

Allied Irish Banks, p.l.c.



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

David Hodgkinson

Executive Chairman

Overview

2010 Financial Summary

Outline of Restructuring Plan and Strategic Review

Current realities

- Low industry confidence
- €18bn* private capital consumed
- Additional capital mandated
- Monetary authority support
- Deleveraging required
- Restructuring underway
- Focus on risk control
- High level of loans in workout

Basis to rebuild

- State investment and commitment
- Core tier one capital 22% (proforma Dec 2010)
- AIB pillar of banking landscape
- Fire power for customer support
- Enhancing already strong franchise
- Monetary authority dependence declining
- Capable and committed staff
- Core / non core separation
- Active asset reduction programme
- New operating model and structure
- Potential for future returns

* since June 2008

- Fulfil a key role in the recovery and development of the Irish economy
- Restore AIB to a sustainable position of stand-alone strength and stability with the capacity to grow in a measured and prudent manner
- Redefine customer proposition to meet their needs and expectations
- Strengthen our controls, governance and approach to risk
- Deliver these goals with new leadership and a reinvigorated workforce of skilled, engaged and accountable people

Ultimately generate a return to our shareholders enabling a return to private ownership

- Most challenging change programme AIB has ever undertaken; necessary to fulfil responsibilities to our stakeholders and customers
- Separate €86bn net loans into core bank c. €61bn and newly established non-core bank c. €25bn (non-core to include performing loans not of strategic relevance)
- Pursue a controlled deleveraging plan to run down the non-core bank over time, achieving a consolidated loan to deposit ratio of 122.5% by year end 2013 (core bank 115%)
- Restructure operations to better align our business with our customers
- Get back to business as usual
- Significantly reduce the cost base in line with the new operating model to ensure financial viability over the medium term
- Identify new leadership and foster cultural change

Capital actions c. €8bn generated

- Poland, M&T, Goodbody, Anglo deposits
- Liability management exercises
- Loan portfolio reductions

Repairing

- Strengthened risk management / control
- Detailed credit review

Rebuilding Nov 2010 to date

Comprehensive review



- New strategy; Irish customer centric
- New team; evaluation of internal / external mix
- New structure; core and non core creation
- Independent assessment and validation
 - Deloitte, Promontory, Mazars, State and its advisors

Funding

- Anglo deposits, €8.6bn acquired

Deleveraging

- Gross loans reduced by €34bn in 2010

Increased capital requirement	
	<u>€bn</u>
Equity	6.3
Capital buffer	1.4
Contingent capital	1.4
	<hr/>
	9.1
Capital deferred since Feb	4.2
	<hr/>
Total	13.3

■ State commitment

- €7.2bn already invested
- Early achievement of capital requirement

■ Highly conservative approach

- AIB will be very strongly capitalised
- Customer support capability

■ Net core loans €61bn, non-core loans €25bn

- c. €20bn deleveraging, loan / deposit ratio of 122.5% by Dec 2013

■ AIB to merge with EBS

- Good customer base
- Positive early engagement
- Details to be agreed

2010 Financial Summary

Bernard Byrne
Chief Financial Officer

Except where stated, the commentary in this presentation is on a continuing operations basis which constitute the businesses AIB will continue to operate following business disposals.

In 2010 these continuing businesses comprised the following divisions:
AIB Bank RoI, Capital Markets, AIB Bank UK and Group.

- Extremely difficult year, loss after tax of c. €10.4bn
- Irish economic environment and sentiment further deteriorated in H2
 - Materially influenced our assessment of asset quality; higher bad debt charges were required
 - AIB's capital requirement increased significantly following regulatory reviews and increased discounts on loans transferring to NAMA
- Elevated market concerns about Ireland and its banking sector
 - Reduction in customer deposits; wholesale funding sources mainly confined to monetary authorities

€bn	Dec* 2010	Dec* 2009
Total operating income	2.6	4.1
Operating profit	1.0	2.6
Credit provisions – non-NAMA	(4.5)	(1.9)
Profit / loss before tax (pre NAMA)	(3.5)	0.7
NAMA		
- credit provisions / transfer losses	(8.5)	(3.4)
Loss before tax	(12.0)	(2.7)
Loss after tax	(10.4)	(2.3)

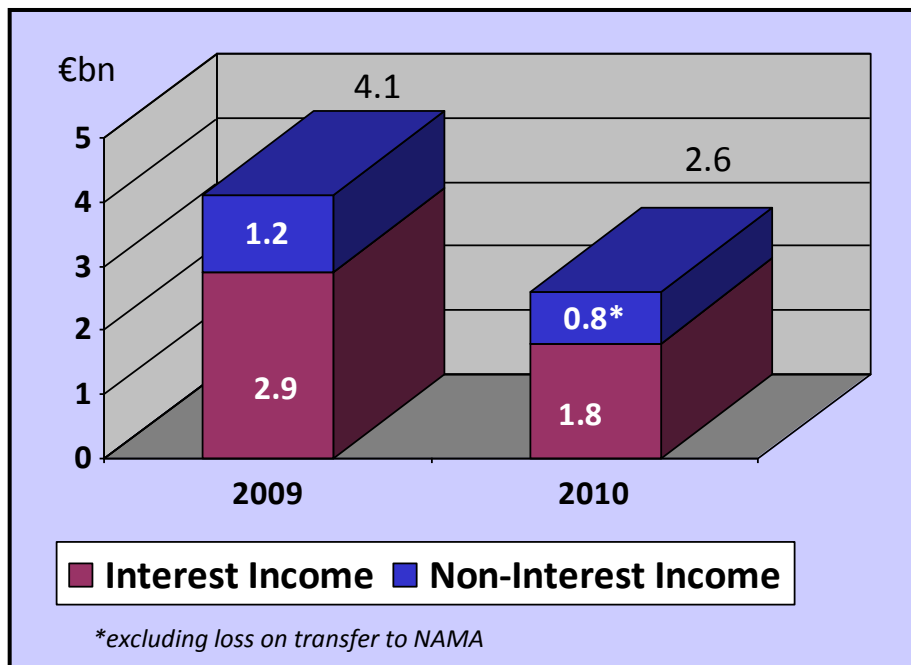
Funding %	Dec 2010	Dec 2009
Loans / deposits ratio	165	123
Wholesale funding as % of total funding	48	39

Capital %	Dec 2010	Dec 2009
RWAs [#] (€bn)	89	120
Core tier 1 ratio	4.0	7.9
Tier 1 ratio	4.3	7.2
Total capital ratio	9.2	10.2

