Annual Financial Results

2012

Allied Irish Banks, p.l.c.

Forward Looking Statements

Important Notice

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 Section 27A of the US Securities Act of 1933 and Section 21E of the US Securities Exchange Act of 1934. 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, financial instability within the Eurozone, global, national and regional economic conditions, further national austerity and budget measures, levels of market interest rates, credit or other risks of lending and investment activities, competitive, legislative 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 Duffy

Chief Executive Officer

Strategic Path to Sustainable Profitability

Bank Restructuring

Phase 1 – 2011/ 2012

- Rebuilt capital base and restructured balance sheet
- Initiated cost reduction programmes
    - Including disposals, numbers of staff reduced from c.23,200 at end 2010 to c.13,400 at end 2012
- Revised strategy and changed leadership team members
- Repositioned bank for future growth
- Built capability for dealing with customers in difficulty

Delivery of Business Agenda

Phase 2 – 2013

- Meet / exceed Central Bank targets in relation to arrears
- Return to pre provision operating profit
    - Target continued reduction in credit provisions
    - Material year on year cost savings
- Meet / exceed lending targets in key product segments
- Balance sheet and capital optimisation

Returning to Profitability

Phase 3 – 2014 and Beyond

- Target a return to sustainable profitability during 2014
- Substantially complete restructuring for mortgage and SME arrears customers
- Begin the process of returning capital to Irish State
- Normalise capital structure
- Full funding market access

Execution in 2012 – Platform for 2013 Pre Provision Profit

Restructuring

- Revised strategy and organisational structure
- Branch closures announced and substantially completed
- Process for 2,500 voluntary staff departures agreed, with 1,744 exits by end 2012
- Pay & benefit changes implemented across the bank
- 89%* of year end 2013 deleveraging target met by end December 2012

Governance

- Further senior appointments to Leadership Team and Board
- Improved Risk, Governance & Audit structures
- Progress in implementing Central Bank Risk Mitigating Programme actions
- Clearer accountability, targets and responsibilities being implemented -- one bank efficiency model

Markets / Business

- RoI 2012 market share of mortgage drawdowns estimated by management to be c.46%
    - €1.5bn of approvals to end December 2012, vs. target of €1bn for 2012
- SME lending target of €3.5bn for 2012 exceeded; full year approvals totalled €4.8bn
- Strategy in place to resolve issues of customers in mortgage arrears and SMEs in financial difficulties

Financial

- Repricing of the deposit book and assets led to increased NIM in Q4 2012
- Implemented cost savings initiatives with benefits expected in 2013 and beyond
- ELG withdrawn from AIB UK in August 2012, prepared for ELG withdrawal in Ireland at end March 2013
- Return to funding markets; €395m sterling equivalent RMBS issued in May 2012 & €500m Covered Bond issuance in November 2012 (Further €500m issuance in January 2013)
- Repaid €9bn of ECB funding during 2012, representing a 29% reduction in total ECB funding year on year (Total of €15bn or 41% reduction since December 2010)

**Includes c. €320m of contracted sales which settled in January 2013*

2012 Financial Summary - Material Balance Sheet Improvement

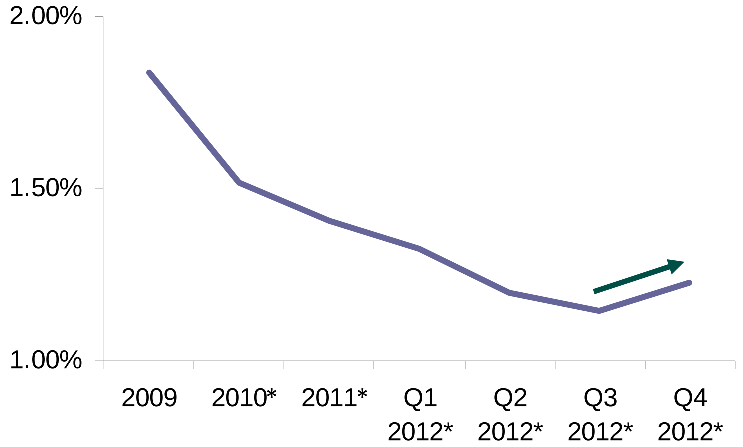
2011 vs. 2012			
€bn	**Dec 11**	**Dec 12**	**% Change**
Loan to Deposit Ratio:	138%	115%	**↓ 23%**
Customer Accounts:	€60.7	€63.6	**↑ 5%**
Monetary Authority Funding:	€31	€22	**↓ 29%**
RWAs:	€84.3	€71.4	**↓ 15%**
Core Tier 1 Capital:	17.9%	15.1%	**↓ 2.8%**
Common Equity Tier 1 Basel III Pro Forma:*		9.7%	
Group Provisions Charge:	€8.2	€2.5	**↓ 70%**
Loss before Exceptionals:	€8.1	€2.8	**↓ 65%**
Total Income:	€1.8	€1.4	**↓ 20%**
ELG Costs:	€0.5	€0.4	**↓ 20%**
Operating Costs:**	€1.64	€1.66	**↑ 1%**
Net Interest Margin:***	1.40%	1.22%	**↓ 0.18%**

** Including Government Preference Shares.*
*** Excluding EBS costs of €80m for full year 2012 vs. €46m for six months in 2011.*
**** Excluding ELG.*

- Significant improvement in funding metrics:
  - LDR: Reduced 23% to 115%
  - Customer accounts: Up 5% to €63.6bn despite announcement of closure of Isle of Man and Channel Island operations
    - c.8% or c.€5bn increase excluding the closure of these operations
  - Monetary authority funding: Down 29% to €22bn as at December 2012
- Core Tier 1 Capital: 15.1%
  - 15% reduction in Risk Weighted Assets
  - Pro forma Basel III fully loaded Common Equity Tier 1 ratio of 9.7% at 31 December 2012 (including Government Preference Shares)
- 70% reduction in Group provisions charge, year on year
- 65% reduction in Group Loss before exceptional items, year on year
- 2012 total income reductions vs. 2011 driven by continued core and non core deleveraging and lower customer activity
- 2012 underlying operating costs, taking account of full year impact of EBS, were 1% higher than 2011
- Stabilisation of NIM in H2 2012 with Q4 2012 increase vs. Q3 2012

