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# Allied Irish Banks, p.l.c.

## Half-Yearly Financial Results

For the 6 months ended 30 June 2014

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# Important information and forward looking statement

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## Capital Ratios

In compliance with Article 26(2) of the CRR, AIB's half yearly financial report 2014 is reporting capital ratios without the benefit of the retained profit in the period. The report also presents the capital ratios on a pro forma basis including the benefit of retained profits in the period which are unaudited.

The CRD IV capital ratios shown in this presentation are reported on a pro-forma basis including the benefit of retained profits in the period which are unaudited. As of, 30 June 2014 the pro-forma Common Equity Tier ("CET") 1 transitional ratio was 16.1% and the pro-forma fully loaded CET 1 ratio was 11.8% (including the 2009 preference shares). Excluding the benefit of the retained profits, the transitional CET 1 ratio was 15.2% and the fully loaded CET 1 ratio was 10.8% (including the 2009 preference shares). The transitional total capital ratio was 18.1% on a pro-forma basis and was 17.1% excluding the benefit of the retained profit.

## Other

AIB has c.523 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.

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

[www.aibgroup.com/investorrelations](http://www.aibgroup.com/investorrelations)

## Forward-looking statement

This document 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 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, 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 discussed in more detail in AIB's Annual Financial Report 2013 which has been filed on Form 20-F with the US Securities and Exchange Commission. 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 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.



**Group Progress & Performance**

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**2014 Half Year Financials**

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**Asset Quality**

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**Outlook & Summary**

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**Appendix**

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# Group Progress & Performance





Chief Executive Officer  
David Duffy



## H1 2014 Key Highlights

- ✓ Profitable and delivering on strategic objectives
- ✓ Significant improvement in financial performance across key metrics and geographies
- ✓ Provision charges materially reduced with total impaired loans significantly lower
- ✓ Mortgage arrears levels declining
- ✓ Approval of Restructuring Plan obtained from European Commission
- ✓ Strong lending growth
- ✓ Significant investment in customer experience and enabling technology

# Profitable and generating capital

<b>Profit Before Tax</b>	<b>€437m</b> +€1.3bn Year on Year		<ul style="list-style-type: none"> <li>• Operating performance improved with provisions materially lower</li> <li>• Operating income 36% higher, costs 9% lower, provisions 88% lower</li> <li>• Underlying performance enhanced by balance sheet management items</li> </ul>
<b>Net Interest Margin <sup>(1)</sup></b>	<b>160bps</b> + 32bps Year on Year		<ul style="list-style-type: none"> <li>• Asset and liability repricing continuing</li> <li>• NAMA senior bond reduction accelerating</li> <li>• Wholesale market funding costs favourable to previous periods</li> </ul>
<b>Impaired Loans Balance</b>	<b>-€2.9bn</b> -10% Since Dec 2013		<ul style="list-style-type: none"> <li>• Restructuring activity accelerating with momentum building</li> <li>• Arrears and pace of formation of new impaired loans trending lower</li> <li>• Specific coverage level remains unchanged at 55%</li> </ul>
<b>CRD IV CET 1 Fully Loaded Capital Ratio</b>	<b>11.8%<sup>(2)</sup></b> +1.3% since 1 Jan 14		<ul style="list-style-type: none"> <li>• Underlying profit and favourable market dynamics</li> <li>• RWAs reducing as total assets decline</li> <li>• AFS reserve gains offset in part by movements in pension deficit</li> </ul>

(1) Excluding ELG costs

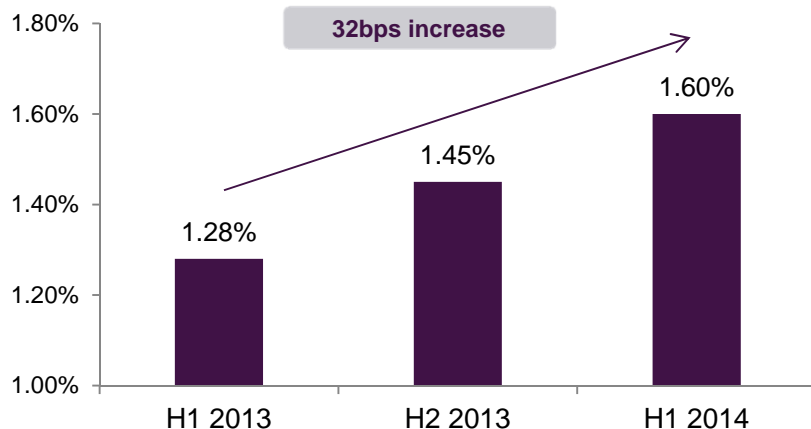
(2) Capital ratios have been presented on a pro-forma basis including the benefit of retained profits in the period which are unaudited



# Momentum in operating performance continues

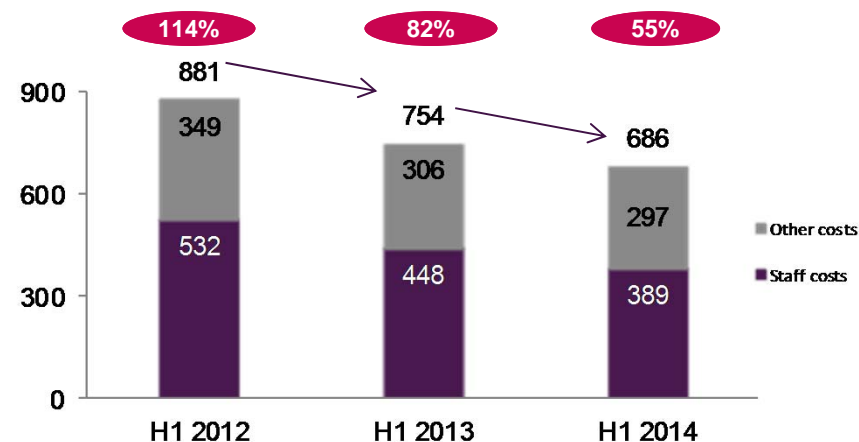
## Positive margin trajectory

NIM % (excluding ELG costs)



## Continued reduction in operating expenses <sup>(1)</sup>

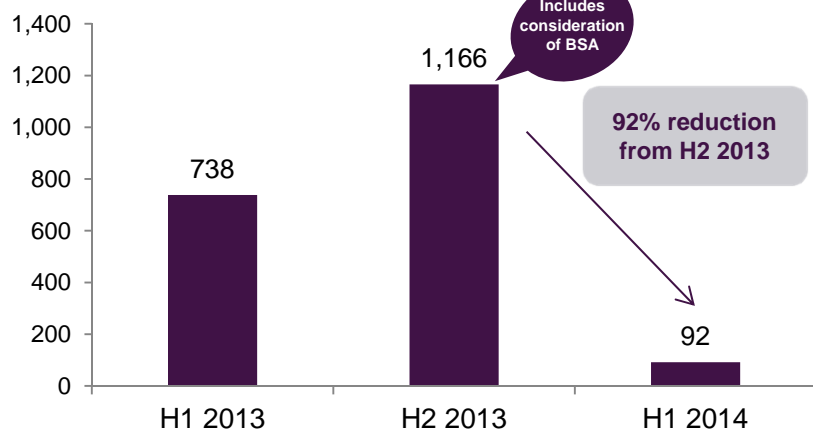
(€m)



% Cost / Income Ratio <sup>(1)</sup>

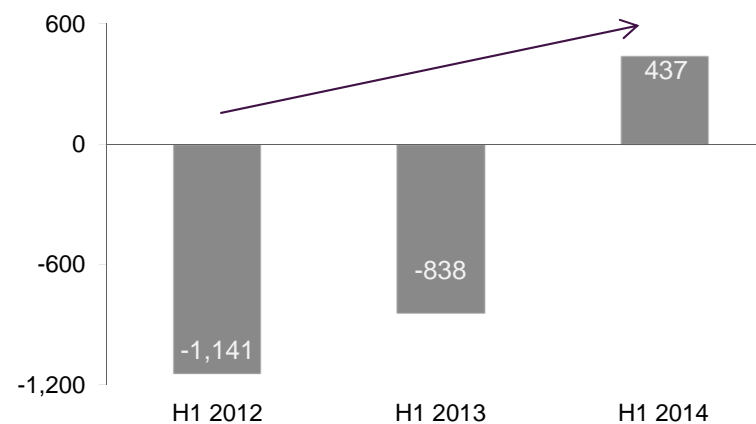
## Provisions materially lower

(€m)



## Return to profitability – profit before tax

(€m)

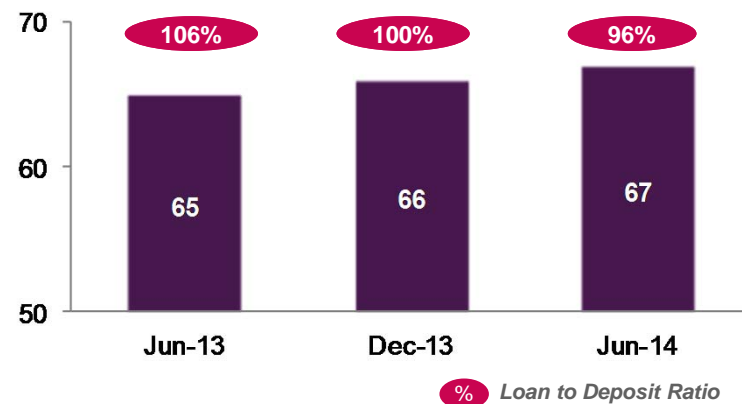


<sup>(1)</sup> Excludes exceptional items

# Balance sheet positioned for growth

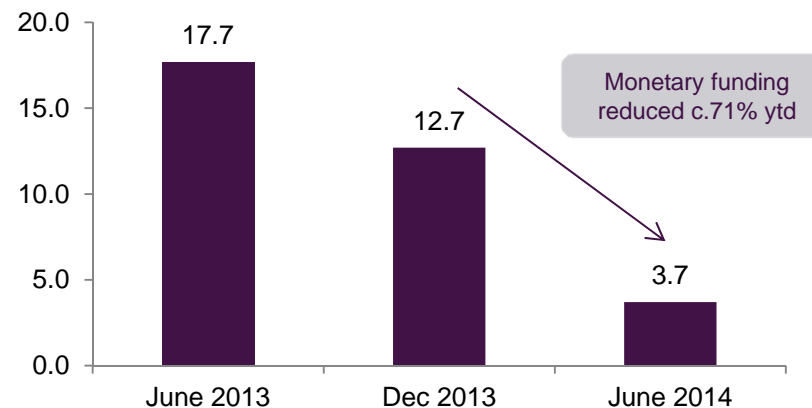
## Stable funding profile <sup>(1)</sup>

Customer Accounts (€bn)

