Annual Financial Results 2016

For the financial year ended 31 December 2016

Important Information and Forward Looking Statement

This presentation should be considered with AIB's Half-Yearly Financial Report 2016, Trading Update December 2016 and all other relevant market disclosures, copies of which can be found at the following link: http://aib.ie/investorrelations

Important Information and forward-looking statements

AIB is 99.9% owned by the Irish State and therefore the limited free-float distorts trading and valuation of AIB shares.

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 50 to 58 of the Annual Financial Report 2016 and on page 34 'Update on risk management and governance' of the Half-Yearly Financial Report 2016. 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 50 to 58 of the Annual Financial Report 2016 and on page 34 of the Half-Yearly Financial Report 2016 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.

2016 Performance & Strategic Objectives

Bernard Byrne
Chief Executive Officer

2016 in Summary

Momentum in Performance

- Continued strong financial performance and ongoing sustainable underlying profitability, with further improvement in asset quality
- Strong capital ratios, organic capital generation and normalised funding (1)
- Dividend payment to ordinary shareholders of €250m proposed for 2016
- Market leading franchise with customer first strategy and investment in digital and innovation driving commercial success
- Well positioned for future challenges and opportunities in a growing economy

(1) Upgraded to investment grade by S&P and Moodys

Profitable, strong capital generation and delivering shareholder returns

Dividend payment proposed

Profit before tax	**€1.7bn** €1.9bn in FY 2015	• Strong sustainable profit on a total and underlying basis • Enhanced by one-offs and lower yoy provision writebacks
Net Interest Margin (1)	**2.25%** 28bps increase in 2016	• Positive upward NIM trajectory; exit NIM of 2.42% (Q4 2016) • Stable asset yields; lower funding costs and positive impact of repayment of €1.6bn CoCo (4)
Impaired loans	**€9.1bn; €5.1bn net (3)** €4bn reduction on Dec '15	• Further reduction in impaired loans • Primary restructuring period concluding
CET1 ratio (2)	**15.3% (2)** 230bps higher than Dec'15	• Strong capital ratios; generating significant capital • Payment of €1.8bn on the maturity of the CoCo (4)
Dividend payment proposed	**€250m** First Dividend since H1 2008 (5)	• Sustainable performance delivering further returns to shareholders
Net Promoter Scores (6)	**NPS +45 - Q4 2016** +29 increase since Q4 2014	• Customer First strategy driving significant improvement in customer experience

(1) Excludes Eligible Liabilities Guarantee (ELG)
(2) Fully loaded CET1 ratio of 15.6% [excluding proposed dividend payment of €250m]
(3) Net of specific provisions
(4) Contingent Capital Notes; €1.8bn includes accrued dividend
(5) To ordinary shareholders
(6) Transactional Net Promoter Score - measures customer experience with a company's products or service and the customer's loyalty to the brand. It is an index ranging from -100 to 100 that measures the willingness of customers to recommend a company's product or services to others

Four pillar strategy driving sustainable performance

Focused on delivering long term shareholder outcomes

Strategic Ambition	*We will be at the heart of our customers' financial lives by always being useful, always informing and always providing an exceptional customer experience.* *We will deliver a bank with compelling, sustainable capital returns and a considered, transparent and controlled risk profile.*

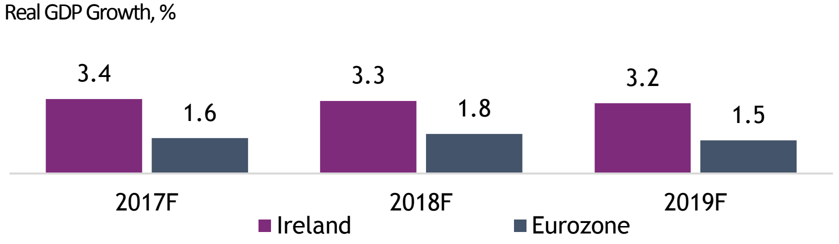
Four Pillars of Strategic Plan	**Customer First**	**Simple and Efficient**	**Risk and Capital Management**	**Talent and Culture**

Targeted Shareholder Outcomes	**Strong Customer Franchise**	**Capital Accretion & Capital Return**	**Sustainable Long-Term Growth**

Growing economy with attractive market dynamics

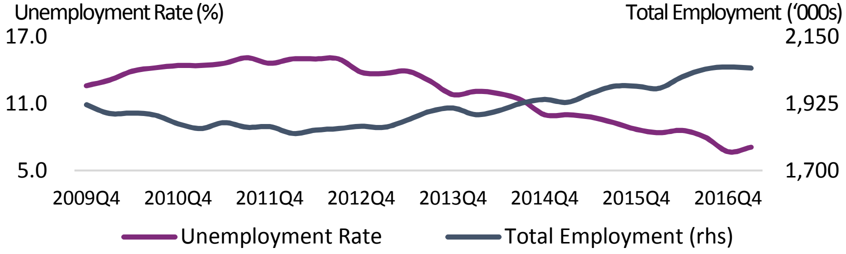
Well positioned for growth

Economic Growth Expected Despite Brexit Uncertainties



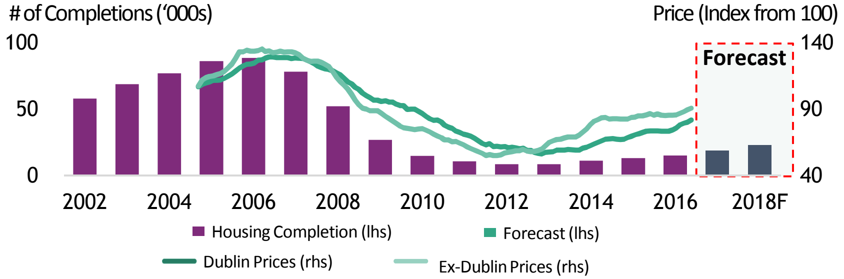
Source: European Commission for 2017 and 2018 and Department of Finance for 2019

Total Employment Levels Rising as Unemployment Falls



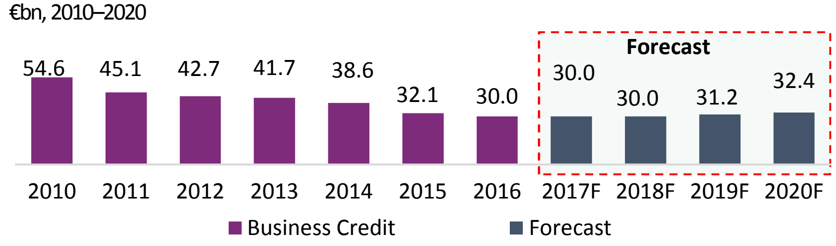
Source: CSO

Increased House Completions Volume and Prices



Source: CSO, Department of Housing, AIB ERU

SME Credit Market Forecast to Return to Growth (1)



Source: CBI; BPFI; Internal Data; AIB/PwC Analysis

(1) Excluding Financial Intermediation & Property (Real Estate, L&D Activities)

Strong franchise with competitive market position

The leading Irish bank with retail and commercial focus

Retail & Commercial Banking [1]

- Largest retail and commercial bank in Ireland
- 2.3m personal & SME customers
- No. 1 distribution network with 297 locations and An Post partnership
- Leading market shares and leading position in digital enablement
- Multi-brand approach

Wholesale, Institutional & Corporate Banking [1]

- Corporate Banking – relationship-driven model with sector specialisms
- Real Estate Finance – centralised origination and management
- Specialised Finance – structured finance, mezzanine finance
- Syndicated & International Finance

AIB UK – AIB GB & Northern Ireland

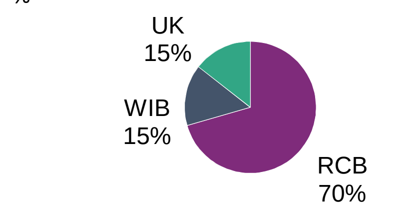
- >360k retail and SME customers
- FTB – focused challenger in Northern Ireland
- GB – Niche Business Bank

NI – First Trust | AIB GB

Group Treasury & Support Functions

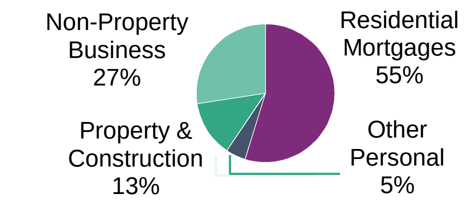
- Treasury activities
- Central control & support functions

Net Customer Loans by Segment



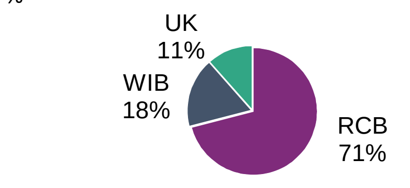
FY 2016 Total: €61.0bn [2]

Net Customer Loans by Product



FY 2016 Total: €61.0bn [2]

Operating Profit by Segment



FY 2016 Total: €1.3bn [2,3]

(1) RCB = Retail & Commercial Banking, WIB = Wholesale, Institutional & Corporate Banking
(2) Due to rounding, sum of values in pie charts may not equal total net loans figure shown
(3) Pre-provision Operating Profit (Before Group Treasury and Services)

Investment in strategic priorities delivering results

Customer First approach

Customer First	Simple & Efficient	Risk & Capital Management	Talent & Culture

Focused Investment of €870m (2015-2017)

Clear Focus

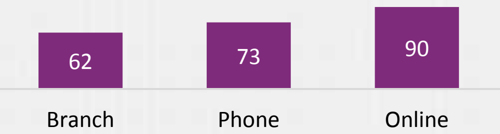
Customer First	Simple & Efficient	Risk & Capital Management	Talent & Culture
• Customer need – driven by data and analytics insights • Omni-channel distribution of simple & innovative products and services	• Resilient and agile technology platform • Business process management delivering outcomes efficiently	• Risk adjusted return on capital measurement (RAROC) • Clear risk appetite • Credit capability	• Strategy defines talent need • Customer first culture and conduct a priority • Risk aware

Delivering & Measuring Success

Personal Loan Customer Journey

- Highest scoring customer journey
- 3-hour journey time via online channel
- Digitised end-to-end & lower cost to serve

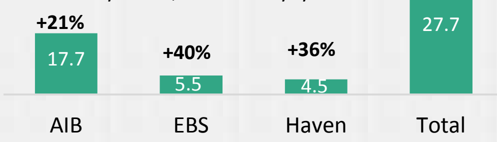
Personal Loan NPS [2] by Channel (Q4 16)