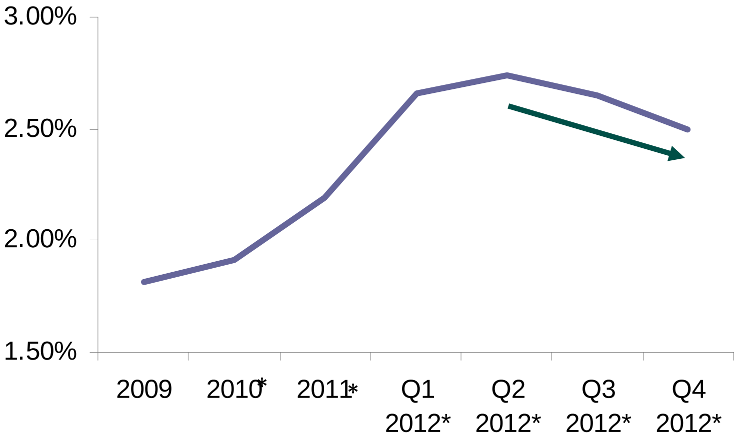
Strategic Actions Delivering NIM Recovery

NIM Evolution **



- Net Interest Margin of 1.22%* in 2012, down from 1.40%* in 2011:
  - -14bps due to contraction in yields on interest earning assets
  - -4bps due to increase in cost of funding
- However, management actions saw a stabilisation in the Net Interest Margin in H2 2012 with positive quarter on quarter growth of 7 bps in Q4 2012 (1.22*%) vs. Q3 2012 (1.15%*)
  - Increase in AIB standard variable mortgage rates in 2012
  - Loan pricing for SME and corporate portfolios
  - Deposit repricing
- AIB prepared for ending of ELG from 28 March 2013

Average Cost of Deposits **

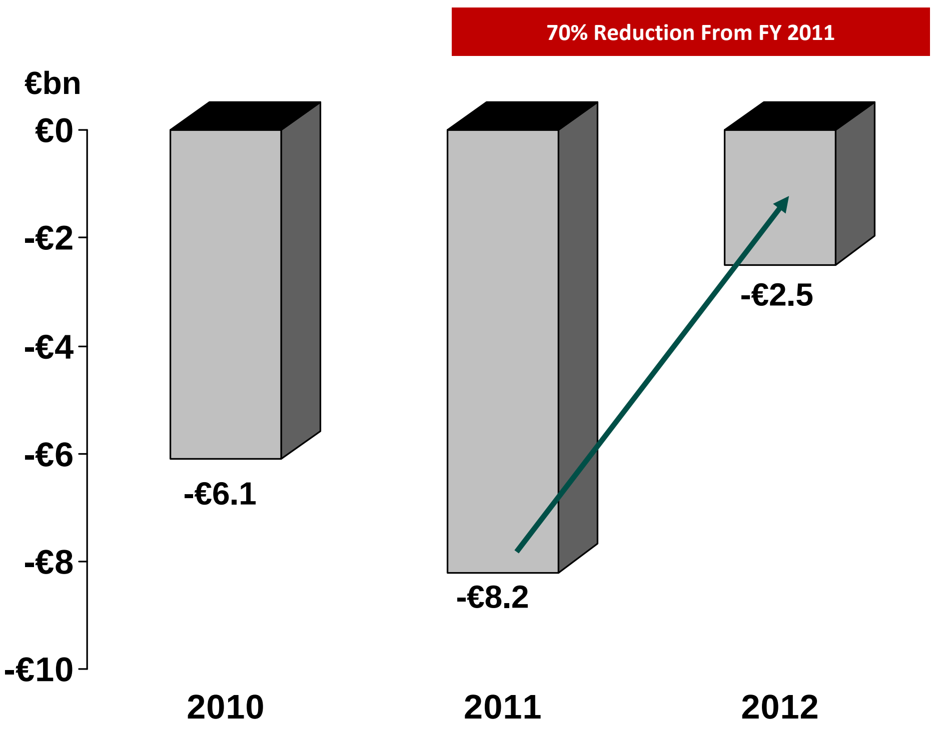


- Deposits represent 55% of total funding base at December 2012
  - Deposit volumes increased 5% year on year in 2012 despite downward pricing actions and announcement of closure of certain offshore operations
  - c.8% increase excluding the closure of these operations
- Cost of overall deposit base reduced by 42bps from its June 2012 peak to December 2012 due to management actions and market dynamics
- 2013 strategy will remain focused on pricing moderation across deposit products while maintaining volumes

** Excluding ELG charge.*
*** Full year values shown for 2009, 2010, 2011*

70% Reduction in Group 2012 Provisions Charge vs. 2011

Group Provisions Charge (2010 – 2012)

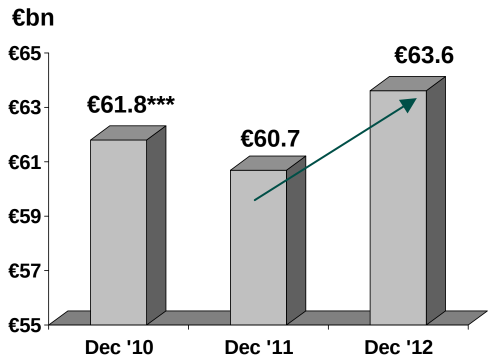


- 2012: <u>70% Reduction vs. 2011 levels</u>
  - Total group provisions charge peaked in 2011 at €8.2bn
- Total <u>Balance Sheet Provisions at December 2012: €16.5bn</u>
  - Specific Provisions: €15.2bn
  - IBNR Provisions: €1.3bn
- Specific <u>coverage ratio increased to 52%</u> at December 2012 from 49% at December 2011
- Bad debt provisions expected to continue to <u>trend lower over time</u>
  - Future trends driven by:
    - Broader economic recovery in Ireland
    - Performance of the property market

