



Embargo 07:00

7 August 2015

## Allied Irish Banks, p.l.c. ("AIB") announces results for the half-year ended 30 June 2015

### AIB GROUP PRE-TAX PROFIT OF €1.2BN WITH UNDERLYING SUSTAINABLE PROFITABILITY

#### HALF- YEAR 2015 KEY HIGHLIGHTS

- Profit before tax of €1.2bn, €0.8bn increase on the same period in 2014
  - Includes significant net provision writebacks of €540m
  - Additional gains due to Available For Sale (AFS) disposals and other items of €100m
- Net interest margin (NIM), excluding Eligible Liabilities Guarantee (ELG), of 1.92%, up from 1.60% in H1 2014
- €6.9bn in lending approvals to customers, a 21% increase year on year
- Impaired loans decreased to €18bn, down €4.2bn since December 2014 and by €11bn since December 2013
- Further reduction of 0.25% in the owner occupier standard variable (SVR) and loan to value (LTV) mortgage rates announced for new and existing AIB customers to 3.65% (SVR) and from 3.35% (LTV)
- Number of arrears accounts in the Irish owner occupier mortgage portfolio declined by 13%
- Transitional Common Equity Tier 1 (CET 1) ratio increased by 1% to 17.4%

#### CEO COMMENT

Commenting on the results Bernard Byrne, CEO said:

"In the first half of 2015 we continued to execute our strategy to transform the Group and as a result we improved our underlying performance alongside the significant net provision writebacks and other additional gains. We also strengthened our balance sheet and reduced risk by further significant reduction in impaired loans. We remain focused on delivering a bank with market leading capital returns and a clear and transparent risk profile. Also central to our strategy is the creation of real value for our customers and stakeholders and we continue to build our business model around customers which in turn supports the Irish economy."

#### CHAIRMAN'S COMMENT

Commenting on the results Richard Pym, Chairman said:

"These results are extremely encouraging and reflect the support of our customers, the efforts of our staff and the recovering national economy. The financial outcome for the half-year is significantly ahead of the expectations we had at the beginning of the year and reinforces our endeavours to see all of the €20.8 billion invested in AIB by Irish taxpayers repaid. Whilst any decision on a future sale of AIB is entirely one for the Irish Government, the results so far this year significantly improve the prospects for a successful transaction whenever it happens."

### POSITIVE OPERATING PERFORMANCE CONTINUES IN H1 2015

- Total income up 8% to €1.3bn
- Further improvement in NIM, excluding ELG, in H1 2015 to 1.92%, up from 1.60% in H1 2014
- Fees and commissions higher by 6% due to increased levels of customer activity
  - Other income decreased overall due to lower additional benefits of c. €100m from disposals in the AFS and other loan disposals year on year
- Operating expenses down 6%\* or €38m while continuing to invest in our customer propositions and simplification agenda
- Pre-provision operating profit\* of €701m, 25% higher than H1 2014
- Credit provision writebacks of €540m in H1 2015 compared to €99m charge in H1 2014 reflecting progress in case by case restructuring of impaired loans and the improved economic environment.

\* excluding exceptional costs

### BALANCE SHEET AND FUNDING POSITION IMPROVING

- Loan to deposit ratio of 99%, broadly unchanged since December 2014
- Net loans broadly in line with December 2014 at €64bn
- €2bn in market funding issuances year to date <sup>(1)</sup>
- NAMA senior bonds at €7.5bn – a reduction of €1.9bn or 20% from end 2014
- Impaired loans decreased by €4.2bn to €18bn; €11bn reduction since December 2013
- Net stable funding ratio of 111%
- Liquidity coverage ratio of 117%
- CET 1 transitional capital ratio of 17.4% increased by 1% and the fully loaded CET 1 ratio of 14.1%<sup>(2)</sup> at 30 June 2015 increased from 11.8% at December 2014

(1) Includes ACS issuance in July 2015

(2) Includes the €3.5bn 2009 Preference Shares

### SUPPORTING OUR CUSTOMERS AND ECONOMIC RECOVERY DURING H1 2015

- Delivering value to customers and focusing on enhancing customer experience
  - No. 1 market position across all personal products and business lines
- Reduction of 0.25% in the owner occupier SVR and LTV mortgage rates for both new and existing customers across AIB, EBS and Haven, effective from October 2015
- Market leading position in mortgages with 39% share of drawdowns in Q1 2015
- Number of accounts in arrears in the Irish residential mortgage portfolio reduced by 13%
- Lending drawdowns of €4bn, an increase of 56% compared to the same period in 2014
- Lending drawdowns 50% higher in Ireland and 71% higher in the UK on a constant currency basis
- c.18,500 loan approvals to SMEs across a broad range of sectors
- 49% of personal loans approved online
- Over 1 million active online users

### CAPITAL STRUCTURE AND VALUATION

The increased levels of capital and underlying sustainable profitability enable us to progress discussions with the Department of Finance and Single Supervisory Mechanism on determining our appropriate level and mix of capital which will be subject to relevant regulatory and shareholder approvals. These discussions are focused on:

- Options in relation to the €3.5bn 2009 Preference Shares, including the possible conversion into ordinary equity of a portion of the instruments and redemption of the balance.

- Scheduled redemption of €1.6bn of Contingent Capital Notes in July 2016
- Regularising the capital structure of AIB to be fully compliant with Basel III / CRD IV capital requirements.
- A possible significant consolidation in the number of ordinary shares in issue given the bank currently has in excess of 523 billion ordinary shares outstanding.
  - Based on the closing share price on 4 August 2015, AIB trades on a valuation multiple of c. 5x (excluding the 2009 Preference Shares) the net asset value (NAV) of the Group as at 30 June 2015. The Group continues to note that the median for comparable European banks is c.1.6x NAV.

Full details on AIB's 2015 half-yearly financial performance, including all relevant disclosures and notes to financial statements, can be found on AIB's website [investorrelations.aib.ie](http://investorrelations.aib.ie)

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**Forward-looking Statement**

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 Risk and Uncertainties on pages 30 to 38 in the AIB Half-Yearly Financial Report 2015. 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 30 to 38 of the AIB Half-Yearly Financial Report 2015 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.