* excludes NAMA effects except where stated

** excluding ELG

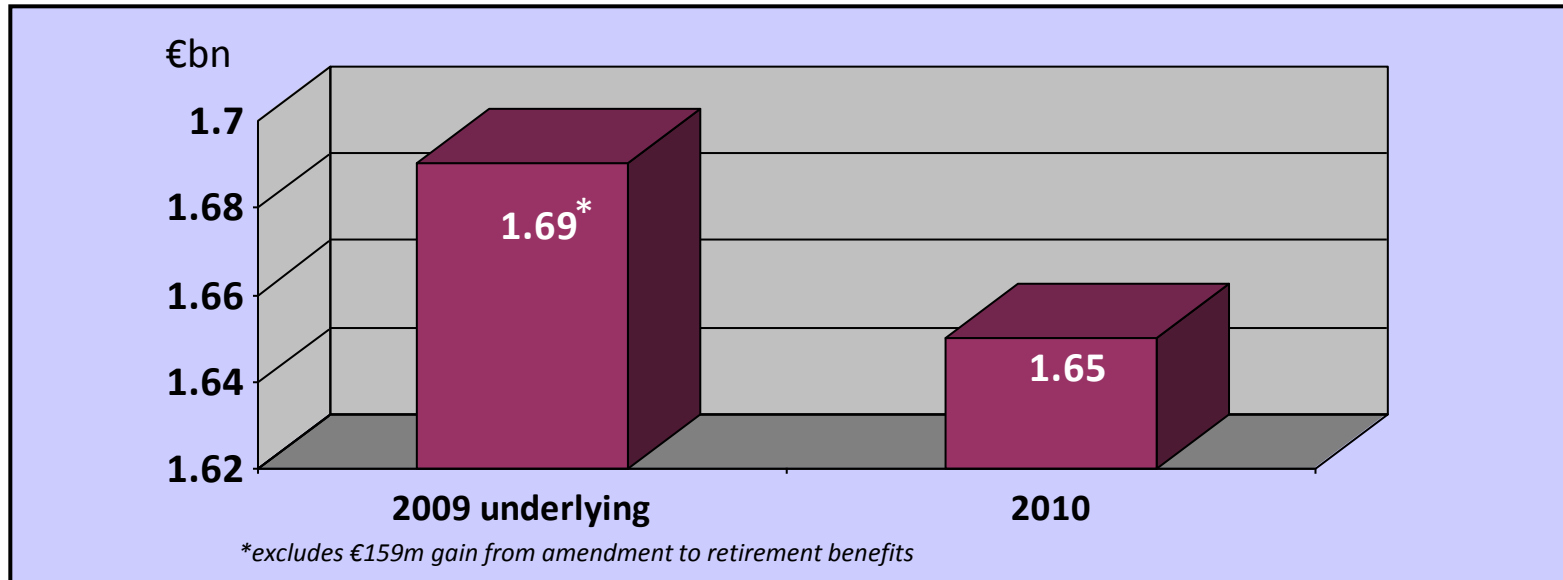
excludes Poland, includes c. €2bn residual NAMA loans



Net interest margin		bps
2009 NIM		184
Customer deposits	-20	
Cost of wholesale funding	-14	
Capital income	-19	
Loan margins	+10	
Treasury/other	+11	
2010 NIM		152*

* excludes ELG costs 21 bps

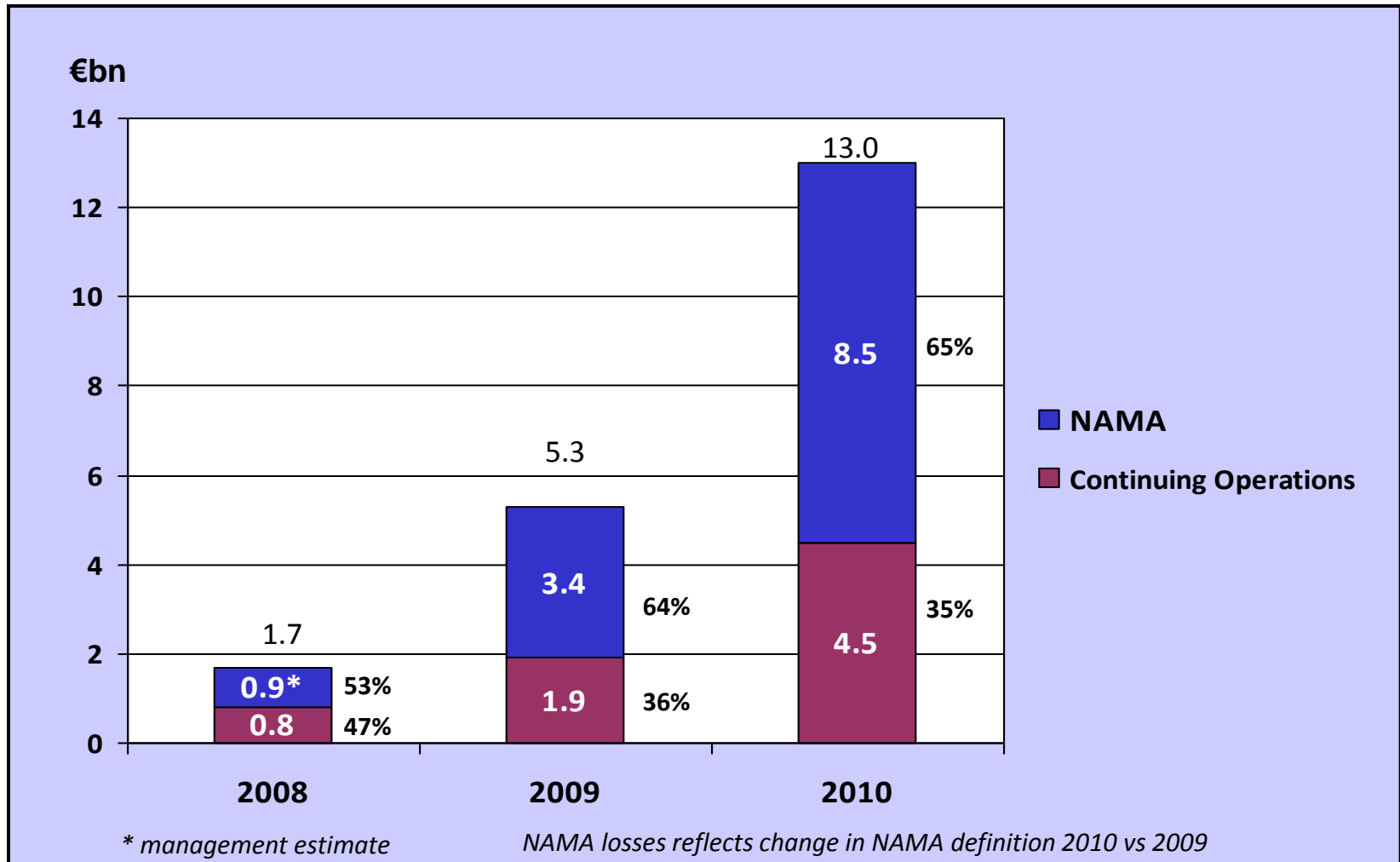
- Key drivers were higher deposit and funding costs, lower loan and capital income
- Average interest earning assets reduced from €156bn to €141bn in 2010

