



AIB launches EUR300 million Healthcare Fund to back the Healthcare Sector in Ireland

22nd October 2014

New AIB research finds ageing population will fuel demand for nursing home care and could create up to 10,000 jobs

AIB today announced it was setting up a €300 million Healthcare Fund to support investment in the healthcare sector. AIB also published new research which shows that Ireland is now catching up with its European neighbours in terms of its ageing demographic profile. The number of people over 65 is set to increase by around 200,000 over the next seven years bringing the total numbers over 65 to circa 732,000.

Speaking at the launch of the fund, Tanaiste Joan Burton TD, Minister for Social Protection, said:

"Looking after our ageing population is a key priority for the government and I welcome the fact that AIB is willing to lend to operators seeking to meet the needs of our older citizens. I also welcome this new research which gives us insight into the care needs of our older citizens."

AIB Head of Business Banking Ken Burke said: "The future is positive for the long term care sector in Ireland, with the growing demand for places in nursing homes. We are launching the €300m healthcare fund today to support investment across healthcare services and specifically to support funding to nursing home operators who are critical to the provision of care to our ageing population. AIB has dedicated healthcare specialist teams and is actively lending to operators expanding their bed capacity and building new facilities as well as to existing operators requiring refinance of their debt facilities."

Tadhg Daly, chief executive of Nursing Homes Ireland, said: "The concerns expressed recently by the Minister for Health and HSE regarding the rise in delayed discharges from hospitals highlight the critical role nursing home care has to play in the delivery of a proper functioning health service. Persons most dependent upon the specialist, continuous care provided in our local communities by nursing homes – those aged 85+ - will grow at a rapid rate to 2021, by 46 per cent according to the CSO."

"We must plan for the full range of healthcare services that are required to ensure our older persons can access appropriate healthcare within their local community in a timely manner. This will remove present overdependence and over-reliance upon use of services within the inappropriate settings that are acute hospitals. This makes logical and economic sense. Our long-standing call for a forum to plan for older population's healthcare requirements is increasingly imperative."

The Long Term Care report found the nursing home sector has significant job creation potential with an average of 1.2 staff employed per resident. It is expected that up to 10,000 jobs could be created

over the next seven years as the research indicates demand for 8,000 new nursing home places by 2021.

New research from Ipsos MRBI on behalf of AIB found that 81 per cent of nursing home operators did not expect the supply of nursing homes beds to meet the predicted future increase in demand. The research, which canvassed the views of all private and voluntary nursing home operators and owners, also found that average occupancy in a nursing home has already reached 95 per cent. Nursing homes have also seen some significant changes in the profile of their residents over the past three years; according to the survey 47 per cent of all residents have dementia and 70 per cent of operators stated that they have seen an increase in the number of residents with the condition. However, fewer than 1 in 5 homes currently has a specialised dementia care unit.

The research found there were important challenges to be overcome if the sector was to reach its full potential. These challenges included uncertainty around government funding for nursing home care, increases in running costs, availability of nursing staff, and high costs of compliance. For example, 82 per cent of operators reported difficulty in recruiting nursing staff, particularly in rural areas. Operators see the greatest opportunities in extending their existing capacity, developing specialist dementia units and building new nursing homes.

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Notes to Editors:

Sectoral Reports

The report is the ninth in a series of research reports published by AIB in to key sectors of the Irish economy.

Methodology

Ipsos MRBI conducted a telephone survey, on behalf of AIB and in association with Nursing Homes Ireland (NHI), amongst the owners and operators of 119 nursing homes. Fieldwork took place from 15 th – 26 th September 2014

26th October 2014

Summary

- The Results of the Comprehensive Assessment (CA) confirm that AIB Group (“AIB”) has capital buffers comfortably above minimum requirements under all stress test assessment scenarios.
- AIB therefore does not require any additional capital as a result of the CA process.

Results of Comprehensive Assessment

AIB notes the publication of results of the CA European wide stress testing exercise conducted by the European Banking Authority (EBA) and the European Central Bank (ECB) in conjunction with AIB’s National Competent Authority, the Central Bank of Ireland (CBI).

Under the CA, the capital adequacy threshold for the baseline stress test scenario was set at 8.0% Common Equity Tier 1 (CET 1) and set at 5.5% CET 1 in the adverse stress test scenario. Both scenarios were assessed for capital under the transitional arrangements as set out in Capital Requirements Directive (CRD) IV, over a 3 year period from 2014 - 2016.

