

# 2014 Annual Financial Results

For the year ended 31 December 2014



Allied Irish Banks, p.l.c.



Hello  
AIB  
Thank you for  
choosing AIB.

# Important information and forward looking statement

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## Important Information

AIB has 523,438,445,437 (excluding 35,680,114 treasury shares) ordinary shares in issue, c. 99.8% of which are held by the Ireland Strategic Investment Fund (ISIF), mainly following the issue of 500 billion ordinary shares to the National Pensions Reserve Fund Commission (the predecessor to the ISIF) at €0.01 per share in July 2011. Based on the number of ordinary shares currently in issue and the closing share price of 3 March 2015, AIB trades on a valuation multiple of c. 6x (excluding the 2009 preference shares) the net asset value (NAV) of the Group as at 31 December 2014. The Group continues to note that the median for comparable European banks is c. 1x NAV.

This presentation should be considered with AIB's Annual Financial Report for 2014 and all other relevant market disclosures, copies of which can be found at the following link:

[investorrelations.aib.ie](http://investorrelations.aib.ie)

## Forward-looking statement

This document contains certain forward-looking statements with respect to the financial condition, results of operations and business of AIB Group and certain of the plans and objectives of the Group. 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, capital structure, Government shareholding in the Group, 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 are set out in the Principal Risk and Uncertainties on pages 51 to 56 in the 2014 Annual Financial Report. In addition to matters relating to the Group's business, future performance will be impacted by Irish, UK and wider European and global economic and financial market considerations. Any forward-looking statements made by or on behalf of the Group speak only as of the date they are made. The Group cautions that the list of important factors on pages 51 to 56 of the 2014 Annual Financial Report 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.



Welcome

Chairman  
Richard Pym

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## Group Progress & Performance

Chief Executive Officer  
David Duffy

# 3 Year strategic plan has successfully delivered

## 2012 Restructuring

- ✓ Restructured balance sheet
- ✓ Initiated cost reduction programmes
- ✓ Revised strategy and changed leadership team members
- ✓ Repositioned bank for future growth
- ✓ Built capability for dealing with customers in difficulty

## 2013 Focus on commercial agenda

- ✓ Pre-provision operating profit
- ✓ Reduced credit provisions
- ✓ Further cost savings
- ✓ NIM / operational metrics progression
- ✓ Funding and balance sheet stabilisation progressed
- ✓ Meeting lending objectives

## 2014 Growth & Profitability

- ✓ Post provision profits during 2014
- ✓ Reduction in impaired loans
- ✓ Approval of EU Restructuring Plan
- ✓ Supporting business, communities and economic recovery
- ✓ Continued funding market access
- ✓ Comfortably passed Comprehensive Assessment

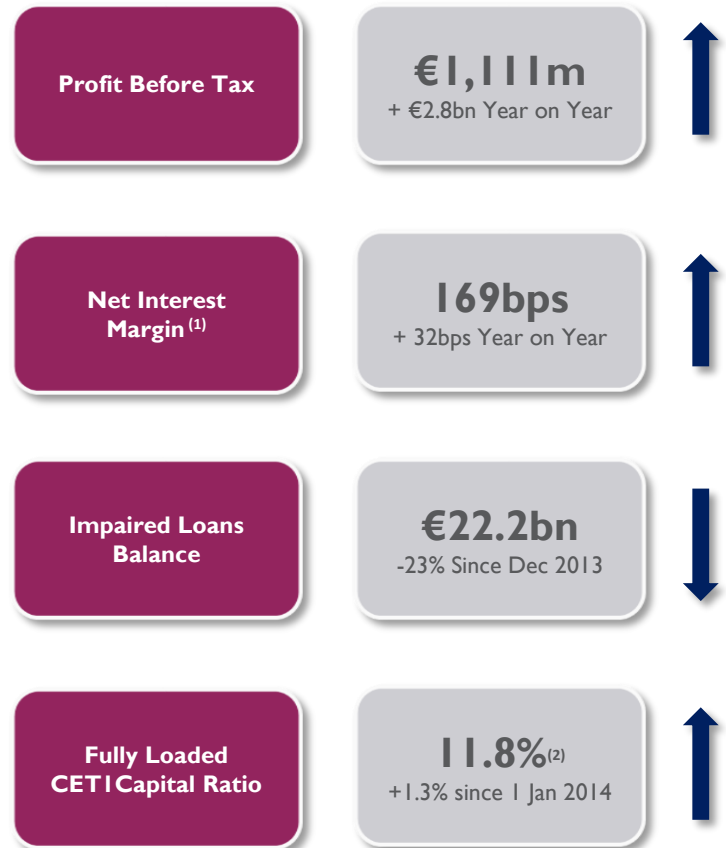
**Met and Exceeded Targets**

# Profitable and generating capital

## 2014 – A transformative year for AIB

- ✓ Customer service metrics improving
- ✓ Momentum in financial performance
- ✓ Growth in new lending approvals and drawdowns
- ✓ Impaired loans significantly lower
- ✓ Mortgage arrears levels declining
- ✓ Approval of EU Restructuring Plan
- ✓ Comfortably passed Comprehensive Assessment test

## Key Financial Highlights

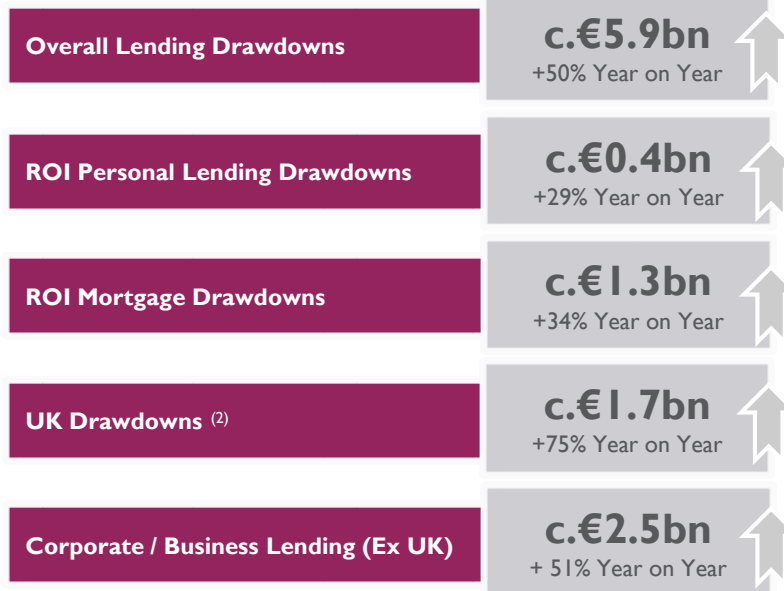


(1) Excluding Eligible Liabilities Guarantee (ELG) costs

(2) Based on full implementation of Basel III / CRD IV and includes 2009 Preference Shares. 5.9% excluding the 2009 Preference Shares. Includes approved payment of May 2015 Preference Share dividend

# Supporting our customers and economic recovery

## 2014 Lending Statistics

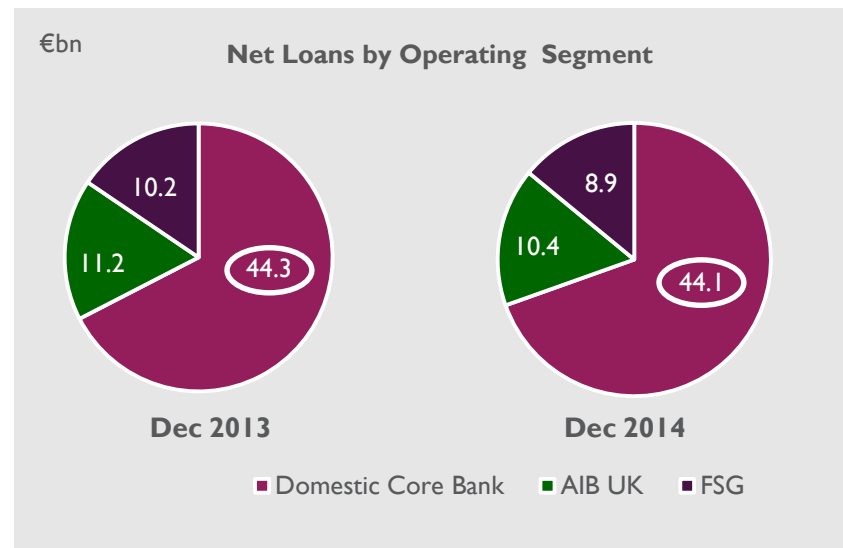
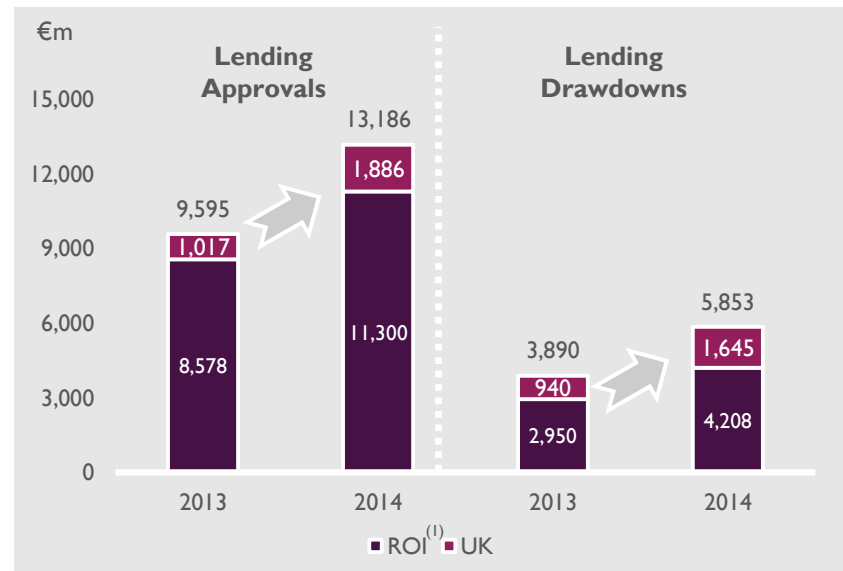


### Summary

- Leading market shares in core Irish target markets
  - Targeting €7 – 10bn in lending per annum
- Lending approvals and drawdowns increased during 2014
  - Approvals include significant restructuring activity in FSG as impaired loans are reduced and migrated back to performing grades
- Group asset yield increased to 2.94% in H2 2014 (2.83% in H2 2013) in part due to the margin on new lending volumes

<sup>(1)</sup> Lending figures in the Republic of Ireland includes Corporate Banking North America

<sup>(2)</sup> Lending figures in the UK includes refinancing



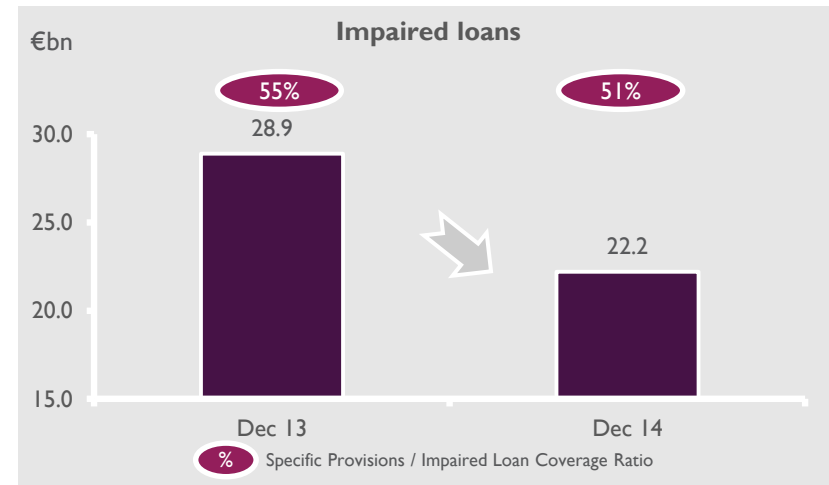
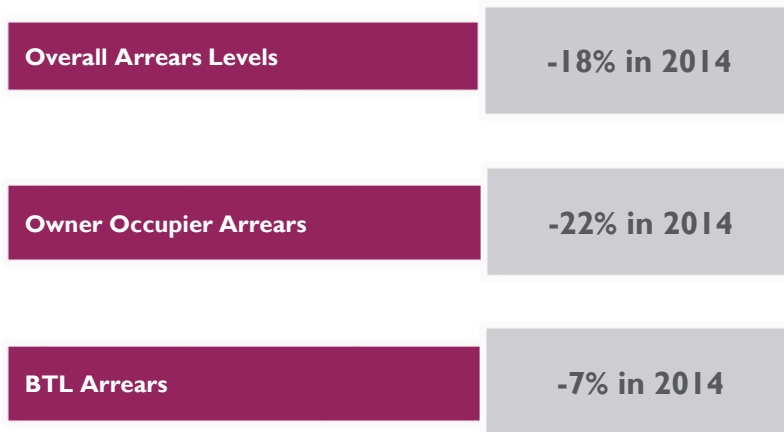


# Delivering solutions for customers in financial difficulty

## Summary

- Significant momentum in implementing sustainable solutions with customers in difficulty
- Overall impaired loans down 23% as restructuring activity accelerates
  - Impaired loans lower across all major loan categories
- Arrears levels in ROI mortgage portfolio have decreased significantly
- 27% increase in the number of mortgage accounts in some form of forbearance
- Continued reduction in impaired volumes a key priority for 2015

## Arrears in RoI Mortgage Portfolio <sup>(1)</sup>



## Non Mortgage Restructure Progress

- Non mortgage customers typically have exposures across a number of asset classes including SME debt, associated property exposures and buy-to-let mortgages
- Met or exceeded our restructuring targets for non mortgage customers during 2014
  - Majority of offered restructures are expected to complete during 2015
- €4.7bn of non mortgage loans subject to forbearance measures at December 2014

(1) By number of accounts

# Further progress towards medium term targets

	Original Medium Term Target	2013	2014	Status Update
Fully Loaded CET I Capital Ratio	>10%	10.5% <sup>(1)</sup>	11.8% <sup>(1)</sup>	On track
Net Interest Margin (Ex Eligible Liabilities Guarantee)	>2%	1.37%	1.69%	On track
Cost / Income Ratio	<50%	76% <sup>(2)</sup>	55% <sup>(2)</sup>	On track
Credit Impairment Charge	<65bps	224bps	(22)bps 46bps excl. FSG	On track
Loan /Deposit Ratio	100% - 120%	100%	99%	On track

(1) Based on full implementation of Basel III / CRD IV and includes 2009 Preference Shares. 5.9% excluding Preference Shares at 31 December 2014. 2014 ratio includes the approved payment of the May 2015 Preference Share dividend. Discussions are ongoing with Department of Finance in respect of capital structure considerations