Mortgage Proposition

- Multi-brand approach
- Strategic frontbook / backbook pricing
- Online application

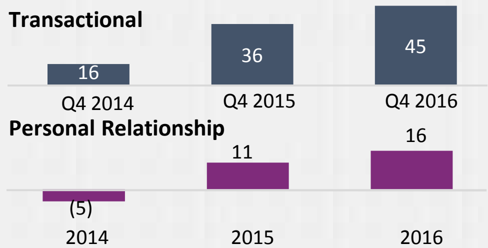
# of Mortgage Applications (2016)
'000s By Brand; % increase yoy



Transforming Customer Experience

- Strategic pillars delivering enhanced customer experience

NPS [2] Development



Source: Company Information

Customer First driving commercial success

Tangible customer and efficiency outcomes

Customer First → **Understand our customers' needs** | **Continuously innovate to provide suitable solutions for customers** | **Serve through our omni-channel distribution model** | **Relelessly deliver simplification and digitisation**

No. 1 Physical & Digital Channel Distribution Network in Ireland

206 Branches

71 Locations

20 Business Centres

Mobile App - >650K active mobile users

Internet Banking – 1.1 million online users

Partnership with An Post with 1,100 Locations

Complete | **Consistent** | **Connected**

Investment in Key Customer Propositions Resulting in Tangible Customer & Efficiency Outcomes

Prioritised investment in Mobile 2.0

Focus on improving customer journeys

Significant investment in analytics and propositions

OTC [1] transactions reduced by 56% in 4 years

Mobile penetration at 34%, upper quartile globally [2]

Mobile interactions increased to 30 per month

53% of all key products purchased via online channels

3,000 FTE Reduction 2012 - 2016

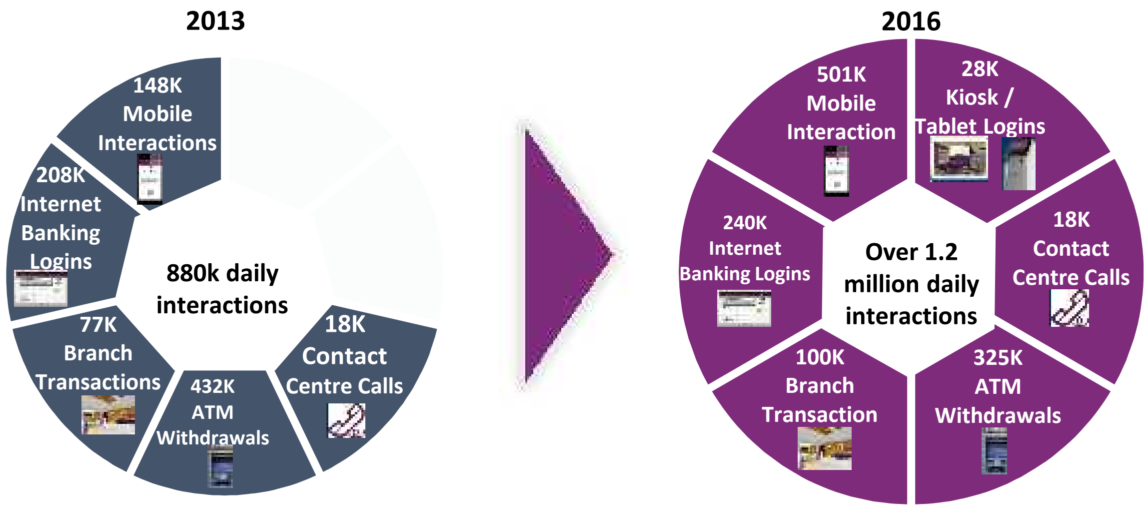
€450m reduction in costs to 2015

67% of transactional customers active on digital channels

(1) OTC – 'Over the Counter' transactions
(2) Source: RCB Customer Analytics

Proven return on Investment

Growing levels of customer interaction and digital engagement



36% increase in daily interactions	***Mobile now busiest channel***	***Branch Transactions:*** *Teller -36%* *Self Service +52%*	***6,000 calls transferred from branch to contact centres***	***Reduced FTEs by c.3,000***

Significant Investment Across Channels Leaving AIB Well Positioned for Growing Demand

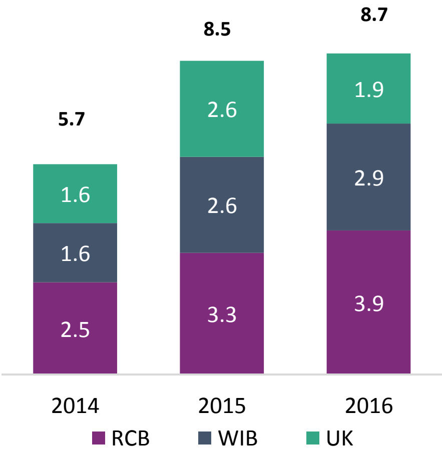
Source: Company Information

Resulting in increased new lending and market share gains

Leading market shares in key sectors

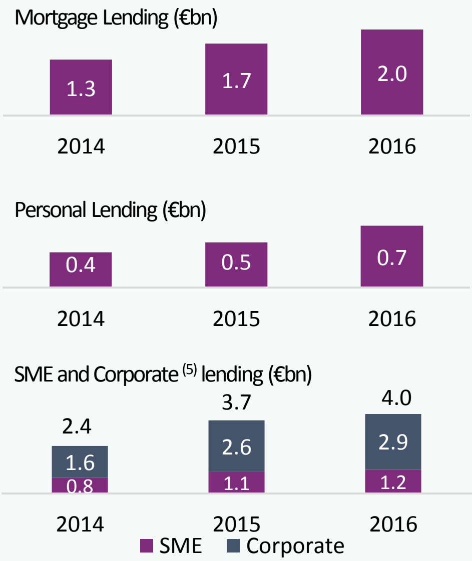
Increase in new lending

Drawdowns (€bn)



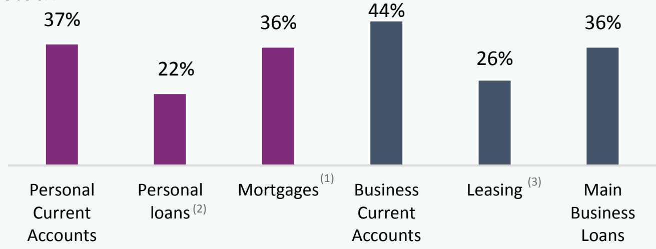
Drawdowns to approval rate of 67% in 2016

Momentum across key sectors



Leading Market Shares

Stock



Strong Market Share Position

(Stock)

- **#1 Mortgages**
- **#1 Personal Main Current Accounts**
- **#1 Personal Loans**
- **#1 Personal Credit Cards** (4)
- **#1 Business Main Current Accounts**
- **#2 Business Main Loans**
- **#1 Business Main Leasing**
- **#2 Business Credit Cards**

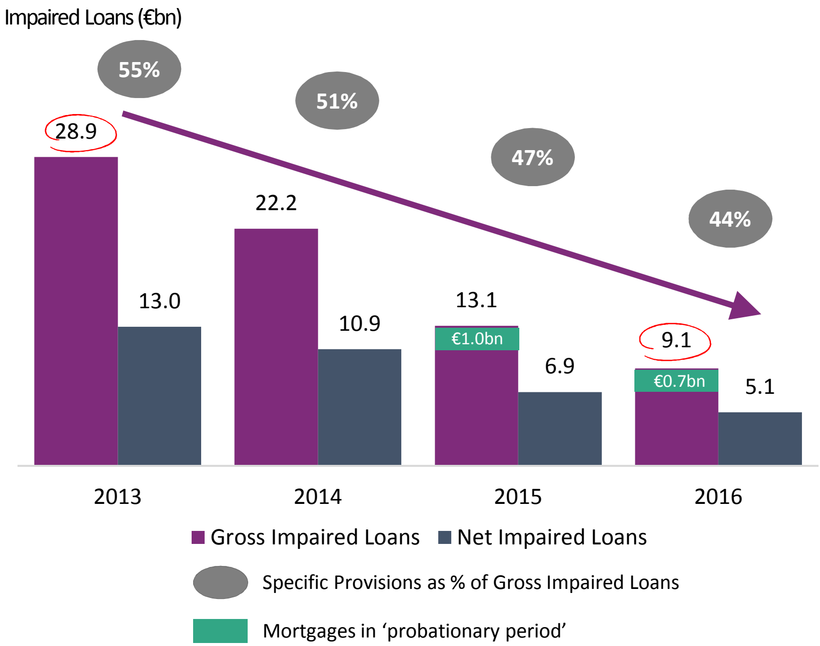
Source: Ipsos MRBI AIB Personal Financial Tracker 2016; AIB SME Financial Monitor 2016, BPFI - 2016

(1) New lending flow 2016
(2) Amongst banks; excludes car finance
(3) Main Business Leasing Agreement
(4) Joint number 1 position
(5) Corporate includes leverage finance, real estate >€10m, advisory and structured finance

Progress on resolving legacy customer issues

69% reduction in impaired loans since peak

Tangible Progress in Reducing Impaired Loans



(1) Net impaired loans calculated as gross impaired loans less specific provisions (excl. IBNR)
(2) Currently performing to terms

Track record of Delivery

- €19.8bn reduction in impaired loans to €9.1bn since Dec 2013
- Case by case restructuring including continued reduction in mortgage arrears
- Significant focus across EU to reach normalised levels
- Primary restructuring period concluding
- €0.7bn impaired mortgages in 'probationary period'(2)
- Improved quality of new lending

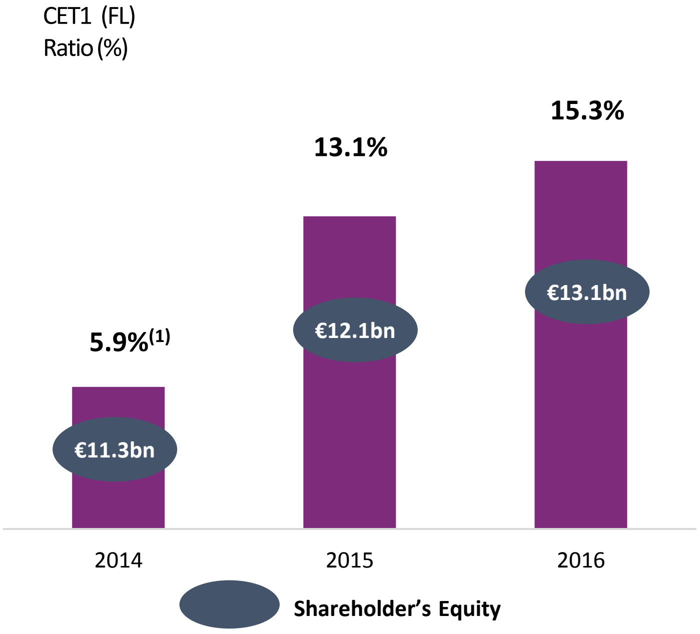
Progress on Industry tracker mortgage examination

