



## Half-Yearly Financial Results 2017

For the six months ended 30 June 2017

Allied Irish Banks, p.l.c.

# Forward Looking Statement

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This presentation should be considered with AIB's Half-Yearly Financial Report 2017, Trading Update April 2017 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**

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.



## Performance & Strategic Objectives






**Bernard Byrne**  
Chief Executive Officer

# H1 2017 in Summary

## *Strong Financial Performance*

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-  Successful IPO - €3.4bn raised and returned to the State
-  Consistently delivering sustainable underlying profitability and generating capital
-  Further improvement in asset quality and reduction in impaired loans
-  Market leading franchise, strong customer focus and investment in digital and innovation driving commercial success
-  Strong capital and funding ratios - well positioned for future challenges and opportunities in a growing economy

# Consistent Strong Capital Generation

## Focused on Delivering Shareholder Returns



<b>Profit before tax</b>	<b>€0.8bn</b> €1.0bn in H1 2016
<b>Net Interest Margin</b>	<b>2.54%</b> 48bps increase yoy
<b>Cost/Income Ratio<sup>(2)</sup></b>	<b>45%</b> 55% in H1 2016
<b>Impaired Loans</b>	<b>€7.8bn; €4.3bn net<sup>(3)</sup></b> €1.3bn reduction on Dec '16
<b>CET1 ratio</b>	<b>16.6%</b> 130bps higher than Dec'16
<b>Net Promoter Scores<sup>(5)</sup></b>	<b>Transactional NPS +38</b> <b>Personal Relationship NPS +21</b>

- Strong sustainable profit on a total and underlying basis
- Higher operating income; lower one-off benefits and yoy provision writebacks
- Positive NIM trajectory; NIM 2.47% excluding cured loan interest<sup>(1)</sup>
- Full year impact of repayment of CoCo
- Stable asset yields and lower funding costs
- Focus on disciplined cost management and sustainable cost/income ratio below 50%
- 51% excluding income from cured loans / restructuring-related items
- Continued customer restructuring and successful completion of portfolio sales
- €2bn reduction in NPEs<sup>(4)</sup> to €12.1bn
- Strong capital ratios; generating significant capital
- Customer First strategy focused on improving customer experience

(1) Additional income recognised on loans upgraded from impaired without financial loss

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

(3) Net of specific provisions

(4) Non-performing exposures (NPEs) exclude €0.3bn of off-balance sheet commitments, as per EBA definition

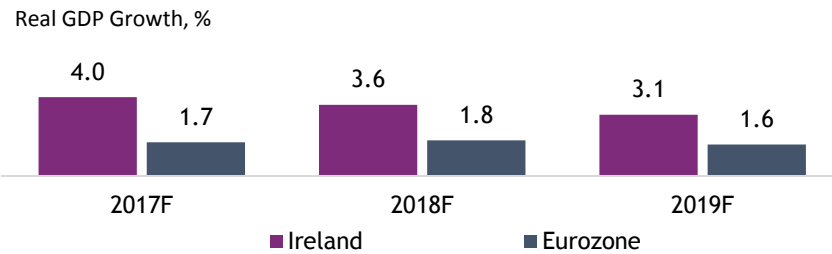
(5) Net Promoter Score - measures customer experience with a company's products or service and the customer's loyalty to the brand. It is an index ranging from -100 to 100 that measures the willingness of customers to recommend a company's product or services to others

# Growing Economy with Attractive Market Dynamics

## Well Positioned for Growth

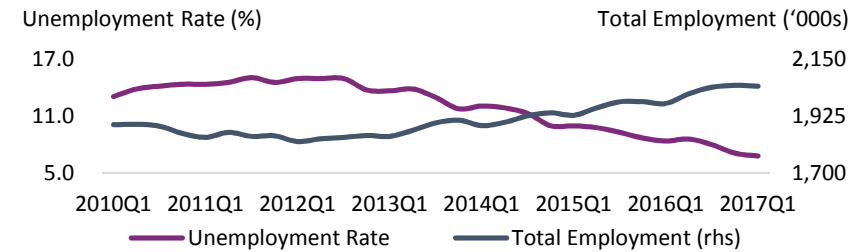


### Economic Growth Expected Despite Brexit Uncertainties



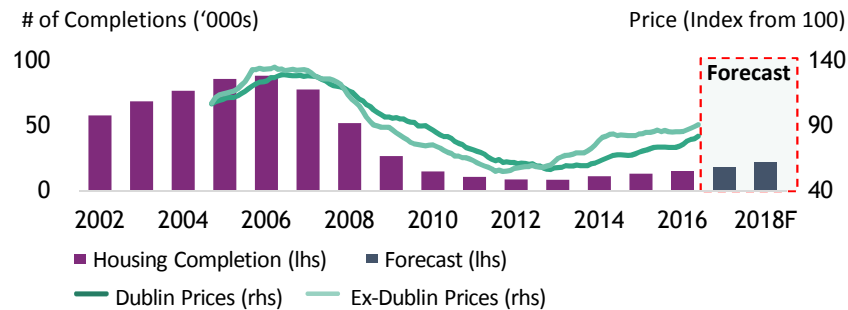
Source: European Commission for 2017 and 2018 and Department of Finance for 2019

### Total Employment Levels Rising as Unemployment Falls



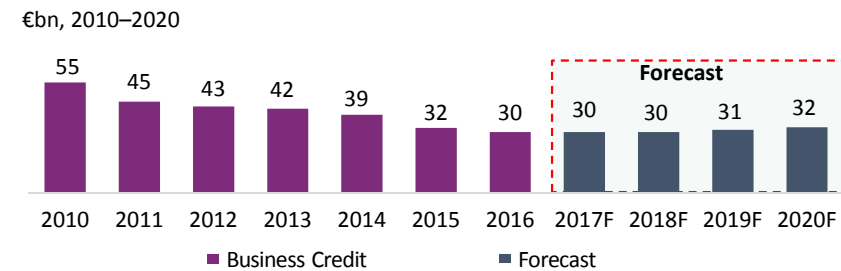
Source: CSO

### Increased House Completions Volume and Prices



Source: CSO, Department of Housing, AIB ERU

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



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

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

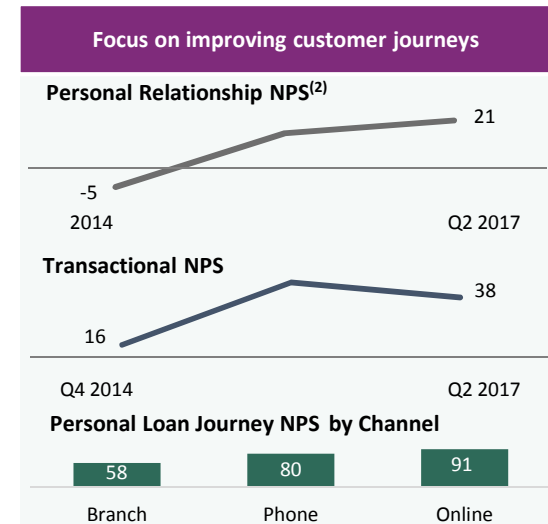
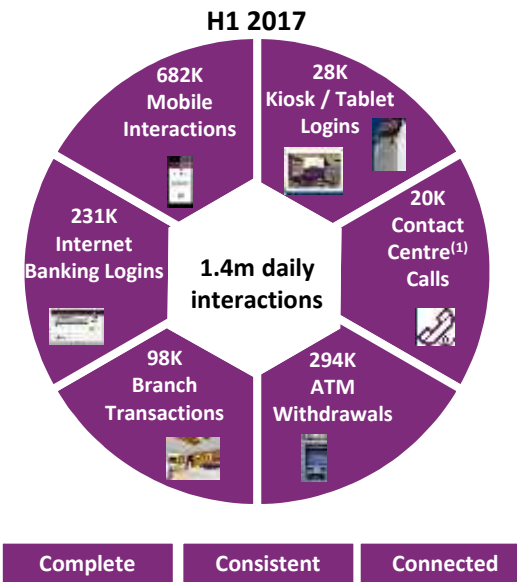
# Customer First Approach Continues to Drive Commercial Success

## Tangible Customer and Efficiency Outcomes



### Investment in Key Customer Propositions and Increased Customer Interaction

- Significant investment in analytics and propositions
- 3-hour end to end personal loan application
- Multi-brand mortgage approach
- 1.2 million active online users
- 61% of all key products purchased via online channels
- Customers interact on mobile on average once per day
- 77% of personal loans now applied for via mobile or online



(1) Includes calls to direct banking & service  
 (2) Change in survey methodologies for relationship NPS measurement in 2015 and again in 2016

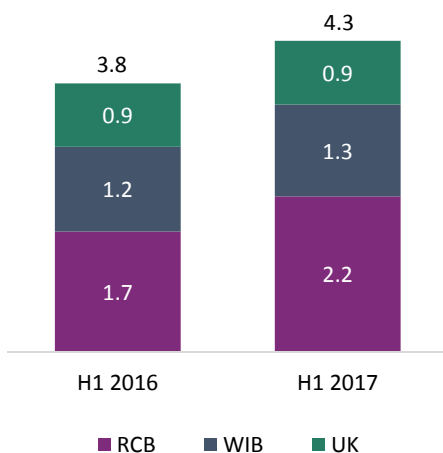
# Increased New Term Lending and Continued Strong Market Shares

## Growth in Core Lending Sectors



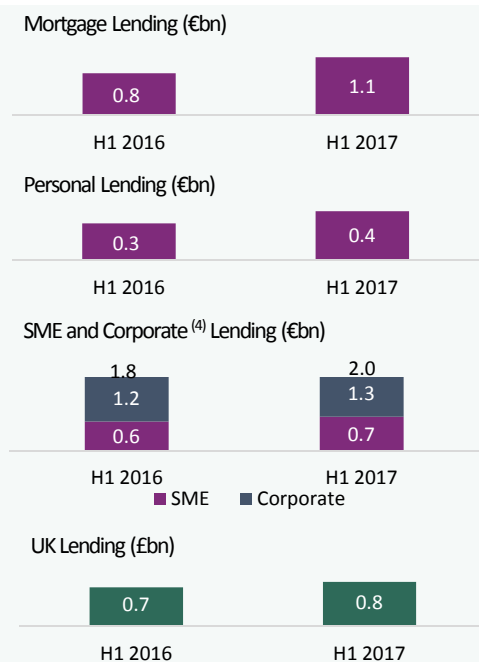
### Increase in New Term Lending

Drawdowns (€bn)



