EMBARGO 07:00 **1 March 2019**

AIB Group plc announces 42% increase in proposed dividend to €461m

"In this my last report on the performance of AIB, I am fortunate to be able to highlight another year of strong operational and financial performance. Across all the key metrics, by which we judge ourselves, the business has performed well during the year. The quality of the balance sheet continues to improve as we work through our legacy non-performing exposures. Our 2018 NIM, NII and costs are on track with our medium term targets and our underlying capital generation has helped us in reaching our objective of normalising our proposed level of annual dividend payment."

– Bernard Byrne, CEO

Highlights

- **Sustainable profitability underpinned by strong and stable net interest income and margin**
  PBT €1.25bn; NIM 2.47% (2017: 2.50%); NIM on previous basis(1) 2.53% (2017: 2.58%)
- **Strong capital generation supporting growth and distributions**
  CET1 (FL) 17.5%; Organic capital generation +210bps
- **Significant increase in proposed dividend and working towards further capital returns**
  €461m or 17c per share, up 42% on 2017
- **Well-managed costs in 2018 and cost discipline to continue**
  Stable costs year on year at €1.4bn; Cost income ratio 53%
- **Loan book expansion on both net basis and on performing loan book**
  Net loan book growth of €0.9bn to €60.9bn from Dec 2017
  Performing loan book growth of €3.7bn to €56.8bn from Dec 2017
- **New lending up 15% on previous year to €12.1 billion**
  Total new lending €12.1bn (+15%) with strong performance from corporate sector
  New mortgage lending in Ireland up 16%; market share at 32%(2)
- **Another year of significant NPE reduction and on track to reach 2019 year end target**
  NPE ratio 9.6% (2017: 16.1%); €4.1bn reduction (-41%) to €6.1bn (Dec 2017: €10.2bn)
- **Investment grade status achieved with all rating agencies; MREL programme well underway**
  €1.65bn of MREL issuance completed of c. €4bn requirement
- ***Customer First strategy delivering enhanced customer outcomes and commercial success***
  Launch of express mortgage journey generating efficiency and Q4 NPS of +61

AIB performed well in 2018 and we remain on track to meet the medium term targets as set out at the time of the IPO. Underpinned by our market leading positions and digital capabilities, 2018 was a year of strategic progress as we aligned structure and strategy with an evolving operating model and a fundamental repositioning of our property portfolio. A strong operational performance delivered enhanced customer outcomes and shareholder returns.

ECONOMIC ENVIRONMENT

The Irish economy outperformed expectations again last year, with underlying growth in domestic demand of c. 5%. The unemployment rate fell to 5.7% by year end, its lowest level since 2007. Employment continued to grow at c. 3%, with good job creation in most sectors. Activity in the Irish housing market continued to improve, although significant supply constraints remain. New mortgage lending rose by 20% to €8.7 billion in 2018.

Leading indicators of activity have softened in recent months, both internationally and in Ireland. Furthermore, downside risks have increased for the global economy, while much uncertainty still persists in relation to Brexit. The Irish economy is still expected to continue to expand in 2019 with growth forecast at c. 4% for the year.

The uncertainty around Brexit would appear to have resulted in postponed investment decisions, particularly in SME communities in both Ireland and the UK. Adopting a vigilant approach to Brexit, we have planned for a range of economic scenarios, assessing potential impacts on our business and customers, keeping our risk appetite under review and carefully monitoring asset quality indicators from both regional and sector perspectives. Our team of 26 Brexit advisors also continue to work closely with our Irish and UK-based customers to better understand and advise on the potential implications of Brexit on their businesses. Our balance sheet strength and strong capital base will allow us to support our customers.

FINANCIAL PERFORMANCE

The Group delivered a full year profit before tax of €1.25bn in line with expectations and a return on tangible equity of 12.4%.(3)

Both net interest income(1) of €2.1bn and net interest margin of 2.47% were stable over the period. With lower cost of funds and underlying loan yields holding up, the Q4 exit NIM was 2.48% as the negative impact of excess liquidity (6bps in 2018) receded following management action. We remain comfortable with our medium term target of 2.40%+.

Customer fees and commissions were €457m in 2018 (2017: €449m) with customer accounts and card income up in the year due to higher transaction volumes. Other income of €626m (2017: €791m) included €84m from previously restructured loans compared to €213m in 2017.

Cost management remains a key focus. We are simplifying our operating model, investing in our customer proposition and delivering the many requirements needed to meet heightened regulatory oversight. In 2018 costs were stable at €1.4bn in line with our expectations. There was a reduction in average employee numbers during the period offset by wage inflation, increased depreciation from our investment programme and the cost of our loan restructuring operations. Exceptional items of €167m include the gain on portfolio sales offset by costs associated with the fundamental repositioning of our property portfolio, the tracker mortgage examination programme, IFRS 9 and other transformation / business restructuring projects.

Bank levies and regulatory fees for 2018, relating to the Single Resolution Fund (SRF), the Deposit Guarantee Scheme (DGS) and the Bank Levy were €82m.

There was a net credit impairment writeback of €204m reflecting positive outcomes on restructuring arising from increased security values, improved business cashflows and the stronger economic environment.

Balance Sheet

AIB's balance sheet is growing. Since December 2017 net loans increased from €60.0bn to €60.9bn with new lending exceeding redemptions; performing loans (gross) increased €3.7bn to €56.8bn at December 2018. Overall total new lending of €12.1bn was 15% higher than the previous year and included new term lending of €10.7bn (+ 13%) and new transactional lending of €1.4bn (+26%).