- Ongoing review with independent external oversight
- Provision created in December 2015
- Redress and compensation to affected customers identified to date
    - 2,600 restored to the correct interest rate and compensated to date

Significant capital generation enabling substantial payments to the State

Enhanced by dividend payment

Strong Organic Capital Generation



Significant Capital Repayments

- €1.7bn paid in Dec 2015
- €1.6bn of capital repaid in July 2016
- €3.2bn paid in fees, coupons, dividends and levies

Total payments of €6.8bn

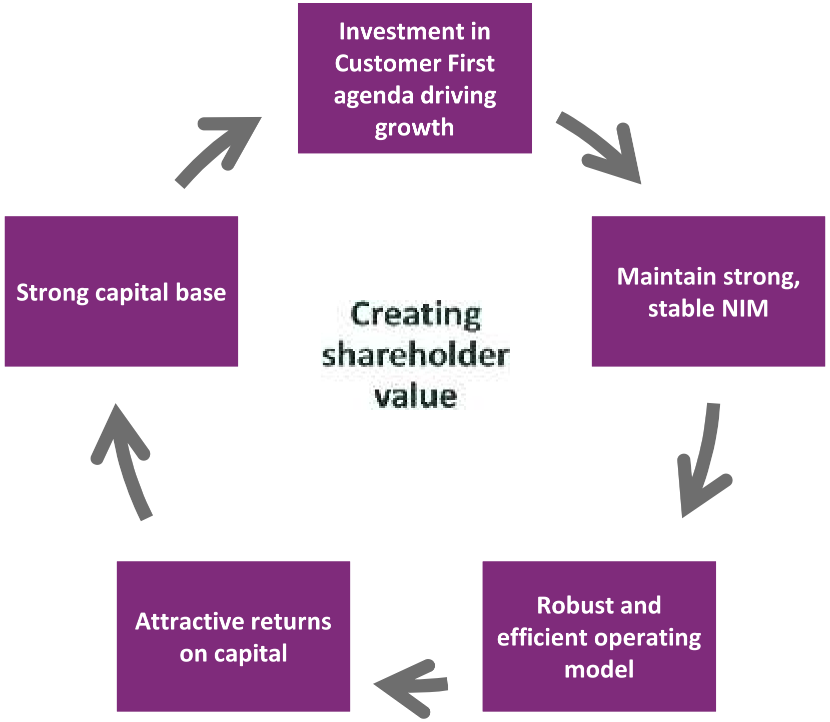
€250m ordinary dividend proposed for 2016

Positioned to repay further capital to the State

(1) Excludes €3.5bn 2009 Preference Shares

Focused on delivering sustainable performance

Based on strong customer franchise, capital accretion and returns and sustainable growth



Summary

Momentum and delivery

- ✓ Continued strong financial performance and ongoing sustainable underlying profitability, with further improvement in asset quality
- ✓ Strong capital ratios, organic capital generation and normalised funding
- ✓ Dividend payment to ordinary shareholders of €250m proposed for 2016
- ✓ Market leading franchise with customer first strategy and investment in digital and innovation driving commercial success
- ✓ Well positioned for future challenges and opportunities in a growing economy

Financial Performance

Mark Bourke
Chief Financial Officer

Financial highlights

Key performance metrics in line with expectations

- Sustainable underlying profitability underpinned by positive NII and margin trajectory

  NIM 2.25%[(1)] - exit NIM 2.42%[(2)]

- Stable earning loan book (ex-FX) driven by strong momentum in new lending

  New Lending €8.7bn

- Continued reduction in impaired loans; pace and quantum of writebacks moderating

  Impaired Loans reduced from €13.1bn to €9.1bn

- Robust capital position supporting growth and capital return

  CET1 (FL) 15.3%

(1) Excludes Eligible Liabilities Guarantee (ELG)
(2) Q4 2016

Operating Performance

Income statement

Sustainable underlying profitability

Summary income statement (€m)	2016	2015
Net interest income	**2,013**	1,927
Other income	**617**	696
Total operating income	**2,630**	2,623
Total operating expenses (1)	**(1,377)**	(1,292)
Operating profit before provisions	**1,253**	1,331
Bank levies and regulatory fees	**(112)**	(71)
Provisions	**298**	923
Associated undertakings & profit on sale	**36**	28
Operating profit before exceptionals	**1,475**	2,211
Exceptional items	**207**	(297)
Profit before tax from continuing operations	**1,682**	1,914

Metrics	2016	2015
Net interest margin (excluding ELG)	**2.25%**	1.97%
Cost income ratio (1)	**52.0%**	49.0%
Return on average ordinary shareholders' equity (2)	**11.1%**	12.4%
Return on assets	**1.40%**	1.30%

- Operating income €2.6bn
  - net interest income up 4%
  - net interest margin up 28bps to 2.25%; continued positive NIM trajectory
  - underlying other income stable excluding one-off benefits
- Operating expenses increased €85m (+7%) in line with expectations
  - investment programme
  - wage inflation and increased headcount in loan restructuring & regulatory compliance functions
- Net provision writeback of €298m includes €281m new to impaired charge
  - primary restructuring period concluding
- PBT of €1.7bn enhanced by one-off items

(1) Excludes exceptional items, bank levies and regulatory fees
(2) ROE: Profit attributable to ordinary shareholders after deduction of dividend on AT1 as % of average ordinary shareholders' equity (excludes AT1)

Average balance sheet

Further NIM expansion driven by stable asset yields and lower funding costs

	Year ended 31 December 2016			Year ended 31 December 2015		
	Average Balance[2] €m	Interest €m	Average Rate %	Average Balance[2] €m	Interest €m	Average Rate %
Assets						
Loans and receivables to customers	**62,116**	**2,248**	**3.62**	64,868	2,363	3.64
NAMA senior bonds	**3,644**	**11**	**0.30**	7,614	31	0.41
Financial investments - AFS	**14,925**	**182**	**1.22**	19,503	398	2.04
Financial investments - HTM	**3,419**	**131**	**3.83**	106	4	3.76
Other interest earning assets	**6,077**	**18**	**0.30**	7,181	25	0.36
Average interest earning assets	**90,181**	**2,590**	**2.87**	**99,272**	**2,821**	**2.84**
Non interest earning assets	**8,005**			7,557		
Total assets	**98,186**	**2,590**		106,829	2,821	
Liabilities and shareholders' equity						
Deposits by banks	**9,728**	**(13)**	**(0.13)**	15,734	4	0.03
Customer accounts	**38,894**	**324**	**0.83**	43,777	490	1.12
Subordinated liabilities	**1,629**	**199**	**12.22**	1,625	278	17.10
Other debt issued	**7,474**	**50**	**0.67**	7,475	92	1.23
Average interest earning liabilities	**57,725**	**560**	**0.97**	68,611	864	1.26
Non interest earning liabilities	**28,056**			25,985		
Shareholders' equity	**12,405**			12,233		
Total liabilities and shareholders' equity	**98,186**	**560**		106,829	864	
Net interest income excluding ELG [1]		**2,030**	**2.25**		1,957	1.97
ELG		**(17)**	**(0.02)**		(30)	(0.03)
Net interest income including ELG		**2,013**	**2.23**		1,927	1.94

	2013	2014	2015	2016
NII (ex ELG)	1,518	1,746	1,957	2,030
NIM (%)	1.37	1.69	1.97	2.25

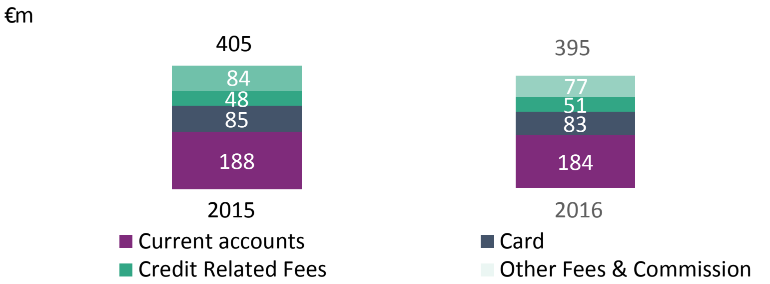
(1) Net interest margin excluding ELG
(2) Interest on any assets or liabilities in hedge relationships include the net interest on the related derivatives; 2015 represented

- Strong NIM [1] 2.25% (exit NIM 2.42%)
- Stable asset yield of c. 2.85%
  - Yield on customer loans stable – includes impact of strategic SVR re-pricing actions
  - NAMA Senior Bonds redemptions
  - AFS yields falling as higher yielding assets roll off
- Reduced cost of funds to c. 1%
  - Deposit re-pricing actions - customer accounts lower at 0.83% (FY2015 1.12%)
  - Positive mix from term deposits to current accounts
  - Maturity of €1.6bn CoCo (July 2016) – 30bps FY NIM impact

Other income

Stable net fees and commission income

Net fee & commission income



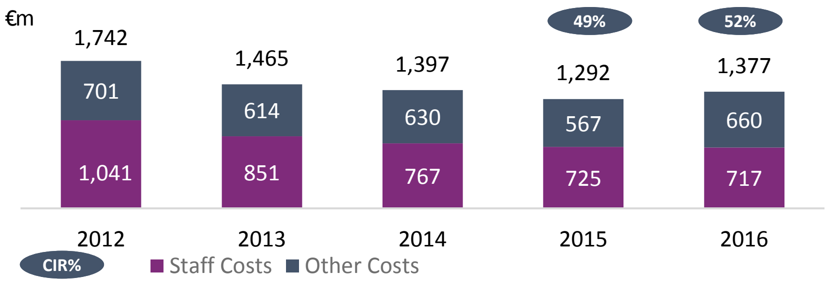
Other income (€m)	2016	2015
Net fee and commission income	**395**	405
Other business income	**98**	128
Business income	**493**	533
Gains on disposal of AFS securities	**31**	85
Re-estimation of the timing of cash flows on NAMA bonds	**10**	6
Settlements and other gains	**83**	72
Other items	**124**	163
Total other income	**617**	696