**c.€7bn in sanctions in H1 2017**  
**Drawdowns to approval rate of 63%**  
**Excludes €0.5bn of transaction lending**

### Momentum Across Key Sectors



- 41% increase in new mortgage lending
- #1 market share position 37%<sup>(1)</sup> <sup>(3)</sup> in a growing market
- Multi-brand proposition
- 31% increase in new personal lending
- Positive impact of 3-hour personal loan proposition
- #1 market share position in personal current accounts<sup>(1)</sup> (37%) and loans<sup>(2)</sup> (20%)
- 13% increase in new SME lending
- Key sectors such as Agri, Hotels, IT performing well
- Maintaining strong market shares of business current accounts at 43% (#1 position) and main business loans at 34%
- Corporate lending continues to grow
- Strategic rationalisation and review of UK business
- Increase in new lending with focus on SME/Owner Managed businesses

Market shares by stock - % of products held

- (1) AIB Group market share
- (2) Amongst banks; excludes asset backed car finance
- (3) New mortgage lending flow ytd May 2017 by value
- (4) Corporate includes syndicated and international, real estate >€10m, specialised finance

Market Share Source: Ipsos MRBI AIB Personal Financial Tracker Q2 2017;  
 AIB SME Financial Monitor June 2017; BPF1 – May 2017

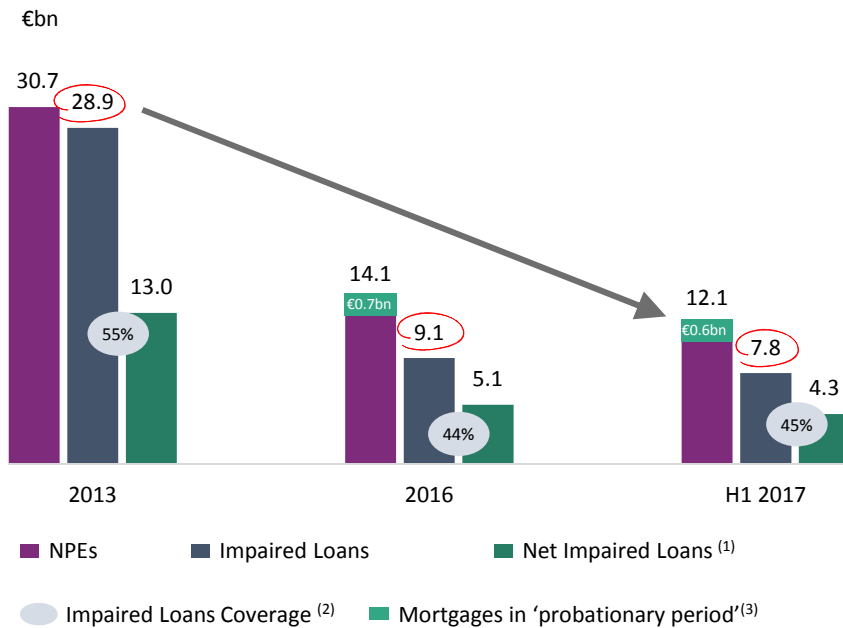


# Continued Progress in Reducing Legacy Risk Assets

**73% Reduction in Impaired Loans Since Peak**



## Tangible Progress to Date



(1) Net impaired loans calculated as impaired loans less specific provisions (excl. IBNR)

(2) Coverage metrics based on specific provisions (i.e. excl. IBNR provisions)

(3) Currently performing to terms

## Track Record of Delivery

- €1.3bn reduction in impaired loans in H1 2017
- €21bn (73%) reduction in impaired loans to €7.8bn since Dec 2013
- Net impaired loans of €4.3bn
- Continued case by case restructuring of customers in financial difficulty in an improving economic environment
- NPEs reduced to €12.1bn from €14.1bn at Dec 16 reflecting reduction in impaired loans, collateral disposals and exit from 'probationary period'
- Significant focus to reach EU normalised levels of NPEs through:
  - Further BAU restructures
  - Exit from probationary
  - Portfolio sales and strategic initiatives

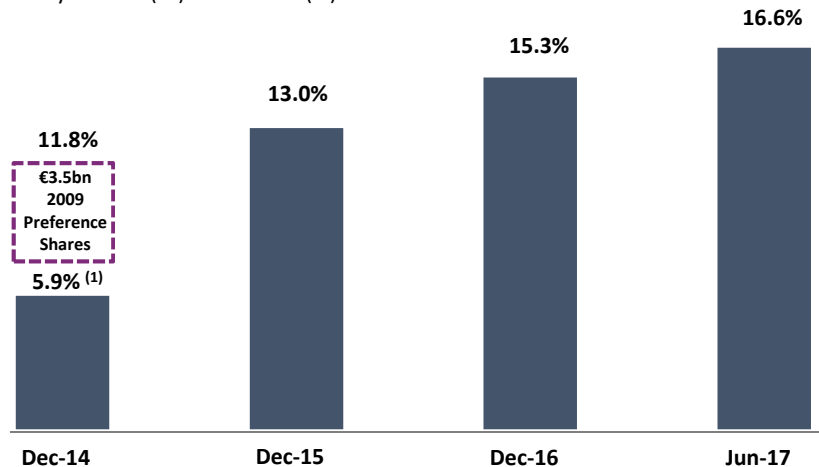
# Delivering Against Medium Term Financial Targets

*Strong Customer Franchise, Capital Accretion and Returns and Sustainable Growth*



## Organic Capital Generation

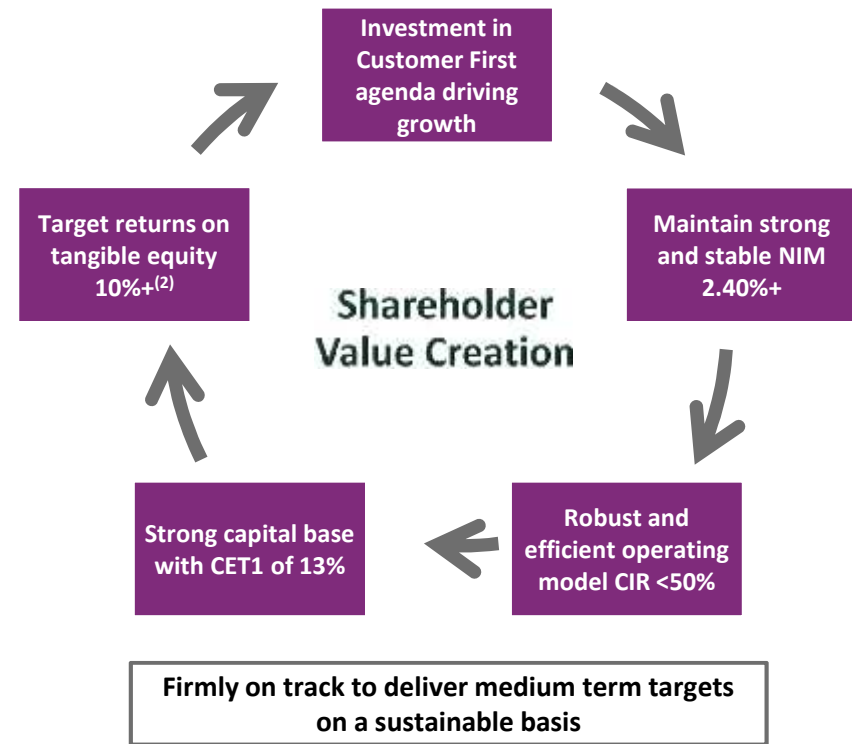
Fully Loaded (FL) CET1 Ratio (%)



Working towards annual payout ratio in line with normalised European banks with capacity for excess capital levels to be returned to shareholders through special dividends and/or buybacks – all subject to regulatory and Board approval

(1) Excludes €3.5bn 2009 Preference Shares

(2) ROTE based on (PAT - AT1 coupon + DTA utilisation) / (CET1 @13% plus DTA)





## Financial Performance

**Mark Bourke**  
Chief Financial Officer

# Financial Highlights H1 2017

## Strong Performance Against Key Metrics



Sustainable profitability underpinned by positive NII and margin trajectory  
*NIM 2.54%; excluding cured loan interest<sup>(1)</sup> 2.47%*



Continued focus on cost control, H1 2017 in line with expectations  
*Stable costs and strong income, CIR 45%; excluding cured loans / restructuring-related income 51%*



Growing earning loan book (ex-FX) driven by strong momentum in new lending  
*New lending +15% to €4.3bn*



Strong progress in NPE deleveraging; pace and quantum of writebacks moderating  
*Impaired reduced from €9.1bn to €7.8bn; NPEs<sup>(2)</sup> reduced from €14.1bn to €12.1bn*



Robust capital generation with strong capital position supporting growth and capital return  
*CET1 (FL) 16.6%, up 130bps from 15.3% in Dec 2016*

(1) Additional income recognised on loans upgraded from impaired without financial loss  
(2) Non-performing exposures (NPEs) exclude c. €300m of off-balance sheet commitments, as per EBA definition

# Income Statement

## Sustainable Profitability



Summary income statement (€m)	HY 2017	HY 2016
Net interest income	<b>1,077</b>	945
Other income	<b>452</b>	295
Total operating income	<b>1,529</b>	1,240
Total operating expenses <sup>(1)</sup>	<b>(693)</b>	(677)
<b>Operating profit before provisions</b>	<b>836</b>	<b>563</b>
Bank levies and regulatory fees	<b>(45)</b>	(48)
Provisions	<b>23</b>	214
Associated undertakings & other	<b>9</b>	24
<b>Profit before exceptionals</b>	<b>823</b>	<b>753</b>
Exceptional items	<b>(62)</b>	264
<b>Profit before tax from continuing operations</b>	<b>761</b>	<b>1,017</b>

