



# Annual Financial Results 2016

For the financial year ended  
31 December 2016



# Important Information and Forward Looking Statement

---



This presentation should be considered with AIB's Half-Yearly Financial Report 2016, Trading Update December 2016 and all other relevant market disclosures, copies of which can be found at the following link: <http://aib.ie/investorrelations>

## **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.

## 2016 Performance & Strategic Objectives








**Bernard Byrne**  
Chief Executive Officer

# 2016 in Summary

## *Momentum in Performance*

---



-  Continued strong financial performance and ongoing sustainable underlying profitability, with further improvement in asset quality
-  Strong capital ratios, organic capital generation and normalised funding <sup>(1)</sup>
-  Dividend payment to ordinary shareholders of €250m proposed for 2016
-  Market leading franchise with customer first strategy and investment in digital and innovation driving commercial success
-  Well positioned for future challenges and opportunities in a growing economy

(1) Upgraded to investment grade by S&P and Moody's

# Profitable, strong capital generation and delivering shareholder returns



## Dividend payment proposed

<b>Profit before tax</b>	<b>€1.7bn</b> €1.9bn in FY 2015
<b>Net Interest Margin <sup>(1)</sup></b>	<b>2.25%</b> 28bps increase in 2016
<b>Impaired loans</b>	<b>€9.1bn; €5.1bn net <sup>(3)</sup></b> €4bn reduction on Dec '15
<b>CET1 ratio <sup>(2)</sup></b>	<b>15.3% <sup>(2)</sup></b> 230bps higher than Dec '15
<b>Dividend payment proposed</b>	<b>€250m</b> First Dividend since H1 2008 <sup>(5)</sup>
<b>Net Promoter Scores <sup>(6)</sup></b>	<b>NPS +45 - Q4 2016</b> +29 increase since Q4 2014

- Strong sustainable profit on a total and underlying basis
- Enhanced by one-offs and lower yoy provision writebacks
- Positive upward NIM trajectory; exit NIM of 2.42% (Q4 2016)
- Stable asset yields; lower funding costs and positive impact of repayment of €1.6bn CoCo <sup>(4)</sup>
- Further reduction in impaired loans
- Primary restructuring period concluding
- Strong capital ratios; generating significant capital
- Payment of €1.8bn on the maturity of the CoCo <sup>(4)</sup>
- Sustainable performance delivering further returns to shareholders
- Customer First strategy driving significant improvement in customer experience

(1) Excludes Eligible Liabilities Guarantee (ELG)

(2) Fully loaded CET1 ratio of 15.6% [excluding proposed dividend payment of €250m]

(3) Net of specific provisions

(4) Contingent Capital Notes; €1.8bn includes accrued dividend

(5) To ordinary shareholders

(6) Transactional Net Promoter Score - measures customer experience with a company's products or service and the customer's loyalty to the brand. It is an index ranging from -100 to 100 that measures the willingness of customers to recommend a company's product or services to others

# Four pillar strategy driving sustainable performance

*Focused on delivering long term shareholder outcomes*



## Strategic Ambition

*We will be at the heart of our customers' financial lives by always being useful, always informing and always providing an exceptional customer experience.*

*We will deliver a bank with compelling, sustainable capital returns and a considered, transparent and controlled risk profile.*

## Four Pillars of Strategic Plan

Customer First

Simple and Efficient

Risk and Capital Management

Talent and Culture

## Targeted Shareholder Outcomes

Strong Customer Franchise

Capital Accretion & Capital Return

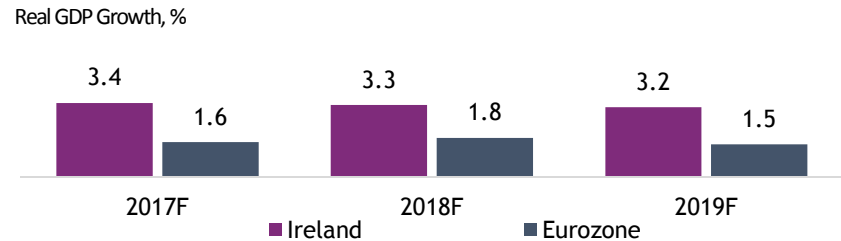
Sustainable Long-Term Growth

# Growing economy with attractive market dynamics

## Well positioned for growth

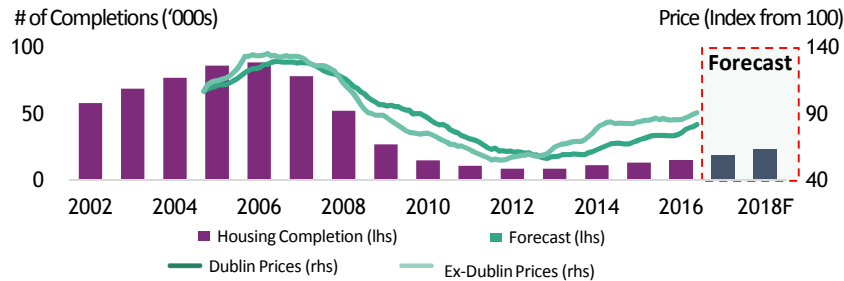


### Economic Growth Expected Despite Brexit Uncertainties



Source: European Commission for 2017 and 2018 and Department of Finance for 2019

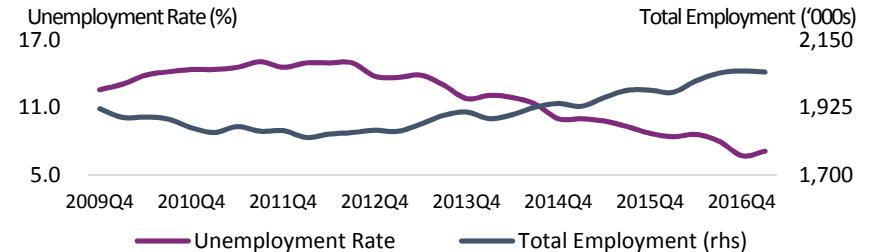
### Increased House Completions Volume and Prices



Source: CSO, Department of Housing, AIB ERU

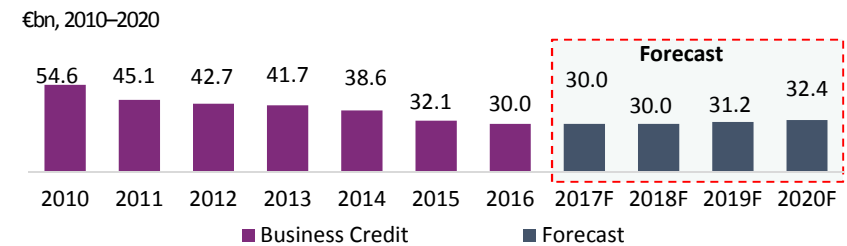
(1) Excluding Financial Intermediation & Property (Real Estate, L&D Activities)

### Total Employment Levels Rising as Unemployment Falls



Source: CSO

### SME Credit Market Forecast to Return to Growth (1)



Source: CBI; BPF; Internal Data; AIB/PwC Analysis



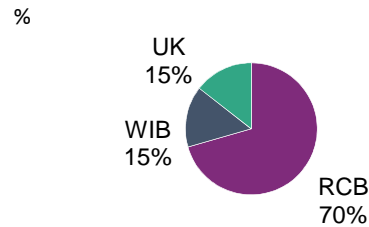
# Strong franchise with competitive market position

*The leading Irish bank with retail and commercial focus*



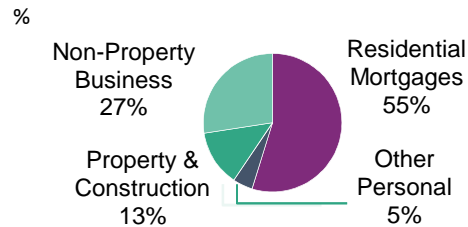
Retail & Commercial Banking <sup>(1)</sup>	Wholesale, Institutional & Corporate Banking <sup>(1)</sup>	AIB UK – AIB GB & Northern Ireland
<ul style="list-style-type: none"> <li>Largest retail and commercial bank in Ireland</li> <li>2.3m personal &amp; SME customers</li> <li>No. 1 distribution network with 297 locations and An Post partnership</li> <li>Leading market shares and leading position in digital enablement</li> <li>Multi-brand approach </li> </ul>	<ul style="list-style-type: none"> <li>Corporate Banking – relationship-driven model with sector specialisms</li> <li>Real Estate Finance – centralised origination and management</li> <li>Specialised Finance – structured finance, mezzanine finance</li> <li>Syndicated &amp; International Finance</li> </ul>	<ul style="list-style-type: none"> <li>&gt;360k retail and SME customers</li> <li>FTB – focused challenger in Northern Ireland</li> <li>GB – Niche Business Bank </li> </ul> <p><b>Group Treasury &amp; Support Functions</b></p> <ul style="list-style-type: none"> <li>Treasury activities</li> <li>Central control &amp; support functions</li> </ul>

**Net Customer Loans by Segment**



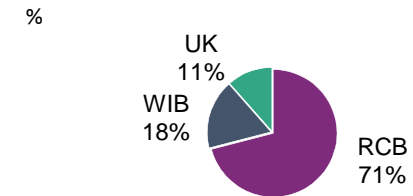
FY 2016 Total: €61.0bn <sup>(2)</sup>

**Net Customer Loans by Product**



FY 2016 Total: €61.0bn <sup>(2)</sup>

**Operating Profit by Segment**



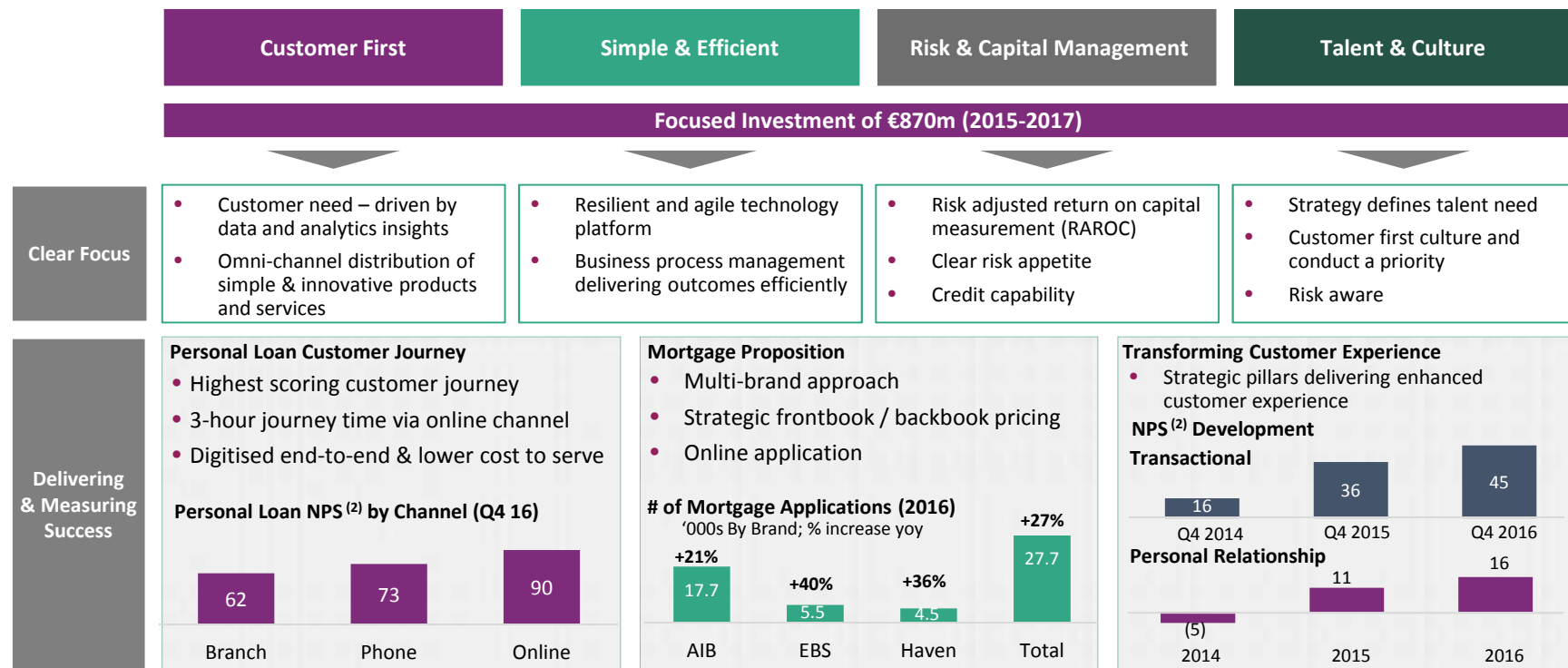
FY 2016 Total: €1.3bn <sup>(2,3)</sup>

(1) RCB = Retail & Commercial Banking, WIB = Wholesale, Institutional & Corporate Banking  
 (2) Due to rounding, sum of values in pie charts may not equal total net loans figure shown  
 (3) Pre-provision Operating Profit (Before Group Treasury and Services)