- Stable underlying fee and commission income of €395m
  - Current accounts represent c. 50% of net fees and commission income
- Other business income fluctuated due to valuations on long term customer derivative positions
- Continued flow of income from other items in 2016
  - AFS disposals €31m
  - NAMA bonds cashflow re-estimation €10m
  - Settlements and other gains €83m

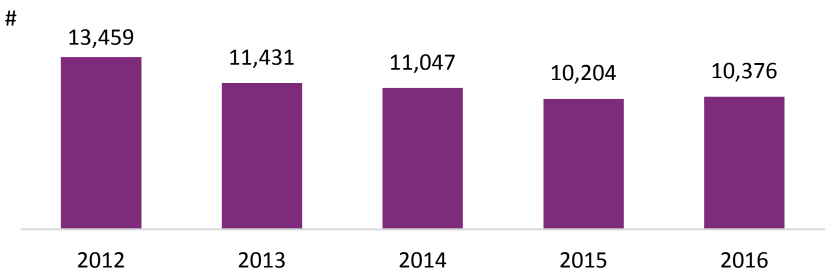
Costs

Continued focus on cost discipline while progressing on strategic investment programme

Operating expenses (1)



Full time equivalent – employees (2)



- Disciplined cost management
  - Significant reduction in cost base from 2012 - €365m (-21%)
  - 2016 operating expenses €1,377m (+7%) in line with expectations
- Factors impacting cost
  - Staff costs down €8m – average FTE down 4% and incorporating wage inflation and outsourcing for future resilience
  - Continued investment in loan restructuring operations
  - Increased burden of regulatory compliance
- Investment in strategic programmes
  - Total investment programme €870m (2015 to 2017)
  - Spend to date c. €600m [3] of which approx. 75% is capital expenditure
  - Investment in line with strategic agenda – delivering growth, efficiency and customer satisfaction

(1) Excluding exceptional items and bank levies
(2) Period end
(3) P&L impact of this investment spend is reflected in the P&L in operating expenses and in exceptional items for certain strategic elements.

P&L - other items

Exceptional benefits and provision writebacks partially offset by regulatory fees and levies

Other PL items (€m)	2016	2015
Operating Profit Before Provisions	**1,253**	1,331
Bank Levies and Regulatory Fees	**(112)**	(71)
Provisions	**298**	923
Associated Undertakings & Profit on Sale	**36**	28
Operating Profit Before Exceptionals	**1,475**	2,211
Total Exceptional Items (€m)	**2016**	**2015**
Operating Profit Before Exceptionals	**1,475**	2,211
Restitution & Restructuring Expenses	**(58)**	(250)
Gain on Transfer of Financial Instruments	**17**	5
Profit on Disposal of Visa Europe	**272**	0
Termination Benefits	**(24)**	(37)
Other Exceptional Items	**0**	(15)
Profit Before Taxation	**1,682**	1,914

(1) Includes other regulatory fees +€1m – UK FSCS
(2) Single Resolution Fund; Deposit Guarantee Scheme
(3) Excludes non-credit provision writebacks of €4m provision
(4) €188m cash, €19m deferred consideration, and €65m fair value of preferred stock in Visa Inc

- Bank levies and regulatory fees €112m(1)
  - Bank Levy €60m
  - SRF(2) €18m
  - DGS(2) €35m
- Net credit provision writeback of €294m(3) mainly due to case by case restructuring of customers in difficulty
  - €281m new to impaired charge in line with 2015
  - €452m net writeback of specific provisions
  - €123m IBNR release
- Exceptionals in 2016 include:
  - €58m of restitution & restructuring expenses
  - €17m gain on transfer of financial instruments
  - €272m(4) profit on Visa Europe transaction
  - €24m of termination benefits

Balance Sheet & Asset Quality

Balance sheet

Well funded balance sheet management and strong capital ratios; well positioned for growth

Balance Sheet €bn	Dec-16	Dec-15
Gross loans to customers	**65.2**	70.2
Provisions	**(4.6)**	(6.8)
Net loans to customers	**60.6**	63.3
Financial investment (AFS & HTM)	**18.8**	20.0
NAMA senior bonds	**1.8**	5.6
Other assets	**14.4**	14.3
Total assets	**95.6**	103.1
Customer accounts	**63.5**	63.4
Monetary Authority funding	**1.9**	2.9
Other market funding	**5.8**	11.0
Debt securities in issue	**6.9**	7.0
Other liabilities	**4.4**	6.7
Total liabilities	**82.5**	91.0
Shareholders' equity	**13.1**	12.1
Total liabilities & shareholders' equity	**95.6**	103.1
Key Metrics (%)		
Loan deposit ratio	**95**	100
LCR	**128**	116
NSFR	**119**	111
CRD IV transitional CET 1 ratio	**19.0**	15.9
CRD IV fully loaded CET 1 ratio	**15.3**	13.0
€bn		
Risk weighted assets (Transitional)	**54.2**	58.5

Assets

- Net loans €60.6bn
  - Earning loans (ex FX) up €0.6bn driven by new lending €8.7bn

Liabilities

- Customer accounts of €63.5bn up €1.9bn (ex FX)
  - Positive mix with increased demand deposits and current accounts (+€4.7bn) partly offset with lower treasury and corporate deposits (-€2.5bn) and retail (-€0.3bn)
- Shareholders equity increase €1bn in 2016 primarily due to profit of €1.4bn offset by AFS reserves decrease €0.4bn
- Robust capital ratio – CET 1 (FL) 15.3%

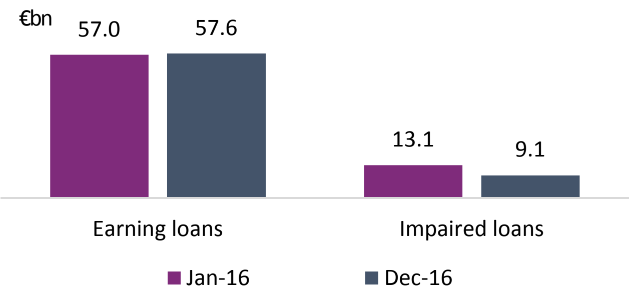
Customer loans

New lending €8.7bn

Customer loans (€bn)	Earning loans	Impaired loans	Gross loans	Specific provisions	IBNR provisions	Net loans
Opening balance (1 January 2016)	**57.0**	**13.1**	**70.1**	**(6.2)**	**(0.7)**	**63.2**
New lending volumes	8.7	0.0	8.7	0.0	0.0	8.7
New impaired loans	(0.8)	0.8	0.0	(0.3)	0.0	(0.3)
Restructures and writeoffs (1)	1.5	(3.3)	(1.8)	2.1	0.0	0.3
Redemptions of existing loans	(9.1)	(0.9)	(10.0)	0.0	0.0	(10.0)
Foreign exchange movements	(1.5)	(0.2)	(1.7)	0.1	0.0	(1.6)
Other movements	0.3	(0.4)	(0.1)	0.2	0.2	0.3
Closing balance (31 Dec 2016)	**56.1**	**9.1**	**65.2**	**(4.1)**	**(0.5)**	**60.6**

Earning loan book movements *(excluding FX)*

Impaired loans reducing



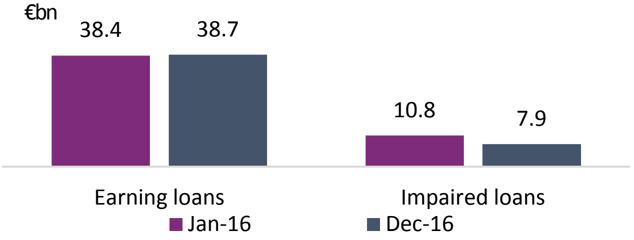
- Growth and improvement in quality of earning loans (ex-FX)
- New lending of €8.7bn and climbing towards redemption levels
  - Strong momentum across key sectors – mortgage lending in Ireland up 22% and increased market share
  - New lending at higher grades and maintained margins
- Continued reduction in impaired loans

(1) includes non contractual writeoffs

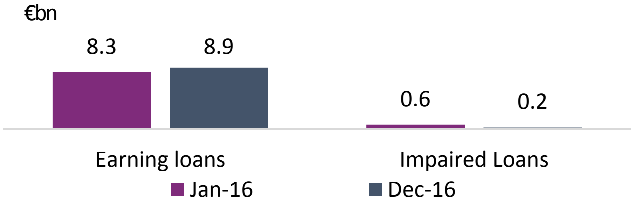
Earning loans increasing by segment and sector in Ireland

Impaired loans are reducing

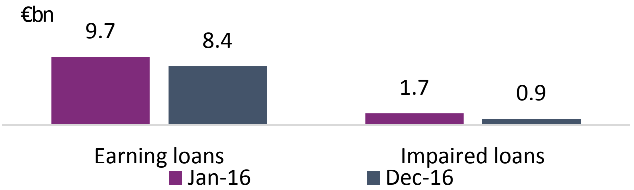
Retail & Commercial Banking



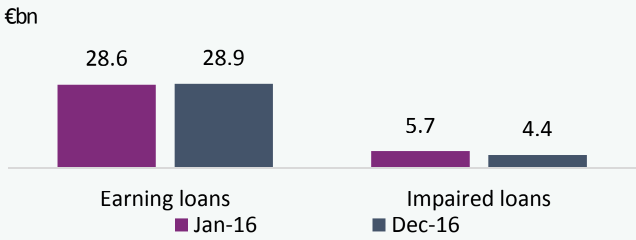
Wholesale, Institutional and Corporate Banking



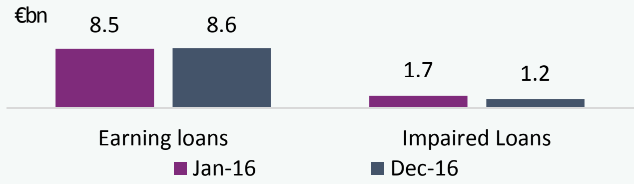
AIB UK



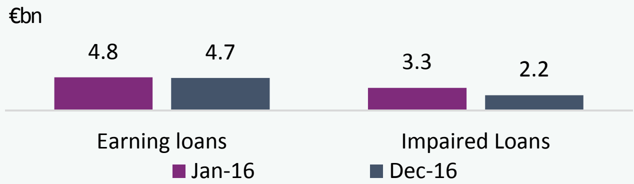
RoI Mortgages



Non-property business[1]



Property & Construction[1]