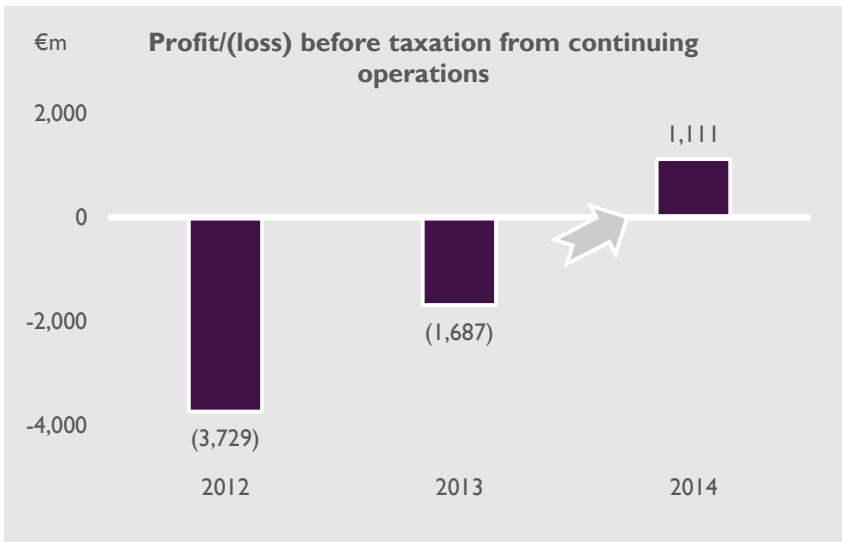
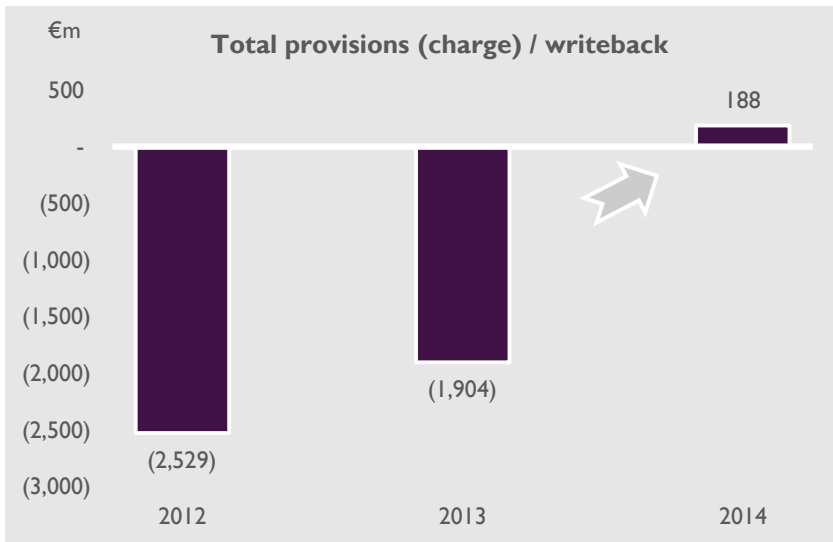
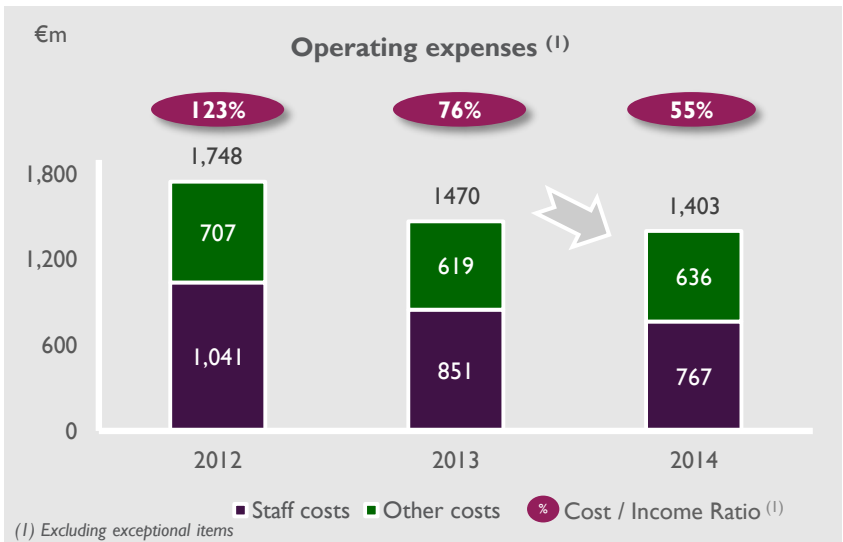
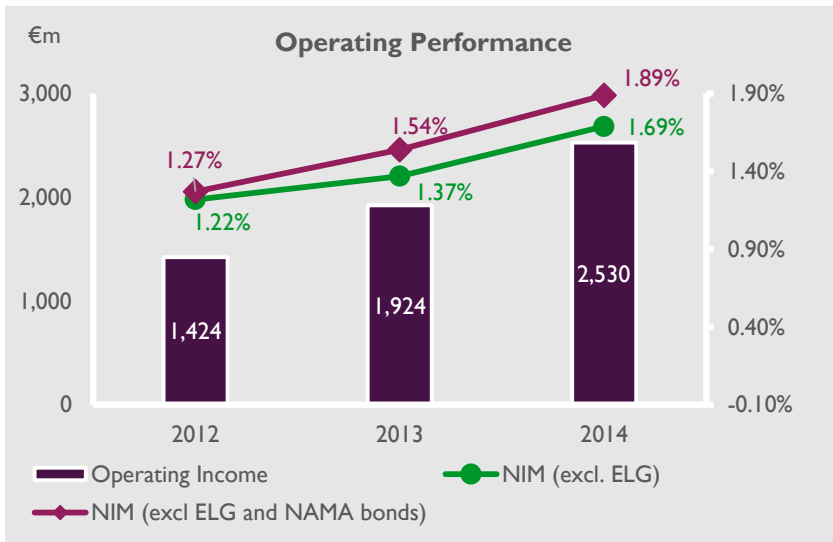
(2) Excludes exceptional cost items. 2014 income includes income from balance sheet actions and realisations in the period.



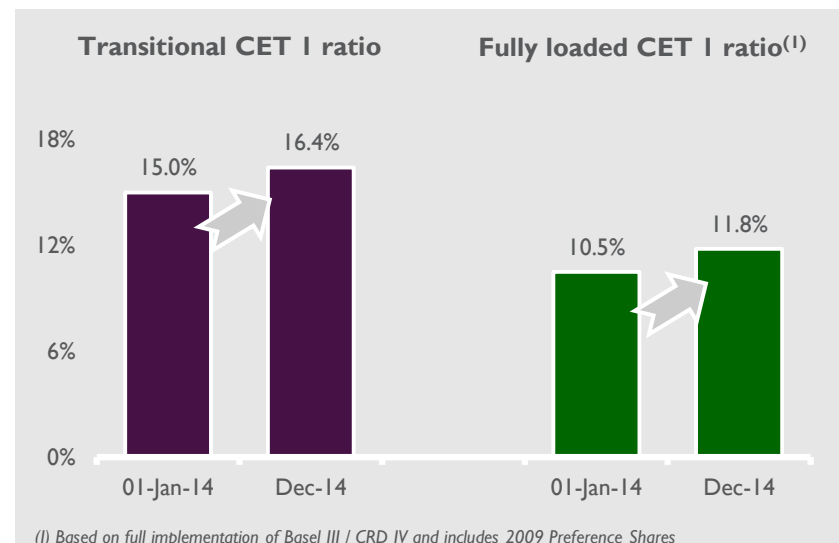
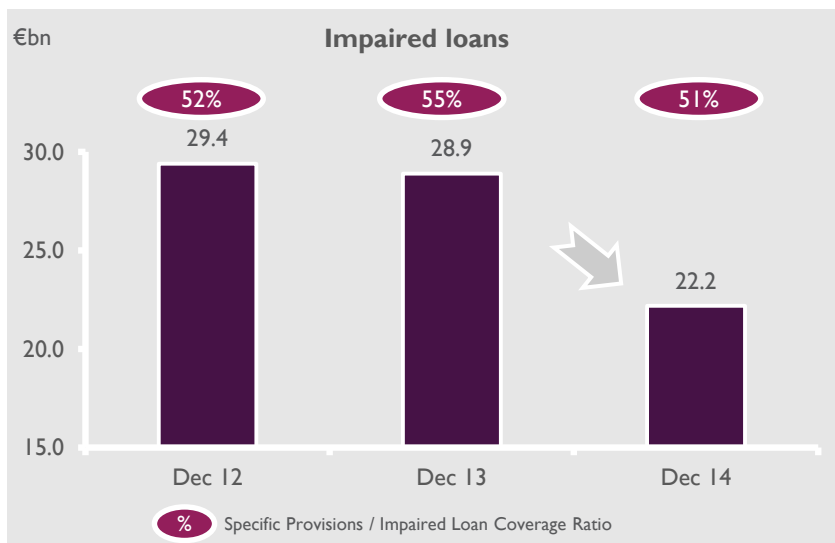
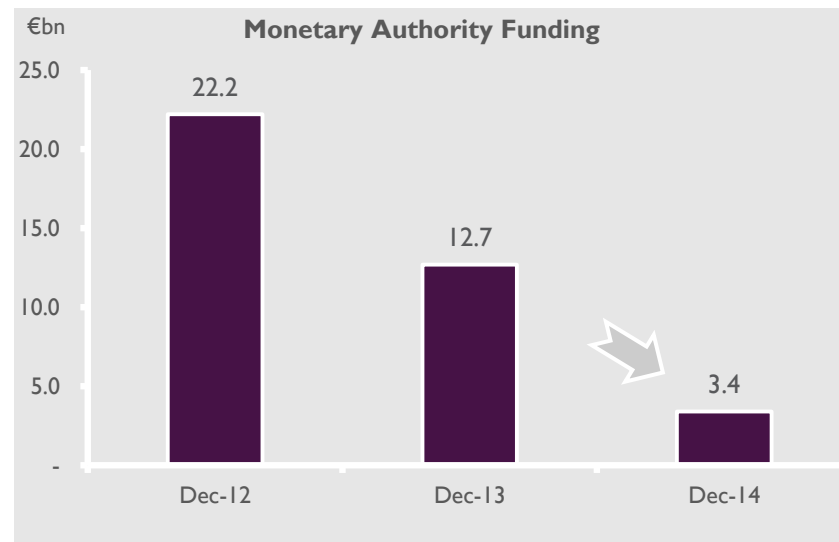
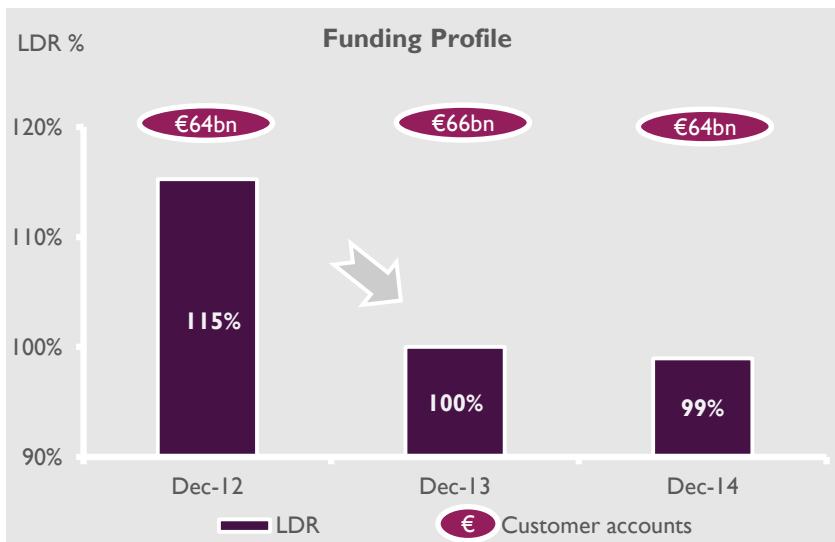
## 2014 Full Year Financials

Chief Financial Officer  
Mark Bourke

# Momentum in financial performance



# Balance sheet significantly stronger



# Key metrics contributing to improved performance

Summary income statement (€m)	FY 2013	FY 2014	Change %
Net interest income	1,345	<b>1,687</b>	25
Other income	579	<b>843</b>	46
<b>Total operating income</b>	<b>1,924</b>	<b>2,530</b>	<b>31</b>
Total operating expenses <sup>(1)</sup>	(1,470)	<b>(1,403)</b>	-5
<b>Operating profit/(loss) before provisions</b>	<b>454</b>	<b>1,127</b>	<b>148</b>
Provisions	(1,904)	<b>188</b>	—
Associated undertakings	7	<b>23</b>	—
Profit on disposals	2	<b>6</b>	—
<b>Operating profit / (loss) before exceptionals</b>	<b>(1,441)</b>	<b>1,344</b>	—
Exceptional items	(246)	<b>(233)</b>	—
<b>Profit/(loss) before tax from continuing operations</b>	<b>(1,687)</b>	<b>1,111</b>	—

Metrics		
Net Interest Margin (Excluding ELG)	1.37%	<b>1.69%</b>
Cost income ratio <sup>(1)</sup>	76%	<b>55%</b>
Return on Equity	(21.8%)	<b>8.0%</b> <sup>(2)</sup>
Return on Assets	(1.3%)	<b>0.8%</b>

## Overall Summary

- Growth in sustainable operating performance
- Profit before tax of €1.1bn, a €2.8bn improvement on 2013
- Key financial metrics trending positive
  - Net interest income increased
  - 2014 income includes income from balance sheet actions and realisations in the period
  - Further reduction in operating costs
  - Net writeback of provisions reflecting improved economic environment and momentum in restructuring activity

## Future Focus

- Continue to lend prudently into a recovering economy
- Positive outlook for asset growth on a medium term basis

(1) Excludes exceptional costs. 2014 income includes income from balance sheet actions and realisations in the period.

(2) Profit attributable to ordinary shareholders after deduction of the annual dividend on the 2009 Preference Shares.