Metrics	HY 2017	HY 2016
Net interest margin	<b>2.54%</b>	2.06%
Cost income ratio <sup>(1)</sup>	<b>45%</b>	55%
Return on average ordinary shareholders' equity <sup>(2)</sup>	<b>10.1%</b>	13.6%
Return on tangible equity <sup>(3)</sup>	<b>14.4%</b>	16.5%
Return on assets	<b>1.4%</b>	1.7%

(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)

(3) ROTE based on (PAT - AT1 coupon + DTA utilisation) / (CET1 @13% plus DTA)

- Operating income €1.5bn
  - Net interest income up 14%
  - NIM excluding cured loan interest up 48bps to 2.47%
  - Stable underlying other income
- Operating expenses broadly stable and in line with expectations
  - Wage inflation and increased headcount in loan restructuring & regulatory compliance functions
  - Three year investment programme completing this year
- Net provision writeback of €23m – new to impaired charge offset by positive impact of residual loan restructuring
- Profit before exceptionals up 9% to €823m from sustainable underlying profitability and loan restructuring-related items

# Average Balance Sheet

## Further NIM Expansion Driven by Stable Asset Yields and Lower Funding Costs



	Half Year ended 30 June 2017			Half Year ended 30 June 2016		
	Average Balance <sup>(1)</sup> €m	Interest €m	Average Rate %	Average Balance <sup>(1)</sup> €m	Interest €m	Average Rate %
<b>Assets</b>						
Loans and receivables to customers	60,815	1,078	3.57	62,767	1,133	3.63
NAMA senior bonds	845	2	0.49	4,529	7	0.32
Financial investments - AFS	14,299	81	1.14	15,168	96	1.27
Financial investments - HTM	3,325	65	3.92	3,451	65	3.79
Other interest earning assets	6,238	6	0.17	6,215	12	0.37
<b>Average interest earning assets</b>	<b>85,522</b>	<b>1,232</b>	<b>2.90</b>	<b>92,130</b>	<b>1,313</b>	<b>2.87</b>
Non interest earning assets	7,401			8,023		
<b>Total Assets</b>	<b>92,923</b>	<b>1,232</b>		<b>100,153</b>	<b>1,313</b>	
<b>Liabilities and shareholders' equity</b>						
Deposits by banks	5,981	(4)	(0.15)	10,951	(6)	(0.10)
Customer accounts	37,104	128	0.69	39,686	183	0.93
Subordinated liabilities	792	16	3.97	2,348	162	13.87
Other debt issued	6,625	15	0.46	7,684	29	0.76
<b>Average interest earning liabilities</b>	<b>50,502</b>	<b>155</b>	<b>0.62</b>	<b>60,669</b>	<b>368</b>	<b>1.22</b>
Non interest earning liabilities	29,217			27,114		
Shareholders' equity	13,204			12,370		
<b>Total Liabilities and Shareholders' Equity</b>	<b>92,923</b>	<b>155</b>		<b>100,153</b>	<b>368</b>	
<b>Net Interest Income</b>		<b>1,077</b>	<b>2.54</b>		<b>945</b>	<b>2.06</b>
<b>Net interest margin (excluding interest on cured loans)</b>			<b>2.47%</b>			<b>1.99%</b>

(1) Interest on any assets or liabilities in hedge relationships include the net interest on the related derivatives; H1 2016 re-presented

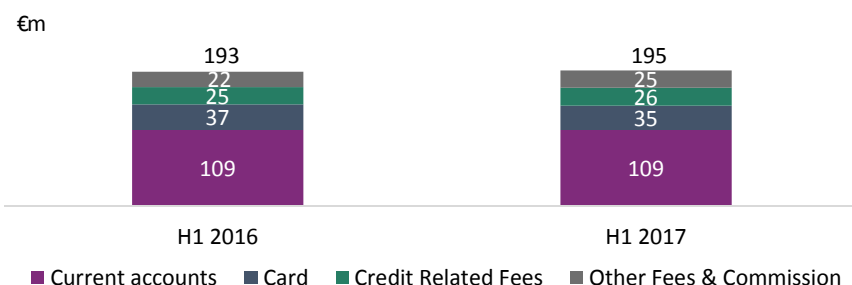
- Strong reported NIM 2.54%
  - excluding cured loan interest NIM 2.47% (7bps impact on NIM)
- Stable asset yield 2.90%
  - Customer loan yields 3.57% includes strategic SVR re-pricing actions in H2 2016
  - Reducing NAMA Senior Bonds - positive 9bps impact on NIM
  - AFS yields falling as higher yielding assets roll off; average yield AFS & HTM 1.67% (HY16: 1.73%)
- Reduced cost of funds to 62bps
  - Lower deposit pricing reduced cost of customer accounts to 0.69%
  - Positive mix from lower term deposits and higher current accounts (+€1.7bn in H1 17)
  - Maturity of €1.6bn CoCo (July 2016) – positive 30bps impact on NIM

# Other Income

## Stable Net Fee and Commission Income



### Net Fee & Commission Income



Other income (€m)	HY 2017	HY 2016
Net fee and commission income	195	193
Other Business Income	92	30
<b>Business Income</b>	<b>287</b>	<b>223</b>
Gains on disposal of AFS securities	16	22
Re-estimation of timing of cashflows on NAMA bonds	4	10
Settlements and other gains	145	40
<b>Other items</b>	<b>165</b>	<b>72</b>
<b>Total other income</b>	<b>452</b>	<b>295</b>

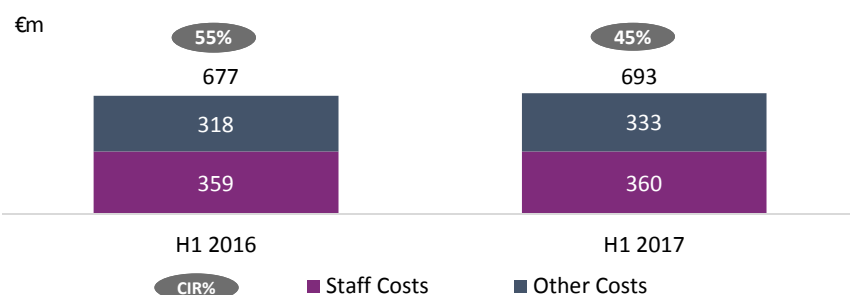
- Stable fee and commission income of €195m
- Current accounts represent >50% of net fees and commission income
- Increase from wealth related products and enhanced proposition
- Other business income of €92m includes dividend €27m, treasury customer services income €23m and other income €42m – increase driven primarily by movement in valuations on long term derivative customer positions
- Continued flow of income from other items in H1 2017:
  - AFS disposals €16m
  - NAMA bonds cashflow re-estimation €4m
  - Settlements and other gains includes €146m of realisation/re-estimation of cashflows on restructured loans

# Costs

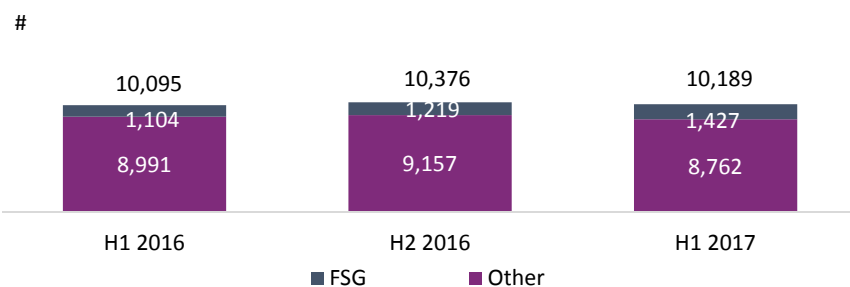


## Continued Focus on Cost as Strategic Investment Programme Completes

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



### Full Time Equivalent – Employees <sup>(2)</sup>



(1) Excluding exceptional items, bank levies & regulatory fees

(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

- Disciplined cost management
  - H1 2017 operating expenses €693m (+2%) in line with expectations
  - Factors impacting cost:
    - Stable staff costs having absorbed wage inflation (2.75%)
    - Continued investment in loan restructuring operations
      - c. 200 additional FTEs
    - Increased depreciation and ongoing programme of regulatory compliance
- Investment in strategic programmes
  - Total investment programme €870m (2015 to 2017)
  - Spend to date €705m<sup>(3)</sup> of which 75% - 80% is capital expenditure
  - Investment in line with strategic agenda – delivering proposition, efficiency and increased resilience
- CIR of 45% benefitted from:
  - Interest on cured loans €30m
  - Realisation/Re-estimation of cashflows on restructured loans €146m
  - CIR 51% excluding above items
- CIR medium term target <50%



## P&L - Other Items

### *Bank Levies and Regulatory Fees as Expected; Provisions Normalising*



Other PL items (€m)	HY 2017	HY 2016
Operating profit before provisions	836	563
Bank levies and regulatory fees	(45)	(48)
Provisions	23	214
Associated undertakings & other	9	24
<b>Profit before exceptionals</b>	<b>823</b>	<b>753</b>

Total exceptional items (€m)	HY 2017	HY 2016
Profit before exceptionals	823	753
Restitution & restructuring expenses	(3)	(20)
IPO & capital related expenses	(42)	(1)
Gain on disposal of loan portfolios	7	-
Gain on transfer of financial instruments	-	16
Profit on disposal of Visa Europe	-	272 <sup>(4)</sup>
Termination benefits	(24)	(3)
<b>Profit before taxation</b>	<b>761</b>	<b>1,017</b>