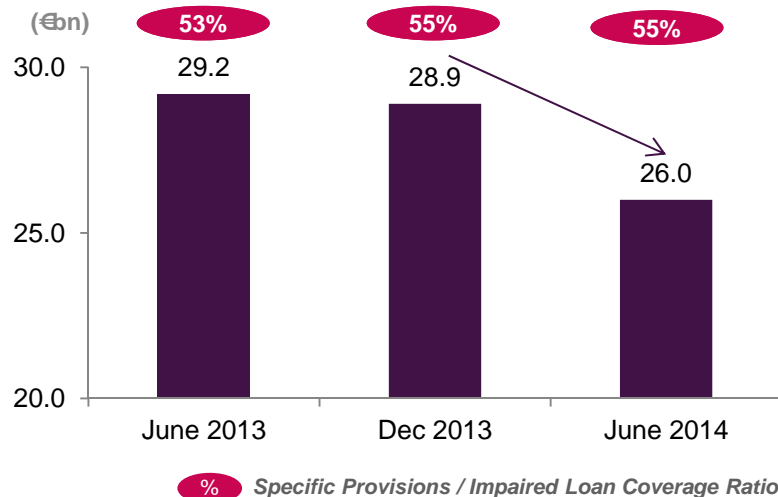


## Monetary authority funding returning to normalised levels

(€bn)

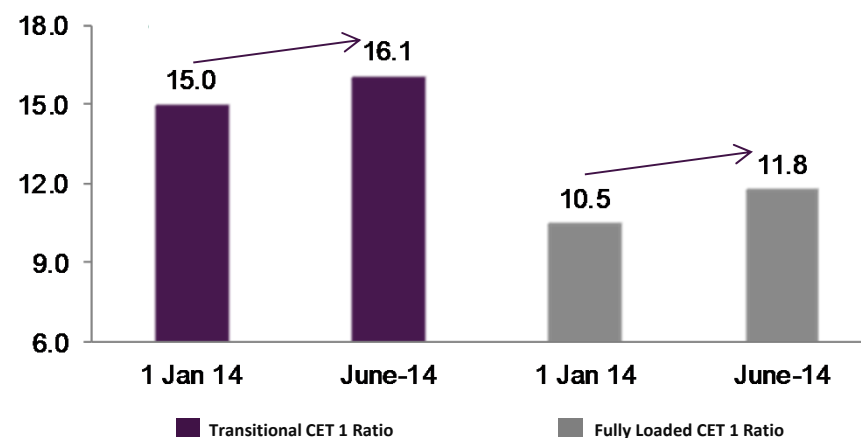


## Impaired loans reducing



## Robust CRD IV capital ratios <sup>(2)</sup>

Capital Ratios (%)



(1) Customer account data includes repos

(2) Capital ratios have been presented on a pro-forma basis including the benefit of retained profits in the period which are unaudited





# Clear strategic direction

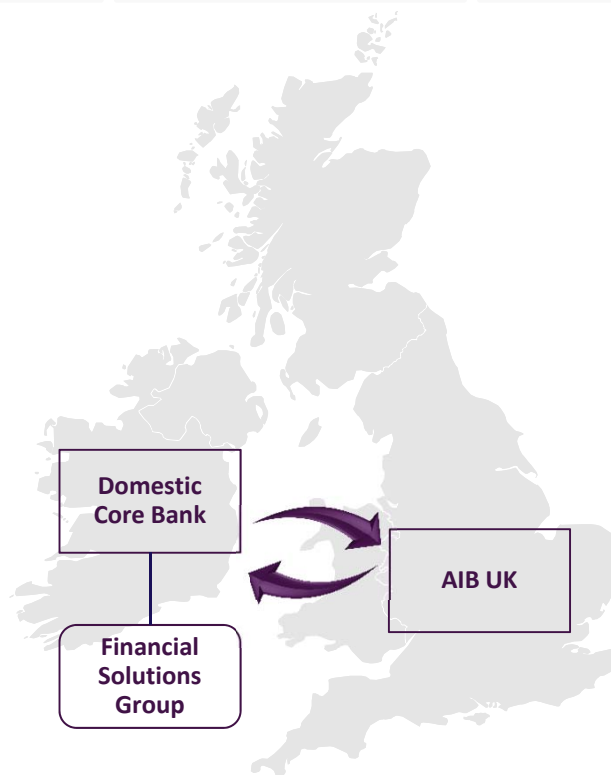


## Domestic Core Bank

- AIB and EBS brands
- c.2.2 million customers
- c.270 branches
- 10 business centres
- Joint venture with An Post
- Personal, business and corporate markets
- Leading market shares in key target markets
- Relationship management approach
- Positioned for growth as economy recovers

## Financial Solutions Group

- Dedicated management of arrears and loan restructures
- Key enabler of impaired loan reduction over time
- Formal non core deleveraging programme completed



## AIB UK

### First Trust Bank

- c.280k customers
  - Personal and business target markets
- c.32 branches
- Greater alignment with Domestic Core Bank strategy

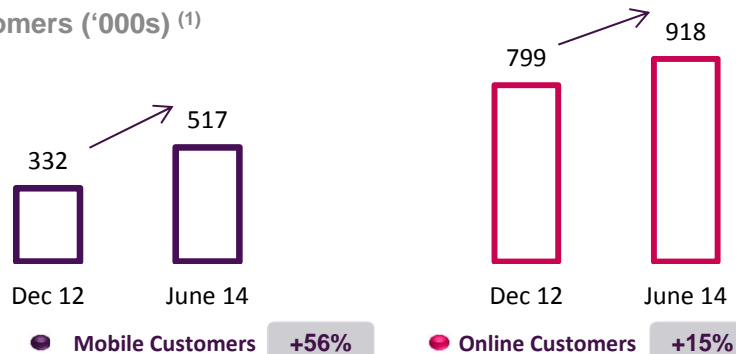
### AIB GB

- c.85k customers
  - Personal, Business & Corporate
- c.20 branches
- Niche business banking offering
- Benefiting from economic recovery in the UK

# Omni channel strategy – adapting to customer preferences

Customers increasingly moving to mobile and online .....

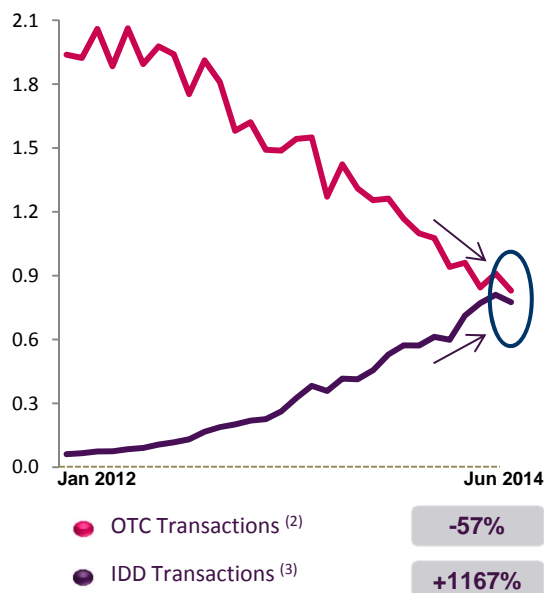
Customers ('000s) <sup>(1)</sup>



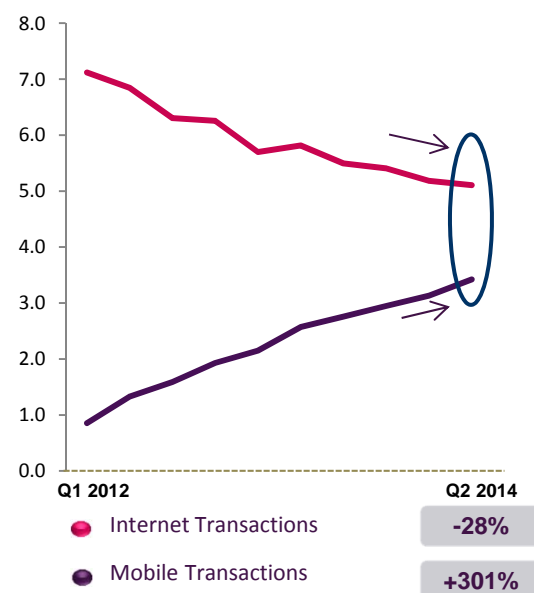
Enhanced Customer Experience	Improving Cost Efficiency Metrics	Positioned to Limit Disintermediation
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... and changing the way they conduct their business

Transactions (Mil per Month)



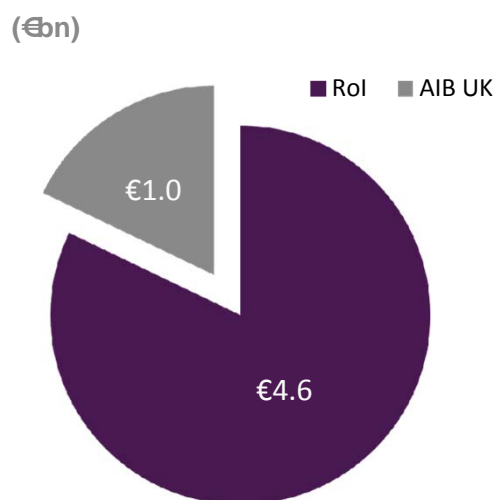
Transactions (Mil per Quarter)



(1) Republic of Ireland. Online includes mobile, tablet, internet and iBB  
 (2) OTC = Over the counter  
 (3) IDD = Intelligent Deposit Device

# Leading to momentum in our relationship model

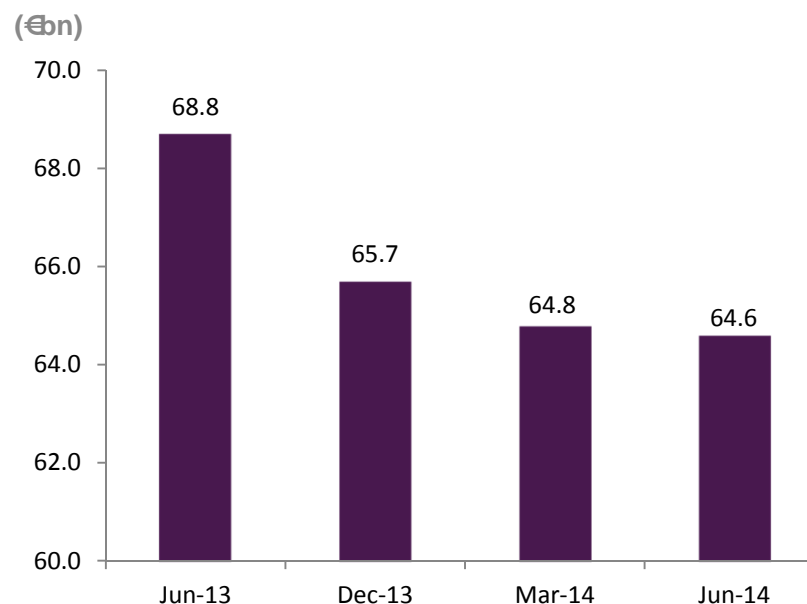
## H1 2014 Lending Approvals (c.€5.6bn)