# Investment in strategic priorities delivering results

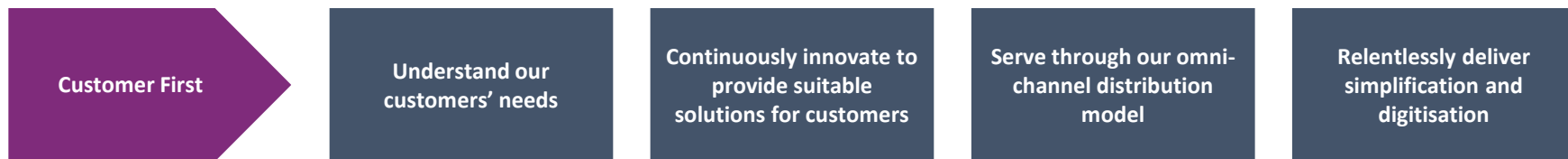
## Customer First approach



Source: Company Information

# Customer First driving commercial success

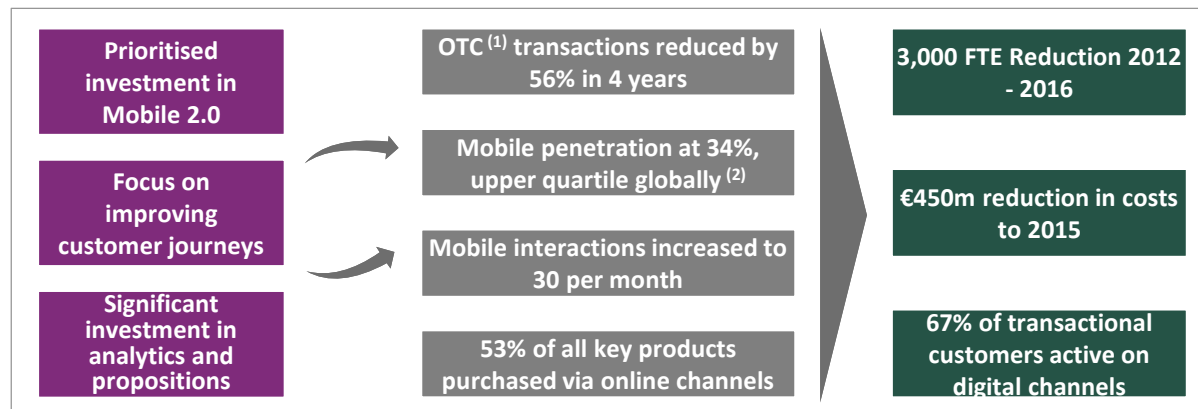
*Tangible customer and efficiency outcomes*



## No. 1 Physical & Digital Channel Distribution Network in Ireland

206 Branches	71 Locations	20 Business Centres
Mobile App - >650K active mobile users	Internet Banking – 1.1 million online users	Partnership with An Post with 1,100 Locations
<b>Complete</b>	<b>Consistent</b>	<b>Connected</b>