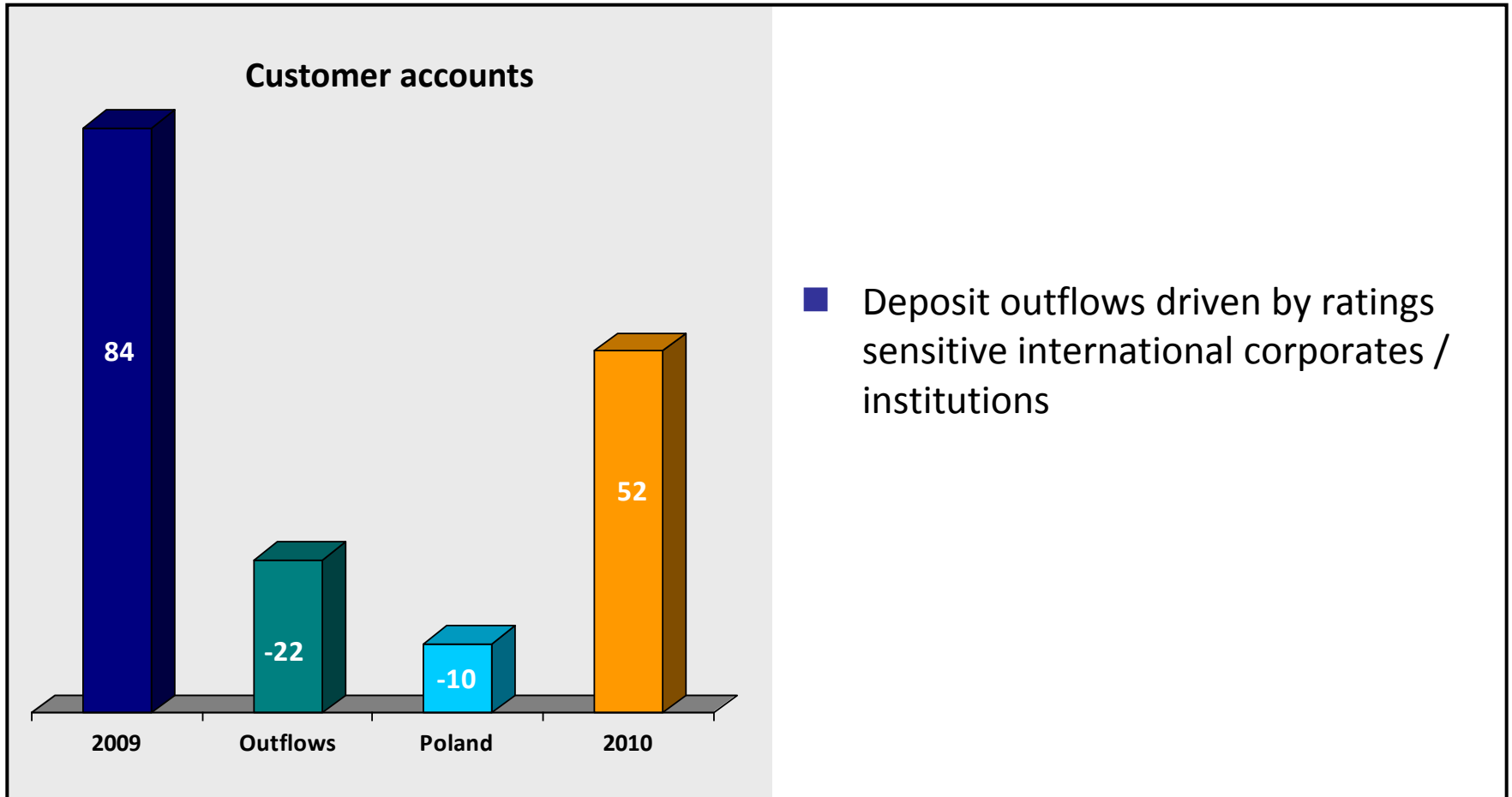


€bn	2009	2010
Personnel expenses	1.07	0.92
General & administration	0.49	0.55
Other	0.13	0.18
	<u>1.69</u>	<u>1.65</u>

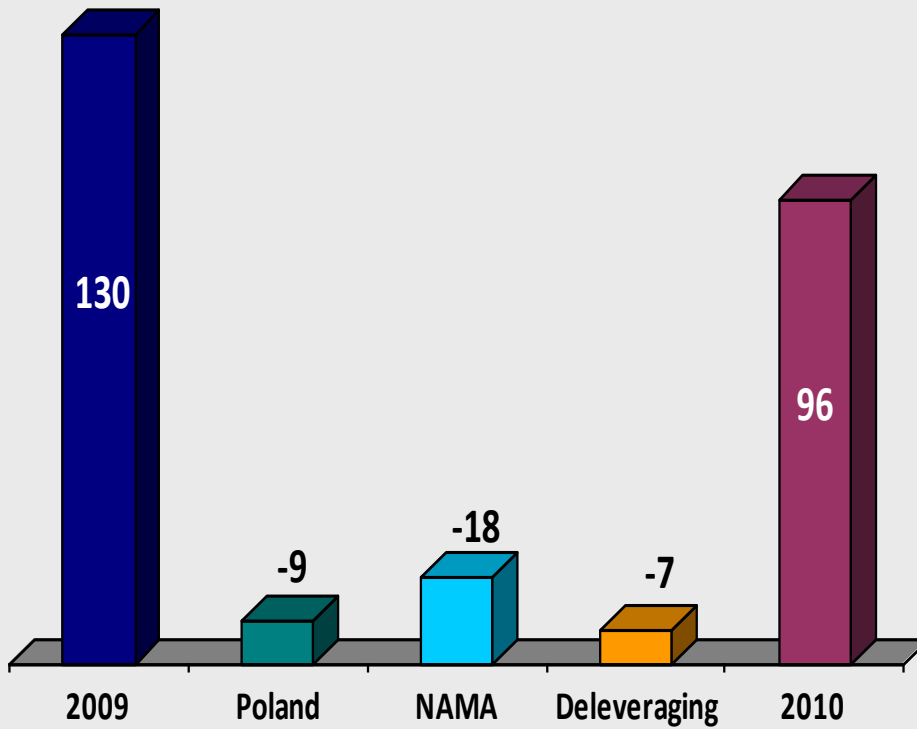
- Staff costs ↓ 14%; following reductions of 5% and 8% respectively in 2008 and 2009
- Non staff costs inflated by non recurring items

Credit losses – c. €20bn over 3 years



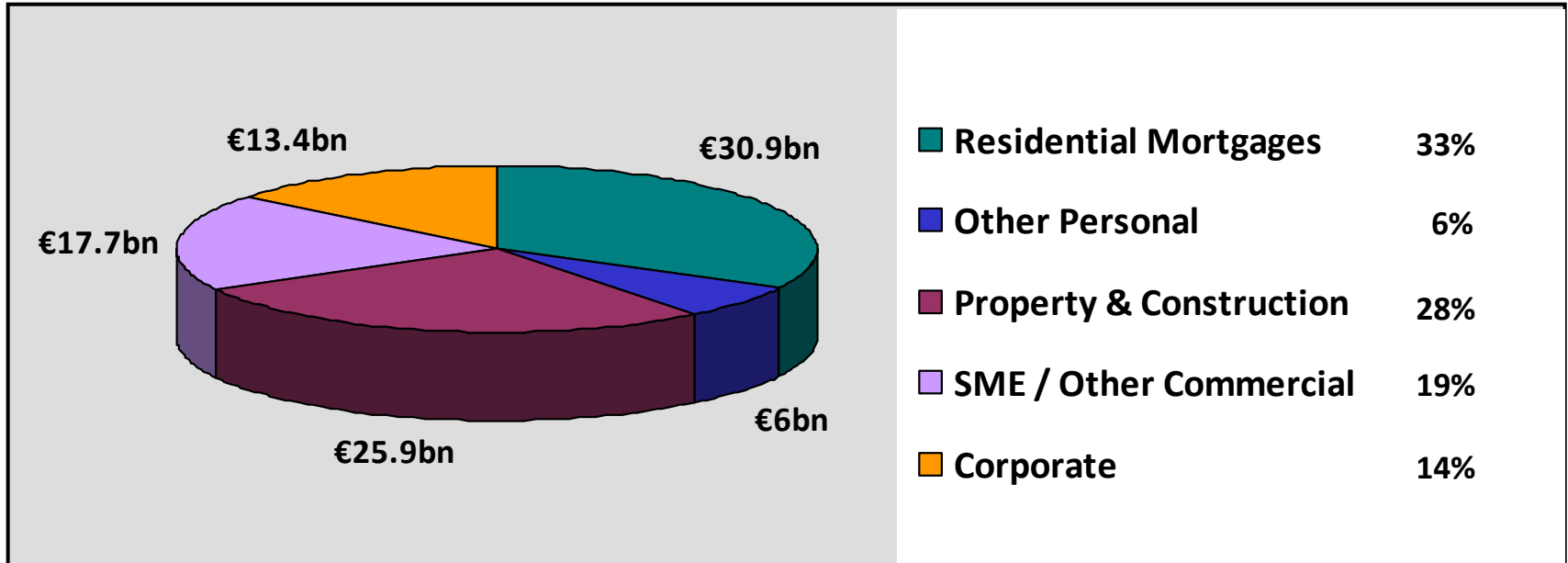


Gross loans to customers



■ Loans reduction €34bn

Loan book composition – total €94bn*



* excludes NAMA €2.25bn held for sale on which provision for loss of 60% has been made

- **Provisions and PCAR loss forecasts are very different.**
- To comply with accounting rules (IFRS), AIB and other banks are required to make provisions on an “incurred” loss basis. This means that we provide for losses on loans that we have identified as impaired (specific provisions) and for loans that, based on current conditions, management consider have incurred losses not yet reported (IBNR provisions)
- AIB and other banks are prohibited under the accounting rules from making provisions for “expected” losses. These are losses that may occur depending on future conditions
- The Central Bank of Ireland estimated “expected” losses and requested banks to do their own estimates as part of the recent PCAR. Allowance for these losses is made in the capital requirement mandated for banks by the Central Bank.

