Annual Financial Results

2013

For the year ended 31 December 2013

Allied Irish Banks, p.l.c.

Important Information and Forward Looking Statement

AIB has c.521 billion ordinary shares, 99.8% of which are held by the National Pensions Reserve Fund Commission (NPRFC), mainly following the issue of 500 billion ordinary shares to the NPRFC at €0.01 per share in July 2011.

The contents of this presentation and the information incorporated herein by reference should not be construed as legal, business investment, accounting, tax or other professional advice. This update is for information only and nothing in this announcement is intended to endorse or recommend a particular course of action.

This presentation contains certain “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 AIB Group. In particular, certain 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, margins, 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 risks and uncertainties 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, the outcome of the Central Bank of Ireland’s Asset Quality Review and Balance Sheet Assessment, contagion risks disrupting the financial markets, constraints on liquidity and market reaction to factors affecting Ireland and the Irish economy in particular in relation to its leaving the financial support package from the EU/IMF, the Group’s markets, particularly for retail deposits which are 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 the increased risk of payment default and depressed Irish property prices, may give rise to increased losses experienced by the Group, the Group also 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 and the risk of litigation arising from the Group’s activities.

Nothing in this presentation should be considered to be a forecast of future profitability or financial position and none of the information in this presentation is or is intended to be a profit forecast or profit estimate. 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 statement 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

Group Progress & Performance

2013 Financial Results

Asset Quality and Funding

Capital Position

Outlook and Medium Term Objectives

Group Progress and Performance

David Duffy
Chief Executive Officer

2013 – Delivering our strategic objectives

☑ **Continued improvement in operating performance**

- Total operating income increased by 34%
- Operating costs 16% lower with continued investment in underlying franchise
- €0.8 billion increase in pre provision operating profit
- Total provisions 25% lower including substantially all of BSA[1]
- €2bn improvement in underlying performance

☑ **Balance sheet fundamentals normalising**

- Total impaired loans together with loans past due but not impaired reduced by c.€1bn
- Core tier 1 capital ratio of 14.3% including substantially all of BSA[1]
- 15.0% Basel III transitional CET1 ratio as of December 2013
- Funding and liquidity positions improved
  - Debt capital market access demonstrated - €2bn of issuances during 2013
  - Customer accounts increased to 60% of balance sheet funding requirement
- Pension deficit reduced from €0.8bn to €0.1bn
- €20.5bn non-core deleveraging programme completed

☑ **Rebuilding relationships with our customers – central to our operating model**

- In excess of €7bn in lending approvals to the Irish economy
  - Targeting €7bn – €10bn in lending approvals per annum over five years
- Met targets for mortgage and SME restructurings

Significant momentum generated in business model in 2013

1. Central Bank of Ireland Balance Sheet Assessment concluded in Q4 2013.

Summary results – underlying model returned to profit

Operating Metrics

	FY 2012	FY 2013	YoY Change
Operating profit / (loss) before provisions (3)	(€324m)	€445m	↑ €769m
NIM (ex ELG) (1)	1.22%	1.37%	↑ 15bps
NIM (ex ELG, ex NAMA senior bonds) (2)	1.27%	1.54%	↑ 27bps
Cost : Income ratio (3)	123%	77%	↓ 46%
Total provisions	(€ 2,529m)	(€1,904m)	↓ €625m
Loss before tax	(€3,729m)	(€1,687m)	↓ €2,042m

Meeting key strategic objectives

- Operating profit improvement of €769m vs. 2012
- Recovery in net interest margin (NIM) continued
  - 27bps increase excluding Eligible Liabilities Guarantee (ELG) and NAMA bonds
- Cost reduction targets being met coupled with ongoing investment in the franchise and our employees
- Impairment charges continuing to ease reflecting existing coverage levels and stabilising economic conditions
- Loss before tax significantly reduced

Balance Sheet Metrics

	Dec 2012	Dec 2013	YoY Change
Loan: Deposit ratio (4)	115%	100%	↓ 15%
Monetary authority funding	€22bn	€13bn	↓ €9bn
Core Tier 1 Ratio	15.2%	14.3%	→ -0.9%
Basel III CET 1 (Fully loaded) (5)	10.2%	10.5%	↑ 0.3%
Risk weighted assets (RWAs)	€71bn	€62bn	↓ €9bn

Balance sheet right sized and positioned for growth

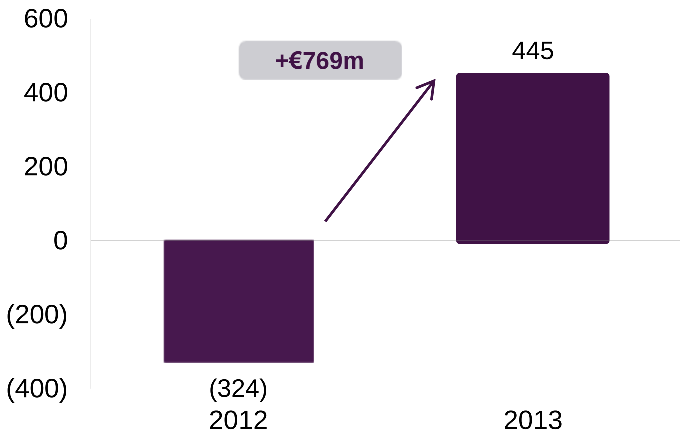
- Loan to deposit ratio down 15%
- Robust core tier 1 capital ratio of 14.3%
  - Balance sheet assessment (BSA) process concluded with no capital requirement for the bank
  - Fully loaded Basel III CET 1 ratio of 10.5%(5)
- Pension deficit reduced by €0.7bn to €0.1bn
  - Closed defined benefit schemes to future accrual

1. ELG costs will continue to reduce during 2014
2. €15.6bn of NAMA senior bonds held at 31 Dec 2013
3. Excludes exceptional items
4. FY 2013 customer account figure includes Repos
5. Includes Preference Shares and based on current Basel III CRD IV guidelines

Key drivers of long term profitability improving…

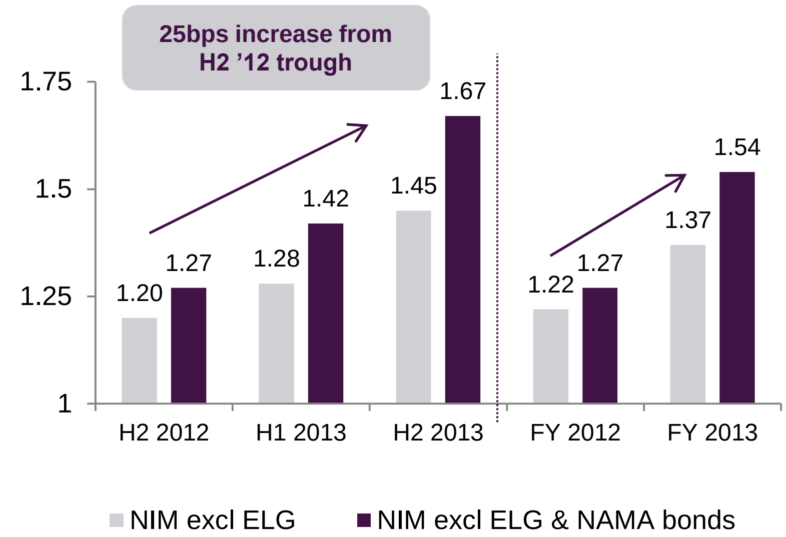
Return to positive operating profit

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



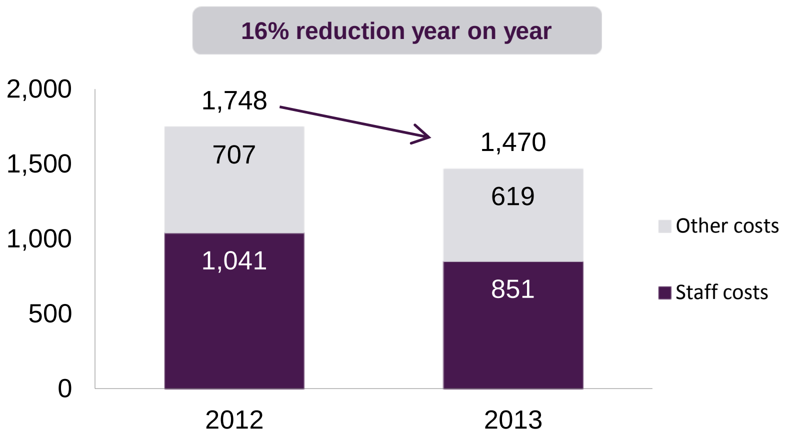
Margins expanding

NIM %



Reduction in operating expenses (1)

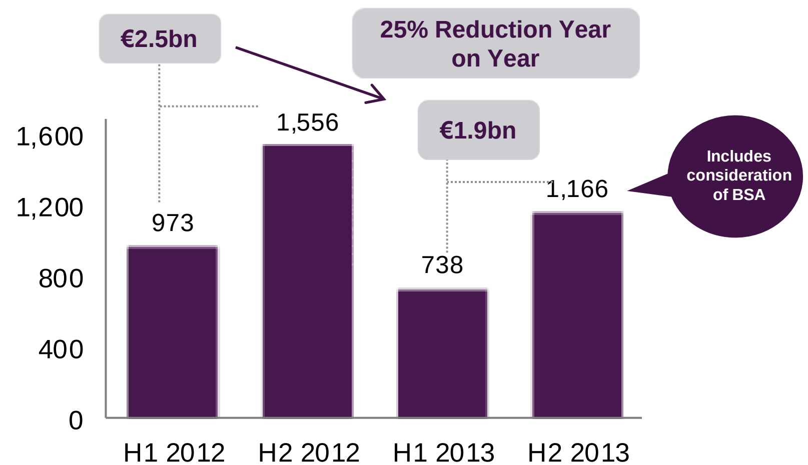
(€m)



Staff numbers reduced by 24% since June 2012

Provisions trending lower year on year

(€m)

