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Allied Irish Banks, p.l.c. ("AIB") announces pre-tax profits of €1bn for H1 2016 and repays €1.8bn to the State

CEO COMMENT

Commenting on the results Bernard Byrne, CEO said:

"These results reflect the underlying strength of the financial performance of AIB and our robust capital position which allows us to continue to support the economies in which we operate and to facilitate the further payment of €1.8 billion to the State.
We are a customer focused digitally enabled bank and our financial performance, strong franchise and leading market propositions, position us well for future challenges and opportunities."

2016 HALF-YEAR RESULTS

- €1bn profit before tax, driven by strong business performance, net credit provision writebacks of €211m and one-off benefits including the Visa Europe transaction
- 16bps increase in net interest margin* (NIM) to 2.08% from 1.92%, with continued expansion expected
- Operating expenses** increased by 5% in line with expectations to €677m; strategic investment programme is focused on delivering a simpler and more efficient organisation
- €6.1bn in new lending approvals to customers; €3.9bn of drawdowns; 8% increase in new lending in Ireland
- Impaired loans reduced to €11.3bn, down €1.8bn since December 2015 and c. €18bn since December 2013
- Robust capital base with transitional common equity tier 1 (CET 1) ratio of 16.5% and fully loaded CET1 ratio of 13.3%; comfortably above minimum regulatory requirements
- Contingent Capital Notes (CoCo) maturity on 28 July 2016; €1.8bn payment to the State and c. €6.5bn payments in total made to date

SUSTAINABLE UNDERLYING OPERATING PERFORMANCE CONTINUES IN H1 2016

- Total operating income of €1.2bn; net interest income marginally higher with stable underlying other income excluding one-off benefits and fx impact (H1 2015: €1.3bn)
- NIM* of 2.08%, up 16bps from 1.92% in H1 2015 due to lower funding costs and stable asset yields. Upward NIM trajectory expected to continue following the repayment of the CoCo and continued redemption of NAMA Senior Bonds
- Net fees and commissions at €193m with increased customer activity offset by lower card interchange fees and FX impact

*excluding Eligible Liabilities Guarantee (ELG)

** excluding exceptional items and bank levies and regulatory fees

- Cost income ratio of 55% in line with expectations; ongoing investment in strategic projects and targeting a medium term sustainable cost income ratio of <50%
- Pre-provision operating profit** of €563m (H1 2015: €703m); stable underlying performance with prior year enhanced by higher one-off benefits and net credit provision writebacks
- Bank levies and regulatory fees of €48m includes contributions to the Deposit Guarantee Scheme and Single Resolution Fund
- Net credit provision writebacks €211m (H1 2015: €540m) reflecting lower new to impaired loans and continued progress in case-by-case restructuring of impaired loans in an improved economic environment.

STABLE BALANCE SHEET AND ROBUST CAPITAL POSITION

- Net loans at €61bn with stable performing loans (excluding fx impact) and growth in new lending and progress on customer restructuring offset by repayments. Net loans are matched by customer accounts of €62bn resulting in 99% loan to deposit ratio. Growth in retail customer accounts is offset by lower Corporate deposits and fx impact in the period
- NAMA senior bonds at €3.2bn, a reduction of €2.4bn since December 2015
- €1bn in market funding issuance in the year to date. The net stable funding ratio was 115% and liquidity coverage ratio at 122% at end of June 2016.
- Robust capital ratios - CET 1 transitional capital ratio of 16.5% and a fully loaded CET 1 ratio of 13.3% at 30 June 2016 reflects profit generation partially offset by an increase in the volatility in the Irish Defined Benefit Pension scheme.

TRANSFORMING CUSTOMER EXPERIENCE AND SUPPORTING ECONOMIC GROWTH

- Strategic multi-brand and customer proposition mortgage offering which includes
    - a further rate reduction in the AIB and Haven standard variable rate and LTV mortgages for both new and existing customers announced in Q2 2016
    - €2,000 contribution to professional fees for customers who wish to switch their mortgage to AIB and Haven
    - EBS 'Back in Cash' offer for all new mortgages
- Maintaining No. 1 market positions across personal products and key business lines
- Market leading position in mortgages with 34% share of new lending drawdowns in Q1 2016 in a constrained market
- Lending drawdowns of €3.9bn, an increase of 2% compared to H1 2015; 8% increase in new lending in key portfolios in Ireland
- Business lending accounted for 51% of new lending with demand across a broad range of sectors
- Ongoing strategic investment in customer proposition and market-leading digital distribution
- €408m of the 3 year €870m strategic investment programme utilised to deliver IT resilience, agility and a simple and efficient operating model focused on improving the customer experience. The investment programme is delivering tangible outcomes:
    - Over 1 million active online users, 578,000 mobile users and the average monthly login frequency continuing to increase
    - 53% of all credit card sales now through online channels
    - 76% of personal loans applications now through digital channels
    - Market share of personal lending now at 21% from 15%
    - Net Promoter Scores increased to 38 in Q2 2016 from 16 in Q4 2014

** excluding exceptional items and bank levies and regulatory fees

Details of AIB's 2016 half-yearly financial performance, including all relevant disclosures and notes to financial statements, can be found on AIB's website investorrelations.aib.ie

-ENDS-

For further information, please contact:

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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 59 of the Annual Financial Report 2015 and on page 32 '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 59 of the Annual Financial Report 2015 and on page 32 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