Watch

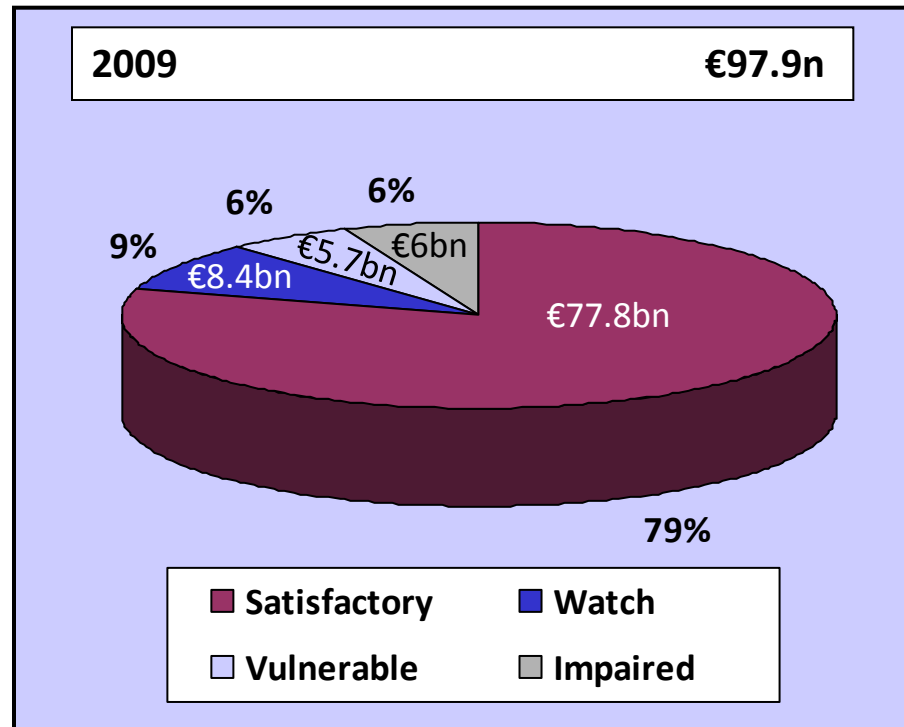
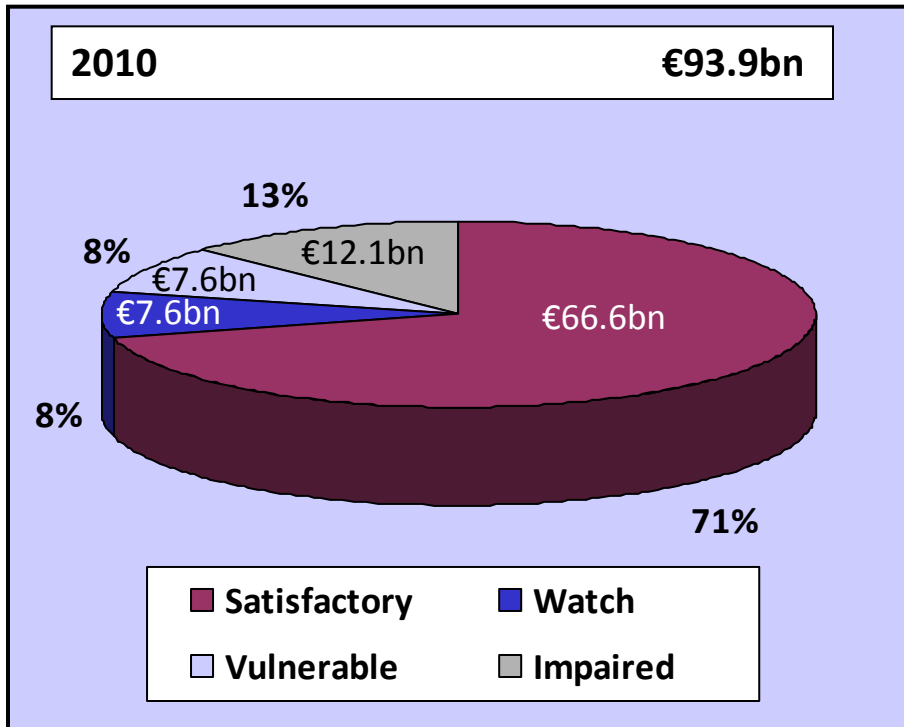
- Credit exhibiting weakness but with the expectation that existing debt can be fully repaid from normal cashflow

Vulnerable

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

Impaired

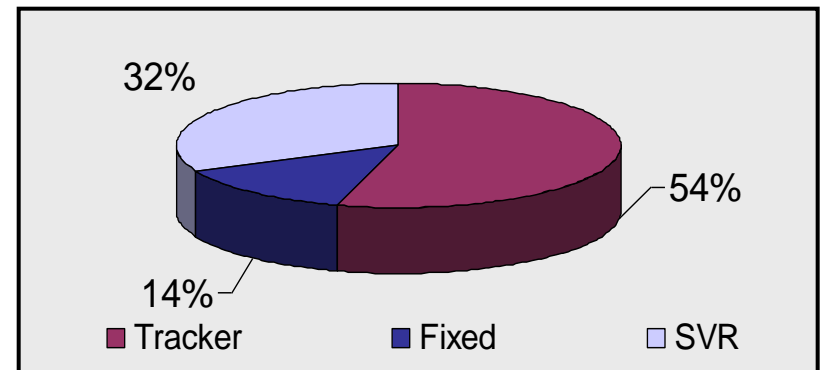
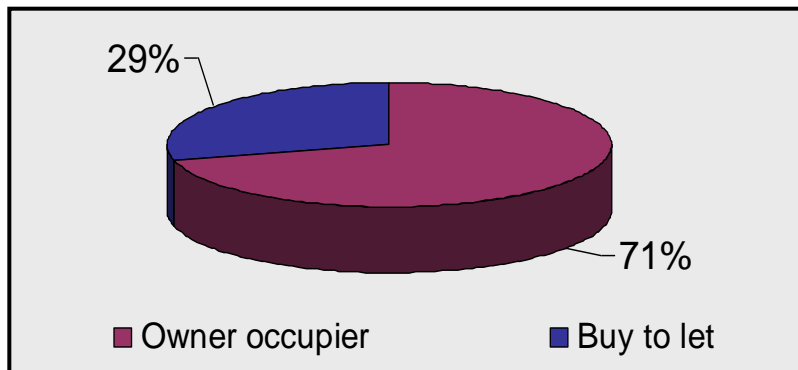
- A loan is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a “loss event”) and that loss event (or events) has an impact such that the present value of future cash flows is less than the current carrying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



Total provisions	€7.3bn	←	Total provisions	€2.7bn
Specific provisions / impaired loans	42%	←	Specific provisions / impaired loans	34%
Total provisions / impaired loans	60%	←	Total provisions / impaired loans	45%

* excludes Poland and NAMA

- Residential Mortgages c. €31bn, represent c. 33% of all continuing operations loans
- UK mortgages of c. €3.4bn; N.I. €2.3bn & GB €1.1bn
 - Total arrears €188m; higher arrears experience in N.I. €131m
 - 90+ days arrears of €141m
- RoI total mortgage portfolio €27.2bn



