



# Half-Yearly Financial Results 2015

For the six months ended 30 June 2015

Allied Irish Banks, p.l.c.

# Important information and forward looking statement

---

## 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 4 August 2015, AIB trades on a valuation multiple of c. 5x (excluding the 2009 preference shares) the net asset value (NAV) of the Group as at 30 June 2015. The Group continues to note that the median for comparable European banks is c. 1.6x NAV.

This presentation should be considered with AIB's Half-Yearly Financial Report 2015, Interim Management Statement May 2015 and all other relevant market disclosures, copies of which can be found at the following link:

<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 30 to 38 in the AIB Half-Yearly Financial Report 2015. 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 30 to 38 of the AIB Half-Yearly Financial Report 2015 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.





## Progress & Performance

Bernard Byrne  
Chief Executive Officer








# HI 2015 highlights

---

- ✓ Profitable and well positioned to return capital to the Irish State
  - Strong contribution from each business
  - Additional gains positively impacting capital
- ✓ Improvement in asset quality with further progress in reducing arrears and impaired loans
  - Significant progress and momentum in restructuring customers in financial difficulty
- ✓ Strong growth in new lending across key customer segments
- ✓ Delivering value to customers and focused on enhancing customer experience



# Momentum in operating and financial performance

<b>Total operating income</b>	<b>€1.3bn</b> + €0.1bn year on year 	Generated operating income of €1.3bn including c.€100m additional gains (c.€200m H1 2014). Income growth driven by 32bps improvement in net interest margin and increased fee and commission income
<b>Net interest margin<sup>(1)</sup></b>	<b>1.92%</b> + 32bps year on year 	Net interest margin of 1.92% reflecting reduced funding costs and growth in new lending
<b>Pre-provision operating profit</b>	<b>€0.7bn</b> + €0.1bn year on year 	Pre-provision operating profit driven by strong income growth and disciplined cost management
<b>Profit before tax</b>	<b>€1.2bn</b> + €0.8bn year on year 	Profit before tax benefiting from net provision writeback of €540m
<b>Performing loan book</b>	<b>€55.3bn</b> + €1.7bn since Dec 2014 	New lending and focused restructuring activity resulting in growth in performing loan book
<b>Impaired loan balances</b>	<b>€18.0bn</b> - €4.2bn since Dec 2014 	Significant reduction in impaired loans from €22.2bn to €18.0bn reflecting strong execution of arrears management strategy
<b>Fully loaded CET 1 ratio<sup>(2)</sup></b>	<b>14.1%</b> + 2.3% since Dec 2014 	Robust fully loaded CET 1 ratio <sup>(2)</sup> of 14.1% significantly in excess of regulatory requirement and well positioned for capital reorganisation

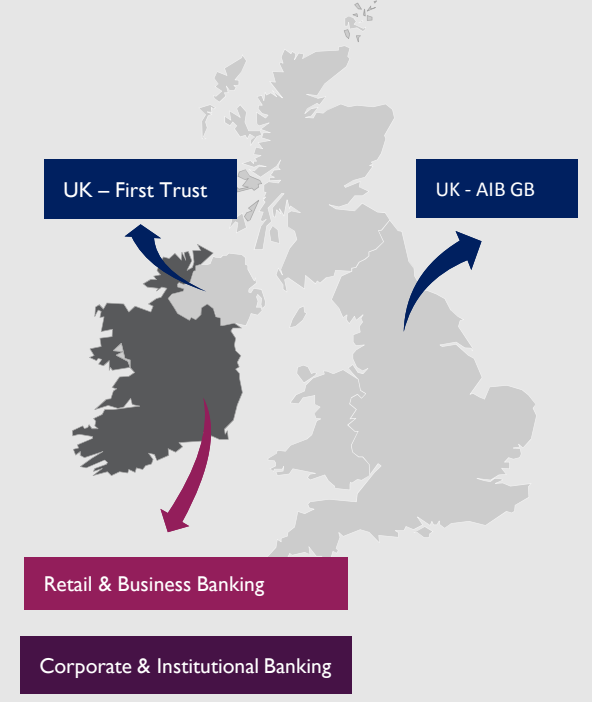
(1) Excluding Eligible Liabilities Guarantee (ELG) costs

(2) Based on full implementation of Basel III / CRD IV and includes 2009 Preference Shares. 8.3% excluding the 2009 Preference Shares.



# Number 1 banking franchise in Ireland

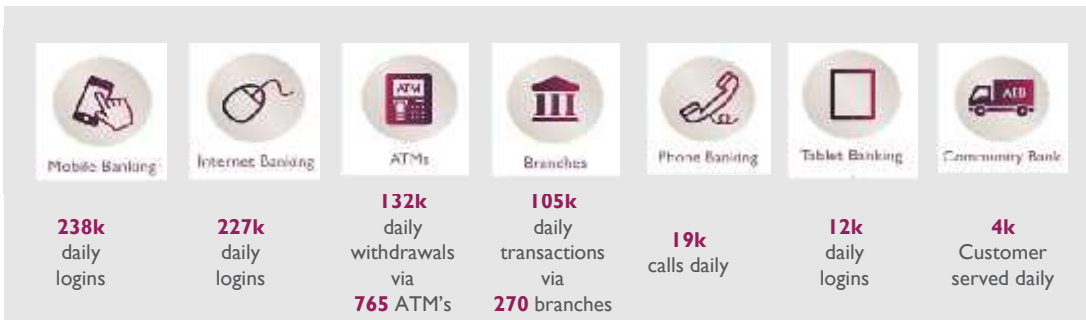
## Core geographies



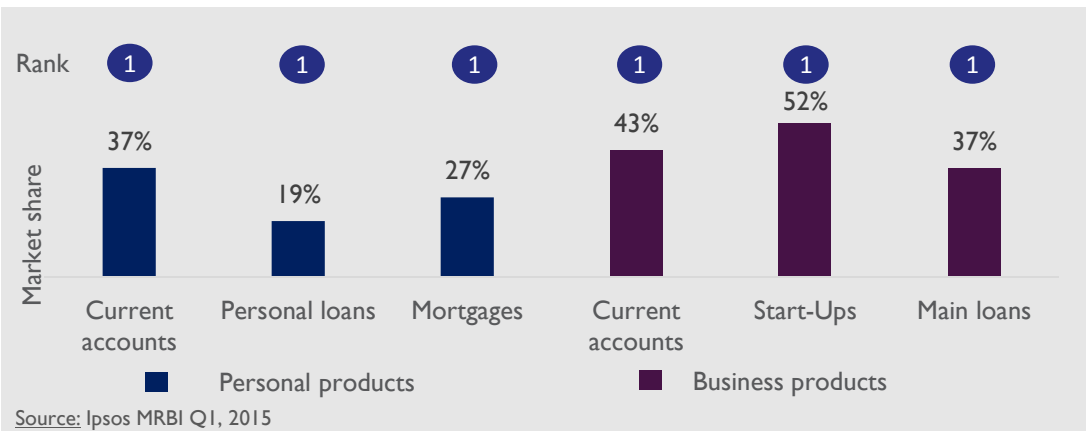
## Significant scale



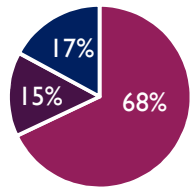
## Omni-channel strategy



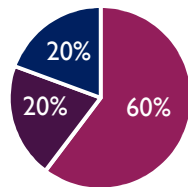
## Leading market shares across personal and business lines



### Net loans by segment



### Deposits by segment



■ RBB ■ CIB ■ UK



## Fundamental need to change

---

### Banking industry challenges

---

- Past conduct & trust
- Customer engagement
- Disintermediation
- Commoditisation
- Profitability
- Regulation

### New consumer behaviours

---

- Mobile & web usage
- Social media
- Personalisation
- Channel blending
- Demographics

**Differentiated approach to evolving operating environment**

# Promoting a customer first culture

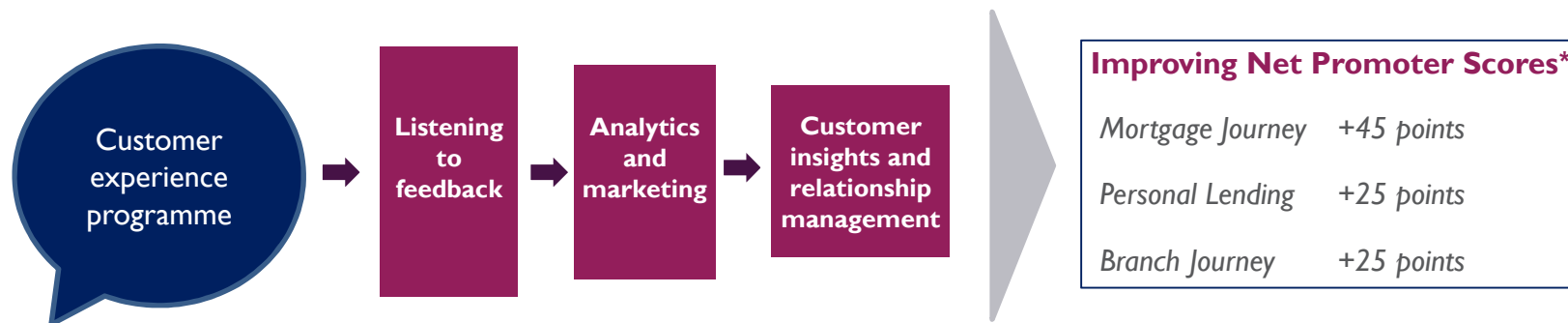
## Customer led strategy focusing on value and reducing cost to serve



