

Deleveraging

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An Roinn Airgeadais
Department of Finance



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Executive summary

Deleveraging the Irish banking system has progressed well so far

Have achieved €193bn reduction in net loans across the covered banks since Dec '08

- €73bn net loan reduction at AIB
 - June 2012 LDR of 125%
- €46.7bn net loan reduction at BoI
 - Has completed its international loan sales process within PLAR base case haircut assumptions
 - June 2012 LDR of 136%
- €6.85bn net loan reduction at Ptsb
 - Restructuring Plan which creates a viable core bank is subject to EC approval
 - June 2012 LDR of 188%
- €66.7bn net loan reduction at IBRC
 - Deleveraging significantly ahead of plan, mainly due to advanced sales of US loans
- Have recently introduced quantum of deleveraging targets to mitigate potential adverse impact on deposit market

However, significant challenges remain

- Balance sheets have increasing Irish concentration
- Macro uncertainty and anticipated European deleveraging in advance of Basel III introduction may put further downward pressure on valuations (BarCap, Oct-12)



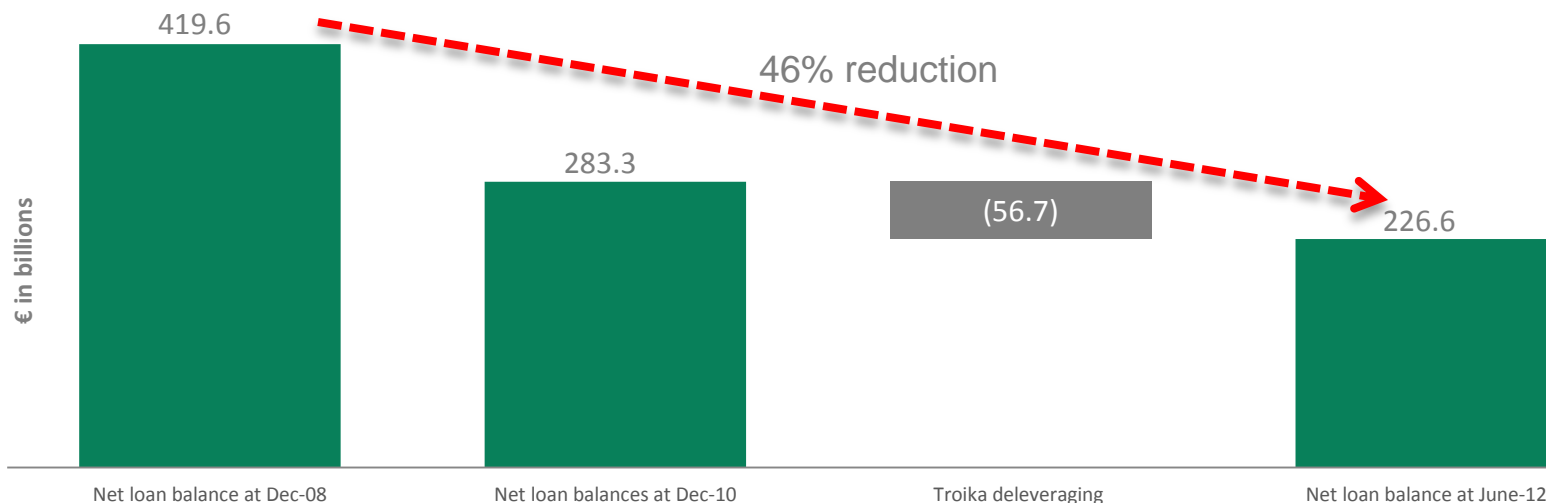
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Net customer loans have shrunk nearly 50% since Dec-08

Covered bank deleveraging - Dec-08 to June 2012



Note: Net loan balances include AIB Group (including EBS), Bank of Ireland, Ptsb and IBRC
Source: Annual Reports - BOI and IBRC balances included in cumulative number are taken from Sept 08 half year interim and final year accounts