# Improving net interest income

	Year Ended 31 Dec 2013			Year Ended 31 Dec 2014		
	Average balance €m	Interest €m	Average Rate %	Average balance €m	Interest €m	Average Rate %
<b>Assets</b>						
Loans and receivables to customers	69,902	2,326	3.33	65,391	2,237	3.42
NAMA senior bonds	16,743	130	0.78	12,569	80	0.64
Financial Investments AFS	18,621	652	3.50	19,444	567	2.92
Other interest earning assets	5,738	19	0.33	5,966	22	0.36
Net Interest on swaps		36			91	
<b>Average interest earning assets</b>	<b>111,004</b>	<b>3,163</b>	<b>2.85</b>	<b>103,370</b>	<b>2,997</b>	<b>2.90</b>
Non interest earning assets	9,635			8,237		
<b>Total Assets</b>	<b>120,639</b>	<b>3,163</b>		<b>111,607</b>	<b>2,997</b>	
<b>Liabilities and shareholders' equity</b>						
Deposits by banks	26,242	123	0.47	18,515	46	0.25
Customer accounts	51,669	968	1.87	48,944	637	1.30
Subordinated liabilities	1,311	241	18.38	1,401	256	18.30
Other debt issued	8,622	313	3.63	8,921	312	3.49
<b>Average interest earning liabilities</b>	<b>87,844</b>	<b>1,645</b>	<b>1.87</b>	<b>77,781</b>	<b>1,251</b>	<b>1.61</b>
Non interest earning liabilities	21,975			22,426		
Shareholders' equity	10,820			11,400		
<b>Total liabilities and shareholders equity</b>	<b>120,639</b>	<b>1,645</b>		<b>111,607</b>	<b>1,251</b>	
<b>Net interest income excluding ELG</b>		<b>1,518</b>	<b>1.37</b>		<b>1,746</b>	<b>1.69</b>
ELG		(173)	(0.16)		(59)	(0.06)
<b>Net interest income including ELG</b>		<b>1,345</b>	<b>1.21</b>		<b>1,687</b>	<b>1.63</b>

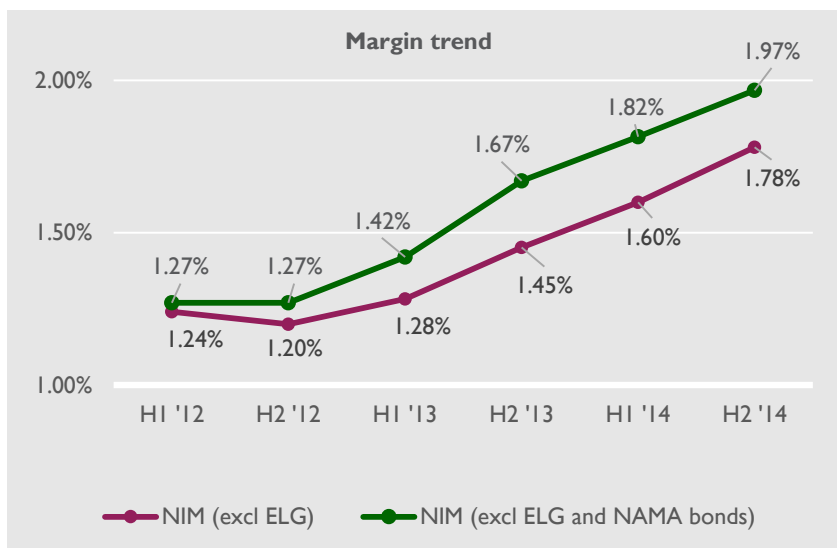
## Overall Summary

- Overall net interest income increased by 25% year on year
- Average interest earning assets down 7% with a €166m reduction in interest earned
  - Average rate on assets increased by 5bps to 290bps
- Average interest earning liabilities decreased 11% in the year as the cost of liabilities continued to reduce
  - Average rate on interest earning liabilities decreased by 26bps to 161bps in the period
  - Liability costs reduced by 24% or €394m
- ELG costs reduced by €114m to €59m for 2014
- Overall NIM <sup>(1)</sup> in 2014 of 1.69%
  - Increase of 32bps from 2013

(1) Excluding Eligible Liabilities Guarantee (ELG)



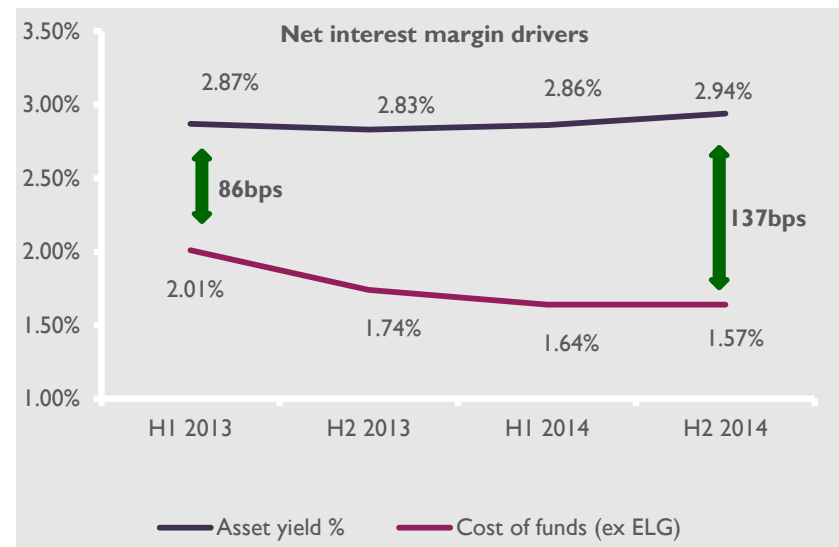
# Translating into continued momentum in NIM



## Summary

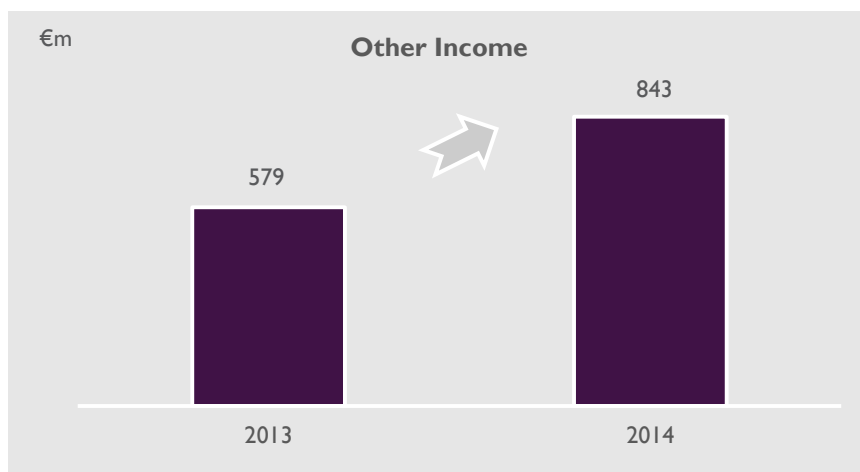
- NIM<sup>(1)</sup> increased to 1.78% in H2 2014 compared to a trough of 1.20% in H2 2012
- Gap between asset yields and cost of funds widened to 137bps in H2 2014
- Effect of lower yielding NAMA senior bonds reducing as volumes decline
  - NIM excluding ELG and NAMA senior bonds of 1.97% in H2 2014
- Continued progress towards medium term target of >2%

(1) Excluding ELG costs





# Other income significantly higher year on year

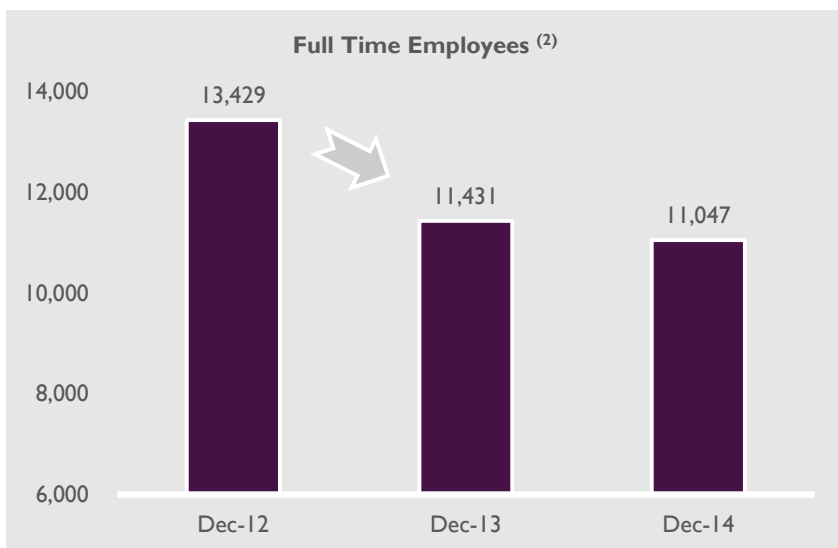


## Summary

- Other income of €843m was 46% higher year on year comprising:
  - Net fee and commission income of €390m was 3% higher vs. 2013
  - 2014 also benefited from €437m of income from balance sheet actions and realisations in the period compared to €93m in 2013
    - Net profit on disposal of AFS securities
      - €181m compared to €31m in 2013
    - Re-estimating the timing of cash flows on NAMA senior bonds
      - €132m compared to €62m in 2013
    - Settlements and other gains
      - €124m in 2014

Other income (€m)	FY 2013	FY 2014	Change
Net fee and commission income	378	390	3%
Net profit on disposal of AFS securities	31	181	484%
Re-estimating the timing of cash flows on NAMA senior bonds	62	132	113%
Settlements and other gains	-	124	NM
Other	108	16	-85%
<b>Total other operating income</b>	<b>579</b>	<b>843</b>	<b>46%</b>

# Continued focus on cost efficiencies



## Disciplined cost management

- Achieved 3-year operating cost reduction target of €0.35bn <sup>(1)</sup> relative to 2012 cost base
- Total operating expenses reduced by €67m <sup>(1)</sup> (5%) in 2014
  - Costs lower in all key operating segments of the bank
  - 10% reduction in average employees during 2014
  - Higher general and administrative costs in H2 2014 relating to timing of external provider fees, technology spend and increasing outsourcing

## Exceptional costs

- Excluded from operating expenses line:
  - Bank levy of €60m in 2014
  - Termination benefits from voluntary severance program of €24m in 2014 vs. €86m in 2013
  - Restructuring and restitution expenses in 2014 of €151m vs. €184m in 2013

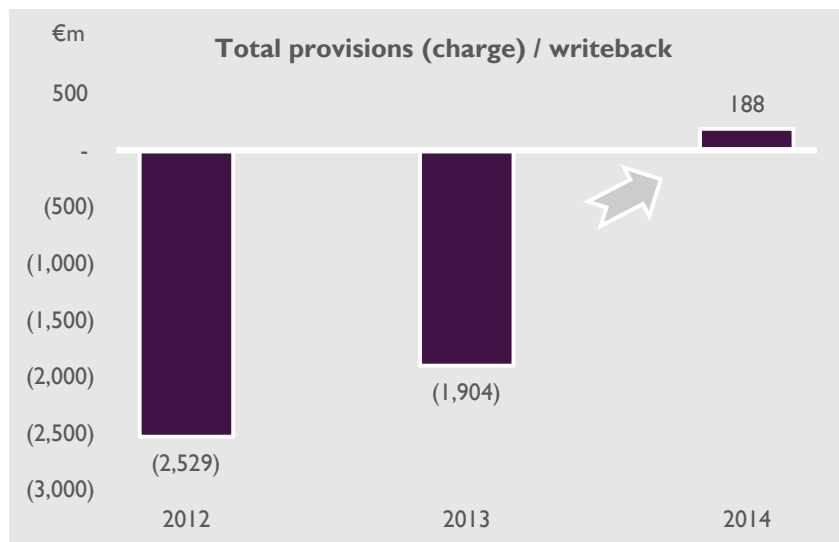
## Ongoing cost dynamics

- Continued investment in customer, change and resilience agendas
- Focused on progressing towards medium term cost/income target of <50%

<sup>(1)</sup> Excluding exceptional items

<sup>(2)</sup> Year end position

# Aggregate writeback of provisions during 2014



## Summary

- €2.1bn positive change in provisions charge in 2014 compared to 2013
- Overall provision writeback of €188m in the year
  - Improved economic environment leading to lower levels of new impairments
  - Restructuring activity to date on aggregate has been completed within provision estimates
    - Higher collateral values
    - Unencumbered assets
    - Additional cash flows and improved trading performance
  - Mortgage model assumption changes reflecting improving market prices and loss experience
    - House price fall from peak model assumption of 50% vs. 55% at year end 2013
  - Additional IBNR provisions including the impact of increased emergence periods in the mortgage and non mortgage books and redefault assumptions on restructured loans
- Appropriately conservative approach applied as part of the 2014 impairment provision process including consideration of the result of the AQR component of the Comprehensive Assessment

	FY 2013	FY 2014
Provision (Charge) / Writeback (€m)	2013	2014
Mortgages	(813)	76
Land & Development / Investment Property	(724)	244
Corporate/SME/Other Commercial	(251)	(127)
Personal & Other	(116)	(5)
<b>Total Provision Writeback /(Charge)</b>	<b>(1,904)</b>	<b>188</b>

# Balance sheet fundamentals strengthened

Balance Sheet (€bn)	Dec 2013	Dec 2014	% Change
Gross Loans to Customers	82.8	<b>75.8</b>	-8
Provisions	(17.1)	<b>(12.4)</b>	-27
Net Loans to Customers	65.7	<b>63.4</b>	-4
Financial Investment AFS	20.4	<b>20.2</b>	-1
NAMA Senior Bonds	15.6	<b>9.4</b>	-40
Other Assets	16.0	<b>14.5</b>	-9
<b>Total Assets</b>	<b>117.7</b>	<b>107.5</b>	<b>-9</b>

Customer Accounts	65.7	<b>64.0</b>	-3
Monetary Authority Funding	12.7	<b>3.4</b>	-73
Other Market Funding	10.4	<b>13.4</b>	29
Debt securities in Issue	8.8	<b>7.9</b>	-10
Other Liabilities	9.6	<b>7.2</b>	-25
<b>Total Liabilities</b>	<b>107.2</b>	<b>95.9</b>	<b>-11</b>

Shareholders' Equity	10.5	<b>11.6</b>	10
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>117.7</b>	<b>107.5</b>	<b>-9</b>

Key Metrics (%)			% Change
Loan deposit ratio	100	<b>99</b>	-1.0%
CRD IV transitional CET I ratio <sup>(1)</sup>	15.0 <sup>(3)</sup>	<b>16.4</b>	1.4%
CRD IV fully loaded CET I ratio <sup>(2)</sup>	10.5 <sup>(3)</sup>	<b>11.8<sup>(4)</sup></b>	1.3%

€bn			% Change
Risk Weighted Assets	60.9	<b>59.1</b>	-3%

(1) Includes 2009 Preference Shares

(2) Based on phased and full implementation of Basel III / CRD IV, includes 2009 Preference Shares

(3) Pro forma 1 January 2014

(3) Includes approved payment of preference share dividend in May 2015

## Summary

- Balance sheet strengthened and positioned for prudent growth
- Funding position stable and improving
- Shareholders equity and capital ratios higher

## Asset Movements

- Gross loans down 8% during 2014
  - Significantly increased new lending volumes of €5.9bn offset by amortisation and restructuring
- €6.3bn of NAMA senior bond redemptions
- AFS portfolio of €20.2bn in line with €20.4bn at Dec 2013

