**Embargo 07:00** **27 July 2017**

# Allied Irish Banks, p.l.c. ("AIB") announces half year pre-tax profits of €0.8bn

## CEO COMMENT

Commenting on the results Bernard Byrne, CEO said:

*'The successful relisting of the Company on the Dublin and London Stock Exchanges, supported by a strong underlying financial performance and the reinstatement of an ordinary dividend were the highlights from a very positive first half.'*

## H1 2017 FINANCIAL HIGHLIGHTS

- €0.8bn profit before tax, driven by strong sustainable business performance with higher income and lower one-off credits. (H1 2016 benefitted from €272m profit on disposal of Visa Europe)
- 48bps increase in net interest margin (NIM) to 2.54% from 2.06% in H1 2016; NIM 2.47% excluding cured loan interest(1). Continued positive margin trajectory with the spread widening between yields on assets and liabilities and redemption of legacy instruments
- Cost income ratio (CIR) of 45%(2); 51% excluding income from cured loans / restructuring-related items. Operating expenses(2) increased by 2% in line with expectations to €0.7bn
- The €870m 3-year strategic investment programme, which will complete at the end of 2017, is delivering additional efficiencies and productivity enhancements, capacity for growth and improved customer satisfaction
- €7bn of new lending approvals to customers; €4.3bn of new term lending drawdowns; 15% increase year on year with strong new lending growth in mortgages of 41% in Ireland
- Impaired loans reduced to €7.8bn, down c. €1.3bn since December 2016 and c. €21bn since December 2013 and non-performing loan exposures (NPEs(3)) further reduced by €2bn to €12.1bn
- Robust capital generation of 130bps since December 2016. Strong capital position with Transitional common equity tier 1 (CET 1) ratio of 19.9% and fully loaded CET 1 ratio of 16.6% well in excess of the 2017 SREP transitional CET 1 requirement of 9%
- Total of c. €10.2bn returned to the State including the proceeds from the recent IPO and €250m ordinary dividend payment

1. Additional income recognised on loans upgraded from impaired without financial loss
2. Excluding exceptional items, levies and regulatory fees
3. Non-performing exposures (NPEs) exclude €0.3bn of off-balance sheet commitments, as per EBA definition

### SUSTAINABLE UNDERLYING OPERATING PERFORMANCE CONTINUES IN H1 2017

- Pre-provision operating profit(2) of €0.8bn (H1 2016: €0.6bn); consistent sustainable underlying profitability
- Total operating income of €1.5bn (H1 2016: €1.2bn); net interest income increased by 14% and higher other income mainly due to higher income from the realisation/re-estimation of cashflows for previously restructured loans
- Positive NIM trajectory to 2.54% in H1 2017, up 48bps from 2.06% (H1 2016) due to lower funding costs, stable asset yields and the redemption of legacy instruments. NIM of 2.47% excluding cured loan interest
- Higher other income of €452m in H1 2017 reflects stable net fee and commission of €195m and also includes profit from AFS and gains related to the realisation/re-estimation of cashflows for previously restructured loans
- Cost income ratio of 45%; benefiting from higher one-off income offset by higher other costs while staff costs remained broadly in line with half year to June 2016. CIR of 51% excluding income from cured loans / restructuring-related items
- Bank levies and regulatory fees of €45m (H1 2016: €48m) mainly reflects payments to the Deposit Guarantee Scheme and Single Resolution Fund
- Net credit provision writebacks of €19m (H1 2017: €211m) due to continued progress in case-by-case restructuring of impaired loans in an improved economic environment and a new to impaired charge in line with expectations

### STRENGTHENED BALANCE SHEET AND CAPITAL ACCRETIVE

- Net loans at c. €60bn and an increase in earning loans of €0.5bn (excluding fx impact) due to growth in quality new term lending and progress on customer restructuring partially offset by repayments and asset sales
- Customer accounts increased to c. €64bn resulting in a loan to deposit ratio of 94% (Dec 16: 95%). The mix profile of customer accounts continued to change in H1 2017 with c. €1.7bn increase in current accounts offset by a reduction of €1.5bn in Corporate and Treasury deposits
- NAMA senior bonds at €0.4bn, a reduction of €1.4bn since December 2016
- The net stable funding ratio was 122% and liquidity coverage ratio was 134% at end of June 2017
- Robust capital generation and strong ratios – Transitional CET 1 capital ratio of 19.9% and a fully loaded CET 1 ratio of 16.6% at 30 June 2017 mainly due to profit generation and a reduction in risk weighted assets
- Strong leverage ratio of 10.4% up from 9.2% at December 2016

### TRANSFORMING CUSTOMER EXPERIENCE AND SUPPORTING ECONOMIC GROWTH

- Multi-brand mortgage offering and compelling customer propositions delivering growth
- Strong market position in mortgages with 37% share of new lending drawdowns ytd May 2017
- Maintaining strong market shares across personal products and key business lines
- New term lending drawdowns of €4.3bn, up 15% year on year; increased new lending in key portfolios in retail Ireland including a 41% increase in mortgage lending and 19% 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 €705m 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 1.2 million active online users, 700,000 mobile users with customers interacting on mobile at least once per day
- 69% of transactional customers active on digital channels
- 77% of personal loans now applied for via mobile or online
- Net Promoter Scores in Q2 2017
  - Personal Relationship NPS +21
  - Transactional NPS +38

Details of AIB's 2017 half year financial performance, including all relevant disclosures and notes to financial statements, can be found on AIB's website aib.ie/investorrelations

**-ENDS-**

**For further information, please contact:**


| | | |
|---|---|---|
| Mark Bourke<br>Chief Financial Officer<br>AIB Bankcentre<br>Dublin<br>Tel: +353-1-6412195<br>email:<br>mark.g.bourke@aib.ie | Rose O'Donovan/Niamh Hore<br>Investor Relations<br>AIB Bankcentre<br>Dublin<br>Tel: +353-1-6414191<br>email:<br>rose.m.o'donovan@aib.ie<br>niamh.a.hore@aib.ie | Orla Bird / Paddy McDonnell<br>Corporate Affairs<br>AIB Bankcentre<br>Dublin<br>Tel: +353-1-6415375<br>email:<br>orla.c.bird@aib.ie<br>paddy.x.mcdonnell@aib.ie |


## Important Information and forward-looking statements

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 2017. 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 2017 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