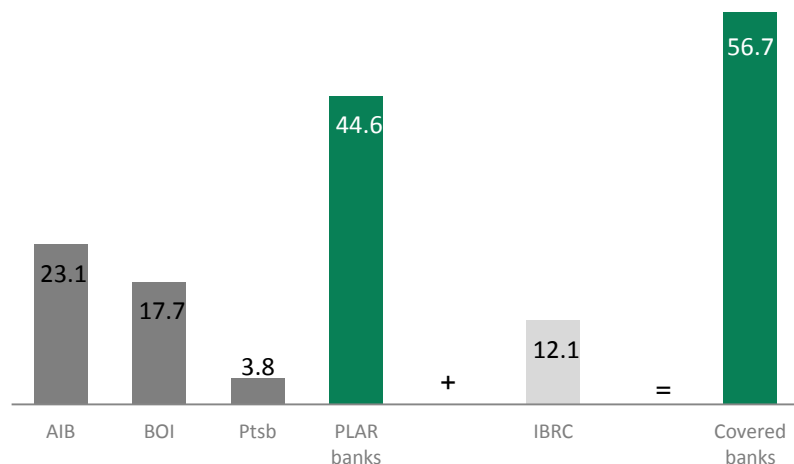
Main observations

- The Irish banking system has undergone significant downsizing and cleansing:
 - Cumulative net customer loan reduction of €193bn from Dec-08 to Jun-12
 - Including: €74bn of land and development and associated loans acquired by NAMA March -10 to Dec-11
 - €56.7.bn of deleveraging of Troika programme deleveraging Dec -10 to June -12
 - Other loan book reductions via disposals (e.g. BZWBK) and closure of certain foreign loan books to new lending



Deleveraging - programs continue to progress

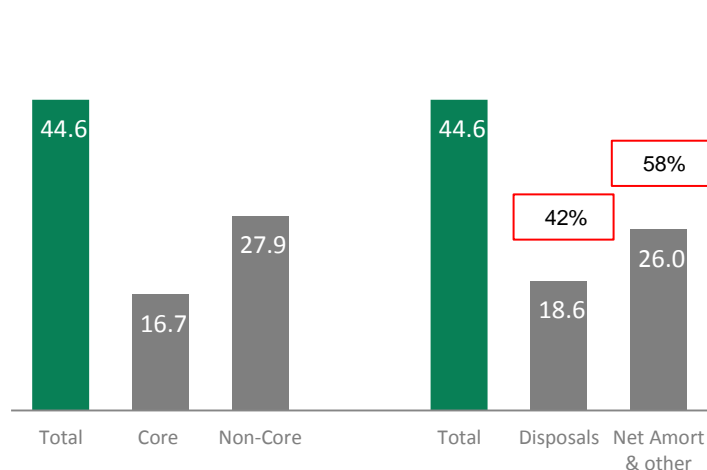
Bank deleveraging from Dec-10 to June 2012



Source: data from bank

€ in billions

PLAR Banks reduction split



Source: data from bank

€ in billions

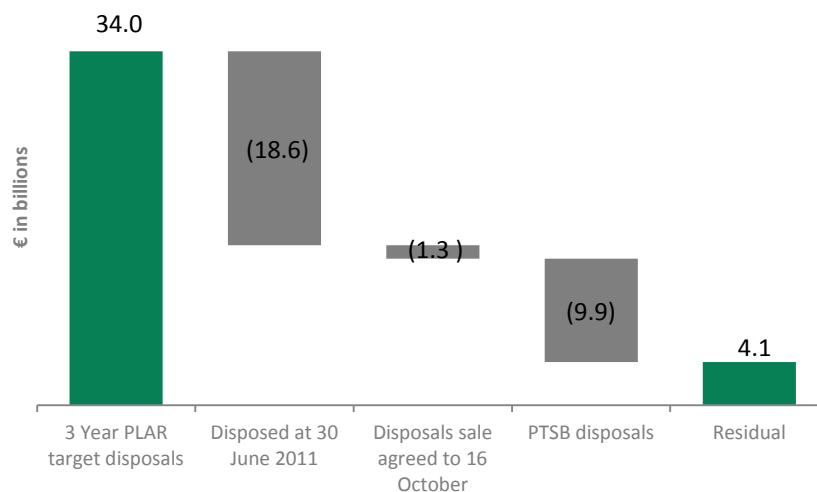
Main observations

- Total cumulative covered bank deleveraging (to 30th June 2012) of €56.7bn - €44.6bn at AIB, BOI and PTSB and €12.1bn at IBRC
- €11.1bn achieved YTD June 2012; further €1.3bn trade agreed at 12 October
- PLAR Bank deleveraging driven by:
 - Non-core loan portfolio & business sales (42%), amortisation and other items (58%)
 - Successfully completed disposals concentrated at Pillar banks (AIB and BOI)