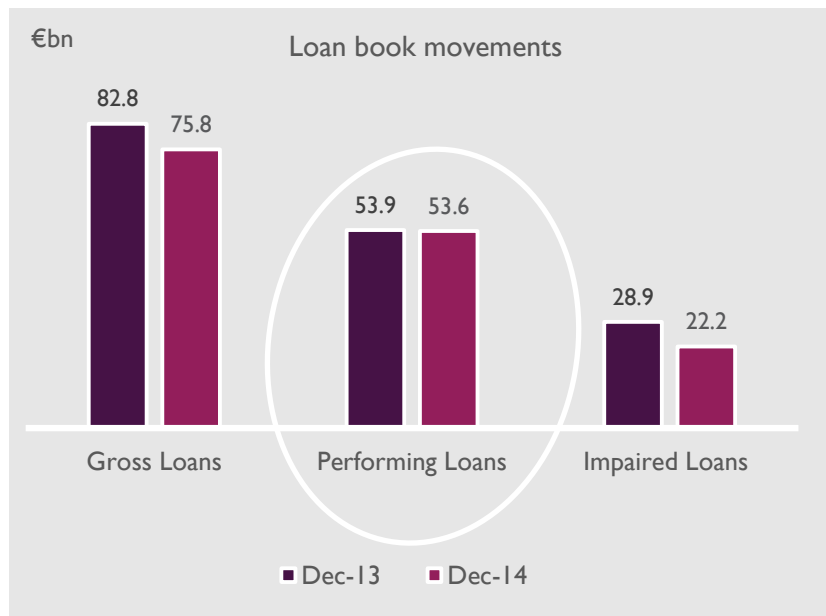
## Liability Movements

- Customer accounts lower at 31 Dec 2014 due to €3.6bn decrease in repos
  - 19% increase in current account balances year on year
- ECB funding down 73% since Dec 2013 to €3.4bn
- €1bn in new market funding in 2014



# Earning loan book stabilising

Customer Loans (€bn)	Earning Loans	Impaired Loans	Gross Loans	Specific Provisions	IBNR Provisions	Net Loans
Opening Balance (1 January 2014)	53.9	28.9	82.8	(15.9)	(1.2)	65.7
New lending volumes <sup>(2)</sup>	5.9	0.0	5.9	0.0	0.0	5.9
New impaired loans	(1.6)	1.6	0.0	(0.5)	0.0	(0.5)
Restructures and writeoffs <sup>(1)</sup>	1.1	(6.6)	(5.5)	5.3	0.0	(0.2)
Redemptions of existing loans	(6.6)	(1.9)	(8.5)	0.0	0.0	(8.5)
Foreign exchange movements	0.8	0.3	1.1	(0.1)	0.0	1.0
Other movements	0.1	(0.1)	0.0	(0.1)	0.1	0
<b>Closing Balance (31 Dec 2014)</b>	<b>53.6</b>	<b>22.2</b>	<b>75.8</b>	<b>(11.3)</b>	<b>(1.1)</b>	<b>63.4</b>



(1) Includes non contractual writeoffs

(2) Includes refinancing in the UK

## Summary

- Earning loan book broadly stable in the period
  - New lending increased to €5.9bn
  - €1.1bn increase in performing loans as a result of restructuring activity
  - €0.8bn increase due to FX movements
  - Offset by redemptions of €6.6bn and new to impaired loans of €1.6bn
- Redemptions continued to be in excess of new lending in the period despite significant growth in new lending

# Falling balance sheet provisions and impairments

## Balance Sheet Provisions Movements – Dec 2014 (€m)

01-Jan-14	DCB	AIB UK	FSG	Total
Specific	2,401	2,070	11,427	15,898
IBNR	828	132	225	1,185
<b>Total</b>	<b>3,229</b>	<b>2,202</b>	<b>11,652</b>	<b>17,083</b>

## Income Statement Impairment Charge in Period

Specific	308	129	(512)	(75)
IBNR	(105)	(59)	61	(103)
<b>Total <sup>(2)</sup></b>	<b>203</b>	<b>70</b>	<b>(451)</b>	<b>(178)</b>

Impairment Charge/Avg Loans	43bps	54bps	(229bps)	(22bps)
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## Amounts Written Off / Other <sup>(1)</sup>

<b>Total</b>	<b>(408)</b>	<b>(469)</b>	<b>(3,622)</b>	<b>(4,499)</b>
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31 Dec 14	DCB	AIB UK	FSG	Total
Specific	2,310	1,718	7,287	11,315
IBNR	714	85	292	1,091
<b>Total</b>	<b>3,024</b>	<b>1,803</b>	<b>7,579</b>	<b>12,406</b>

## Credit provision summary

- Balance sheet provisions decreased by €4.7bn to €12.4bn
  - Specific provisions of €11.3bn down from €15.9bn
  - IBNR provisions of €1.1bn down from €1.2bn
  - Significant increase in provision write offs as part of restructuring process and also includes writeoffs where further recovery considered unlikely
- Specific provision / impaired loans cover reduced to 51% from 55% in 2013 mainly driven by:
  - write offs of provisions within portfolios with higher provision cover
  - writebacks from restructuring activity
- Impairment writeback /average loans of 22bps in 2014
  - Charge of 46bps excluding FSG

(1) Includes €150m in exchange related adjustments and €6m in recoveries on amounts written off in previous periods.

(2) Loan book charge in period – excludes €7m loans to banks provisioning release.

# Normalisation of asset profile continuing

Balance Sheet Assets (€bn)	31 Dec 2013	31 Dec 2014	Change
Loans and receivables to customers	65.7	<b>63.4</b>	-4%
Financial investments available for sale	20.4	<b>20.2</b>	-1%
NAMA senior bonds	15.6	<b>9.4</b>	-40%
Cash and balances at Central Banks	4.1	<b>5.4</b>	31%
Deferred taxation	3.8	<b>3.6</b>	-7%
Derivative financial instruments	1.6	<b>2.0</b>	25%
Other <sup>(1)</sup>	6.5	<b>3.5</b>	-46%
<b>Total Assets</b>	<b>117.7</b>	<b>107.5</b>	<b>-9%</b>

## Summary

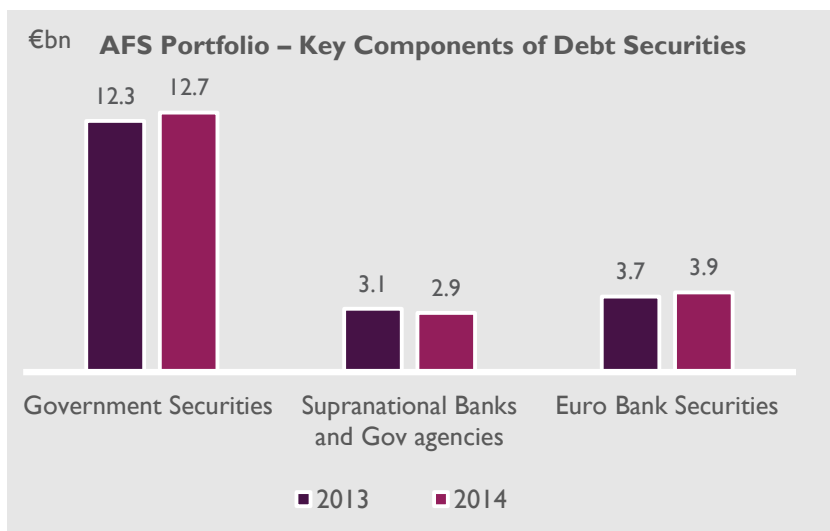
- Overall assets down 9% year on year largely due to a reduction in NAMA senior bonds and net loans to customers
- Process of normalisation of balance sheet continues

## AFS Portfolio

- AFS portfolio of €20.2bn of which 99.9% is investment grade
  - Equity securities of €0.4bn
    - NAMA sub debt valued at 79.4% up from 15.5% at Dec 2013
  - Debt securities of €19.8bn
    - Sales and maturities of c. €8.8bn partially offset by purchases of €7.3bn
      - Net AFS disposal gains in 2014 of €181m

## NAMA Senior Bonds

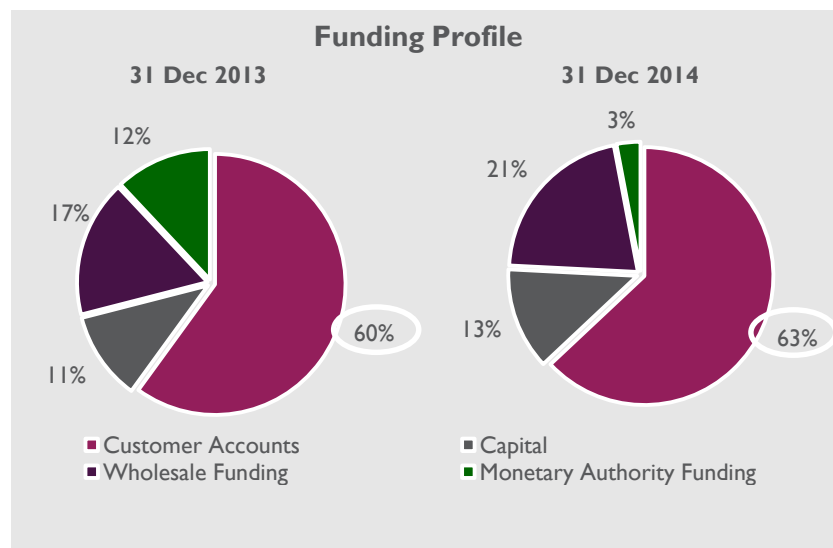
- 40% reduction year on year
  - €132m gain recognised in other income to reflect changed assumptions in respect of redemption profile



(1) Other includes loans and receivables to bank, prepayments and accrued income and other miscellaneous items

# Funding profile strengthened

Balance Sheet Liabilities (€bn)	31 Dec 2013	31 Dec 2014	Change
Customer Accounts	65.7	<b>64.0</b>	-3%
Deposits by Central Banks & Banks	23.1	<b>16.8</b>	-27%
Debt Securities in Issue	8.8	<b>7.9</b>	-10%
Derivative Financial Instruments	2.0	<b>2.3</b>	19%
Retirement benefit liabilities	0.2	<b>1.2</b>	-
Subordinated liabilities & other capital instruments	1.4	<b>1.5</b>	7%
Other	6.0	<b>2.2</b>	-63%
<b>Total Liabilities</b>	<b>107.2</b>	<b>95.9</b>	<b>-11%</b>



## Summary

- Overall liabilities down 11% year on year as monetary authority funding levels decreased significantly

## Customer Accounts <sup>(1)</sup>

- Largest component of funding at 63% -- up 3% year on year
  - Excluding repos, customer account volumes higher due to an increase in current account balances of 19%

## Wholesale Funding

- Deposits by central banks and banks down 27% with monetary authority funding down 73% to €3.4bn
  - Includes €1.9bn of TLTRO <sup>(3)</sup>
- Other debt securities of €7.9bn, down 10% in the year due to maturities and debt buybacks
  - Two debt issues in 2014 totalling €1bn
  - €750m ACS issuance in Jan 2015
  - c. 65% of debt securities in issue have a maturity profile greater than 1 year

## Retirement Benefit Liabilities

- Increase mainly driven by reduction in the discount rate used in actuarial assumptions to value the Irish DB schemes liabilities from 3.9% to 2.2%

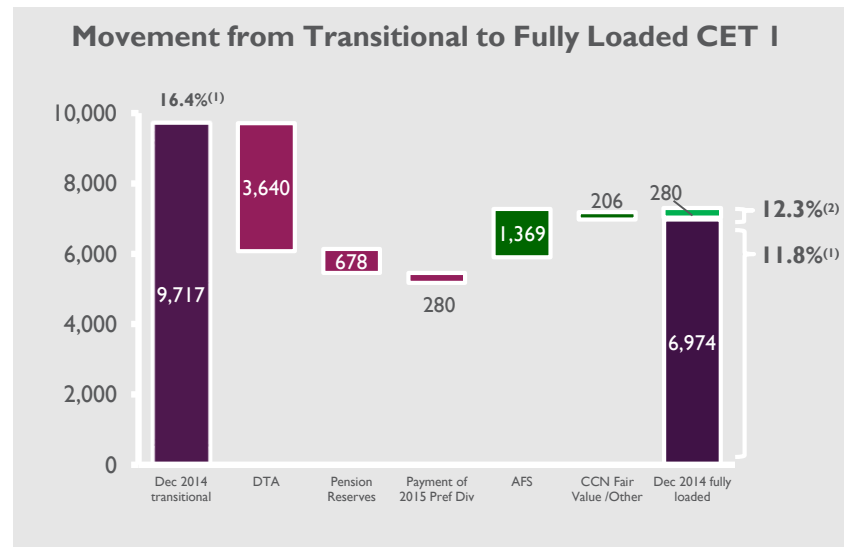
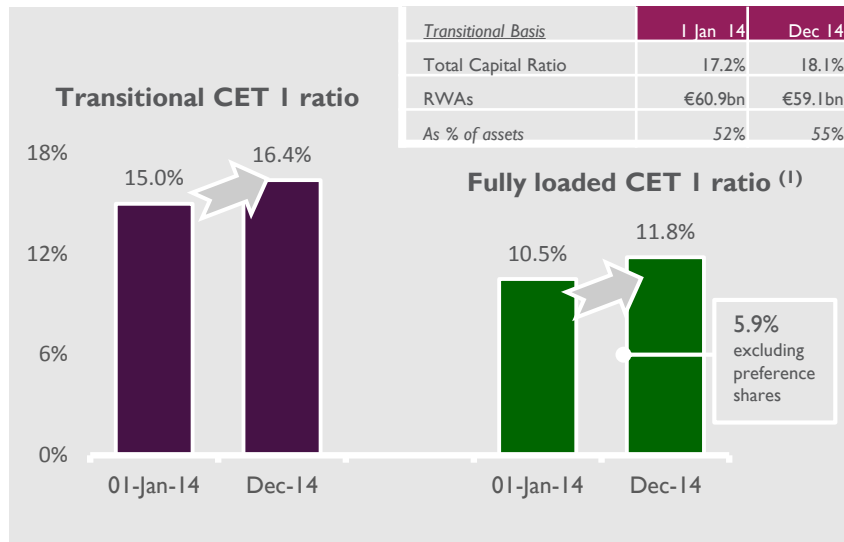
## Basel III Liquidity Requirements <sup>(2)</sup>

- Net stable funding ratio: c. 112%
- Liquidity coverage ratio: c. 116%

(1) Includes repos  
 (2) Includes the impact of regulatory guidance on the treatment of NAMA bonds  
 (3) Targeted longer term refinancing operations



# Capital ratios increasing



## Capital Structure Considerations

- Discussions ongoing with Department of Finance in respect of
  - the €3.5bn 2009 Preference Shares and €1.6bn of Contingent Capital Notes
  - a possible significant consolidation in the number of ordinary shares outstanding

## CET I Transitional Ratio +1.4%

- Increase in CET I capital of €0.6bn, reflecting
  - €0.9bn attributable profits in 2014
  - €0.1bn due to disposal of Ark Life
  - €(0.28bn) deduction for approved 2009 Preference Share cash dividend in May 2015
  - €(0.2bn) impact in respect of increased pension deficit
- Decrease in RWA of €1.8bn, reflecting reduction in credit risk