## Investment in Key Customer Propositions Resulting in Tangible Customer & Efficiency Outcomes

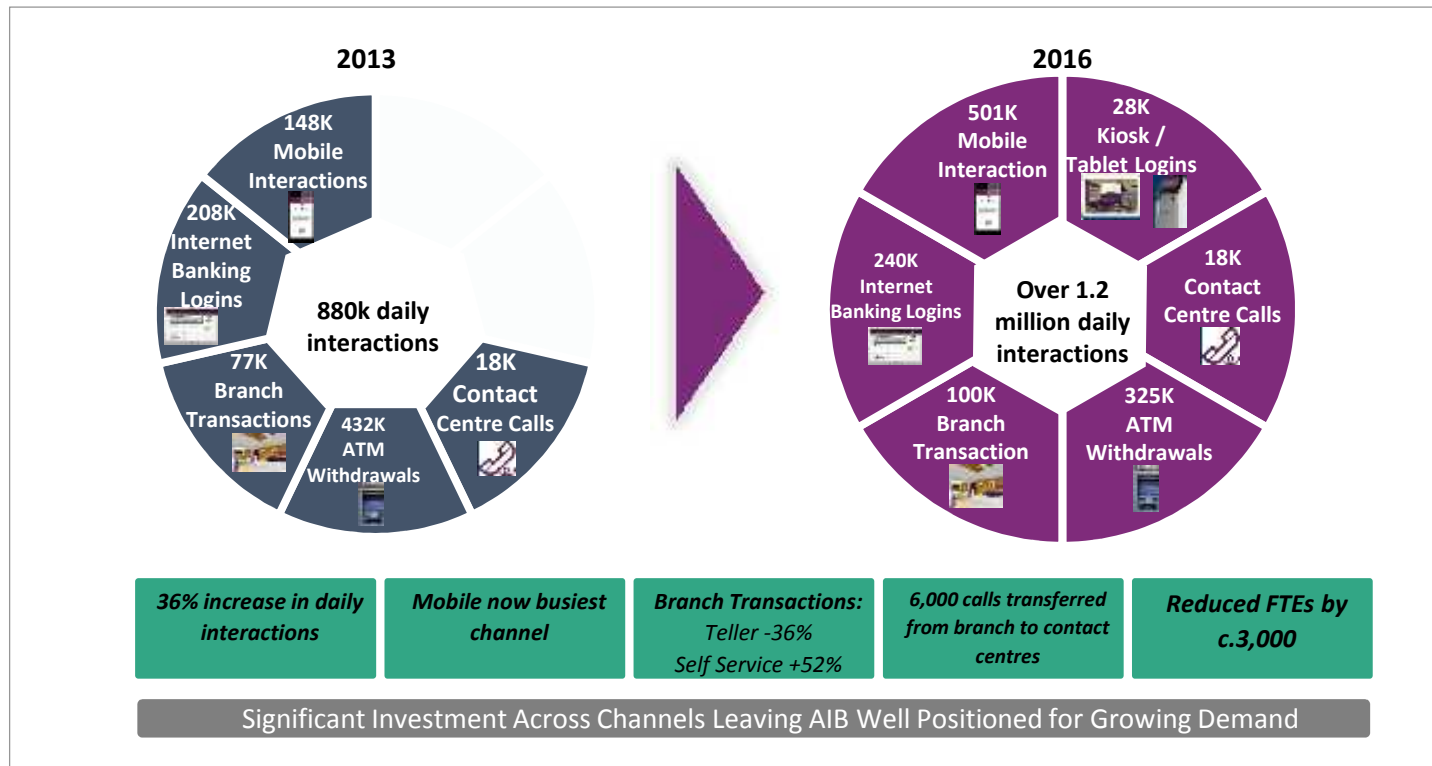


(1) OTC – 'Over the Counter' transactions

(2) Source: RCB Customer Analytics

# Proven return on Investment

## Growing levels of customer interaction and digital engagement



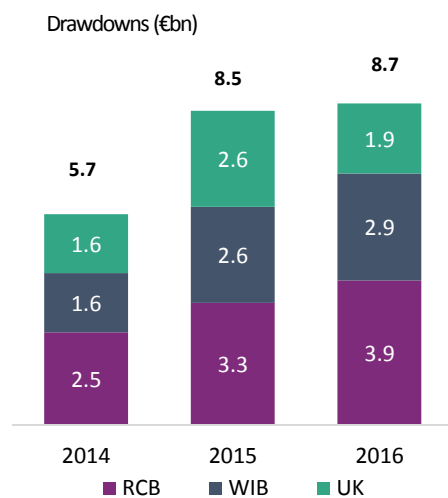
Source: Company Information

# Resulting in increased new lending and market share gains

## Leading market shares in key sectors

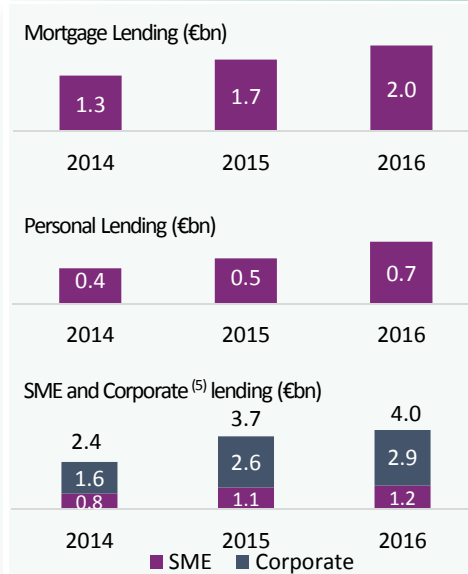


### Increase in new lending

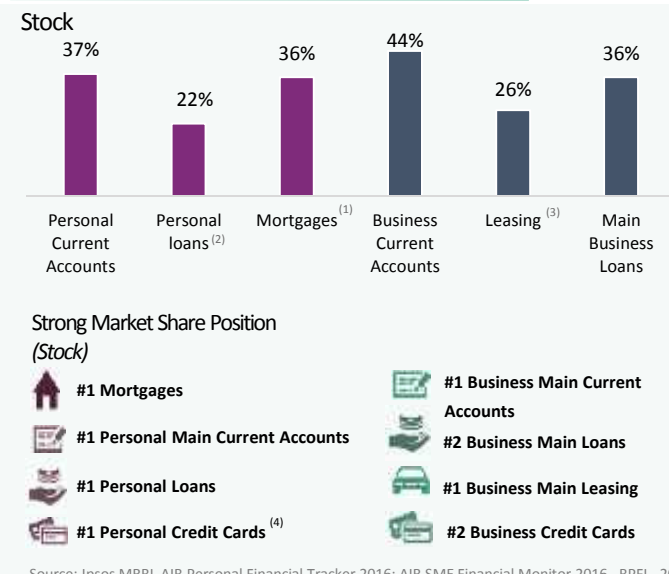


Drawdowns to approval rate of 67% in 2016

### Momentum across key sectors



### Leading Market Shares



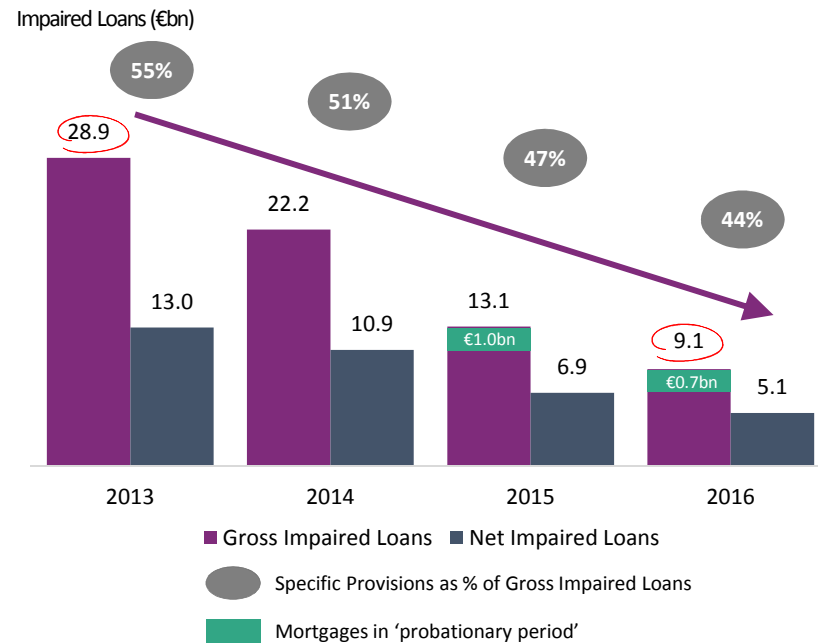
(1) New lending flow 2016  
 (2) Amongst banks; excludes car finance  
 (3) Main Business Leasing Agreement  
 (4) Joint number 1 position  
 (5) Corporate includes leverage finance, real estate >€10m, advisory and structured finance

# Progress on resolving legacy customer issues

69% reduction in impaired loans since peak



## Tangible Progress in Reducing Impaired Loans



(1) Net impaired loans calculated as gross impaired loans less specific provisions (excl. IBNR)  
 (2) Currently performing to terms

## Track record of Delivery

- €19.8bn reduction in impaired loans to €9.1bn since Dec 2013
- Case by case restructuring including continued reduction in mortgage arrears
- Significant focus across EU to reach normalised levels
- Primary restructuring period concluding
- €0.7bn impaired mortgages in 'probationary period'<sup>(2)</sup>
- Improved quality of new lending

## Progress on Industry tracker mortgage examination

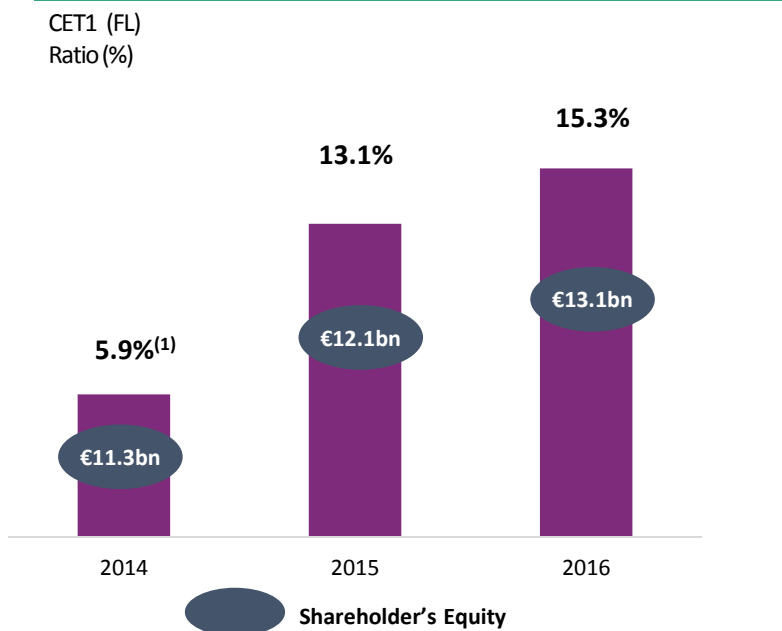
- Ongoing review with independent external oversight
- Provision created in December 2015
- Redress and compensation to affected customers identified to date
  - 2,600 restored to the correct interest rate and compensated to date

# Significant capital generation enabling substantial payments to the State

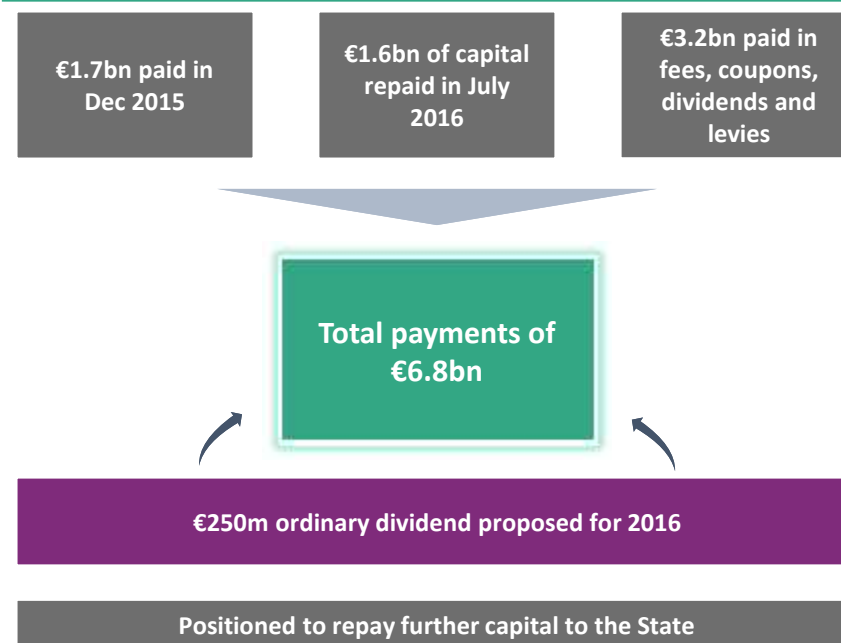
*Enhanced by dividend payment*



## Strong Organic Capital Generation



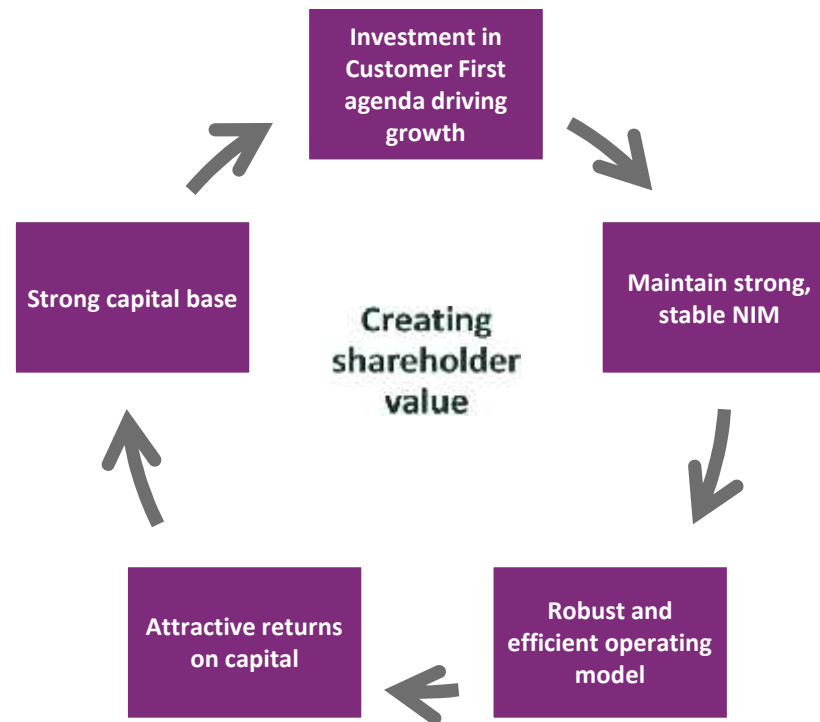
## Significant Capital Repayments



(1) Excludes €3.5bn 2009 Preference Shares

# Focused on delivering sustainable performance

*Based on strong customer franchise, capital accretion and returns and sustainable growth*









# Summary

## *Momentum and delivery*

---



-  Continued strong financial performance and ongoing sustainable underlying profitability, with further improvement in asset quality
-  Strong capital ratios, organic capital generation and normalised funding
-  Dividend payment to ordinary shareholders of €250m proposed for 2016
-  Market leading franchise with customer first strategy and investment in digital and innovation driving commercial success
-  Well positioned for future challenges and opportunities in a growing economy

Financial Performance



**Mark Bourke**  
Chief Financial Officer

# Financial highlights

*Key performance metrics in line with expectations*



Sustainable underlying profitability underpinned by positive NII and margin trajectory

*NIM 2.25%<sup>(1)</sup> - exit NIM 2.42%<sup>(2)</sup>*



Stable earning loan book (ex-FX) driven by strong momentum in new lending

*New Lending €8.7bn*



Continued reduction in impaired loans; pace and quantum of writebacks moderating

*Impaired Loans reduced from €13.1bn to €9.1bn*



Robust capital position supporting growth and capital return

*CET1 (FL) 15.3%*

(1) Excludes Eligible Liabilities Guarantee (ELG)

(2) Q4 2016



# Operating Performance

# Income statement

## *Sustainable underlying profitability*



Summary income statement (€m)	2016	2015
Net interest income	<b>2,013</b>	1,927
Other income	<b>617</b>	696
Total operating income	<b>2,630</b>	2,623
Total operating expenses <sup>(1)</sup>	<b>(1,377)</b>	(1,292)
<b>Operating profit before provisions</b>	<b>1,253</b>	1,331
Bank levies and regulatory fees	<b>(112)</b>	(71)
Provisions	<b>298</b>	923
Associated undertakings & profit on sale	<b>36</b>	28
Operating profit before exceptionals	<b>1,475</b>	2,211
Exceptional items	<b>207</b>	(297)
<b>Profit before tax from continuing operations</b>	<b>1,682</b>	1,914
Metrics	2016	2015
Net interest margin (excluding ELG)	<b>2.25%</b>	1.97%
Cost income ratio <sup>(1)</sup>	<b>52.0%</b>	49.0%
Return on average ordinary shareholders' equity <sup>(2)</sup>	<b>11.1%</b>	12.4%
Return on assets	<b>1.40%</b>	1.30%

- Operating income €2.6bn
  - net interest income up 4%
  - net interest margin up 28bps to 2.25%; continued positive NIM trajectory
  - underlying other income stable excluding one-off benefits
- Operating expenses increased €85m (+7%) in line with expectations
  - investment programme
  - wage inflation and increased headcount in loan restructuring & regulatory compliance functions
- Net provision writeback of €298m includes €281m new to impaired charge
  - primary restructuring period concluding
- PBT of €1.7bn enhanced by one-off items

(1) Excludes exceptional items, bank levies and regulatory fees

(2) ROE: Profit attributable to ordinary shareholders after deduction of dividend on AT1 as % of average ordinary shareholders' equity (excludes AT1)