Deleveraging - disposal programs on track

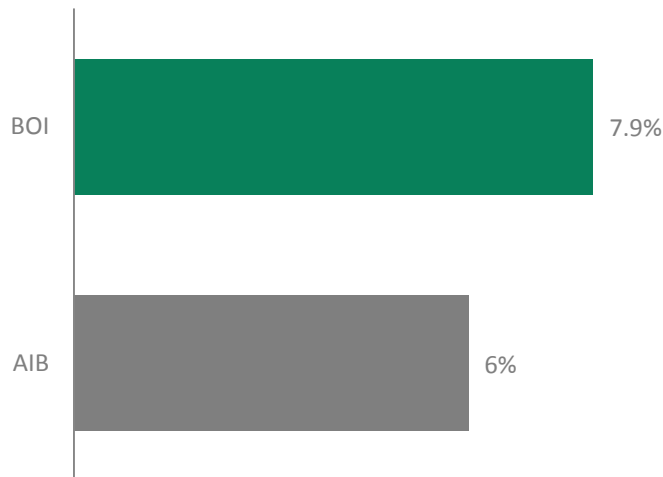
PLAR bank disposals



Source: data from bank/FMP 2011

Note: Numbers may contain rounding errors

% discounts incurred on disposals



Note: Discounts are calculated off gross loan book values

Main observations

- Circa €34bn of loan books/businesses were identified for disposal as part of FMP 2011
- More than €19bn trade agreed by October 12
- Ptsb programme largely postponed pending EC's decision on Restructuring plan
- BOI programme completed within PCAR/PLAR % assumed discounts
- AIB loan sales to June-12 have been completed within discounts assumed
- Several billion of further disposals on track for completion by Dec-12

*Disposals include loan sales and deleveraging achieved through active re-financings and non participations in re-financings



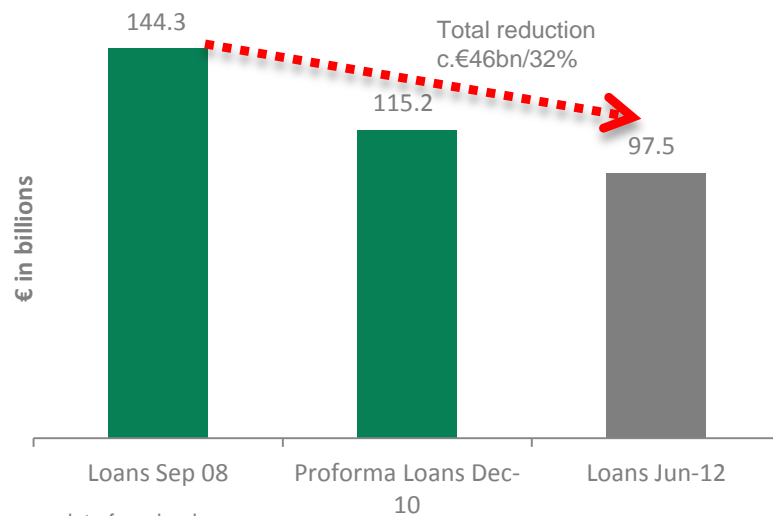
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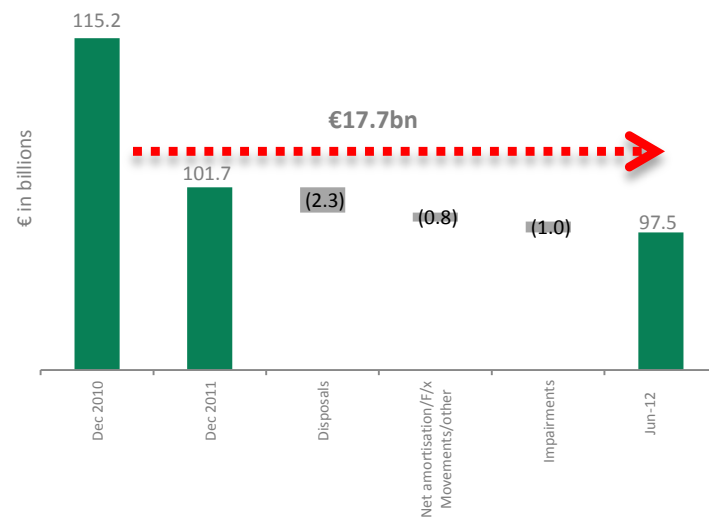
BOI - total net customer loans movement at 30 June-12