### Summary

- On track to meet €7-10bn lending target for 2014
- H1 2014 vs H1 2013
  - Including the UK, approvals of €5.6bn - up 33%
  - RoI approvals of €4.6bn
    - SME – approvals 42% higher
    - Corporate – drawdowns 40% higher
    - Mortgages – drawdowns 34% higher

## Net Loan Movements



### Summary

- SME and corporate loan book sizes stable
  - Mortgage market growth remains muted
- Forward trajectory for net loans dependent on economic conditions, provisions, FX movements and customer demand

- Significant capacity to lend given improved capital and funding positions



# 2014 Half Year Financials

Chief Financial Officer  
Mark Bourke



# Income statement - €1.3bn improvement in performance

Income statement €m	H1 2013	H1 2014	Change
Net interest income	718	839	↑ +121
ELG fees	(123)	(32)	↓ +91
Other Income	324	439	↑ +115
<b>Total operating income</b>	<b>919</b>	<b>1,246</b>	<b>↑ +327</b>
Operating expenses	(754)	(686)	↓ +68
<b>Operating profit before provisions</b>	<b>165</b>	<b>560</b>	<b>↑ +395</b>
Provisions	(738)	(92)	↓ +646
Assoc undertakings / other	4	11	↑ +7
<b>Operating profit / (loss) before exceptionals</b>	<b>(569)</b>	<b>479</b>	<b>↑ +1,048</b>
Exceptional items	(269)	(42)	↓ +227
<b>Profit / (loss) before tax</b>	<b>(838)</b>	<b>437</b>	<b>↑ +1,275</b>

Metrics	H1 2013	H1 2014	Change
Net interest margin (Excluding ELG)	1.28%	1.60%	↑ +0.32%
Cost income ratio	82%	55%	↓ +27%

## Overall Summary

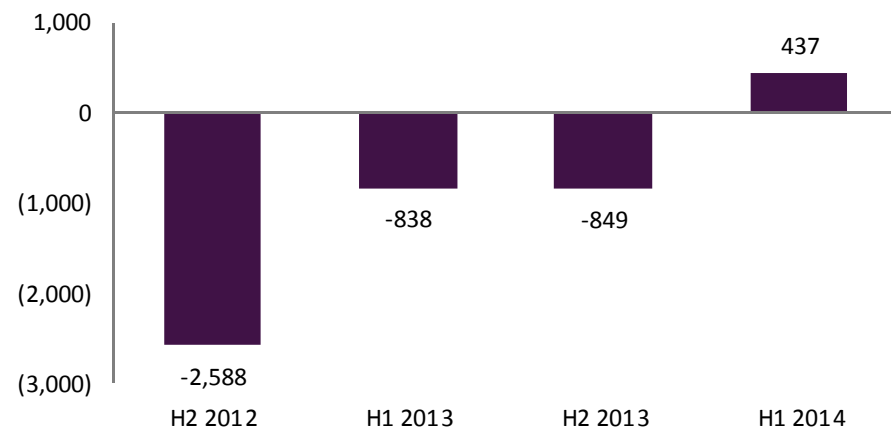
- Growth in sustainable operating performance
- Key financial metrics trending positive:
  - Net Interest margin continuing to increase
  - Operating costs reducing and on target to meet 2014 cost reduction target of €350m
  - Impairment charges reduced materially reflecting stabilisation in asset quality trends and momentum in customer restructure activity
- Funding and capital positions stable and improving

## Focus areas

- Net loan growth and continued margin expansion
  - Loan demand improving but ultimately linked to economic recovery
    - Capacity to increase lending given capital and funding position
  - Ongoing focus on reduction in liability pricing
- Continued reduction in impaired loan balances
  - Linked to macro environment improvements, customer engagement and continued execution of work out strategies

# Broad based profitability improvements

## Return to pre-tax profit (€m)



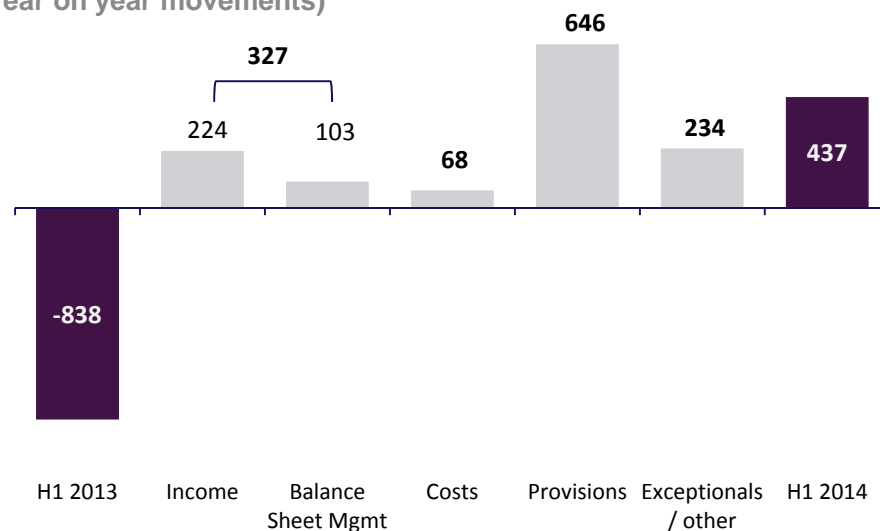
## Year on Year movements

### Income – increase of €327m (+36%)

- Net Interest income - €121m higher year on year
  - Stable assets yields
  - Material reduction in cost of funds
  - Lower interest earning assets €7bn (-6%)
- Lower ELG costs +€91m (-74%)
- Net fee & commission income +€12m (7%)
- Balance sheet management +€103m year on year including
  - AFS portfolio and bespoke asset disposals
  - Other trading income

## Build up of return to profitability (€m)

(Year on year movements)



### Operating costs – decrease of €68m (-9%)

- Cost reductions across main cost line items

### Provisions – decrease of €646m (-88%)

- Stabilisation in credit trends with the pace of formation of new impaired loans continuing to reduce

### Exceptionals / other – positive variation of €234m

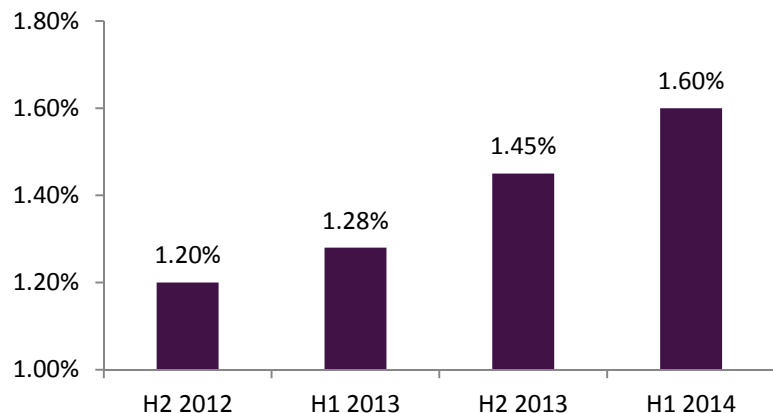
- Increase reflects:
  - completion of formal deleveraging programme
  - lower voluntary severance costs



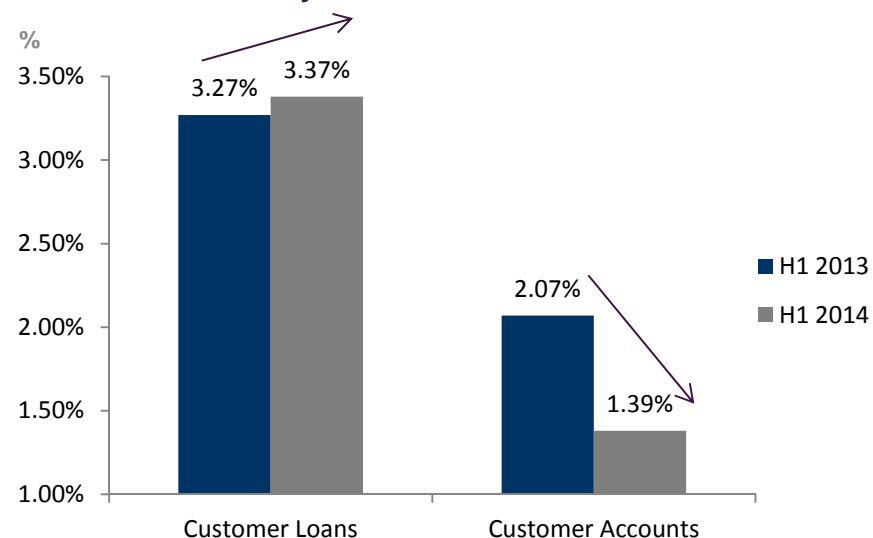
# NIM expansion continued

## Margin trend

NIM % (excl. ELG)



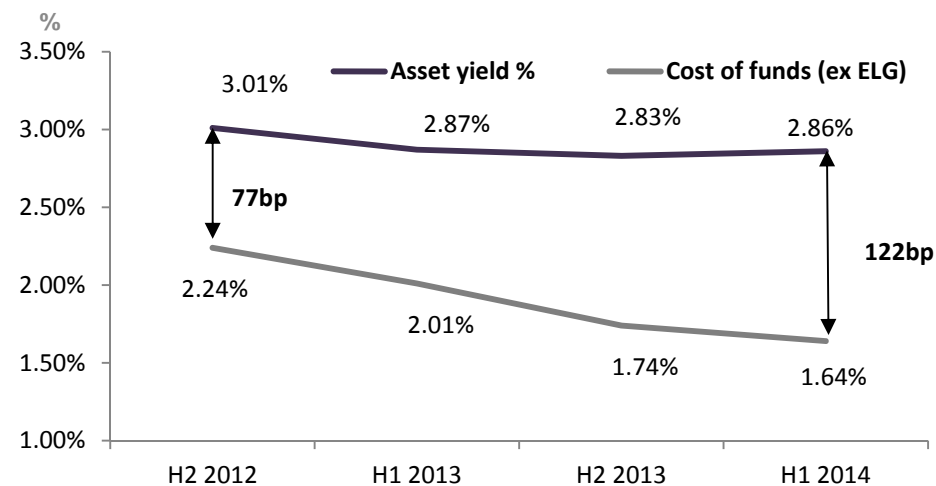
## Movement in customer yields



## Summary

- The recovery in net interest margin from a trough of 1.20% in H2 2012 has continued
- NIM momentum driven by a widening of asset yields and cost of funds to 122bps in H1 2014
- Customer loan yields higher relative to H1 2013 reflecting higher margins secured in a falling interest rate environment
- Cost of funds lower than H1 2013 with strategic actions to reduce cost of customer accounts (68bp) and lower wholesale funding costs
- Effect of low yielding NAMA bonds reducing as balance declines
- Reduction in average interest earning assets as a result of NAMA senior bonds repayments and ongoing loan reduction