# Average balance sheet

Further NIM expansion driven by stable asset yields and lower funding costs



	Year ended 31 December 2016			Year ended 31 December 2015		
	Average Balance <sup>(2)</sup> €m	Interest €m	Average Rate %	Average Balance <sup>(2)</sup> €m	Interest €m	Average Rate %
<b>Assets</b>						
Loans and receivables to customers	62,116	2,248	3.62	64,868	2,363	3.64
NAMA senior bonds	3,644	11	0.30	7,614	31	0.41
Financial investments - AFS	14,925	182	1.22	19,503	398	2.04
Financial investments - HTM	3,419	131	3.83	106	4	3.76
Other interest earning assets	6,077	18	0.30	7,181	25	0.36
Average interest earning assets	90,181	2,590	2.87	99,272	2,821	2.84
Non interest earning assets	8,005			7,557		
<b>Total assets</b>	<b>98,186</b>	<b>2,590</b>		<b>106,829</b>	<b>2,821</b>	
<b>Liabilities and shareholders' equity</b>						
Deposits by banks	9,728	(13)	(0.13)	15,734	4	0.03
Customer accounts	38,894	324	0.83	43,777	490	1.12
Subordinated liabilities	1,629	199	12.22	1,625	278	17.10
Other debt issued	7,474	50	0.67	7,475	92	1.23
Average interest earning liabilities	57,725	560	0.97	68,611	864	1.26
Non interest earning liabilities	28,056			25,985		
Shareholders' equity	12,405			12,233		
<b>Total liabilities and shareholders' equity</b>	<b>98,186</b>	<b>560</b>		<b>106,829</b>	<b>864</b>	
Net interest income excluding ELG <sup>(1)</sup>		2,030	2.25		1,957	1.97
ELG		(17)	(0.02)		(30)	(0.03)
Net interest income including ELG		2,013	2.23		1,927	1.94

	2013	2014	2015	2016
NII (ex ELG)	1,518	1,746	1,957	2,030
NIM (%)	1.37	1.69	1.97	2.25

(1) Net interest margin excluding ELG

(2) Interest on any assets or liabilities in hedge relationships include the net interest on the related derivatives; 2015 represented

- Strong NIM <sup>(1)</sup> 2.25% (exit NIM 2.42%)
- Stable asset yield of c. 2.85%
  - Yield on customer loans stable – includes impact of strategic SVR re-pricing actions
  - NAMA Senior Bonds redemptions
  - AFS yields falling as higher yielding assets roll off
- Reduced cost of funds to c. 1%
  - Deposit re-pricing actions - customer accounts lower at 0.83% (FY2015 1.12%)
  - Positive mix from term deposits to current accounts
  - Maturity of €1.6bn CoCo (July 2016) – 30bps FY NIM impact

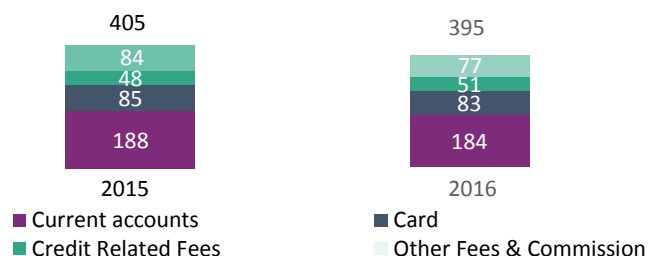
# Other income

## Stable net fees and commission income



### Net fee & commission income

€m



Other income (€m)	2016	2015
Net fee and commission income	395	405
Other business income	98	128
<b>Business income</b>	<b>493</b>	<b>533</b>
Gains on disposal of AFS securities	31	85
Re-estimation of the timing of cash flows on NAMA bonds	10	6
Settlements and other gains	83	72
<b>Other items</b>	<b>124</b>	<b>163</b>
<b>Total other income</b>	<b>617</b>	<b>696</b>

- Stable underlying fee and commission income of €395m
  - Current accounts represent c. 50% of net fees and commission income
  
- Other business income fluctuated due to valuations on long term customer derivative positions
  
- Continued flow of income from other items in 2016
  - AFS disposals €31m
  - NAMA bonds cashflow re-estimation €10m
  - Settlements and other gains €83m

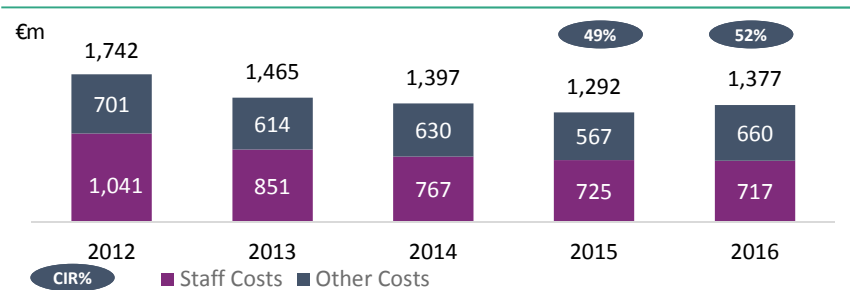


# Costs

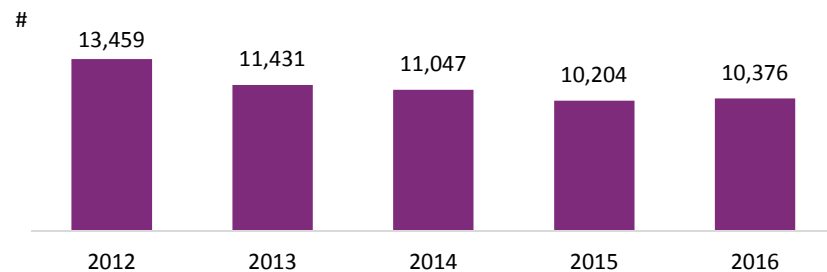
*Continued focus on cost discipline while progressing on strategic investment programme*



## Operating expenses <sup>(1)</sup>



## Full time equivalent – employees <sup>(2)</sup>



- Disciplined cost management
  - Significant reduction in cost base from 2012 - €365m (-21%)
  - 2016 operating expenses €1,377m (+7%) in line with expectations
  
- Factors impacting cost
  - Staff costs down €8m – average FTE down 4% and incorporating wage inflation and outsourcing for future resilience
  - Continued investment in loan restructuring operations
  - Increased burden of regulatory compliance
  
- Investment in strategic programmes
  - Total investment programme €870m (2015 to 2017)
  - Spend to date c. €600m <sup>(3)</sup> of which approx. 75% is capital expenditure
  - Investment in line with strategic agenda – delivering growth, efficiency and customer satisfaction

(1) Excluding exceptional items and bank levies  
 (2) Period end  
 (3) P&L impact of this investment spend is reflected in the P&L in operating expenses and in exceptional items for certain strategic elements.

## P&L - other items



*Exceptional benefits and provision writebacks partially offset by regulatory fees and levies*

Other PL items (€m)	2016	2015
Operating Profit Before Provisions	1,253	1,331
Bank Levies and Regulatory Fees	(112)	(71)
Provisions	298	923
Associated Undertakings & Profit on Sale	36	28
Operating Profit Before Exceptionals	1,475	2,211
Total Exceptional Items (€m)	2016	2015
Operating Profit Before Exceptionals	1,475	2,211
Restitution & Restructuring Expenses	(58)	(250)
Gain on Transfer of Financial Instruments	17	5
Profit on Disposal of Visa Europe	272	0
Termination Benefits	(24)	(37)
Other Exceptional Items	0	(15)
Profit Before Taxation	1,682	1,914

- Bank levies and regulatory fees €112m<sup>(1)</sup>
  - Bank Levy €60m
  - SRF<sup>(2)</sup> €18m
  - DGS<sup>(2)</sup> €35m
- Net credit provision writeback of €294m<sup>(3)</sup> mainly due to case by case restructuring of customers in difficulty
  - €281m new to impaired charge in line with 2015
  - €452m net writeback of specific provisions
  - €123m IBNR release
- Exceptionals in 2016 include:
  - €58m of restitution & restructuring expenses
  - €17m gain on transfer of financial instruments
  - €272m<sup>(4)</sup> profit on Visa Europe transaction
  - €24m of termination benefits

(1) Includes other regulatory fees +€1m – UK FSCS

(2) Single Resolution Fund; Deposit Guarantee Scheme

(3) Excludes non-credit provision writebacks of €4m provision

(4) €188m cash, €19m deferred consideration, and €65m fair value of preferred stock in Visa Inc



## Balance Sheet & Asset Quality

# Balance sheet

*Well funded balance sheet management and strong capital ratios; well positioned for growth*



Balance Sheet €bn	Dec-16	Dec-15
Gross loans to customers	65.2	70.2
Provisions	(4.6)	(6.8)
Net loans to customers	60.6	63.3
Financial investment (AFS & HTM)	18.8	20.0
NAMA senior bonds	1.8	5.6
Other assets	14.4	14.3
<b>Total assets</b>	<b>95.6</b>	<b>103.1</b>
Customer accounts	63.5	63.4
Monetary Authority funding	1.9	2.9
Other market funding	5.8	11.0
Debt securities in issue	6.9	7.0
Other liabilities	4.4	6.7
<b>Total liabilities</b>	<b>82.5</b>	<b>91.0</b>
Shareholders' equity	13.1	12.1
<b>Total liabilities &amp; shareholders' equity</b>	<b>95.6</b>	<b>103.1</b>
Key Metrics (%)		
Loan deposit ratio	95	100
LCR	128	116
NSFR	119	111
CRD IV transitional CET 1 ratio	19.0	15.9
CRD IV fully loaded CET 1 ratio	15.3	13.0
€bn		
Risk weighted assets (Transitional )	54.2	58.5

## Assets

- Net loans €60.6bn
- Earning loans (ex FX) up €0.6bn driven by new lending €8.7bn

## Liabilities

- Customer accounts of €63.5bn up €1.9bn (ex FX)
  - Positive mix with increased demand deposits and current accounts (+€4.7bn) partly offset with lower treasury and corporate deposits (-€2.5bn) and retail (-€0.3bn)
- Shareholders equity increase €1bn in 2016 primarily due to profit of €1.4bn offset by AFS reserves decrease €0.4bn
- Robust capital ratio – CET 1 (FL) 15.3%

# Customer loans

## New lending €8.7bn

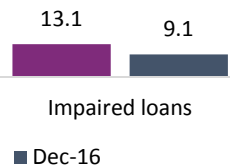


Customer loans (€bn)	Earning loans	Impaired loans	Gross loans	Specific provisions	IBNR provisions	Net loans
<b>Opening balance (1 January 2016)</b>	<b>57.0</b>	<b>13.1</b>	<b>70.1</b>	<b>(6.2)</b>	<b>(0.7)</b>	<b>63.2</b>
New lending volumes	8.7	0.0	8.7	0.0	0.0	8.7
New impaired loans	(0.8)	0.8	0.0	(0.3)	0.0	(0.3)
Restructures and writeoffs <sup>(1)</sup>	1.5	(3.3)	(1.8)	2.1	0.0	0.3
Redemptions of existing loans	(9.1)	(0.9)	(10.0)	0.0	0.0	(10.0)
Foreign exchange movements	(1.5)	(0.2)	(1.7)	0.1	0.0	(1.6)
Other movements	0.3	(0.4)	(0.1)	0.2	0.2	0.3
<b>Closing balance (31 Dec 2016)</b>	<b>56.1</b>	<b>9.1</b>	<b>65.2</b>	<b>(4.1)</b>	<b>(0.5)</b>	<b>60.6</b>

### Earning loan book movements (excluding FX)



### Impaired loans reducing



- Growth and improvement in quality of earning loans (ex-FX)
- New lending of €8.7bn and climbing towards redemption levels
  - Strong momentum across key sectors – mortgage lending in Ireland up 22% and increased market share
  - New lending at higher grades and maintained margins
- Continued reduction in impaired loans