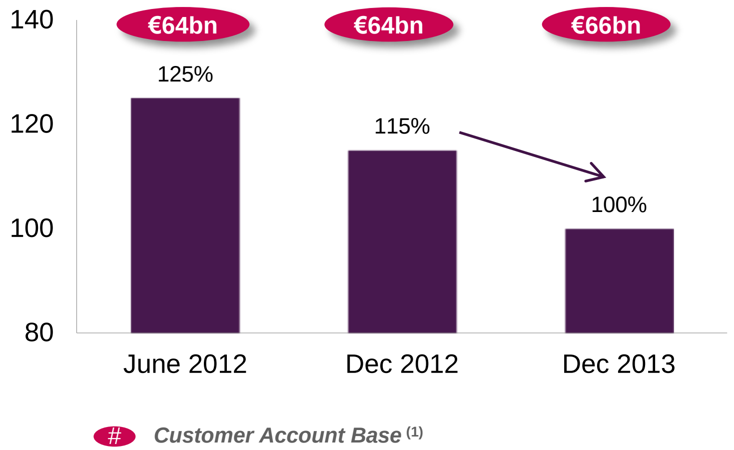


1. Excludes exceptional items

…with continued stabilisation in balance sheet metrics

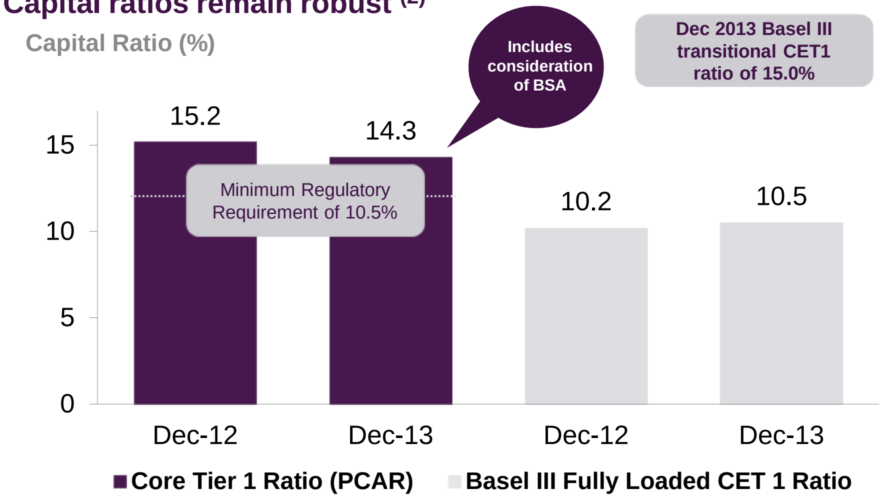
Improving funding profile [(1)]

LDR (%)



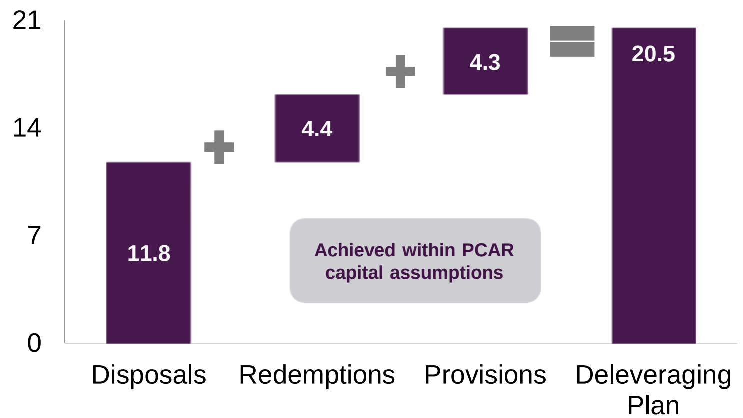
Capital ratios remain robust [(2)]

Capital Ratio (%)



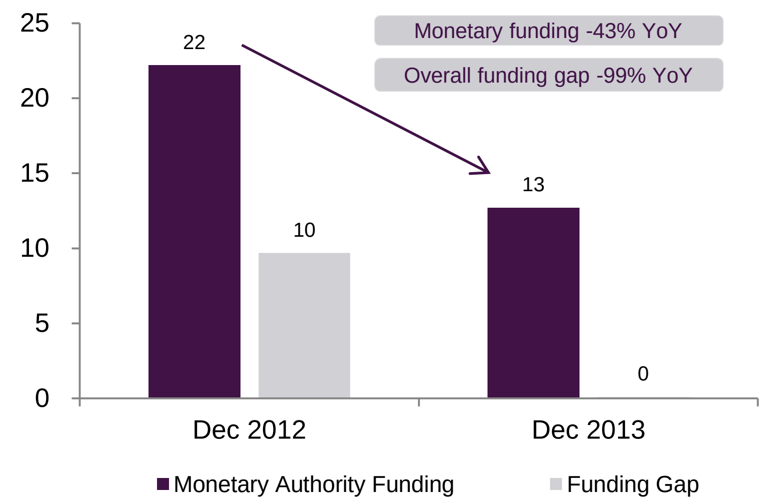
Non-core deleveraging completed

(€bn)



Monetary funding /funding gap[(3)]

(€bn)



1. Customer account data includes repos
2. Fully loaded ratios includes 2009 preference shares and based on CRD IV guidelines
3. Defined as net loans – customer accounts

Domestic Core Bank – Omni channel strategy

Investment in our physical and digital offerings central to overall customer strategy

Strategy

- Customers at the centre of an integrated Omni-channel strategy
- Customers decide how and when they bank with us
- Revised relationship model implemented
- SME and corporate sector specialist capability and strategy
- Continued investment in digital and physical banking options for our customers

Leading Customer Franchise

- c.2.0m Personal Customers
- c.180k Business Customers
- c.1.3k Corporate Customers

Largest Physical Distribution Capability

- c. 280 branches/ Business Centres/ EBS offices
- c.1,000 Post offices
- 755 ATMS

Enhancing Self Service Capability

- "*Quick* Banking" - Cash & Cheque Banking & Kiosk Banking rolled out in branch network
- Expansion of after hours self-service lobby facilities

Leader in Technology and Innovation

- Mobile Banking
- Tablet Banking App
- Me2U App
- *The Lab* – Digitised banking store
- Social Media engagement with customers

Leading Irish market shares – positioned for future growth

Translation of Omni-channel customer strategy

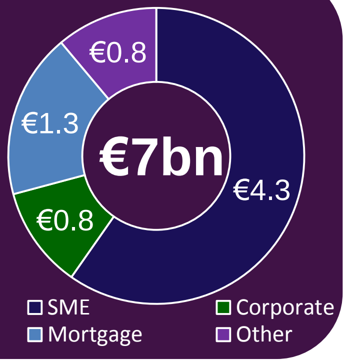
- c.1.5m customers visited an AIB branch in 2013
- c.3.3m transactions in An Post in 2013
- c.465k customers use mobile banking
- c.900k customers bank online
- 65% of customers use our automated / online channels to transact
- AIB.ie is currently the most visited indigenous Irish website with 62m visits in 2013

Leading Irish Market Shares[1]

- **Personal Market:**
  - No. 1 provider by number of customer accounts across:
    - Main Current A/C; Deposits; Credit Cards & Mortgages
- **Business Market**
  - No. 1 provider by number of customer accounts across:
    - Main current A/C; Main Loan; Credit Cards; Main Leasing
- **Corporate Market**
  - No. 1 Bank of Choice for services to FDI Companies in Ireland

Lending to the Irish Economy in 2013

- €7bn in approvals to Irish economy in 2013
- Exceeded €4bn SME lending approval targets
  - 22% increase in new money lending approvals
  - 34k SME applications in 2013 – 92% approval rate
- Increased Corporate Lending year on year
- Mortgages: c.38% market share of drawdowns
- Mortgages: 7,200 applications approved



Reducing Costs and Enhancing Customer Experience

- Highest Mobile/Internet Banking Adoption Rates;
  - Mobile adoption c.465k customers, c. 900k internet customers
- Migration of transaction to automated channels – c.50% reduction in OTC transactions[3]
- >33% of personal product sales conducted through direct channels
- More enhanced customer experience - with 7 point improvement in Net Promoter Score in H2 2013[4]

1.Ipsos MRBI Research - SME 2013, Personal 2014
2.Finalta Digital & Multi-Channel Benchmark Study 2013
3.In 2 year period Feb '12 – Feb '14
4.NPS Transactional Research - W5 2013

2013 Financial Results

Myles O'Grady
Director of Finance

€2bn improvement in underlying performance

Income statement €m	FY 2012	FY 2013	
Net interest income (Before ELG)	1,494	1,518	↑
ELG fees	(388)	(173)	↓
Other Income	318	570	↑
Total operating income	1,424	1,915	↑
Operating expenses [1]	(1,748)	(1,470)	↓
Operating profit / (loss)	**(324)**	**445**	↑
Provisions	(2,529)	(1,904)	↓
Assoc undertakings / other	15	9	→
Operating loss (before exceptionals)	**(2,838)**	**(1,450)**	↓
Exceptional items	(891)	(237)	↓
(Loss) before tax	**(3,729)**	**(1,687)**	↓
Net interest margin (Excluding ELG)	1.22%	1.37%	↑
Net interest margin (Excluding ELG, NAMA bonds)	1.27%	1.54%	↑
Cost income ratio	123%	77%	↓

Other key metrics	Dec 2012	Dec 2013	
Loans/ customer accounts	115%	100%	↓
Customer accounts / total funding	55%	60%	↑
Wholesale funding with maturity > 1 Year	48%	62%	↑
Pension deficit	€0.8bn	€0.1bn	↓
RWAs	€71bn	€62bn	↓
Core tier 1 capital ratio	15.2%	14.3%	→
Total capital ratio	17.8%	16.6%	→
Basel III fully loaded CET 1 [2]	10.2%	10.5%	↑

1. Excluding exceptional items
2. Includes Preference Shares and based on current Basel III CRDIV guidelines

Operating metrics

- Operating profit improvement of €769m to €445m
- Net interest income increased €239m
  - ELG reduction of €215m
- Other income increased by €252m (79%)
- Total operating expenses down €278m (16%)
- Reduction in total provisions year on year to €1.9bn (25%)
- 55% improvement in loss before tax
  - Exceptional items in 2013 include:
    - Loss on disposal of loans / NAMA valuation
    - Restructuring and restitution expenses
    - Termination benefits
    - Positive pension curtailment benefit