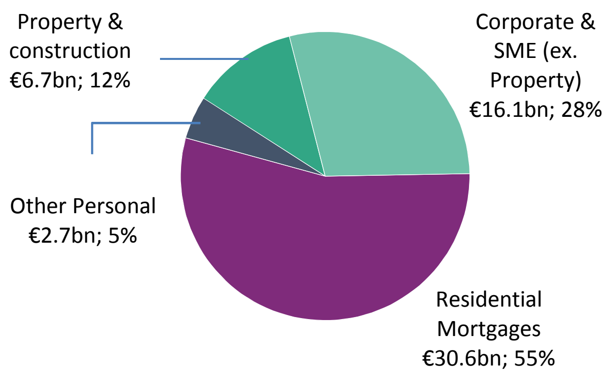


(1) In Ireland

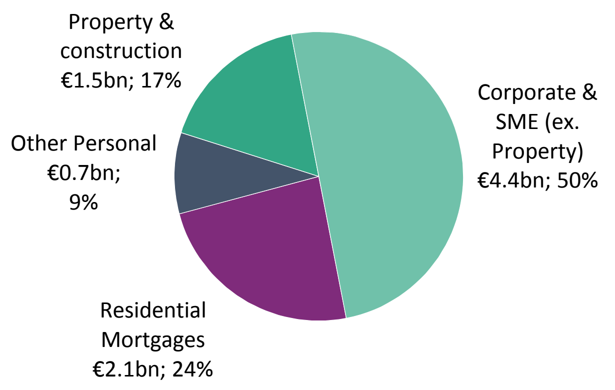
Customer loans

Corporate & SME driving new lending growth

Dec 2016 – Earning loans €56.1bn



Dec 2016 – New lending €8.7bn



- Mortgages 55% of total earning loans
  - Positioned for increase in mortgage market activity
- Corporate & SME (ex. property) 50% of new lending
- Earning loan balances stable (ex FX) and growing across all key portfolios

Asset quality

Continued progress as impaired loans reduce across all sectors

Dec-16 €bn	Residential Mortgages	Other Personal	Property and Construction	Non-property business lending	Total
Loans and receivables to customers	**35.2**	**3.1**	**9.4**	**17.5**	**65.2**
Impaired	**4.6**	**0.4**	**2.7**	**1.4**	**9.1**
Balance sheet provisions (specific + IBNR)	**2.0**	**0.3**	**1.5**	**0.8**	**4.6**
Specific provisions / impaired loans (%)	**38%**	**58%**	**50%**	**51%**	**44%**

Impaired loans net of specific provisions €5bn

Dec-15 €bn	Residential Mortgages	Other Personal	Property and Construction	Non-property business lending	Total
Loans and receivables to customers	36.8	3.5	11.5	18.3	70.1
Impaired	6.0	0.7	4.3	2.1	13.1
Balance sheet provisions (specific + IBNR)	2.3	0.5	2.6	1.3	6.7
Specific provisions / impaired loans (%)	34%	70%	57%	55%	47%

Impaired loans net of specific provisions €6.9bn

Year on year movements €bn	Residential Mortgages	Other Personal	Property and Construction	Non-property business lending	Total
Impaired	**(1.4)**	**(0.3)**	**(1.6)**	**(0.7)**	**(4.0)**
Balance sheet provisions (specific + IBNR)	**(0.3)**	**(0.2)**	**(1.1)**	**(0.5)**	**(2.1)**

Balance sheet provisions

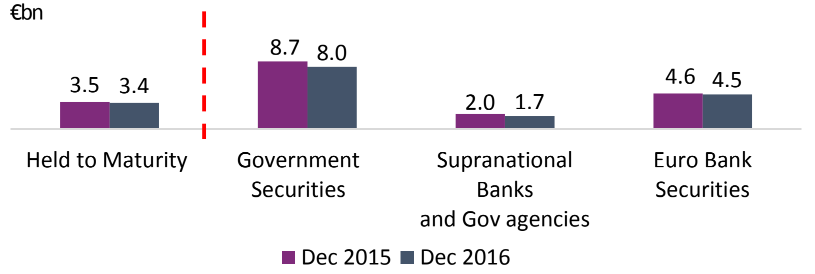
Working well within provision stock while maintaining coverage

Balance sheet provisions movement (€bn)	Residential Mortgages	Other Personal	Property and Construction	Non-property business	Total
Opening Balance sheet provisions 1 Jan 2016					
Specific	2.0	0.5	2.5	1.2	6.2
IBNR	0.3	0.0	0.2	0.2	0.7
Balance sheet provisions	2.3	0.5	2.6	1.3	6.8
Income statement - credit provision charge / writebacks					
Specific	(0.1)	0.0	(0.1)	0.0	(0.2)
IBNR	0.0	0.0	(0.1)	(0.0)	(0.1)
Total	(0.1)	0.0	(0.1)	(0.0)	(0.3)
Balance sheet provisions - amounts written off / other					
Total	(0.2)	(0.2)	(1.0)	(0.5)	(1.9)
Closing Balance sheet provisions 31 Dec 2016					
Specific	**1.7**	**0.3**	**1.4**	**0.7**	**4.0**
IBNR	**0.3**	**0.0**	**0.1**	**0.1**	**0.5**
Balance sheet provisions	**2.0**	**0.3**	**1.5**	**0.9**	**4.6**

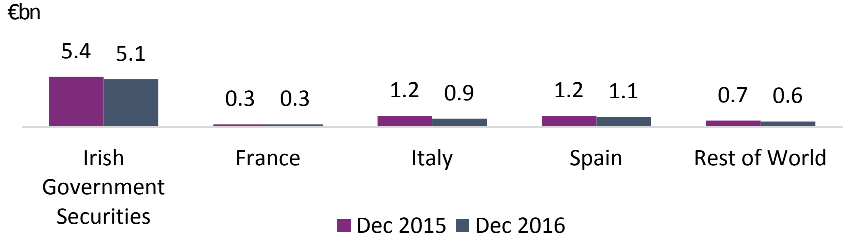
Financial investments

€18.8bn portfolio of Financial Investments including €3.4bn as HTM

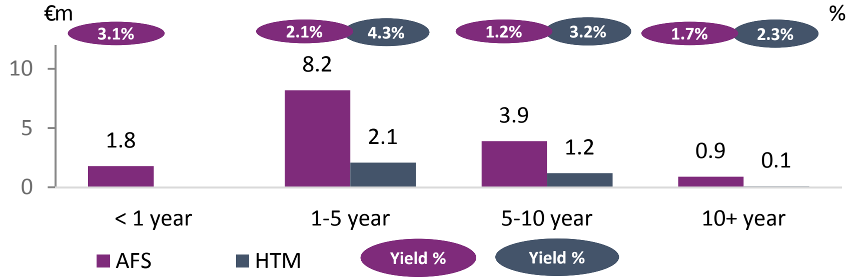
Key components of AFS - debt securities [1]



AFS - components of government securities



Maturity & yield profile of HTM* & AFS securities [2]



(1) Excludes NAMA senior bonds of c. €1.8bn and NAMA sub bonds of €0.5bn

(2) Maturity and yield profile excludes swaps

**Corrected to align to published financial statements*

AFS - Debt Securities:

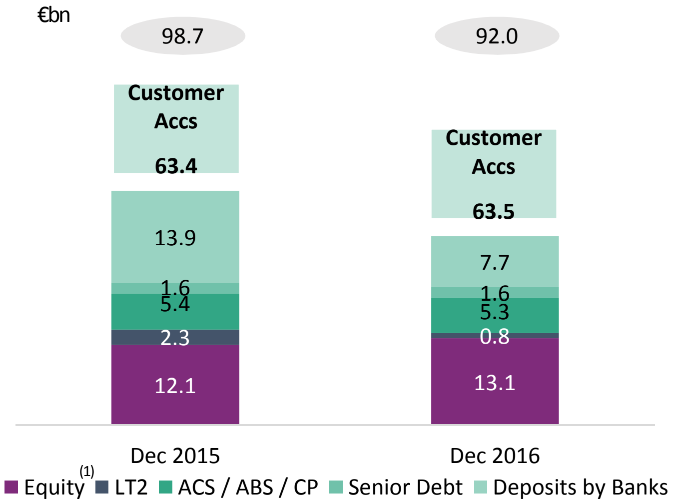
- €15.4bn down from €16.5bn - in line with plans to reduce overall AFS holdings with lower liquidity requirements
  - Net gains from disposal of AFS debt securities in 2016 €31m
- Average yield on AFS of 1.22% and HTM 3.83%
  - Yield reducing as high yielding assets mature
  - Embedded value on AFS and HTM €0.8bn
  - c. 70% of the book maturing < 5yrs

Funding & Capital

Funding structure

Stable deposit base driving strong funding position

Total Funding



Key Funding Metrics	Dec-16	Dec-15
Loan to Deposit ratio (LDR)	95%	100%
Liquidity Coverage ratio (LCR)	128%	116%
Net Stable Funding ratio (NSFR)	119%	111%

- Customer deposits represent 69% of total funding
  - Low cost stable source of funds, LDR ratio 95%
  - Wholesale funding
- 7 year AIB Mortgage Banks ACS issuance €1bn
  - LCR 128% (minimum 70%, rising to 100% by 1 Jan 18)
  - NSFR 119% (NSFR scheduled to be introduced in Jan 18)
- SRB preferred resolution strategy
  - Single Point of Entry (SPE)
  - Hold Co
  - MREL issuance manageable

Rating Agency Upgrades

AIB plc	Long-Term Rating	
	2014	2017
S&P	BB	BBB-
Moodys	Ba3	Baa2
Fitch	BB	BB+

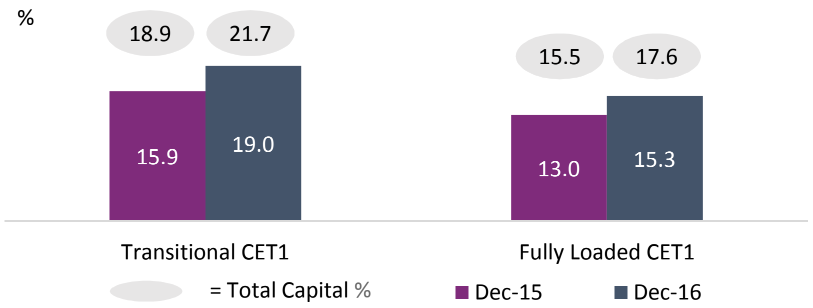
AIB Mortgage Bank	Covered Bond Rating	
	2016	2017
S&P	AA	AAA
Moodys	Aa1	AAA