The published results confirm that in all scenarios, AIB’s capital ratios exceed the CA baseline and adverse stress test thresholds over the period as outlined below:

	AIB Results of Comprehensive Assessment	
	Static Balance Sheet	Dynamic Balance Sheet
CET 1 Ratio at year end 2013	14.99%	14.99%
Asset Quality Review (AQR) adjusted CET1 Ratio - minimum threshold of 8%	14.64% (Buffer of 6.64%)	14.64% (Buffer of 6.64%)
Adjusted CET1 Ratio after Baseline Scenario - minimum threshold of 8%	12.43% (Buffer of 4.43%)	14.29% (Buffer of 6.29%)
(lowest capital level vs threshold over 3 year period)		
Adjusted CET1 Ratio after Adverse Scenario - minimum threshold of 5.5%	6.92% (Buffer of 1.42%)	10.26% (Buffer of 4.76%)
(lowest capital level vs threshold over 3 year period)		

The CA methodology included an Asset Quality Review (AQR) for banks’ balance sheets as at end December 2013 and forward looking stress tests over a three year 2014-2016 timeline. AIB was assessed on both a Static and Dynamic balance sheet basis. Where a bank had a Restructuring Plan agreed with the European Commission prior to end December 2013, the stress tests were conducted on a Dynamic Balance Sheet basis where some assumptions from the Restructuring Plan on loan restructuring, cost reductions and new lending were allowed. All other banks were required to conduct the stress tests on a Static Balance Sheet basis where the stress tests were based on how the balance sheet as at end December 2013 would perform over three years. As AIB’s Restructuring Plan was approved after 31 December 2013, the bank was assessed on both a static and dynamic balance sheet basis.

The aggregate adjustment due to the outcome of the AQR process would have equated to a reduction of 35bps to the bank's CET 1 ratio of 14.99% as at 31 December 2013. This would have been equivalent to c.1% of AIB's overall balance sheet provisions of c. €17.1 billion as at 31 December 2013.

Economic conditions in Ireland and the UK have continued to improve in 2014. AIB's transitional CET 1 ratio, including the benefit of unaudited profits generated in H1 2014, increased to 16.1% as of 30 June 2014 and the bank has continued to generate capital in quarter 3 2014.

The results published today by the ECB and EBA are point in time projections based on prescribed assumptions and should not be treated as indicative of future financial performance of AIB. To view the results including disclosure templates published by the ECB and EBA for AIB please go to the following link:

investorrelations.aib.ie

Other Information

AIB currently has 523,438,445,437 ordinary shares in issue, of which 99.8% are held by the National Pensions Reserve Fund Commission ("NPRFC"), with 500 billion of the ordinary shares issued to the NPRFC in July 2011 at a price of €0.01 per share. Based on the number of shares currently in issue and the closing share price of 24 October 2014, AIB trades on a valuation multiple of c. 8x (excluding 2009 Preference Shares) 30 June 2014 Net Asset Value (NAV). The Group continues to note that the median for comparable European banks is c.1x NAV.

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Forward-looking Statement

This document contains certain forward-looking statements within the meaning of Section 27A of the US Securities Act of 1933, as amended, and Section 21E of the US Securities Exchange Act of 1934, as amended, with respect to the financial condition, results of operations and business of AIB Group and certain of the plans and objectives of the Group. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as 'aim', 'anticipate', 'target', 'expect', 'estimate', 'intend',

'plan', 'goal', 'believe', 'may', 'could', 'will', 'seek', 'continue', 'should', 'assume', or other words of similar meaning. Examples of forward-looking statements include among others, statements regarding the Group's future financial position, income growth, loan losses, business strategy, projected costs, capital ratios, estimates of capital expenditures, and plans and objectives for future operations. Because such statements are inherently subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking information. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These are discussed in more detail in AIB's Annual Financial Report 2013 which has been filed on Form 20-F with the US Securities and Exchange Commission. In addition to matters relating to the Group's business, future performance will be impacted by Irish, UK and wider European and global economic and financial market considerations. Any forward-looking statements made by or on behalf of the Group speak only as of the date they are made. The Group cautions that the foregoing list of important factors is not exhaustive. Investors and others should carefully consider the foregoing factors and other uncertainties and events when making an investment decision based on any forward-looking statement.