## CET I Fully Loaded Ratio +1.3%

- Increase in CET I Capital of €0.6bn, includes
  - €0.9bn attributable profits in 2014
  - €0.7bn AFS reserve gains
  - €(0.9bn) impact of pension deficit
  - €(0.28bn) deduction for approved 2009 Preference Share cash dividend in May 2015

(1) Based on phased and full implementation of Basel III / CRD IV, includes Preference Shares and approved preference share dividend in 2015

(2) Based on full implementation of Basel III / CRD IV, includes Preference Shares but excludes approved preference share dividend in 2015



Asset Quality

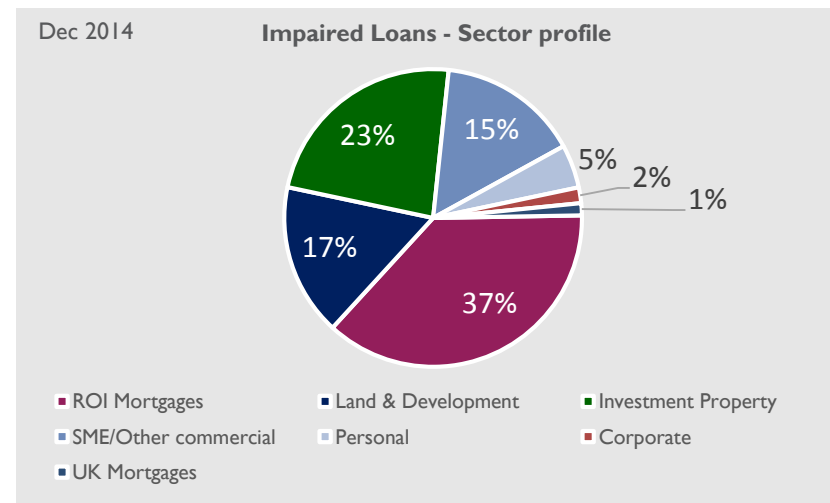
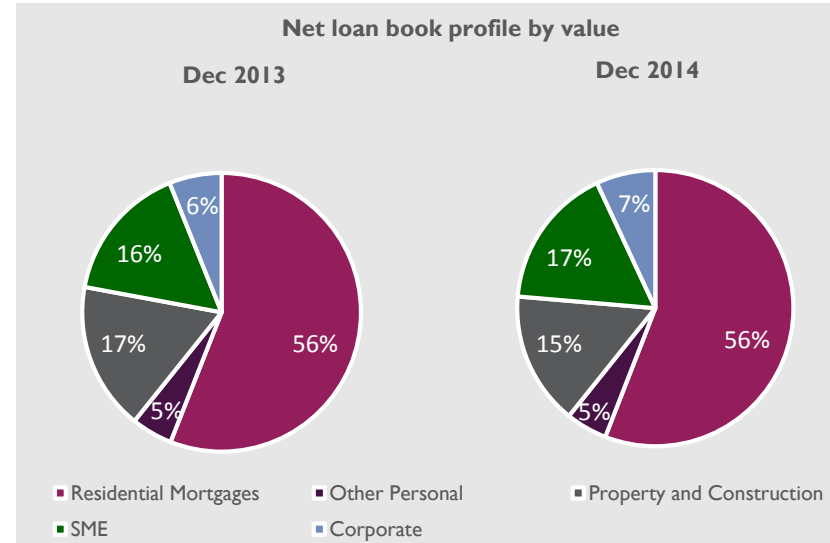
# Improvement in asset quality

## Summary

- Significant progress and momentum in restructuring customers in financial difficulty
- Pace of formation of new impaired loans slowed reflecting improved economic conditions
- €5.9bn in new lending during 2014 <sup>(2)</sup>
- Net loans decreased by €2.3bn (4%) since Dec 2013 to €63.4bn
  - Combination of loan redemption, restructuring of impaired loans and increased new lending
  - Performing loan book broadly stable in the year
- Residential mortgages remains the largest component of loan book at 56% of net loans
- Impaired loans reduced by €6.7bn in 2014
  - Reductions evident across all loan portfolios
  - Reflective of extensive engagement with customers to restructure facilities, redemptions and provision writeoffs
  - Total criticised<sup>1</sup> loans, including impaired loans, decreased by c.€7.8bn
  - Decrease in watch and impaired categories, increase in vulnerable, in part due to restructuring of impaired loans

(1) Definitions of criticised loans contained on Appendix slide No 41

(2) Includes refinancing in the UK



# Impaired balances lower in all major loan books

December 2014 €m	ROI mortgages	Land & development	Investment property	SME / Other commercial	Personal	Corporate	UK mortgages	Total
Loans and receivables to customers	36,324	4,436	11,101	12,889	3,837	4,723	2,522	<b>75,832</b>
Impaired	8,217	3,661	5,175	3,395	1,044	378	292	<b>22,162</b>
Impairment charge (Full Year P&L)	(93)	(50)	(194)	81	15	46	17	<b>(178)</b>
Balance sheet provisions (Specific + IBNR)	3,256	2,774	2,878	2,308	768	251	171	<b>12,406</b>
Specific provisions / Impaired loans (%)	33%	75%	53%	61%	69%	50%	52%	<b>51%</b>
Total provisions / Total loans (%)	9%	63%	26%	18%	20%	5%	7%	<b>16%</b>

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

Note: Contractors of €368m (Dec '13: €404m) are included in land & development, and housing associations of €440m (Dec '13: €427m) are included in investment property.

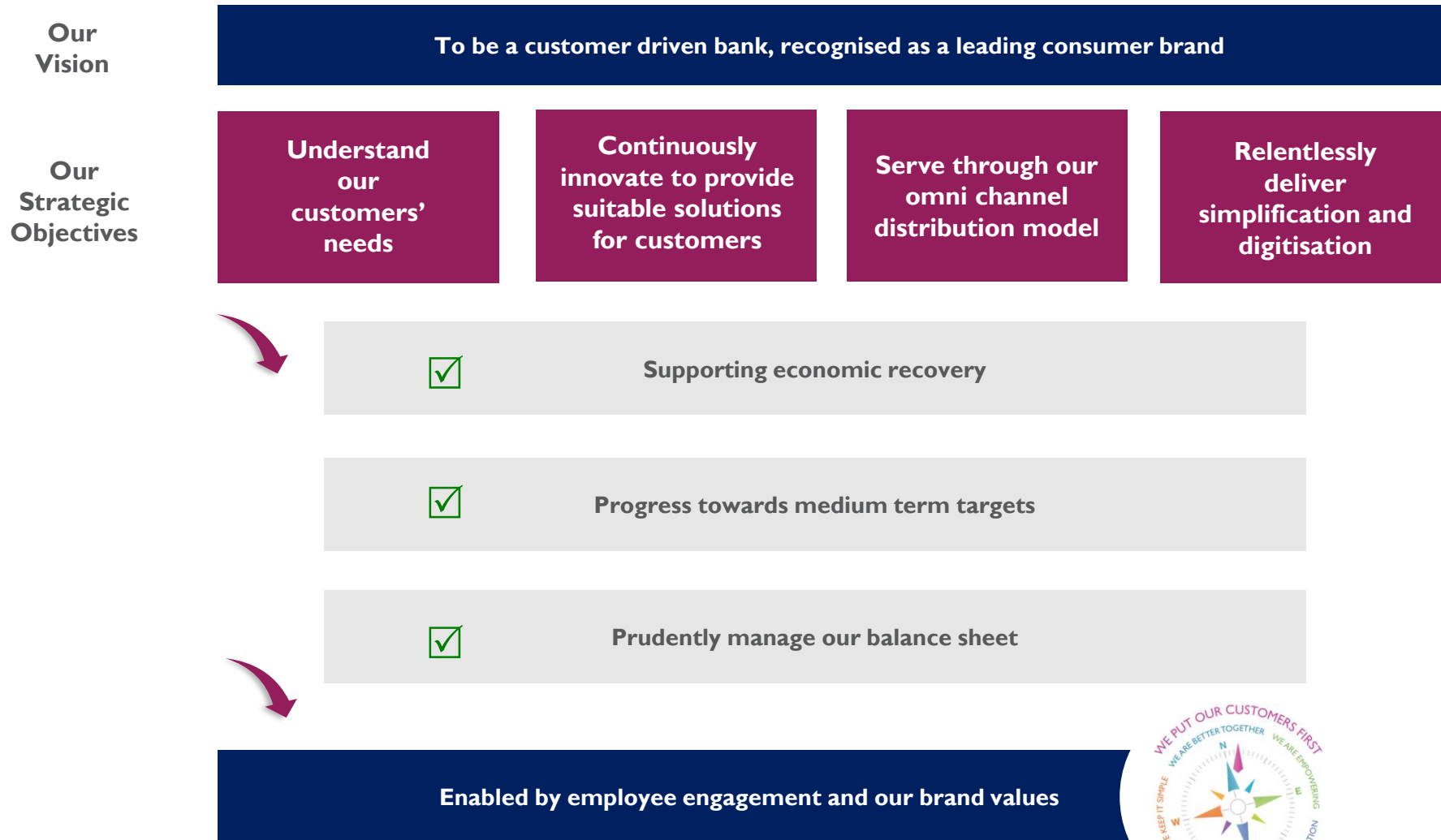


## Delivering our Strategy

Chief Executive Officer  
David Duffy

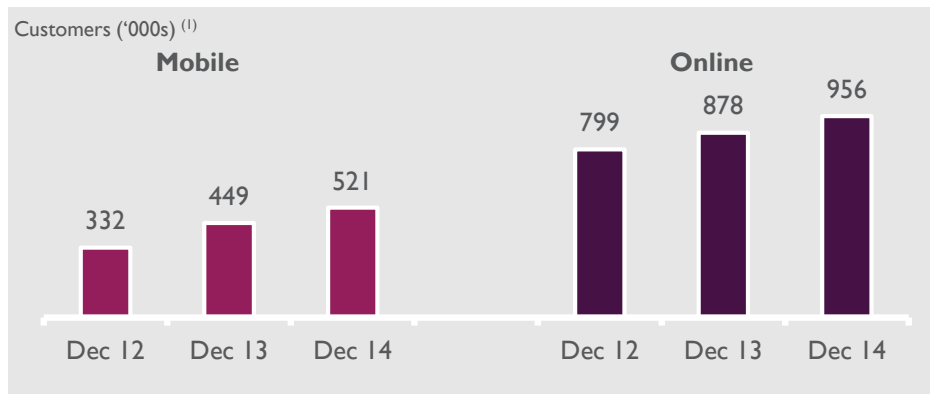
Group Chief Operating Officer  
Stephen White

# Clear strategic direction



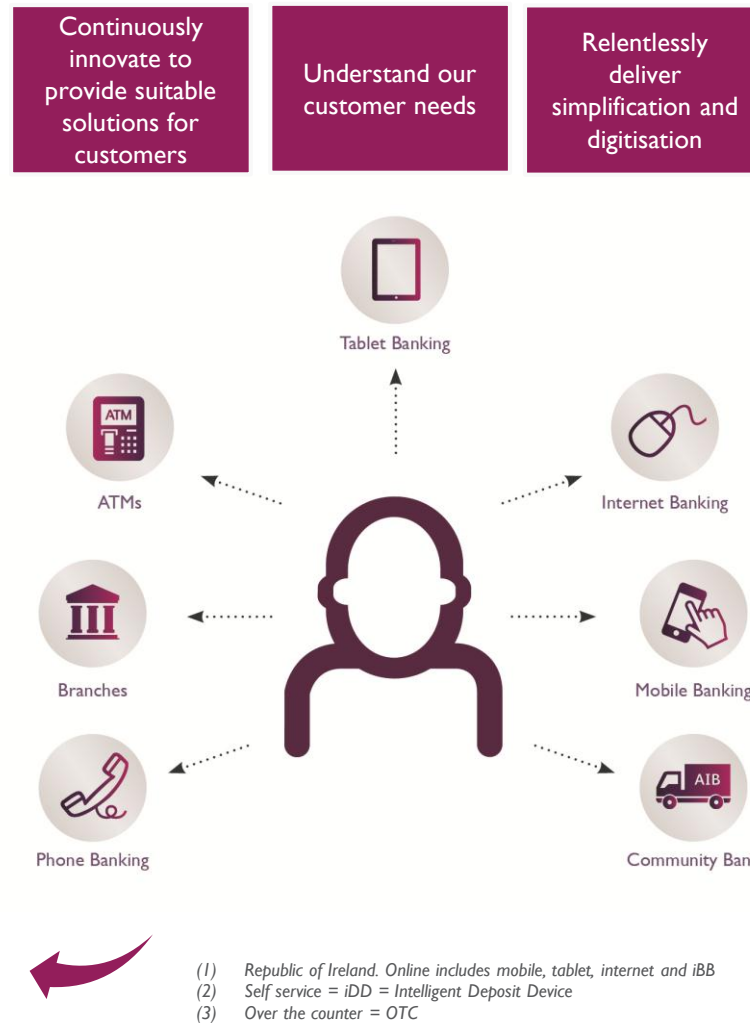
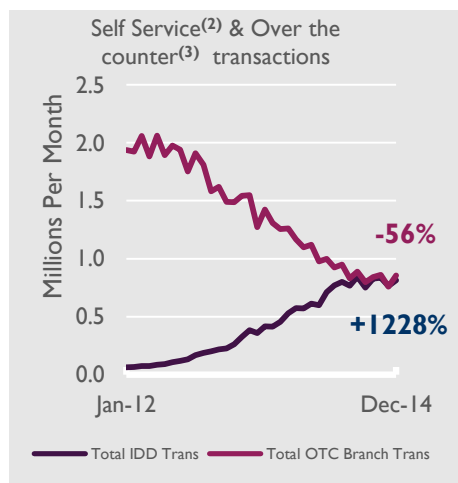
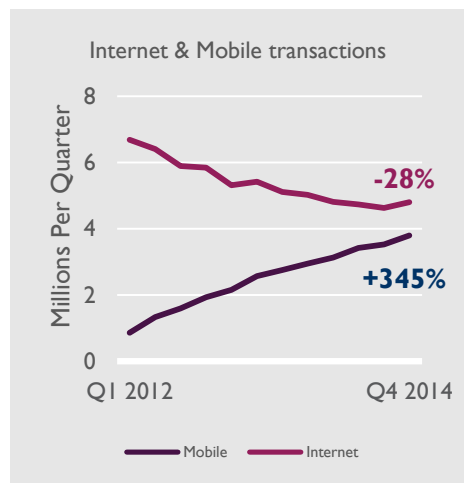
# Customer first approach - omni channel strategy

Industry leading adoption rates.....



... changing the way our customers conduct their business

33m transactions completed online in 2014 – internet/tablet/mobile/iBB



# Delivering simplification & digitisation

Complete

Consistent

Connected

We are investing in...