Funding Position Significantly Improved

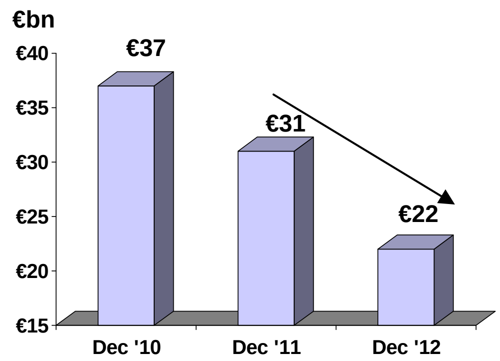
Customer Account Balances

+5% Since Dec 2011



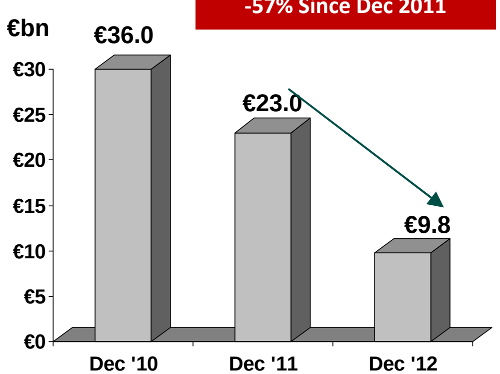
Funding from Monetary Authorities

-29% Since Dec 2011



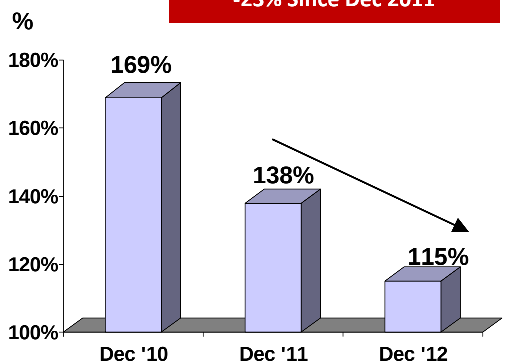
Net Loan Funding Gap**

-57% Since Dec 2011



Loan to Deposit Ratio

-23% Since Dec 2011



- Customer accounts increased by 5% year on year in 2012 despite the closure of offshore operations and deposit pricing reductions
  - c.8% increase excluding the closure of these operations
- Funding from Monetary Authorities decreased by 29% from Dec 2011
  - Total of €15bn or 41% reduction since December 2010
- Net loan funding gap decreased from €23bn at Dec ’11 to €9.8bn at Dec ’12
- LDR reduced by 23% to 115%, below original PLAR year end 2013 target of 122.5%
- Non-core deleveraging of €18.3bn* achieved since Dec ’10
  - 89%* of PLAR 3 year non-core deleveraging target of €20.5bn
  - Ahead of target on timing and within PCAR assumptions on capital
- Return to the covered bond market with a €395m sterling equivalent UK RMBS in May 2012; €500m, 3 year issuance in November 2012 and a €500m 3.5 year issuance in January 2013

**This includes c.€320m of contracted sales which settled in January 2013*
***Includes loans held for sale*
**** Includes customer accounts from BZWBK.*

Mortgage Customers in Difficulty – Path to Resolution

Irish Mortgage Arrears

- Strategy is to keep people in their homes, wherever possible, where customers prioritise their mortgage debt and co-operate with the bank
- PDH mortgages represent 85% of total mortgage portfolio by number of accounts
  - 84% or c.200k accounts are fully performing
- BTL mortgages represent 15% of total mortgage portfolio by number of accounts
  - 66% or c.28k accounts are fully performing
- The bank's Mortgage arrears support unit (ASU) is dealing with mortgage cases in difficulty:
  - c.80% of ASU cases are engaged
  - c.800 staff trained in dealing with mortgage arrears
    - c.300 dedicated staff members
- AIB intends to meet/ exceed the recently announced Central Bank of Ireland 2013 sustainable mortgage solution targets of:
  - 20% proposed solutions by end Q2 2013, 30% by end Q3 2013, 50% by end Q4 2013

Options

Interest Only / Deferred	Split Mortgage
Term Extension	Voluntary Sale for Loss
Mortgage to Rent	Negative Equity Trade Down
Repossession PDH	Repossession BTL

Customers in Difficulty – Path to Resolution (contd.)

Irish SME / Commercial / Corporate Arrears

- Strategy is to support viable businesses and protect jobs through a one customer debt management strategy which seeks to:
  - Restore customer stability initially
  - Restructure loans
  - Establish a path back to viability, wherever possible
- Bank has a dedicated unit covering SME, Corporate and Personal customers inclusive of property exposures
  - c. 1,000 dedicated staff
- c. 90% of all cases are engaged with the bank
  - c.40% of cases have been offered a formal restructure arrangement

Critical Enablers to Arrears Resolution for Both SME and Mortgage Customers

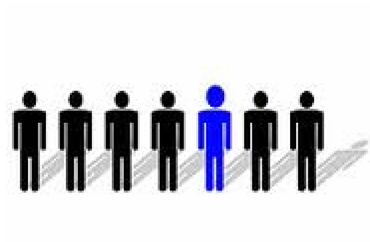
- Personal Insolvency Legislation
- Legislation in relation to 2011 Justice Dunne Ruling
- CCMA Review Underway
- AIB Staffing / Resources / Structure
- Prioritisation of secured payments

Bernard Byrne

Director of Personal, Business and Corporate Banking

A New Customer Focused Operating Structure

Delivering our customer management framework and approach across channels. Focus on value, customer needs while enhancing proactive engagement and reducing cost to serve



Re-orienting around distinct ***customer segments, sectors*** & treatment strategies

Our best people ***engaging with customers***

Developing deeper ***customer insights*** around ***needs*** and ***economics***

Delivering ***superior customer experience*** supported by people, technology and innovation

Satisfying customer needs through economic delivery of products and services requires:

Distribution Effectiveness

Redefined Relationship Management

Credit Efficiency

Operational Efficiencies

Domestic Core Bank - Market Share 2012

Personal	Business	Corporate
No. 1 provider by number of customer accounts across main product markets	No. 1 provider by number of customer accounts across main products markets	No. 1 Bank for FDI in Ireland

Personal – Market Share (# of Accounts) 2012 [1]

Product	Share
Current Acc.	40%
Personal Loans	27%
Deposits	31%
Credit Cards	38%

Business – Market Share (# of Accounts) 2012 [2]

Product	Share
Current Acc.	41%
Main Loan	38%
Main Deposits	39%
Credit Cards	44%

Corporate – Highlights 2012

- No. 1 player in Irish Corporate market – domestic and FDI
- F&L Market Leader – Agri Finance (36%) & SME Finance (28%)

Focus for 2013

- Strategy to target the key customer segments within the Personal & Business markets
- Retain largest distribution reach of c.200 AIB branches and outlets, c.80 EBS outlets and partnership with An Post
- Enhanced Relationship Management to achieve growth in the High Net Worth Segment
- Business Banking to adopt sectoral approach and target increased market share across products in 2013
- Corporate Banking to target growth in Key sectors – e.g. FDI, food, healthcare, PPP, energy, exports
- Focus on technology, innovation and digital strategy to increase efficiency and distribution

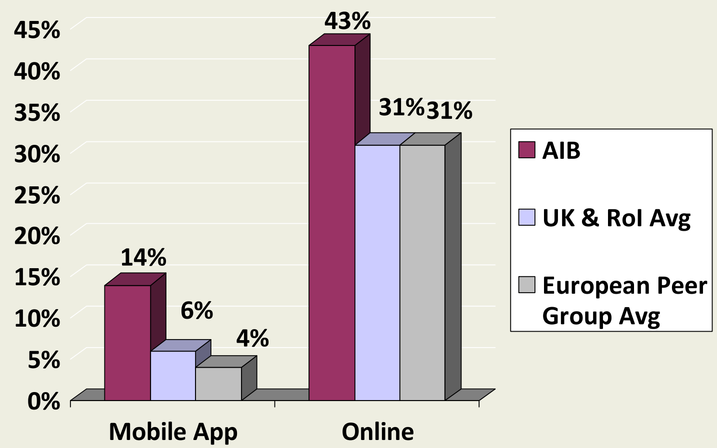
1- Personal Market Share data based on Millward Brown Lansdowne report Q4 2012.
2- Business Market Share data based on IPSOS MRBI report November 2012.