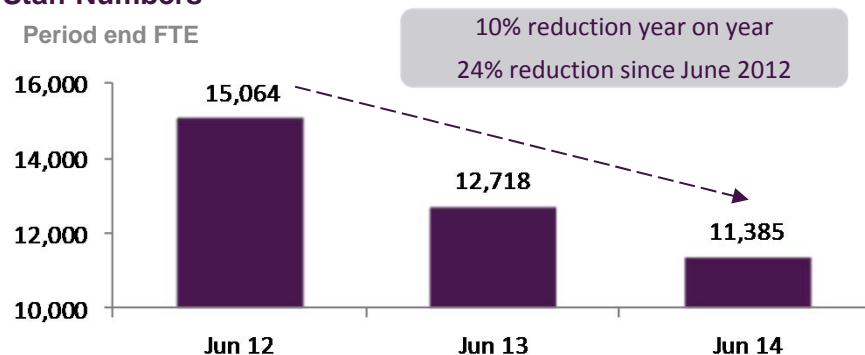
## Net interest margin drivers



# Cost reduction strategies delivering and ongoing

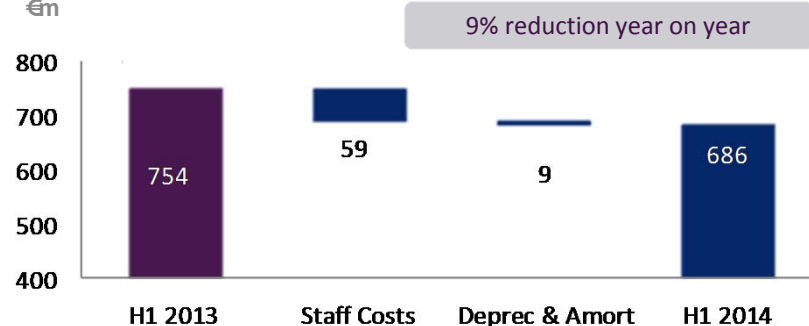
## Staff Numbers

Period end FTE



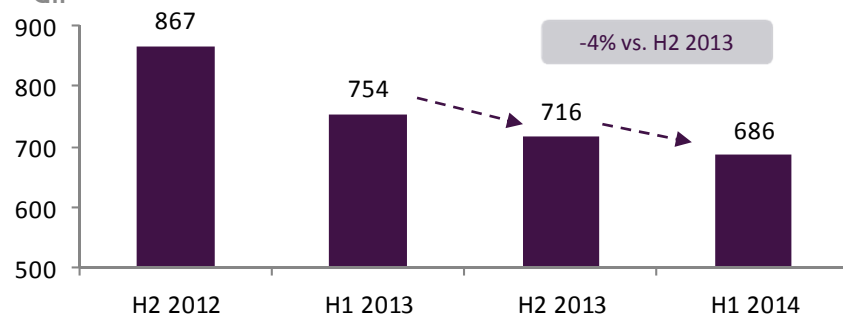
## Operating Expenses ...

€m



## ... on track to meet operating cost reduction target

€m



## Downward costs momentum continues

- Total operating expenses reduced by €68m (9%)
- Cost reduction across main cost segments
- Main driver is lower staff costs with 10% reduction in employees since June 2013 and 24% since June 2012
- Cost income ratio of 55% in H1 2014
  - Benefited from 36% increase in operating income

## Strategic efficiencies

- Ongoing cash investment in change agenda
  - Investment in customer proposition and digital strategy
  - Automation and simplification of processes
  - Enhanced process capability to support customers in difficulty
  - Selective outsourcing delivering efficiencies
  - Continued investment in branch network
  - Investment in regulatory change

## Cost targets & outlook

- On track to meet €350m operating cost savings target relative to 2012 levels for 2014
- Further cost reductions anticipated in 2015 as part of progress towards medium term target





# Balance Sheet – fundamentals improving

Balance Sheet (€bn)	Dec 2013	Jun 2014	% Change
Gross Loans to Customers	82.8	80.0	-3
Provisions	(17.1)	(15.4)	-10
<b>Net Loans to Customers</b>	<b>65.7</b>	<b>64.6</b>	<b>-2</b>
Financial Investment AFS	20.4	20.2	-1
NAMA Senior Bonds	15.6	11.8	-24
Other Assets	16.0	14.0	-13
<b>Total Assets</b>	<b>117.7</b>	<b>110.6</b>	<b>-6</b>

Customer Accounts	65.7	67.0	2
Monetary Authority Funding	12.7	3.7	-71
Other Market Funding	10.4	12.8	23
Debt securities in Issue	8.8	9.2	5
Other Liabilities	9.6	6.7	-30
<b>Total Liabilities</b>	<b>107.2</b>	<b>99.4</b>	<b>-7</b>

Shareholders' Equity	10.5	11.2	7
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>117.7</b>	<b>110.6</b>	<b>-6</b>

Key Metrics	%	%	Change
Loan deposit ratio	100	96	-4%
CRD IV transitional CET 1 ratio <sup>(1)(4)</sup>	15.0 <sup>(3)</sup>	16.1	1.1%
CRD IV fully loaded CET 1 ratio <sup>(2)(4)</sup>	10.5 <sup>(3)</sup>	11.8	1.3%
Risk Weighted Assets	€60.9 <sup>(3)</sup>	€59.3	-3%

(1) Includes 2009 Preference Shares

(2) Based on full implementation of Basel III CRD IV regulations and includes Preference Shares

(3) Pro forma 1 January 2014

(4) Capital ratios have been presented on a pro-forma basis including the benefit of retained profits in the period which are unaudited

## Summary

- Balance sheet fundamentals continue to stabilise
- Net loans declining – however loan demand is improving
- Restructuring of impaired loans gathering momentum
- NAMA bond redemption accelerating as economic conditions improve
- Funding position stable with monetary authority funding decreasing
- Capital ratios and shareholders equity now moving higher

## Asset Movements

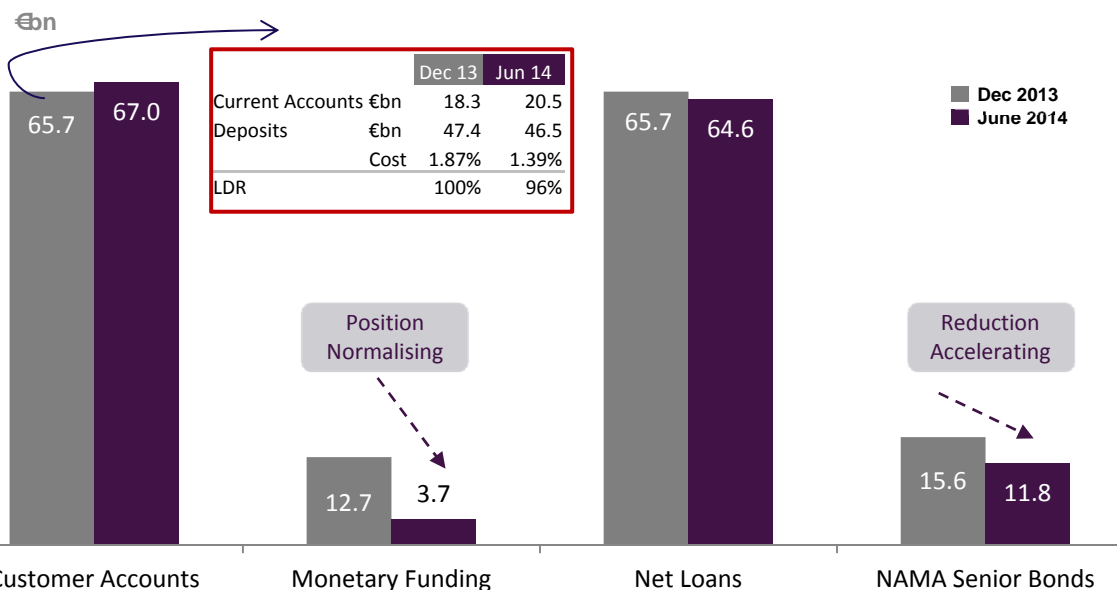
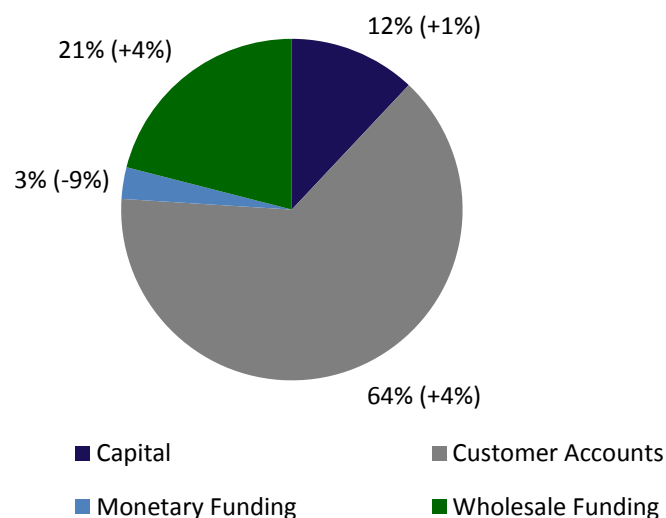
- Gross loans down 3% in the first six months of 2014
  - €2.6bn of new lending offset by amortisation and restructuring
  - Restructuring activity reducing impaired loan balance
- €3.8bn of NAMA senior bond redemptions
- AFS movements due to changes in investment profile and an increase in equity security balances due to revaluation of the NAMA subordinated bonds

## Liability Movements

- Customer accounts higher despite significant reductions in liability pricing
- ECB funding down 71% since Dec 2013 – now approaching normalised levels
- €1bn in market funding in H1 2014 – limited requirements given overall funding profile

# Funding position stable and improving

## Funding mix (1)



	Dec 13	Jun 14
Current Accounts €bn	18.3	20.5
Deposits €bn	47.4	46.5
Cost	1.87%	1.39%
LDR	100%	96%

### Customer Accounts (2)

- Customer accounts of €67.0bn
  - Contributing to a change in funding composition – represents 64% of funding
  - Pricing reflects the relative liquidity value of different deposit types

### Wholesale Funding

- Limited requirements given LDR position of 96%
- Two further issues in H1 2014 totalling €1bn (€3.5bn since Nov 2012) – accessing market at sustainable cost
  - €500m 7 year ACS
  - €500m 5 year Senior unsecured