(1) Includes other regulatory fees €1m

(2) Includes recovery from the DGS legacy fund of €4m

(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

- Bank levies and regulatory fees €45m<sup>(1)</sup>; full year expectation of c. €100m
  - Single Resolution Fund €20m
  - Deposit Guarantee Scheme €24m<sup>(2)</sup>
- Net credit provision writeback of €19m<sup>(3)</sup> mainly due to case by case restructuring of customers in difficulty
  - €158m new to impaired and re-impaired charge
  - €232m net writeback of specific provisions
  - €55m IBNR charge
- Exceptionals in H1 2017 include:
  - Total IPO transaction costs of €41m or 1.2% of deal
  - Termination benefits €24m

# Balance Sheet

## Strengthened Balance Sheet and Strong Capital Ratios; Well Positioned for Growth



Balance Sheet	€bn	Jun-17	Dec-16
Gross loans to customers		63.9	65.2
Provisions		(4.1)	(4.6)
Net loans to customers		59.8	60.6
Financial investment AFS		14.3	15.4
Financial Investemnt HTM		3.3	3.4
NAMA senior bonds		0.4	1.8
Other assets		12.7	14.4
<b>Total assets</b>		<b>90.5</b>	<b>95.6</b>
Customer accounts		63.7	63.5
Monetary Authority funding		1.9	1.9
Other market funding		3.1	5.8
Debt securities in issue		4.7	6.9
Other liabilities		3.9	4.4
<b>Total liabilities</b>		<b>77.3</b>	<b>82.5</b>
Equity		13.2	13.1
<b>Total liabilities &amp; equity</b>		<b>90.5</b>	<b>95.6</b>
<b>Key Funding Metrics</b>		<b>Jun-17</b>	<b>Dec-16</b>
Loan deposit ratio (LDR)		94%	95%
Liquidity coverage ratio (LCR)		134%	128%
Net stable funding ratio (NSFR)		122%	119%
Transitional CET1 ratio		19.9%	19.0%
Fully loaded CET1 ratio		16.6%	15.3%
<b>€bn</b>			
Risk weighted assets (transitional)		53.5	54.2

### Assets

- Net loans €59.8bn
- Earning loan book growing (ex-FX) €56.6bn
- New term lending of €4.3bn
- NPEs reduced €2bn in H1 2017
- NAMA Senior Bonds reduced by €1.4bn to €0.4bn

### Liabilities

- Customer accounts of €63.7bn (ex-FX) up €0.6bn
- Positive mix with increased current accounts (€1.7bn) partly offset with lower Treasury and Corporate deposits (-€1.5bn)
- Shareholders equity increased €0.1bn in H1 2017, primarily due to profit of €0.7bn offset by dividends paid €0.3bn and decrease in AFS and Cash Flow hedge reserves €0.3bn
- Robust capital ratio – CET 1 (FL) 16.6% up from 15.3% in Dec 2016

# Customer Loans

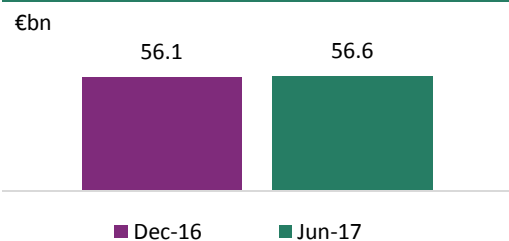
## New Lending +15% to €4.3bn



Customer loans (€bn)	Earning loans	Impaired loans	Gross loans	Specific provisions	IBNR provisions	Net loans
<b>Opening balance (1 Jan '17)</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>
New lending volumes	4.3	0.0	4.3	0.0	0.0	4.3
New impaired loans	(0.4)	0.4	0.0	(0.2)	0.0	(0.2)
Restructures & writeoffs <sup>(1)</sup>	0.7	(0.7)	0.0	0.4	0.0	0.4
Redemptions	(4.3)	(0.4)	(4.7)	0.0	0.0	(4.7)
Disposals	0.0	(0.4)	(0.4)	0.2	0.0	(0.2)
FX movements	(0.5)	0.0	(0.5)	0.0	0.0	(0.5)
Other movements	0.2	(0.2)	0.0	0.2	(0.1)	0.1
<b>Closing balance (30 June '17)</b>	<b>56.1</b>	<b>7.8</b>	<b>63.9</b>	<b>(3.5)</b>	<b>(0.6)</b>	<b>59.8</b>

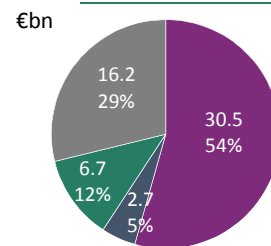
- Earning loan book (ex-FX) up €0.5bn
- New lending at higher grades and relatively stable margins
- New term lending up 15% to €4.3bn (excludes €0.5bn customer transactional lending)
  - Strong momentum across key sectors – RCB up 29% and mortgage lending in Ireland up 41%
  - Corporate & SME (ex. Property) 53% of new lending
  - Diverse SME portfolio benefitting from economic growth

### Earning Loan Book (ex FX)

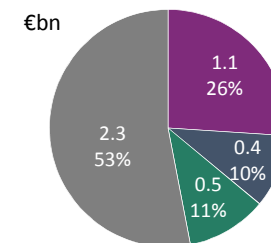


(1) Includes non contractual writeoffs

### Franchise well positioned for mortgage growth



H1 2017: Earning loans €56.1bn



H1 2017: New lending €4.3bn

- Residential Mortgages
- Other Personal
- Property & Construction
- Corporate & SME (ex. Property)



Asset Quality

# Asset Quality & NPE Deleveraging Strategy

## On the Path to Normalised Levels



Significant progress since peak of Dec 2013

*73% reduction in Impaired from €28.9bn to €7.8bn*

*61% reduction in NPEs from €30.7bn to €12.1bn*



Provisions experience remains positive in H1 2017

*€232m specific provision writebacks, net writeback €19m*



FSG restructuring continues with relentless focus and additional resources

*€2bn reduction in NPEs to €12.1bn in H1 2017*



Completed two portfolio sales in H1 2017

*Deep arrears BTL - €321m*

*Unsecured loan portfolio - €48m*



On track to normalised European NPE levels of c. 5% (€3bn - €4bn) by end 2019

€bn	June 2017	Dec 2016
<b>Impaired</b>	<b>7.8</b>	<b>9.1</b>
90DPD, collateral disposals & probationary periods	4.3	5.0
<b>NPEs <sup>(1)</sup></b>	<b>12.1</b>	<b>14.1</b>

(1) Non-performing exposures (NPEs) exclude €0.3bn of off-balance sheet commitments, as per EBA definition

# Asset Quality

*Continued Progress as Impaired Loans Reduce Across All Sectors*



Jun-17 €bn	Residential Mortgages	Other Personal	Property and Construction	Non-property business lending	Total
Loans and receivables to customers	34.4	3.1	9.1	17.4	63.9
<b>Impaired</b>	<b>3.8</b>	<b>0.4</b>	<b>2.4</b>	<b>1.2</b>	<b>7.8</b>
Balance sheet provisions (specific + IBNR)	1.7	0.3	1.3	0.8	4.1
Specific provisions / impaired loans (%)	38%	60%	50%	55%	45%

Impaired loans net of specific provisions  
€4.3bn

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
<b>Impaired</b>	<b>4.6</b>	<b>0.4</b>	<b>2.7</b>	<b>1.4</b>	<b>9.1</b>
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  
€5.1bn

Movements €bn	Residential Mortgages	Other Personal	Property and Construction	Non-property business lending	Total
<b>Impaired</b>	<b>(0.8)</b>	<b>0.0</b>	<b>(0.3)</b>	<b>(0.2)</b>	<b>(1.3)</b>
Balance sheet provisions (specific + IBNR)	(0.3)	(0.0)	(0.2)	0.0	(0.5)

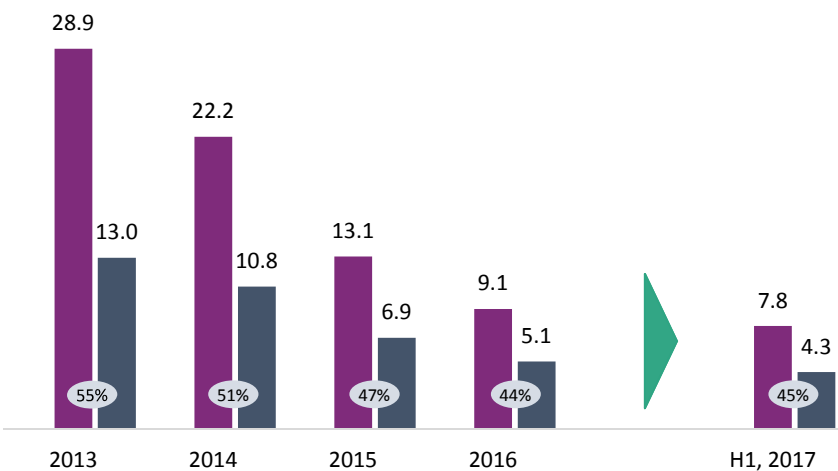
# Momentum in NPE Reduction Continues

## Significant progress in de-risking the balance sheet



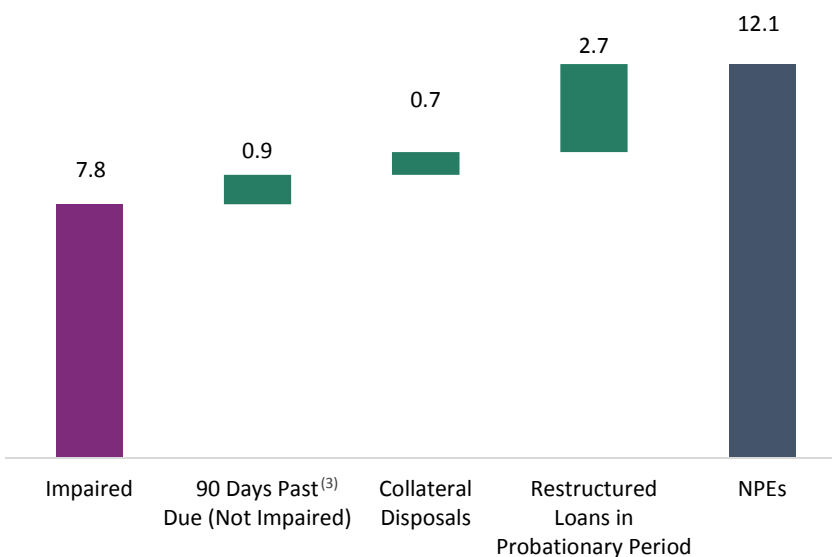
### Significant Progress to Date in Reducing Impaired

