

AIB Group (UK) p.l.c. Highlights of 2015 Business and Financial Performance

For the year ended 31 December 2015



Company number: NI018800



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This presentation should be considered with AIB Group (UK) p.l.c.'s Annual Financial Report 2015 (statutory accounts), which can be found at the following link: <http://investorrelations.aib.ie/>

The financial information included herein does not constitute the AIB Group (UK) p.l.c.'s statutory accounts for the year ended December 2015 and does not constitute full accounts within the meaning of section 435 (1) and (2) of the Companies Act 2006. These statutory accounts, which contain an unqualified audit report under Section 495 of the Companies Act 2006 have been delivered to the registrar of companies in accordance with Section 441 of the Companies Act 2006 on April 7th 2016.

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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.

Within this document any reference made to "The Bank" or "The Company" will relate to AIB Group (UK) p.l.c., whilst any reference to "AIB UK Group" will relate to AIB Group (UK) p.l.c. and its subsidiaries. Reference made to "AIB plc" or "the Parent" will relate to Allied Irish Banks, p.l.c. whilst reference to "the Parent Group" or "AIB Group" will relate to Allied Irish Banks, p.l.c. and its subsidiary undertakings, which includes AIB Group (UK) p.l.c.

I. 2015 Performance Highlights

Operating performance

Profit before tax

£111m £97m ▲

Increased profitability from higher income (£19m), lower operating expenses (£12m), high level of provision write-backs (£34m) and lower exceptional operating expenses (£33m).

Net interest margin

3.24% 25bps ▲

Continuing positive momentum in net interest margin as funding costs reduce and growth in new lending improves asset income.

Total operating income

£254m £19m ▲

Continuing improvement in net interest margin. Strong credit related fees due to strong new lending and solid pipeline.

Operating expenses

£134m £12m ▼

Cost reductions in line with expectation driven by disciplined cost management.

Cost / Income ratio

53% 9% ▼

Cost / Income ratio improved 9% from 62% in 2014. This is driven by a combination of lower personnel and occupancy costs and higher income from customer accounts and lending related fee income.

Credit provision

£3m cr £34m ▼

Net recovery of £3m compared to a charge of £31m in 2014, reflecting significant progress on debt restructuring, economic recovery along with a reduction in new impairments.

Balance Sheet / Capital

Capital adequacy ratio

16.3% 59bps ▲

Capital position remains very strong with the positive effect of profits generated in the period. The capital adequacy ratio is based on Common Equity Tier 1 (fully loaded).

New lending

£1.9bn 50% ▲

Strong growth in key segments reflecting support to small and medium-sized enterprises (SMEs) in Great Britain and Northern Ireland, underpinned by a solid performance in lending to Corporate customers in Great Britain.

Customer deposits

£8.3bn £0.1bn ▲

Customer accounts remain stable at £8.3bn with continued stability in current accounts.

Impaired loans

£0.5bn £0.3bn ▼

34% reduction reflecting continued support for customers in difficulty through the implementation of sustainable restructuring solutions for customers combined with improved economic conditions and selective loan portfolio and asset sales.

Provision coverage ratio

49% 3% ▼

Coverage rate remains at robust levels with a marginal change in percentage coverage.

Loan deposit ratio

78% 1% ▲

The increased loan deposit ratio reflects higher net loans and stable customer accounts.