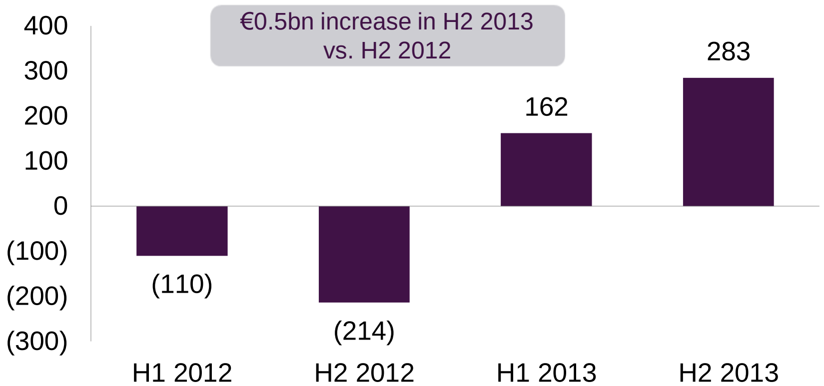
Balance Sheet

- LDR reduced 15% to 100% (Loans -10%, Customer accounts +3%)
- Customer accounts as percentage of total funding increased to 60%
- Pension deficit materially reduced by €0.7bn to €0.1bn
- Fully loaded Basel III core tier 1 capital of 10.5% up 0.3% including consideration of BSA
- RWAs reduced to €62bn from €71bn
  - Lower net loan balances & AFS disposals
  - Partly offset by risk model changes & credit quality

Positive momentum in underlying performance metrics

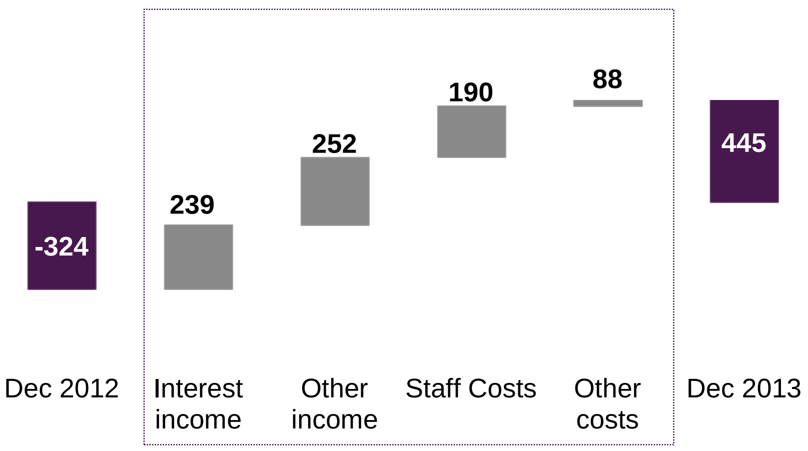
Return to positive operating profit

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



Components of return to operating profit

€m



Net interest income

- Widening positive gap between yield on interest earning assets (-23bp) and cost of funds (-45bp)
- Average interest earning assets down 9% due to deleveraging and loan repayments exceeding demand for new credit
- Deposit pricing continues to trend downwards
  - June 2012 peak of 2.91% to Dec 2013 of 1.68%
- AFS portfolio increased by €4.1bn to an average of €18.6bn in 2013
  - Increased investment of interest free sources including capital

ELG fees

- €215m reduction in ELG costs in 2013
  - Expected to reduce by a further c. €100m in 2014

Non interest income

- Higher banking fees and commissions
  - 16% increase in current account fees
- Improved non-banking fee income
  - Positive mark to market movements in 2013
  - €62m gain due to change in NAMA bond repayment schedule

Operating costs

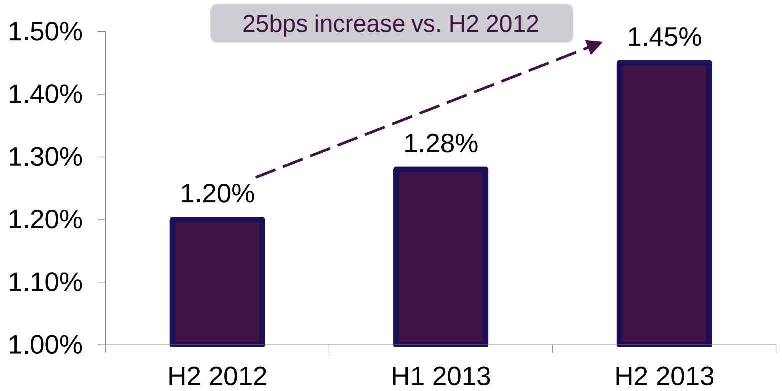
- Cost reductions across all areas of the Bank
- Staff costs down €190m (18%)
- General & Administrative expenses down €70m (12%)

1. Excluding Exceptional items

Net Interest Margin expansion continues

Margin trend

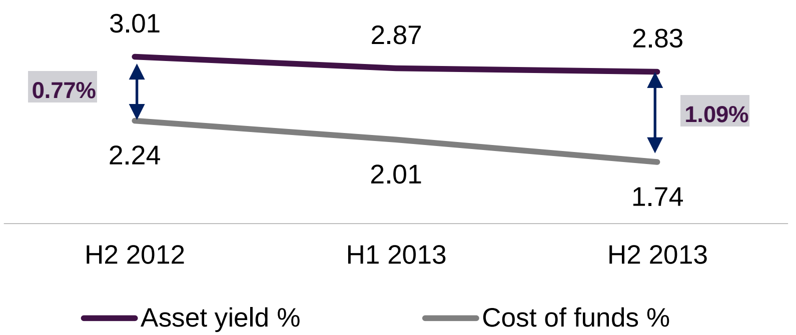
NIM % (excl. ELG)



Net interest margin drivers

%

Yield %	H2 12	H213	Change
Customer Loans	3.28%	3.39%	**0.11%**
Customer Accounts	2.58%	1.68%[(2)]	**-0.90%**

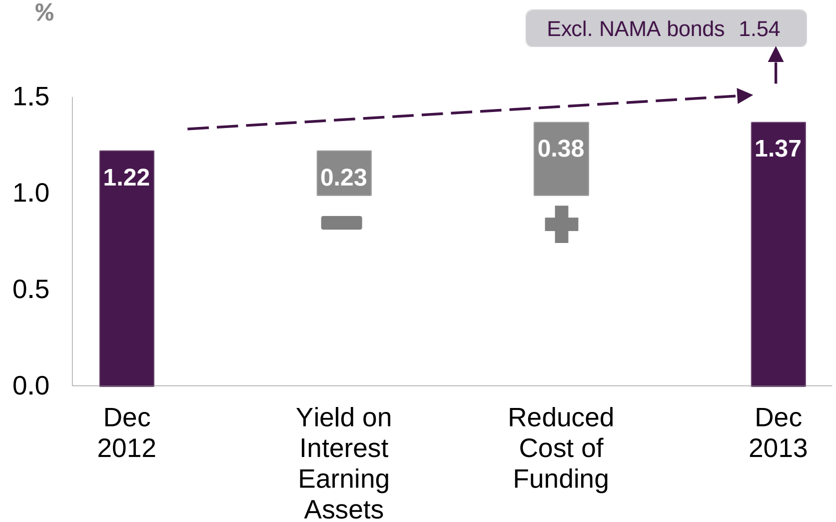


Summary

- Positive NIM momentum driven by a widening jaws between asset yields and cost of funds to 1.09% in H2 2013
- Lower overall cost of funding (down 0.45% - €632m year on year) mainly due to strategic actions to reduce cost of customer accounts
- NAMA bonds remain a drag on NIM performance (-17bp in 2013)
- Reduction in asset yields mainly due to reductions in money market rates on NAMA Bonds and a lower yield on AFS. Customer loan yields have remained broadly stable
- Exit NIM higher than average for H2 2013

Components of net interest margin [(1)] - expansion

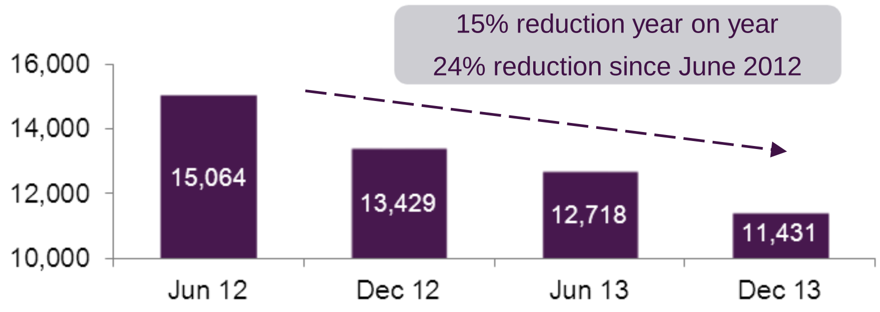
%



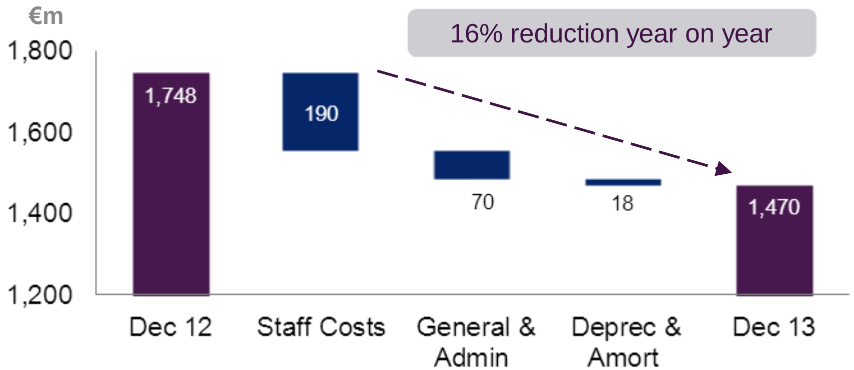
1. Excluding ELG
2. Includes Repos

On-going focus on cost reduction and efficiencies

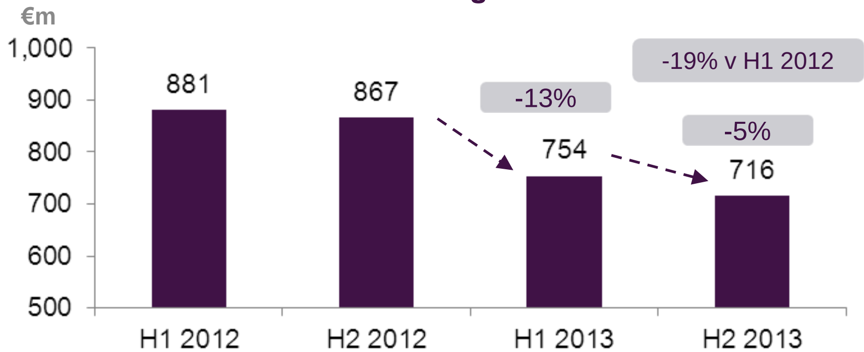
Staff Numbers [1]