€bn



■ Impaired Loans   ■ Net Impaired Loans <sup>(1)</sup>   ● Impaired Loans Coverage <sup>(2)</sup>

### Impaired to NPE Reconciliation



(1) Net impaired loans calculated as impaired loans less specific provisions (excl. IBNR)

(2) Coverage metrics based on specific provisions (i.e. excl. IBNR provisions)

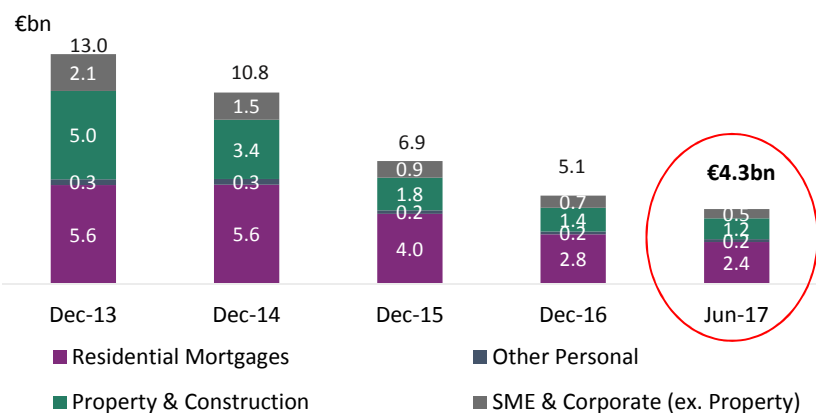
(3) Includes 90DPD related to connected debt

# Momentum in NPE Reduction Continues

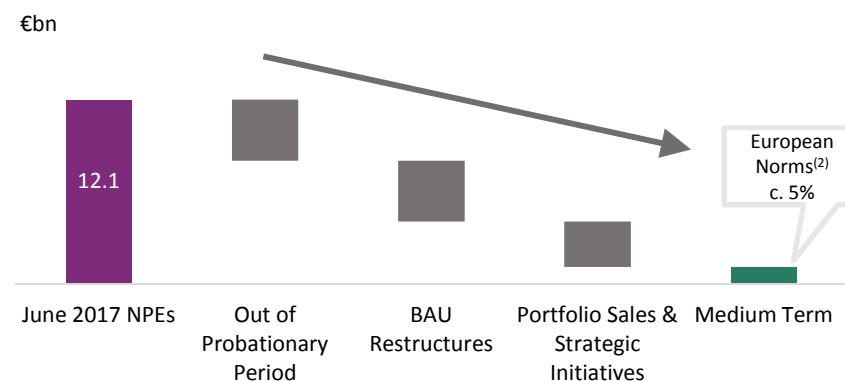
*Various levers to reach European norms*



## Net Impaired Loans<sup>(1)</sup> Reducing Across All Portfolios



## Targeting Further Deleveraging to European Norms



LTV	2013	H1 2017
Rol Mortgage Stock	103%	71%
Rol Impaired Mortgage	130%	103%

- Significant progress made across all portfolios
- Pro-forma add back of write-offs / provisions, increases coverage to c.70%
- Improving LTV on mortgages

(1) Net impaired loans calculated as impaired loans less specific provisions (excl. IBNR)  
 (2) ECB Risk Dashboard, Q3, 2016





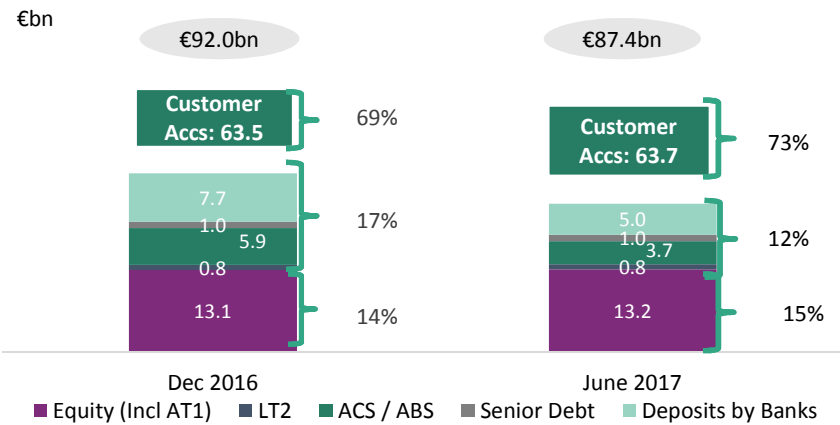
# Funding and Capital

# Funding Structure

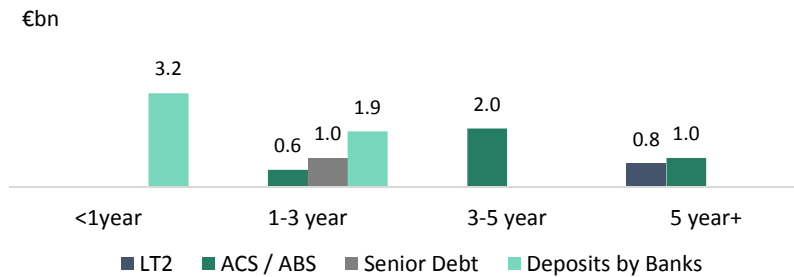
## Stable Deposit Base Driving Strong Funding Position



### Total Funding



### Wholesale Funding - Maturity Profile from June 2017



#### Funding

Customer deposits €63.7bn represents 73% of total funding

- Low cost stable source of funds
- LDR ratio 94%

Wholesale funding €10.5bn represent 12% of total funding

- LCR 134% (minimum 80%, rising to 100% by 1 Jan '18)
- NSFR 122% (NSFR scheduled to be introduced at 100% by 1 Jan '18)

#### Rating Agencies

- Jan 2017 - S&P upgraded AIB's long term rating by one notch to BBB-
- June 2017 - Moody's upgraded AIB's long term rating by one notch to Baa2

### Rating Agency Upgrades

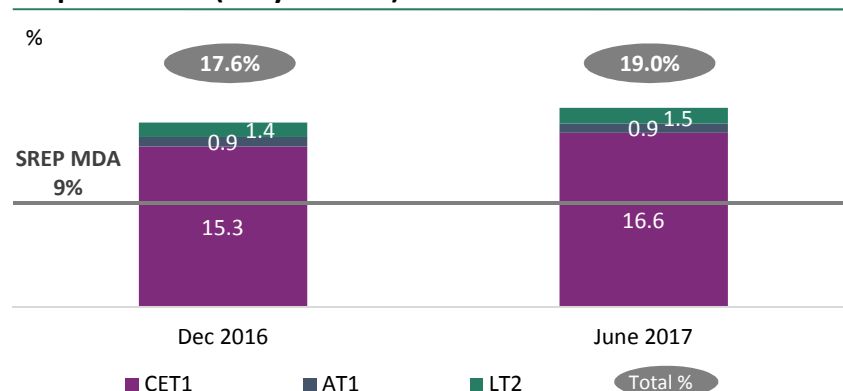
AIB plc	Long-Term Rating	
	Dec '16	June '17
Moody's	Baa3 / Positive	<b>Baa2 / Stable (IG)</b>
S&P	BB+ / Positive	<b>BBB- / Stable (IG)</b>
Fitch	BB+ / Positive	<b>BB+ / Positive</b>

# Capital Ratios

**Strong Capital Position – 130bps Capital Generation to 16.6%**



## Capital Ratios (Fully Loaded)



## RWAs (Fully Loaded)

AIB Group - RWA (€m) (Fully Loaded)			
Risk Weighted Assets (€m)	June 17	Dec 16	Movement
Credit risk	48,017	49,027	(1,010)
Market risk	352	288	64
Operational Risk	4,248	3,874	374
CVA / Other	1,022	1,230	(208)
<b>Total Risk Weighted Assets</b>	<b>53,639</b>	<b>54,419</b>	<b>(780)</b>

## Capital

- Strong capital position – fully loaded CET1 of 16.6%; total capital 19.0%
  - Increase of 130bps CET1 - primarily due to profit €0.7bn in the period and RWA decrease of €0.8bn
  - Normalised capital stack – AT1 and LT2 buckets 0.9% and 1.5%

## RWA

- Credit risk RWA decrease of €1bn mainly due to FX €0.5bn, de-leveraging €0.5bn with new lending offset by redemptions and credit grade migration.
- Operational risk up €0.4bn due to higher average 3 year income

## SREP

- AIB's 2017 SREP is 9.0%<sup>(1)</sup> (CET1) and 12.5% (total capital ratio)
- Significant buffer above SREP MDA levels - buffer to total capital SREP 6.5% (€3.5bn)

## Hold Co / MREL<sup>(2)</sup>

- SRB preferred resolution strategy – Hold Co
- Single Point of Entry (SPE)
- MREL issuance manageable - €3-5bn

(1) Excludes P2G

(2) MREL: Minimum required eligible liabilities

## Medium Term Financial Targets

*Focused on Delivering Sustainable Performance*



Metric	Medium Term (3-5 Years)	Guidance & Targets	H1 2017	Commentary
Net Interest Margin	2.40%+	Maintain strong and stable NIM, 2.40%+	2.54%	<i>Excluding cured loan interest 2.47%</i>
Cost / Income Ratio	<50%	Below 50% by end 2019 reflecting robust and efficient operating model	45%	<i>Stable costs. CIR 51% excluding income from cured loans / restructuring-related items</i>
Fully Loaded CET1 Ratio	13.0%	Strong capital base with normalised CET1 target of 13%	16.6%	<i>Strong capital base with capacity for shareholder returns, subject to Board &amp; Regulatory approval</i>
RoTE	10%+	10%+ return using (PAT – AT1 coupon + DTA utilisation) / (CET1 @13% plus DTA)	14.4%	<i>Sustainable underlying profitability generating capital</i>
Dividends	Working towards annual payout ratio in line with normalised European banks with capacity for excess capital levels to be returned to shareholders through special dividends and/or buybacks – all subject to regulatory and Board approval			