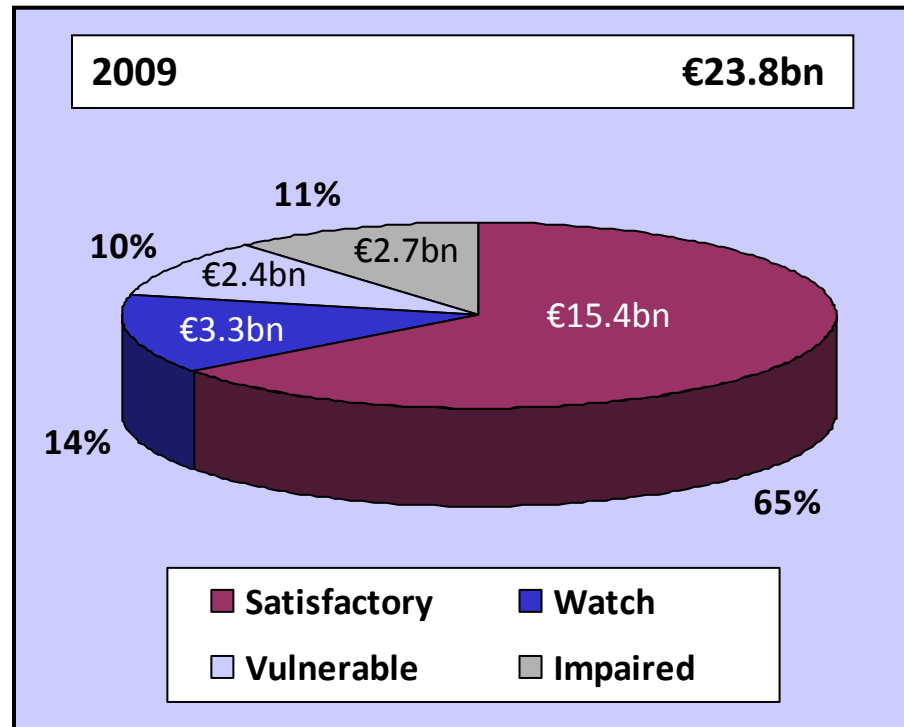
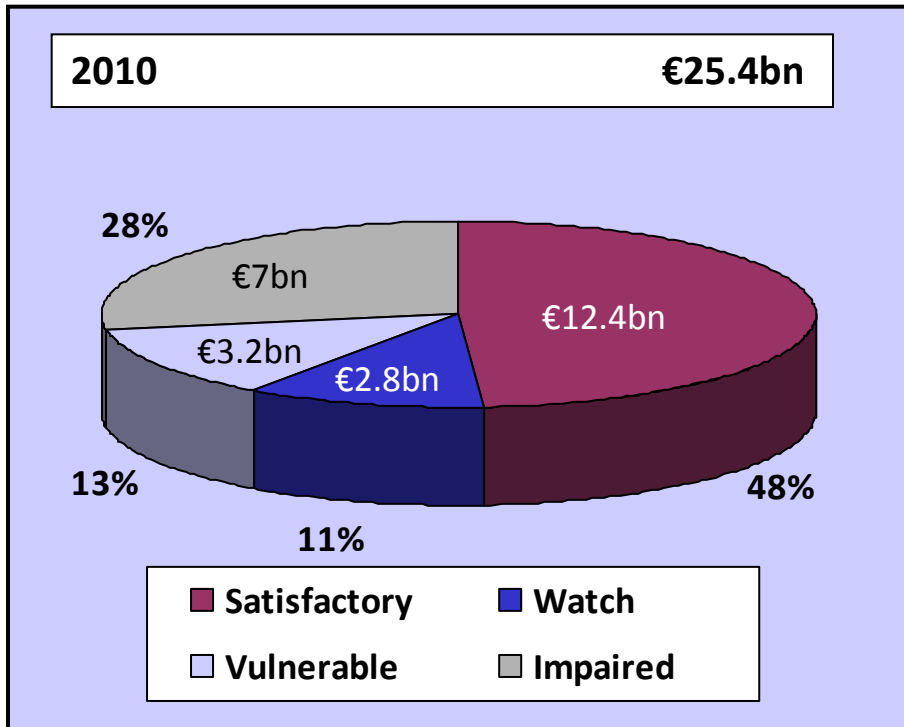
Rol residential mortgages – total €27bn



Dec 2010		Owner Occupier	Buy-to-let	Total
Total residential mortgages	€bn	19.4	7.8	27.2
In arrears (> 30 days)	€bn	0.8	0.9	1.7
In arrears (> 90 days)	€bn	0.6	0.7	1.3
Of which impaired	€bn	0.4	0.6	1.0
Total provisions	€m	211	355	566
Specific provisions / impaired loans	%	17.3	22.3	20.1

Dec 2009		Owner Occupier	Buy-to-let	Total
Total residential mortgages	€bn	19.1	8.2	27.3
In arrears (> 30 days)	€bn	0.4	0.4	0.8
In arrears (> 90 days)	€bn	0.3	0.3	0.6
Of which impaired	€bn	0.3	0.2	0.5
Total provisions	€m	73	55	128
Specific provisions / impaired loans	%	17.5	15.0	16.3

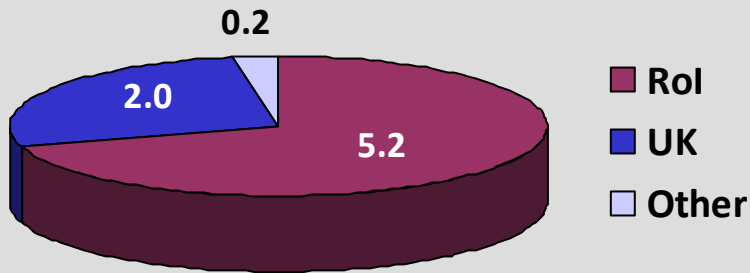
■ Provision assessment includes peak to trough fall of 55% in house prices



Total provisions	€4bn	←	Total provisions	€1.1bn
Specific provisions / impaired loans	41%	←	Specific provisions / impaired loans	27%
Total provisions / impaired loans	58%	←	Total provisions / impaired loans	40%

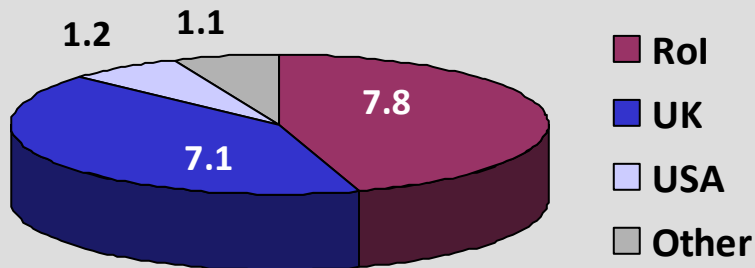
* excludes €529m in Housing Associations in the UK at Dec 2010 and €577m at Dec 2009

