EMBARGO 07:00 **1 May 2015**

ALLIED IRISH BANKS, P.L.C. ("AIB") -- INTERIM MANAGEMENT STATEMENT (UNAUDITED)

Key Points – Quarter to 31 March 2015

- The Group remained profitable in Q1 2015 and has continued to deliver on its strategic objectives
- Fully loaded CET1 capital* increased from 11.8% as at 31st December 2014 to approximately 12.2%
- Net Interest Margin (NIM), excluding ELG, increased to 1.87%
- Net loan book increased marginally to c.€64bn including positive foreign exchange movements
- Lending drawdowns increased by more than 70% compared to Q1 2014
- Reduction of €1.7bn since end 2014 in impaired loan volumes to €20.5bn
- Total number of accounts in arrears in the Irish residential mortgage portfolio decreased by 6% since December 2014 and 23% since December 2013
- In an improving economic environment, an overall provision writeback in Q1 2015 of approximately €0.3bn

CEO COMMENT

Commenting on the Q1 2015 performance, CEO David Duffy said: "Positive momentum has continued into 2015 with the Group delivering its strategic objectives. On a pre-provision operating basis, underlying performance has continued to improve. Whilst there is inherent volatility in the ongoing restructure of impaired loans, the provision write back in the first quarter is reflective of the improving economic environment and the progress being made in the case by case restructuring of customers in financial difficulty. "

ECONOMIC ENVIRONMENT

The Group's improving operating performance has been supported by the positive trajectory in the macroeconomic environment both in Ireland and in the UK. Growth in the Irish domestic economy is now becoming more broadly based, with GDP forecast to grow in 2015. While still elevated, the unemployment rate continues to decline and property prices have stabilised. These factors are supportive of the Group's improved operating performance and are also having a positive impact on collateral values, particularly in terms of asset quality and the outcome of restructuring the loans of customers in financial difficulty.

Notwithstanding the improving operating environment, challenges remain including continued high levels of arrears in the mortgage and SME portfolios and elevated levels of impaired loans. Additionally, while the historically low interest rate environment and quantitative easing in the Eurozone are supportive of lower funding costs and embedded values in the Available for Sale (AFS) portfolio, there is a negative impact on the assumptions underlying the IAS 19 pension deficit calculations.

OPERATING PERFORMANCE

The Group was profitable in the first quarter of 2015. Excluding the impact of the Eligible Liabilities Guarantee (ELG), NIM was 1.87%. NIM benefited in part due to lower funding costs and increased levels of new lending and restructuring of impaired loans at sustainable margins. The Group continues to keep its lending rates under ongoing review and has today announced a range of reductions to its mortgage rates for new and existing customers across the AIB, EBS and Haven brands in the Republic of Ireland.

Banking fees and commission income performed positively and other income in the period was also positively impacted, in part, by customer related restructuring and balance sheet management activity including strategic disposals in the AFS portfolio.

Cost management remains a key focus area for the Group while ongoing strategic investment in digital and resilience programmes continues to improve customer service and experience.

ASSET QUALITY

Total impaired loans reduced by €1.7bn in Q1 2015 to €20.5bn with reductions evident across all main loan categories but particularly in the mortgage and commercial investment property sectors. These reductions were a result of the continued restructuring of the loans of customers in difficulty, repayments of existing loans, an ongoing reduction in the pace of migration to newly impaired loans and the improving economic environment. Impaired loan balances have reduced by 29% since end December 2013. Specific provision to impaired loans coverage reduced to 49% at the end of March 2015.

The total number of accounts in arrears in the Irish residential mortgage portfolio declined by 6% in the first quarter of 2015 and has reduced by 23% since December 2013. The total number of accounts in arrears in the owner occupier and Buy-to-Let mortgage portfolios have declined by 27% and 13% respectively since December 2013.

The Group had an overall net writeback of provisions of approximately €0.3bn in Q1 2015, ahead of management expectations. This was primarily due to improving asset quality trends reflecting the strengthening economic environment and the continued progress in the case by case restructuring of loans for customers in difficulty which were, in aggregate, agreed at a positive variance to the Group’s loan loss provision estimates.

BALANCE SHEET AND FUNDING

Total assets were broadly stable in Q1 2015 at c.€108bn. Net loans of c.€64bn at March 2015 were higher than December 2014, including positive foreign exchange impacts, reflecting improved levels of new lending offset by customer repayments and restructuring. Increased demand for new lending, which was evident in 2014, has continued into the first quarter of 2015. Overall lending drawdowns were in excess of 70% higher versus the same period in 2014 with growth across all main loan categories and geographies completed at appropriate credit grades. Total performing loan volumes increased in the period.

Customer accounts at the end of Q1 2015 were broadly stable at c.€64bn. The Group continues to focus on reducing its overall funding costs. The loan to deposit ratio at the end of March 2015 increased marginally to 100%, from 99% at end December 2014.

The Group successfully completed two market funding issuances in the period, a covered bond and senior unsecured funding, raising €1.25bn. NAMA Senior Bond volumes reduced to €8.7bn as of 31 March 2015 following a repayment of €0.7bn in the quarter.

CAPITAL AND CAPITAL STRUCTURE

Fully loaded CET1 capital* increased from 11.8% as at 31st December 2014 to approximately 12.2% at the end of Q1 2015. The positive impact of unaudited profits and gains in AFS reserves were partly offset by higher levels of Risk Weighted Assets (RWAs) and the impact of long-term market assumptions which increased the IAS19 pension deficit in the period.

Transitional CET1 capital decreased from 16.4% as at 31st December 2014 to 15.6% at the end of Q1. The impact of an increased pension deficit, the write-off of Deferred Tax Assets as a result of UK legislation restricting the amount of UK taxable profits that can be offset by prior losses, the ongoing phasing out of transitional capital, higher levels of RWAs, offset the positive impact of unaudited profits and other gains in the period.

The Group is continuing its discussions with the Department of Finance regarding the appropriate capital structure of the Group in the context of regulatory and market requirements. These discussions include:

- Options in relation to the €3.5 billion 2009 Preference Shares, including the possible conversion into ordinary shares of part or all of the Preference Shares
- Options in relation to the €1.6 billion Contingent Capital Notes which mature in July 2016.
- A possible significant consolidation in the number of ordinary shares in issue given AIB currently has in excess of 523 billion ordinary shares in issue

Any future actions in respect of the Group's capital structure will be subject to relevant regulatory and shareholder approvals where necessary. There is no definitive set of outcomes or completion date for these discussions.

VALUATION

AIB currently has 523,438,445,437 (excluding 35,680,114 treasury shares) ordinary shares in issue, of which 99.8% are held by the Ireland Strategic Investment Fund (ISIF), mainly following the issue of 500 billion ordinary shares to the National Pensions Reserve Fund Commission (predecessor to the ISIF) at €0.01 per share in July 2011.

Based on the number of shares currently in issue and the closing share price of 30 April 2015, AIB trades on a valuation multiple of c.6x (excluding 2009 Preference Shares) the 31 December 2014 Net Asset Value (NAV). The Group continues to note that the median for comparable European banks is c.1x NAV.

**Includes 2009 Preference Shares*

-ENDS-

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Forward-looking Statement

This Interim Management Statement 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 Risk and Uncertainties on pages 51 to 56 in the 2014 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 51 to 56 of the 2014 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.