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Allied Irish Banks, p.l.c. ("AIB") announces pre-tax profits of €1.7bn for FY 2016 and proposes a dividend of €250m

CEO COMMENT

Commenting on the results Bernard Byrne, CEO said:

"2016 has been another milestone year for AIB Group. Our strong financial performance and robust capital base support our proposed dividend of €250m to ordinary shareholders. This reflects our sustainable profitability, strong capital generation and focus on delivering for shareholders and customers. We returned a further €1.8 billion to the State during the year, which together with the proposed dividend, brings to €6.8 billion the amount AIB will have paid in capital, dividends, fees, coupons and levies.

The bank is now ready for an IPO, when market conditions permit and the Minister decides. With a market leading franchise, strong customer focus and investment in digital, AIB Group is well placed to continue to support our customers and the growing Irish economy."

2016 FINANCIAL HIGHLIGHTS

- €1.7bn profit before tax, driven by strong sustainable business performance, net credit provision writebacks of €294m and one-off benefits including the Visa Europe transaction
- A proposed dividend payment of €250m for 2016 supported by strong profitability and capital ratios
- 28bps increase in net interest margin* (NIM) to 2.25% from 1.97%; continued expansion with the spread widening between yields on assets and liabilities and redemption of legacy instruments
- Cost income ratio of 52% with operating expenses** increased by 7% in line with expectations to €1.4bn; and our €870m strategic investment programme, commenced in 2015, continuing to deliver efficiencies, improved customer satisfaction and capacity for growth
- €12.9bn in new lending approvals to customers; €8.7bn of drawdowns; 16% increase in new lending in Ireland
- Impaired loans reduced to €9.1bn, down c. €4bn since December 2015 and c. €20bn since December 2013
- Robust capital base with transitional common equity tier 1 (CET 1) ratio of 19% and fully loaded CET1 ratio of 15.3% well in excess of the 2017 SREP transitional CET 1 requirement of 9%
- €1.8bn Contingent Capital Notes (CoCo) repaid to the State in July 2016. Total payments of c. €6.8bn to the State including the €250m proposed dividend payment

SUSTAINABLE UNDERLYING OPERATING PERFORMANCE CONTINUES IN 2016

- Pre-provision operating profit** of €1.3bn (Dec 2015: €1.3bn); continued stable underlying performance
- Total operating income of €2.6bn (Dec 2015: €2.6bn); net interest income increased by 4% with stable underlying other income excluding one-off benefits and fx impact
- NIM* of 2.25%, up 28bps from 1.97% in 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. Exit NIM of 2.42% in Q4 2016.
- Stable net fees and commissions of €395m; increased customer activity in card transactions offset by lower card interchange fees and fx impact
- Cost income ratio of 52% in line with expectations
- Bank levies and regulatory fees increased to €112m (Dec 15: €71m) and includes higher contributions to the Deposit Guarantee Scheme and Single Resolution Fund
- Net credit provision writebacks of €294m (Dec 2015: €925m) reflecting continued progress in case-by-case restructuring of impaired loans in an improved economic environment; primary restructuring period now concluding

*excluding Eligible Liabilities Guarantee (ELG) charge

** excluding exceptional items and bank levies and regulatory fees

STABLE BALANCE SHEET AND ROBUST CAPITAL POSITION

- Net loans at €61bn with an increase in earning loans of €0.6bn (excluding fx impact) from growth in new lending and progress on customer restructuring partially offset by repayments
- Customer accounts increased to €64bn (excluding €1.8bn fx impact) resulting in a loan to deposit ratio of 95% (Dec 15: 100%). The mix profile of customer accounts continued to change in 2016 with c. €5bn increase in current accounts offset by a reduction of €2.5bn in Corporate and Treasury deposits
- NAMA senior bonds at €1.8bn, a reduction of €3.8bn since December 2015
- €1bn in market funding issuance in the year. The net stable funding ratio was 119% and liquidity coverage ratio was 128% at end of December 2016
- Robust capital ratios – Transitional CET 1 capital ratio of 19% and a fully loaded CET 1 ratio of 15.3% at 31 December 2016 reflecting profit generation, a reduction in risk weighted assets partially offset by a proposed ordinary dividend payment of €250m
- Strong leverage ratio of 9.2% up from 7.9% at December 2015

TRANSFORMING CUSTOMER EXPERIENCE AND SUPPORTING ECONOMIC GROWTH

- Multi-brand mortgage offering and compelling customer propositions delivering growth
- Growing market position in mortgages with 39% share of new lending drawdowns in Q4 2016
- Maintaining No. 1 market positions across personal products and key business lines
- Lending drawdowns of €8.7bn; 16% increase in new lending in key portfolios in Ireland including a 22% increase in mortgage lending and 8% increase in other lending including business lending across a broad range of sectors
- Ongoing strategic investment in customer proposition and market-leading digital distribution with c. €600m 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 1.1 million active online users, 650,000 mobile users and the average monthly login frequency continuing to increase

- 67% of transactional customers active on digital channels
- 72% of personal loans now applied for via mobile or online
- Net Promoter Scores increased to +45 in Q2 2016 from +16 in Q4 2014

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

AIB will host a Capital Markets Day on 9th March 2017, those research analysts interested in attending should contact Pat Clarke at patricia.m.clarke@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 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