## Delivering through a complete omni channel experience



## Listening to customer feedback to improve service and proposition







\* Q2 2014 to Q2 2015





# Supporting customer values

## Putting customers first with personal and business propositions

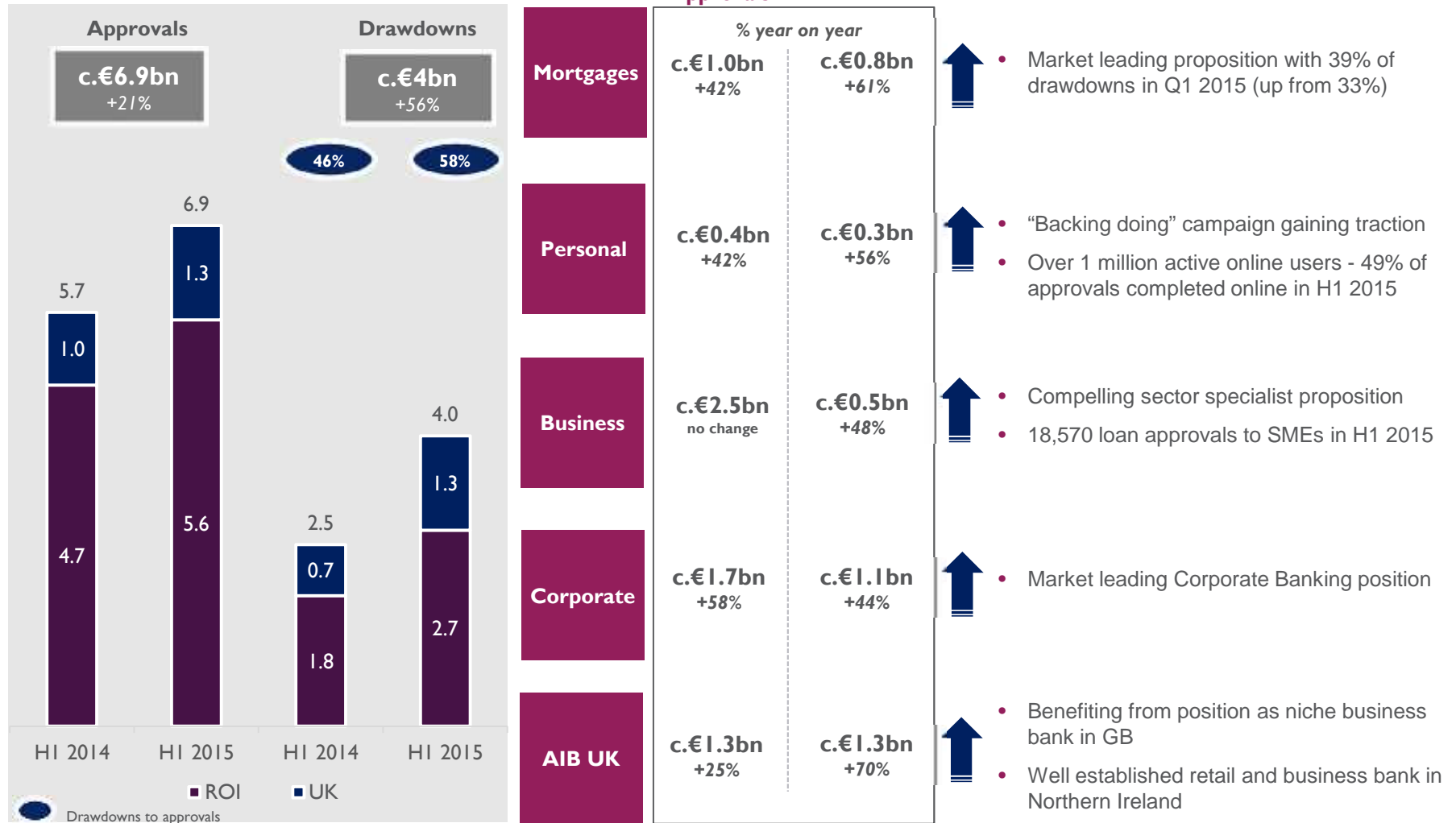
<b>Personal</b> <b>“Backing doing”</b> 	<b>3 hours</b>	Approval for personal lending
	<b>First job loan</b>	Product innovation
	<b>99.9% ATM availability</b>	Market leading performance
<b>Mortgages</b> <b>“Backing putting down roots”</b> 	<b>30 minutes</b>	Online mortgage sanction in principle
	<b>Pricing management</b>	SVR reductions to 3.65% <sup>(1)</sup> for new and existing customers from 4.4% in June 2014
	<b>Customised service</b>	Dedicated mortgage advisors available outside business hours
<b>Business</b> <b>“Backing Brave”</b> 	<b>48 hours</b>	Approval for SME lending <€30,000
	<b>Support for start up business</b>	Start-up package and academy
	<b>Range of business funds</b>	€1.65bn in funds to support growth
<b>Customers in financial difficulty</b> 	<b>€4.2bn decrease</b>	Impaired loans lower across all portfolios
	<b>Reduced by 13%</b>	Overall total mortgage arrears <sup>(2)</sup>
	<b>1.5% lower than industry average</b>	Total mortgage arrears > than 90 days at 9.9%

(1) AIB Bank SVR rate

(2) By number of accounts

# Strong growth in new lending

## Strong growth in approvals and drawdowns





## Half-Yearly Financials 2015

Mark Bourke  
Chief Financial Officer

# Financial highlights H1 2015

---

- ✓ Capital accretive and well positioned to return capital to the Irish State
- ✓ Improved financial performance across all metrics
- ✓ Sustainable underlying profitability
- ✓ Strong momentum in restructuring activity
- ✓ Normalisation of balance sheet



# Key financial metrics

Summary income statement (€m)	HY 2015	HY 2014	Change %
Net interest income	940	807	16%
Other income	409	439	-7%
<b>Total operating income</b>	<b>1,349</b>	<b>1,246</b>	<b>8%</b>
Total operating expenses <sup>(1)</sup>	(648)	(686)	-6%
<b>Operating profit before provisions</b>	<b>701</b>	<b>560</b>	<b>25%</b>
Provisions	543	(92)	
Associated undertakings	13	9	
Profit on disposals	4	2	
<b>Operating profit before exceptionals</b>	<b>1,261</b>	<b>479</b>	
Exceptional items	(26)	(42)	
<b>Profit before tax from continuing operations</b>	<b>1,235</b>	<b>437</b>	

Metrics	HY 2015	HY 2014
Net interest margin (excluding ELG)	1.92%	1.60%
Cost income ratio <sup>(1)</sup>	48%	55%
Return on average ordinary shareholders' equity <sup>(2)</sup>	16.8%	7.1%
Return on assets	1.6%	0.7%

(1) Excludes exceptional items

(2) Profit attributable to ordinary shareholders after deduction of the annual dividend on the 2009 Preference Shares as a percentage of average ordinary shareholders' equity which excludes the €3.5bn in 2009 Preference Shares

- Operating profit before provisions €701m
- Profit before tax of €1.2bn, a €0.8bn improvement on H1 2014
  - higher levels of income, lower operating expenses and a significant net credit provision writeback
- Key financial metrics trending positive
  - NIM increasing primarily due to lower funding costs
  - strong underlying fee and commission income
  - operating costs reduced by 6%
  - net writeback of provisions reflecting restructuring activity, improved economic environment and lower new impairments



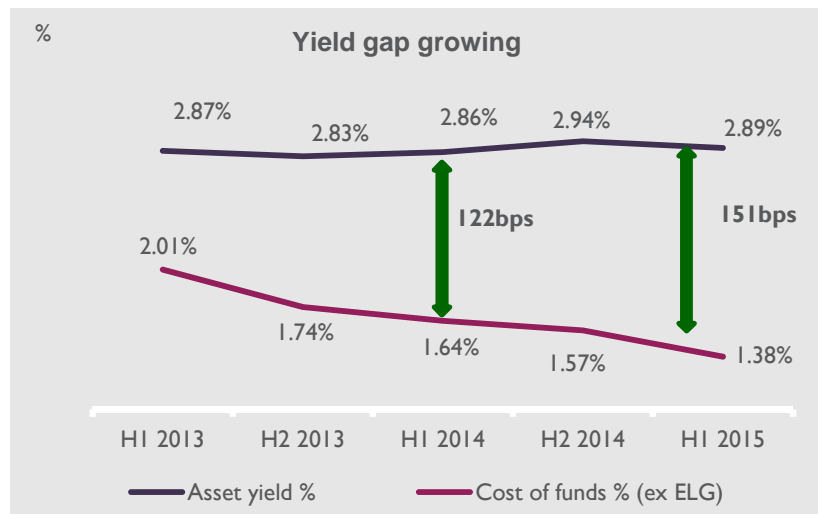
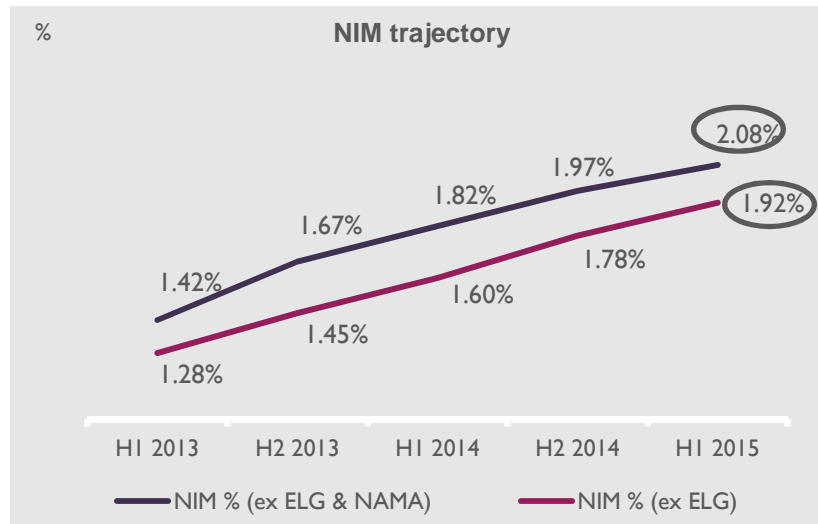
# Improving net interest income

	Half year ended 30 June 15			Half-year ended 30 June 14		
	Average	Interest	Average	Average	Interest	Average
	balance		Rate	balance		Rate
	€m	€m	%	€m	€m	%
<b>Assets</b>						
Loans and receivables to customers	65,129	1,115	3.45	66,244	1,108	3.37
NAMA senior bonds	8,683	20	0.46	14,168	47	0.67
Financial investments AFS	19,625	258	2.65	19,517	300	3.10
Other interest earning assets	7,200	11	0.32	5,777	12	0.40
Net interest on swaps		38			33	
<b>Average interest earning assets</b>	<b>100,637</b>	<b>1,442</b>	<b>2.89</b>	<b>105,706</b>	<b>1,500</b>	<b>2.86</b>
Non interest earning assets	7,632			9,029		
<b>Total assets</b>	<b>108,269</b>	<b>1,442</b>		<b>114,735</b>	<b>1,500</b>	
<b>Liabilities and shareholders' equity</b>						
Deposits by banks	16,944	5	0.06	21,219	31	0.30
Customer accounts	44,808	236	1.06	49,486	342	1.39
Subordinated liabilities	1,480	136	18.54	1,376	128	18.69
Other debt issued	7,466	108	2.93	9,145	160	3.54
<b>Average interest earning liabilities</b>	<b>70,698</b>	<b>485</b>	<b>1.38</b>	<b>81,226</b>	<b>661</b>	<b>1.64</b>
Non interest earning liabilities	25,726			22,423		
Shareholders' equity	11,845			11,086		
<b>Total liabilities and shareholders' equity</b>	<b>108,269</b>	<b>485</b>		<b>114,735</b>	<b>661</b>	
<b>Net interest income excluding ELG <sup>(1)</sup></b>		<b>957</b>	<b>1.92</b>		<b>839</b>	<b>1.60</b>
ELG		(17)	(0.04)		(32)	(0.06)
<b>Net interest income including ELG</b>		<b>940</b>	<b>1.88</b>		<b>807</b>	<b>1.54</b>

(1) Eligible Liabilities Guarantee



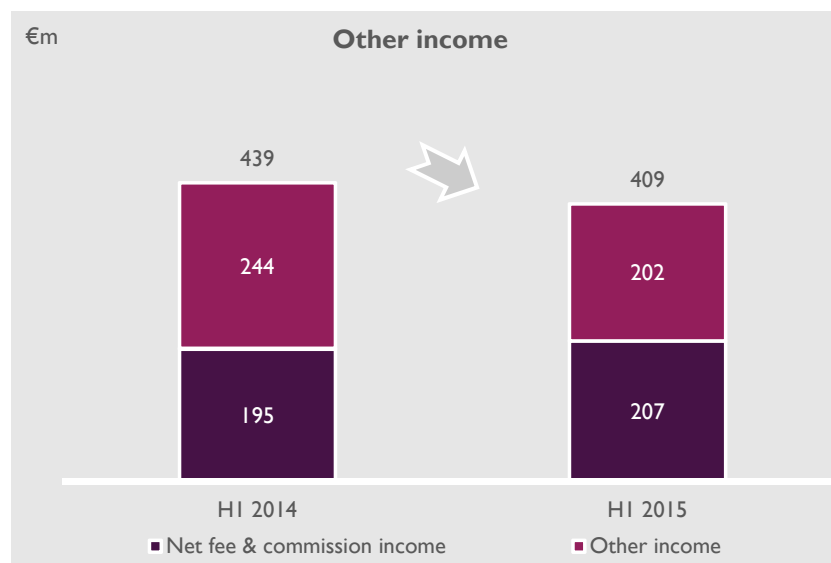
# Net interest margin trajectory



- NIM (ex ELG) increased 32bps to 1.92%
  - excluding the impact of low yielding NAMA senior bonds, NIM increased to 2.08%
- Spread between asset yields and cost of funds widened from 122bps HI 2014 to 151bps
- Primary increase in NIM due to the continued reduction in deposit rates and lower wholesale market rates
- Asset yields increased marginally from 286bps to 289bps