***Continued Momentum and Well-Positioned for Growth***



Appendix

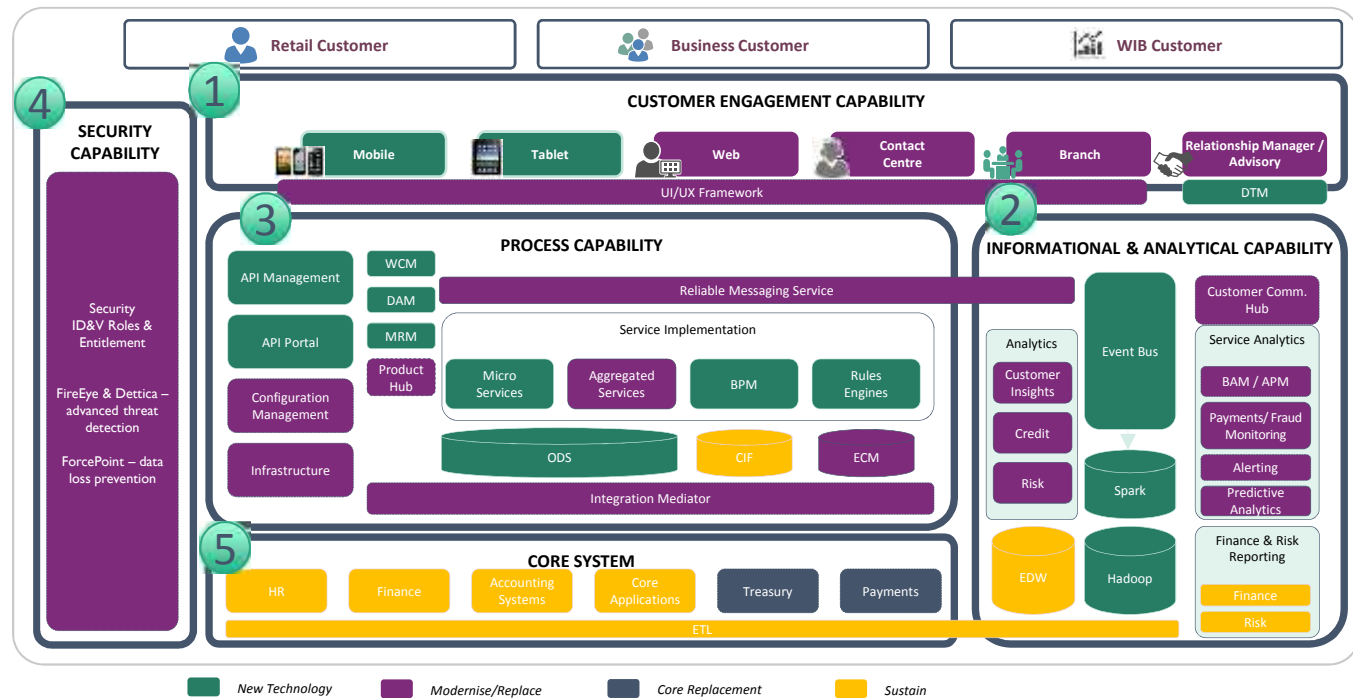
# Impact of Investment on the Target Architecture

## Harvesting benefits through simplification and efficiencies



Modular approach – no “big-bang” IT solution

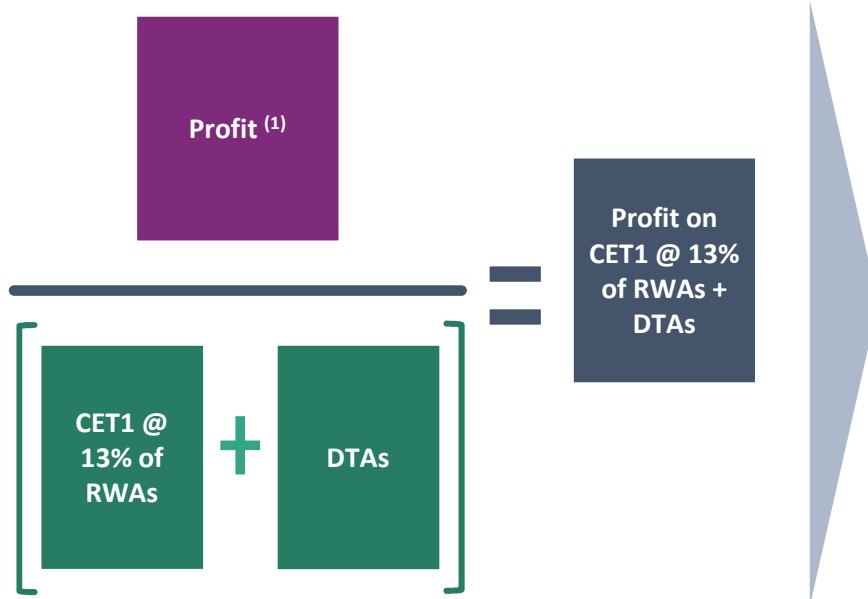
- Continued investment in front end, customer engagement technology
- Modernised processing and analytical solutions to deliver enhanced capability
- Fit for purpose security leveraging industry best practices
- Core replacement of our Treasury & Payments System





## How We Think About Returns

$$(PAT - AT1 Coupon + DTA Utilisation) / (FL CET1 @ 13\% + DTAs)$$



(€m) H1, 2017	
PAT	652
(-) AT1 coupon	18
(+) DTA utilisation	76
<b>Profit (Numerator)</b>	<b>710</b>
<b>Profit (Annualised)</b>	<b>1,431</b>
RWAs	53,639
CET1 at 13% RWAs	6,973
(+) DTAs	2,816
<b>Adjusted CET1 (Denominator)</b>	<b>9,789</b>
<b>Average Adjusted CET1 (Denominator)</b>	<b>9,957</b>
<b>Profit on CET1 @ 13% of RWAs + DTAs</b>	<b>14.4% <sup>(2)</sup></b>

(1) PAT – AT1 coupon + DTA utilisation = Profit

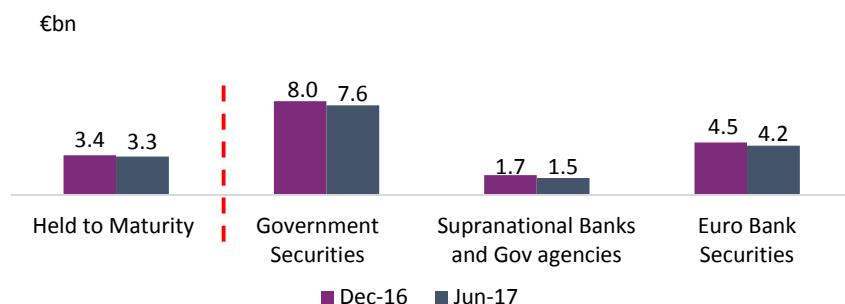
(2) ROTE reflects a strong underlying performance enhanced by one-off items

# Financial Investments

€17.6bn Portfolio of Financial Investments Including €3.3bn as HTM



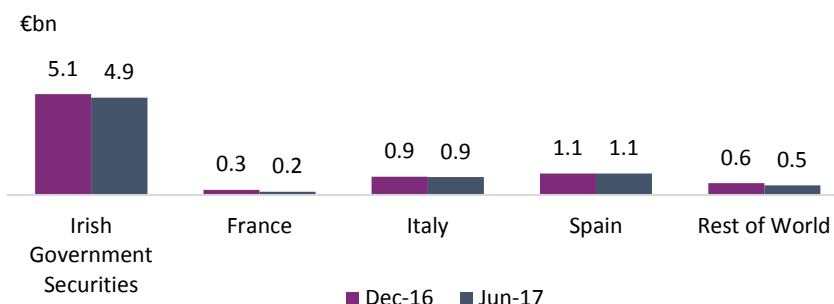
## Key Components of AFS - Debt Securities<sup>(1)</sup>



### AFS - Debt Securities:

- €1.1bn down from €14.8bn - in line with plans to reduce overall AFS holdings
- Net gains from disposal of AFS debt securities in H1 2017 - €16m
- AFS average yield 1.14%; reducing as high yielding assets mature
- Embedded value on AFS €0.6bn (net of swaps €0.3bn)
- c. 70% of the book maturing < 5 years

## AFS - Components of Government Securities



### AFS – Equity Securities:

- Equity Securities €0.6bn, primarily relates to NAMA sub bond
  - Embedded value of NAMA sub bond €0.4bn

### HTM:

- HTM €3.3bn - average yield 3.92%

(1) Excludes NAMA senior bonds of c. €0.4bn and NAMA sub bonds of €0.5bn



## Funding Market Access



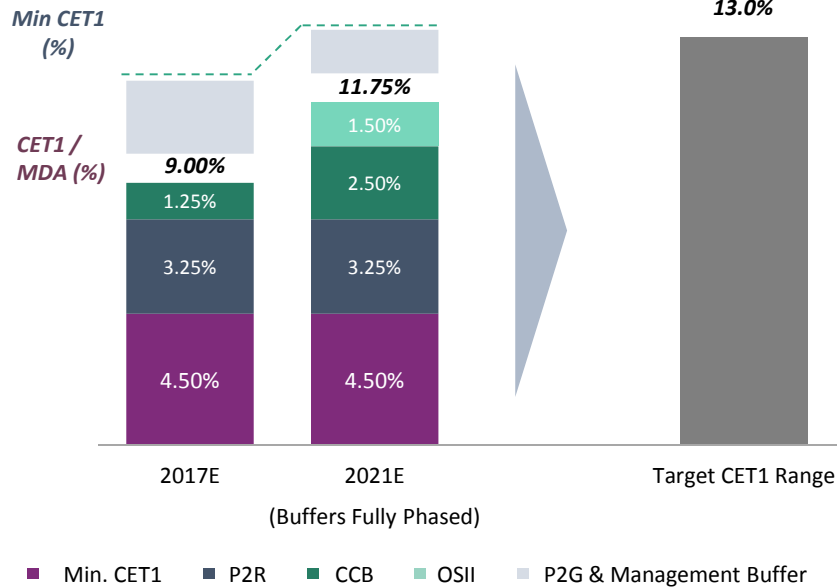
	2013			2014		2015				2016	
	ACS Issuance January 2013	ACS Issuance September 2013	Senior Unsecured	ACS Issuance March 2014	Senior Unsecured April 2014	ACS Issuance January 2015	Senior Unsecured March 2015	ACS Issuance July 2015	Tier 2 November 2015	AT1 December 2015	ACS Issuance January 2016
Issuer	AIB 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