### Monetary Authority Funding – 71% Reduction Year to Date

- Reflects
  - Repayment of NAMA senior bonds: €3.8bn
  - Net loan reduction: €1.1bn
  - Debt issuance: €1bn
  - Increase customer account base: €1.3bn

### Basel III Liquidity Requirements (3)

- Clear path to compliance with requirements
  - Net stable funding ratio: c.98%
  - Liquidity coverage ratio: c.109%

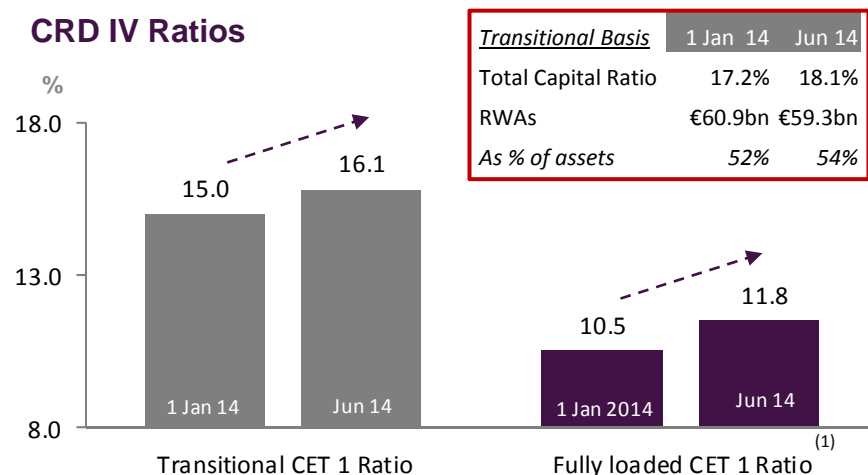
(1) Numbers in brackets reflect change in % since Dec 13

(2) Includes repos

(3) Includes the impact of regulatory guidance on the treatment of NAMA bonds

# Capital ratios strengthening (2)

## CRD IV Ratios



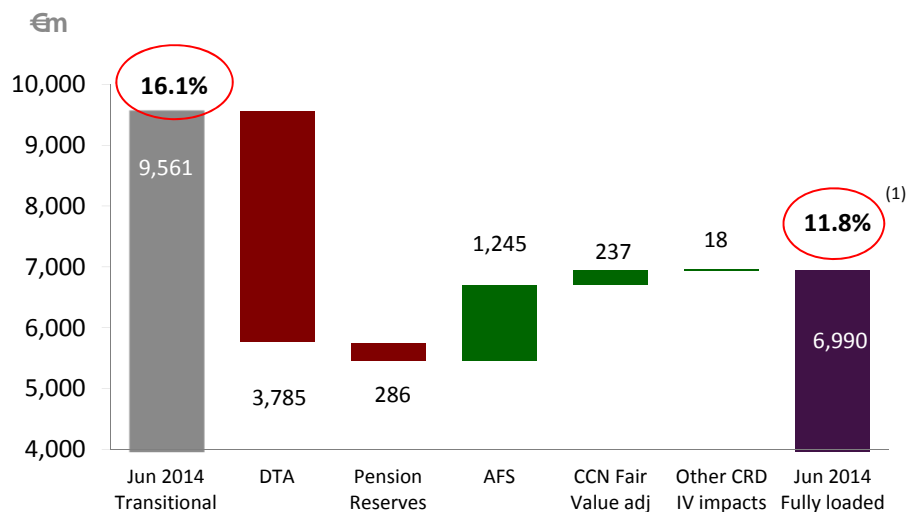
### Transitional Rules

- CRD IV phased in from 1 January 2014
- €3.5bn 2009 Preference Shares will constitute CET 1 until 31 December 2017
- Deferred tax asset deduction will be phased in over 10 years from 2015

### Transitional Ratios

- CRD IV transitional CET1 ratio of 16.1% vs. 15.0% at 1 Jan 2014
- An increase in CET1 Capital of €0.4bn, reflecting
  - €0.4bn unaudited attributable profits in H1 2014
  - €0.1bn through completed disposal of Ark Life business
  - €(0.1bn) impact in respect of increased pension deficit
- A decrease in RWA of €1.6bn, reflecting
  - Disposal of Ark Life
  - Reduction in operational risk
  - Lower net loan balances and AFS disposals

## Transitional to Fully loaded – Capital Movements



### Fully Loaded Ratios

- Fully loaded CET1 ratio of 11.8% vs. 10.5% at 1 Jan 2014
- An increase in CET1 Capital of €0.6bn, reflecting
  - €0.4bn unaudited attributable profits in H1 2014
  - €0.6bn AFS reserve gains (of which €0.2bn NAMA sub debt revaluation)
  - (€0.4bn) impact of pension deficit reserves

### Capital Structure Considerations

- Discussions ongoing with Department of Finance in respect of:
  - options for Contingent Capital Notes
  - possible conversion of 2009 Preference Shares into common equity
- Any actions subject to all relevant approvals

(1) Includes 2009 Preference Shares

(2) Capital ratios have been presented on a pro-forma basis including the benefit of retained profits in the period which are unaudited



**Asset Quality**

# Loan book composition and credit profile

## Summary

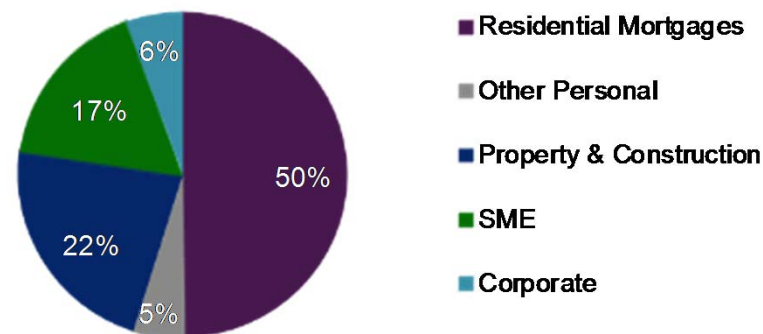
- Gross loans decreased by €2.8bn (3%) since Dec 2013 to €80.1bn
  - Combination of loan redemptions, new lending and restructuring of impaired loans
- Loan restructuring remains a key priority and is ongoing
- Residential mortgages remains the largest component of loan book at 50%
- Total criticised loans decreased by c.€2.9bn, including impaired loans
  - Reflects restructuring and improved economic conditions

Level of total impaired loans stable or reduced in major loan books except for Republic of Ireland residential mortgages which increased marginally

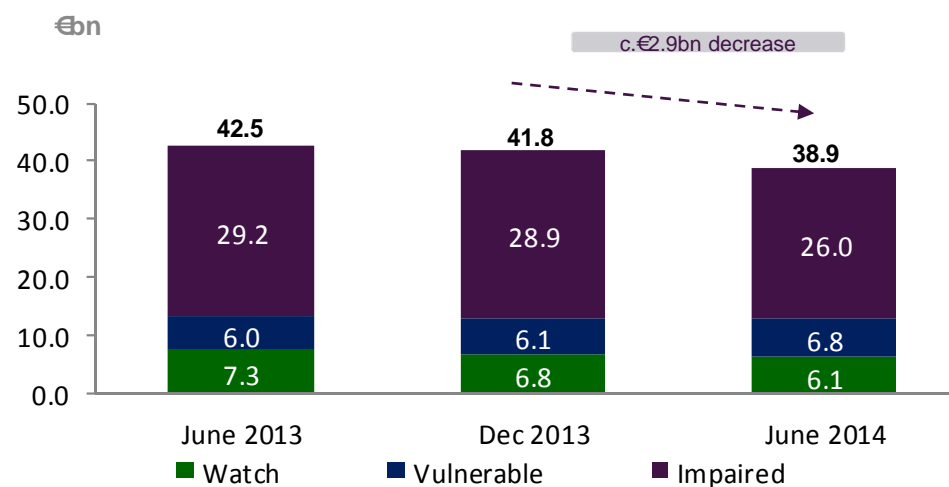
- Impaired residential mortgages in RoI increased by €0.1bn in H1 2014
- Total number of accounts in arrears in RoI mortgage portfolio decreased by 6% since Dec 2013
- Quantum of negative equity in the RoI residential mortgage portfolio decreased by €0.6bn to €4.0bn

## Total loan portfolio profile by value

€80.1bn at June 2014 – 3% Reduction from Year end 2013



## Credit profile – criticised loans <sup>(1)</sup>



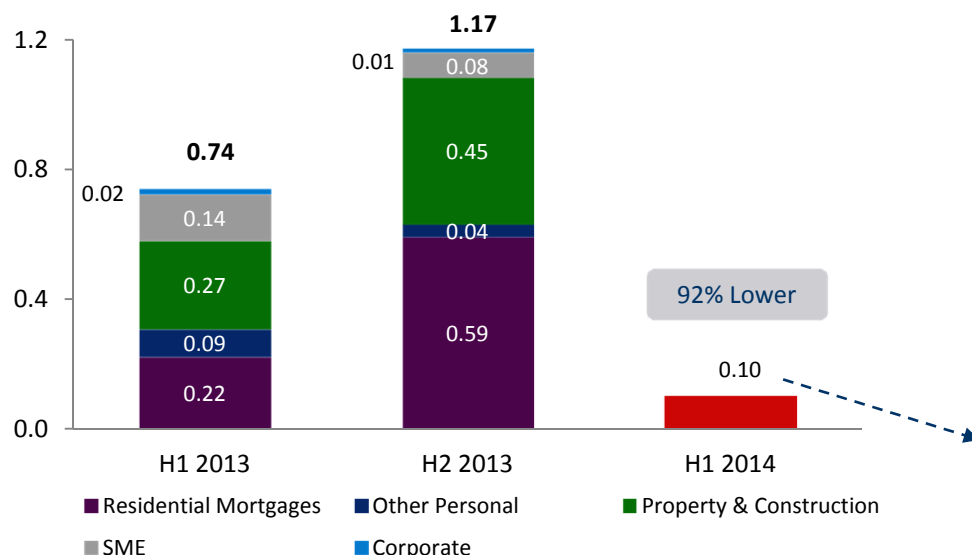
(1) Definitions of criticised loans contained on Appendix slide No 37



# Impairment charges and balance sheet provisions

## Credit impairment charge

€bn



## 2014 Credit provision summary

- Ongoing indications that credit portfolio has stabilised
- Credit impairment charge on loans to customers of €99m in H1 2014, 92% lower than H2 2013
  - Significantly lower levels of new impairments
  - Writeback of provisions from restructuring evident in FSG figures
- Balance sheet provisions decreased by €1.7bn to €15.4bn
  - Specific provisions reduced by €1.6bn as provisions were utilised through loan restructuring
  - Specific provision / impaired loans cover remains unchanged at 55%
  - The stock of IBNR impairment provisions reduced by €0.1bn to €1.1bn
  - Significant increase in write offs as part of restructuring process in FSG