## Strategic Enablement

Enhance our people and technology to facilitate faster delivery of change

**56%** increase in the proportion of Personal Loan applications received online in Dec 2014 compared to Dec 2012

**7%** of Dec 2014 Mortgage Loan applications originate online, from a 0% baseline in 2012

## Simplification

Improve our people and processes to enable efficiencies, to reduce costs and to deliver better value

2012	2014
<b>164</b> iDDs across <b>89</b> Branches	<b>385</b> iDDs across <b>182</b> Branches

**48hr** approval on SME lending under **30k**, **3hr** approval on Personal lending

## Resilience

Develop our technology to improve resilience and security

2012	2014
<b>99.78%</b>	<b>99.85%</b>

Average availability of key customer facing services

\*iDD (intelligent deposit device)

**The Customer Experience**  
*"right experience first time, every time"*

Consolidate & Simplify

Streamline Organisation & processes

Continued Automation & digital Investment







## Overall summary

# Positive trajectory and delivering strategic objectives

---

- ➡ Momentum in financial performance
- ➡ On track to deliver medium term targets
- ➡ Clear, customer driven, strategic direction
- ➡ Strong and well positioned franchise
- ➡ Leading market shares in Irish core target markets
- ➡ Lending demand and volumes growing
- ➡ Focused on continued reduction in impaired loans
- ➡ Capital structure considerations being progressed



## Appendix

# Leading Irish bank, operating in strengthening economies

## Our Strategic Objectives

Understand our customers' needs

Continuously innovate to provide suitable solutions for customers

Serve through our omni channel distribution model

Deliver relentless simplification and digitisation

## Domestic Core Bank

- AIB and EBS brands
- c.2.3 million customers
- c.270 branches / outlets
- 10 business centres
- Joint venture with An Post
- Personal, business and corporate markets
- New York Corporate banking office

## AIB UK

### First Trust Bank

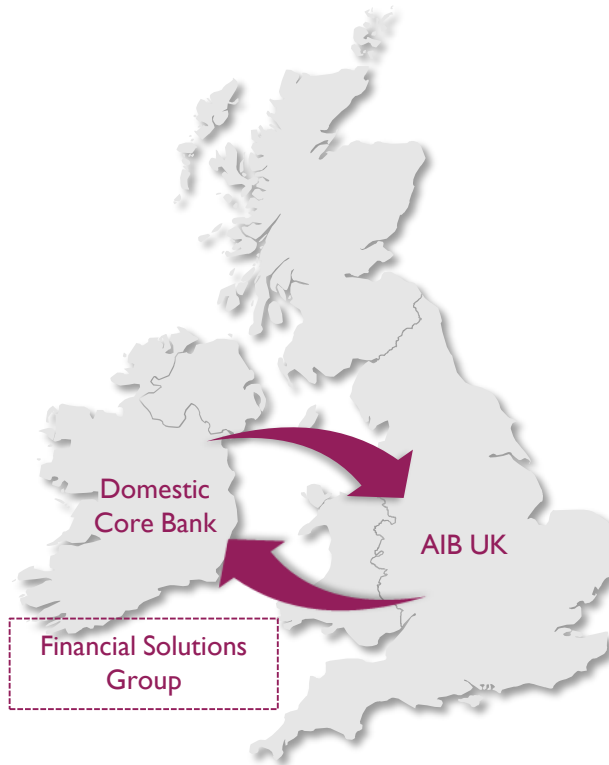
- c.280k customers
- Personal and business target markets
- c.30 branches

### AIB GB

- c.85k customers
- Personal, Business & Corporate
- c.16 locations

## Financial Solutions Group

- Dedicated to supporting business and personal customers in financial difficulty
- Restructuring process well progressed
- 1,600 dedicated staff supported by colleagues throughout the network



## Personal Market in Ireland



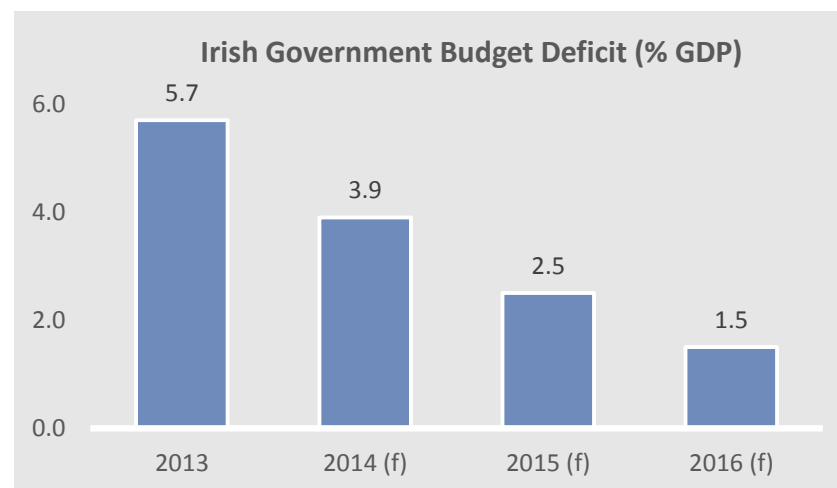
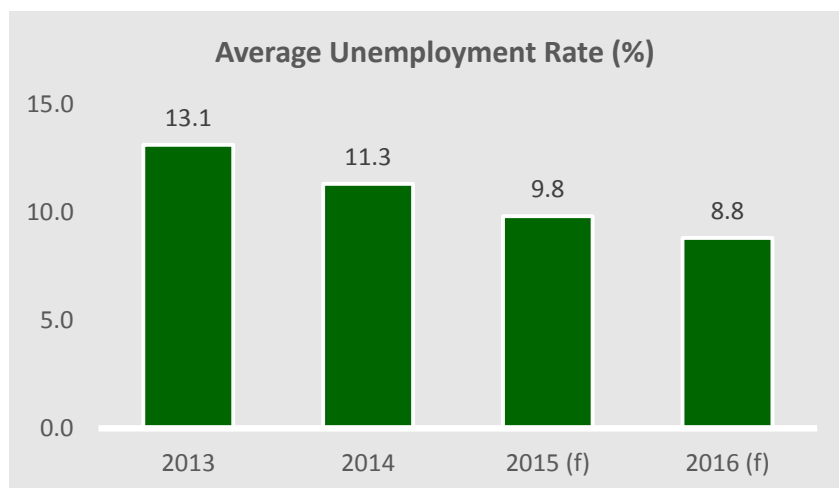
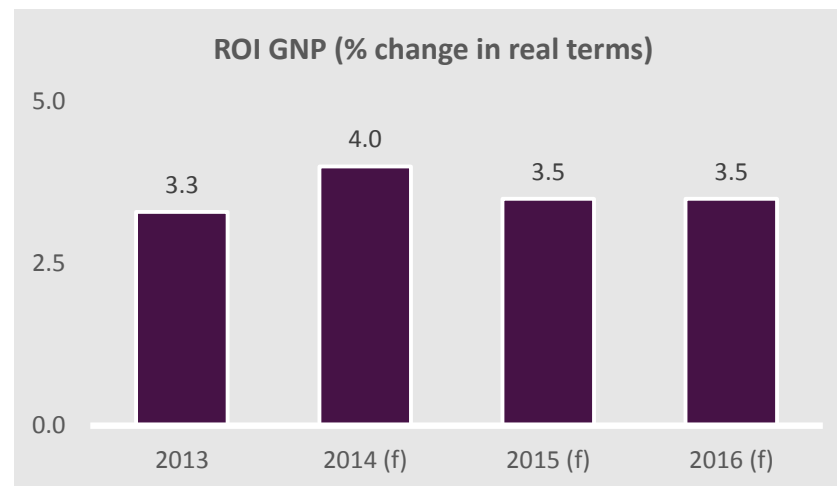
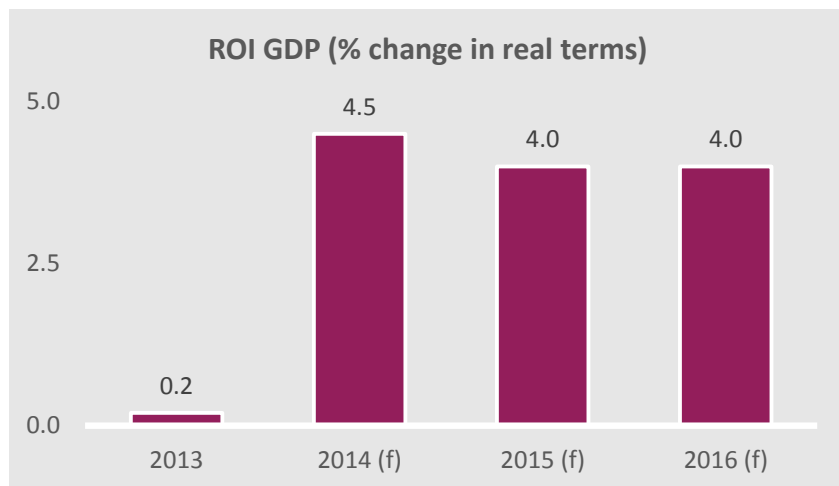
**140 million**  
online "Log-Ons" in  
2014

**c.15,500**  
SME Start-ups  
supported in 2014

**c.155,000**  
current accounts  
opened in 2014

**c.60,000**  
personal loans  
drawn down in 2014

# Positive domestic economic conditions and outlook

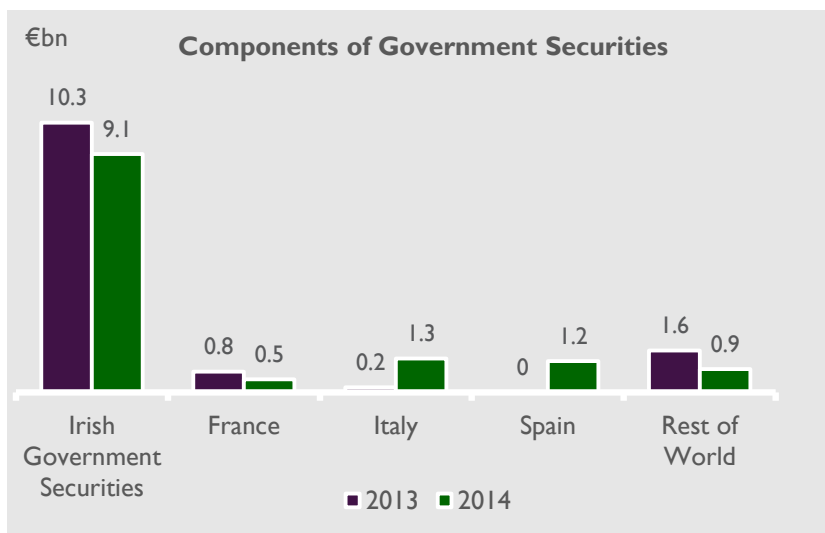
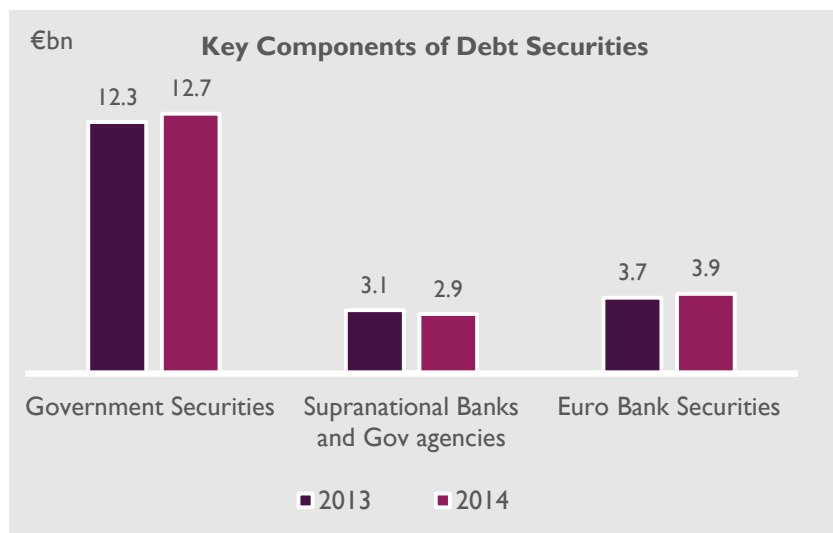


Sources: Central statistics office, AIB economic research unit.

# Measured and balanced return to funding markets

## Funding transactions since regaining market access

	2012	2013				2014		2015
	ACS Issuance Nov 2012	ACS Issuance Jan 2013	ACS Issuance Sept 2013	Cr. Card Secured Funding Oct 2013	Senior Unsecured Nov 2013	ACS Issuance March 2014	Senior Unsecured April 2014	ACS Issuance January 2015
Issuer	AIB Mortgage Bank	AIB Mortgage Bank	AIB Mortgage Bank	AIB	AIB	AIB Mortgage Bank	AIB	AIB Mortgage Bank
Ratings	Baa1/A/A	Baa1/A/A	Baa1/A/A	N/A	B1/BB/BBB	Baa1/A/A	B1/BB/BBB	A3 / A / A
Pricing Date	28 November 2012	22 January 2013	3 September 2013	31 October 2013	20 November 2013	19 March 2014	8 April 2014	27th January 2015
Tenor	3-year	3.5-year	5-year	2-year	3-year	7-year	5-year	7-year
Size	€500m	€500m	€500m	€500m	€500m	€500m	€500m	€750m
Reoffer Spread	MS + 270bp	MS + 185bp	MS + 180bp	Not disclosed	MS +235bp	MS +95bp	MS +180bp	MS+27bps
Coupon	3.125% annually	2.625% annually	3.125% annually	Not disclosed	2.875% annually	2.33% annually	2.75% annually	0.625% annually



## Summary

### Debt Securities

- AFS portfolio of €20.2bn of which 99.9% is investment grade
  - Dec 2013: €20.4bn
- Total debt securities portfolio\* decreased to €19.8bn
  - Dec 2013: €20.3bn
- Sales and maturities of c. €8.8bn partially offset by purchases of €7.3bn
  - Decrease in Irish Sovereign (€1.2bn)
  - Purchase of Spanish and Italian sovereign bonds (€2.2bn)
  - Net AFS disposal gains in 2014 of €181m

- Excludes NAMA senior bonds of c.€9.4bn
- No credit provisions held against the debt securities portfolio
- Increase in fair value of debt securities
  - Tightening of Irish sovereign spreads and impact of lower rates on fixed rate security holdings

### Equity Securities

- Equity securities of €0.4bn includes NAMA subordinated Bonds
  - Increase in fair value of €0.3bn during 2014

\*Excludes equity securities

# Components of regulatory capital structure

## AIB Group

### Capital Adequacy Information (€m)

	CRD IV Transitional	
	1 Jan 14	Dec-14
Gross common equity tier 1 capital	10,494	11,572
Less preference share 2015 dividend	-	(280)
Common equity tier 1 after preference dividend	10,494	11,292
Regulatory adjustments	(1,371)	(1,575)
<b>Common Equity Tier 1 Capital</b>	<b>9,123</b>	<b>9,717</b>
Subordinated debt	828	538
Credit provisions	453	453
Regulatory adjustments	93	17
<b>Total Tier 2 Capital</b>	<b>1,374</b>	<b>1,008</b>
<b>Total Capital</b>	<b>10,497</b>	<b>10,725</b>