# Capital Requirements

## Steady-state target CET1 range of 13%



### CET1 Evolution



### Minimum capital requirements/SREP<sup>(1)</sup>

- 9% CET 1 requirement for 2017 is composed of
  - 4.50% Pillar 1 (P1)
  - 3.25% Pillar 2 Requirement (P2R)
  - 1.25% Capital Conservation Buffer (CCB)
- 11.75% fully loaded CET 1 requirement for 2021 includes
  - 2.5% (CCB) up from 1.25%
  - 1.50% Systemic Risk Buffer (O-SII) fully loaded
- Target CET1 range taking into account fully phased in buffers and potential impact from successful execution of NPL deleveraging strategy

(1) SREP: Supervisory Regulation Evaluation Process

# Capital Movements

## Transitional and Fully Loaded ratios



AIB Group - CRD IV Transitional Capital Ratios		
Risk Weighted Assets (€m)	30-Jun-17	31-Dec-16
Total Risk Weighted Assets	53,532	54,235
<b>Capital (€m)</b>		
Shareholders equity (excluding AT1 & dividend)*	12,590	12,404
Regulatory adjustments	(1,912)	(2,097)
Common Equity Tier 1 Capital	10,678	10,307
Additional Tier 1 Capital	494	485
Total Tier 2 Capital	967	980
Total Capital	12,139	11,772
<b>Transitional Capital Ratios</b>		
CET1 %	19.9%	19.0%
AT1%	0.9%	0.9%
LT2%	1.8%	1.8%
Total Capital %	22.7%	21.7%

AIB Group - RWA (€m) (Transitional)			
Risk Weighted Assets (€m)	30-Jun-17	31-Dec-16	Movement
Credit risk	47,910	48,843	(933)
Market risk	352	288	64
Operational Risk	4,248	3,874	374
CVA/Other	1,022	1,230	(208)
Total Risk Weighted Assets	53,532	54,235	(703)

AIB Group - Fully loaded Capital Ratios		
Risk Weighted Assets (€m)	30-Jun-17	31-Dec-16
Total Risk Weighted Assets	53,639	54,419
<b>Capital (€m)</b>		
Shareholders equity (excluding AT1 & dividend)*	12,590	12,404
Regulatory adjustments	(3,668)	(4,090)
Common Equity Tier 1 Capital	8,922	8,314
Additional Tier 1 Capital	494	494
Total Tier 2 Capital	796	783
Total Capital	10,212	9,591
<b>Fully Loaded Capital Ratios</b>		
CET1 %	16.6%	15.3%
AT1%	0.9%	0.9%
LT2%	1.5%	1.4%
Total Capital %	19.0%	17.6%

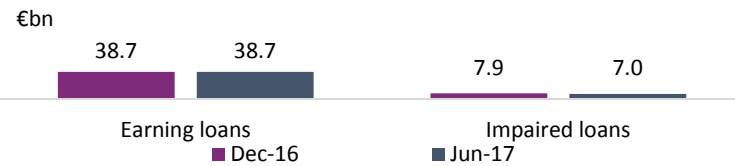
AIB Group - Shareholders Equity (€m)	
Equity - Dec 2016	13,148
Profit H1 2017	652
AFS reserves	(98)
Cash flow reserves	(171)
Dividend	(250)
Other	(72)
<b>Equity - June 2017</b>	<b>13,209</b>
<b>less AT1 and foreseeable charges</b>	<b>(619)</b>
Shareholders equity (ex AT1 and foreseeable charges)*	12,590

# Earning Loans Increasing by Segment and Sector in Ireland

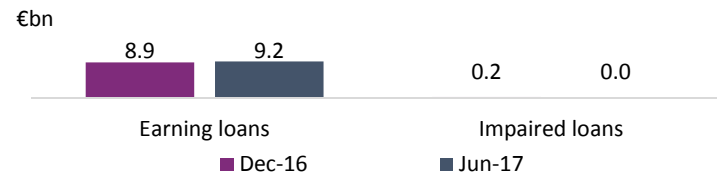
*Impaired Loans are Reducing*



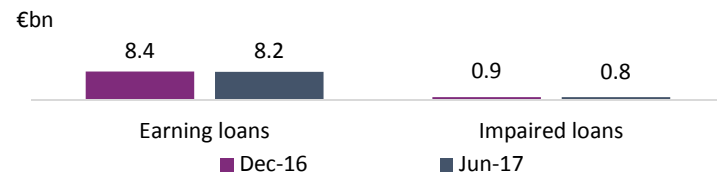
## Retail & Commercial Banking



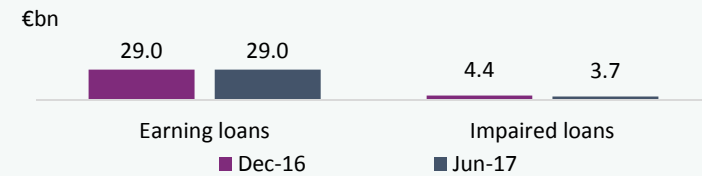
## Wholesale, Institutional and Corporate Banking



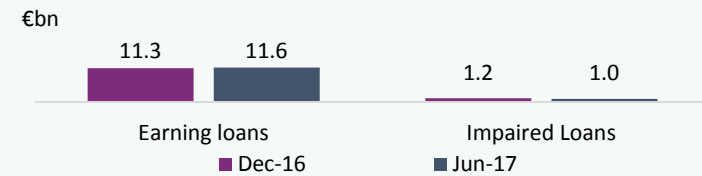
## AIB UK



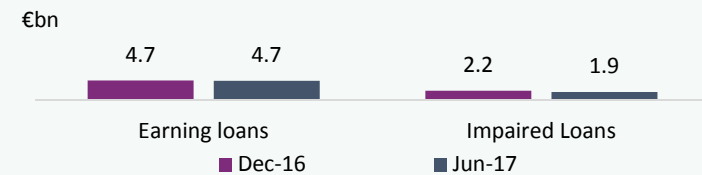
## RoI Mortgages



## Corporate & SME<sup>(1)</sup>



## Property & Construction

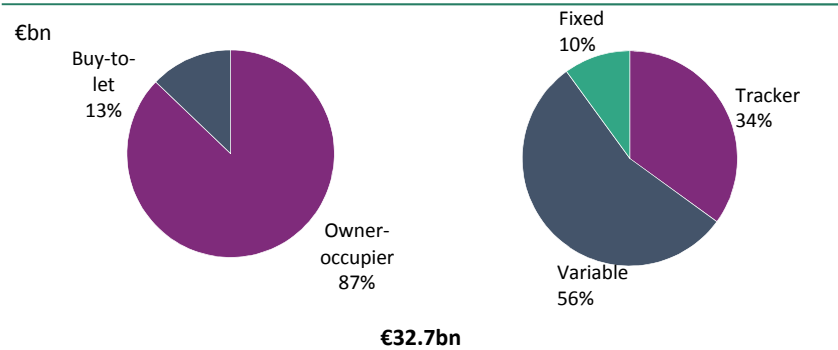


(1) Includes Syndicated and International Lending

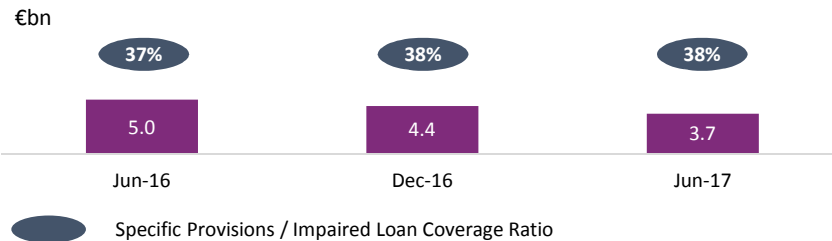
# ROI Residential Mortgages



## ROI Mortgage Portfolio – June 2017

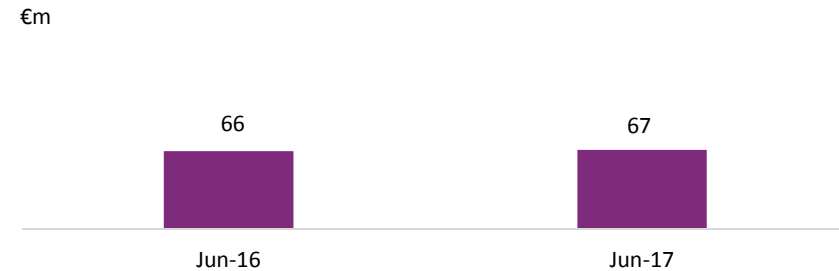


## Impaired Loans



(1) Arrears by no of accounts

## Impairment writeback/(Charge)



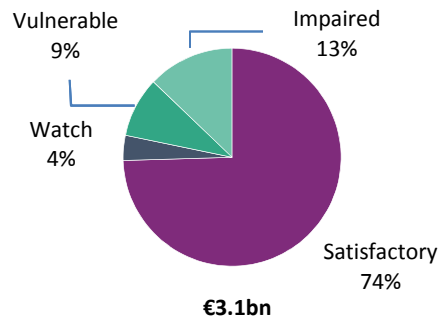
- 87% of the ROI mortgage portfolio is owner occupier and 13% is buy to let
- Continued improvement in overall asset quality with lower arrears and impaired loans
- Arrears levels down 11%<sup>(1)</sup> YTD June 2017 due to restructuring activity and improving economic conditions and below the industry average
  - Owner-occupier arrears down 6% to 8%
  - Buy-to-let arrears down 24% to 18%
- Impaired loans down €0.7bn since Dec '16 to €3.7bn mainly due to restructuring, buy-to-let portfolio sale, write-offs and repayments
- c. €0.6bn of forbore mortgages in 'probationary period' currently performing to terms