Land & development €7.4bn



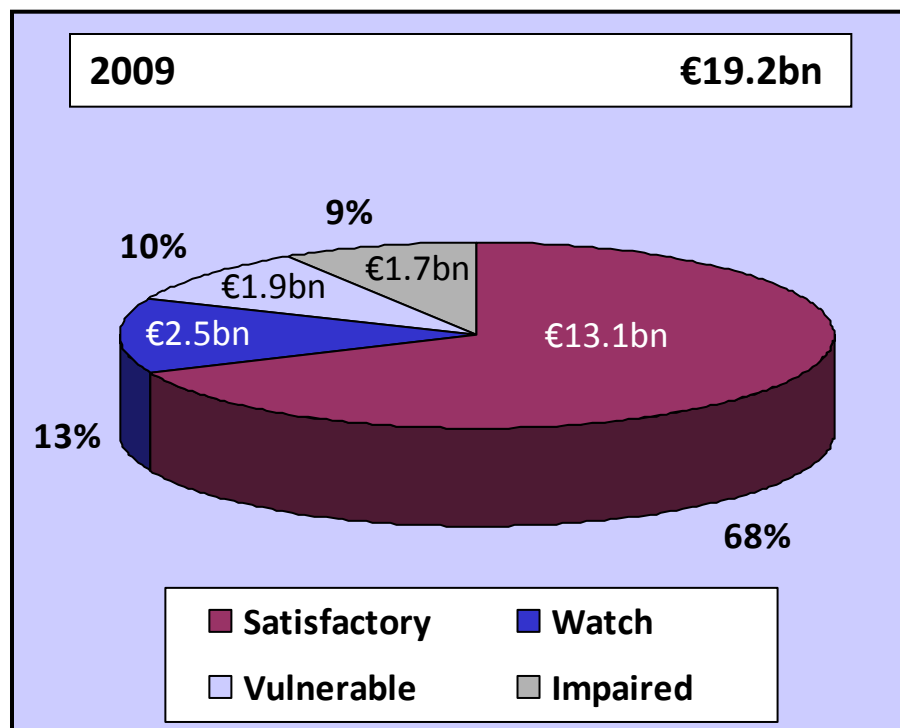
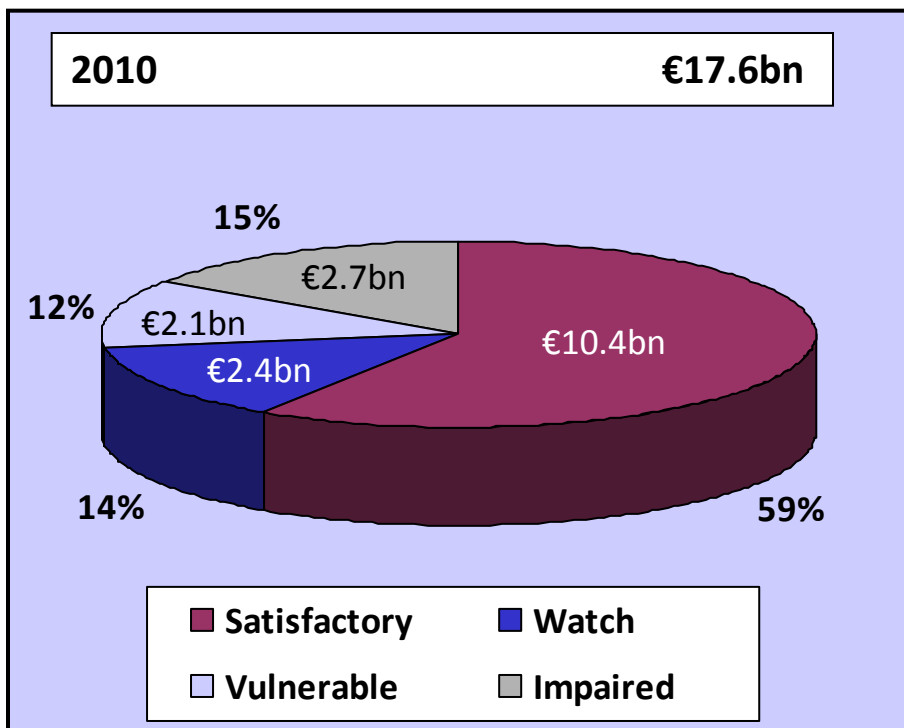
- €1.2bn of portfolio continues to fully perform
- PCAR submission reflects a 60% writedown, (€4.4bn on the €7.4bn portfolio)

Investment property €17.2bn

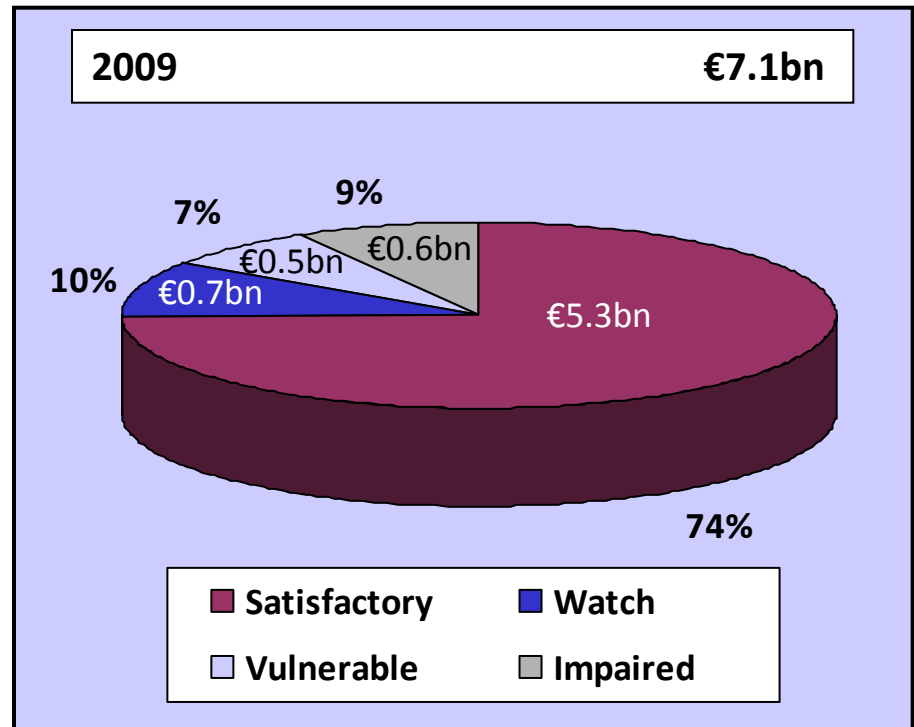
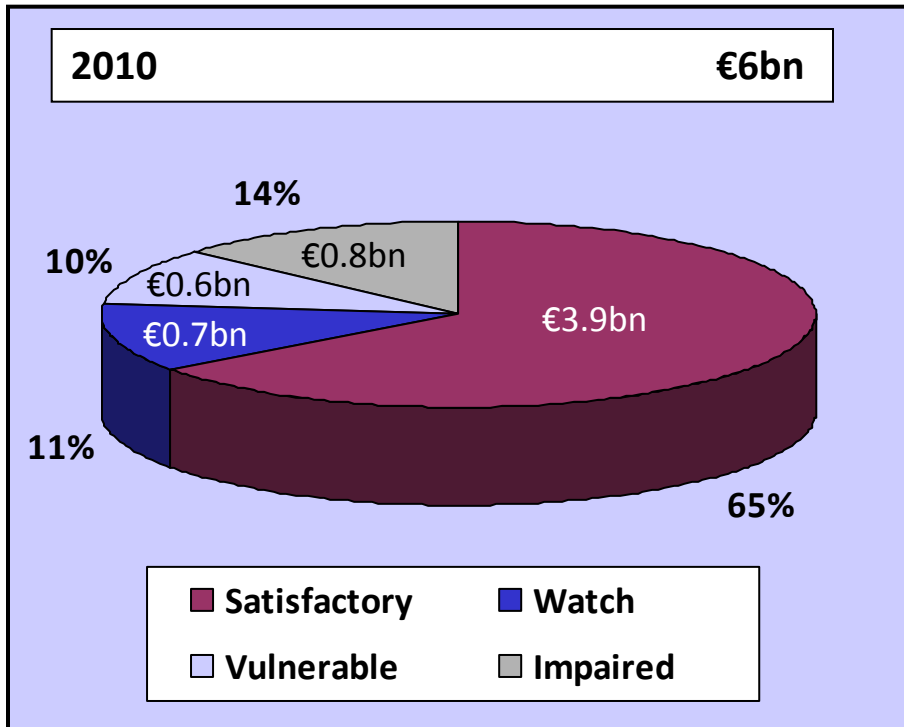


- €10.9bn of portfolio continues to fully perform
- 55% of portfolio outside Ireland