## Balance Sheet Provisions Movements – H1 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	222	67	-93	196
IBNR	-85	-1	-11	-97
<b>Total (2)</b>	<b>137</b>	<b>66</b>	<b>-104</b>	<b>99</b>

### Amounts Written Off / Other (1)

<b>Total</b>	<b>-216</b>	<b>-47</b>	<b>-1,543</b>	<b>-1,806</b>
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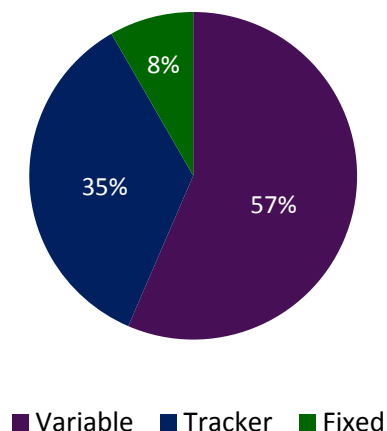
30 June 14	DCB	AIB UK	FSG	Total
Specific	2,422	2,085	9,784	14,291
IBNR	728	136	221	1,085
<b>Total</b>	<b>3,150</b>	<b>2,221</b>	<b>10,005</b>	<b>15,376</b>

1. Includes €80m in exchange related adjustments and €2m in recoveries on amounts written off in previous periods.

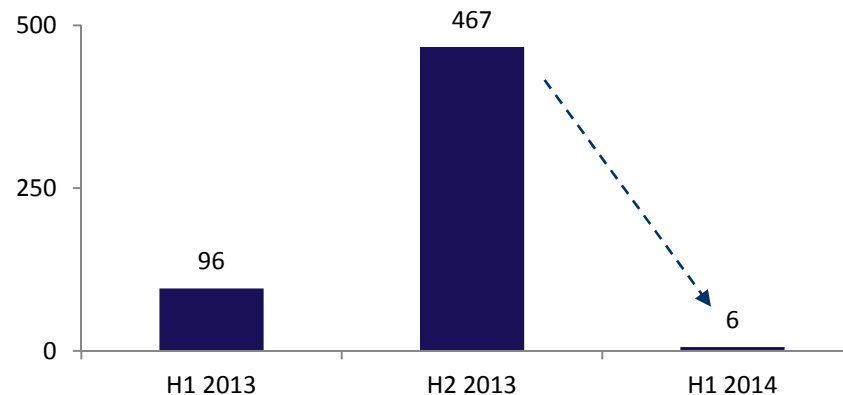
2. Loan book charge in period – excludes €7m loans to banks provisioning release.

# Rol owner occupier mortgages: €30.1bn (2% decrease)

Asset profile components by value (€m)



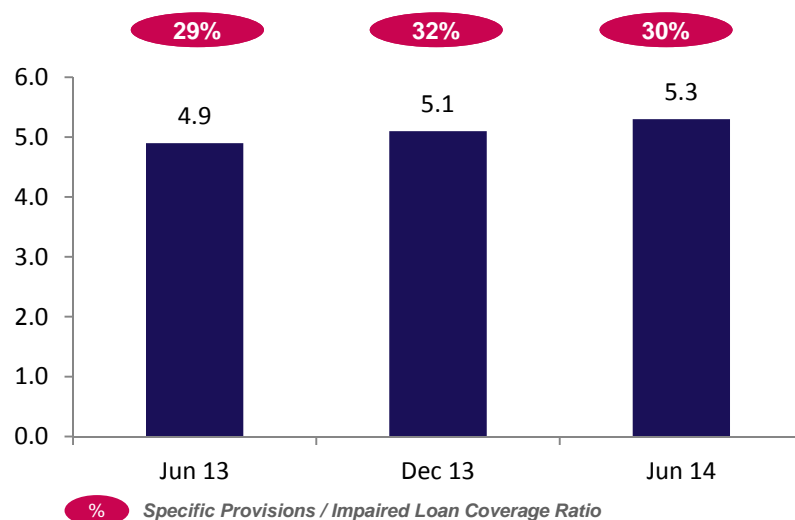
Impairment Charge (€m)



## Summary

- 85% of the Rol mortgage portfolio is owner occupier <sup>(1)</sup>
  - 2% of the owner occupier portfolio is on an interest only arrangement <sup>(1)(2)</sup>
- 82% of the portfolio is neither past due nor impaired <sup>(1)</sup>
- Environment:
  - CSO property price index shows a nationwide increase in residential property prices of 12.5% in the year to 30 June 2014. Overall the national index is 43% lower than the peak in 2007 <sup>(3)</sup>
  - Unemployment continues to decline
- Level of loans more than 90 days past due at 10.5% decreased since December 2013 <sup>(1)</sup>
- Provision assumptions include a 52% peak-to-trough fall in prices, forced sale discount, disposal costs
- Significant decrease in specific impairment charge in H1 2014 in comparison to H2 2013 and H1 2013
- Decrease in specific coverage from 32% to 30%, mainly due to an improvement in peak-to-trough assumption from 55% to 52%

Impaired Loans (€bn)



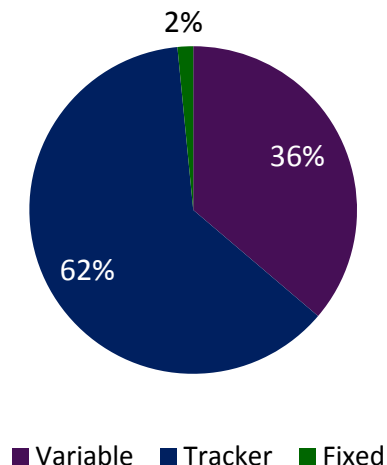
<sup>(1)</sup> By number of accounts

<sup>(2)</sup> 3% including reduced payments greater than interest only based on number of accounts

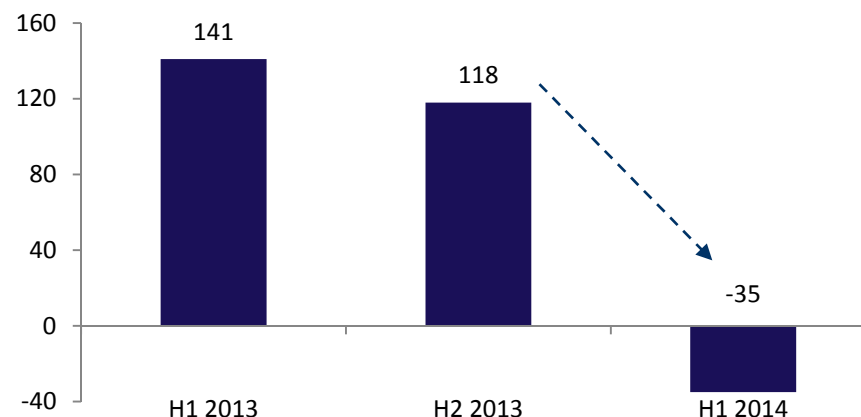
<sup>(3)</sup> Source: Central Statistics Office, June 2014

# Rol buy to let mortgages: €7.1bn (4% decrease)

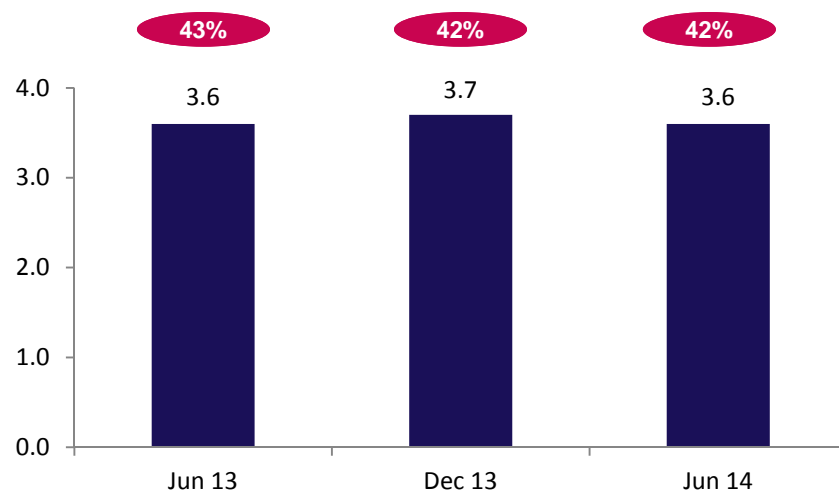
Asset profile components by value (€m)



Impairment Charge (€m)



Impaired Loans (€bn)



% Specific Provisions / Impaired Loan Coverage Ratio

## Summary

- 15% of the Rol mortgage portfolio is buy-to-let <sup>(1)</sup>
  - 6% of the buy-to-let portfolio is on an interest only arrangement <sup>(1)(2)</sup>
- 59% of the portfolio is neither past due nor impaired <sup>(1)</sup>
- CSO property price index shows a nationwide increase in residential property prices of 12.5% in the year to 30 June 2014 <sup>(3)</sup>
- Pace of increase of arrears on buy-to-let portfolio slowed in 2014
- Provision assumptions include 52% peak-to-trough fall in prices, forced sale discount, disposal costs
- Decrease in impaired loan stock in H1 2014 of €0.1bn
- There was a write back of provision of €35m due to improvements in peak-to-trough assumptions and a reduced IBNR requirement
- Specific coverage level unchanged at 42%

(1) By number of accounts

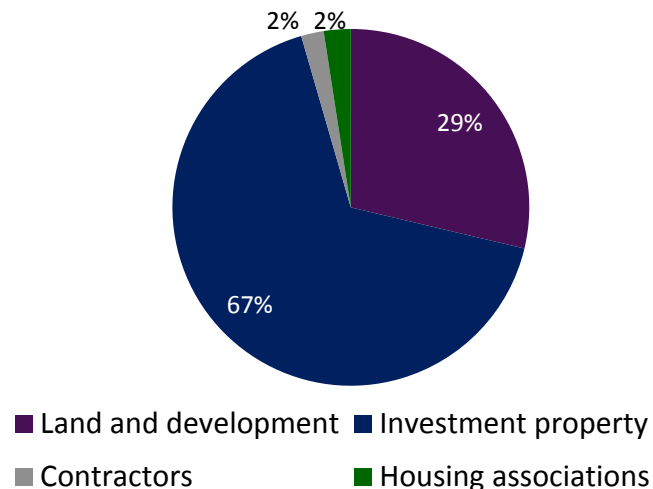
(2) 8% including reduced payments greater than interest only based on number of accounts