## Other income

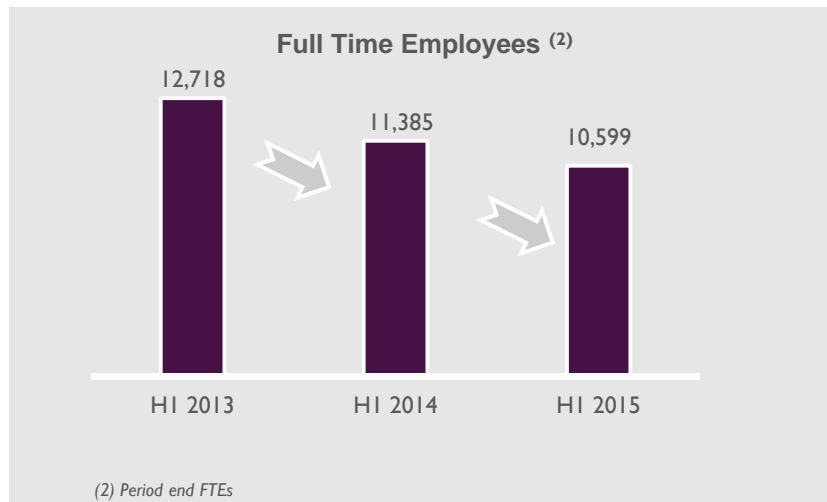
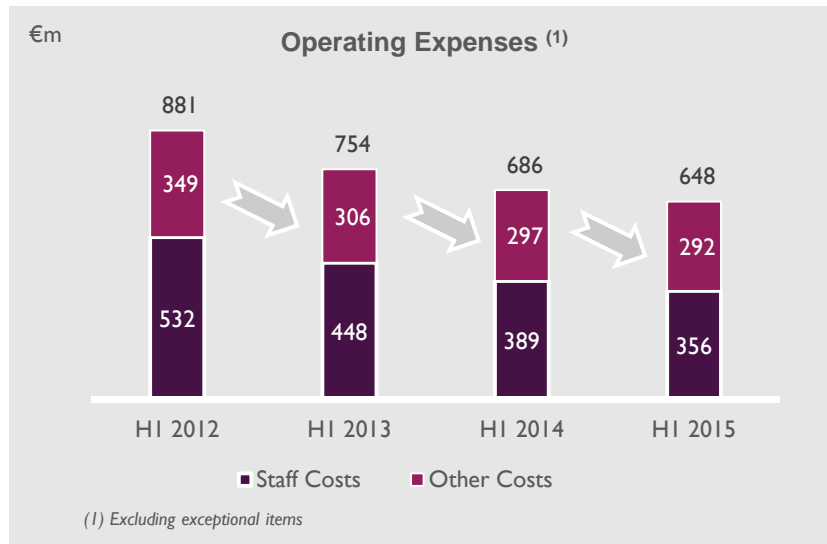


- Strong underlying net fee and commission income, up 6% year on year
  - increased customer activities
- Other down primarily due to
  - lower one-off AFS disposal gains of €51m versus €109m in HI 2014

Other income (€m)	HY 2015	HY 2014	Change %
Net fee and commission income	207	195	6%
Other	202	244	-17%
<b>Total other income</b>	<b>409</b>	<b>439</b>	<b>-7%</b>



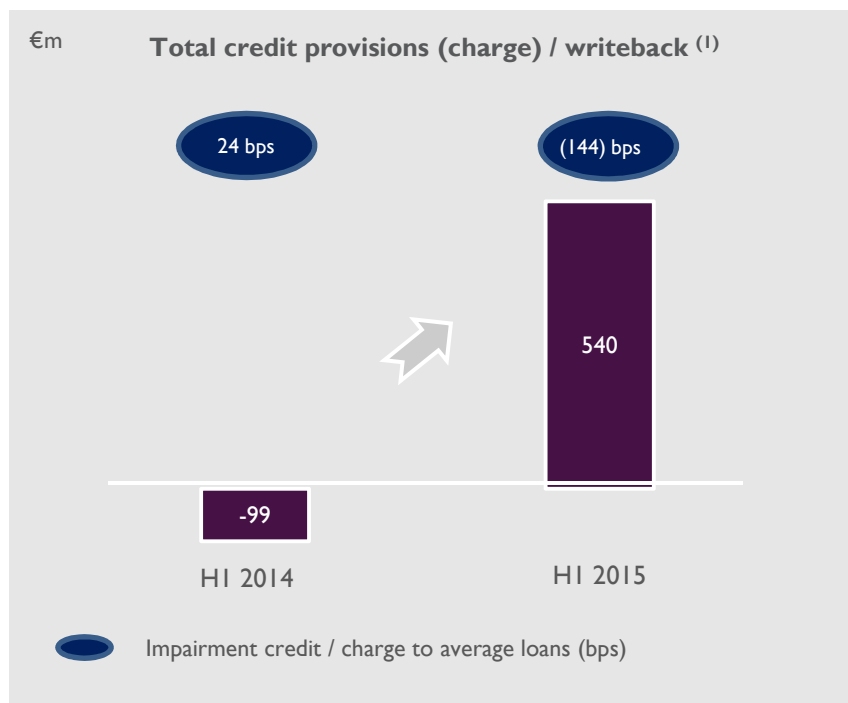
# Disciplined cost management



- Total operating expenses reduced by €38m (6%) year on year
- Lower staff costs driven by overall lower staff numbers, down €33m year on year
  - pay discussions at the Labour Relations Commission reaching conclusion
- Continued investment in customer, resilience and change agendas
  - further efficiencies expected from evolving simplified business model
  - incremental €300m investment planned over the medium term
    - delivering customer driven propositions
    - simplification
  - medium term cost income ratio target of 50%



# Aggregate writeback of provisions



Credit provision (charge) / writeback (€m)	HY 2015	HY 2014
Residential mortgages	323	23
Other personal	8	(48)
Property & construction	99	(28)
Non-property business lending	110	(46)
<b>Total credit provision (charge) / writeback <sup>(1)</sup></b>	<b>540</b>	<b>(99)</b>

*(1) Relates to loans to customers; excludes €3m writeback of provision for liabilities & commitments in HI 2015 and €7m writeback relating to loans and receivables to banks in HI 2014*

- Further improvement in credit quality reflecting a lower risk business
- Net provision writeback of €540m in the half year
  - €163m specific provisions charge for new impairments (43bps)
  - Improved economic environment and appropriately conservative credit underwriting process
  - IBNR release of €197m
  - €506m writeback of provisions across all portfolios of which 70% is in relation to the individually assessed cases
- Case by case restructuring activity impacted by
  - higher collateral values
  - unencumbered assets
  - additional cash flows and improved trading performance



# Balance sheet strengthened and positioned for further growth

Balance Sheet €bn	Jun-15	Dec-14	% Change
Gross loans to customers	73.3	75.8	-3%
Provisions	(9.5)	(12.4)	-23%
Net loans to customers	63.8	63.4	1%
Financial investment AFS	19.8	20.2	-2%
NAMA senior bonds	7.5	9.4	-20%
Other assets	15.6	14.5	8%
<b>Total assets</b>	<b>106.7</b>	<b>107.5</b>	<b>-1%</b>
Customer accounts	64.5	64.0	1%
Monetary Authority funding	3.3	3.4	-3%
Other market funding	12.8	13.4	-4%
Debt securities in issue	6.8	7.9	-14%
Other liabilities	7.0	7.2	-3%
<b>Total liabilities</b>	<b>94.4</b>	<b>95.9</b>	<b>-2%</b>
Shareholders' equity	12.3	11.6	6%
<b>Total liabilities &amp; shareholders' equity</b>	<b>106.7</b>	<b>107.5</b>	<b>-1%</b>

Key Metrics (%)			% Change
Loan deposit ratio	99	99	-
LCR	117	116	1%
NSFR	111	112	-1%
CRD IV transitional CET I ratio	17.4	16.4	1.0%
CRD IV fully loaded CET I ratio <sup>(1)</sup>	14.1	11.8	2.3%
€bn			% Change
Risk weighted assets	60.4	59.1	2.2%

(1) includes 2009 Preference Shares; CET I ratio 8.3% (ex 2009 Preference Shares)

(2) reduction includes a decrease in repos of €0.9bn

## Assets

- Net loans to customers showing signs of growth
- AFS portfolio decreased by €0.4bn to €19.8bn
- NAMA senior bond redemptions of €1.9bn

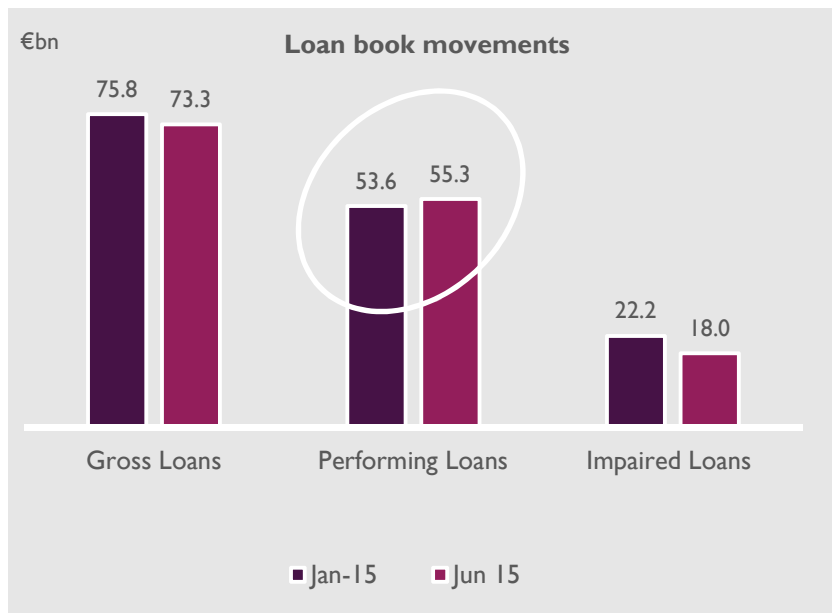
## Liabilities

- Customer accounts increased €0.5bn
  - strong growth in current accounts of €2.5bn
  - increase in demand deposits
  - offset by decrease in term deposits<sup>(2)</sup>
- Debt securities reduced €1.1bn
  - €2.2bn of maturities
  - offset by €1.25bn of new issuances in HI
  - additional Asset Covered Securities issuance of €750m in July 2015
- Other liabilities includes retirement benefit liabilities
  - Retirement benefit liabilities €0.6bn from €1.2bn at Dec '14 driven by changes in actuarial assumptions (2.2% at Dec '14 to 2.6% at Jun '15) used to value the Irish scheme's liabilities



# Increase in performing loan book

Customer Loans (€bn)	Earning Loans	Impaired Loans	Gross Loans	Specific Provisions	IBNR Provisions	Net Loans
<b>Opening balance (1 January 2015)</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>
New lending volumes	4.0	0.0	4.0	0.0	0.0	4.0
New impaired loans	(0.4)	0.4	0.0	(0.2)	0.0	(0.2)
Restructures and writeoffs <sup>(1)</sup>	1.5	(4.1)	(2.6)	3.0	0.0	0.4
Redemptions of existing loans	(4.4)	(0.9)	(5.3)	0.0	0.0	(5.3)
Foreign exchange movements	1.2	0.2	1.4	(0.2)	0.0	1.2
Other movements	(0.2)	0.2	0.0	0.1	0.2	0.3
<b>Closing balance (30 June 2015)</b>	<b>55.3</b>	<b>18.0</b>	<b>73.3</b>	<b>(8.6)</b>	<b>(0.9)</b>	<b>63.8</b>