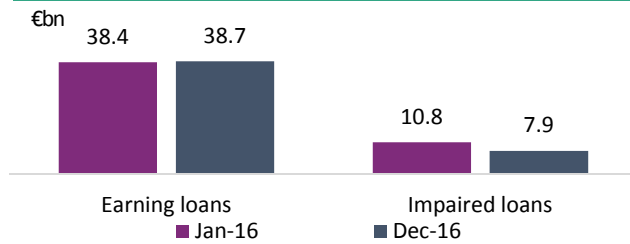
(1) includes non contractual writeoffs

# Earning loans increasing by segment and sector in Ireland

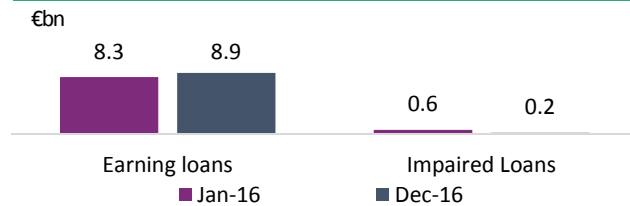
*Impaired loans are reducing*



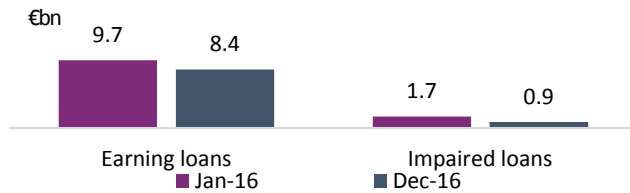
## Retail & Commercial Banking



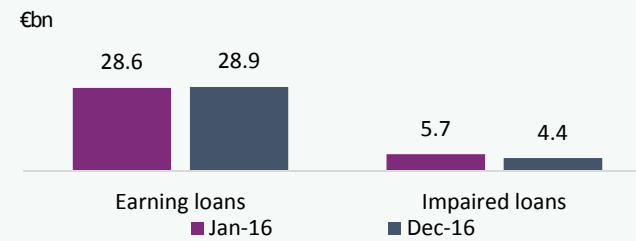
## Wholesale, Institutional and Corporate Banking



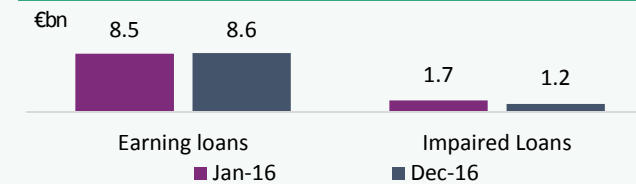
## AIB UK



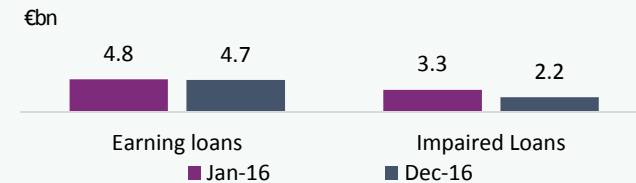
## Rol Mortgages



## Non-property business<sup>(1)</sup>



## Property & Construction<sup>(1)</sup>



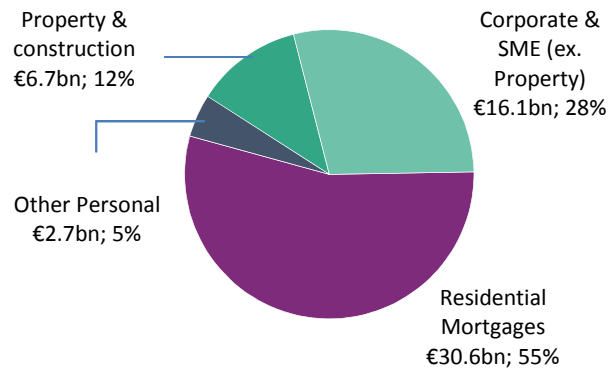
(1) In Ireland

# Customer loans

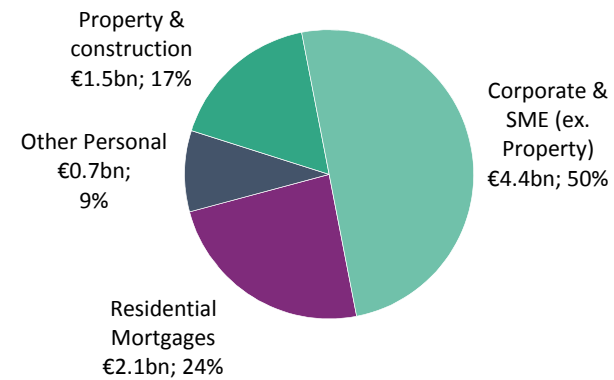
## Corporate & SME driving new lending growth



Dec 2016 – Earning loans €56.1bn



Dec 2016 – New lending €8.7bn



- Mortgages 55% of total earning loans
  - Positioned for increase in mortgage market activity
- Corporate & SME (ex. property) 50% of new lending
- Earning loan balances stable (ex FX) and growing across all key portfolios



# Asset quality

Continued progress as impaired loans reduce across all sectors



Dec-16 €bn	Residential Mortgages	Other Personal	Property and Construction	Non-property business lending	Total
Loans and receivables to customers	35.2	3.1	9.4	17.5	65.2
Impaired	4.6	0.4	2.7	1.4	9.1
Balance sheet provisions (specific + IBNR)	2.0	0.3	1.5	0.8	4.6
Specific provisions / impaired loans (%)	38%	58%	50%	51%	44%

Impaired loans net of specific provisions €5bn

Dec-15 €bn	Residential Mortgages	Other Personal	Property and Construction	Non-property business lending	Total
Loans and receivables to customers	36.8	3.5	11.5	18.3	70.1
Impaired	6.0	0.7	4.3	2.1	13.1
Balance sheet provisions (specific + IBNR)	2.3	0.5	2.6	1.3	6.7
Specific provisions / impaired loans (%)	34%	70%	57%	55%	47%

Impaired loans net of specific provisions €6.9bn

Year on year movements €bn	Residential Mortgages	Other Personal	Property and Construction	Non-property business lending	Total
Impaired	(1.4)	(0.3)	(1.6)	(0.7)	(4.0)
Balance sheet provisions (specific + IBNR)	(0.3)	(0.2)	(1.1)	(0.5)	(2.1)

# Balance sheet provisions

*Working well within provision stock while maintaining coverage*



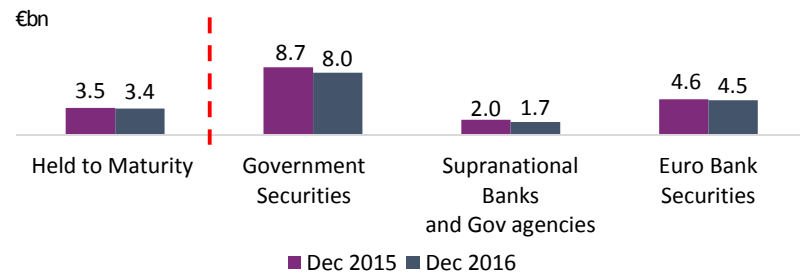
Balance sheet provisions movement (€bn)	Residential Mortgages	Other Personal	Property and Construction	Non-property business	Total
<b>Opening Balance sheet provisions 1 Jan 2016</b>					
Specific	2.0	0.5	2.5	1.2	6.2
IBNR	0.3	0.0	0.2	0.2	0.7
Balance sheet provisions	2.3	0.5	2.6	1.3	6.8
<b>Income statement - credit provision charge / writebacks</b>					
Specific	(0.1)	0.0	(0.1)	0.0	(0.2)
IBNR	0.0	0.0	(0.1)	(0.0)	(0.1)
Total	(0.1)	0.0	(0.1)	(0.0)	(0.3)
<b>Balance sheet provisions - amounts written off / other</b>					
Total	(0.2)	(0.2)	(1.0)	(0.5)	(1.9)
<b>Closing Balance sheet provisions 31 Dec 2016</b>					
Specific	1.7	0.3	1.4	0.7	4.0
IBNR	0.3	0.0	0.1	0.1	0.5
Balance sheet provisions	2.0	0.3	1.5	0.9	4.6

# Financial investments

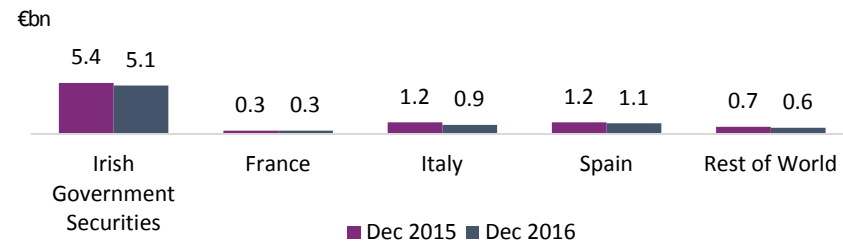
€18.8bn portfolio of Financial Investments including €3.4bn as HTM



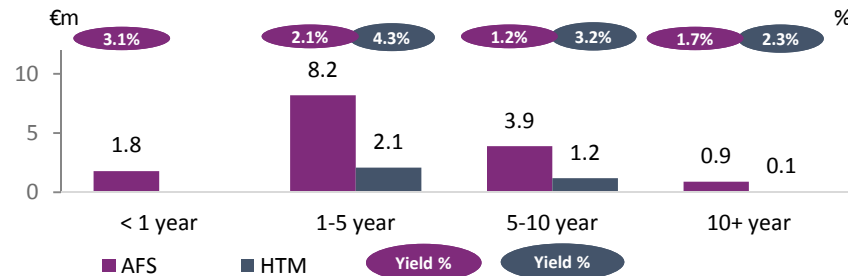
## Key components of AFS - debt securities <sup>(1)</sup>



## AFS - components of government securities



## Maturity & yield profile of HTM\* & AFS securities <sup>(2)</sup>



## AFS - Debt Securities:

- €15.4bn down from €16.5bn - in line with plans to reduce overall AFS holdings with lower liquidity requirements
  - Net gains from disposal of AFS debt securities in 2016 €31m
- Average yield on AFS of 1.22% and HTM 3.83%
  - Yield reducing as high yielding assets mature
  - Embedded value on AFS and HTM €0.8bn
  - c. 70% of the book maturing < 5yrs

(1) Excludes NAMA senior bonds of c. €1.8bn and NAMA sub bonds of €0.5bn

(2) Maturity and yield profile excludes swaps

\*Corrected to align to published financial statements



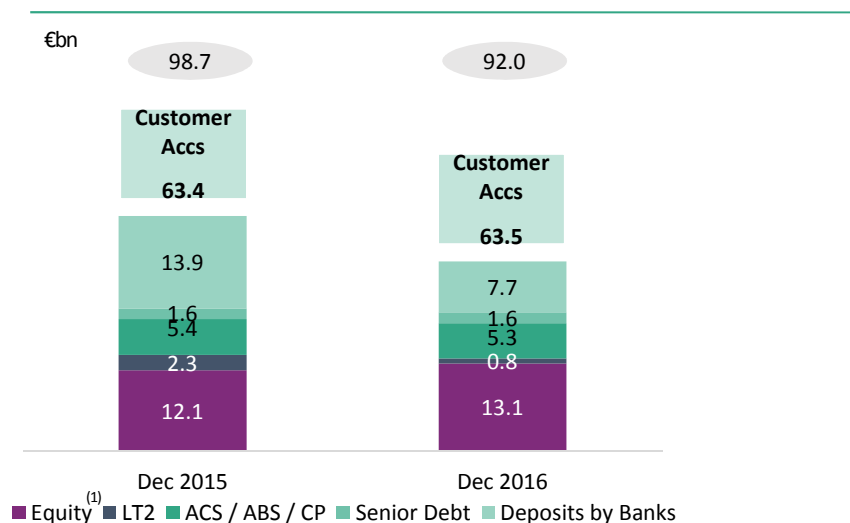
## Funding & Capital

# Funding structure

Stable deposit base driving strong funding position



## Total Funding



Key Funding Metrics	Dec-16	Dec-15
Loan to Deposit ratio (LDR)	95%	100%
Liquidity Coverage ratio (LCR)	128%	116%
Net Stable Funding ratio (NSFR)	119%	111%

