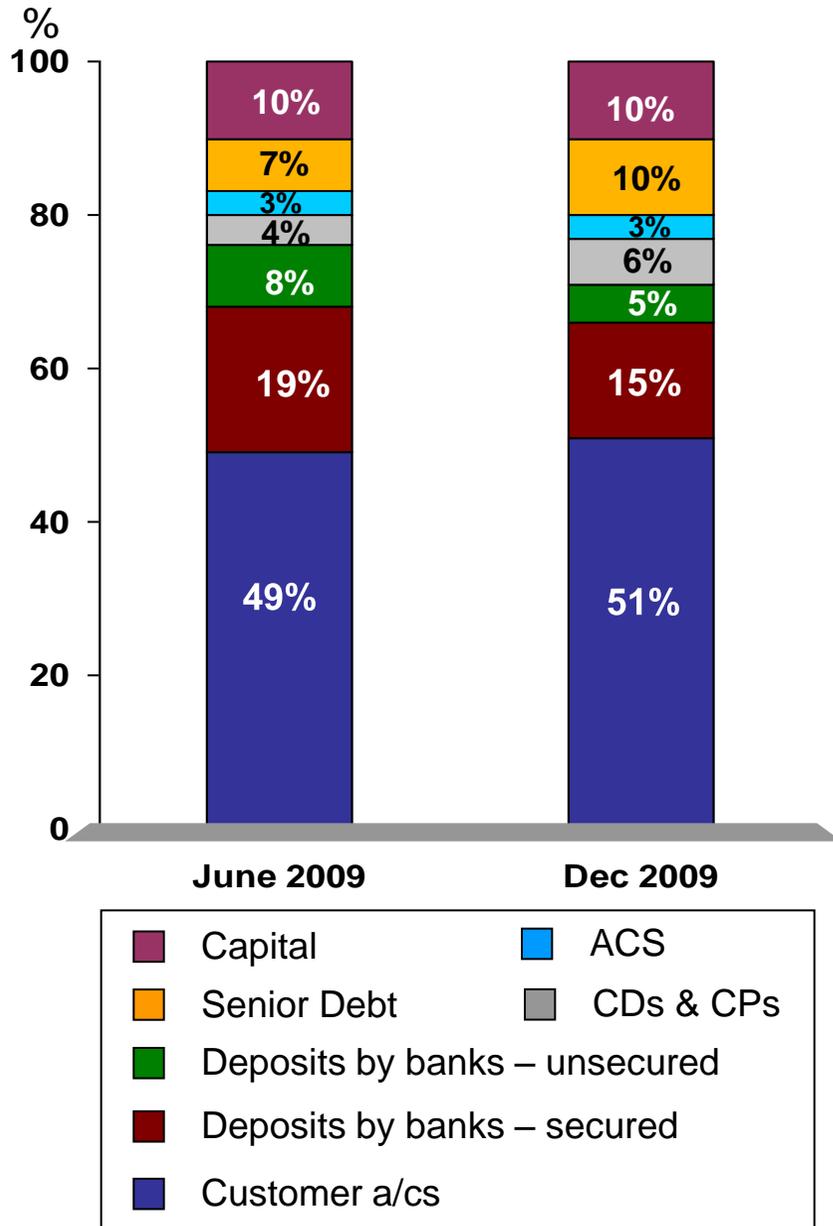
- Cost reductions spread across all business areas
  - Staff numbers
  - Pay and reward
  - Operating, payments and processing costs
  
- Future costs will be aligned to a smaller bank

	Dec 2009 €m	Underlying yoy chg %
Staff costs	1,113	(17)
Other costs	628	(13)
Depreciation & amortisation	<u>156</u>	(4)
Operating expenses	<u><u>1,897</u></u>	(15)*

