



Embargo 07:00

5 March 2015

Allied Irish Banks, p.l.c. (“AIB”) announces results for the year ended 31 December 2014

AIB GROUP PRE-TAX PROFIT OF €1.1BN – FIRST ANNUAL PROFIT SINCE 2008

THE AIB BOARD HAS APPROVED THAT ON THE 13 MAY 2015 THE ANNUAL DIVIDEND OF €280M ON THE 2009 PREFERENCE SHARES WILL BE PAID IN CASH TO THE IRISH STATE

2014 KEY HIGHLIGHTS

- Profit before tax of €1.1bn, a €2.8bn turnaround in performance compared to 2013
- Delivering our strategic objectives with the Irish and UK businesses both profitable
- NIM, excluding ELG of 1.69%, up from 1.37% in 2013
- €13.2bn in lending approvals in 2014, a 37% increase vs. 2013
- Total impaired loans decreased by 23% since December 2013
- Number of accounts in arrears in the Irish owner occupier mortgage portfolio declined by 22%
- Transitional CET 1 ratio increased by 1.4% to 16.4%

DELIVERING OUR STRATEGIC OBJECTIVES

AIB has previously outlined a number of medium term performance targets in respect of its capital ratio, net interest margin, cost/income ratio, credit impairment charge and loan to deposit ratio. The 2014 results demonstrate the Group is on track to achieve these targets as it continues to consistently deliver its strategic objectives.

CEO’S COMMENT

Commenting on the results David Duffy, CEO said:

“2014 saw AIB successfully execute its three year plan to deliver a bank that is sustainably profitable, adequately capitalised and appropriately funded. We have a strong momentum in our business and are committed to supporting our customers by understanding their needs, providing suitable solutions and serving them through our branches, online or on the phone. We are focused on growing our lending to support the Irish economy and delivering sustainable returns for our shareholders.”

CHAIRMAN’S COMMENT

Commenting on the results Richard Pym, Chairman said:

“The 2014 results demonstrate the significant progress made in the recovery of AIB. Rebuilding public confidence and trust in the bank is paramount. Our focused leadership team, dedicated workforce, clear strategy and improved risk governance will continue to progress us to that goal.”

POSITIVE 2014 OPERATING METRICS RELATIVE TO 2013

- Total income up 31% to €2,530m

- Further improvement in NIM (Net Interest Margin), excluding ELG (Eligible Liabilities Guarantee), in H2 2014 to 1.78%, up from 1.45% in H2 2013
- Other income increased 46% to €843m including €437m as a result of balance sheet actions and realisations (€93m in 2013)
- Operating expenses* down 5% or €67m while continuing to invest in our customer proposition
- Pre-provision operating profit* of €1,127m, 148% higher than 2013
- Total provision writeback of €188m in 2014 compared to €1.9bn charge in 2013 reflecting the improved economic environment and progress in restructuring of impaired loans

* excluding exceptional costs

BALANCE SHEET AND FUNDING POSITION IMPROVING

- Loan to deposit ratio of 99%, down 1% from December 2013 – net loans of €63.4bn
- Monetary Authority Funding of €3.4bn, a reduction of 73% from end 2013
- €1bn in market funding issuances during 2014
- NAMA senior bonds – reduction of €6.3bn or 40% from end 2013
- Impaired loans decreased by €6.7bn to €22.2bn
- Net stable funding ratio of 112%
- Liquidity coverage ratio of 116%
- Increased capital ratios with a CET 1 (Common Equity Tier 1) transitional ratio of 16.4% and a fully loaded CET 1 ratio of 11.8%⁽¹⁾ at year end 2014
 - The Board has approved a cash dividend on the 2009 Preference Shares of €280m which will be paid to the Irish State on 13 May 2015. The transitional and fully loaded CET 1 ratios as of the 31 December 2014 include this payment

(1) Includes the €3.5bn 2009 Preference Shares

SUPPORTING OUR CUSTOMERS AND ECONOMIC RECOVERY DURING 2014

- Lending drawdowns of €5.9bn, an increase of 50% compared to 2013
- Lending drawdowns 43% higher in Ireland and 63% higher in the UK on a constant currency basis
- c.15,500 Irish SME start-ups supported
- c.155,000 new current accounts opened in Ireland
- Supported c.16,000 customers in gaining mortgage approval
- Met or exceeded all restructuring targets for customers in difficulty
- Number of accounts in arrears in the Irish residential mortgage portfolio reduced by 18%

CAPITAL STRUCTURE AND VALUATION

The Group expects to continue its discussions with the Irish Department of Finance regarding the appropriate capital structure of the Group in the context of regulatory and market requirements. These discussions are currently focused on:

- Options in relation to the €3.5bn 2009 Preference Shares, including the possible conversion into ordinary shares of part or all of the Preference Shares
- Options in relation to the €1.6bn 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 523bn ordinary shares in issue
 - Based on the closing share price on 3 March 2015, AIB trades on a valuation multiple of c.6x (excluding the 2009 Preference Shares) the net asset value of the Group as at 31 December 2014. The Group continues to note that the median for comparable European banks is c.1x NAV.

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.

Full details on AIB’s 2014 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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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 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.