- Customer deposits represent 69% of total funding
  - Low cost stable source of funds, LDR ratio 95%
  - Wholesale funding
- 7 year AIB Mortgage Banks ACS issuance €1bn
  - LCR 128% (minimum 70%, rising to 100% by 1 Jan 18)
  - NSFR 119% (NSFR scheduled to be introduced in Jan 18)
- SRB preferred resolution strategy
  - Single Point of Entry (SPE)
  - Hold Co
  - MREL issuance manageable

## Rating Agency Upgrades

AIB plc	Long-Term Rating		AIB Mortgage Bank	Covered Bond Rating	
	2014	2017		2016	2017
S&P	BB	BBB-	S&P	AA	AAA
Moodys	Ba3	Baa2	Moodys	Aa1	AAA
Fitch	BB	BB+			

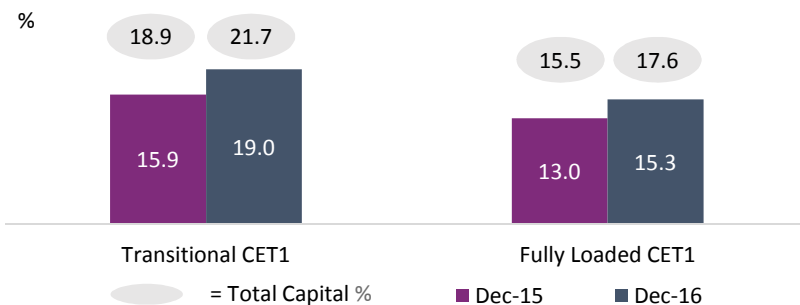
(1) Equity includes AT1  
MREL: Minimum required eligible liabilities

# Capital ratios

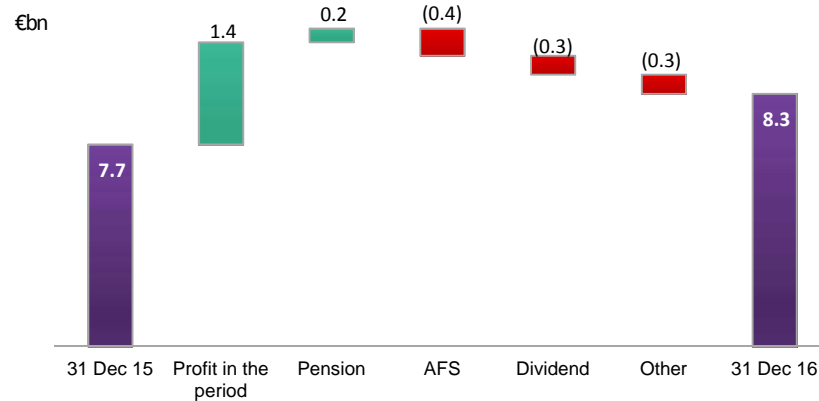
**Strong capital base with fully loaded CET 1 of 15.3% - normalised capital stack**



## Capital ratios



## Fully Loaded CET1 - Capital Movements



AIB Group - RWA (€m) (Transitional)			
Risk Weighted Assets (€m)	31-Dec-16	31-Dec-15	Movement
Credit risk	48,843	53,596	(4,753)
Market risk	288	457	(169)
Operational Risk	3,874	3,139	735
CVA / Other	1,230	1,357	(127)
<b>Total Risk Weighted Assets</b>	<b>54,235</b>	<b>58,549</b>	<b>(4,314)</b>

- Robust capital position – fully loaded CET1 of 15.3%
- Capital accretive mainly due profit after tax €1.4bn offset by movement in AFS reserves of €0.4bn
- Proposed dividend of €250m declared for 2016
- RWA reduced by €4.3bn to €54.2bn as AIB continue to de-risk balance sheet
  - decrease in credit risk of €4.7bn reflecting positive grade migration, redemptions and FX impact €1.7bn which were partially offset by new drawdowns.
  - operational risk up €0.7bn due to higher average 3 year income
- AIB’s 2017 SREP is 9.0%<sup>(1)</sup> (transitional CET1) and 12.5% (total capital ratio)
- Significant buffer above MDA levels






(1) Excludes P2G

# Summary

## *Continued momentum and well-positioned*

---



-  Robust capital position supporting growth and capital return - €250m dividend proposed
-  Sustainable underlying profitability with positive NII and margin trajectory
-  Stable earning loan book approaching inflection point
-  Continued focus on reducing impaired loans
-  Well-positioned for growth

Concluding remarks

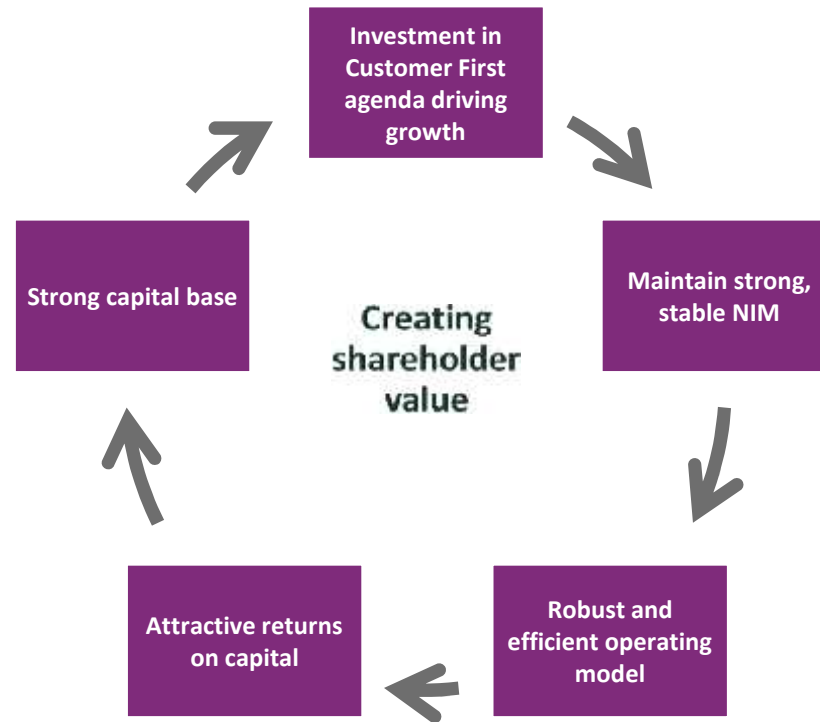


**Bernard Byrne**  
Chief Executive Officer



# Focused on delivering sustainable performance

*Based on strong customer franchise, capital accretion and returns and sustainable growth*



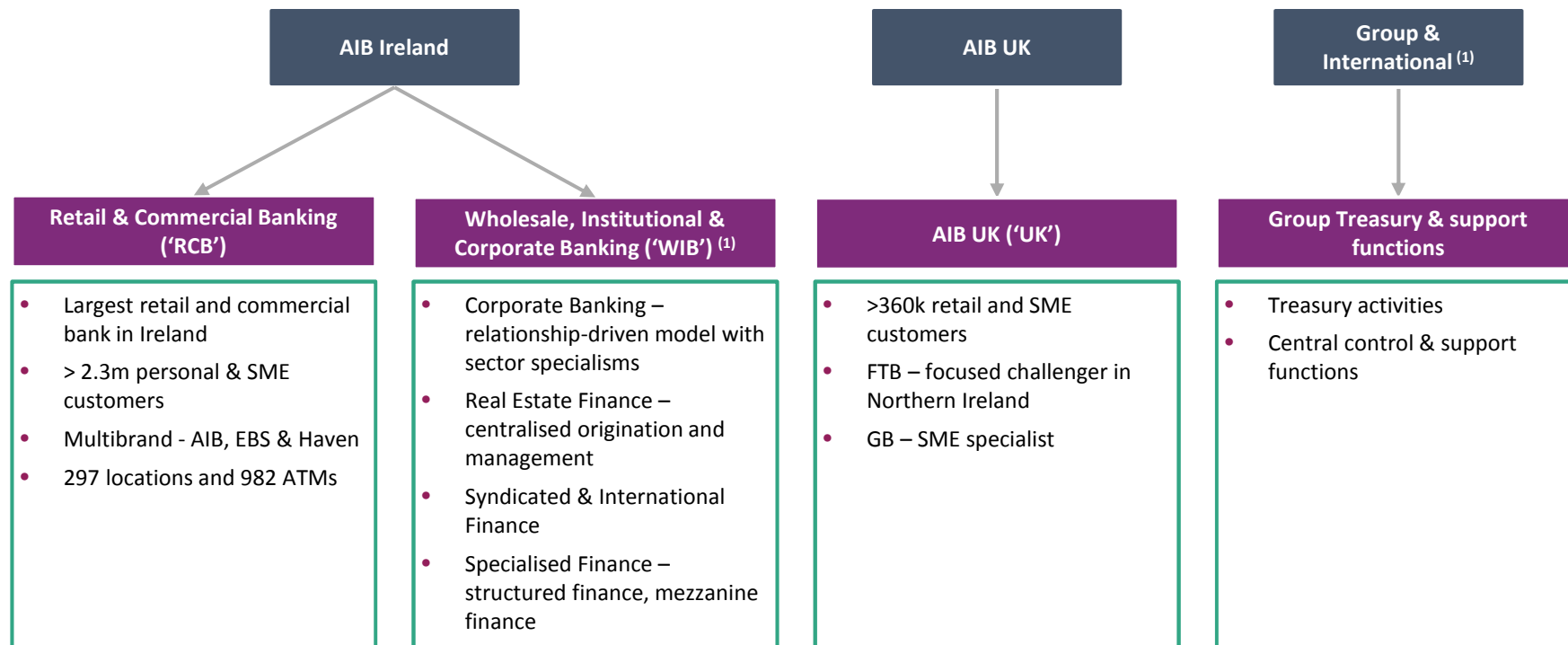
AIB Capital Markets Day: 9 March 2017, London





# Appendix

# AIB revised segments in line with Business



(1) Syndicated & International Finance previously part of Group & International, from 2017 reported in WIB

## AIB segment performance – Dec 2016



Segmental Financials	RCB		WIB		UK		Group		AIB Group
Contribution statement (€m)	2016	2015	2016	2015	2016	2015	2016	2015	2016
Net interest income	1,273	1,220	269	226	224	252	247	229	2,013
Other income	398	382	51	43	65	50	103	221	617
Total operating income	1,671	1,602	320	269	289	302	350	450	2,630
Total operating expenses	(745)	(681)	(96)	(85)	(139)	(158)	(397)	(368)	(1,377)
Operating profit before provisions	926	921	224	184	150	144	(47)	82	1,253
Bank levies & regulatory fees									(112)
Provisions									298
Associated undertakings & profit on sale									36
Exceptionals									207
Profit before tax									1,682
Segmental Financials	RCB		WIB		UK		Group		
Balance sheet metrics (€bn)	2016	2015	2016	2015	2016	2015	2016	2015	
Net Loans	42.7	43.7	9.1	8.6	8.7	10.3	0.1	0.6	
New Lending	3.9	3.3	2.9	2.5	1.9	2.6			
Customer Accounts	42.9	40.4	6.4	6.0	10.3	11.6	3.9	5.4	
Financial Investmetns (AFS & HTM)							18.8	20	
NAMA Senior Bonds							1.8	5.6	