(1) Equity includes AT1
MREL: Minimum required eligible liabilities

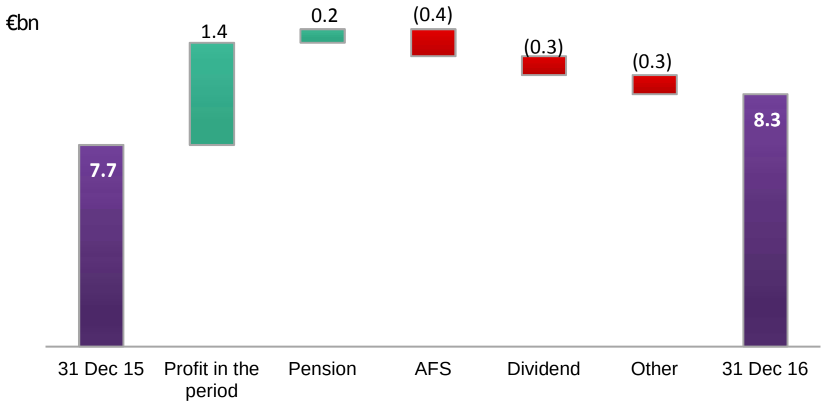
Capital ratios

Strong capital base with fully loaded CET 1 of 15.3% - normalised capital stack

Capital ratios



Fully Loaded CET1 - Capital Movements



AIB Group - RWA (€m) (Transitional)			
Risk Weighted Assets (€m)	31-Dec-16	31-Dec-15	Movement
Credit risk	**48,843**	53,596	(4,753)
Market risk	**288**	457	(169)
Operational Risk	**3,874**	3,139	735
CVA / Other	**1,230**	1,357	(127)
Total Risk Weighted Assets	**54,235**	58,549	(4,314)

- Robust capital position – fully loaded CET1 of 15.3%
- Capital accretive mainly due profit after tax €1.4bn offset by movement in AFS reserves of €0.4bn
- Proposed dividend of €250m declared for 2016
- RWA reduced by €4.3bn to €54.2bn as AIB continue to de-risk balance sheet
  - decrease in credit risk of €4.7bn reflecting positive grade migration, redemptions and FX impact €1.7bn which were partially offset by new drawdowns.
  - operational risk up €0.7bn due to higher average 3 year income
- AIB's 2017 SREP is 9.0%[(1)] (transitional CET1) and 12.5% (total capital ratio)
  - Significant buffer above MDA levels

(1) Excludes P2G

Summary

Continued momentum and well-positioned

- Robust capital position supporting growth and capital return - €250m dividend proposed
- Sustainable underlying profitability with positive NII and margin trajectory
- Stable earning loan book approaching inflection point
- Continued focus on reducing impaired loans
- Well-positioned for growth

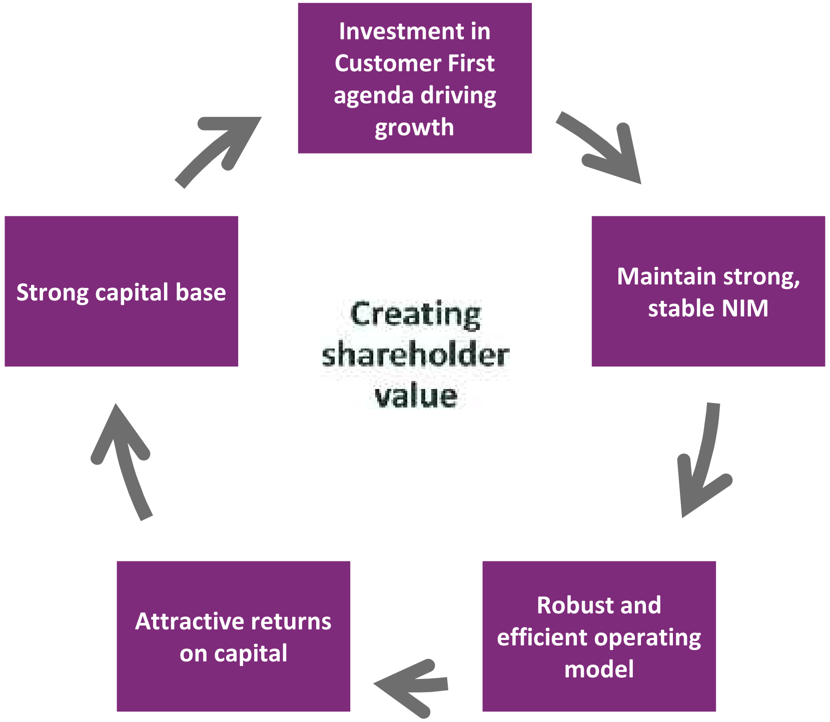
Concluding remarks

Bernard Byrne

Chief Executive Officer

Focused on delivering sustainable performance

Based on strong customer franchise, capital accretion and returns and sustainable growth



AIB

Appendix

AIB revised segments in line with Business

AIB Ireland

Retail & Commercial Banking ('RCB')

- Largest retail and commercial bank in Ireland
- > 2.3m personal & SME customers
- Multibrand - AIB, EBS & Haven
- 297 locations and 982 ATMs

Wholesale, Institutional & Corporate Banking ('WIB') (1)

- Corporate Banking – relationship-driven model with sector specialisms
- Real Estate Finance – centralised origination and management
- Syndicated & International Finance
- Specialised Finance – structured finance, mezzanine finance

AIB UK

AIB UK ('UK')

- >360k retail and SME customers
- FTB – focused challenger in Northern Ireland
- GB – SME specialist

Group & International (1)

Group Treasury & support functions

- Treasury activities
- Central control & support functions

(1) Syndicated & International Finance previously part of Group & International, from 2017 reported in WIB

AIB segment performance – Dec 2016

Segmental Financials	RCB		WIB		UK		Group		AIB Group
Contribution statement (€m)	2016	2015	2016	2015	2016	2015	2016	2015	2016
Net interest income	**1,273**	1,220	**269**	226	**224**	252	**247**	229	**2,013**
Other income	**398**	382	**51**	43	**65**	50	**103**	221	**617**
Total operating income	**1,671**	1,602	**320**	269	**289**	302	**350**	450	**2,630**
Total operating expenses	**(745)**	(681)	**(96)**	(85)	**(139)**	(158)	**(397)**	(368)	**(1,377)**
Operating profit before provisions	**926**	921	**224**	184	**150**	144	**(47)**	82	**1,253**
Bank levies & regulatory fees									**(112)**
Provisions									**298**
Associated undertakings & profit on sale									**36**
Exceptionals									**207**
Profit before tax									**1,682**

Segmental Financials	RCB		WIB		UK		Group	
Balance sheet metrics (€bn)	2016	2015	2016	2015	2016	2015	2016	2015
Net Loans	**42.7**	43.7	**9.1**	8.6	**8.7**	10.3	**0.1**	0.6
New Lending	**3.9**	3.3	**2.9**	2.5	**1.9**	2.6		
Customer Accounts	**42.9**	40.4	**6.4**	6.0	**10.3**	11.6	**3.9**	5.4
Financial Investmetns (AFS & HTM)							**18.8**	20
NAMA Senior Bonds							**1.8**	5.6

Improving asset quality by segment

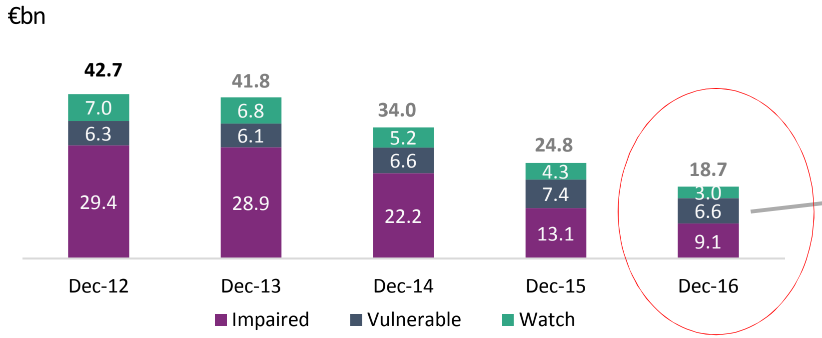
€m	Dec-16 RCB	Dec-16 WIB	Dec-16 UK	Dec-16 Group	Dec-16 Total	Dec-15 RCB	Dec-15 WIB	Dec-15 UK	Dec-15 Group	Dec-15 Total
Residential mortgages	**33,408**	**36**	**1,795**		**35,239**	34,372	48	2,362	36	36,818
of which: owner-occupier	***28,624***	***7***	***1,564***		***30,195***	*28,834*	*10*	*2,048*	*36*	*30,928*
of which: buy-to-let	***4,784***	***29***	***231***		***5,044***	*5,538*	*38*	*314*		*5,890*
Other personal	**2,768**	**102**	**230**		**3,100**	2,935	221	356		3,512
Property and onstruction	**4,403**	**2,499**	**2,492**		**9,394**	5,641	2,448	3,443		11,532
Non-property business lending	**6,025**	**6,520**	**4,800**	**150**	**17,495**	6,267	6,173	5,292	569	18,301
Total	**46,604**	**9,157**	**9,317**	**150**	**65,228**	49,215	8,890	11,453	605	70,163
Impaired loans	**7,908**	**231**	**961**	**36**	**9,136**	10,785	600	1,668	32	13,085
Impairment provisions	**3,915**	**77**	**572**	**25**	**4,589**	5,452	265	1,098	17	6,832
of which: Specific	***3,462***	***44***	***516***	***25***	***4,047***	*4,896*	*218*	*1,027*	*17*	*6,158*
of which: IBNR	***453***	***33***	***56***	***0***	***542***	*556*	*47*	*71*	*0*	*674*
Specific provisions / impaired loans	**44%**	**19%**	**54%**	**69%**	**44%**	45%	36%	62%	53%	47%
Net Loans	**42,689**	**9,080**	**8,745**	**125**	**60,639**	43,763	8,625	10,355	588	63,331

Improving asset quality by segment

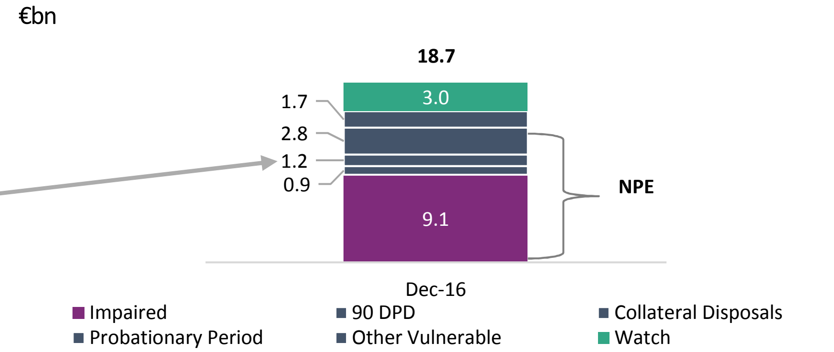
Balance sheet provisions movement					
(€m)	RCB	WIB	UK	Group	Total
Opening Balance sheet provisions 1 Jan 2016					
Specific	4,896	218	1,027	17	6,158
IBNR	556	47	71	0	674
Balance sheet provisions	5,452	265	1,098	17	6,832
Income statement - credit provision charge/writebacks					
Specific	(183)	35	(31)	8	(171)
IBNR	(103)	(14)	(6)	0	(123)
Total	**(286)**	**21**	**(37)**	**8**	**(294)**
Impairment charge / avg loans					**0.44bps**
Balance sheet provisions - amounts written off / other [1]					
Total	(1,251)	(209)	(489)	0	(1,949)
Closing Balance sheet provisions 31 Dec 2016					
Specific	**3,462**	**44**	**516**	**25**	**4,047**
IBNR	**453**	**33**	**56**	**0**	**542**
Balance sheet provisions	**3,915**	**77**	**572**	**25**	**4,589**

Criticised loans and definitions

Credit profile – criticised loans



Credit profile – criticised loans



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 estimated 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.