### Risk Weighted Assets

Credit risk	56,489	54,348
Market risk	177	471
Operational Risk	3,174	2,822
CVA/Other	1,043	1,473
<b>Total Risk Weighted Assets</b>	<b>60,883</b>	<b>59,114</b>

### Capital Ratios

<b>Common Equity Tier 1 Ratio</b>	<b>15.0%</b>	<b>16.4%</b>
<b>Total Ratio</b>	<b>17.2%</b>	<b>18.1%</b>

### Renominalisation of AIB's Ordinary Shares

- A resolution passed at the EGM on 19<sup>th</sup> of June 2014 had the effect of subdividing each ordinary share of €0.01 each into one ordinary share of €0.025 each and one deferred share of €0.0075 each
- On 15 October, the High Court approved AIB's application to reduce part of its share capital, resulting in the creation of €5bn distributable reserves (€3.9bn from capital redemption & €1.1bn from share premium)

### 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 CET 1 until 31 December 2017
- 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 CET 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 in issue is 523,438,445,437 (excluding treasury shares)
- €6.05bn capital contribution received in July 2011

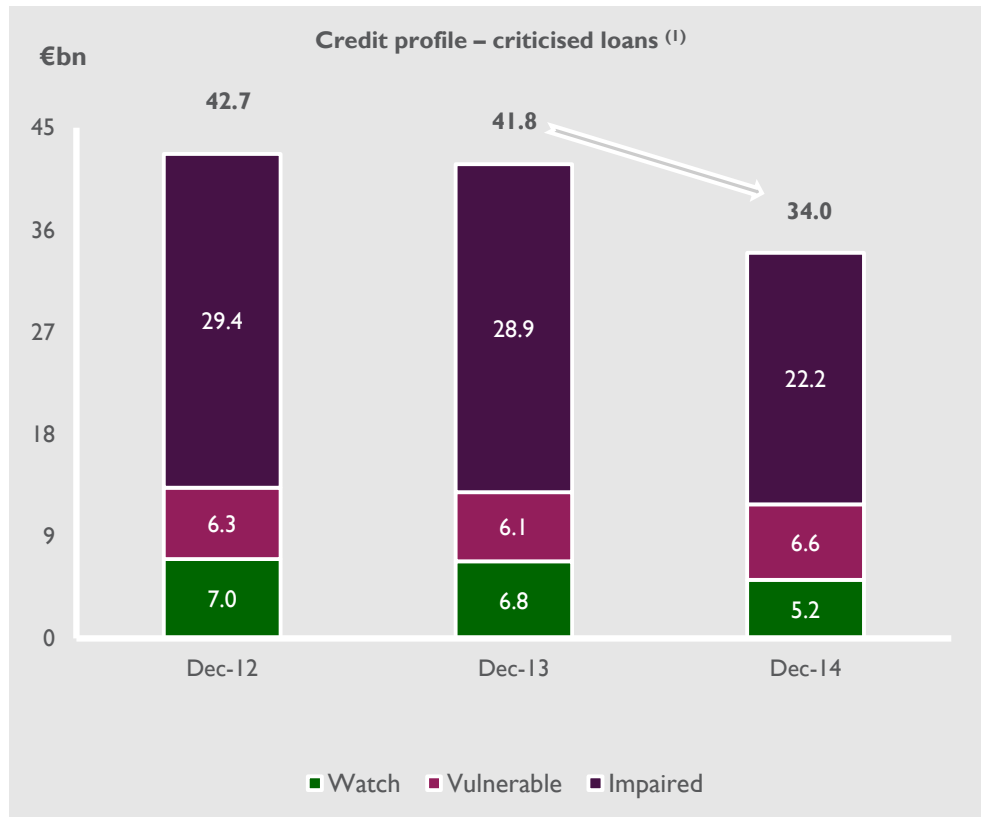
### Contingent Capital Notes

- €1.6bn Contingent Capital Notes issued to the State in July 2011
- 10% fixed annual coupon
- €0.5bn qualifying as Tier 2 capital at 31 December 2014
- Mandatorily convertible into equity upon trigger of 8.25% CET 1 ratio
- Maturing July 2016



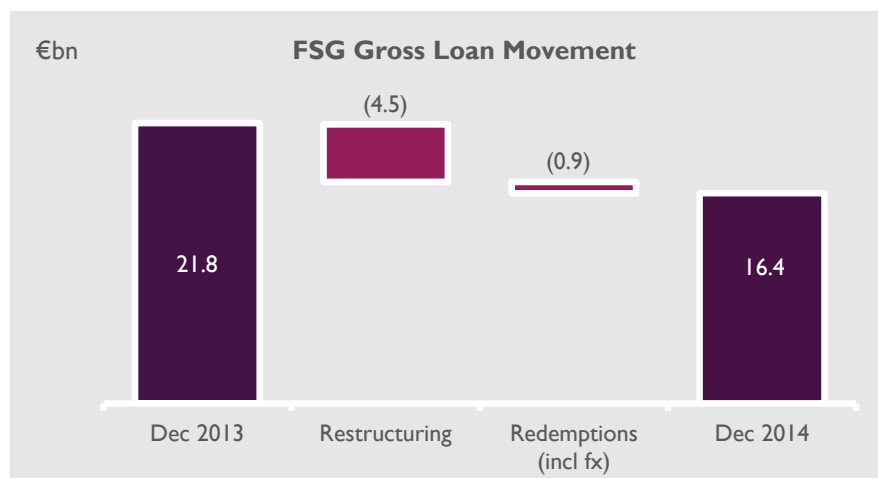


# Criticised Loans and Definitions



<b>Watch</b>	The credit is exhibiting weakness but with the expectation that existing debt can be fully repaid from normal cash flows.
<b>Vulnerable</b>	Credit where repayment is in jeopardy from normal cash flows and may be dependent on other sources.
<b>Impaired</b>	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.

# FSG - Momentum in restructuring activity



## Summary

- €5.4bn reduction in gross loans due to restructuring activity and amortisation
  - Case by case restructuring
  - Net provisions writeback of €454m reflecting debt restructuring and lower additional provisions in the period
  - Writebacks driven in part by increasing asset values, improved trading performance and additional assets / cash introduced at point of restructure
- Lower levels of new impairments due to improved economic environment
- FSG also manages mortgage arrears from an operational perspective
  - Number of accounts in arrears down 18% in ROI portfolio in 2014
  - Targets met for both sustainable solutions offered and concluded

FSG balance sheet metrics (€bn)	Dec 2013	Dec 2014	% Change
Gross loans	21.8	16.4	-25
Net loans	10.2	8.9	-13

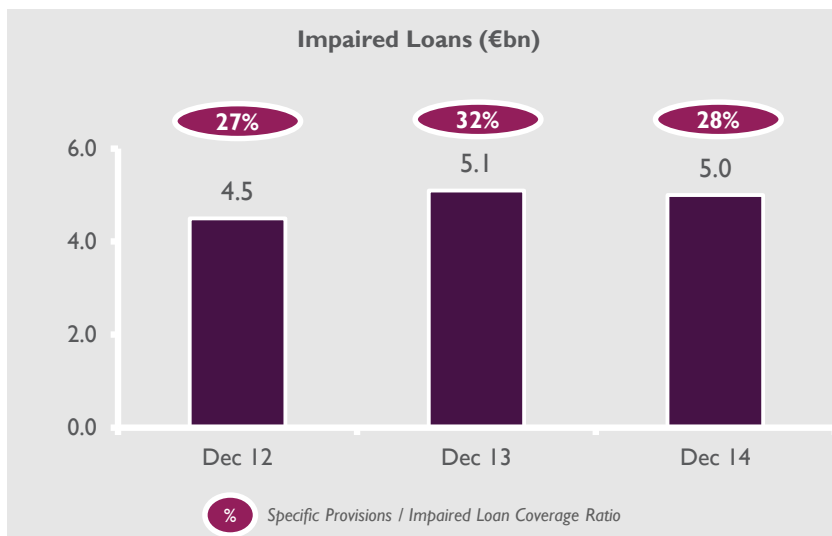
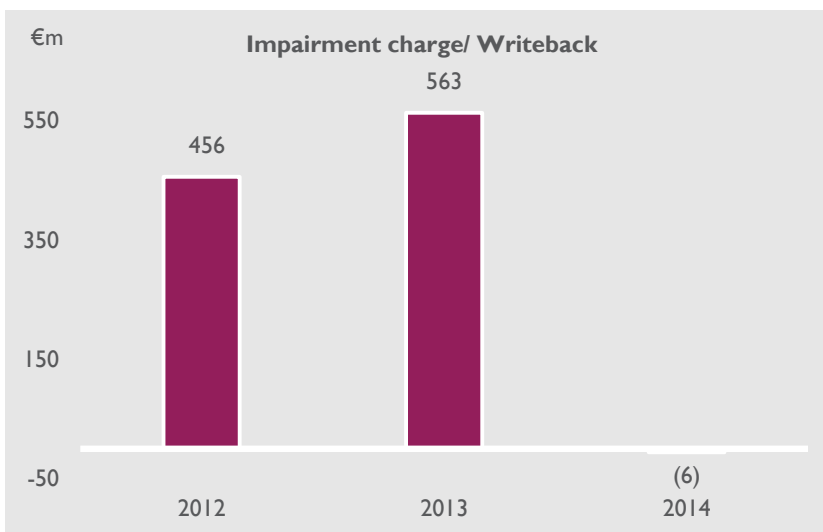
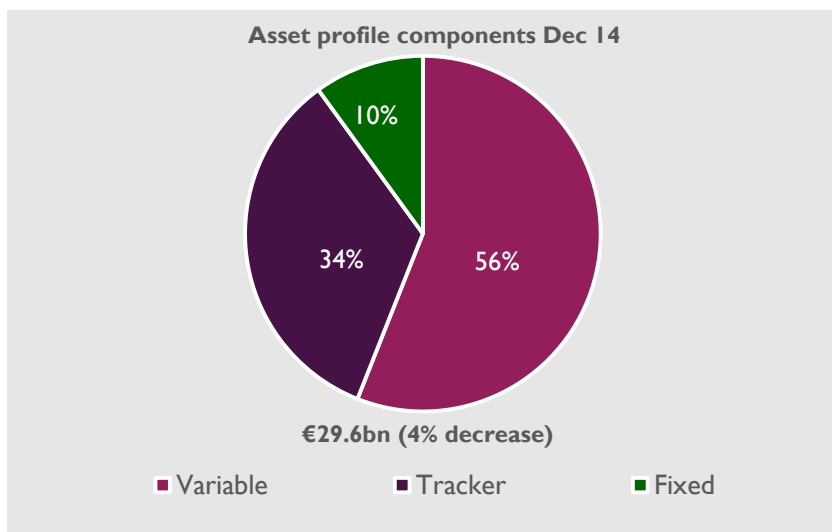
  

FSG contribution statement (€m)	2013	2014	% Change
	€m	€m	
Net interest income before ELG	204	230	13
ELG	(14)	(9)	-36
Net interest income	190	221	16
Other income	25	72	188
Total operating income	215	293	36
Total operating expenses	(161)	(147)	-9
Operating contribution before provisions	54	146	170
Total (provisions) / Writeback	(906)	454	-
Operating contribution	(852)	600	-
Associated undertakings	(3)	-	-
Contribution before exceptional items	(855)	600	-

	%	%	Change
Cost income ratio	75	50	-25

# Rol owner occupier mortgages – arrears significantly lower



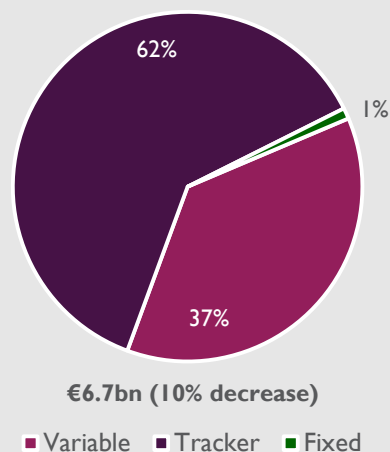
## Summary

- 85% of the Rol mortgage portfolio is owner occupier <sup>(1)</sup>
- 83% of the portfolio is neither past due nor impaired <sup>(1)</sup>
- Increase in house prices, 16.3% in the year to 31 December 2014
- Arrears levels down 22% in 2014 due to increased restructuring and lower levels of new arrears<sup>(1)</sup>
- Provision assumptions include a 50% house price fall from peak, forced sale discount, disposal costs
- Decrease in specific coverage from 32% to 28%, mainly due to an improvement in house price fall from peak assumptions of 55% to 50% and impact of restructuring

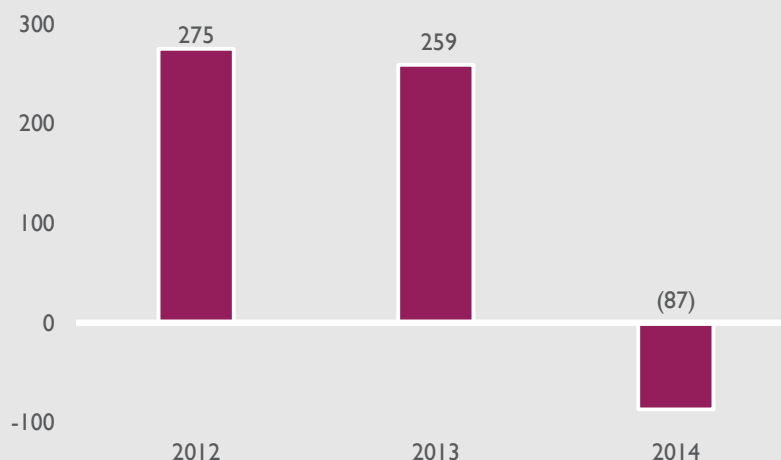
(1) Number of Accounts

# Rol buy to let mortgages – impairments trending lower

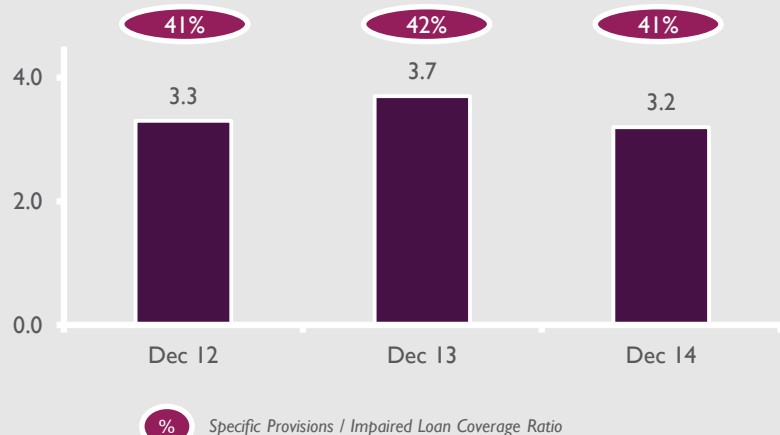
Asset profile components Dec 14



€m Impairment charge /Writeback



Impaired Loans (€bn)