## Improving asset quality by segment



€m	Dec-16					Dec-15				
	RCB	WIB	UK	Group	Total	RCB	WIB	UK	Group	Total
Residential mortgages	33,408	36	1,795		35,239	34,372	48	2,362	36	36,818
of which: owner-occupier	28,624	7	1,564		30,195	28,834	10	2,048	36	30,928
of which: buy-to-let	4,784	29	231		5,044	5,538	38	314		5,890
Other personal	2,768	102	230		3,100	2,935	221	356		3,512
Property and onstruction	4,403	2,499	2,492		9,394	5,641	2,448	3,443		11,532
Non-property business lending	6,025	6,520	4,800	150	17,495	6,267	6,173	5,292	569	18,301
<b>Total</b>	<b>46,604</b>	<b>9,157</b>	<b>9,317</b>	<b>150</b>	<b>65,228</b>	<b>49,215</b>	<b>8,890</b>	<b>11,453</b>	<b>605</b>	<b>70,163</b>
Impaired loans	7,908	231	961	36	9,136	10,785	600	1,668	32	13,085
Impairment provisions	3,915	77	572	25	4,589	5,452	265	1,098	17	6,832
of which: Specific	3,462	44	516	25	4,047	4,896	218	1,027	17	6,158
of which: IBNR	453	33	56	0	542	556	47	71	0	674
Specific provisions / impaired loans	44%	19%	54%	69%	44%	45%	36%	62%	53%	47%
Net Loans	42,689	9,080	8,745	125	60,639	43,763	8,625	10,355	588	63,331

## Improving asset quality by segment

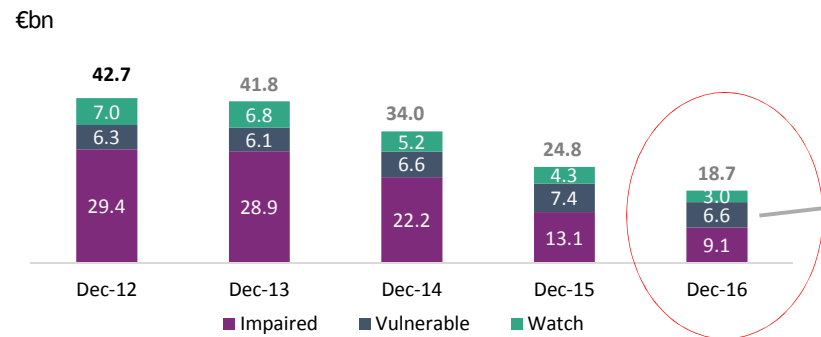


Balance sheet provisions movement					
(€m)	RCB	WIB	UK	Group	Total
<b>Opening Balance sheet provisions 1 Jan 2016</b>					
Specific	4,896	218	1,027	17	6,158
IBNR	556	47	71	0	674
<b>Balance sheet provisions</b>	<b>5,452</b>	<b>265</b>	<b>1,098</b>	<b>17</b>	<b>6,832</b>
<b>Income statement - credit provision charge/writebacks</b>					
Specific	(183)	35	(31)	8	(171)
IBNR	(103)	(14)	(6)	0	(123)
<b>Total</b>	<b>(286)</b>	<b>21</b>	<b>(37)</b>	<b>8</b>	<b>(294)</b>
<b>Impairment charge / avg loans</b>					<b>0.44bps</b>
<b>Balance sheet provisions - amounts written off / other<sup>(1)</sup></b>					
Total	(1,251)	(209)	(489)	0	(1,949)
<b>Closing Balance sheet provisions 31 Dec 2016</b>					
<b>Specific</b>	<b>3,462</b>	<b>44</b>	<b>516</b>	<b>25</b>	<b>4,047</b>
<b>IBNR</b>	<b>453</b>	<b>33</b>	<b>56</b>	<b>0</b>	<b>542</b>
<b>Balance sheet provisions</b>	<b>3,915</b>	<b>77</b>	<b>572</b>	<b>25</b>	<b>4,589</b>

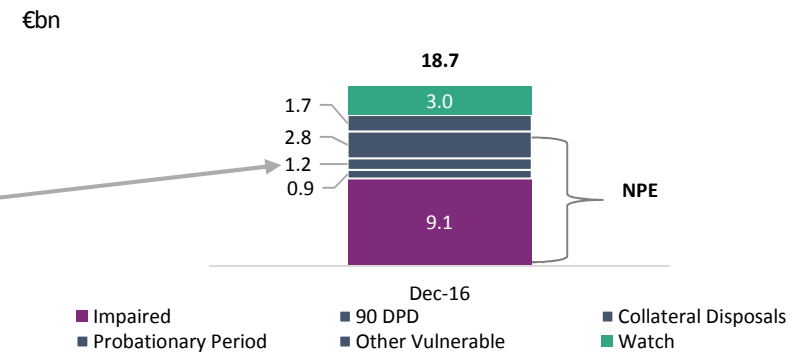
# Criticised loans and definitions



Credit profile – criticised loans



Credit profile – criticised loans



- Watch**
- Vulnerable**
- Impaired**

The credit is exhibiting weakness but with the expectation that existing debt can be fully repaid from normal cash flows.

Credit where repayment is in jeopardy from normal cash flows and may be dependent on other sources.

A loan is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact such that the present value of estimated future cash flows is less than the current carrying value of the financial asset or group of assets and requires an impairment provision to be recognised in the income statement.



# Non-Performing Exposures and Impaired Loans



## NPEs:

- Regulatory definition (FINREP)
- Relevant for Regulatory Reporting, EBA stress testing & capital planning
- Group-wide adoption

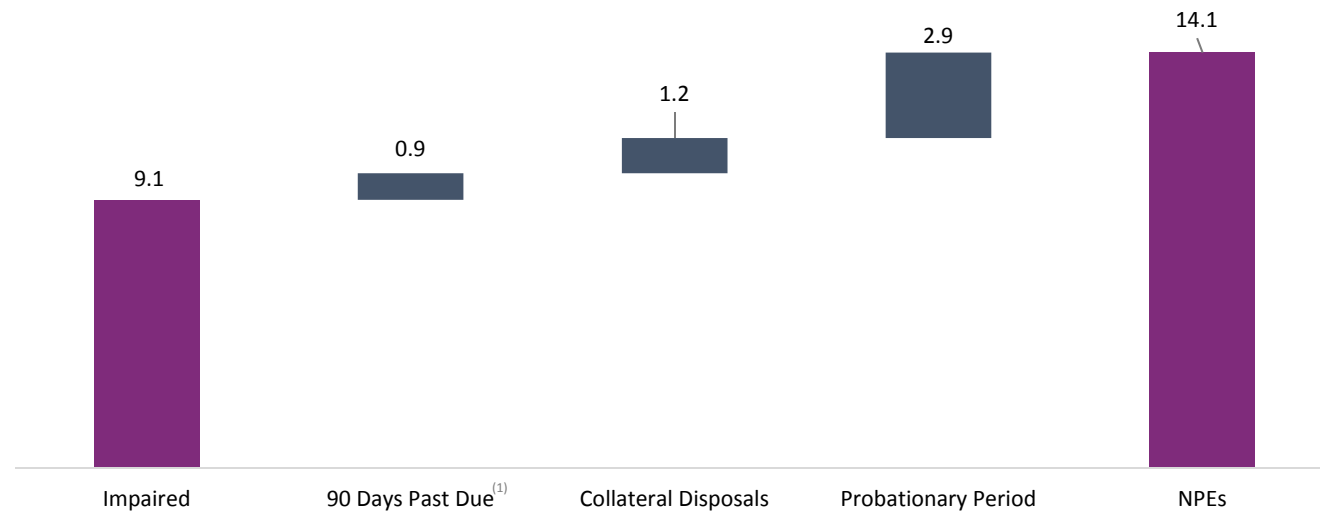
## Reconciliation

- NPEs include
  - All 90 DPD which are not impaired (with sufficient equity / security backing) - €0.9bn
  - Loans previously receiving forbearance solution for a period of one year thereafter - €2.8bn
  - Collateral Disposals - €1.2bn

**Convergence of NPEs to Impaired loans driven by timing lag on forbearance / restructured loans**

## Impaired to NPE Reconciliation

€bn



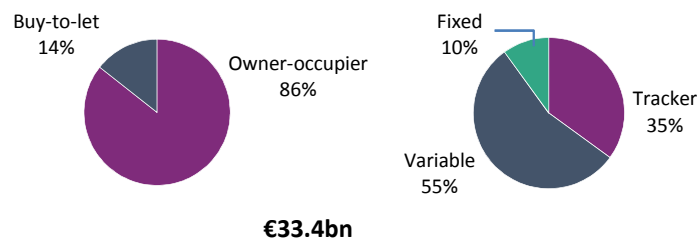
(1) Includes €0.6bn of accounts that are >90 days past due, plus a further €0.3bn of connected exposures

# ROI residential mortgages – arrears significantly lower



## ROI Mortgage Portfolio – Dec 2016

€bn



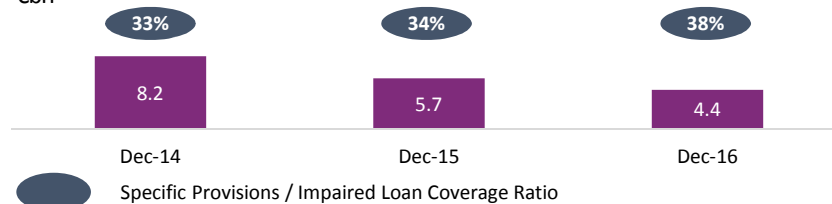
## Impairment writeback

€m



## Impaired Loans

€bn



(1) Arrears by no of accounts

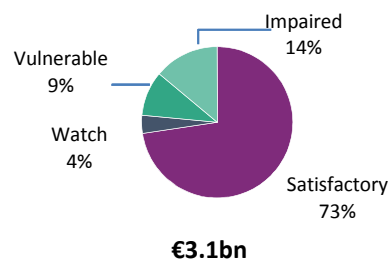
- 86% of the ROI mortgage portfolio is owner occupier and 14% is buy to let
- Arrears levels down 15%<sup>(1)</sup> YTD 2016 due to restructuring activity and improving economic conditions
  - Arrears owner-occupier down 16% YTD 2016
  - Arrears buy-to-let down 13% YTD 2016
- Impaired loans down €1.3bn since Dec '15 to €4.4bn mainly due to restructuring, write-offs and repayments
- c. €0.7bn of forbore mortgages in 'probationary period' currently performing to terms