Operating Expenses [2] …



… with continued Momentum Moving into 2014 [2]



Downward costs momentum continues

- Total operating expenses reduced by €278m across all areas
- Lower staff costs with c. 2,000 FTE reduction in 2013
- Reductions across most general & administrative categories
  - Cost income ratio of 72% in H2 2013

Pension costs

- Defined Benefit pension scheme closed to future accrual - future P&L pension cost will be lower
- Pension deficit reduced to €0.1bn due in part to curtailment gain, performance of pension fund assets and changes in demographic assumptions
  - €240m pension curtailment gain reported as an exceptional item

Strategic efficiencies

- Investment in customer proposition and digital strategy
  - Branch and Direct Channel investments
- Automation and simplification of processes
- Enhanced process capability to support customers in difficulty
- Continued investment in future franchise
- On track to meet €350m cost savings target during 2014
  - 79% of cost savings delivered

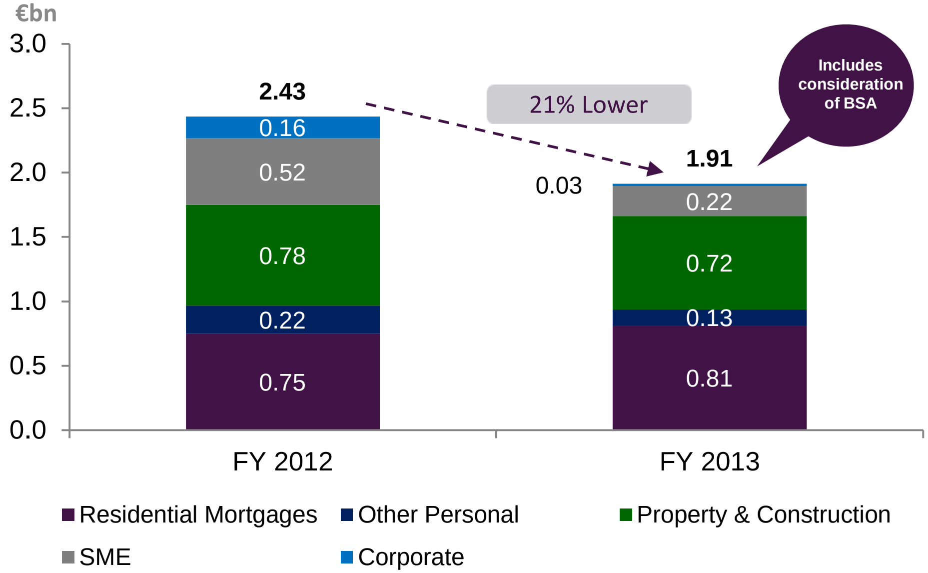
1. Period end FTE
2. Excluding exceptionals

Asset Quality and Funding

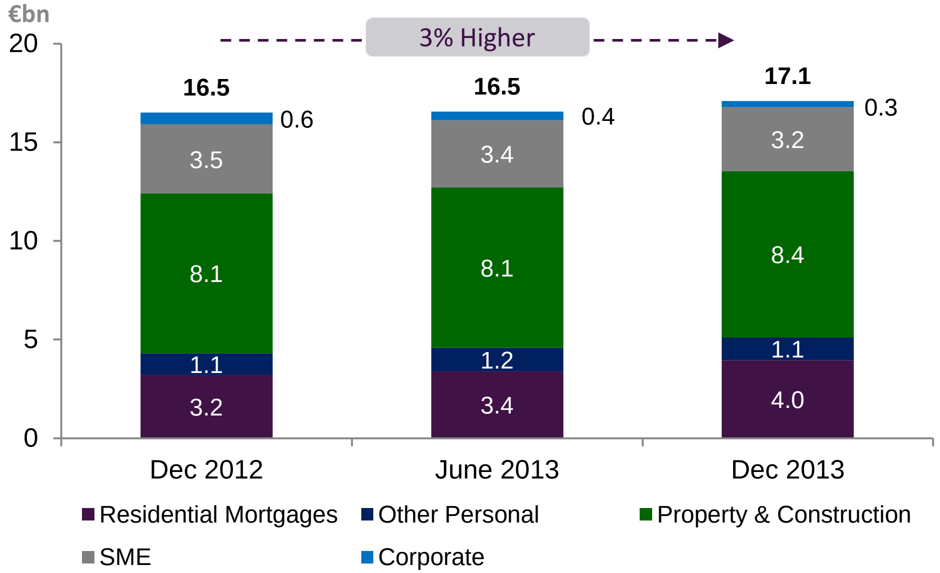
Fergus Murphy
Director of Products & Capital Markets

Balance Sheet provisions & impairment charges

Credit impairment charge



Credit profile – Balance Sheet provisions



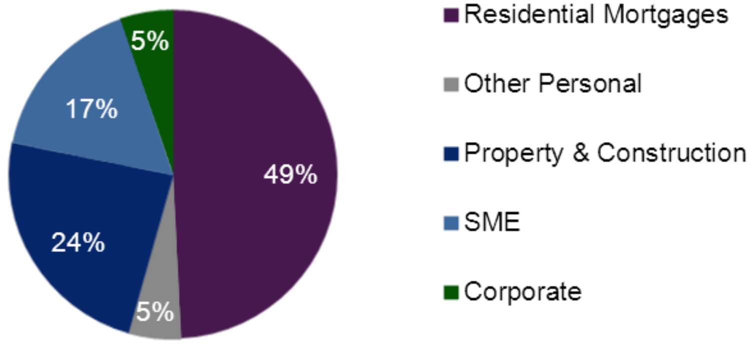
2013 Credit provision process

- Stabilisation of fundamentals of Irish and UK economies, particularly in H2 2013
- The bank's 2013 credit provisioning process took into account a range of factors including:
  - macroeconomic factors
  - collateral valuations
  - arrears trends
  - forbearance measures
  - customer cash flows and emergence periods
  - CBI Balance Sheet Assessment and impairment guidelines
- Credit impairment charge of €1.9bn in 2013
  - 21% lower than 2012
  - Specific provision charge 45% lower than 2012
- In determining the 2013 credit provision charge of €1.9bn, the bank's own assessment is substantially consistent with all of the BSA outcome
- Balance sheet provisions increased to €17.1bn
  - Specific provision / impaired loans cover increased to 55%
  - The stock of IBNR impairment provisions reduced by €0.2bn to €1.2bn

Loan book composition and credit profile

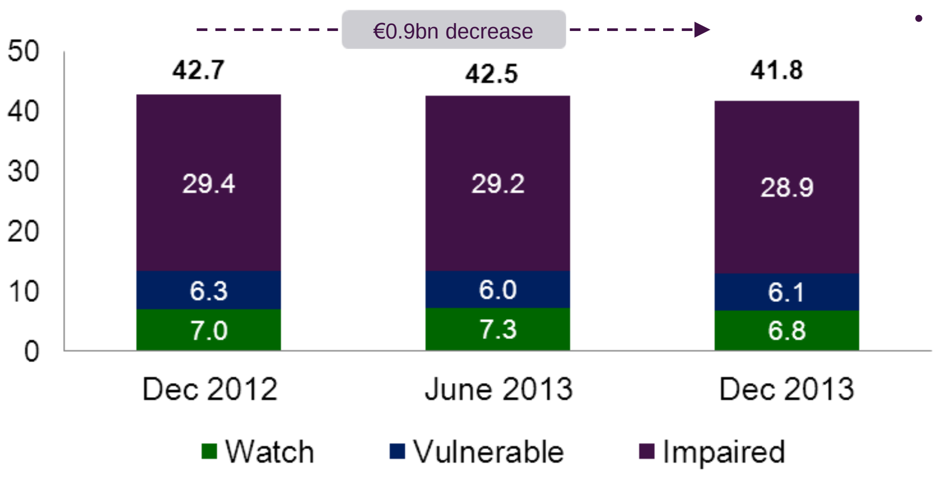
Total loan portfolio profile by value

€82.9bn at Dec 2013



Credit profile – criticised loans [1]

€bn



Summary

- Gross loans decreased by €7.0bn (8%) in the year to €82.9bn
  - Sales of non-core assets
  - Amortisation exceeding demand for credit
- Non core deleverage programme of €20.5bn completed in 2013
- Residential mortgages remains the largest component of loan book at 49%
- Total criticised loans decreased by €0.9bn
- Total impaired loans decreased by €0.5bn
- Level of total impaired loans stable or reduced in major loan books except for Republic of Ireland (RoI) residential mortgages
  - Impaired residential mortgages in RoI increased by €0.9bn in 2013
  - Quantum of negative equity in the RoI residential mortgage portfolio decreased by €1.4bn to €4.6bn
  - Improvement in overall weighted average LTV's in the RoI residential mortgage portfolio 110% at Dec 2012 vs. 103% at Dec 2013

1. Definitions of criticised loans contained on Appendix slide No.38

Customer loan book – Sector Profile

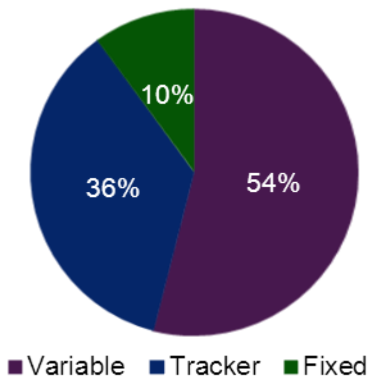
December 2013 €m	ROI mortgages	Land & development	Investment property	SME / Other commercial	Personal	Corporate	UK mortgages	Total
Advances	38,151	6,301	13,409	13,779	4,291	4,307	2,613	**82,851**
Impaired	8,788	5,523	7,631	4,775	1,423	476	295	**28,911**
Impairment charge (12 months P&L)	822	259	465	221	125	30	(9)	**1,913**
Balance sheet provisions (Specific + IBNR)	3,796	4,288	4,150	3,239	1,147	307	156	**17,083**
Specific provisions / Impaired loans (%)	36%	77%	51%	66%	77%	48%	44%	**55%**
Total provisions / Total loans (%)	10%	68%	31%	24%	27%	7%	6%	**21%**