Non-Performing Exposures and Impaired Loans

NPEs:

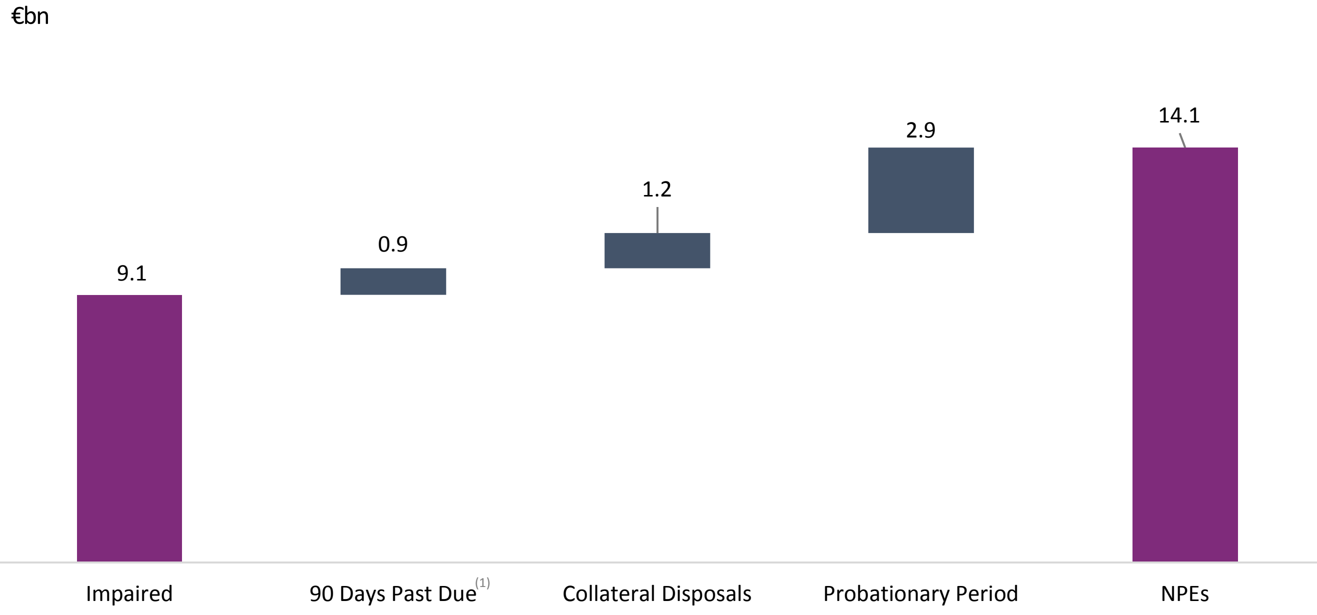
- Regulatory definition (FINREP)
- Relevant for Regulatory Reporting, EBA stress testing & capital planning
- Group-wide adoption

Reconciliation

- NPEs include
  - All 90 DPD which are not impaired (with sufficient equity / security backing) - €0.9bn
  - Loans previously receiving forbearance solution for a period of one year thereafter - €2.8bn
  - Collateral Disposals - €1.2bn

Convergence of NPEs to Impaired loans driven by timing lag on forbearance / restructured loans

Impaired to NPE Reconciliation

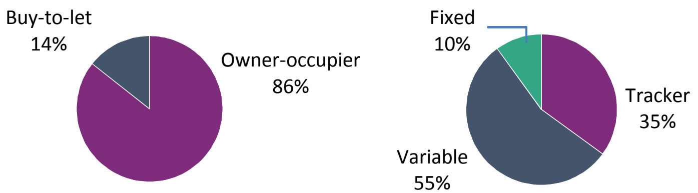


(1) Includes €0.6bn of accounts that are >90 days past due, plus a further €0.3bn of connected exposures

ROI residential mortgages – arrears significantly lower

ROI Mortgage Portfolio – Dec 2016

€bn



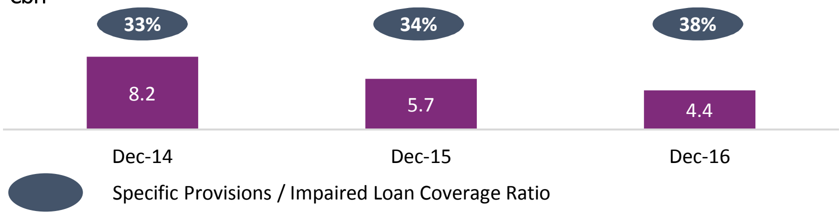
€33.4bn

Impairment writeback

€m

Impaired Loans

€bn



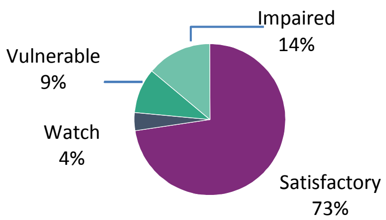
- 86% of the RoI mortgage portfolio is owner occupier and 14% is buy to let
- Arrears levels down15% [1] YTD 2016 due to restructuring activity and improving economic conditions
  - Arrears owner-occupier down 16% YTD 2016
  - Arrears buy-to-let down13% YTD 2016
- Impaired loans down €1.3bn since Dec '15 to €4.4bn mainly due to restructuring, write-offs and repayments
- c. €0.7bn of forborne mortgages in 'probationary period' currently performing to terms

(1) Arrears by no of accounts

Other personal

Personal Loan Portfolio – Dec 2016

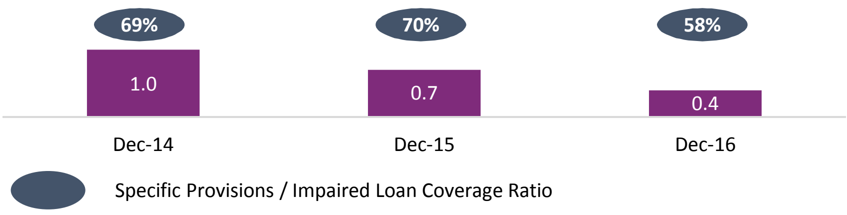
€bn



€3.1bn

Impaired Loans

€bn



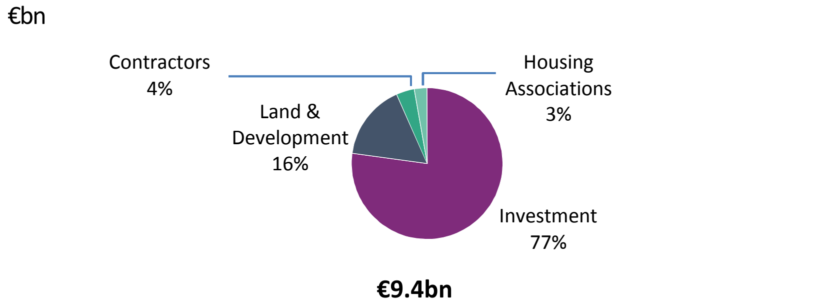
Impairment writeback

€m

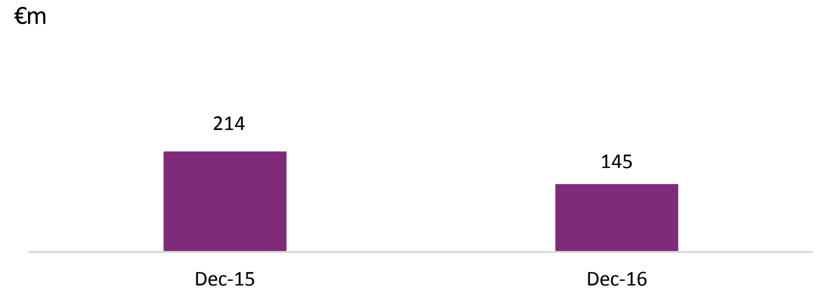
- Portfolio comprises €2.2bn loans and overdrafts and €0.9bn in credit card facilities
- Increase in demand for personal loans due to both improved economic environment and expanded service offering (including on line approval through internet, mobile and telephone banking) offset by restructuring and redemptions
- Decrease in specific provision cover 70% to 58% driven by the write-off of impaired balances with a high provision cover

Property & construction

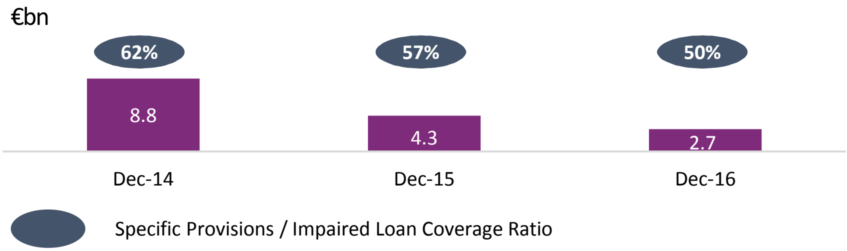
Property & Construction Portfolio – Dec 2016