Leading Irish Digital Player in the Financial Services Sector

Leading Irish Online / Mobile Bank

- c.800k customers using mobile & online services

Customer Channel Activity 2012 *
Customers Active in Channel / Total Active Personal Customers

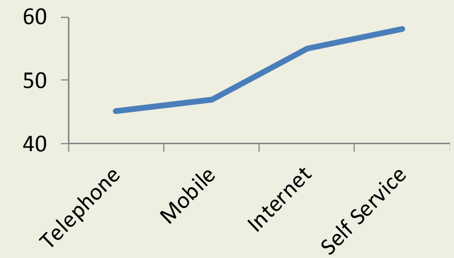


- c.335k customers active on mobile banking
- 33% online banking activity now on mobile

** Source: Online and Mobile Benchmarking Study, Finalta Financial Services Benchmarking 2012*
*** Source: W5 as of Quarter 4, 2012.*
**** Data as of March 2013.*

Customer & AIB Financial Benefits

- Increased Customer Service through greater availability and increased accuracy / reliability
- Customer Attitudes – Net Promoter Score **



- Automation Targets by 2014:
  - Grow transactions through self-service / online from c.90% in 2012 to 95% in 2014
  - Grow retail sales through Direct Channels from c.28% in 2012 to 40%+ in 2014
- Enablement of a New branch model
  - Significant reduction on Cost-to-Serve
  - Targeted advice based service to premium customers


***
aib.ie
78m visits p.a.


***
Internet Banking
722k Active Customers


***
Mobile Banking
335K Active Customers


***
IBB
40k customers.


***
Phone Banking
9.3m calls p.a.


POS
348m transactions in 2012


***
ATMs
53M trx p.a.

Outperforming on Irish SME & Mortgage Lending Targets

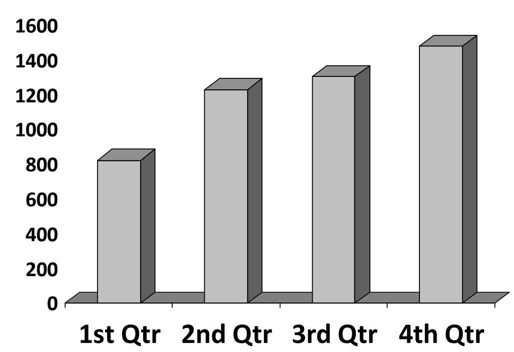
SME Business Activity 2012

- Lending target of €3.5bn for 2012 surpassed
  - €4.8bn approved in 2012, 37% ahead of target
  - 31,527 approved applications from business customers
- 90%+ approvals of formal applications received
- Ongoing seminars and support for business customers
- Sector and generalist focused funds
  - Supplemented through support of government initiatives and funds
- Expedited loan initiative launched in November 2012 for <€25k loans to existing customers:
  - Local branch decisioning

Mortgage Activity 2012

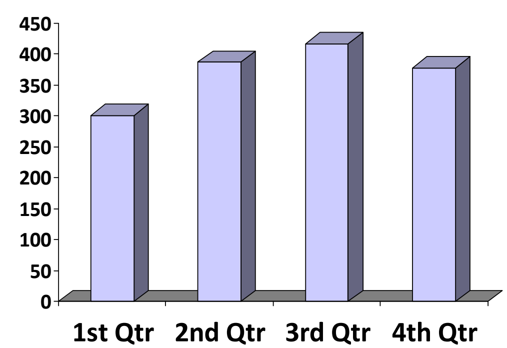
- Largest provider of mortgages in Irish market in 2012
  - c.46% of all mortgages in Ireland in 2012 were provided by AIB
    - Up from a market share of c. 27% in Q2 2011
  - €1.2bn in drawdowns
- The number of mortgages approved by AIB was up 83% from 2011 to 2012
- €1.5bn in approvals to mortgage customers in 2012
  - 50% ahead of target
- Lending target doubled for 2013 to €2bn

SME Approvals (€m)



€4.8bn in Approvals in 2012

Mortgage Approvals (€m)



€1.5bn in Approvals in 2012

Paul Stanley

Acting Chief Financial Officer

Key Summary Financials – Operating Performance Stabilising

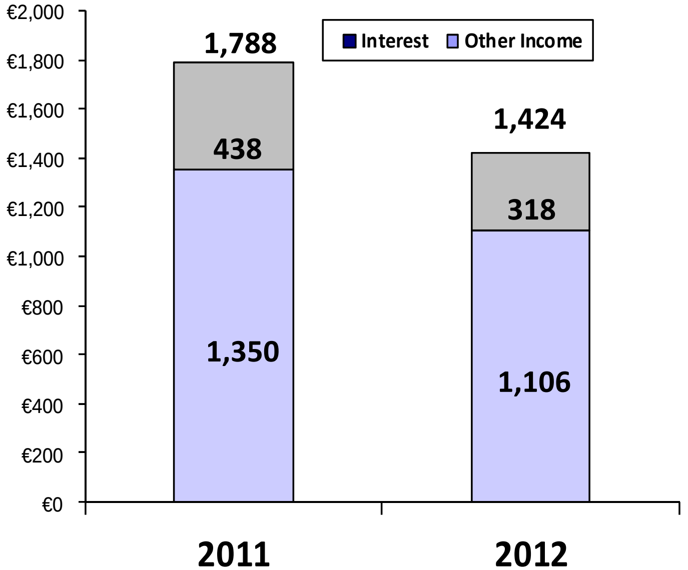
Income Statement €m	Dec 2011	Dec 2012
Net Interest Income (before ELG)	1,838	1,494
ELG Fees	(488)	(388)
Net Other Income	438	318
Total Operating Income	1,788	1,424
Operating Expenses	(1,687)	(1,739)
Operating profit / (loss)	101	(315)
Provisions	(8,161)	(2,529)
Assoc Undertakings / Business disposals	-	15
Operating Loss (before exceptionals)	**(8,060)**	**(2,829)**
Exceptional items	2,952	(1,001)
(Loss) before tax	(5,108)	(3,830)