- Growth in performing loans in H1, 2015
  - increased new lending of €4bn
  - €1.5bn increase in performing loans as a result of restructuring activity
  - €1.2bn increase due to FX movements
  - offset by redemptions of €4.4bn and new to impaired loans of €0.4bn
- Repayments exceeding new lending by €0.4bn

(1) Includes non contractual writeoffs



# Reducing balance sheet provisions and impairments

Balance Sheet Provisions Movements (€m)				
01-Jan-15	RBB	CIB	UK	Total
Specific	8,903	694	1,718	11,315
IBNR	853	153	85	1,091
<b>Total</b>	<b>9,756</b>	<b>847</b>	<b>1,803</b>	<b>12,406</b>

## Income statement impairment charge in period

Specific	-334	-10	1	-343
IBNR	-176	-16	-5	-197
<b>Total</b>	<b>-510</b>	<b>-26</b>	<b>-4</b>	<b>-540</b>
<i>Impairment charge / avg loans</i>	<i>197bps</i>	<i>50bps</i>	<i>7bps</i>	<i>144bps</i>

## Amounts written off / other<sup>(1)</sup>

<b>Total</b>	<b>2,233</b>	<b>88</b>	<b>66</b>	<b>2,387</b>
--------------	--------------	-----------	-----------	--------------

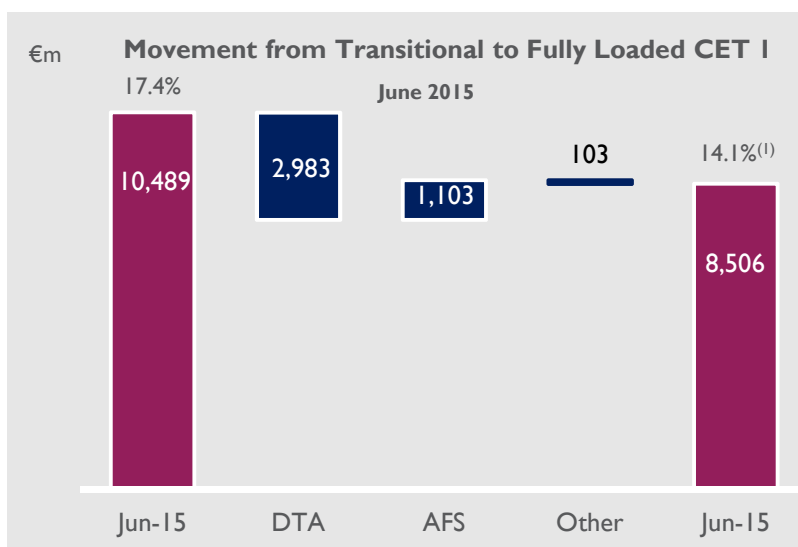
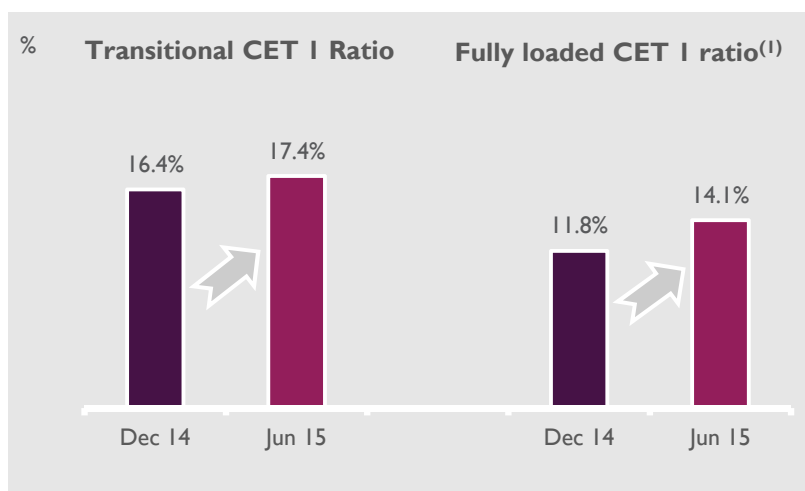
30-Jun-15	RBB	CIB	UK	Total
<b>Specific</b>	<b>6,336</b>	<b>596</b>	<b>1,645</b>	<b>8,577</b>
<b>IBNR</b>	<b>677</b>	<b>137</b>	<b>88</b>	<b>902</b>
<b>Total</b>	<b>7,013</b>	<b>733</b>	<b>1,733</b>	<b>9,479</b>

- Significant increase in provision write offs due to progress on case by case restructuring process
- Balance sheet provisions decreased by €2.9bn to €9.5bn
  - Specific provisions of €8.6bn down from €11.3bn
  - IBNR provisions of €0.9bn down from €1.1bn
- Specific provision / impaired loans cover reduced to 48% from 51% at Dec 2014 mainly driven by:
  - write off within portfolios with higher provision cover
  - write off where further recovery is considered unlikely

(1) Includes €172m in exchange related adjustments and €3m in recoveries on amounts written off in previous periods.



# Robust capital ratios



(1) Fully loaded CET I ratio includes 2009 Preference Shares, 8.3% excluding 2009 Preference Shares

(2) Other includes Pension, CCN Fair Value, Other

## Capital structure considerations

- Capital accretive and well positioned for returning capital to the Irish State
  - Dividend payments of c. €440m on 2009 Preference Shares and €1.6bn Contingent Capital Notes
  - €3.5 billion 2009 Preference Shares, possible conversion into ordinary equity of a portion of the instruments and a redemption of the balance
  - Scheduled redemption of €1.6bn Contingent Capital Note in July 2016

## CET I transitional ratio +1.0%

- Increase in CET I capital of €0.8bn is driven primarily by retained profit of €0.8bn

## CET I fully loaded ratio +2.3%

- Increase in CET I capital of €1.5bn, includes
  - €0.8bn attributable profits in 2015
  - €0.5bn pension deficit reduction



# Profitable across all segments

## Segmental reporting

- New segmental reporting focuses on the needs of our customers, combining groups with similar needs into franchises to deliver co-ordinated services
- Loan restructuring activity previously reported in Financial Solutions Group (FSG) now reported in new segments
  - Arrears support unit and customer restructuring continue to be managed within dedicated unit
- Reduction in impaired loans through customer restructuring remains a key focus

Contribution statement (€m)	Retail & Business Banking			Corporate & Institutional Banking			UK		
	HY	HY	Change	HY	HY	Change	HY	HY	Change
	2015	2014	%	2015	2014	%	2015	2014	%
Net interest income	619	568	9%	174	125	39%	148	112	32%
Other income	176	147	20%	176	243	-28%	50	43	16%
<b>Total operating income</b>	<b>795</b>	<b>715</b>	<b>11%</b>	<b>350</b>	<b>368</b>	<b>-5%</b>	<b>198</b>	<b>155</b>	<b>28%</b>
Total operating expenses	(338)	(353)	-4%	(58)	(60)	-3%	(76)	(82)	-7%
<b>Operating profit before provisions</b>	<b>457</b>	<b>362</b>	<b>26%</b>	<b>292</b>	<b>308</b>	<b>-5%</b>	<b>122</b>	<b>73</b>	<b>67%</b>
Provisions	510	(10)		29	(16)		4	(66)	
<b>Operating profit before exceptionals</b>	<b>967</b>	<b>352</b>		<b>321</b>	<b>292</b>		<b>126</b>	<b>7</b>	

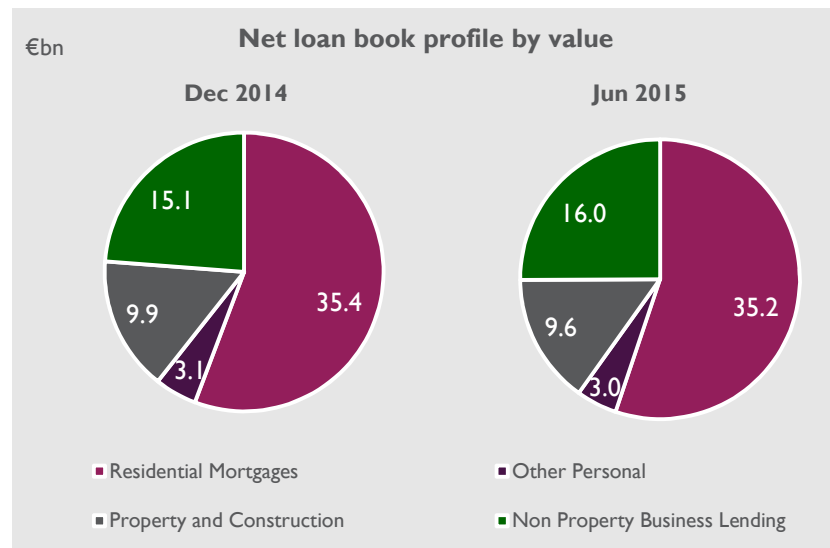
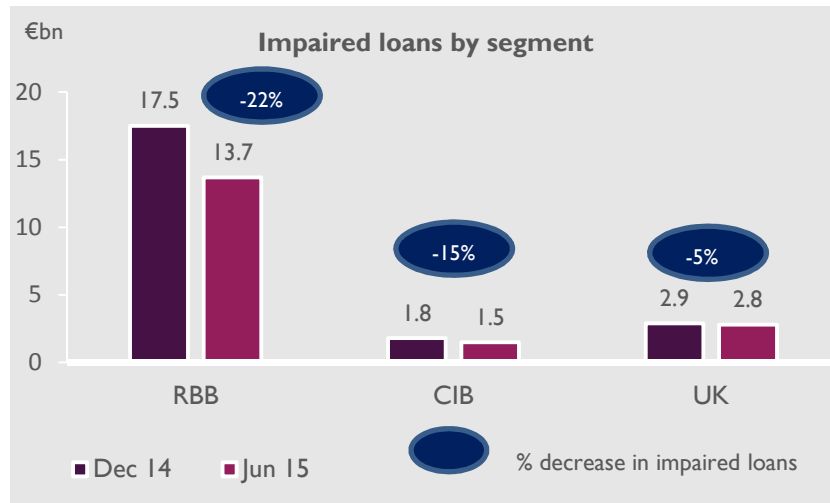
  

Balance sheet metrics (€bn)	Retail & Business Banking			Corporate & Institutional Banking			UK		
	Jun-15	Dec-14	%	Jun-15	Dec-14	%	Jun-15	Dec-14	%
Gross loans	50.3	53.4	-6%	10.2	10.2	0%	12.7	12.2	4%
Net loans	43.3	43.6	-1%	9.5	9.4	1%	11.0	10.4	6%
Customer accounts	38.9	37.7	3%	13.1	14.8	-11%	12.5	11.5	9%
LDR (%)	111%	116%	-5%	73%	64%	9%	87%	90%	-3%