(3) Source: Central Statistics Office, June 2014

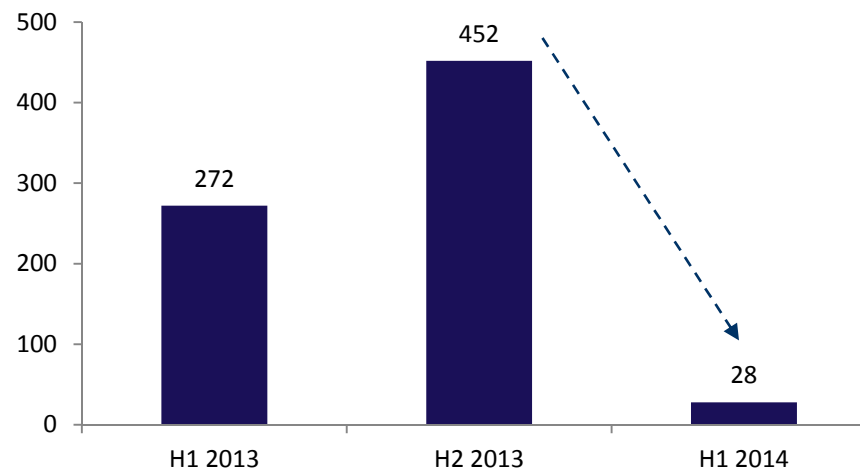


# Property and construction: €18.0bn (9% decrease)

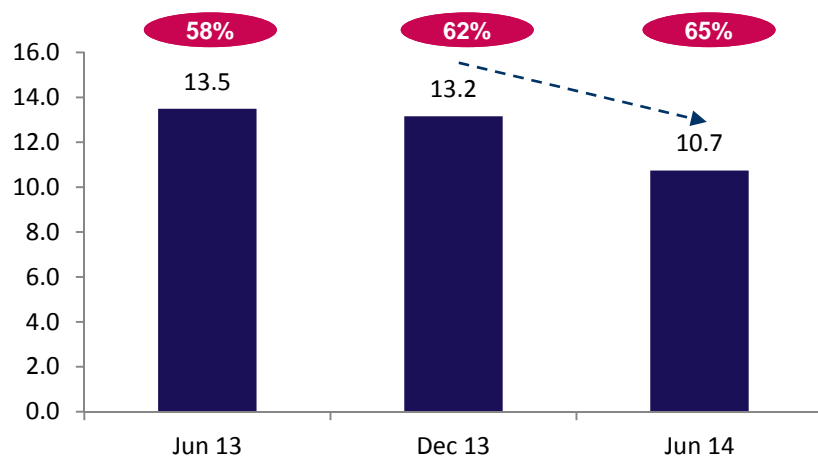
Asset profile components by value (€m)



Impairment Charge (€m)



Impaired Loans (€bn)



**%** Specific Provisions / Impaired Loan Coverage Ratio

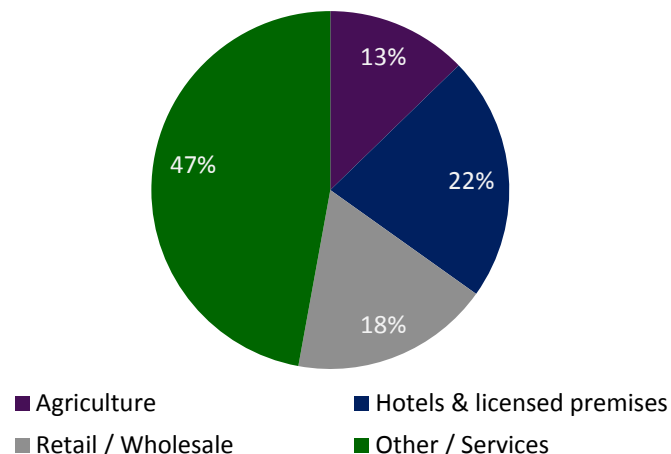
## Summary

- There are continued signs that the investment market is recovering with increased transactional activity particularly in prime locations
- While there is increased demand for land & development opportunities it is still quite concentrated
- Overall portfolio has reduced by €1.7bn since Dec 13 mainly due to restructuring and repayments from asset sales
- Impaired loans down €2.5bn to €10.7bn with the rate of new impairments continuing to decrease
- Impairment charge is down from €452m in H2 2013 to €28m
- Specific provision cover is 65% up from 62% at Dec 13

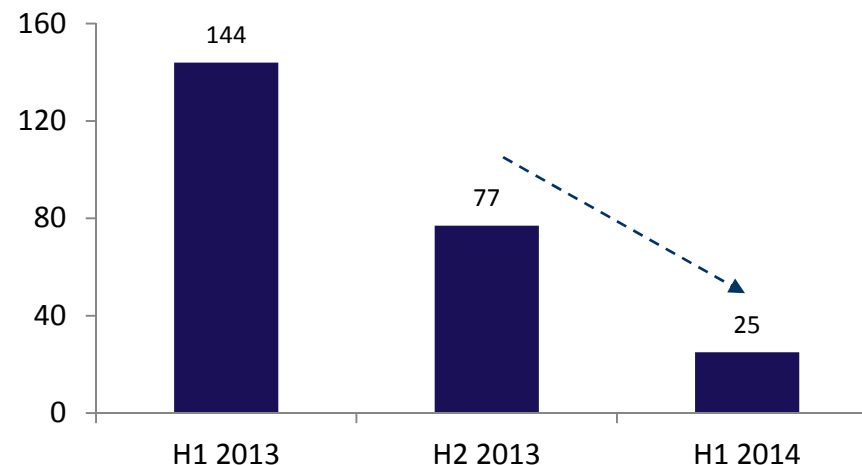


# SME / other commercial lending: €13.7bn (unchanged)

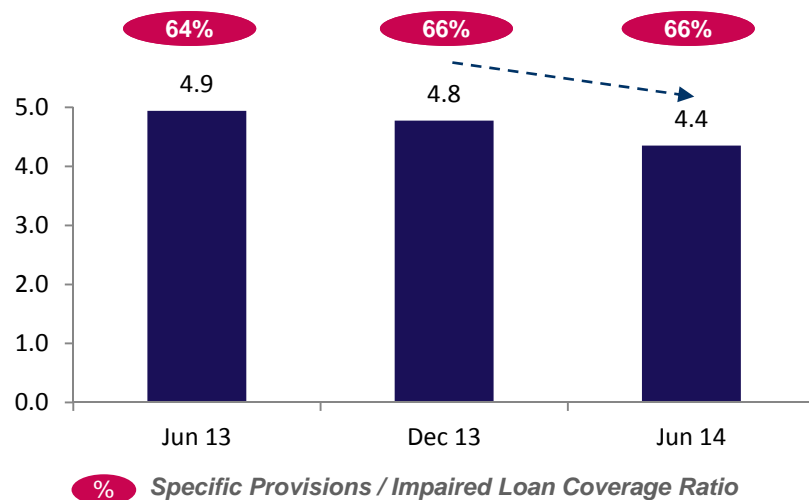
### Asset profile components by value (€m)



### Impairment Charge (€m)



### Impaired Loans (€bn)



### Summary

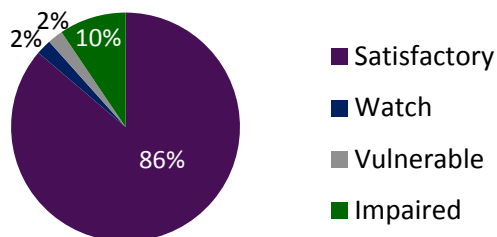
- Portfolio size unchanged at €13.7bn reflecting in part increased lending demand
- 67% of the loans are in the RoI and 33% in the UK with strong dependence on domestic economic factors
- Evidence that positive macroeconomic indicators are now starting to generate increased credit demand
- Impaired loans are €4.4bn, a reduction of 9% from Dec 13
  - The specific provision cover remains unchanged at 66%
  - Impairment charge down 68% from H2 2013



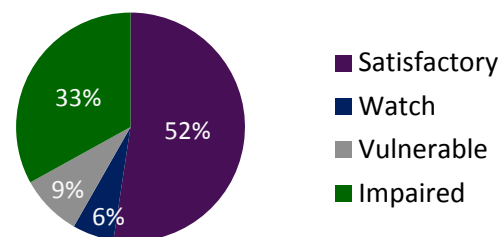
# Corporate lending: €4.4bn

# Personal lending: €4.1bn

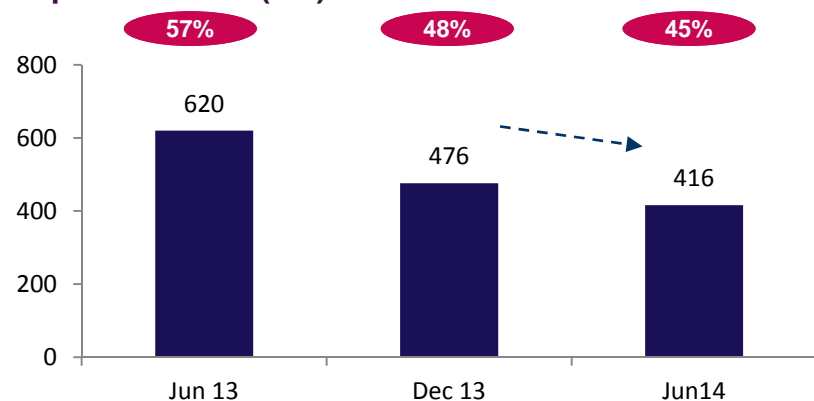
Asset quality profile (€m)



Asset quality profile (€m)

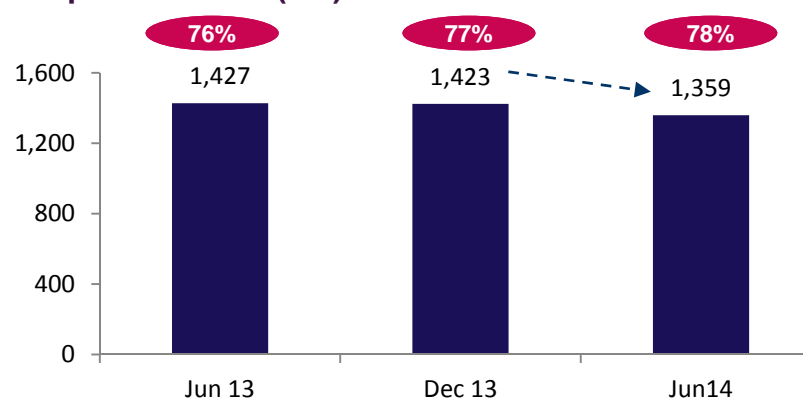


Impaired Loans (€m)



% Specific Provisions / Impaired Loan Coverage Ratio

Impaired Loans (€m)



% Specific Provisions / Impaired Loan Coverage Ratio

## Summary

- Overall portfolio increased by €0.1bn reflecting higher drawdown activity
- Impaired loans reduced to €416m at June 2014 – 13% reduction
  - Specific provision cover of 45% - down 3% from Dec 2013
  - Impairment charge for H1 2014 of €21m versus €12m for H2 2013 (H1 2013 - €18m)