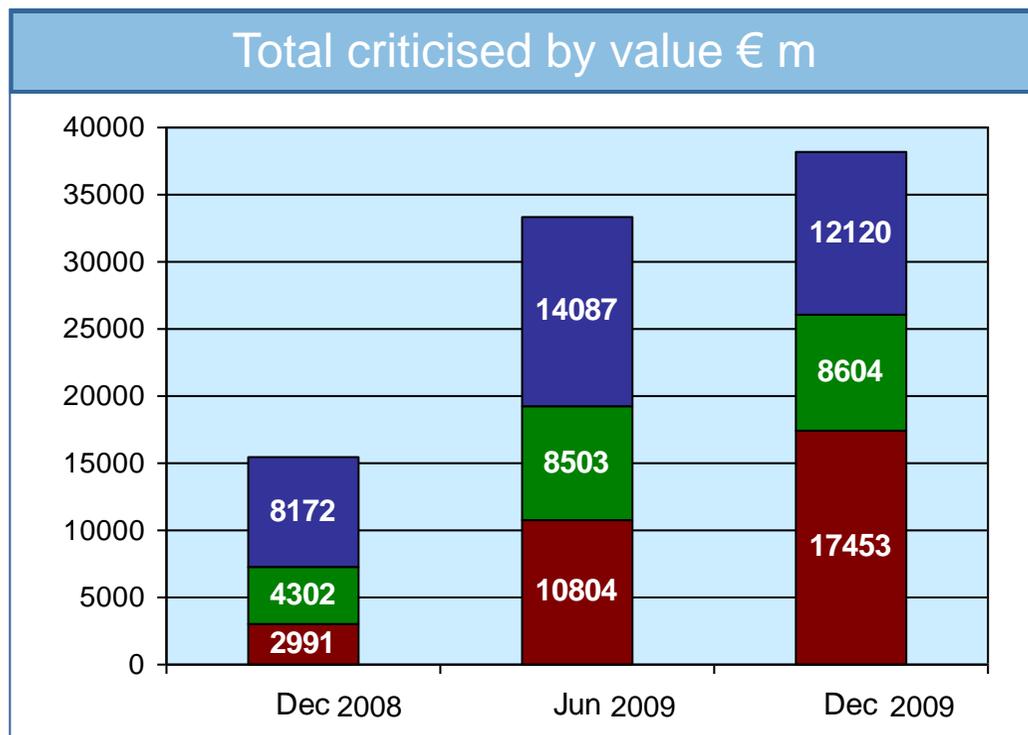
\* ↓ 8% excluding retirement benefits amendment

## Strong operating flexibility





- Solid funding base in still challenging conditions
  - Customer deposits 51% of funding, up from 49% at June
- Loan deposit ratio 146% (123% excluding held for sale assets NAMA), down from 156% at June
- 2 successful non Government guaranteed bond issues in H2
- ELG facilitates guaranteed issuance out to 5 years
- €48bn in qualifying liquid assets / contingent funding at year end and continuing to increase capacity
- NAMA bonds to significantly improve liquidity profile
- Balanced funding maturity profile post 2010
- Funding from monetary authorities not material



## Watch

- Credit exhibiting weakness but with the expectation that existing debt can be fully repaid from normal cashflow

## Vulnerable

- Credit where repayment is in jeopardy from normal cash flow and may be dependent on other sources

## Impaired

- A loan is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a “loss event”) and that loss event (or events) has an impact such that the present value of future cash flows is less than the current carrying value of the financial asset or group of assets i.e. requires a provision to be raised through the profit and loss

- Criticised loans of €38.2bn have increased by €22.7bn in 2009. AIB Bank Rol accounts for c. 77% of this increase, AIB Bank UK 15%, Capital Markets 3% and CEE 5%
- Property & construction sector is 73% of the increase in criticised loans, of which AIB Bank Rol accounts for 81%
- Slowing rate of increase in criticised loans reflects timely recognition of distress

€m	H1 '09	H2 '09	FY '09
AIB Bank Rol	1,911	2,562	4,473
NAMA eligible	1,311	1,904	3,215
Other	600	658	1,258
AIB Bank UK	188	207	395
NAMA eligible	102	64	166
Other	86	143	229
Capital Markets	201	155	356
CEE	73	53	126
Group	<u>2,373</u>	<u>2,977</u>	<u>5,350</u>

- c. €2bn charge for non NAMA portfolios comprising c. €0.6bn for property & construction and c. €1.4bn for other sectors

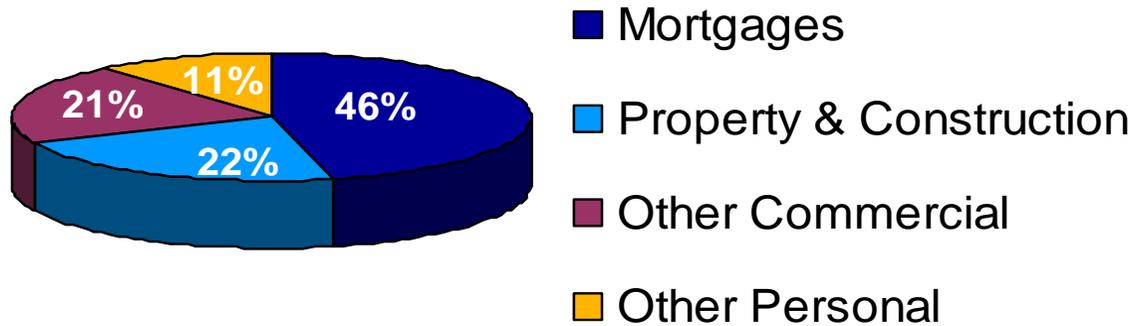
- Updated profile of portfolio indicated in Minister for Finance's September '09 statement
  - Originally €24.2bn, since reduced to €23.2bn, primarily by reclassification agreed with NAMA
  - Further reclassification may occur