Progress in Net customer loan reduction



Source: data from bank

Deleveraging YTD to June 2012



Source: data from bank

Main observations

- Substantial c.€46bn net loan reduction at BOI since 2008
 - Has completed its international loan sales process at an average discount of 7.9% - within PCAR base case assumptions
- Deleveraging of €17.7bn achieved during the period from Dec-10 to Jun-12; Of this, €4.2bn was achieved YTD 30 June-12
- Net redemptions continue in line with BOI's expectations
- June 2012 LDR of 136% (reduced from 144% at Dec-11)



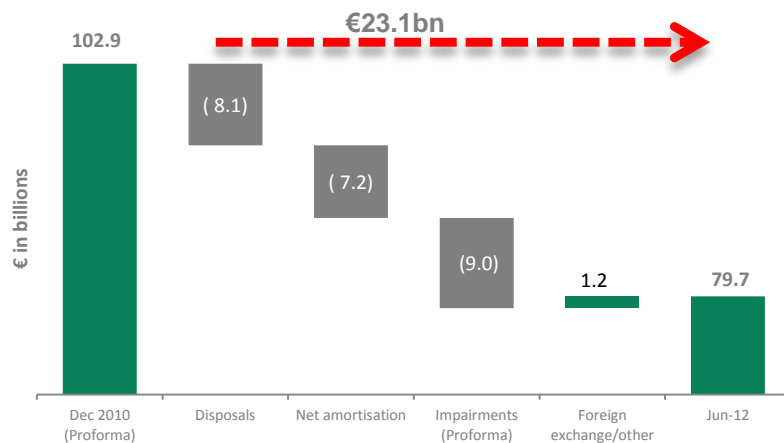
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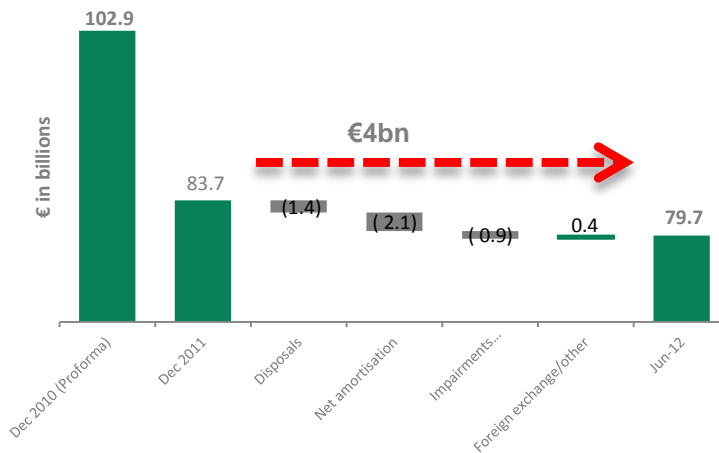
AIB - total net customer loans movement at 30 June-12

