EMBARGO 07:00 **17 November 2015**

ALLIED IRISH BANKS, P.L.C. ("AIB") -- INTERIM MANAGEMENT STATEMENT (UNAUDITED) AND UPDATE ON CAPITAL REORGANISATION

A THIRD QUARTER THAT DELIVERED SUPPORT FOR CUSTOMERS, STRONG PROFITABILITY AND ONGOING CAPITAL GENERATION

Key Highlights – Quarter to 30 September 2015

- Profitability and capital generation trend continues
- 90bps increase in CET1 capital on a CRD IV fully loaded basis in the quarter, driven primarily by the positive impact of profits
- Capital levels continue to be comfortably above regulatory minimum requirements
- Regulatory approval received for actions to simplify and strengthen capital position
- Net Interest Margin* (NIM) of 1.94% to September 2015; 1.92% to June 2015
- €6.2bn of new lending drawdowns to September 2015 – a 53% increase year on year
- Owner occupier accounts in arrears have declined by 20% since December 2014
- Reduction of €2bn in impaired loan balances since end June 2015 to €16bn
- Performing loan portfolios increased by c. €2.3bn to c. €56bn since December 2014

CEO COMMENT

Commenting on the Q3 2015 performance, CEO Bernard Byrne said: *"The bank's performance continues to improve, showing further advances in the third quarter. Our customer-focused strategy is enabling us to grow our lending, support the economy and further reduce non-performing loans. Encouragingly, total lending drawdowns continue to increase, with €6.2 billion for the year to date and additionally impaired loans have further reduced by €2 billion in the quarter. The key indicators show that AIB is set to continue playing a central role in the rapidly-growing Irish economy. The recent approval by the ECB of our reorganised capital structure is welcome and positions us well to repay capital to the State".*

ECONOMIC ENVIRONMENT

Strong macroeconomic trends are providing a positive market backdrop. Ireland is the fastest growing economy in Europe with GDP now forecast to grow by 6%** in 2015. Additionally, unemployment levels are reducing, the property market continues to improve with consumer and business confidence and spending contributing to growth. These economic factors support both the Group's performance and further progress in terms of restructuring our customers in financial difficulty.

OPERATING PERFORMANCE

NIM* was 1.94% in the nine months to September 2015. Lower funding costs, increased levels of new lending and restructuring of impaired loans at sustainable margins continue to benefit NIM. These favourable factors facilitate the absorption of pricing management actions while maintaining a positive NIM trajectory. The third rate reduction in mortgage pricing announced in August 2015 (effective from October), for both front and back books, added to the full year effect of earlier rate reductions, will have a tempering impact on the rate of increase in NIM in Q4. Banking fees and commission income continue to perform positively in the period, up 6% year on year, driven by increased customer transactions.

Cost income ratio, including additional gains, was 50% in the nine months to the end of September which reflects higher income and a stabilising cost base. We have maintained our disciplined cost management across the Group while continuing investment in a simpler and more efficient business model. Costs in H2 2015 are expected to be in line with H1 while absorbing the impact of a 2% salary increment.

ASSET QUALITY

Impaired loans reduced by €2bn in the quarter due to the ongoing implementation of sustainable restructuring solutions, an improved economic environment, a normalising pace of new migrations to impaired, and continued redemptions across all loan sectors. Specific provision to impaired loans coverage remained stable at 48% at the end of September 2015.

Irish mortgage arrears declined by 19% in the nine months to September with lower levels of new arrears and increasing numbers of customers exiting arrears. The total number of accounts in arrears in the owner occupier and Buy-to-Let portfolios declined by 20% and 18% respectively since December 2014.

We expect lower provision writebacks in H2 versus H1 2015. We continue to work with our customers in financial difficulty. Collateral values and customer cashflows continue to improve albeit at a slower pace. Among other things, the release of credit provisions in any period is affected by the timing and nature of our case by case restructuring processes.

BALANCE SHEET AND FUNDING

Net loans remained stable at c. €64bn at September 2015 versus June, however performing loans, including positive foreign exchange impacts, increased to c. €56 billion from c. €53.6 billion at December 2014. This increase reflects new lending and the restructuring of loans to performing partially offset by customer repayments. Activity levels and business pipelines are increasing across all sectors and lending drawdowns of c. €6.2bn to 30 September 2015 were 53% higher versus the same period in 2014. At an industry level, the demand versus supply dynamics and the Central Bank of Ireland Macro Prudential measures are expected to impact future growth rates in the mortgage market. Lending levels in both AIB GB and First Trust Bank in Northern Ireland have continued to increase, particularly in the Owner Managed Business sectors.