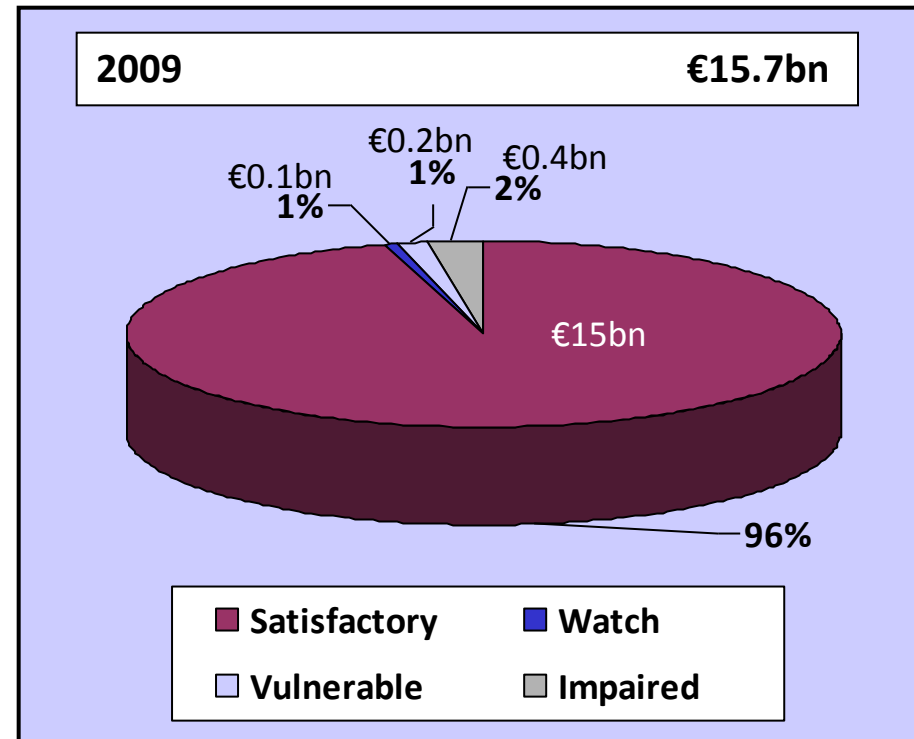
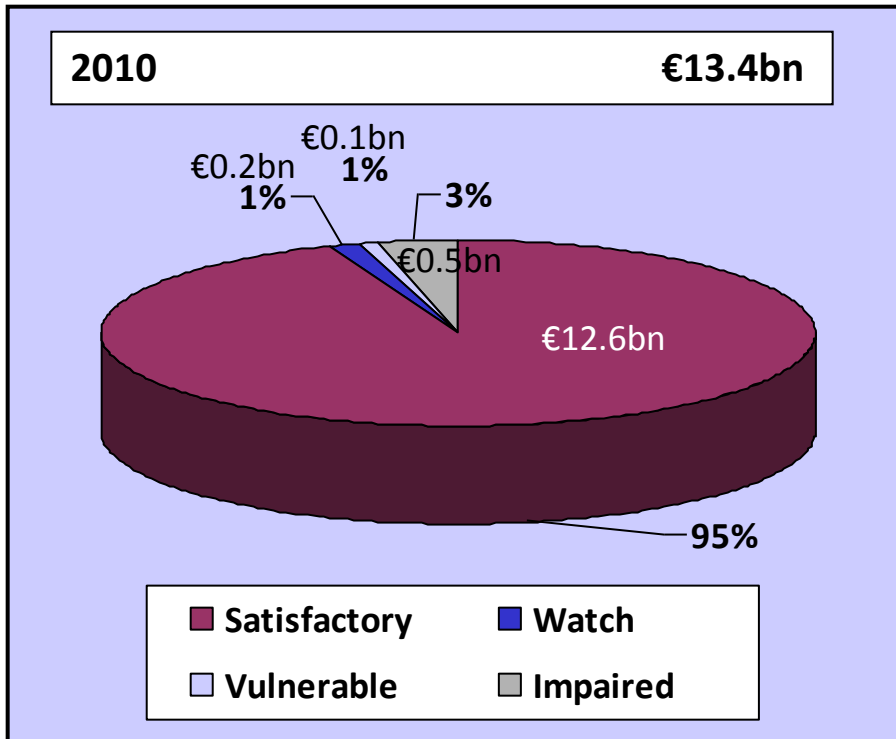
* excludes contractors €0.8bn, primarily working capital facilities



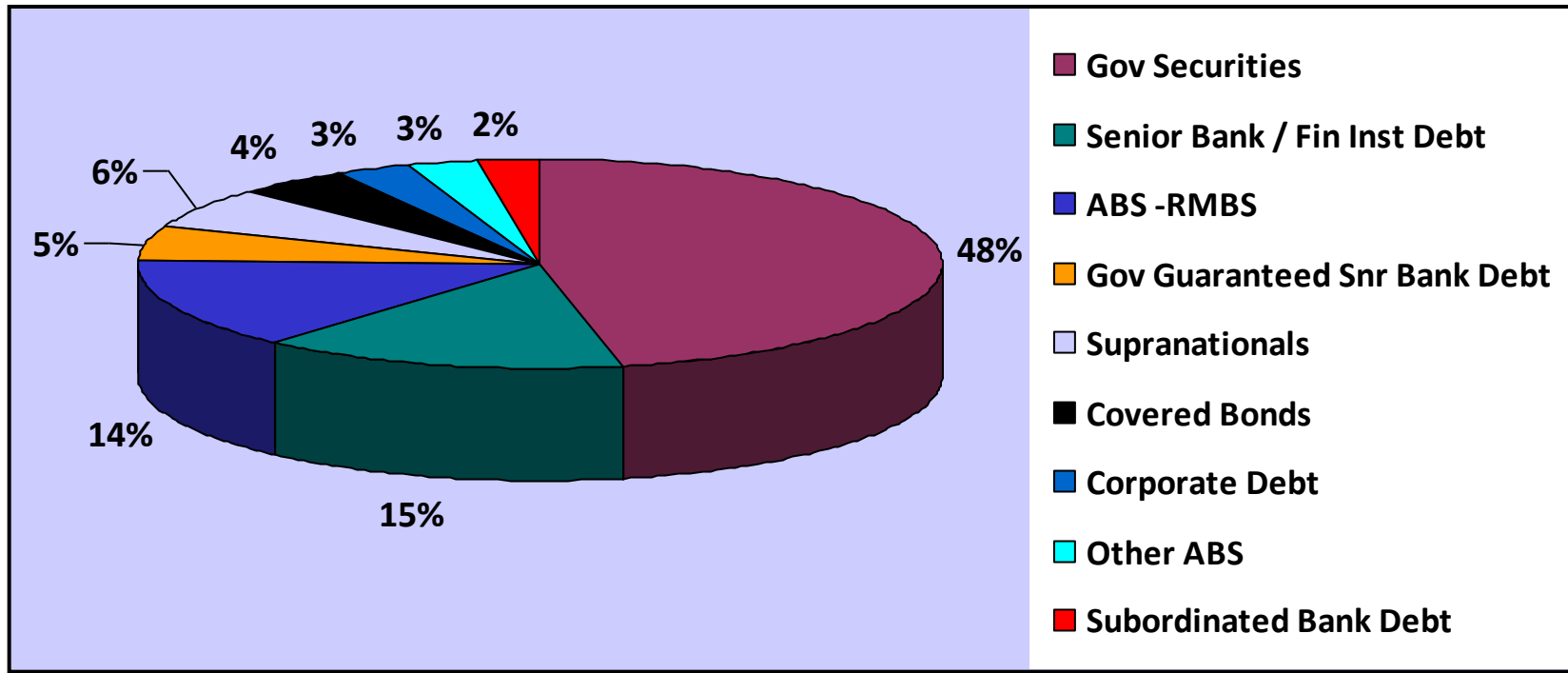
Total provisions	€1.7bn	←	Total provisions	€0.9bn
Specific provisions / impaired loans	50%	←	Specific provisions / impaired loans	39%
Total provisions / impaired loans	64%	←	Total provisions / impaired loans	49%



Total provisions	€0.6bn	←	Total provisions	€0.4bn
Specific provisions / impaired loans	61%	←	Specific provisions / impaired loans	53%
Total provisions / impaired loans	74%	←	Total provisions / impaired loans	61%



Total provisions	€0.3bn	←	Total provisions	€0.2bn
Specific provisions / impaired loans	45%	←	Specific provisions / impaired loans	46%
Total provisions / impaired loans	61%	←	Total provisions / impaired loans	56%



- 96% investment grade
- Excludes NAMA bonds of c. €8bn held in loans and receivables
- Weighted average price 95% of par value; full repayment at maturity expected
- No specific impairment taken in 2010 within the portfolio; IBNR charge of €59m
- Pay down / maturities of bank and ABS securities, overall reduction of c. €4.5bn in 2010
- Continuing reductions will be phased over time to protect value
- Average life of total portfolio < 4 years

AIB financial results include 31 Dec 2010 balance sheet provisions of €7.3bn

AIB		Central Bank	
Base	Stress	Base	Stress
€8.4bn	€10.8bn	€9.5bn	€12.6bn

BlackRock Solutions carried out testing on behalf of Central Bank.
Methodology included combined effect of the following