Other Key Metrics	Dec 2011	Dec 2012
Loans / Deposits ratio	138%	115%
Deposits / Total Funding	47%	55%
Wholesale funding with maturity >1 year	25%	48%
RWAs	€84bn	€71bn
Core Tier 1 Capital Ratio	17.9%	15.1%
Total Capital Ratio	20.5%	17.6%
Net Interest Margin (excluding ELG)	1.40%	1.22%

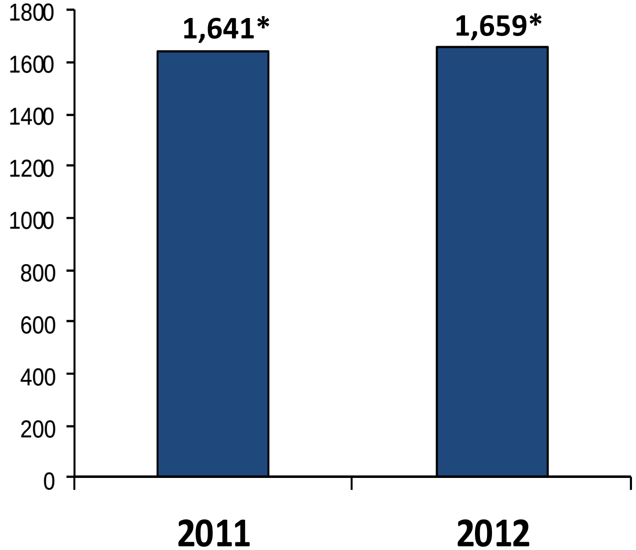
- Operating loss before exceptionals of €2.8bn in 2012 down materially from €8.1bn in 2011
- 2012 Provisions of €2.5bn - down €5.6bn on 2011
- Net interest margin 1.22% (excluding ELG) for 2012 benefiting from repricing initiatives taken in 2012
- Average interest earning assets €122bn - €9bn lower than 2011 from deleveraging and customer loan repayments
- Other income reduced due to lower levels of customer activity and the impact of business disposals
- 2012 operating expenses include the full year impact of EBS compared to six months for 2011. Taking account of this, costs are up 1% on 2011 and reflect:
  - FTE reductions – majority of exits in the latter half of 2012
  - Investment in credit management and supporting customers in difficulty
- Significant decrease in Loan to Deposit ratio to 115% at Dec 2012 from 138% at Dec 2011
  - €5.6bn of non-core deleveraging completed in 2012
  - YTD deposit growth of €2.9bn
  - ECB funding reduction of €9bn
- Core Tier 1 capital ratio of 15.1% well above CBI target minimum of 10.5%

Margins Improving & Cost Efficiencies Progressing for 2013 Delivery

Total Operating Income (€m)



Operating Costs (€m)



Net interest income

- Including ELG, 18% lower than 2011:
  - Average interest earning assets €9bn lower
  - NIM decline of 18bps from 2011 to 1.22% for 2012 (excluding ELG)
- ELG fees reduced by 20% in 2012
- Positive pricing actions stabilised Net Interest Margin in H2 2012
  - Repricing of deposits
  - Repricing of loan products

Other income

- 27% lower than 2011
  - Lower levels of customer activity
  - Impact of business disposals
- Negative impact of loan breakage and associated costs relating to deleveraging
- Net gains on the disposal of European sovereign bonds

Operating Costs

- Up 3% on a reported basis and 1% on an underlying basis

Staff Costs

- Staff exits in latter half of year from VS & ER
  - Full benefit will flow through in 2013
- Impact of specialist resourcing for credit management and customers in difficulty

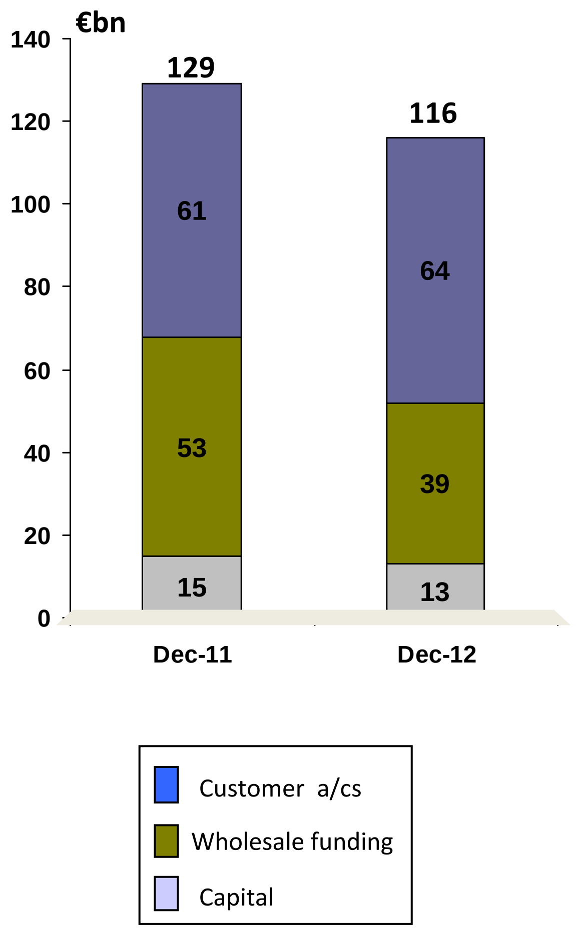
Other Operating Costs

- 5% lower reflecting a reduced reliance on external provider fees and consultancy costs

Note:
** Excludes EBS costs of €80m for full year 2012 vs. €46m for six months in 2011 as follows:*
- *Staff costs €36m in 2012 vs. €21m in 2011*
- *Operating costs of €44m in 2012 vs. €25m in 2011*

Funding - Improved Position in 2012

Funding



Customer Accounts

- Customer account volumes increased by €2.9bn in 2012; steady growth across major franchises despite the announcement of the closure of certain offshore businesses
  - Customer accounts are the largest source of funding at 55% of total funding needs
- LDR reduced to 115% at Dec 2012 from 138% at Dec 2011
- Repaid €9bn of ECB funding during 2012, representing a 29% reduction in total ECB funding