December 2012 €m	ROI mortgages	Land & development	Investment property	SME / Other commercial	Personal	Corporate	UK mortgages	Total
Advances	39,531	6,888	15,363	15,245	4,698	5,157	2,990	**89,872**
Impaired	7,856	5,768	8,036	5,248	1,431	803	274	**29,416**
Impairment charge (12 Months P&L)	731	373	408	517	219	167	19	**2,434**
Balance sheet provisions (Specific + IBNR)	3,023	4,339	3,765	3,496	1,139	583	183	**16,528**
Specific provisions / Impaired loans (%)	33%	74%	42%	62%	74%	60%	40%	**52%**
Total provisions / Total loans (%)	8%	63%	25%	23%	24%	11%	6%	**18%**

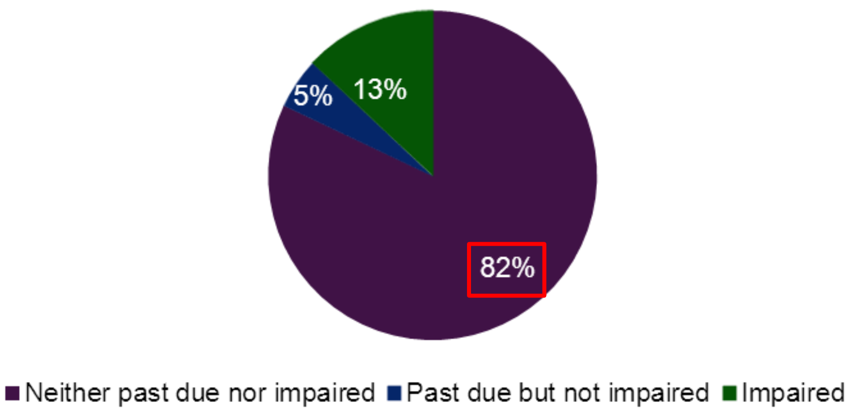
Note: Contractors of €404m (Dec '12: €446m) are included in land & development, and housing associations of €427 (Dec '12: €420m) are included in investment property.

ROI owner occupied mortgages: €30.7bn

Asset profile components by value (€m)



Asset quality profile by number of accounts



Arrears profile and provisions (€m)

	Dec 2012	Dec 2013
1-90 days past due	1,863	1,758
of which impaired	*496*	*471*
90+ days past due	3,424	4,238
of which impaired	*3,245*	*3,973*
Impaired loans not past due	782	686
Total impaired loans	4,523	5,130
Impairment charge (Total)	456	563
Impairment charge (bps)	143bps	182bps
Total specific provisions	1,224	1,657
Specific provisions / Impaired loans	27%	32%

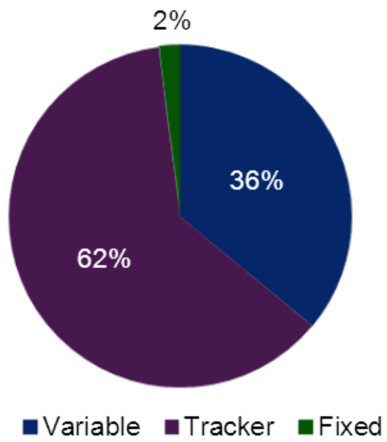
Summary

- 85% of ROI mortgage portfolio is owner occupier [(1)]
  - 2% of the owner occupier portfolio is interest only [(1)]
- Environment :
  - CSO index provides evidence, particularly in Dublin, of residential house price increases[(2)]
  - Unemployment declining but remains elevated
- 8 out of 10 mortgage accounts are neither past due nor impaired
- Provision assumptions include 55% peak-to-trough fall in prices, forced sale discount, disposal costs
- Pace of increase in total impaired loans slowed in 2013 in comparison to 2012 and in H2 2013 in comparison to H1 2013
- Specific coverage increased to 32% at Dec 2013 from 27% at Dec 2012

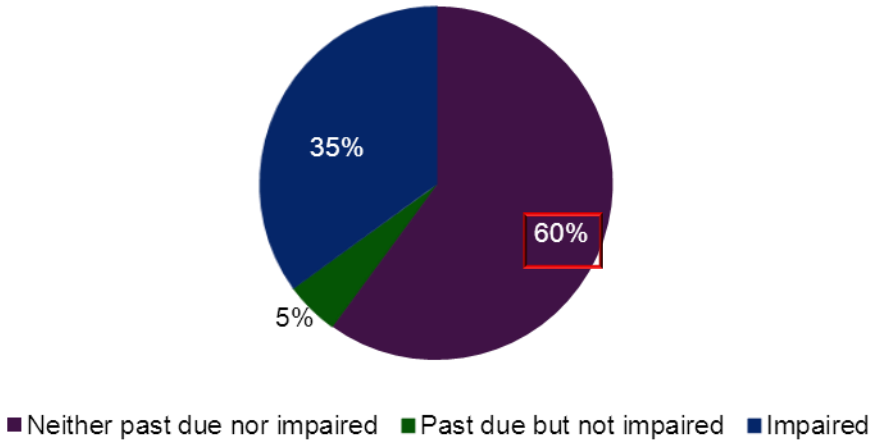
1. By number of accounts
2. Source : Central Statistics Office

ROI buy to let mortgages: €7.4bn

Asset profile components by value (€m)



Asset quality profile by number of accounts



Arrears profile and provisions (€m)

	Dec 2012	Dec 2013
1-90 Days Past Due	681	597
of which Impaired	*425*	*416*
90+ Days Past Due	2,013	2,509
of which Impaired	*1,883*	*2,369*
Impaired Loans not Past Due	1,025	873
Total Impaired Loans	3,333	3,658
Impairment Charge (Total)	275	259
Impairment Charge (bps)	308bps	338bps
Total Specific Provisions	1,365	1,547
Specific Provisions / Impaired Loans	41%	42%

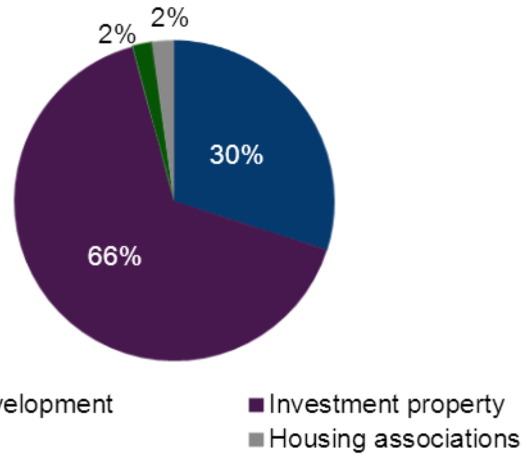
Summary

- 15% of ROI mortgage portfolio is buy-to-let [1]
  - 10% of the buy to let portfolio is interest only [1]
- 60% of portfolio is neither past due nor impaired [1]
- CSO index provides evidence, particularly in Dublin, of residential house price increases[2]
- Provision assumptions include 55% peak-to-trough fall in prices, forced sale discount, disposal costs
- Pace of increase in total impaired loans slowed in 2013 in comparison to 2012 and in H2 2013 in comparison to H1 2013
- Specific Coverage Increased to 42% at Dec 2013 from 41% at Dec 2012

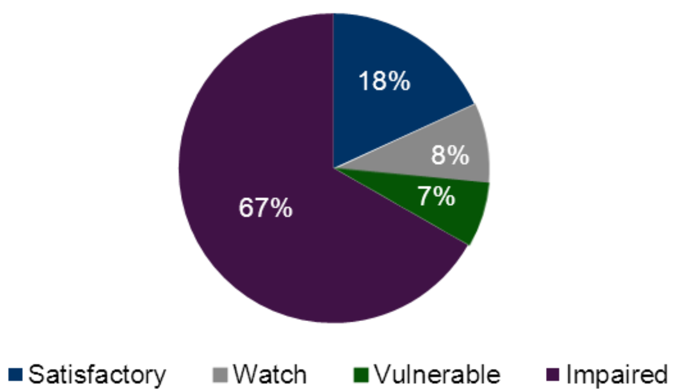
1. By number of accounts
2. Source : Central Statistics Office

Property and construction

Asset profile (€19.7bn)



Asset quality profile (€19.7bn)



Impairment charge and provisions (€m)

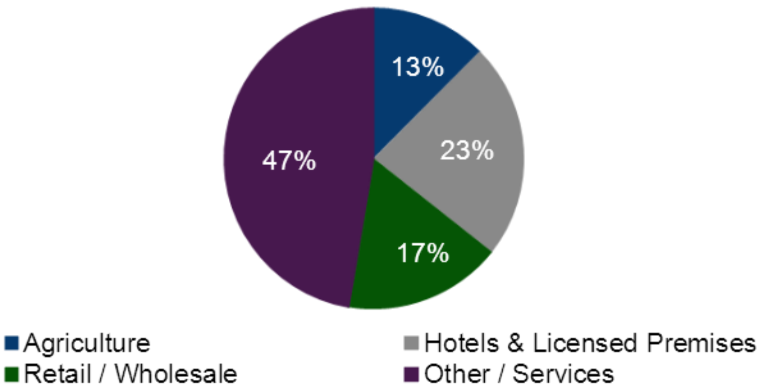
	Dec 2012	Dec 2013
Impaired loans	13,804	13,154
Impairment charge	781	724
Impairment charge (bps)	330bps	347bps
Total specific provisions	7,681	8,114
Specific provisions / Impaired loans	56%	62%