**All businesses profitable with significant improvement in financial performance**



# Improvement in asset quality



(1) number of accounts

- Improvement in asset quality across all loan sectors
- Significant progress and momentum in restructuring customers in financial difficulty
- Impaired loans reduced by €4.2bn to €18bn
  - extensive engagement with customers to restructure facilities, redemptions and provision write offs
- Lower new impaired loans reflecting improved economic conditions and appropriately conservative credit underwriting process
- €4bn of new lending in H1 2015
- Performing loan book increased by €1.7bn to €55.4bn
- Residential mortgages remains the largest component of loan book at 55% of net loans
  - total mortgage arrears decreased by 13%<sup>(1)</sup>
  - reduction of c. 14,800 from peak of c 52,000 in Dec 2013
  - owner occupier arrears decreased by 13%<sup>(1)</sup>
  - reduction of c. 12,400 from peak of c 38,900 in Dec 2013





## Impaired balances lower in all major loan books

Jun-15 €m	Residential Mortgages	Other Personal	Property and Construction	Non-property business lending	Total
Loans and receivables to customers	37,937	3,690	13,799	17,909	73,335
Impaired	7,388	860	6,713	3,014	17,975
Balance sheet provisions (specific + IBNR)	2,756	641	4,169	1,913	9,479
Specific provisions / impaired loans (%)	32%	69%	60%	54%	48%
Total provisions / total loans (%)	7%	17%	30%	11%	13%

Dec-14 €m	Residential Mortgages	Other Personal	Property and Construction	Non-property business lending	Total
Loans and receivables to customers	38,846	3,837	15,537	17,612	75,832
Impaired	8,509	1,044	8,836	3,773	22,162
Balance sheet provisions (specific + IBNR)	3,427	768	5,652	2,559	12,406
Specific provisions / impaired loans (%)	34%	69%	62%	59%	51%
Total provisions / total loans (%)	9%	20%	36%	15%	16%

Movements €m	Residential Mortgages	Other Personal	Property and Construction	Non-property business lending	Total
Impaired	(1,121)	(184)	(2,123)	(759)	(4,187)
Balance sheet provisions (specific + IBNR)	(671)	(127)	(1,483)	(646)	(2,927)

- Specific provision / impaired loans cover reduced to 48% from 51% at Dec 2014 mainly driven by write-off of provisions:
  - due to case by case customer restructuring activity
  - within portfolios with higher provision cover
  - where further recovery is considered unlikely



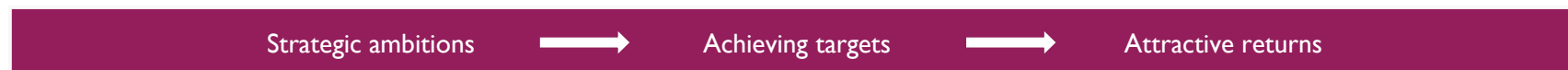


## Summary

Bernard Byrne  
Chief Executive Officer

# Key priorities and growth drivers

## Strong position to deliver future returns



	Medium Term Targets	HI 2013	HI 2015
Franchise growth	No. 1 Irish Bank	No. 1 market shares	No. 1 market shares
New lending	€7bn-€10bn p.a	€1.9bn	€4.0bn
Net interest margin (ex ELG)	>2%	1.28%	1.92%
Cost / income ratio	<50%	82%	48% / 52% <sup>(1)</sup>
Credit impairment charge	<65bps	169bps	(144bps) / 43bps <sup>(2)</sup>
Loan / deposit ratio	100%-120%	106%	99%
Fully loaded CET 1 capital ratio	>10%	9.5%	14.1% / 8.3% <sup>(3)</sup>

- (1) 52% excluding one off benefits  
 (2) 43 bps excluding impact of provision writebacks  
 (3) 8.3% ex €3.5bn 2009 preference shares

## Focused on returning capital to the Irish State





Delivering strong and sustainable financial performance in a growing macro-economic environment



Leading franchise with customer led strategy focused on delivering value and enhanced experience



Improving risk model with ongoing proactive credit quality management

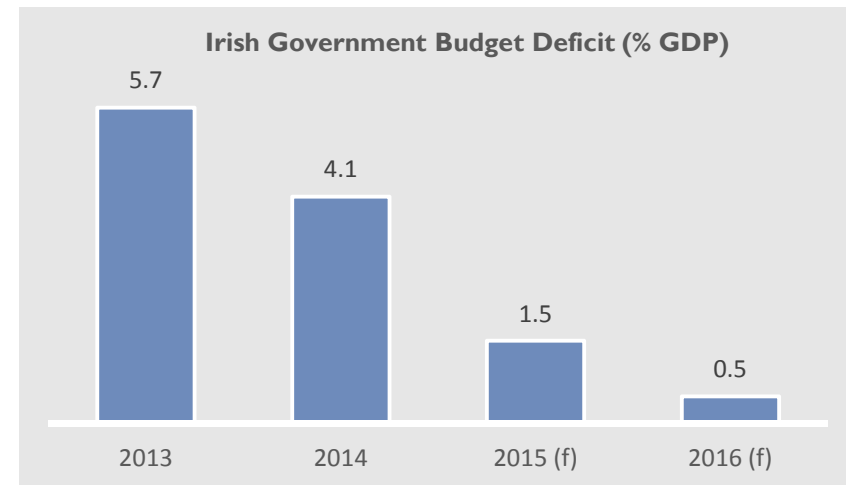
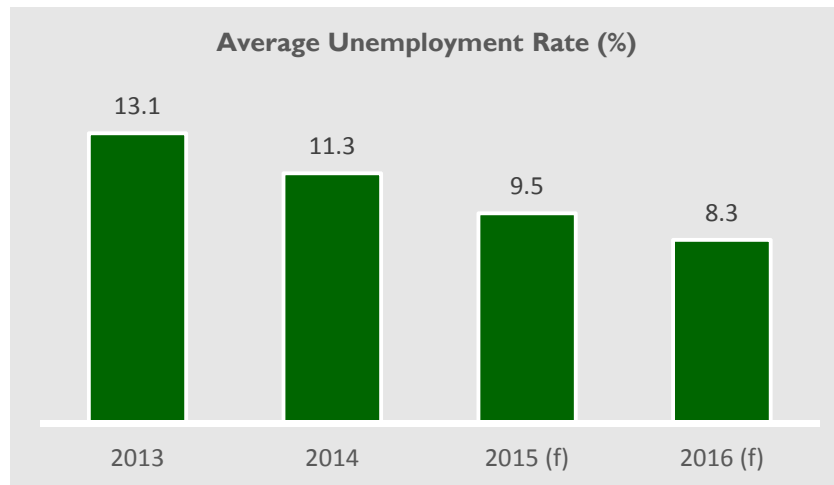
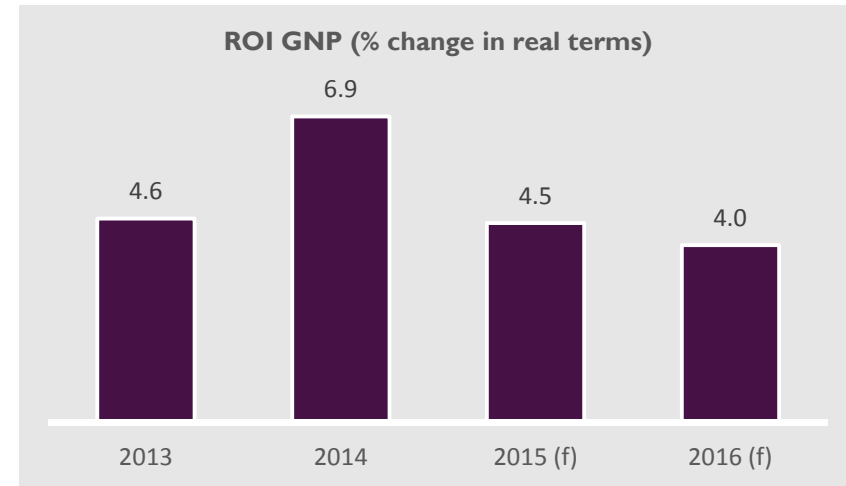
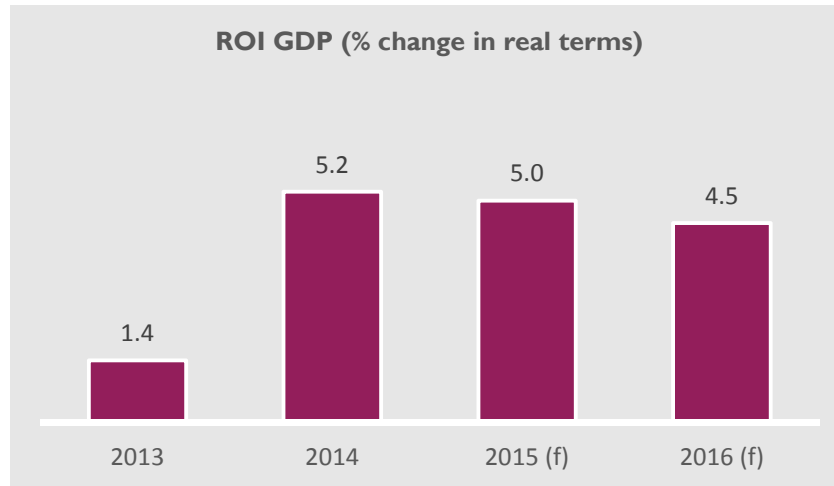


Well positioned to return capital to the Irish State



## Appendices

# Positive domestic economic conditions and outlook



Sources: Central statistics office, AIB economic research unit.

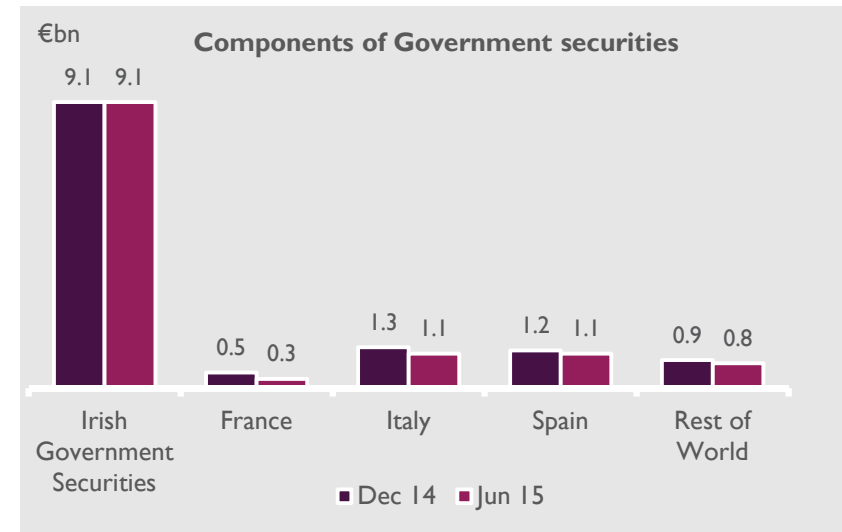
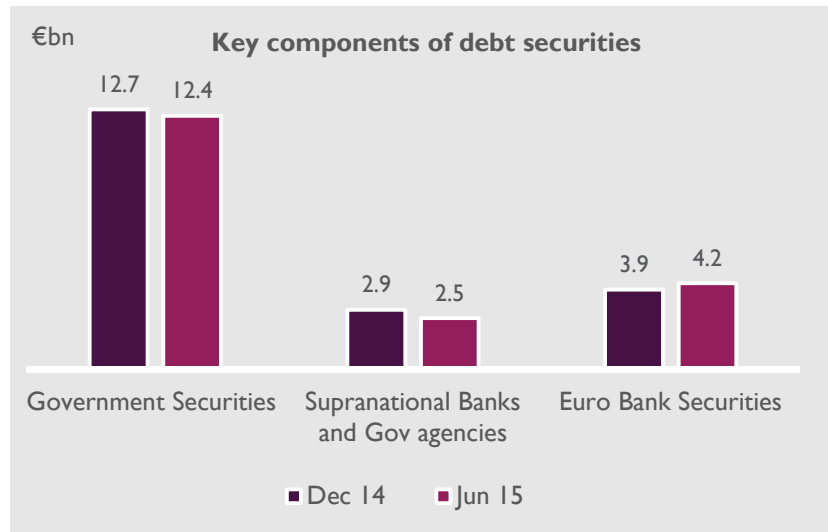


