EMBARGO 07:00 **2 December 2016**

ALLIED IRISH BANKS, P.L.C. ("AIB") – TRADING & CAPITAL UPDATE (UNAUDITED)

CEO COMMENT ON YTD PERFORMANCE

"We continue to trade in line with expectations. We have strong underlying profitability, a robust capital base and an improving risk profile. This positions the Group well for future opportunities and challenges in a growing Irish economy. We paid a further €1.8 billion in capital and interest to the State in July on the maturity of the Contingent Capital Notes, making a total of c. €6.5 billion of payments to date. We are continuing to invest to support our strategic priority of creating better customer experiences through a simple and efficient operating model."

Key Highlights

- Strong profitability on both a total and underlying basis
- Transitional CET1 of 16.9% at 30 September 2016 well in excess of the 2017 SREP CET1 requirement of 9%[(1)]
- Fully loaded CET1 of 13.7% at 30 September 2016 up from 13.3% at June 2016
- Net Interest Margin[(2)] (NIM) of 2.16% to Q3, up 8bps from 2.08% in the half year to June 2016
- New lending drawdowns to 30 September 2016 in Ireland increased to €4.7 billion, up 15% year on year
- Impaired loans further reduced by €0.7 billion since June 2016 to €10.6bn; an overall reduction of €18.4 billion (63%) since the peak in 2013
- Customer Transactional Net Promoter Score continues to improve, increasing to +40 at September 2016 from +33 at September 2015

FINANCIAL PERFORMANCE

The Group had a strong performance with growth in Net Interest Income and underlying profitability. NIM[(2)] increased to 2.16% by the end of Q3 2016 from 2.08% at H1 2016. This increase was driven by stable asset yields, lower funding costs, lower NAMA Senior Bonds and the repayment of the Contingent Capital Notes. NIM was impacted by lower volumes and yields in the AFS portfolio.

Other income is performing in line with expectations to the end of Q3 2016 driven by stable fees and commissions, profit on AFS disposals and re-estimation of cash-flows of loans previously restructured.

Regulatory costs and levies which relate to the Banking Recovery and Resolution Directive, the Deposit Guarantee Scheme and the Bank Levy have increased in 2016 with €108 million total cost expected for the full year.

Cost discipline continues across the Group while we strategically invest to create a simpler more efficient business model, strengthen resilience and enhance customer experience. Second half trends are broadly in line with the first half performance.

BUSINESS PERFORMANCE

New lending drawdowns in Ireland increased to €4.7 billion in the nine months to September 2016 which is 15% higher than the prior year period. There was growth in the key segments of mortgages, personal and business lending. Our share[(3)] in each of these markets is growing with 35% of mortgage drawdowns, 21% of personal lending and 44% of business current accounts. This success reflects our multi-brand, multi-proposition approach and our sector specialist approach in business lending. In the UK, new lending trends which were behind plan in the months leading up to the UK referendum, are in line with expectations for H2 with overall levels lower due to volumes and FX translation effects.

Overall customer accounts, excluding FX impact, remain stable with a higher mix of current account balances. NAMA Senior Bonds reduced to €2.5 billion at the end of September 2016 and we expect the accelerated trend of redemption to continue in 2017. The loan to deposit ratio was 98% at the end of September 2016.

ASSET QUALITY

Performing loans, excluding FX impact, marginally increased from June to end September 2016 driven by new lending and cured loans, offset by redemptions. Impaired loans reduced by €0.7 billion in the same period to €10.6 billion.

The primary restructuring period is now concluding and the pace of further reduction is moderating. The continued reduction in impaired loans and the associated activity remains a key focus and a strategic priority for the Bank. The pace of new-to-impaired loans in H2 is likely to be similar to H1, and as previously signalled, we expect a low level of restructuring related writebacks in H2. Specific provision to impaired loans coverage was 47% at the end of September, unchanged from the half year.

As we restructure customer loans, they remain classified as non-performing exposures and as such, form part of our vulnerable loan categorisation. In general, upon satisfactory performance for one year, or collateral realisation, these loans then reclassify as performing.

CAPITAL [(4)]

At September 2016, the fully loaded CET1 was 13.7% and the fully loaded total capital was 16.2%. Capital ratios strengthened during the quarter driven by strong profitability and a reduction in risk weighted assets partially offset by an increase in the deficit in the Irish DB pension scheme, mainly due to a lower discount rate.

Following the Supervisory Review and Evaluation Process (SREP) performed by the ECB, the minimum requirement for the CET1 ratio was set at 9.0%[(1)] and the minimum requirement for the total capital ratio was set at 12.5%[(1)] for 2017 – see table below. The transitional CET1 and total capital ratios at September 2016 were 16.9% and 19.7% respectively. Based on these ratios, AIB has a very significant buffer above maximum distributable amount (MDA) trigger levels.

AIB SREP Requirement 2017	2017 SREP requirement		Transitional capital ratios Q3 2016	Fully loaded capital ratios Q3 2016
Other Systemically Important Institutions Buffer (O-SII) [5]	0.00%			
Capital Conservation Buffer (CCB)	1.25%			
Pillar 2 Requirement (P2R)	3.25%			
Pillar 1	4.50%			
Total CET1[1] / MDA trigger	**9.00%**		**16.9%**	**13.7%**
Total Capital[1]	**12.50%**		**19.7%**	**16.2%**

(1) *Excludes Pillar 2 Guidance (P2G)*
(2) *Excluding the impact of Eligible Liabilities Guarantee (ELG)*
(3) *Source: Mortgage drawdowns ytd Q3 2016 BPFI; IPSOS MRBI: Personal Loan Q3 2016; Business c/a at Q2 2016*
(4) *The information contained in this announcement contains insider information*
(5) *O-SII phased in from 2019 to 2021 at 0.5% per annum*

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This document should be considered with AIB's Half Yearly Financial Report 2016 and Annual Financial Report 2015, and all other relevant market disclosures, copies of which can be found at the following link:

http://investorrelations.aib.ie

Important Information and forward-looking statements

AIB is 99.9% owned by the Irish State and therefore the limited freefloat 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.