Summary

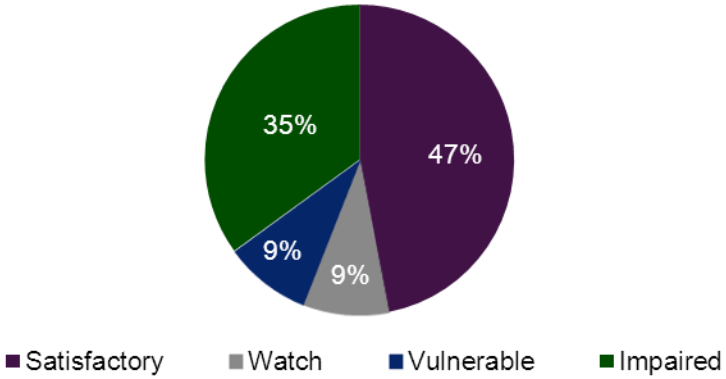
- Indications that the investment market is recovering, with transactional activity in all sectors up year on year
  - Rents for secondary properties or properties in provincial locations continue to come under pressure
- Total gross loans reduced by €2.5bn since Dec 2012 reflecting the sale of assets and amortisation
- Impaired loans have reduced by €0.7bn
  - Specific provision cover increased to 62%
  - Impairment charge down 7%
- €2.0bn reduction in investment property portfolio to €13.0bn at Dec 2013 primarily due to deleveraging
  - c. 59% of property investment portfolio is impaired with specific provision cover of 51%
- Land and development portfolio of €5.9bn at Dec 2013, 75% of which is in Ireland
  - c. 90% of L&D portfolio is impaired with 77% specific provision cover

SME / other commercial lending

Asset profile (€13.8bn)



Asset quality profile (€13.8bn)



Impairment charge and provisions (€m)

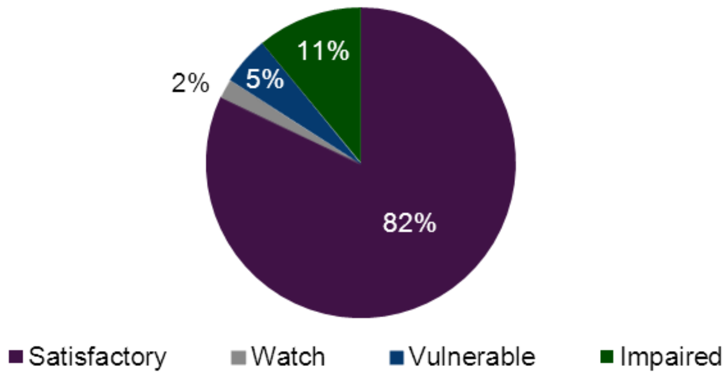
	Dec 2012	Dec 2013
Impaired loans	5,248	4,775
Impairment charge	517	221
Impairment charge (bps)	326bps	155bps
Total specific provisions	3,256	3,131
Specific provisions / Impaired loans	62%	66%

Summary

- Overall portfolio has reduced by €1.5bn in 2013
- 69% of exposure is to SMEs in the Republic of Ireland which are dependent on a stabilising but still challenged domestic economy
  - Job growth evident in some sectors including manufacturing, hospitality and agriculture
- Reduction in criticised of €0.8bn of which impaired loans account for €0.5bn in 2013 due to assets sales, repayments and write-offs
  - Pace of movement into criticised grades has slowed
  - Total impaired loans of €4.8bn reduced from €5.2bn at Dec 2012
  - Impairment charge down 57%
  - 66% specific provision cover up from 62% at December 2012

Corporate lending

Asset quality profile (€4.3bn)



Impairment charge and provisions (€m)

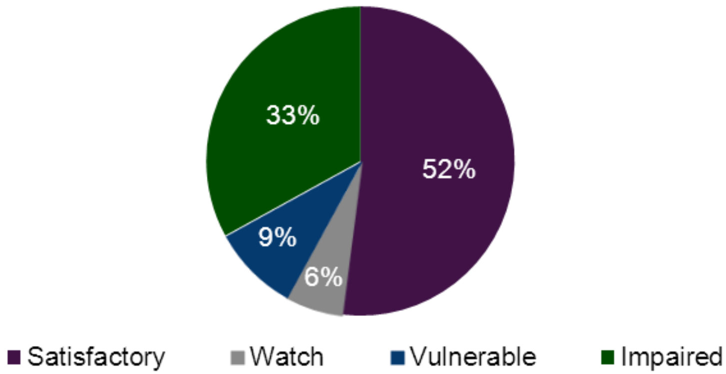
	Dec 2012	Dec 2013
Impaired loans	803	476
Impairment charge	167	30
Impairment charge (bps)	263bps	63bps
Total specific provisions	485	228
Specific provisions / Impaired loans	60%	48%

Summary

- Portfolio reduction of €0.9bn reflecting deleveraging and amortisation
- Impaired loans have decreased by €0.3bn
  - Impaired loans of €0.5bn at Dec 2013
  - Specific provision cover of 48%
  - Impairment charge for 2013 reduced by 82% compared to 2012

Personal lending

Asset quality profile (€4.3bn)



Impairment charge and provisions (€m)

	Dec 2012	Dec 2013
Impaired loans	1,431	1,423
Impairment charge	219	125
Impairment charge (bps)	437bps	283bps
Total specific provisions	1,064	1,092
Specific provisions / Impaired loans	74%	77%

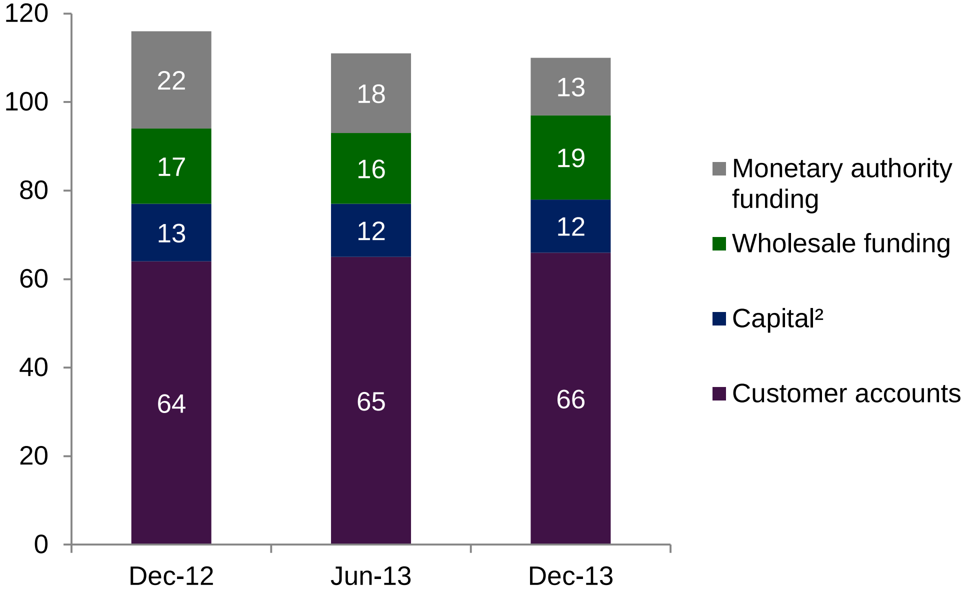
Summary

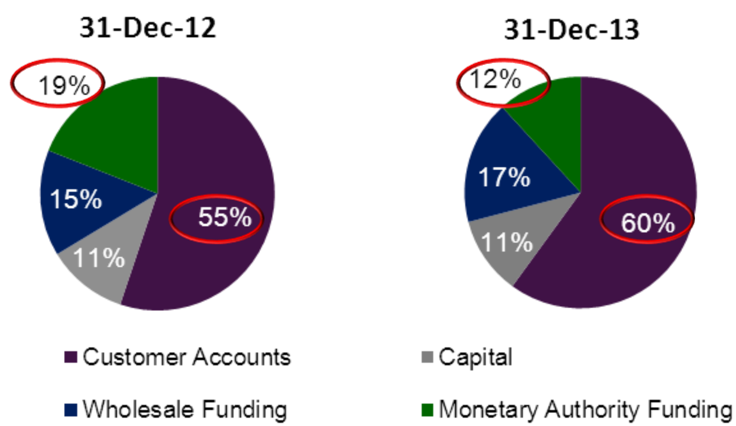
- Overall portfolio size reduction of €0.4bn
- €3.4bn in loans and overdrafts; €0.9bn in credit card facilities
- Criticised loans have decreased by €0.1bn since Dec 2012
  - Impaired loans of €1.4bn at Dec 2013 with specific provision cover of 77%
  - Impairment Charge has reduced by 43%
  - Level of impaired loans largely unchanged from Dec 2012

Funding position stable and improving

Funding sources

€bn





1. Includes Repos
2. Includes subordinated liabilities
3. Includes monetary authority funding

Customer accounts

- Customer accounts [1] increased by €2bn to €65.7bn
- Customer accounts now 60% of the total funding requirement
  - Increase of 5% from year end 2012
  - Loan to deposit ratio at 100%
  - Net loan funding gap reduced by €10bn during 2013
- Underlying customer deposits decreased by c.€3.7bn
  - reflecting strategic actions on management of deposit costs
  - No material impact from withdrawal of ELG

Wholesale funding[3]

- Wholesale funding reduced reflecting lower loan volume
  - 17% of total funding requirement
- Funding from Monetary Authorities reduced by c.43% or €9.5bn to €12.7bn since Dec 2012
  - 12% of total funding requirement
    - Of which €11bn 3 year LTRO
- Broader market access during 2013
  - Four Issuances totalling €2bn
- c.€42bn in qualifying liquid assets/contingent funding
  - c.€14bn unencumbered at 31 December 2013