Cumulative movement from Dec-10 to June 2012



Source: data from bank

YTD to June 2012



Source: data from bank

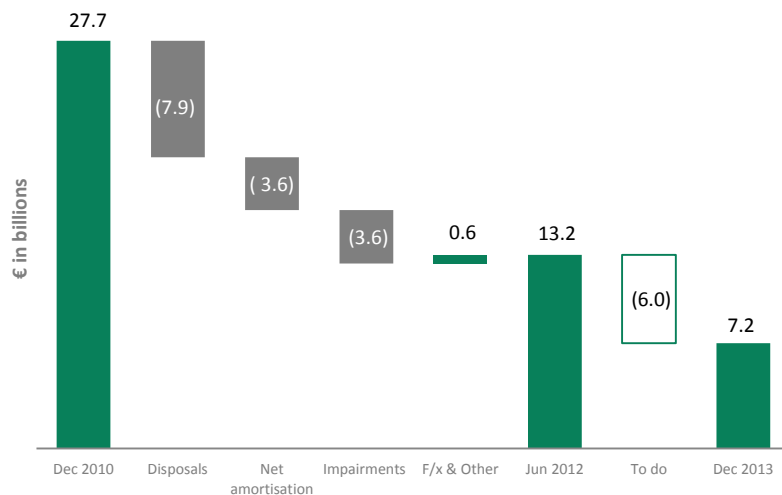
Main observations

- Total net customer loans movement of €23.1bn achieved during the period from Dec-10 to Jun-12 comprising Core deleveraging of €8.6bn and Non-core of €14.5bn
- YTD €4.0bn net customer loan reduction - €2.2bn of core and €1.8bn non-core deleveraging
- AIB are well placed to complete further disposals and Non-core loan reduction in H2 2012
- AIB June 2012 LDR of 125% (down from 138% at Dec-11)



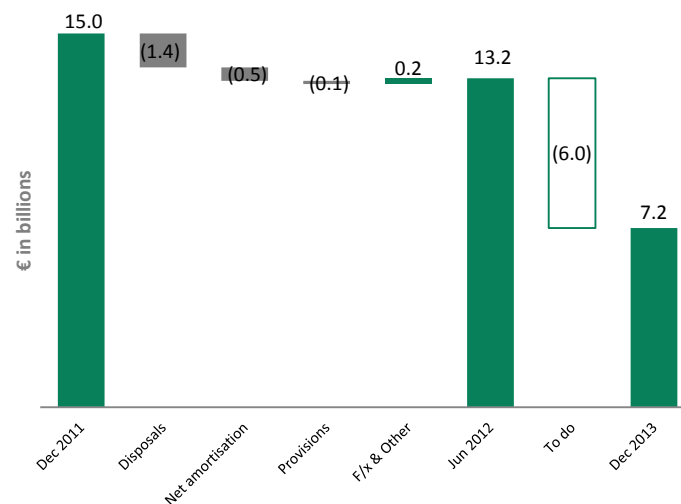
AIB - Non-core deleveraging to June -12

Non-core balance reduction YTD to June 2012



Source: data from bank

Non-core balance reduction YTD to June 2012



Source: data from bank

Main observations

- Circa €28bn of Non-core loans identified
- Deleveraging of €14.5bn achieved during the period from Dec-10 to Jun-12, representing 70% PLAR required Non-core reduction target of €20.5bn.
- Cumulative discount on €7.9bn disposals to 30 June-12 of 6%

2012 Year to June Performance

- Non-core deleveraging of €1.8bn YTD June-12
- Overall gross cumulative discounts of 4% (which includes non-refinancing) and amortisations, within PCAR assumptions