An assessment of losses that may emerge over the 2011 – 2013 three year period

+

An overlay from bringing forward an element of losses in the years after 2013 back in to the 2011 – 2013 period

+

A further overlay buffer for other future losses, events or shocks over the entire lifetime of loans

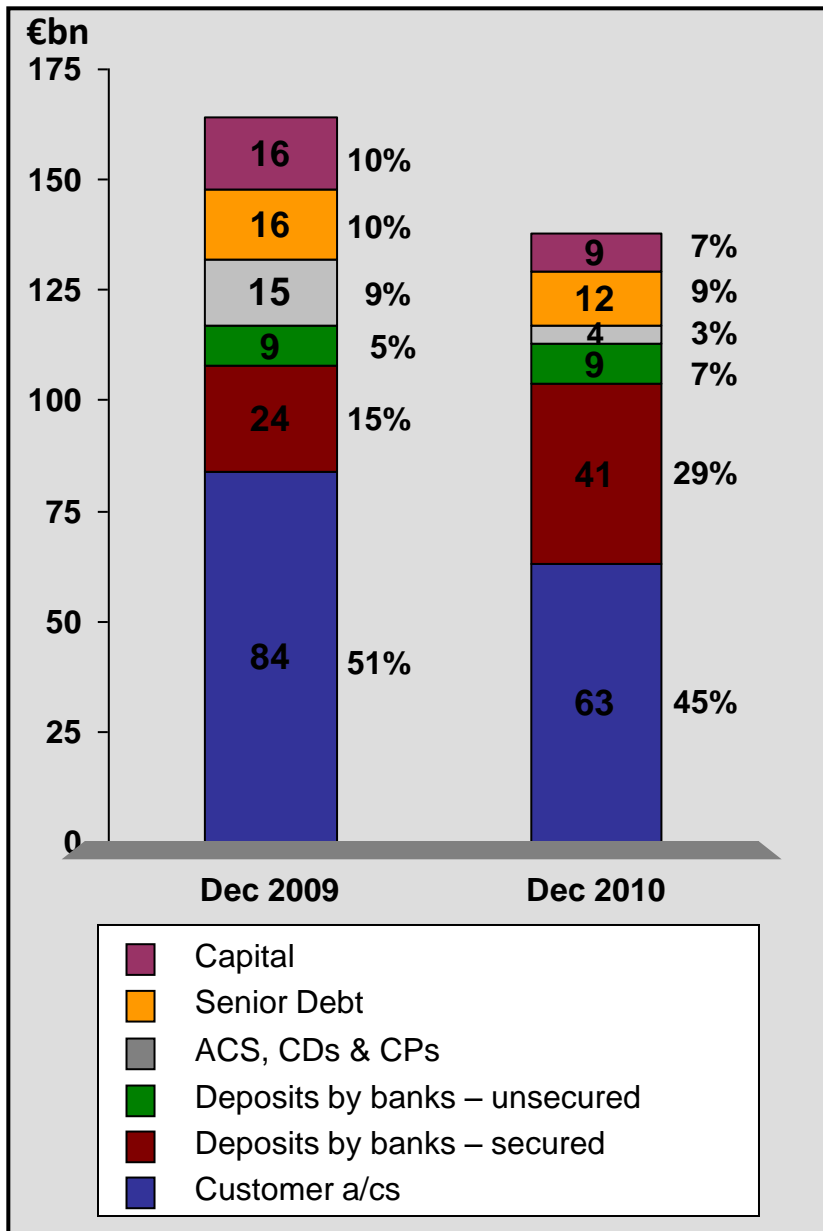
BlackRock modelling assumptions:

Irish residential mortgages

- AIB's arrears profile averaged with overall industry
- Negative equity main driver of default
- Unprecedented scale of repossessions and forced sales

Commercial real estate

- Minimal recovery in real estate prices
- Modelled rental income declines, not actual lease agreements



- Asset funding requirement reduced by €26bn in 2010
- Challenging wholesale funding conditions
 - €6bn of unsecured guaranteed term funding raised in H1
 - €2.5bn of term funding maturities in 2011
 - Funding duration has materially shortened due to inability of Irish banks to access funding markets
- Pro-forma LDR of 142% including Anglo Irish Bank deposits

**Outline of our Restructuring Plan
and
Strategic Review**



David Hodgkinson
Executive Chairman

Core

- Supporting the needs of the Irish economy; capacity and flexibility to respond to future Irish banking and customer needs
- Primary focus on Irish market (incl. Northern Ireland) personal and small business, commercial and corporate; selective GB and international presence supporting Irish cross-border trade and investment flows
 - €61bn net loans with capacity to meet customer demand
 - Active management of challenging portfolios
 - Improved productivity and efficiency
 - Clear profit potential to become self capitalising and investible

Non-Core

- Dedicated unit separately managed reporting directly to the CEO and Board
 - €25bn net loans have been selected
- Pursue a rigorous and capital efficient reduction of non-core assets through run-off and disposals
 - Includes remaining land & development, UK loan management and other primarily international loans

	<u>Net Loans</u>	<u>Deposits</u>	<u>2010 Proforma LDR</u>	<u>2013 Target LDR</u>	
Core	61	52	117% 	115%	• Supportive of Irish recovery with select international presence
Non-core	25	-	n/a	n/a	• Remaining L&D, UKLM, select international
Group	86	52	165% 	122.5%	

- Non-core Bank will be separately managed, reporting directly to CEO and Board
- Will provide increased disclosure and progress to target LDR of 122.5%

- Significant operational restructuring needed to ensure long term viability
- Single operating platform will deliver enhanced risk management, cost reduction, operational efficiency and renewed customer focus

From

- Silo culture, three autonomous divisions
- High level of duplication and fragmented operations
- Inconsistent approaches to credit and risk
- Dedicated control and support functions within each division
- Limited influence of central / group functions across the divisions

To

- Customer facing units supported by bank-wide control and support functions
- Simplified operating model and structure
- Consistent and prudent approach to risk
- Strengthened and more efficient control and support services across the bank
- Robust central governance through greater transparency of simplified operating model

Building a bank that is 'Fit for the Future'

- Excellent leadership, implementation and transparent communication essential
- Return to normal people management practices to attract and retain talent
- Reshaping the management team
- Revitalise confidence and engagement, supported by clearly defined values and behaviours

Cost reduction

- Top management exits will be on agreed terms with authorities
- Redundancy programme terms being finalised / agreed with authorities
- Targeting a further 20% reduction in staff costs, following reductions of 14%, 8% and 5% in 2010, 2009 and 2008
- Reduction of over 2,000 more staff will be phased over 2011 & 2012. Staff numbers already 1,300 lower than 2 years ago through natural attrition

Engagement, Support and Transparency

- Plan puts customers at the heart of our business
- A restructured AIB will support economic growth and job creation
- Actions will acknowledge and seek to reward the support of the Irish taxpayers
- Support will be priced on an economic and transparent basis
- Initiatives for customers in difficulty will avoid “moral hazards” for taxpayers
- Build on good local community relationships – 116 SME workshops in past 4 months
- Staff training and development - “customer champions” to add value to customer relationships

Plan is conservative and includes the following key features:

- Return to profitability
- Continuation of elevated funding costs, gradual recovery in net interest margin post trough in 2011
- Improved efficiency with implementation of new operating model
- Significant fall in bad debts provisions in 2011 and continuing falls in 2012 and 2013. Progression closely linked to economic conditions
- Loan deleveraging of c. €20bn from Dec 2010 level of €25bn
- Customer deposit retention and growth a key focus
- Incremental reduction in loan to deposit ratio to 122.5%

AIB Board and management are grateful to Irish taxpayers for the support essential to the bank's survival

AIB has the capital, staff and customer franchises to regenerate the organisation

The recovery has begun though the future remains challenging

Successful implementation of our plan will restore AIB to a stand alone profitable bank that supports Irish economic revival

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

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