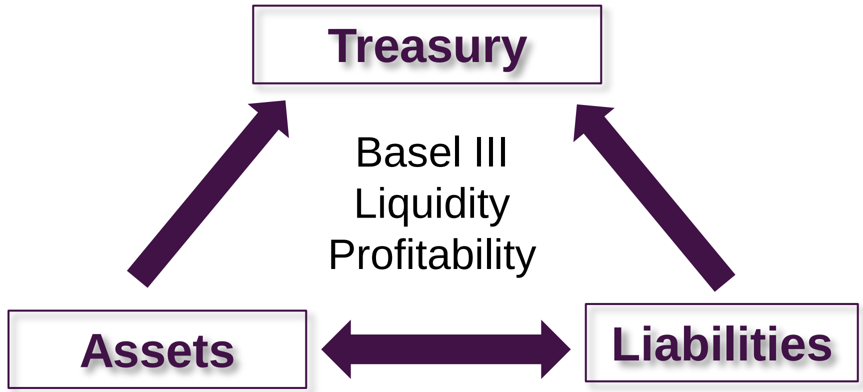
Measured return to the funding markets

Funding transactions

	ACS Issuance – Nov. 2012	ACS Issuance – Jan 2013	ACS Issuance – Sept 2013	Cr. Card Securitisation– Oct 2013	Senior Unsecured – Nov 2013
Issuer	AIB Mortgage Bank	AIB Mortgage Bank	AIB Mortgage Bank	AIB	AIB
Ratings	Baa3 / A /A	Baa3 / A /A	Baa3 / A /A	N/A	Ba3/BB/BBB
Pricing Date	28 November 2012	22 January 2013	3 September 2013	31 October 2013	20 November 2013
Tenor	3-year	3.5-year	5-year	2-year	3-year
Size	€500m	€500m	€500m	€500m	€500m
Reoffer Spread	MS + 270bp	MS + 185bp	MS + 180bp	Not disclosed	MS +235bp
Coupon	3.125% annually	2.625% annually	3.125% annually	Not disclosed	2.875% annually

Strategy to engage with the markets in a measured and consistent manner with a series of balanced and structured transactions

Balance sheet management



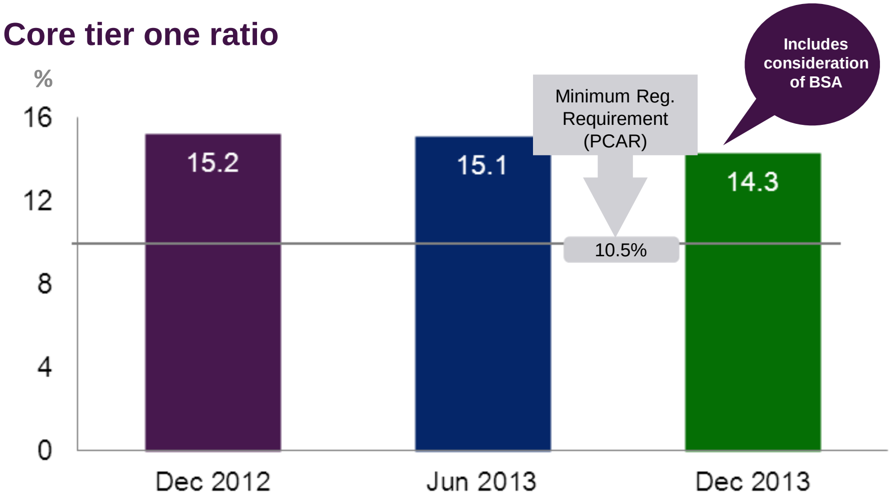
Sources of Funding	Funding costs	Interest rate risk management	Balance sheet strategies
• Customer Accounts increased to 60% of total funding in December 2013 (Dec 2012: 55%) • Renewed access to wholesale funding market • Reduction of Monetary Authority Funding • Collateral management to support covered bond and securitisation programmes	• Lower overall cost of funding • NIM expansion driven in part by strategic deposit / liability re-pricing • Irish term deposit rates moving towards euro average • Reducing ELG costs	• Stabilised capital and other interest rate insensitive balances • Enabling new investments with increased average life • Facilitating enhanced risk management and income generation	• Re-positioning strategy for Available for Sale portfolio • Introduction of Funds Transfer Pricing aligned to balance sheet management requirements • Optimisation of liquidity collateral for Basel III liquidity ratios

Capital Position

Myles O'Grady
Director of Finance

Capital – Comfortable Buffers to Minimum Requirements

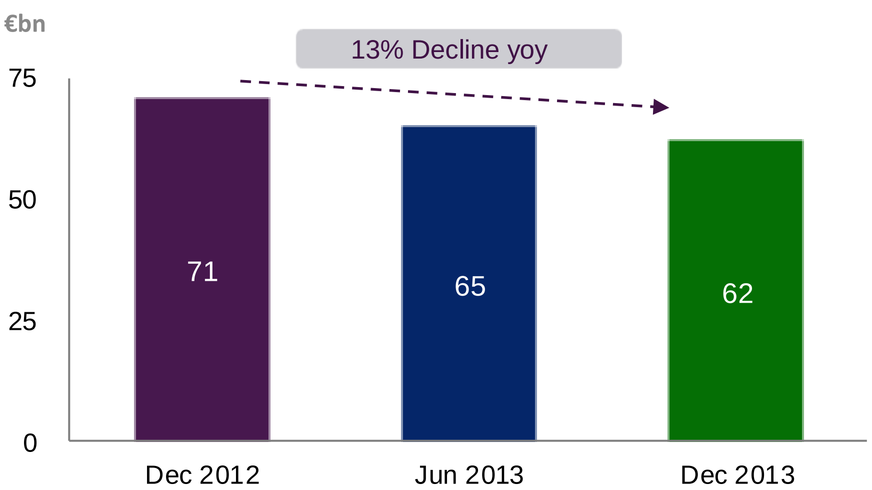
Core tier one ratio



Capital (1)

- Capital ratios continue to be comfortably above minimum regulatory requirements
- Core Tier 1 ratio of 14.3% vs. 10.5% 2011 PCAR minimum
  - Reduced ratio driven by credit provisions partially offset by pre-provision operating profit and lower RWAs
- Basel III transitional CET1 ratio of 15.0%
  - Further clarity on minimum requirements in due course
- c.€4bn buffer to an 8% Comprehensive Assessment requirement
- Basel III fully loaded CET1 ratio of 10.5% vs. 10.2% at Dec 2012[2]
  - Lower pension fund deficit and improved AFS reserves
- Leverage ratio c.5%[2]

RWAs reduced



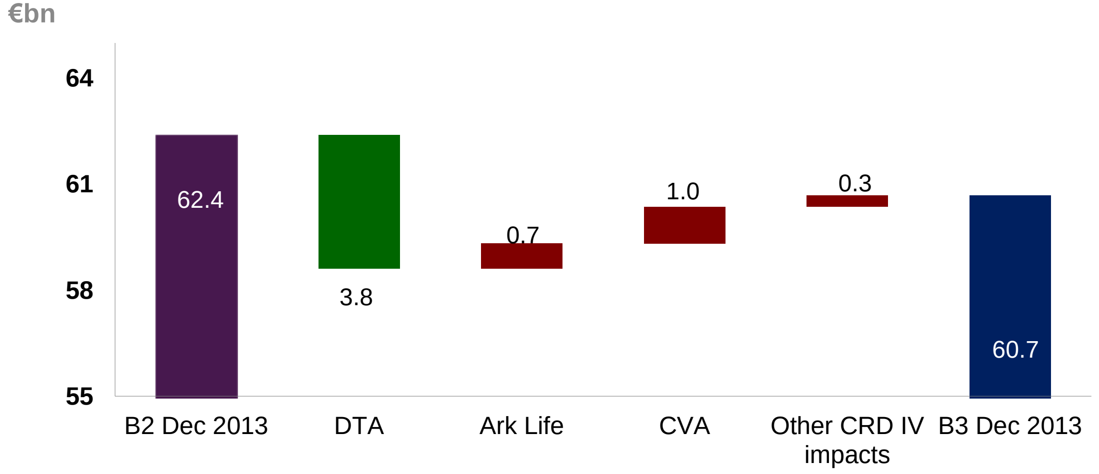
Risk Weighted Assets

- Reduction of €9bn (13%) since Dec 2012 driven by
  - Credit Risk reduction
    - Lower net loan balances & AFS disposals
    - Partly offset by changes in risk models and credit quality
  - Reductions in Operational and Market Risk
  - Continued focus on increasing migration to IRB models

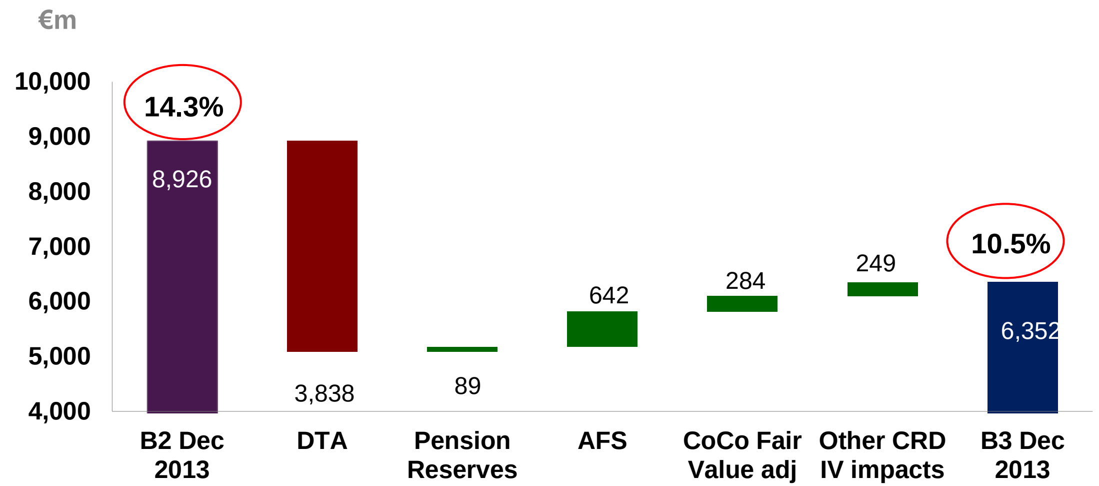
1. Further detail on components of AIB's capital structure on slide 35
2. Includes Preference Shares and based on current CRD IV guidelines

RWA & Capital Ratios – Basel II vs. Basel III Fully Loaded [1]

RWA Basel 2 to Basel 3



CT1 Basel 2 to Basel 3



Basel III CET1 Ratio

- CRD IV (Basel III) [2] will be phased in over 10 years from 1 January 2014
- €3.5bn Preference Shares will not constitute CET 1 capital from 1 January 2018
- €3.8bn of Deferred Tax Assets will be phased out over 10 years starting in 2015
- AIB target of CET1 10%+ post CRD IV implementation

1. *Includes Preference Shares and based on current CRD IV guidelines*
2. *Aspects of CRD IV are dependent on final technical standards to be issued*