# Measured and balanced return to funding markets

Funding transactions since regaining market access										
	2012	2013				2014		2015		
	ACS Issuance November 2012	ACS Issuance January 2013	ACS Issuance September 2013	Cr. Card Secured Funding	Senior Unsecured	ACS Issuance March 2014	Senior Unsecured April 2014	ACS Issuance January 2015	Senior Unsecured March 2015	ACS Issuance July 2015
Issuer	AIB Mortgage Bank	AIB Mortgage Bank	AIB Mortgage Bank	AIB	AIB	AIB Mortgage Bank	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	Ba3/BB/BBB	Aa2/AA-/A+
Pricing Date	28-Nov-12	22-Jan-13	03-Sep-13	31-Oct-13	20-Nov-13	19-Mar-14	08-Apr-14	27-Jan-15	09-Mar-15	20-Jul-15
Tenor	3-year	3.5-year	5-year	2-year	3-year	7-year	5-year	7-year	5-year	5-year
Size	€500m	€500m	€500m	€500m	€500m	€500m	€500m	€750m	€500m	€750m
Reoffer Spread	MS + 270bps	MS + 185bps	MS + 180bps	Not disclosed	MS +235bps	MS +95bps	MS +180bps	MS+27bps	MS+108bps	MS+22bps
Coupon	3.125% annually	2.625% annually	3.125% annually	Not disclosed	2.875% annually	2.33% annually	2.75% annually	0.625% annually	1.375% annually	0.625% annually



# Available for sale portfolio



## Debt Securities

- AFS portfolio of €19.8bn of which 99% is investment grade
  - Dec 2014: €20.2bn
- Total debt securities portfolio\* decreased to €19.4bn
  - Dec 2014: €19.8bn
- Sales and maturities of c. €2.8bn partially offset by purchases of €2.7bn
  - Irish Government securities holding broadly the same
  - Decrease in Italian & Spanish sovereign bonds €0.3bn
  - Decrease in French sovereign bonds €0.2bn

- Decrease in fair value of debt securities €0.3bn is due to a widening of Irish, Italian and Spanish sovereign spreads and the impact of higher interest rates on fixed rate security holdings.
- Excludes NAMA senior bonds of c. €7.5bn
- Net AFS disposal gains in 2015 of €51m

## Equity Securities

- Equity securities of €0.5bn includes NAMA subordinated bonds
  - Increase in fair value of €0.04bn during 2015

\* excludes equity securities





# Components of regulatory capital structure

AIB Group	CRD IV Transitional	
	30-Jun-15	31-Dec-14
Capital Adequacy Information (€m)		
Common equity tier I after preference dividend	12,323	11,292
Regulatory adjustments	(1,834)	(1,575)
<b>Common Equity Tier I Capital</b>	<b>10,489</b>	<b>9,717</b>
Subordinated debt	384	538
Credit provisions	418	453
Regulatory adjustments	9	17
<b>Total Tier 2 Capital</b>	<b>811</b>	<b>1,008</b>
<b>Total Capital</b>	<b>11,300</b>	<b>10,725</b>
Risk Weighted Assets		
Credit risk	54,916	54,348
Market risk	833	471
Operational Risk	3,139	2,822
CVA/Other	1,507	1,473
<b>Total Risk Weighted Assets</b>	<b>60,395</b>	<b>59,114</b>
Capital Ratios		
<b>Common Equity Tier I Ratio</b>	<b>17.4%</b>	<b>16.4%</b>
<b>Total Ratio</b>	<b>18.7%</b>	<b>18.1%</b>

## 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 I 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 I capital
- 25% redemption step up applied from May 2014

## State Equity Investments

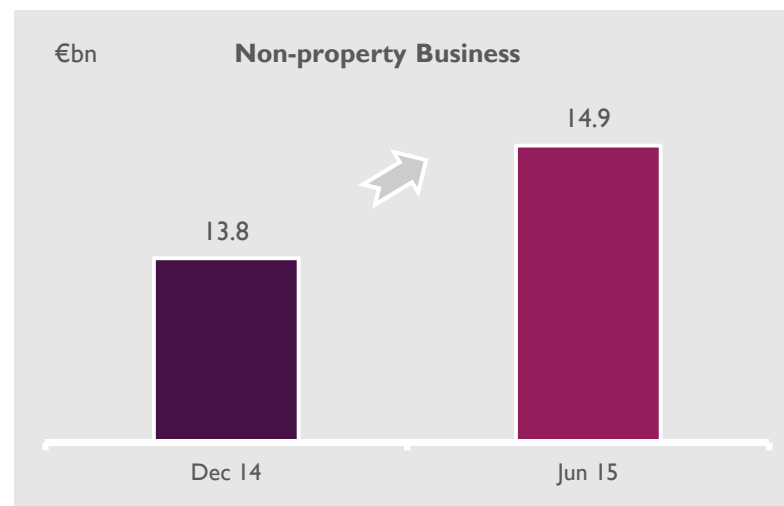
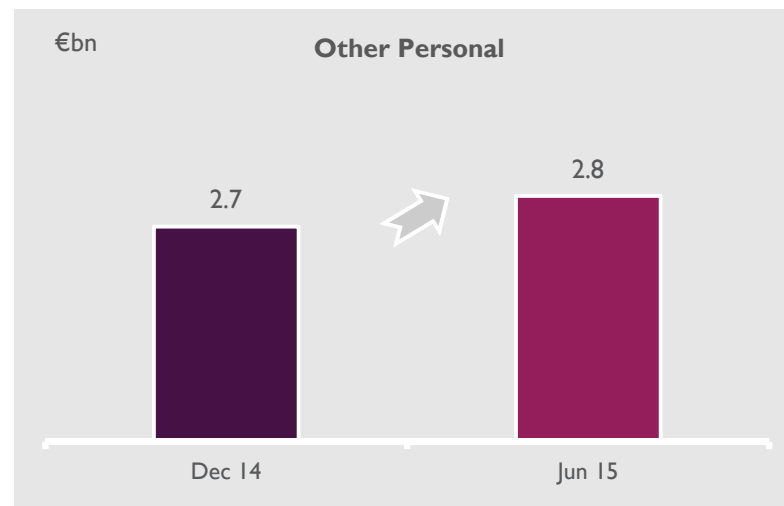
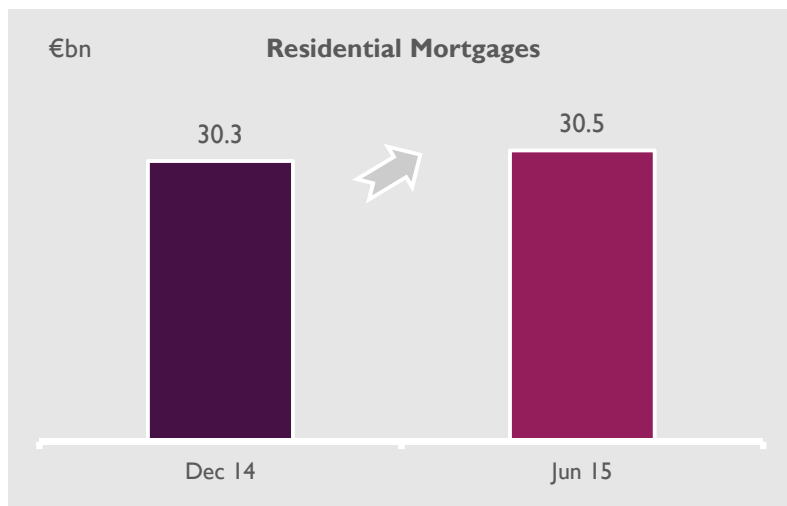
- €3.8bn of equity received in December 2010
- €5bn of equity received in July 2011 – 500 billion of ordinary shares issued at €0.01 per share
- State ownership is 99.8%
  - Total number of ordinary shares in issue is 523,438,445,437 (excluding treasury shares)
  - €6.05bn capital contribution received in July 2011

## Contingent Capital Notes

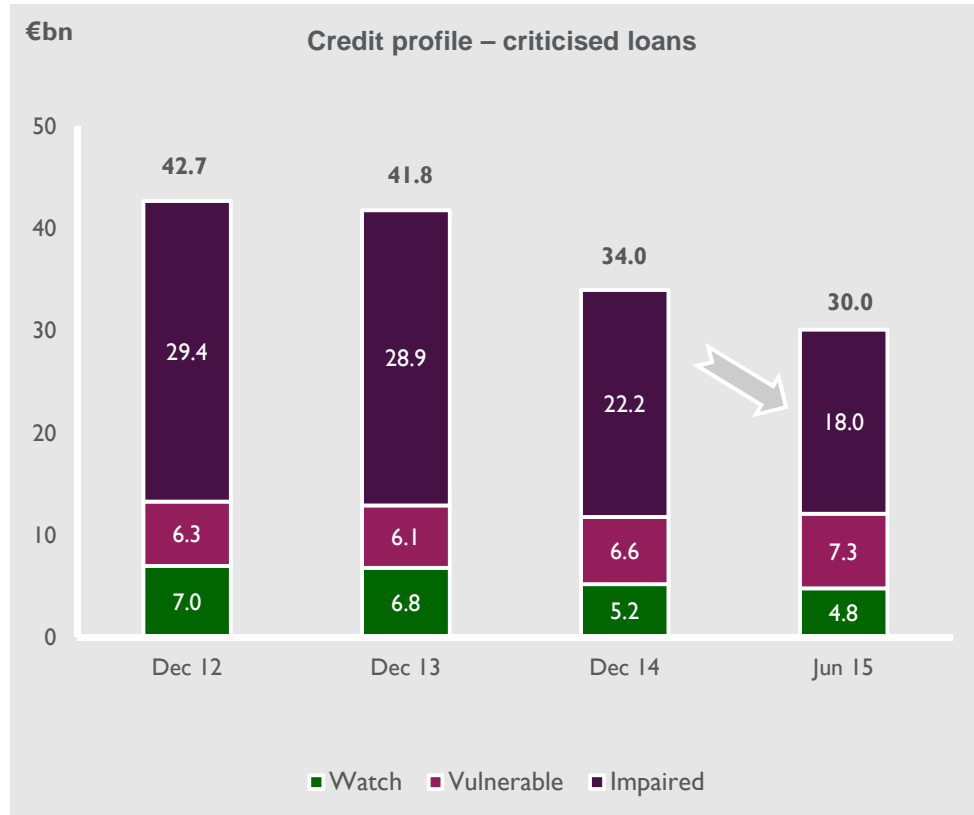
- €1.6bn Contingent Capital Notes issued to the State in July 2011
- 10% fixed annual coupon
- €0.4bn qualifying as Tier 2 capital at 30 June 2015
- Mandatorily convertible into equity upon trigger of 8.25% CET I ratio
- Maturing July 2016