- AIB new mortgage lending tracked the market closely; up 16% to €2.8bn. Our market share [(2)] of mortgage drawdowns in 2018 remained steady at 32%. As the largest mortgage lender in Ireland, we deploy a multi-brand, multi-proposition mortgage strategy and continue to monitor and balance the considerations of price, volume and quality.
- Our corporate and institutional businesses had a very strong performance in 2018; new term lending up 24% to €4.0bn.
- SME business in Ireland is trading solidly despite a weaker market backdrop.
- SME lending in the UK is up 9% off a low base; the loan book remained static.

NPEs have reduced by €4.1bn to €6.1bn (9.6% of gross loans) from €10.2bn at December 2017. Our well-resourced and experienced team in our Financial Solutions Group (FSG) continues to deliver progress through continued engagement with customers and disposals of distressed portfolios. The continued reduction in NPEs remains a key focus and a strategic priority for the Group and we remain on track to reach c. 5% by end 2019.

Funding & Capital

Strong funding and capital management ensure AIB is well positioned for growth and to support our customers.

In 2018, AIB Group plc launched its EUR EMTN programme and US dollar debt 144A programme for MREL issuance. AIB has now completed three MREL trades totalling €1.65bn or over 40% of its c. €4bn MREL issuance requirement. Moody's and S&P upgraded AIB Group plc in 2018 and it is now rated Investment Grade by all three credit agencies reflecting the strong progress in asset quality and ability to access debt capital markets.

The Group's fully loaded CET1 ratio at 31 Dec 2018 was 17.5%. Our strong profit generation in the year of 210bps was offset by movements in the investment securities reserve, the day 1 IFRS 9 impact, other regulatory deductions and the proposed dividend. The proposed dividend of €461m (17c per share) is an increase of 42% on last year and equates to a dividend pay-out ratio of 44%.

Following the Supervisory Review and Evaluation Process (SREP) performed by the ECB, the minimum requirement for the 2019 CET1 ratio was set at 11.55% [(4)]. The Pillar 2 requirement is unchanged at 3.15%. AIB's reported capital ratios (17.5% FL CET1 and 21.1% Transitional CET1) are materially in excess of minimum regulatory requirements and AIB continues to maintain a very significant buffer above maximum distributable amount (MDA) trigger levels. In relation to the Targeted Review of Internal Models (TRIM), we have submitted our AIB mortgage model (ROI) and our corporate model and await feedback from the ECB. Our capital ratios are well in excess of our CET1 target of 13%.

Customer First - Leading Digital Bank

With our Customer First strategy embedded in culture, we are committed to our purpose which is to back our customers to achieve their dreams and ambitions. With continued investment in technology and innovation, our extensive digital capabilities allow us to respond to changing customer needs and positions AIB as a digital leader amongst global retail banks. In Ireland we remain the number one for digital distribution with over 1.38m active digital customers, representing a 10% increase year on year.

During 2018 we launched a number of customer initiatives delivering enhanced customer experience and satisfaction, increased efficiency and commercial success. Examples include:

- **Express Mortgage Journey** – generating efficiency and Q4 NPS of +61
- **My Mortgage App** – 90% adoption rate since launch
- **Fitbit Pay** – the latest addition to Apple Pay and Google Pay within our leading digital wallet and payment offerings
- **VoiceID** – use of biometrics for customer authentication

OUTLOOK

AIB is well positioned for the future and remains on track to reach our stated medium term targets. Our business strategy is delivering sustainable profitability and strong capital generation. The economic backdrop is favourable, notwithstanding the uncertainty of Brexit. Looking forward we remain focussed on continued delivery against our key priorities of simplification, efficiency and balance sheet normalisation.

The regulatory assessment process relating to the proposed appointment of Dr Colin Hunt to the role of Chief Executive Officer is progressing well and is expected to finalise shortly. Today we announce that Mr Donal Galvin, the Deputy Chief Financial Officer and Group Treasurer, has been appointed Chief Financial Officer with immediate effect.

The new management team looks forward to building on the success of their predecessors.

Further detail, including all relevant disclosures and notes to financial statements can be found on aib.ie/investorrelations.

(1) Following the implementation of IFRS 9, when a financial asset has cured without financial loss, the Group now presents previously unrecognised interest income in net credit writebacks (2018: €44m; 2017: €61m) having previously reported in interest income. The 2017 reported NIM 2.58% is re-presented as 2.50%. The 2017 reported CIR 48% is re-presented as 49%.

(2) Source: Mortgage drawdowns YTD December 2018 BPFI

(3) ROTE based on (PAT - AT1 coupon + DTA utilisation) / (CET1 @13% plus DTA)

(4) Excludes Pillar 2 Guidance (P2G)

\- ENDS -

For further information, please contact:

Donal Galvin	Niamh Hore	Orla Bird/Stephen O'Shea
Chief Financial Officer	Head of Investor Relations	Media Relations
AIB Bankcentre	AIB Bankcentre	AIB Bankcentre
Dublin	Dublin	Dublin
Tel: +353-1-6418300	Tel: +353-1-6411817	Tel: +353-1-6415375 / +353-1-772 0456
email: donal.j.galvin@aib.ie	email: niamh.a.hore@aib.ie	email: orla.c.bird@aib.ie stephen.p.o'shea@aib.ie

Forward Looking Statements

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 risks and uncertainties on pages 62 to 68 in the 2018 Annual Financial Report. 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 62 to 68 of the 2018 Annual Financial Report 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.*