Customer accounts at the end of Q3 2015 were stable at c. €63bn and account for 64% of the Group's total funding base. NAMA bonds of €6.3 billion at the end of Q3 2015 were €1.2 billion lower compared with €7.5 billion in June 2015. The Group has focused on reducing its overall funding costs and in particular its liability pricing during 2015. The loan to deposit ratio at the end of September 2015 remained at 100% with the Liquidity Coverage ratio of 111% and Net Stable Funding Ratio of 110% showing strong buffers to regulatory minima.

CAPITAL REORGANISATION UPDATE

On 6 November 2015 it was announced that regulatory approval had been received from the Single Supervisory Mechanism (SSM) for a proposed capital reorganisation.

The proposed capital actions are designed to simplify and rationalise the capital structure to meet regulatory capital requirements in the future, to more closely align it with market norms and investor expectations and to provide for an initial repayment of State aid.

The principal elements previously announced are as follows:

- Partial redemption of the 2009 Preference Shares which will result in the repayment of €1.7 billion of capital to the State. Completion of the redemption is conditional upon the following capital actions:
    - Conversion of the remainder of the 2009 Preference Shares into ordinary shares which will result in a net increase in fully loaded CET 1 of €1.8 billion;
    - The issuance of a minimum of €750m of Tier 2 capital; and
    - The issuance of a minimum of €500m of Additional Tier 1 (AT1) capital.

- The scheduled maturity of the Contingent Capital Notes (CCNs) will result in a further repayment of €1.6 billion of capital to the State on 28 July 2016.

It is expected that the 2009 Preference Shares will convert into ordinary shares at a potential conversion price of approximately 1.7 cents per share. This would value AIB's ordinary shares at approximately €11.7 billion. The Group is working with the Department of Finance to finalise the terms of the capital reorganisation which are expected to be agreed in the coming days and may entail some additional measures to streamline the capital structure including:

- A redemption of the EBS Promissory Note issued to EBS in June 2010, at its carrying value on the EBS balance sheet at the date of redemption (at 31 October 2015 this was c. €220m), using part of the proceeds of the 2009 Preference Share Redemption.

- A potential issue of warrants to the Irish Government at the time of any re-admission of AIB's ordinary shares to a regulated market. The Irish Government would be entitled to subscribe for ordinary shares not exceeding 9.99% of AIB's issued ordinary share capital, at a price not less than 200% of the re-admission price and within 10 years of re-admission.

- An ordinary share consolidation on a 1-for-250 basis in order to reduce the number of ordinary shares in issue. The share consolidation will round-up shareholdings to the nearest ordinary share where applicable to ensure that all shareholders who hold less than 250 ordinary shares remain on the share register of AIB. The share consolidation will reduce the number of ordinary shares in issue post conversion to approximately 2.7 billion ordinary shares.

The table below illustrates the indicative effect of the completion of the capital reorganisation on the Group's regulatory capital position, had each element been completed on 30 September 2015:

CRD IV Fully Loaded Capital (excl. 2009 Preference Shares)	30 September 2015	Post Proposed Capital Reorganisation
CET1 Capital ratio	9.2%	12.2%
Total Capital ratio	9.9%	15.1%
Leverage ratio	5.2%	7.3%
Transitional Capital (incl. 2009 Preference Shares)	**30 September 2015**	**Post Proposed Capital Reorganisation**
CET1 Capital ratio	18.2%	15.4%
Total Capital ratio	19.4%	18.7%

Notes to table

- *All of the above capital ratios include the impact of Q3 2015 unaudited profits.*
- *Ratios reflect accrued dividend on the 2009 Preference Shares to 30 September 2015*
- *Whilst the redemption reduces the Group's transitional CET 1 ratio, the impact of the capital actions will result in a net increase in the CET 1 and total capital ratios on a CRD IV fully loaded basis.*

The capital reorganisation is subject to obtaining shareholder approval at an Extraordinary General Meeting (EGM), details of which are expected to follow shortly.

**Excluding the impact of Eligible Liabilities Guarantee (ELG)*
***AIB Economic Research Unit*

-ENDS-

For further information, please contact:

Mark Bourke
Chief Financial Officer
AIB Bankcentre
Dublin
Tel: +353-1-6412195
email:
mark.g.bourke@aib.ie

Rose O'Donovan / Niamh Hore
Investor Relations
AIB Bankcentre
Dublin
Tel: +353-1-6414191
email:
rose.m.o'donovan@aib.ie
niamh.a.hore@aib.ie

Niamh Hennessy
Media Relations Manager
AIB Bankcentre
Dublin
Tel: +353-1-7721382
email:
niamh.n.hennessy@aib.ie

Important Information and Forward-looking Statement

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 13 November 2015, AIB trades on a valuation multiple of c.5x (excluding 2009 Preference Shares) the 30 June 2015 Net Asset Value (NAV). The Group continues to note that the median for comparable European banks is c.1.4x NAV.

We note again the valuation of 1.7 cents per share attributed to the capital in the conversion of the 2009 Preference Shares referred to above.

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.