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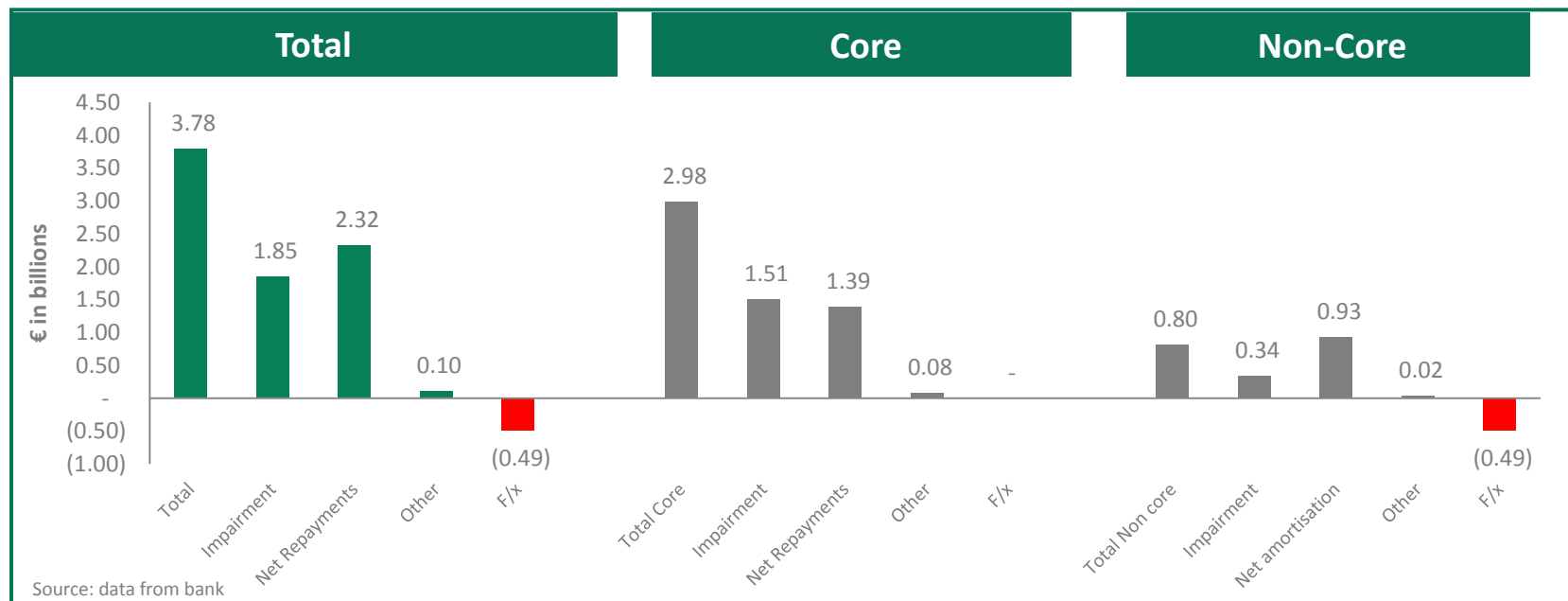
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Ptsb - Cumulative movement in net customer loans



Main observations

Key points to note:

- Customer loans have reduced by c.€3.8bn from opening position at Dec-10 to Jun-12; YTD reduction of €0.9bn
- But significant amount of this cumulative reduction is from provisions raised - is in excess of the €0.8bn envisaged in PLAR
- LDR was 190% at June-12, down from 227% at Dec-11



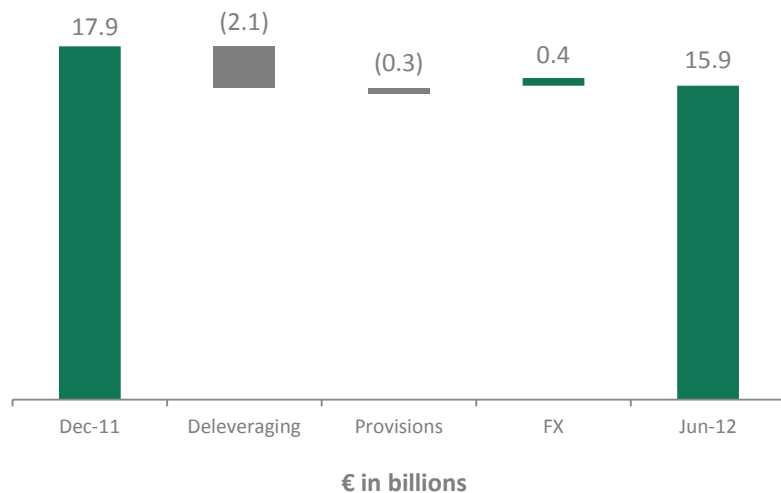
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IBRC Progress to date

Net loan balance reduction 30 June 2012



Source: data from bank

Net loan book geographical analysis



Source: data from bank

Main observations

- IBRC has net loans of €15.9bn at 30 June 2012. Balances have declined by €2.1bn or 3% during the first half of 2012.
- Loan recovery is ahead of target but conditions remain challenging especially in Ireland.
- Success YTD has been primarily in the UK with continued interest in property located in London and South East where liquidity is available



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