## Summary

- Overall portfolio size reduction of €0.2bn
- €3.2bn in loans and overdrafts; €0.9bn in credit card facilities
- Impaired loans of €1.36bn at Jun 2014 down 4.5%
  - Specific provision cover of 78%
  - Impairment charge for H1 2014 of €48m versus €40m for H2 2013 (H1 2013 - €85m)



# Targeting prudent growth in an improving economy

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## Continuing to adopt a risk based approach to new lending

✓ New lending drawdowns of €2.6bn in H1 2014

- Written at appropriate credit grades
- Priced to accurately reflect underlying risk profile
- Within explicitly defined risk appetite parameters

✓ As the bank transitions from recovery to growth we will continue to;

- Identify and develop opportunities to deploy capital on a risk adjusted return basis
- Manage LTV limits on mortgage and property lending linked to affordability
- Develop our cash flow based SME / corporate lending capabilities
- Actively manage sector / borrower concentration risk

### Outcomes

- Sustainable business model
- Fulfil our function as a pillar bank
- Optimise value for stakeholders



## **Outlook & Summary**



## Continued progress towards medium term targets

	H2 2013	H1 2014	Target	Status Update
CRD IV Fully Loaded CET 1 Capital Ratio	10.5% <sup>(1)</sup>	11.8% <sup>(1)(2)</sup>	>10%	<b>On track</b>
Net Interest Margin (Ex ELG)	1.45%	1.60%	>2%	<b>On track</b>
Cost / Income Ratio	71%	55%	<50%	<b>On track</b>
Credit Impairment Charges	279bps	24bps (67bps excl. FSG)	<65bps	<b>On track</b>
Loan /Deposit Ratio	100%	96%	100% - 120%	<b>On track</b>

(1) Includes Preference Shares

(2) Capital ratios have been presented on a pro-forma basis including the benefit of retained profits in the period which are unaudited

# Delivering our strategic objectives

2012 Restructuring	2013 Focus on commercial agenda	2014 and Beyond Growth & Profitability
<ul style="list-style-type: none"> <li>✓ Restructured balance sheet</li> <li>✓ Initiated cost reduction programmes</li> <li>✓ Revised strategy and changed leadership team members</li> <li>✓ Repositioned bank for future growth</li> <li>✓ Built capability for dealing with customers in difficulty</li> </ul>	<ul style="list-style-type: none"> <li>✓ Pre-provision operating profit</li> <li>✓ Reduced credit provisions</li> <li>✓ Further cost savings</li> <li>✓ NIM / operational metrics progression</li> <li>✓ Funding and balance sheet stabilisation progressed</li> <li>✓ Meeting lending objectives</li> </ul>	<ul style="list-style-type: none"> <li>✓ Post provision profits during 2014</li> <li>✓ Approval of Restructuring Plan</li> <li>✓ Supporting business, communities and economic recovery</li> <li>✓ Continued balanced funding market access</li> <li>○ Delivering medium term targets</li> <li>○ Capital structure considerations to be progressed</li> <li>○ Returning capital to the Irish State</li> </ul>

**Focused on growth and maximising value for the Irish State**



## Appendix





# Customer loan book – sector profile

June 2014 €m	ROI mortgages	Land & development	Investment property	SME / Other commercial	Personal	Corporate	UK mortgages	Total
Loans and receivables to customers	37,252	5,529	12,448	13,727	4,112	4,404	2,581	<b>80,053</b>
Impaired	8,875	4,794	5,945	4,352	1,359	416	296	<b>26,037</b>
Impairment charge (H1 6 months P&L)	(29)	43	(15)	25	48	21	6	<b>99</b>
Balance sheet provisions (Specific + IBNR)	3,596	3,739	3,513	3,000	1,106	256	166	<b>15,376</b>
Specific provisions / Impaired loans (%)	35%	77%	55%	66%	78%	45%	48%	<b>55%</b>
Total provisions / Total loans (%)	10%	68%	28%	22%	27%	6%	6%	<b>19%</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 (H2 6 months P&L)	585	127	325	77	40	12	6	<b>1,172</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.



# Components of regulatory capital structure (1)

AIB Group		CRD IV Transitional	
Capital Adequacy Information (€m)	1 Jan 14	Jun-14	
Paid up share capital and related share premium	8,096	4,170	
Eligible reserves	2,398	7,059	
Regulatory adjustments	(1,371)	(1,665)	
<b>Common Equity Tier 1 Capital</b>	<b>9,123</b>	<b>9,561</b>	
Subordinated debt	828	699	
Credit provisions	453	460	
Regulatory adjustments	93	18	
<b>Total Tier 2 Capital</b>	<b>1,374</b>	<b>1,177</b>	
<b>Total Capital</b>	<b>10,497</b>	<b>10,738</b>	
<b>Risk Weighted Assets</b>			
Credit risk	56,489	55,046	
Market risk	177	178	
Operational Risk	3,174	2,822	
CVA/Other	1,043	1,236	
<b>Total Risk Weighted Assets</b>	<b>60,883</b>	<b>59,282</b>	
<b>Capital Ratios</b>			
Common Equity Tier 1 Ratio	<b>15.0%</b>	<b>16.1%</b>	
Total Ratio	<b>17.2%</b>	<b>18.1%</b>	

## Renominalisation of AIB's Ordinary Shares

- A resolution passed at EGM on 19<sup>th</sup> of June 2014 had the effect of transferring €3.9bn from paid up share capital to capital redemption reserves.
- An application has been made to the High Court to create €5bn distributable reserves (€3.9bn capital redemption & €1.1bn 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 outstanding is 523,438,445,437
- €6.05bn capital contribution received in July 2011

## Contingent Capital Notes

- €1.6bn Contingent Capital Notes issued to the Irish State in July 2011
- 10% fixed annual coupon
- €0.7bn qualifying as Tier 2 capital at 30 June 2014
- Convertible into equity upon trigger of 8.25% CET 1 ratio <sup>(2)</sup>
- Maturing July 2016

(1) Capital ratios have been presented on a pro-forma basis including the benefit of retained profits in the period which are unaudited

(2) Or at the discretion of the Central Bank of Ireland.

# Funding market transactions since regaining market access

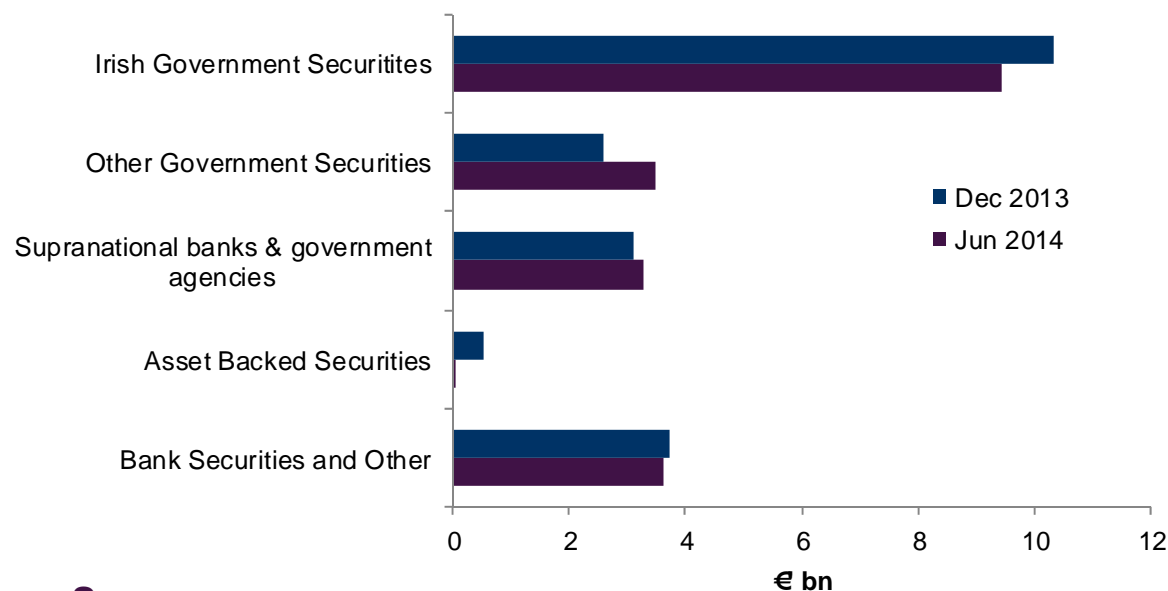


Funding transactions							
	ACS Issuance Nov 2012	ACS Issuance Jan 2013	ACS Issuance Sept 2013	Cr. Card Secured Funding Oct 2013	Senior Unsecured Nov 2013	ACS Issuance March 2014	Senior Unsecured April 2014
Issuer	AIB Mortgage Bank	AIB Mortgage Bank	AIB Mortgage Bank	AIB	AIB	AIB Mortgage Bank	AIB
Ratings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

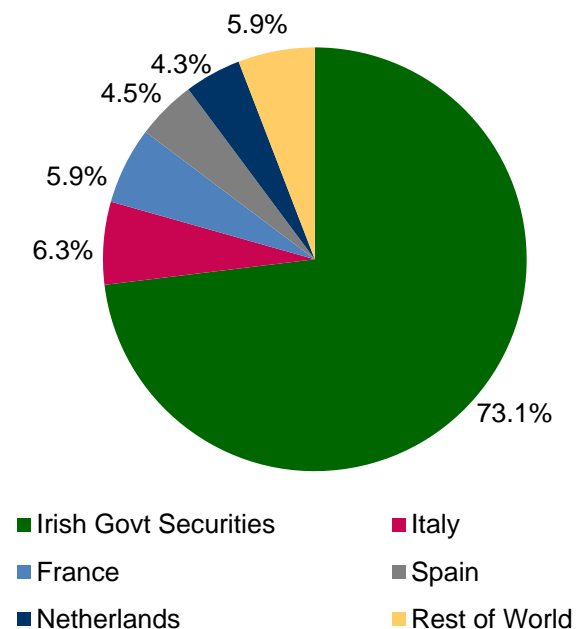
Strategy to engage with the markets in a measured and consistent manner with a series of balanced and well structured transactions

# Available for sale portfolio – debt securities

## Movement June 2014 versus Dec 2013



## Components of Government Securities (June 2014)



## Summary

- Total debt securities portfolio\* decreased to €19.8bn (Dec 2013: €20.3bn)
  - Decrease in Irish Sovereign (€0.9bn), Non Euro government securities (€0.2bn) and other asset backed securities (€0.5bn).
  - Increase in European Government securities (€1.1bn)
- Excludes NAMA senior bonds of c.€11.8bn
- 99.9% investment grade
- No credit provisions held against the debt securities portfolio

\*Excludes equity securities



## Criticised loan 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