# Growth in performing loans across all portfolios



# 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.



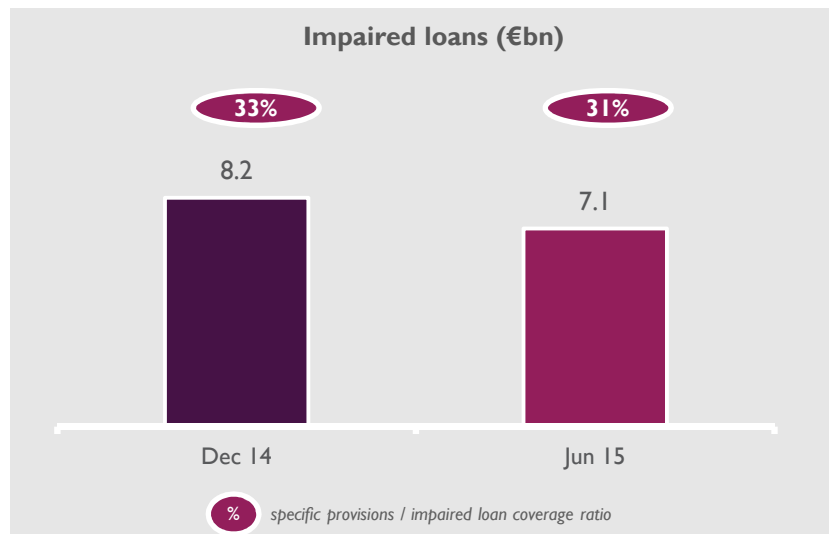
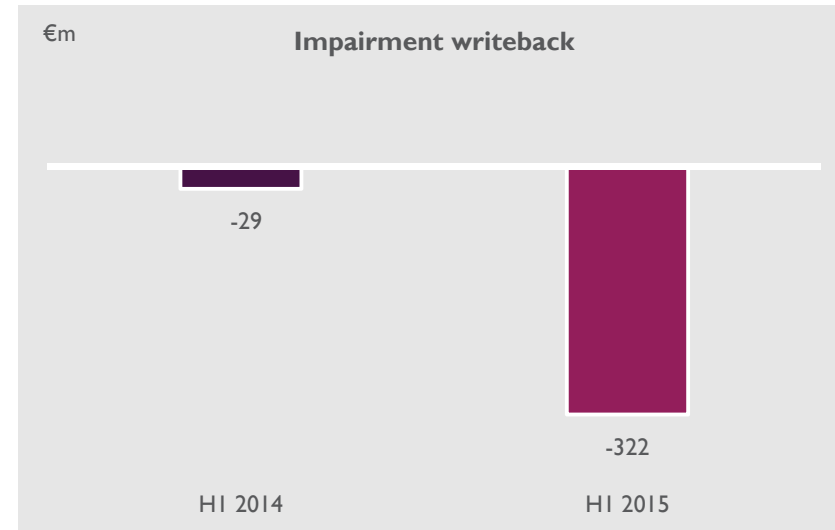
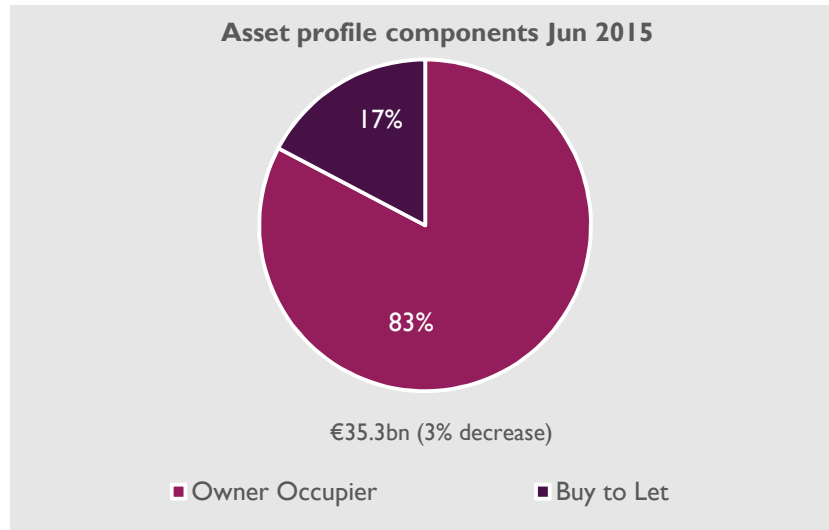
## Improving asset quality

€m	Jun-15				Dec-14			
	RBB	CIB	AIB UK	Total	RBB	CIB	AIB UK	Total
Residential mortgages	35,180	146	2,611	37,937	36,155	169	2,522	38,846
<u>of which:</u> owner-occupier	29,177	38	2,260	31,475	29,580	51	2,177	31,808
<u>of which:</u> buy-to-let	6,003	108	351	6,462	6,575	118	345	7,038
Other personal	2,990	287	413	3,690	3,141	289	407	3,837
Property and onstruction	5,812	3,586	4,401	13,799	7,348	3,794	4,395	15,537
Non-property business lending	6,368	6,209	5,332	17,909	6,771	5,957	4,884	17,612
<b>Total</b>	<b>50,350</b>	<b>10,228</b>	<b>12,757</b>	<b>73,335</b>	<b>53,415</b>	<b>10,209</b>	<b>12,208</b>	<b>75,832</b>
<b>Impaired loans</b>	<b>13,679</b>	<b>1,544</b>	<b>2,752</b>	<b>17,975</b>	<b>17,462</b>	<b>1,814</b>	<b>2,886</b>	<b>22,162</b>
<b>Impaired provisions</b>	<b>7,013</b>	<b>733</b>	<b>1,733</b>	<b>9,479</b>	<b>9,756</b>	<b>847</b>	<b>1,803</b>	<b>12,406</b>
<u>of which:</u> Specific	6,336	596	1,645	8,577	8,903	694	1,718	11,315
<u>of which:</u> IBNR	677	137	88	902	853	153	85	1,091
Specific provisions / impaired loans	46%	39%	60%	48%	51%	38%	60%	51%
<b>Net Loans</b>	<b>43,337</b>	<b>9,495</b>	<b>11,024</b>	<b>63,856</b>	<b>43,659</b>	<b>9,362</b>	<b>10,405</b>	<b>63,426</b>

**Impaired loans and provisions reducing across all segments**



# ROI residential mortgages

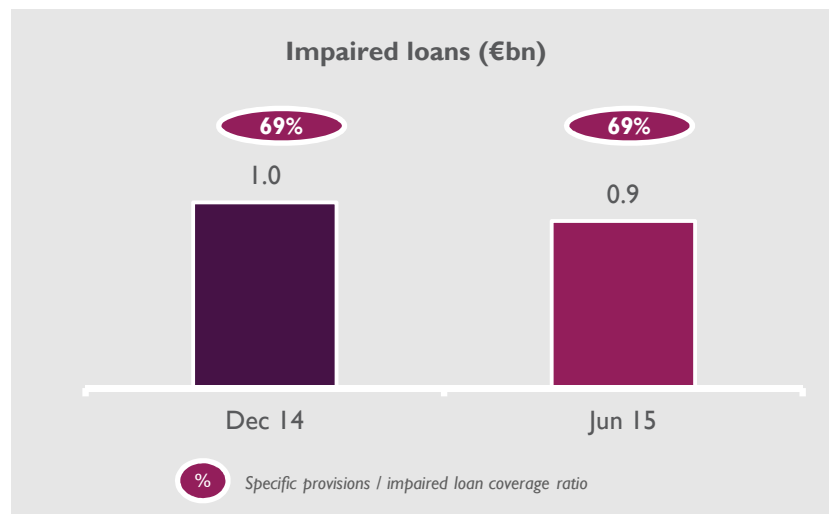
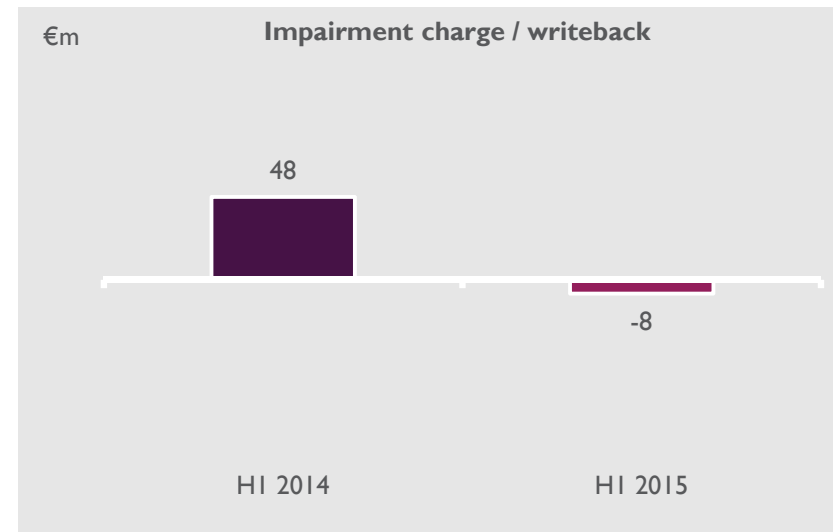
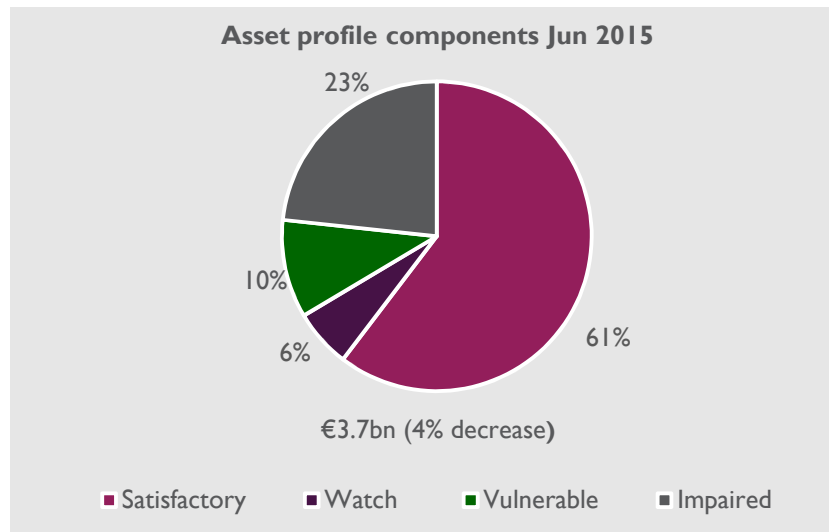


- ROI mortgage portfolio comprises 38% tracker rate, 52% variable rate and 10% fixed rate mortgages
- Total loans in arrears in the ROI mortgage portfolio decreased by 13% in the 6 months to June 2015 <sup>(1)</sup>
- Provisions writeback as a result of loans curing from impaired and also reflects a number of changes in provisions assumptions based on underlying economic and observed customer performance data