Wholesale Funding

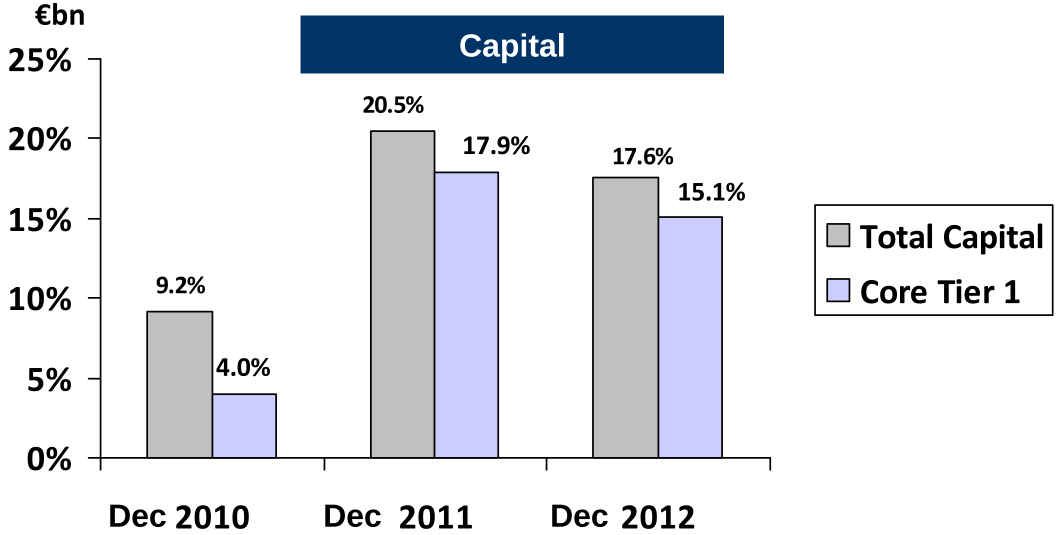
- Wholesale funding markets remained challenging in 2012, however there were signs of improvement in the latter part of the year
- Wholesale funding requirement reduced by €14bn (including €9bn of ECB funding) in 2012 following deleveraging and increase in customer deposits
- Maturity profile extended with €11bn total participation in 3-year LTRO

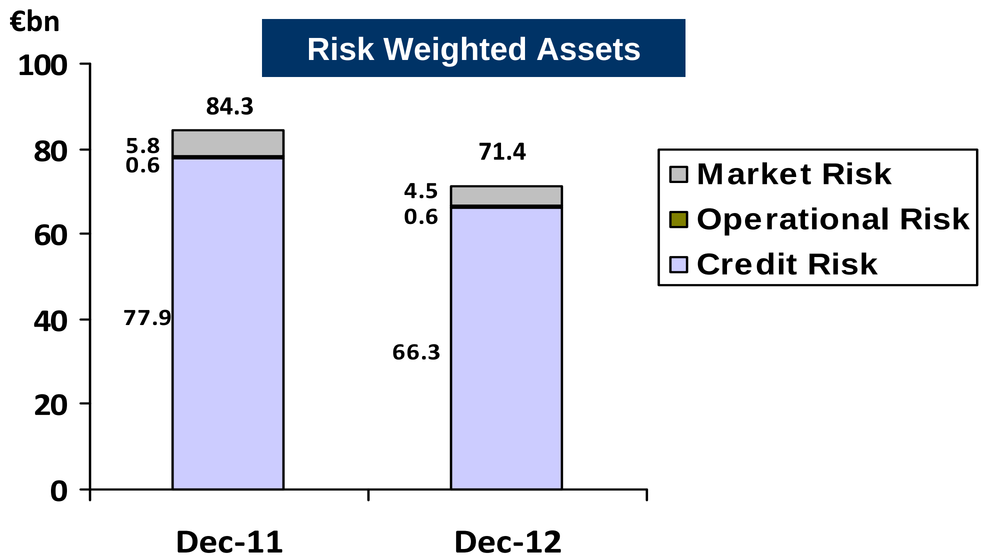
New Issuance

- Successful return to the funding markets:
  - €395m sterling equivalent securitisation of Prime UK residential mortgages completed in May 2012
  - €500m 3-year Asset Covered Securities completed in Nov 2012
  - Additional €500m 3.5-year Asset Covered Securities completed in Jan 2013; pricing narrowed by 85bps versus Nov issuance
- Strategy is to continue to engage with the funding markets in a measured and balanced manner

Capital Ratios Remain Comfortably Above Minimum Requirements

Capital





- Core Tier 1 ratio of 15.1%, comfortably above Central Bank minimum target level of 10.5%
- Total Capital ratio of 17.6%
- Pro forma Basel III fully loaded Common Equity Tier 1 ratio of 9.7% at 31 December 2012 (including Government Preference Shares)
- Risk Weighted Assets (RWA) down €12.9bn to €71.4bn (15% year on year reductions)
- Focus in 2013 on capital optimisation strategies

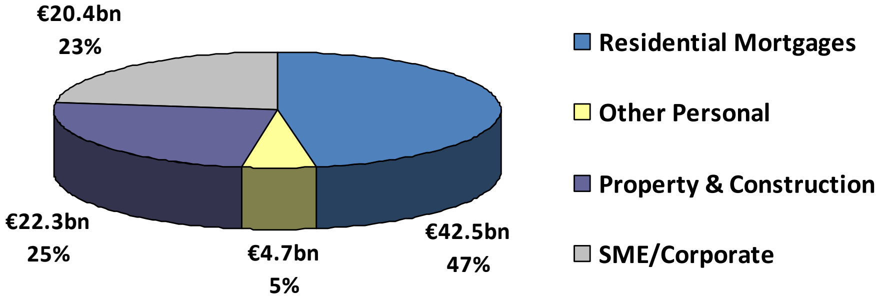
Peter Rossiter

Chief Risk Officer

Loan Book Composition and Credit Profile

Components

Total Gross Loans €89.9bn



- Total gross loans and advances have reduced by c.€9bn to €89.9bn since Dec 2011
  - €5.4bn non-core deleveraging (including loans held for sale)
- Mortgages remain the largest component at 47% of total gross loans

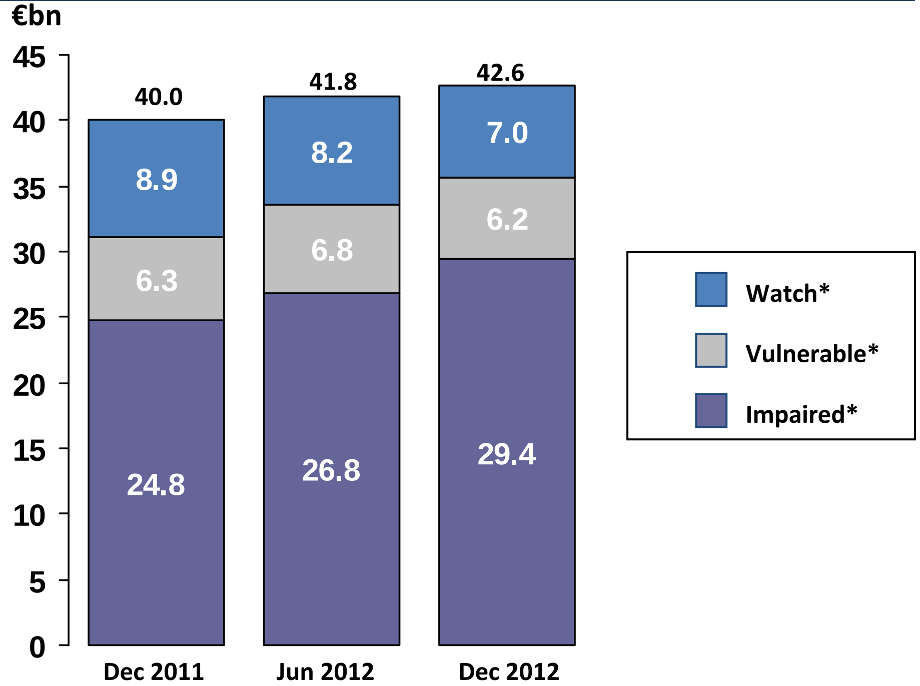
Definition Note:

Watch: *The credit is exhibiting weakness but with the expectation that existing debt can be fully repaid from normal cash flows*

Vulnerable*: Credit where repayment is in jeopardy from normal cash flows and may be dependent on other sources*

Impaired: *A loan is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact such that the present value of future cash flows is less than the current carrying value of the financial asset or group of assets and requires an impairment provision to be recognised in the income statement*

Credit Profile



- Criticised loans increased by €2.6bn (or 6.2%) year on year to end December 2012
- Impaired loans increased by €4.6bn from December 2011 to €29.4bn at end 2012, while watch and vulnerable loans decreased €2bn over the period
- Total Balance sheet provisions at end 2012 of €16.5bn:
  - Specific provisions: €15.2bn
  - Specific provisions / impaired loan cover of 52% up from 49% at year end 2011
  - IBNR provisions: €1.3bn

Customer Loan Book – Impairment and Provisioning

Loan Book Sectoral Profile - December 2012 Amount in €bn's	ROI Mortgages	UK Mortgages	Land & Development	Investment Property	SME / Other Commercial*	Personal	Corporate	Total
Advances	39.5	3.0	6.4	14.9	16.2	4.7	5.2	**90.0**
Impaired	7.9	0.3	5.5	8.0	5.5	1.4	0.8	**29.4**
Impairment Charge (12 Months P&L)	0.7	0.0	0.3	0.4	0.6	0.2	0.2	**2.4**
Balance Sheet Provisions (Specific + IBNR)	3.0	0.2	4.2	3.8	3.6	1.1	0.6	**16.5**
Specific Provisions / Impaired Loans (%)	33%	40%	74%	42%	62%	74%	60%	**52%**
Total Provisions / Impaired Loans (%)	38%	67%	75%	47%	66%	80%	73%	**56%**

Loan Book Sectoral Profile - December 2011 Amount in €bn's	ROI Mortgages	UK Mortgages	Land & Development	Investment Property	SME / Other Commercial	Personal	Corporate	Total
Advances	42.0	3.3	6.6	16.8	17.3	5.3	7.4	**98.7**
Impaired	6.1	0.2	5.4	6.3	4.7	1.3	0.7	**24.8**
Impairment Charge (12 Months P&L)	1.5	0.1	1.7	1.9	1.7	0.5	0.5	**7.9**
Balance Sheet Provisions (Specific + IBNR)	2.5	0.2	3.9	3.5	3.2	1.1	0.5	**14.9**
Specific Provisions / Impaired Loans (%)	28%	35%	69%	41%	59%	68%	62%	**49%**
Total Provisions / Impaired Loans (%)	41%	87%	72%	56%	69%	80%	77%	**60%**

**Includes contractors of €0.5bn and housing associations of €0.4bn at Dec 2012; (Dec'11:€0.5bn and €0.5bn respectively)*

Property & Construction Portfolio

- Remains challenging however evidence of stabilisation of prime rents and yields
  - €14.9bn Investment Property portfolio of which €9.1bn is in the Republic of Ireland; €5bn in the UK and €0.8bn in ROW
  - €6.4bn Land & Development portfolio of which €4.6bn is in Republic of Ireland and €1.8bn in the UK

SME/Other Commercial

- c. 67% of this portfolio is to SME's in Ireland who are exposed to a challenged domestic economy; significant amount of refinance and restructuring activity in 2012 to sustain these businesses and protect jobs where possible

Personal Portfolio

- Continued low demand for credit despite some evidence of economic stabilisation

Corporate Portfolio

- Reduction of €2.2bn due to deleveraging
- A number of provisions for large corporate exposures, however lower levels than 2011

Mortgages – largest sector exposure at €42.5bn – December 2012

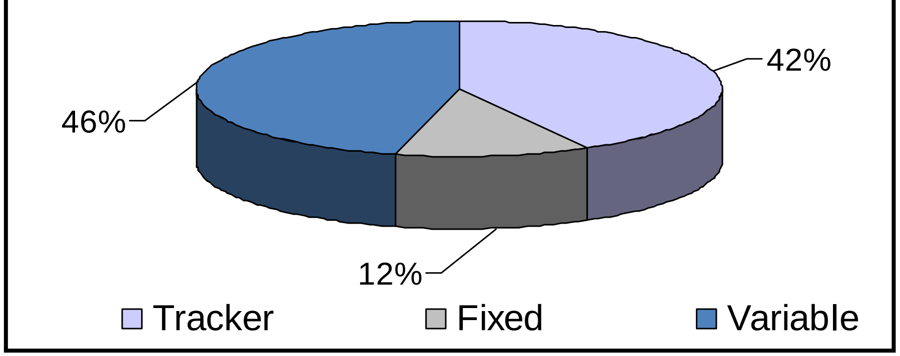
Republic of Ireland Mortgages - €39.5bn

- Owner Occupier: €31.6bn (80% by value of total portfolio / 85% by number of accounts)
- Buy-to-Let: €7.9bn (20% by value of total portfolio / 15% by number of accounts)
- Reduction in the overall portfolio mainly due to deleveraging of €1.2bn of buy-to-let mortgages in EBS in 2012
- c. 31k mortgage accounts or €5.8bn RoI mortgages subject to forbearance as at Dec 2012
    - 56% by value on interest only forbearance
    - €3.2bn >90 days past due and/or impaired
- 64 properties repossessed in 2012, majority of which were voluntary surrenders