Outlook & Medium Term Objectives

David Duffy
Chief Executive Officer

Capital structure considerations & medium term targets

Capital structure (1)

- Intend to provide further guidance during 2014 on capital targets
- The Department of Finance has indicated that it will enter into discussions with AIB during 2014 regarding its future capital structure including
  - potential conversion of the 2009 preference shares into equity
  - potential options for the 2016 contingent capital notes
- Any possible actions would be subject to all required shareholder and regulatory approvals
- Potential conversion of preference shares into equity and the resulting clarity regarding AIBs fully loaded Basel III CET1 position is considered a key step towards capital structure simplification

Medium term targets

	Dec 2012	Dec 2013	Target
Fully Loaded Basel III CET 1 Capital Ratio	10.2%(2)	10.5%(2)	**>10%**
Net Interest Margin	1.22%(3)	1.37%(3) (H2 2013: 1.45%(3))	**>2%**
Cost / Income Ratio	123%	77% (H2 2013: 72%)	**<50%**
Credit impairment Charges	257bps	224bps	**<65bps**
Loan /Deposit Ratio	115%	100%	**100% - 120%**

1. *Further detail on components of AIB's capital structure on slide 35*
2. *Includes Preference Shares and based on current CRD IV guidelines*
3. *NIM excludes ELG. H2 2013 NIM of 1.67% excluding ELG and NAMA bonds*

Meeting our strategic objectives

Momentum in our operating model

Full year pre provision operating profit achieved

Margins increasing and trending positive

Operating costs down significantly

Downward trend in provisions

Capital ratios remain robust

Pension deficit materially reduced

Funding stable and improving

€20.5bn non-core deleveraging completed

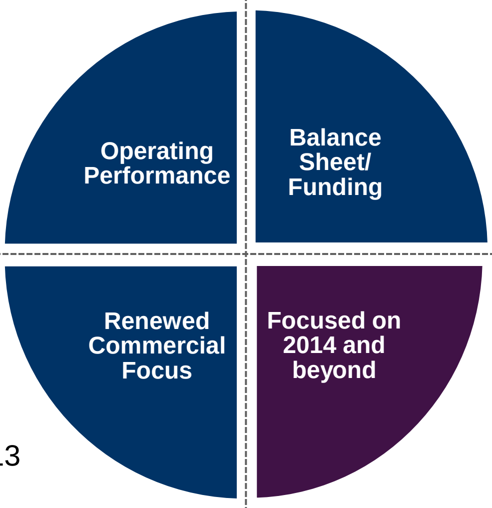
Debt capital markets access demonstrated

ELG exit completed with no material impact

ECB funding declining

LDR of 100%

Funding costs reduced materially



Customer focused strategy

Over €7bn in lending approvals in 2013

Leading market shares across key products and sectors

Continued investment in branch and digital offerings and our staff

SME and corporate sector specialist strategy implemented

Addressing mortgage and SME arrears

Medium term strategic goals

Targeting post provision profits during 2014

Approval of the E.U. restructuring plan

Capital structure considerations to be progressed

Delivering medium term targets

Supporting economic recovery and increasing lending

Continued balanced funding market access

Returning capital to the Irish State

Appendix

Components of capital structure

AIB Group Capital Adequacy information (€m)	Dec-12	Dec-13
Tier 1		
Paid up share capital and related share premium	8,096	8,096
Eligible reserves	3,113	1,436
Regulatory Adjustments	(312)	(448)
Supervisory deductions from tier 1		
– Unconsolidated financial investments	(6)	(158)
– Securitisations	(45)	0
Core Tier 1 Capital	**10,846**	**8,926**
Eligible reserves	125	140
Credit provisions	682	604
Subordinated perpetual loan capital	0	0
Subordinated term loan capital	1,154	833
Supervisory deductions from tier 2 capital	(51)	(158)
Total Tier 2 capital	**1,910**	**1,419**
Supervisory deductions	(74)	0
Total capital	**12,682**	**10,345**
Risk Weighted Assets		
Credit risk	66,335	59,038
Market risk	616	177
Operational risk	4,466	3,180
Total Risk Weighted Assets	**71,417**	**62,395**
Capital ratios		
Core Tier 1 Ratio	15.2%	14.3%
Total Capital Ratio	17.8%	16.6%

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

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%
  - Total number of ordinary shares outstanding is 521,261,151,503
- €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
- €0.8bn Qualifying as Tier 2 capital at 31 December 2013
- Convertible into equity upon trigger of 8.25% Core Tier 1 ratio [(1)]
- Maturing July 2016

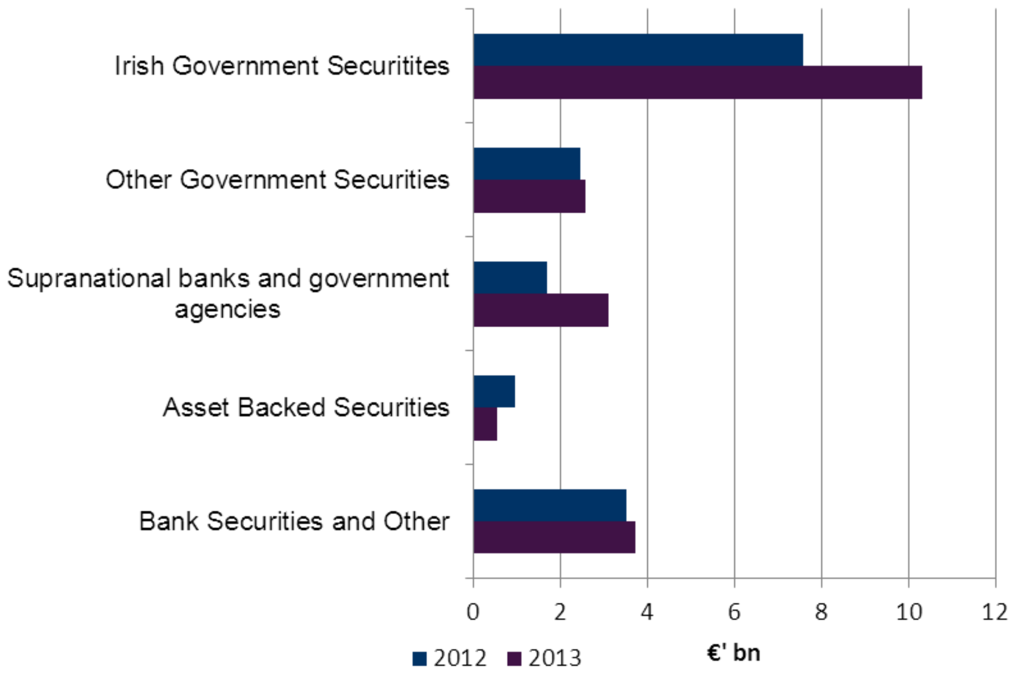
Overview of segmental reporting

Income statement (€m)	DCB DEC 2012	DCB DEC 2013	FSG DEC 2012	FSG DEC 2013	UK DEC 2012	UK DEC 2013
Net interest income incl. ELG	747	973	230	190	102	177
Other income	346	460	(45)	25	67	68
Total operating income	1,093	1,433	185	215	169	245
Personnel expenses	(517)	(452)	(168)	(128)	(110)	(109)
General and administrative expenses	(238)	(244)	(69)	(32)	(86)	(56)
Depreciation, impairment and amortisation	(54)	(54)	(6)	(1)	(11)	(6)
Total operating expenses	(809)	(750)	(243)	(161)	(207)	(171)
Operating profit before provisions	284	683	(58)	54	(38)	74
Provisions for impairment of loans and receivables	(202)	(853)	(2,135)	(897)	(97)	(166)
Charge for provisions for liabilities and commitments	(4)	-	(5)	(8)	-	10
Provisions for impairment of financial investments available for sale	(84)	10	(2)	(1)	-	-
Total provisions	(290)	(843)	(2,142)	(906)	(97)	(156)
Operating loss	(6)	(160)	(2,200)	(852)	(135)	(82)
Associated undertakings	13	8	(5)	(3)	2	2
Profit/(loss) on disposal of property		1		-		-
Profit/(loss) on disposal of businesses	1	-	2	-		-
Loss from continuing operations before exceptionals	8	(151)	(2,203)	(855)	(133)	(80)

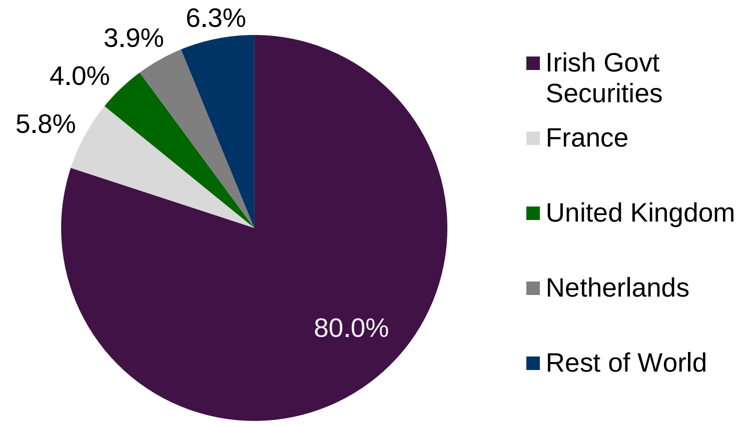
Balance sheet metrics (€bn)	DCB DEC 2012	DCB DEC 2013	FSG DEC 2012	FSG DEC 2013	UK DEC 2012	UK DEC 2013
Gross loans	48	48	32	22	9	13
Gross loans held for sale to NAMA	-	-	1	-	-	-
Net loans	46	44	18	10	8	11
Customer accounts	51	54	1	1	11	11

Available for sale portfolio

Year on Year Movements (Dec 2013 vs. Dec 2012)



Components of Government Securities
(Dec 2013)



Summary

- Total debt securities portfolio* increased to €20.3bn (Dec 2012 €16.2bn)
  - Increase in Irish Sovereign, European Government and Agency, and AAA rated European Covered Bonds
  - Sales of selected weaker ABS positions and corporate bond portfolio
- Excludes NAMA senior bonds of c.€15.6bn
- 99.9% investment grade
- No credit provisions held against the debt securities portfolio

**Excludes equity securities*

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