€ bn	Landbank & Development	Associated	Total
AIB Bank Rol	13.6	5.8	19.4
AIB Bank UK	2.3	1.0	3.3
Capital Markets	0.1	0.4	0.5
	16.0	7.2	23.2
Performing at 31 <sup>st</sup> Dec 2009			c. 12.2
Impaired at 31 <sup>st</sup> Dec 2009			c. 11.0
Balance sheet provisions at 31 <sup>st</sup> Dec 2009			c. 4.2

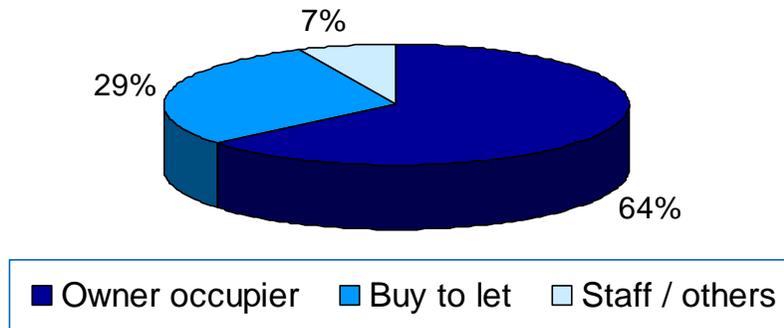
■	Group loan book - Dec '09	c.	€130bn
■	Eligible NAMA loans	c.	€23bn
■	Post NAMA loans	c.	€107bn
●	Satisfactory - c. €m		85,200
●	Criticised - c. €m		21,800
	- watch		9,400
	- vulnerable		5,900
	- impaired		6,500
■	Proforma post NAMA provisions	c.	€3bn
●	Total provisions / loans		2.8%
●	Specific provisions / impaired loans		34%
●	Total provisions / impaired loans		46%

Capital Markets	c. €22.4bn	}	<ul style="list-style-type: none"> <li>■ Well spread across sectors and geographies</li> <li>■ Emerging signs of stability</li> </ul>
AIB Bank UK	c. €17.1bn		
CEE	c. €8.7bn		

AIB Bank Rol c. €58.4bn



- Total book €27.1bn, up 6% in 2009
  - c. 36% share of all new business written in the Irish market
- Borrower profile



- Arrears profile remains better than peers
  - 90+ days 1.96% including impaired loans of €429m
    - Buy to let arrears more than twice owner occupier level of 1.5%
- Bad debt charge €91m in 2009, 35 bps of average mortgages
  - Unemployment to determine future loss levels

	€ bn	%
Pro-forma post NAMA (including c. €1.5bn loans for UK assets)	12.8	
<u>Sector profile</u>		
Investment property	8.7	
Contracting	0.6	
Land & development	3.5	
<u>Credit profile</u>		
Satisfactory	7.4	
Watch	2.1	
Vulnerable	1.1	
Impaired	2.2	
Total provisions	0.8	
Total provisions / loans		6.2
Specific provisions / impaired loans		23
Total provisions / impaired loans		36

	€ bn	%
Pro-forma post NAMA	12.6	
<u>Sector profile</u>		
Includes		
hotels	1.6	
pubs	1.1	
retail	1.6	
motor trade	0.3	
other services	2.9	
agriculture	1.9	
Other personal	6.0	
Total	18.6	
<u>Credit profile</u>		
Satisfactory	12.5	
Watch	2.6	
Vulnerable	1.6	
Impaired	1.9	
Total provisions	1.2	
Total provisions / loans		6.5
Specific provisions / impaired loans		47
Total provisions / impaired loans		63

	31 Dec '09	Revised
Risk weighted assets	€120.4bn	c. €115bn
Tier 1 ratio	7.2%	7.6%
Core tier 1 ratio	7.9%	8.3%
Core tier 1 ratio excl. Government pref shares	5.0%	5.3%
Total capital ratio	10.2%	10.9%

- Our credit management metrics are being continuously developed
- Work completed since year end has enhanced the calculation of probability of default on our performing credit grades, holding all other factors constant

- Capital ratios will be increased; tangible progress will be made in 2010
- Immediate focus on asset / business disposals, strategic investment and balance sheet management
- Equity issuance, if required, to be considered only after completion of self help actions

Intensely focused on

- ❑ Restructuring businesses to underpin viability
- ❑ Renewing credibility and confidence of all stakeholders

Appendices



	Euro c	vs Dec 2008 %
Basic (loss) per share	(215.2)	-358
Profit on disposal / development of property	(2.0)	43
Gain on redemption of capital instruments	(130.2)	-
Hedge volatility	3.0	-200
Adjusted basic EPS	<u>(344.4)</u>	-614