Impairment writeback



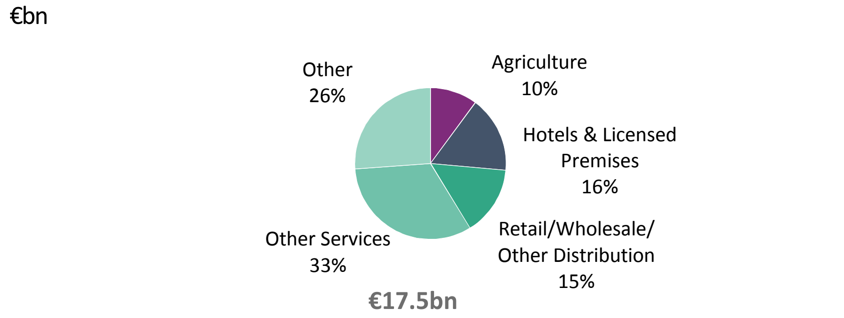
Impaired Loans



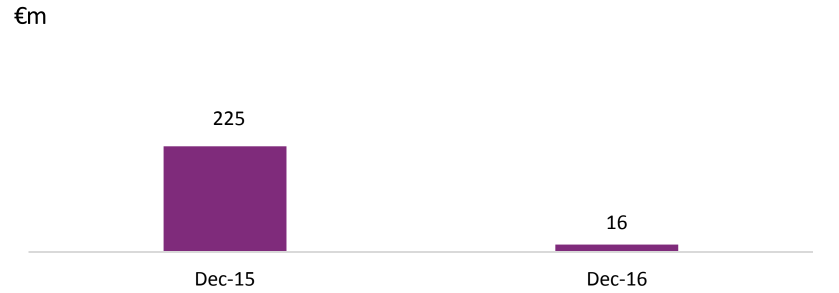
- Overall portfolio has reduced by €2.1bn (19%) since Dec' 15 primarily due to
  - restructuring activity and write-offs
  - Investment Property (77% of the total portfolio) reduced by €0.8bn to €7.2bn largely due to loan redemptions (asset sales), restructures & write-offs
    - €1.8bn of which is in the UK
- Impaired loans reduced by €1.6bn to €2.7bn in Dec '16
- Specific provision cover reduced from 57% in Dec '15 to 50% in Dec '16.

Non-property business

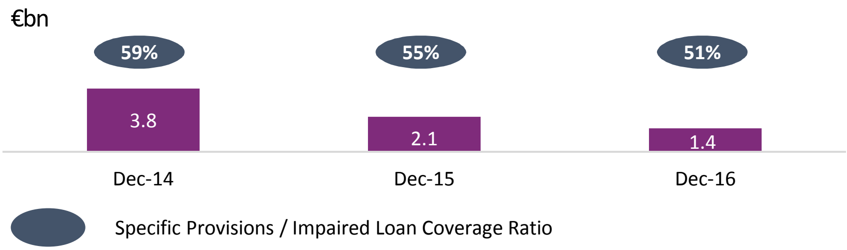
Non-property business portfolio – Dec 2016



Impairment writeback



Impaired Loans



- Portfolio comprises Corporate and SME lending
  - 56% in Ireland, 27% in the UK and 16% in Group and International
- Earning loans increased to 92% of the portfolio (Dec ‘15: 88%)
  - upward grade migration reflecting improved economic conditions
- Impaired loans reduced by €0.7bn to €1.4bn in Dec 2016
- Specific provision cover reduced to 51%

ROI Mortgages – stock of forbearance

Forbearance type by mortgage	Dec 2016 - Total		of which: loans > 90 days in arrears and/or impaired		Dec 2015 - Total		of which: loans > 90 days in arrears and/or impaired	
	Number	Balance (€m)	Number	Balance (€m)	Number	Balance (€m)	Number	Balance (€m)
Interest only	7,204	1,208	3,621	640	3,338	629	1,448	292
Reduced payment (greater than interest only)	1,800	388	1,043	231	1,400	315	781	181
Payment moratorium	1,833	281	438	58	682	95	314	44
Fundamental restructure	1,197	169	378	53	1,184	185	99	16
Restructure	1,107	110	903	84				
Arrears capitalisation	16,509	2,452	6,829	1,087	18,854	2,779	9,279	1,475
Term extension	2,476	322	473	74	5,781	638	582	73
Split mortgages	3,204	511	731	125	2,902	455	1,183	179
Voluntary sale for loss	813	53	351	41	693	48	348	37
Low fixed interest rate	1,171	183	170	29	1,250	197	109	20
Positive equity solution	1,480	160	62	6	1,240	136	99	11
Other	580	94	292	51	16	4	0	0
Total	**39,374**	**5,931**	**15,291**	**2,479**	**37,340**	**5,481**	**14,242**	**2,328**

- Delivering sustainable long term solutions to mortgage customers
- Permanent forbearance solutions are reported within the stock of forbearance for 5 years.
- Following restructure, loans are reported as impaired for a further 12 months (probationary period)
  - c. €0.7bn of forborne mortgages are in 'probationary period' performing to terms

Non-mortgage – stock of forbearance

Forbearance Type by Non-Mortgage	Dec-16 Other Personal Balance (€m)	Dec-16 Property and construction Balance (€m)	Dec-16 Non-property business lending Balance Balance (€m)	Dec-16 Total (€m)	Dec-15 Other Personal Balance (€m)	Dec-15 Property and construction Balance (€m)	Dec-15 Non-property business lending Balance Balance (€m)	Dec-15 Total (€m)
Interest only	58	235	191	484	71	203	188	462
Reduced payment (greater than interest only)	25	90	64	179	14	38	37	89
Payment moratorium	109	8	17	134	51	5	14	70
Arrears capitalisation	17	44	42	103	23	43	64	130
Term extension	141	193	202	536	123	207	154	484
Fundamental restructure	48	829	448	1,325	49	1,089	498	1,636
Restructure	187	355	530	1,072	304	556	617	1,477
Asset disposals	25	141	33	199	-	-	-	-
Other	5	51	56	112	15	169	195	379
Total	**615**	**1,946**	**1583**	**4,144**	**650**	**2,310**	**1,767**	**4,727**

- Non-mortgage forborne loans of €4.1bn at Dec 2016
  - 47% of forborne loans in property and construction sector

- €1.5bn of 'fundamental restructures' (including €0.2bn BTL mortgages)
  - new facilities (main & secondary) recognised at 'fair value' at inception
  - main facilities reflects the estimated sustainable cashflows such that the main facility is repaid in full
  - carrying value of main facilities of €1.5bn with associated contractual secondary facilities of c. €3.1bn
  - €82m recognised in the year on secondary facilities

Funding market access

	2013			2014		2015					2016
	ACS Issuance January 2013	**ACS Issuance September 2013**	**Senior Unsecured**	**ACS Issuance March 2014**	**Senior Unsecured April 2014**	**ACS Issuance January 2015**	**Senior Unsecured March 2015**	**ACS Issuance July 2015**	**Tier 2 November 2015**	**AT1 December 2015**	**ACS Issuance January 2016**
Issuer	AIB Mortgage Bank	AIB Mortgage Bank	AIB	AIB Mortgage Bank	AIB	AIB Mortgage Bank	AIB	AIB Mortgage Bank	AIB	AIB	AIB Mortgage Bank
Ratings	Baa1/A/A	Baa1/A/A	B1/BB/BBB	Baa1/A/A	B1/BB/BBB	A3 / A+ / A	Ba3/BB/BBB	Aa2/AA-/A+	B2/B/BB	B3 (Moody's) / B- (Fitch)	Aa1/AA+/A+
Pricing Date	22-Jan-13	03-Sep-13	20-Nov-13	19-Mar-14	08-Apr-14	27-Jan-15	09-Mar-15	20-Jul-15	19-Nov-15	26-Nov-15	28-Jan-16
Tenor	3.5-year	5-year	3-year	7-year	5-year	7-year	5-year	5-year	10-year	Perpetual	7-year
Size	€500m	€500m	€500m	€500m	€500m	€750m	€500m	€750m	€750m	€500m	€1bn
Reoffer Spread	MS + 185bps	MS + 180bps	MS +235bps	MS +95bps	MS +180bps	MS+27bps	MS+108bps	MS+22bps	MS+395bps	MS+733.9bp	MS+54bps
Coupon	2.625% annually	3.125% annually	2.874% annually	2.33% annually	2.75% annually	0.625% annually	1.375% annually	0.625% annually	4.125% annually	7.375% semi-annually	0.875% annually

Shareholders' equity

Shareholders' equity €m		Year ended 31 December 2016 €m		Year ended 31 December 2015 €m
Opening Shareholders' equity		**12,148**		11,572
PAT 2016		**1,356**		1,380
Net actuarial gains in retirement benefit schemes	**103**		743	
Net change in fair value of AFS securities	**(359)**		103	
Net change in cash flow hedge reserves	**106**		(29)	
Net change in foreign currency translation reserves	**(168)**		31	
Net change in property revaluation reserves	**(1)**	**(319)**	-	848
Distribution on AT1 instrument		**(37)**		
2015 AT1 issuance				494
2015 capital reorganisation				(2,146)
Shareholders equity		**13,148**		12,148

Regulatory capital and ratios

Regulatory capital €m	Transitional basis 31 Dec 2016	Transitional basis 31 Dec 2015	Fully loaded basis 31 Dec 2016	Fully loaded basis 31 Dec 2015
Shareholders' equity	**13,148**	12,148	**13,148**	12,148
Less: AT1 capital	**(494)**	(494)	**(494)**	(494)
Proposed ordinary dividend	**(250)**		**(250)**	
Regulatory adjustments				
Goodwill and intangibles	**(392)**	(292)	**(392)**	(292)
Cash flow hedging reserve	**(460)**	(354)	**(460)**	(354)
AFS securities reserve	**(445)**	(1,250)	-	-
Pension	**(140)**	(91)	**(126)**	(153)
Deferred tax	**(610)**	(317)	**(3,050)**	(3,171)
Reversal of fair value of CoCo		(46)		
Other	**(50)**	(19)	**(62)**	(9)
	(2,097)	(2,369)	**(4,090)**	(3,979)
Total CET1 capital	**10,307**	9,285	**8,314**	7,675
AT1 capital	**485**	494	**494**	494
Tier 2 capital	**980**	1269	**783**	993
Total capital	**11,772**	11,048	**9,591**	9,162
RWA	**54,235**	58,549	**54,419**	59,058

Regulatory capital ratios

Transitional basis	31 Dec 2016	31 Dec 2015
CET 1 ratio	**19.0%**	15.9%
Tier 1 ratio	**19.9%**	16.7%
Total capital ratio	**21.7%**	18.9%

Fully loaded basis	31 Dec 2016	31 Dec 2015
CET 1 ratio	**15.3%**	13.0%
Tier 1 ratio	**16.2%**	13.8%
Total capital ratio	**17.6%**	15.5%

2017 - SREP Composition