# Other Personal



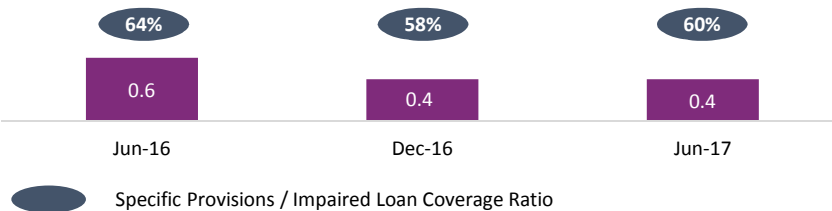
## Personal Loan Portfolio – June 2017

€bn



## Impaired Loans

€bn



## Impairment writeback/(Charge)

€m



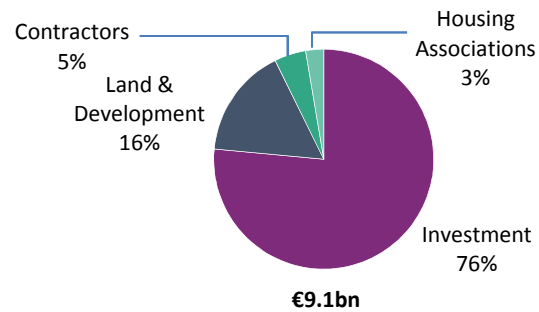
- Portfolio comprises €2.3bn loans and overdrafts and €0.8bn in credit card facilities
- Increase in demand for personal loans due to both improved economic environment and expanded service offering (including on line approval through internet, mobile and telephone banking) offset by restructuring and redemptions
  - Strong levels of new lending is offset by redemptions and repayments
- The increase in specific provision cover from 58% to 60% was driven by a reduction in larger cases as the proportion of larger cases within the portfolio with a lower level of cover reduced.

# Property & Construction



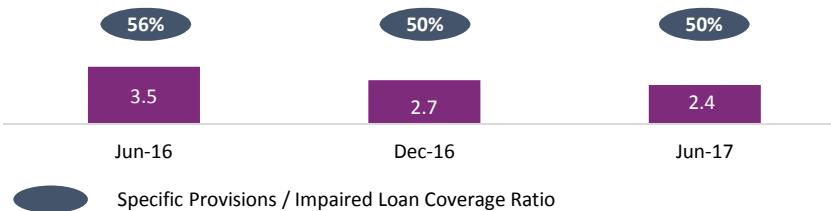
## Property & Construction Portfolio – June 2017

€bn



## Impaired Loans

€bn



## Impairment writeback/(Charge)

€m

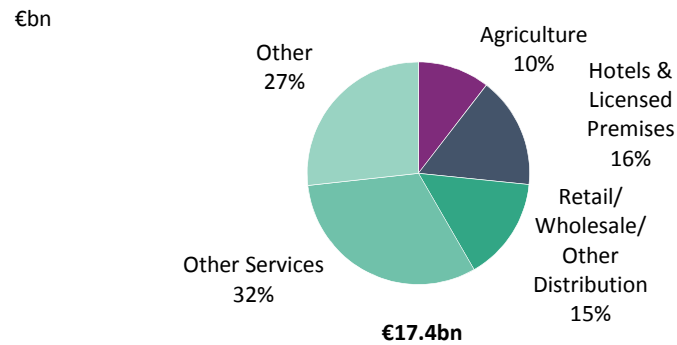


- Overall portfolio has reduced by €0.3bn (3%) since Dec '16 primarily due to continuing restructuring activity, write-offs, amortisation and repayment
- Investment Property of €6.9bn (76% of the total portfolio) of which €5.9bn is commercial investment
  - Reduced by €0.3bn largely due to loan redemptions (asset sales), restructures & write-offs
    - €1.8bn of which is in the UK
- Impaired loans reduced by €0.3bn to €2.4bn since December 2016
  - Specific provision cover remained at 50% in June 2017

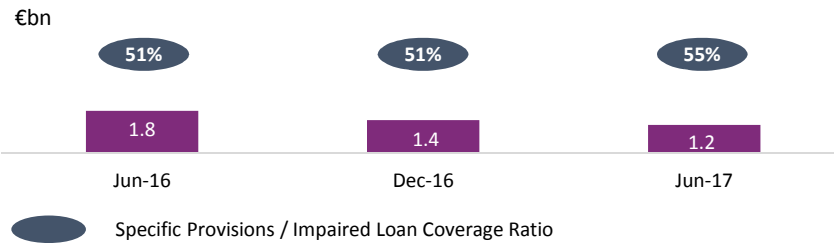
# Non-Property Business



## Non-Property Business Portfolio – June 2017



## Impaired Loans



## Impairment writeback



- Portfolio comprises Corporate and SME lending
- Overall improvement in asset quality with new lending exceeding amortisation and upward grade migration in the portfolio
  - Earning loans increased to 93% of the portfolio with strong performance in sectors such as Agri, hotels and other services
- Impaired loans reduced by €0.2bn to €1.2bn in June 2017
- Specific provision cover increased to 55%



# Balance Sheet Provisions

## Working Well Within Provision Stock



Balance Sheet Provisions Movement (€m)	Residential Mortgages	Other Personal	Property and Construction	Non-Property Business	Total
<b>Opening Balance Sheet Provisions 1 Jan 2017</b>					
Specific	1,728	252	1,350	717	4,047
IBNR	274	38	99	131	542
<b>Balance Sheet Provisions</b>	<b>2,002</b>	<b>290</b>	<b>1,449</b>	<b>848</b>	<b>4,589</b>
<b>Income Statement - Credit Provision Charge / Writebacks</b>					
Specific	(50)	2	(48)	22	(74)
IBNR	(16)	6	29	36	55
<b>Total</b>	<b>(66)</b>	<b>8</b>	<b>(19)</b>	<b>58</b>	<b>(19)</b>
<b>Balance Sheet Provisions – Amounts Written Off, Disposals, Other</b>					
<b>Total</b>	<b>(231)</b>	<b>(15)</b>	<b>(125)</b>	<b>(93)</b>	<b>(464)</b>
<b>Closing Balance Sheet Provisions 30 June 2017</b>					
<b>Specific</b>	<b>1,446</b>	<b>241</b>	<b>1,177</b>	<b>647</b>	<b>3,511</b>
<b>IBNR</b>	<b>259</b>	<b>42</b>	<b>128</b>	<b>166</b>	<b>595</b>
<b>Balance Sheet Provisions</b>	<b>1,705</b>	<b>283</b>	<b>1,305</b>	<b>813</b>	<b>4,106</b>

## ROI Mortgages – Stock of Forbearance



Forbearance type by mortgage	June 2017- Total		of which: loans > 90 days in arrears and/or impaired		Dec 2016 - 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	7,059	1,170	3,591	639	7,204	1,208	3,621	640
Reduced payment	1,696	354	931	198	1,800	388	1,043	231
Payment moratorium	2,158	335	496	67	1,833	281	438	58
Fundamental restructure	1,065	148	448	62	1,197	169	378	53
Restructure	1,024	103	845	80	1,107	110	903	84
Arrears capitalisation	15,207	2,192	5,519	843	16,509	2,452	6,829	1,087
Term extension	2,100	260	408	54	2,476	322	473	74
Split mortgages	3,159	486	640	101	3,204	511	731	125
Voluntary sale for loss	782	49	333	37	813	53	351	41
Low fixed interest rate	1,157	179	196	32	1,171	183	170	29
Positive equity solution	1,361	148	93	9	1,480	160	62	6
Other	546	85	258	42	580	94	292	51
<b>Total</b>	<b>37,314</b>	<b>5,509</b>	<b>13,758</b>	<b>2,164</b>	<b>39,374</b>	<b>5,931</b>	<b>15,291</b>	<b>2,479</b>

- Delivering sustainable long term solutions to mortgage customers
- Loans subject to forbearance measures remain in the forbearance stock for a period of 2 years from the date the loan is considered 'performing'
- Following restructure, loans are reported as impaired for a further 12 months (probationary period)
  - c. €0.6bn of forborne mortgages are in 'probationary period' performing to terms

## Non-Mortgage – Stock of Forbearance



Forbearance Type by Non-Mortgage	June 17				Dec 16			
	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	50	211	158	419	58	235	191	484
Reduced payment	23	87	59	169	25	90	64	179
Payment moratorium	140	8	17	165	109	8	17	134
Arrears capitalisation	17	42	32	91	17	44	42	103
Term extension	158	185	149	492	141	193	202	536
Fundamental restructure	48	687	460	1,195	48	829	448	1,325
Restructure	172	342	496	1,010	187	355	530	1,072
Asset disposals	24	78	37	139	25	141	33	199
Other	6	54	52	112	5	51	56	112
<b>Total</b>	<b>638</b>	<b>1,694</b>	<b>1,460</b>	<b>3,792</b>	<b>615</b>	<b>1,946</b>	<b>1,583</b>	<b>4,144</b>

- Non-mortgage forborne loans of €3.8bn at June 2017
  - 48% of forborne loans in property and construction sector
- €1.3bn of ‘fundamental restructures’ (including €0.1bn 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 €1.3bn with associated contractual secondary facilities of c. €2.9bn
  - €146m recognised in the half year on secondary facilities