# Other personal



## Personal Loan Portfolio – Dec 2016

€bn



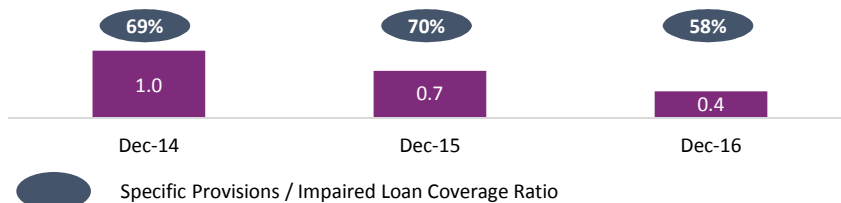
## Impairment writeback

€m



## Impaired Loans

€bn



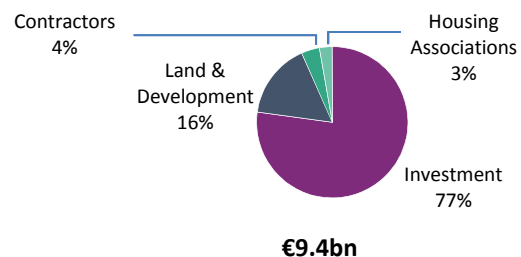
- Portfolio comprises €2.2bn loans and overdrafts and €0.9bn in credit card facilities
- Increase in demand for personal loans due to both improved economic environment and expanded service offering (including on line approval through internet, mobile and telephone banking) offset by restructuring and redemptions
- Decrease in specific provision cover 70% to 58% driven by the write-off of impaired balances with a high provision cover

# Property & construction



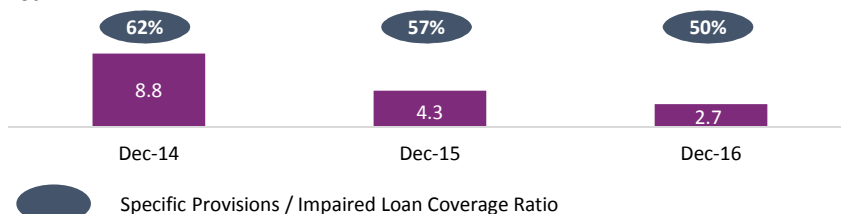
## Property & Construction Portfolio – Dec 2016

€bn



## Impaired Loans

€bn



## Impairment writeback

€m



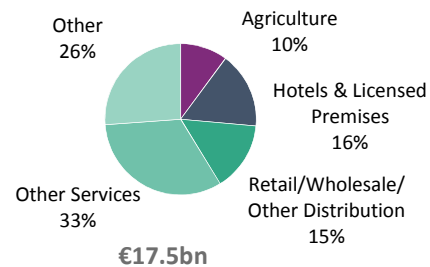
- Overall portfolio has reduced by €2.1bn (19%) since Dec' 15 primarily due to
  - restructuring activity and write-offs
  - Investment Property (77% of the total portfolio) reduced by €0.8bn to €7.2bn largely due to loan redemptions (asset sales), restructures & write-offs
    - €1.8bn of which is in the UK
- Impaired loans reduced by €1.6bn to €2.7bn in Dec '16
- Specific provision cover reduced from 57% in Dec '15 to 50% in Dec '16.

# Non-property business



## Non-property business portfolio – Dec 2016

€bn



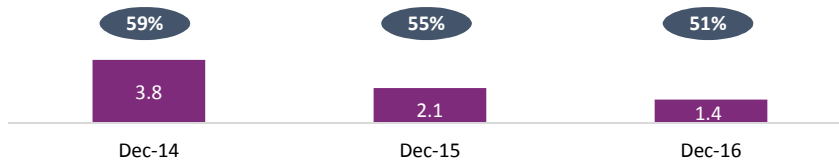
## Impairment writeback

€m



## Impaired Loans

€bn



● Specific Provisions / Impaired Loan Coverage Ratio

- Portfolio comprises Corporate and SME lending
  - 56% in Ireland, 27% in the UK and 16% in Group and International
- Earning loans increased to 92% of the portfolio (Dec '15: 88%)
  - upward grade migration reflecting improved economic conditions
- Impaired loans reduced by €0.7bn to €1.4bn in Dec 2016
- Specific provision cover reduced to 51%

## ROI Mortgages – stock of forbearance



Forbearance type by mortgage	Dec 2016 - Total		of which: loans > 90 days in arrears and/or impaired		Dec 2015 - Total		of which: loans > 90 days in arrears and/or impaired	
	Number	Balance (€m)	Number	Balance (€m)	Number	Balance (€m)	Number	Balance (€m)
Interest only	7,204	1,208	3,621	640	3,338	629	1,448	292
Reduced payment (greater than interest only)	1,800	388	1,043	231	1,400	315	781	181
Payment moratorium	1,833	281	438	58	682	95	314	44
Fundamental restructure	1,197	169	378	53	1,184	185	99	16
Restructure	1,107	110	903	84				
Arrears capitalisation	16,509	2,452	6,829	1,087	18,854	2,779	9,279	1,475
Term extension	2,476	322	473	74	5,781	638	582	73
Split mortgages	3,204	511	731	125	2,902	455	1,183	179
Voluntary sale for loss	813	53	351	41	693	48	348	37
Low fixed interest rate	1,171	183	170	29	1,250	197	109	20
Positive equity solution	1,480	160	62	6	1,240	136	99	11
Other	580	94	292	51	16	4	0	0
<b>Total</b>	<b>39,374</b>	<b>5,931</b>	<b>15,291</b>	<b>2,479</b>	<b>37,340</b>	<b>5,481</b>	<b>14,242</b>	<b>2,328</b>

- Delivering sustainable long term solutions to mortgage customers
- Permanent forbearance solutions are reported within the stock of forbearance for 5 years.
- Following restructure, loans are reported as impaired for a further 12 months (probationary period)
  - c. €0.7bn of forborne mortgages are in 'probationary period' performing to terms

## Non-mortgage – stock of forbearance



Forbearance Type by Non-Mortgage	Dec-16				Dec-15			
	Other Personal	Property and construction	Non-property business lending Balance	Total (€m)	Other Personal	Property and construction	Non-property business lending Balance	Total (€m)
	Balance (€m)	Balance (€m)	Balance (€m)		Balance (€m)	Balance (€m)	Balance (€m)	
Interest only	58	235	191	484	71	203	188	462
Reduced payment (greater than interest only)	25	90	64	179	14	38	37	89
Payment moratorium	109	8	17	134	51	5	14	70
Arrears capitalisation	17	44	42	103	23	43	64	130
Term extension	141	193	202	536	123	207	154	484
Fundamental restructure	48	829	448	1,325	49	1,089	498	1,636
Restructure	187	355	530	1,072	304	556	617	1,477
Asset disposals	25	141	33	199	-	-	-	-
Other	5	51	56	112	15	169	195	379
<b>Total</b>	<b>615</b>	<b>1,946</b>	<b>1,583</b>	<b>4,144</b>	<b>650</b>	<b>2,310</b>	<b>1,767</b>	<b>4,727</b>

- Non-mortgage forborne loans of €4.1bn at Dec 2016
  - 47% of forborne loans in property and construction sector
- €1.5bn of 'fundamental restructures' (including €0.2bn BTL mortgages)
  - new facilities (main & secondary) recognised at 'fair value' at inception
  - main facilities reflects the estimated sustainable cashflows such that the main facility is repaid in full
  - carrying value of main facilities of €1.5bn with associated contractual secondary facilities of c. €3.1bn
  - €82m recognised in the year on secondary facilities

# Funding market access



	2013			2014		2015				2016	
	ACS Issuance January 2013	ACS Issuance September 2013	Senior Unsecured	ACS Issuance March 2014	Senior Unsecured April 2014	ACS Issuance January 2015	Senior Unsecured March 2015	ACS Issuance July 2015	Tier 2 November 2015	AT1 December 2015	ACS Issuance January 2016
Issuer	AIB Mortgage Bank	AIB Mortgage Bank	AIB	AIB Mortgage Bank	AIB	AIB Mortgage Bank	AIB	AIB Mortgage Bank	AIB	AIB	AIB Mortgage Bank
Ratings	Baa1/A/A	Baa1/A/A	B1/BB/BBB	Baa1/A/A	B1/BB/BBB	A3 / A+ / A	Ba3/BB/BBB	Aa2/AA-/A+	B2/B/BB	B3 (Moody's) / B- (Fitch)	Aa1/AA+/A+
Pricing Date	22-Jan-13	03-Sep-13	20-Nov-13	19-Mar-14	08-Apr-14	27-Jan-15	09-Mar-15	20-Jul-15	19-Nov-15	26-Nov-15	28-Jan-16
Tenor	3.5-year	5-year	3-year	7-year	5-year	7-year	5-year	5-year	10-year	Perpetual	7-year
Size	€500m	€500m	€500m	€500m	€500m	€750m	€500m	€750m	€750m	€500m	€1bn
Reoffer Spread	MS + 185bps	MS + 180bps	MS +235bps	MS +95bps	MS +180bps	MS+27bps	MS+108bps	MS+22bps	MS+395bps	MS+733.9bp	MS+54bps
Coupon	2.625% annually	3.125% annually	2.874% annually	2.33% annually	2.75% annually	0.625% annually	1.375% annually	0.625% annually	4.125% annually	7.375% semi-annually	0.875% annually



## Shareholders' equity



Shareholders' equity €m	Year ended 31 December 2016 €m	Year ended 31 December 2015 €m
<b>Opening Shareholders' equity</b>	<b>12,148</b>	11,572
PAT 2016	<b>1,356</b>	1,380
Net actuarial gains in retirement benefit schemes	<b>103</b>	743
Net change in fair value of AFS securities	<b>(359)</b>	103
Net change in cash flow hedge reserves	<b>106</b>	(29)
Net change in foreign currency translation reserves	<b>(168)</b>	31
Net change in property revaluation reserves	<b>(1)</b>	-
Distribution on AT1 instrument	<b>(37)</b>	848
2015 AT1 issuance		494
2015 capital reorganisation		(2,146)
<b>Shareholders equity</b>	<b>13,148</b>	12,148



## Regulatory capital and ratios

Regulatory capital €m	Transitional basis		Fully loaded basis	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Shareholders' equity	13,148	12,148	13,148	12,148
Less: AT1 capital	(494)	(494)	(494)	(494)
Proposed ordinary dividend	(250)		(250)	
Regulatory adjustments				
Goodwill and intangibles	(392)	(292)	(392)	(292)
Cash flow hedging reserve	(460)	(354)	(460)	(354)
AFS securities reserve	(445)	(1,250)	-	-
Pension	(140)	(91)	(126)	(153)
Deferred tax	(610)	(317)	(3,050)	(3,171)
Reversal of fair value of CoCo		(46)		
Other	(50)	(19)	(62)	(9)
	(2,097)	(2,369)	(4,090)	(3,979)
<b>Total CET1 capital</b>	<b>10,307</b>	<b>9,285</b>	<b>8,314</b>	<b>7,675</b>
AT1 capital	485	494	494	494
Tier 2 capital	980	1,269	783	993
<b>Total capital</b>	<b>11,772</b>	<b>11,048</b>	<b>9,591</b>	<b>9,162</b>
<b>RWA</b>	<b>54,235</b>	<b>58,549</b>	<b>54,419</b>	<b>59,058</b>

### Regulatory capital ratios

	Transitional basis	
	31 Dec 2016	31 Dec 2015
CET 1 ratio	19.0%	15.9%
Tier 1 ratio	19.9%	16.7%
<b>Total capital ratio</b>	<b>21.7%</b>	<b>18.9%</b>

	Fully loaded basis	
	31 Dec 2016	31 Dec 2015
CET 1 ratio	15.3%	13.0%
Tier 1 ratio	16.2%	13.8%
<b>Total capital ratio</b>	<b>17.6%</b>	<b>15.5%</b>

### 2017 - SREP Composition