Held for sale to NAMA	Watch €m	Vulnerable €m	Impaired €m	Criticised €m
AIB Bank Rol	2,298	2,122	10,114	14,534
Capital Markets	-	36	-	36
AIB Bank UK	457	498	843	1,798
CEE	-	-	-	-
AIB Group	2,755	2,656	10,957	16,368

Total	Watch €m	Vulnerable €m	Impaired €m	Criticised €m
AIB Bank Rol	8,528	5,540	14,620	28,688
Capital Markets	241	447	559	1,247
AIB Bank UK	2,349	2,376	1,755	6,480
CEE	1,002	241	519	1,762
AIB Group	12,120	8,604	17,453	38,177

	Impaired Loans €m	Adv %	Specific Provision (B/S) €m	Cover %	IBNR Provision (B/S) €m	Earning Adv %	Total Provision (B/S) €m	Impaired Loans %
AIB Bank Rol	14,620	18.8	4,817	33	1,051	1.66	5,868	40
Capital Markets	559	2.5	268	48	50	0.22	318	57
AIB Bank UK	1,755	8.6	509	29	160	0.86	669	38
CEE	519	5.9	200	39	97	1.18	297	57
Group Total	17,453	13.5	5,794	33	1,358	1.21	7,152	41

Dec 2008	€m	Dec 2009	Change %
1,705	Net interest income	1,400	-18
<u>478</u>	Other income	<u>331</u>	-31
2,183	Total operating income	1,731	-21
<u>1,002</u>	Total operating expenses	<u>850</u>	-15
1,181	Operating profit before provisions	881	-25
<u>1,302</u>	Total provisions	<u>4,473</u>	-
(121)	Operating loss	(3,592)	-
-	Associated undertakings	(4)	-
6	Profit on disposal of property	2	-68
<u>68</u>	Profit on disposal of business	-	-
<u>(47)</u>	Profit / loss before taxation	<u>(3,594)</u>	-

Dec 2008	€m	Dec 2009	Change %
1,064	Net interest income	1,007	-4
<u>94</u>	Other income	<u>252</u>	213
1,158	Total operating income	1,259	11
<u>392</u>	Total operating expenses	<u>343</u>	-11
766	Operating profit before provisions	916	23
<u>181</u>	Total provisions	<u>385</u>	-
<u>585</u>	Operating profit	<u>531</u>	-
<u><u>585</u></u>	Profit before taxation	<u><u>531</u></u>	-

Dec 2008	Stg £m	Dec 2009	Change %
471	Net interest income	422	-10
107	Other income	91	-16
<u>578</u>	Total operating income	<u>513</u>	-11
255	Total operating expenses	177	-31
<u>323</u>	Operating profit before provisions	<u>336</u>	4
204	Total provisions	<u>352</u>	
119	Operating profit / loss	(16)	
1	Associated undertaking	1	
2	Profit on disposal of property	-	
30	Profit on disposal of business	-	
<u>152</u>	Profit / loss before tax	<u>(15)</u>	
<u>190</u>	Profit / loss before tax      €m	<u>(16)</u>	

Dec 2008	PLN m	Dec 2009	Change %
1,542	Net interest income	1,628	6
<u>1,362</u>	Other income	<u>1,315</u>	-3
2,904	Total operating income	2,943	1
<u>1,636</u>	Total operating expenses	<u>1,599</u>	-2
1,268	Operating profit before provisions	1,344	6
<u>351</u>	Total provisions	<u>489</u>	-
917	Operating profit	855	-
(2)	Income from associated undertakings	-	-
8	Profit on disposal of property	(1)	-
<u>923</u>	Profit before tax	<u>854</u>	-
<u>263</u>	Profit before tax    €m	<u>196</u>	-

\* Poland only

Dec 2008	€m	Dec 2009
70	Net interest income	(26)
104	Other income	635
<u>174</u>	Total operating income	<u>609</u>
150	Total operating expenses	131
-	Total provisions	-
<u>24</u>	Operating profit / loss	<u>478</u>
94	Associated undertaking – M&T	(156)
2	Profit on disposal / development of property	21
12	Construction contract income	<u>1</u>
<u><u>132</u></u>	Profit before tax	<u><u>344</u></u>

Our Group Investor Relations Department will be happy to facilitate your requests for any further information

Alan Kelly	<i>alan.j.kelly@aib.ie</i>		+353-1-6412162
Rose O'Donovan	<i>rose.m.o'donovan@aib.ie</i>		+353-1-6414191
Pat Clarke	<i>patricia.m.clarke@aib.ie</i>		+353-1-6412381
Maura Hodnett	<i>maura.n.hodnett@aib.ie</i>		+353-1-6413469



+353-1-660 0311



+353-1-641 2075

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