(1) number of accounts

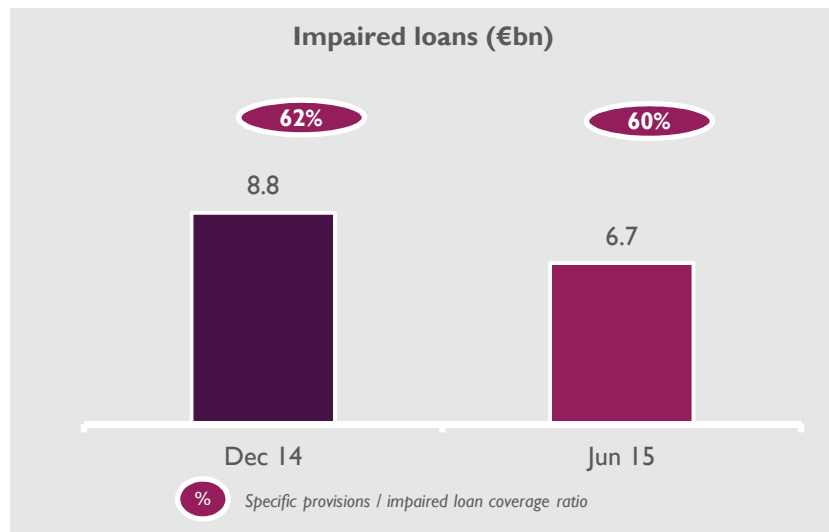
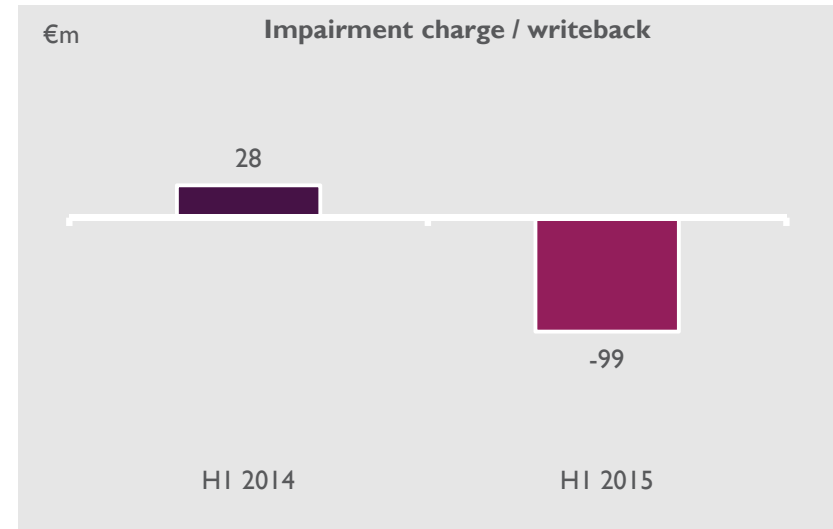
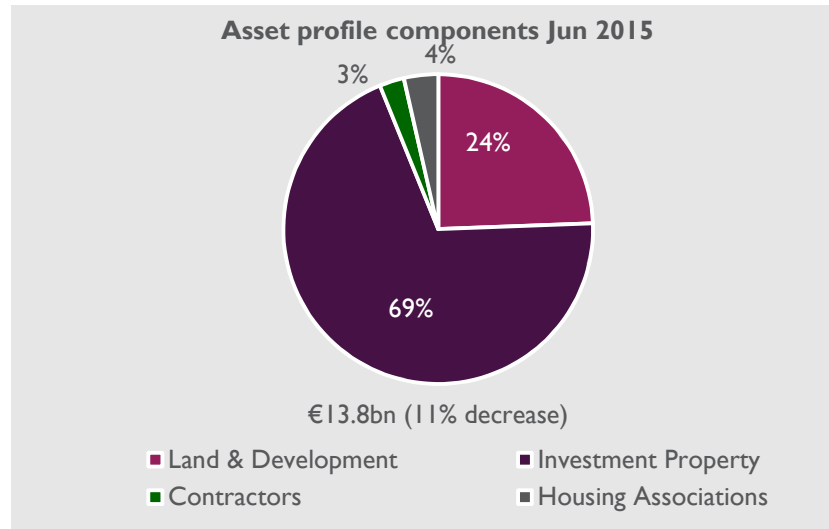


# Other personal lending



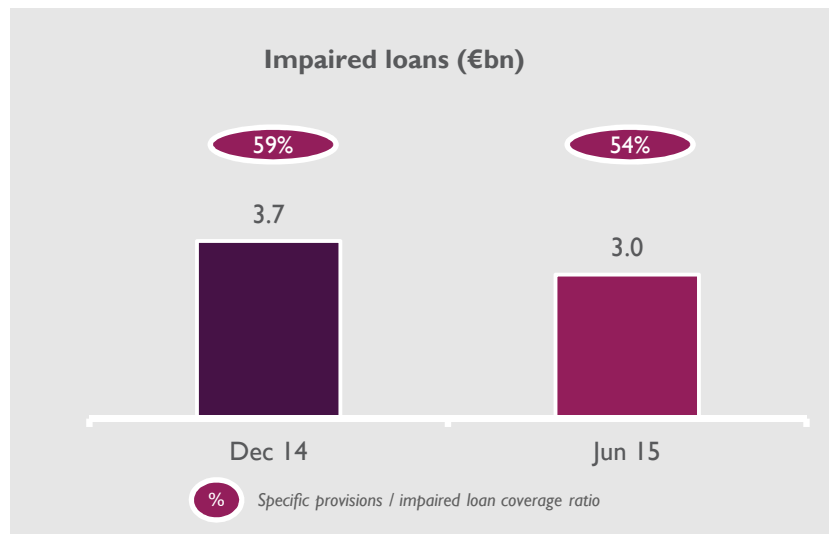
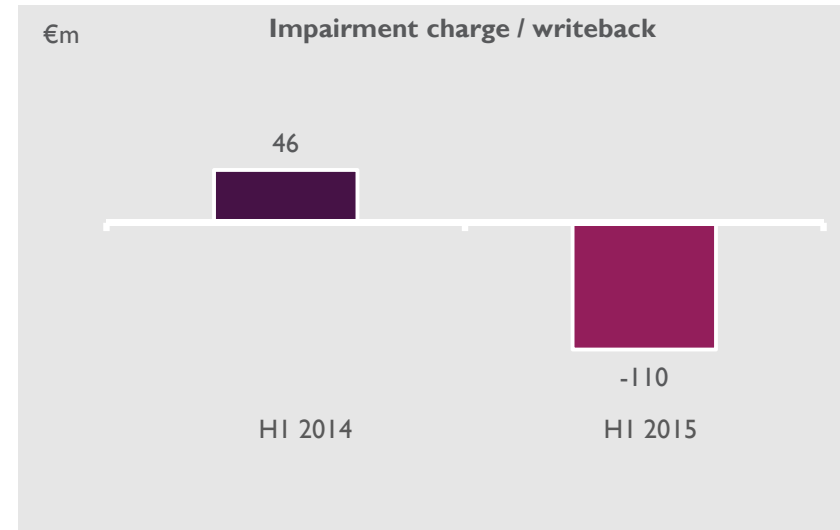
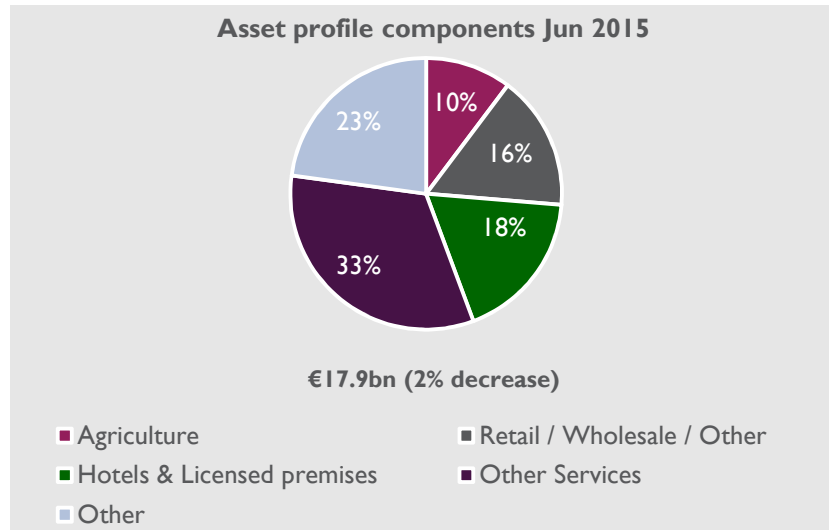
- Overall portfolio has reduced by 4% since Dec 14; an 18% reduction in the impaired category and no change in the satisfactory category
- Increase in demand for personal lending has continued in HI 2015 due to both improved economic environment and an improved service offering e.g. immediate decisions online

# Property and construction



- Overall portfolio has reduced by 11% since Dec 14 mainly due to restructuring and repayments from asset sales
- Impaired loans reduced by €2.1bn to €6.7bn
  - Rate of new impairments continuing to decrease
- Investment property portfolio reduced by €1.0bn to €9.6bn in the six months due to restructuring, asset sales and repayment of debt
- Land and development portfolio of €3.4bn, 68% of which is in Ireland

# Non-property business lending



- 70% of portfolio is from ROI and 30% from the UK
- Increased activity across all sub-sectors in the portfolio due to increased credit demand, improved grade migration offset by continued restructuring activity, write-offs, amortisations and repayments.
- €0.9bn reduction in criticised loans to €5.4bn as a result of restructure and repayments
- €0.8bn reduction in impaired loans to €3.0bn





# ROI Mortgages - stock of forbearance measures

Forbearance type by mortgage	June 2015 - Total		of which: loans > 90 days in arrears and/or impaired		Dec 2014 - Total		of which: loans > 90 days in arrears and/or impaired	
	Number	Balance (€m)	Number	Balance (€m)	Number	Balance (€m)	Number	Balance (€m)
Interest only	3,936	740	1,901	380	5,626	1,034	2,923	583
Reduced payment (greater than interest only)	1,708	367	999	221	2,162	446	1,320	298
Payment moratorium	671	104	275	41	862	127	335	49
Fundamental restructure	808	126	126	20	x	x	x	x
Arrears capitalisation	18,174	2,781	10,593	1,778	17,050	2,741	11,088	1,962
Term extension	6,064	674	646	86	6,378	710	814	107
Split mortgages	2,684	422	1,777	264	2,399	372	2,319	351
Voluntary sale for loss	616	48	346	38	550	53	382	45
Low fixed interest rate	842	135	572	89	377	59	261	40
Positive equity solution	771	82	368	34	228	23	115	11
Other	18	4	4	1	18	5	4	1
<b>Total</b>	<b>36,292</b>	<b>€5,483</b>	<b>17,607</b>	<b>€2,952</b>	<b>35,650</b>	<b>€5,570</b>	<b>19,561</b>	<b>€3,447</b>

## Forbearance – mortgage

- Delivering sustainable long term solutions to mortgage customers
  - ongoing reduction in interest only forbearance
- Following restructure, loans are reported as impaired for a further 12 months (probationary period)
  - c. €0.5bn reduction in forborne >90 days in arrears and/or impaired loans in the period



## Non-mortgage - stock of forbearance measures

Forbearance Type by Non-Mortgage	Jun-15				Dec-14			
	Other Personal	Property and construction	Non-property business lending	Total	Other Personal	Property and construction	Non-property business lending	Total
	Balance €m	Balance €m	Balance €m	Balance €m	Balance €m	Balance €m	Balance €m	Balance €m
Interest only	74	353	207	634	67	455	198	720
Reduced payment (greater than interest only)	11	28	41	80	7	29	39	75
Payment moratorium	29	12	33	74	4	18	22	44
Arrears capitalisation	29	37	50	116	36	60	54	150
Term extension	129	253	167	549	105	294	172	571
Fundamental restructure	32	958	284	1274	17	722	197	936
Restructure	326	625	702	1653	462	663	874	1999
Other	11	120	139	270	10	109	120	239
<b>Total</b>	<b>641</b>	<b>2,386</b>	<b>1,623</b>	<b>4,650</b>	<b>708</b>	<b>2,350</b>	<b>1,676</b>	<b>4,734</b>

### Forbearance – non-mortgage

- Non-mortgage forborne loans of €4.6bn at June 2015
  - c. €1.8bn of impaired with specific provision cover of 53%
  - majority of forborne loans in property and construction sector
- €1.3bn of ‘fundamental restructures’
  - new facilities (main and secondary) recognised at fair value at inception
  - main facilities reflects the estimated sustainable cashflows such that the main facility is repaid in full
  - carrying value of main facilities of €1.3bn with associated contractual secondary facilities of €1.8bn
  - additional cashflows\* of €17m, cash realisations only, received on secondary facilities

\* could occur due to disposal of collateral at a higher value than originally expected, stronger trading performance or new sources of income