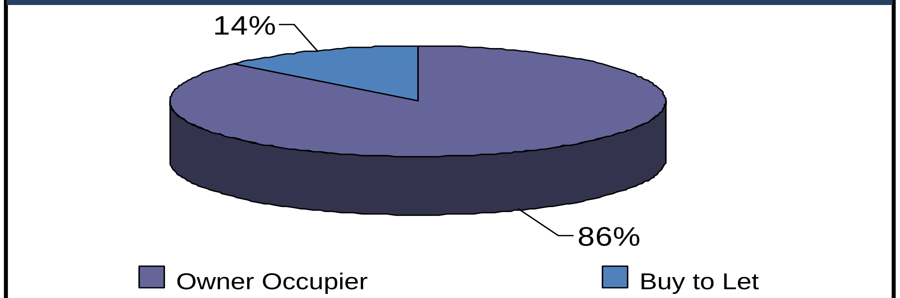
UK Mortgages - €3bn

- Northern Ireland €2bn & Great Britain €1bn
    - 90+ days arrears of €326m of which €274m is impaired
    - €18m impairment provision charge in 2012
    - €183m balance sheet provisions
    - Specific provisions / impaired loans coverage of 40%

Republic of Ireland - €39.5bn

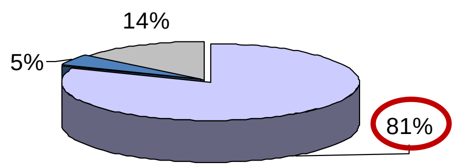


UK Mortgages - €3bn

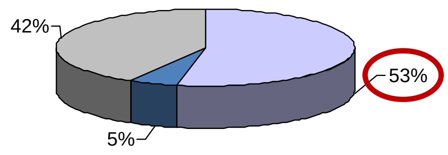


Republic of Ireland mortgages – Credit Quality as at December 2012

Owner Occupier - €31.6bn



Buy To Let - €7.9bn



- 81% of Republic of Ireland owner occupier portfolio fully performing (by value)
- Increase in arrears in 2012 due to ongoing impact of economic climate on repayment capacity
  - Pace of increase in arrears slowed in H2 2012
- Mortgages are assessed for impairment when they are past due >90 days or an objective evidence of loss event, including forbearance request

Number of Mortgages > 90 Days Past Due as % of Total - Dec 2012

Residential PDH		Residential BTL	
AIB*	CBI / Industry*	AIB*	CBI / Industry*
9.1%	11.9%	17.7%	18.9%
85% of AIB RoI Mortgage Book		15% of AIB RoI Mortgage Book	

Impairment Charges and Provisions

€bn	Dec 2011	Dec 2012
Impaired Loans	6.0	7.9
Impairment charge	1.5	0.7
Impairment charge (bps)	356	179
Total Balance Sheet Provisions	2.5	3.0
Specific Provisions / Impaired Loans	28%	33%

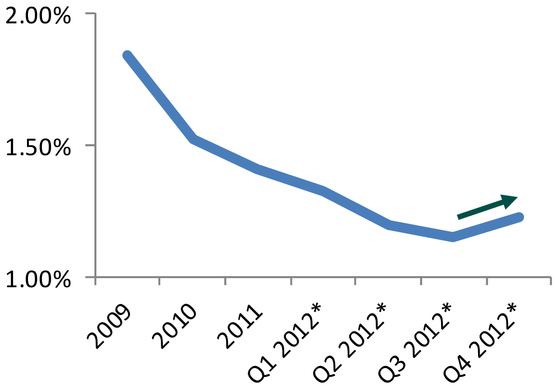
Total AIB Republic of Ireland Mortgage Portfolio Arrears (€m)

	Dec 2011	Jun 2012	Dec 2012
1 - 90 days past due	2,654	2,552	2,544
of which impaired	*945*	*800*	*921*
90+ days past due	4,282	5,204	5,437
of which impaired	*3,867*	*4,778*	*5,128*
Impaired loans not past due	1,226	1,578	1,807
Total impaired loans	**6,038**	**7,156**	**7,856**
Arrears 90+ DPD and/or impaired	**6,453**	**7,582**	**8,165**
Total Portfolio	**41,667**	**41,093**	**39,531**
90+ DPD and/or impaired as % of total	**15.5%**	**18.5%**	**20.7%**

** Source for Central Bank of Ireland figures: CBI press release 7 March 2013. Data as of December 2012.*
AIB figures are shown by number of accounts on a like for like basis with the Central Bank of Ireland methodology.

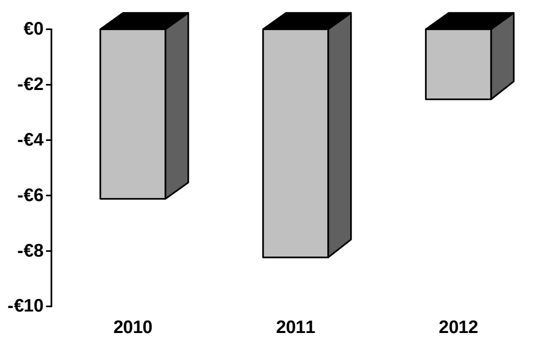
Restructuring Progress Achieved But Focused on Future Priorities

Net Interest Margin Evolution**



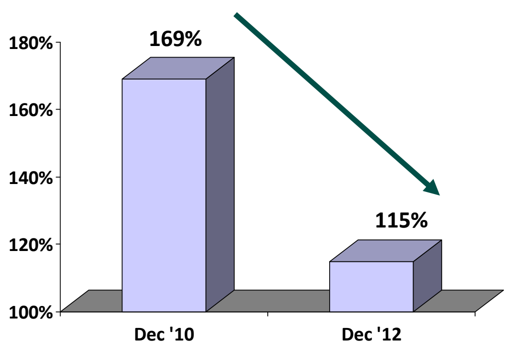
Group Provisions Charge (2010 – 2012)

70% Reduction From FY 2011



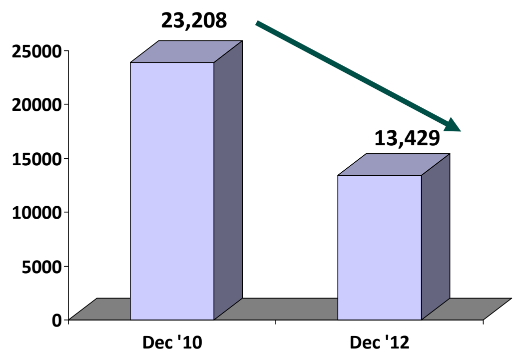
Loan to Deposit Ratio

-44% Since Dec 2010



Employees ***

-42% Since Dec 2010



Group Priorities

- Meet / exceed Central Bank targets for arrears in 2013 and beyond
- Meet / exceed lending targets in key product segments and build on leading market shares
- Provisions expected to trend lower subject to market conditions
- Deliver material year on year cost savings
- Achieve pre provision operating profit in 2013
- Target return to sustainable profitability during 2014
- Return capital to Irish State and normalise capital structure

**Excluding ELG charge.*
*** Full year values shown for 2009,2010,2011*
**** Includes reductions as a result of business disposals*