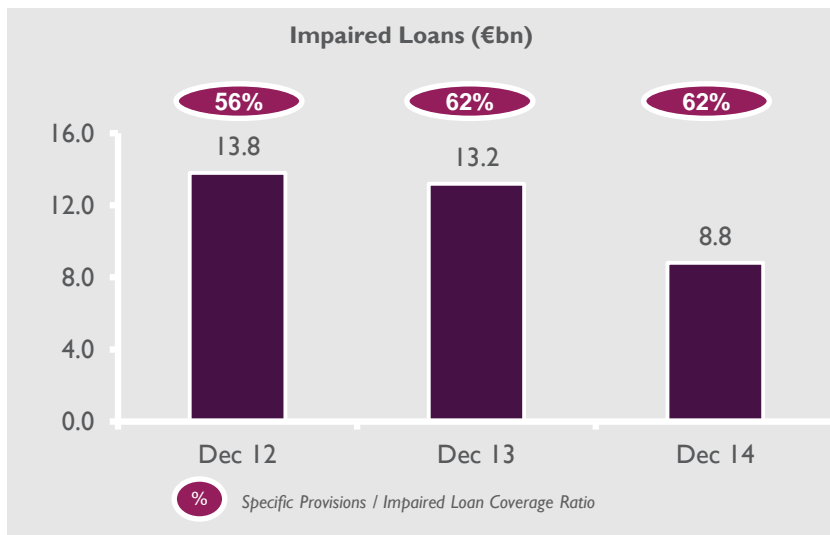
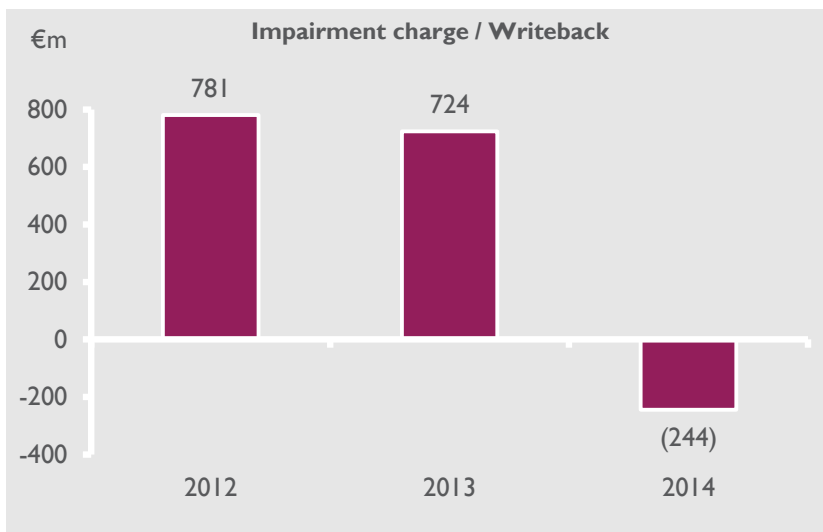
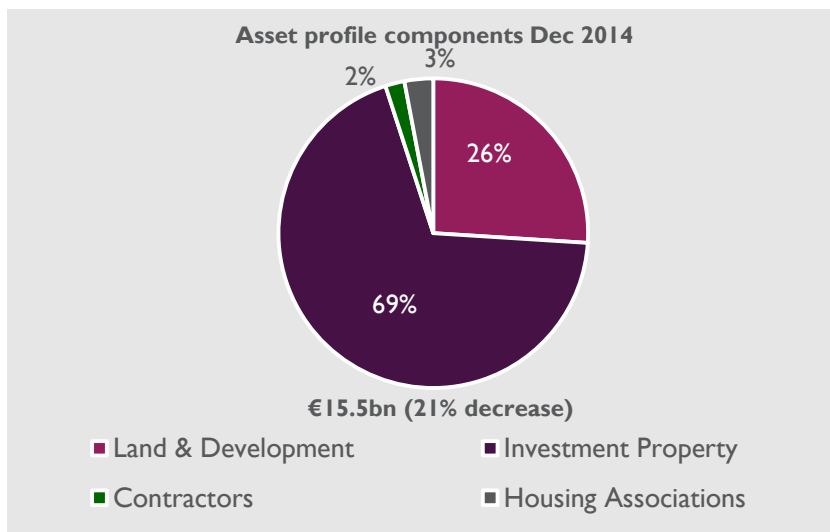
## Summary

- 15% of the Rol mortgage portfolio is buy-to-let <sup>(1)</sup>
- 62% of the portfolio is neither past due nor impaired <sup>(1)</sup>
- Overall arrears decreased 7% since December 2013 <sup>(1)</sup>
- Provision assumptions include a 50% house price fall from peak, forced sale discount, disposal costs
- Decrease in impaired loan stock in 2014 of €0.5bn
- Writeback of provision of €87m due to improvements in house price fall from peak assumptions and a reduced IBNR requirement.

- Specific coverage level reduced from 42% to 41%

(1) By number of accounts

# Property and construction – 33% reduction in impaired loans

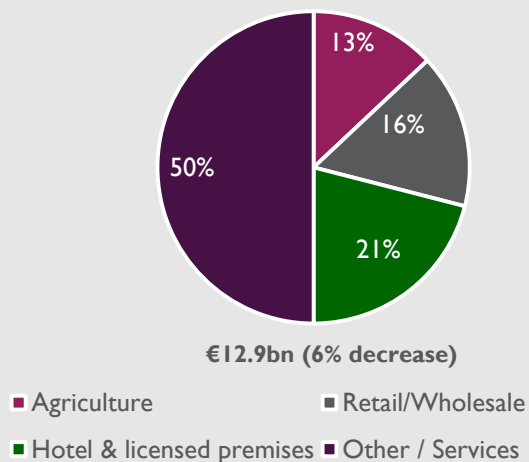


## Summary

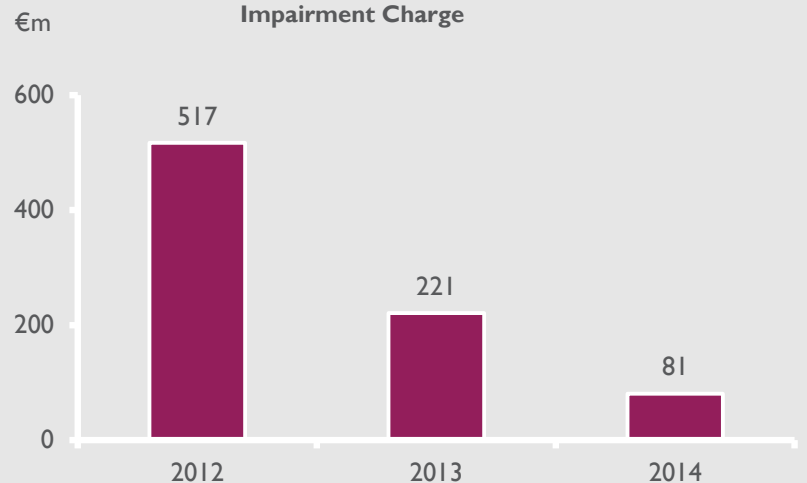
- Increase in demand and values in Irish property market, albeit off a low base
  - Demand remains particularly evident in prime locations, lower in secondary areas
- Overall portfolio has reduced by 21% since Dec 13 mainly due to restructuring and repayments from asset sales
- Impaired loans reduced by €4.3bn to €8.8bn
  - Rate of new impairments continuing to decrease
- Investment property portfolio reduced by €2.3bn to €10.7bn in the year due to restructuring and repayment of debt
- Land and development portfolio of €4.1bn, 76% of which is in Ireland
  - 86% is impaired with 75% specific provision cover

# SME / other commercial – 29% reduction in impaired loans

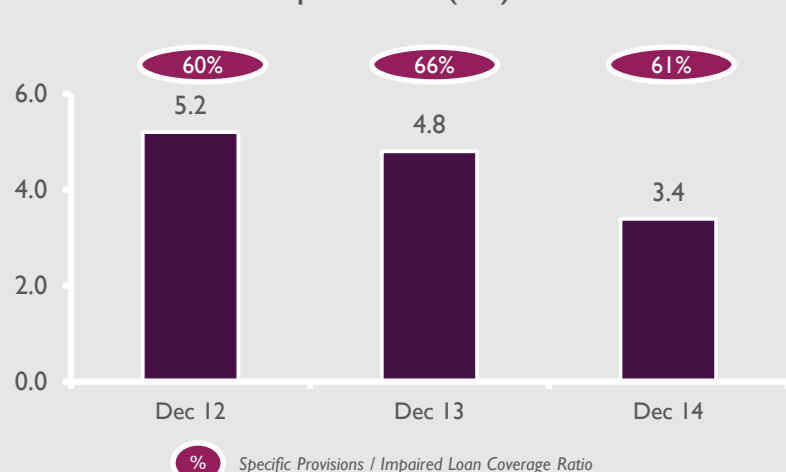
Asset profile components Dec 2014



Impairment Charge



Impaired Loans (€bn)



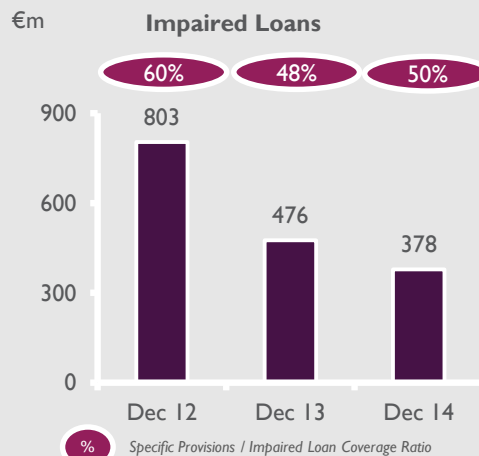
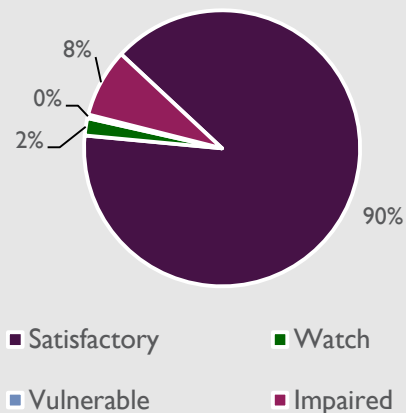
## Summary

- 65% of portfolio is in ROI and 35% in the UK
  - Concentrated in sectors that are dependent on respective domestic economies
- Improving macroeconomic indicators are starting to positively impact demand for credit and overall asset quality
- Increase in satisfactory loans mainly due to new drawdowns exceeding amortisation
- €1.5bn reduction in criticised loans to €5.8bn as a result of restructure and repayments
  - Impaired loans are €3.4bn, a reduction of 29% on Dec 13
  - Specific provision cover decreased to 61% mainly due to write offs of provisions for loans with higher provision cover and the impact of restructures
  - Full year impairment charge down 63% to €81m

# Asset quality stabilising in corporate and personal loan books

## Corporate Lending €4.7bn

Dec 2014 - Asset quality profile

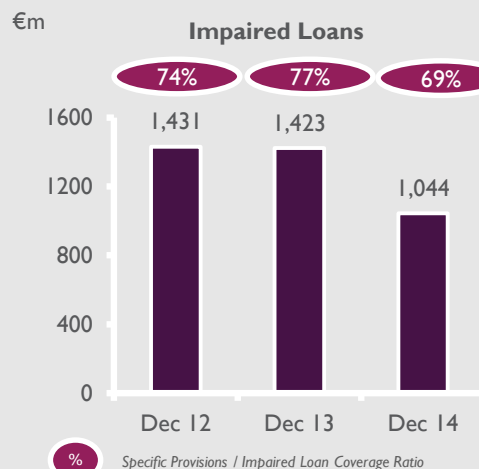
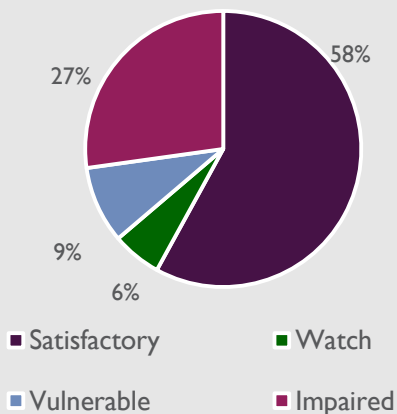


### Summary

- Overall portfolio increased by €0.4bn (+10%)
- Criticised loans decreased by €0.3bn (-38%) since Dec 13
  - Impaired loans of €0.4bn at Dec 2014, down from €0.5bn in 2013.
  - Specific provision cover of 50%
  - Impairment charge for 2014 of €46m versus €30m in 2013

## Personal Lending €3.8bn

Dec 2014 - Asset quality profile



### Summary

- Overall portfolio reduction of €0.5bn (-11%) to €3.8bn
  - €2.9bn in loans and overdrafts
  - €0.9bn in credit card facilities
- Level of satisfactory credit quality loans has remained stable with debt amortisation offset by new lending
- Criticised loans decreased by €0.5bn (-22%) since Dec 2013 mainly in FSG
  - Impaired loans of €1.0bn at Dec 2014 down 27%
  - Impairment charge for 2014 of €15m decreased by 88% compared to 2013

# ROI Mortgages - Stock of forbearance measures

Forbearance Type by Mortgage	December 2014		December 2013		Change %	
	Number	Balance (€m)	Number	Balance (€m)	Number	Balance
Interest Only	5,626	1,034	7,465	1,538	-25%	-33%
Reduced payment (greater than interest only)	2,162	446	2,818	608	-23%	-27%
Payment moratorium	862	127	462	77	87%	65%
Arrears capitalisation	17,050	2,741	9,993	1,908	71%	44%
Term Extension	6,378	710	7,043	769	-9%	-8%
Split mortgages	2,399	372	236	35	917%	963%
Voluntary sale for loss	550	53	ND	ND	NA	NA
Low fixed interest rate	377	59	ND	ND	NA	NA
Positive equity solution	228	23	ND	ND	NA	NA
Other	18	5	140	15	NM	NM
<b>Total</b>	<b>35,650</b>	<b>€5,570</b>	<b>28,157</b>	<b>€4,950</b>	<b>27%</b>	<b>13%</b>



# Non Mortgage - Stock of forbearance measures

Non-mortgage forbearance solutions at 31 December 2014:

	Other personal Balance €m	Property and construction Balance €m	SME/other commercial Balance €m	Corporate Balance €m	Total €m
Interest only	67	455	198	–	720
Reduced payment (greater than interest only)	7	29	36	3	75
Payment moratorium	4	18	9	13	44
Arrears capitalisation	36	60	47	7	150
Term extension	105	294	172	–	571
Fundamental restructure	17	722	180	17	936
Restructure	462	663	838	36	1,999
Other	10	109	56	64	239
<b>Total</b>	<b>708</b>	<b>2,350</b>	<b>1,536</b>	<b>140</b>	<b>4,734</b>