2. Quotes from the Chairman's Statement

Peter Spratt
Chairman



Financial Performance

"2015 was a landmark year for AIB UK Group as it transitioned from completing its recovery and moving into a period of **sustainable profitability and growth**. A strong increase in new lending coupled with reductions in non-performing loans have been the highlights of this year"

"Increased new business lending ... deleveraging of a portfolio of criticised and non-performing loans at a modest discount ... resulted in the **quality of the overall loan book significantly improving** during the year"

Business Strategy

"Our objective is to be the **preferred bank** in the markets and sectors in which we operate, with a reputation for delivering **excellent customer service**"

"**AIB GB** has established a strong foundation for sustainable growth through a refocused distribution model, and **First Trust Bank** continues to focus on providing simplified products, targeting a core personal market with selective business customers"

Customers

"Putting our **Customers** first is at the heart of the brand values of AIB UK Group. We do this by getting to know our customers, listening to them and understanding their needs"

"We want our customers to experience **excellent service** and to recognise that we **treat them fairly**. This is critical

for all our customers but particularly so for our vulnerable customers and those in financial difficulty. I thank all our customers for their continued loyalty"

Culture and Staff

"A key focus for me is to ensure AIB Group UK's **culture** is appropriate and transparent. We must conduct ourselves in a manner that looks after the **best interests of our customers** while ensuring our **staff are empowered and engaged**"

"AIB UK Group is now well positioned to grow the business in our chosen markets while maintaining a superior customer service and experience delivered by our talented staff, which is underpinned by a continued focus on corporate governance"

Outlook

"There are **exciting opportunities** for AIB UK Group to **grow** and **expand** its offerings in the UK, delivered through reasonable and measured strategies"

"Our **goal** is to make an appropriate return on capital and be a positive contributor to the Parent Group over the coming years"



Peter Spratt
Chairman
1 March 2016

3. Business Proposition



AIB UK Group comprises of two long established and distinct businesses offering full banking services operating as Allied Irish Bank (GB) in Great Britain and First Trust Bank in Northern Ireland.

Great Britain

Allied Irish Bank (GB) aims to be recognised as the bank of choice for owner managed businesses in Great Britain. It operates through 16 business centres and currently services c. 2,000 Business/Corporate customers. Through digital and self-service channels, its Direct Banking proposition serves c. 68,000 customers, focussing on smaller owner managed businesses and the personal banking requirements of business owners and savers.

Northern Ireland

In Northern Ireland, First Trust Bank ("FTB") is a well-established and trusted full service retail, business and corporate bank. FTB's strategic aim is to be a focused challenger in Northern Ireland by simplifying products and closely aligned to that offered by the Retail Banking area of AIB Ireland. Operating out of 30 branches and 5 business offices, FTB services c. 270,000 active customers. A high quality digital offering is available to those customers seeking digital solutions to their banking requirements.

AIB UK Group has an established Structured Lending Solutions group to assist all our customers in difficulty. This ensures there is a centre of expertise where the right people with the appropriate skills and products can tailor solutions for each customer on a case by case basis. In all cases possible AIB UK Group will work with its customers whether they are mortgage holders, SMEs or Corporate, to establish a path back to affordability and viability.



4. Strategic Direction



- Our differentiated service model provides specialist industry and sectoral expertise to Owner Managed Businesses (OMBs) and Corporate customers in AIB (GB) and targets the core mass market retail sector and key business SME sectors in FTB. We have a continued focus on cost efficiency by leveraging parent infrastructure and digital capability
- The Owner Managed Business Outlook was launched in AIB (GB), a bi-annual survey that details the concerns and views of OMBs on the wider marketplace. We want to enhance our understanding of our customers' businesses and operating environments and continue to develop services to meet their needs. We aim to target high-quality OMB/Corporate customers whilst continuing to support Irish business in GB and those in Ireland looking to expand to the UK market
- In FTB, we serve our customers through our focused challenger bank strategy, lending to customer in niche SME sectors by providing sectoral expertise and offering a full banking service. In the retail sector, we proactively target the core mass market segment with a simplified product range and high-quality digital and self-service channels

5. Financial Performance – Summary of Income Statement AIB Group (UK) p.l.c.

Income Statement	2015 £m	2014 £m	2015 v 2014 £m
Total Operating Income	254	235	19
Total Costs	(134)	(146)	12
Operating profit	120	89	31
Total Credit Provisions	3	(31)	34
Profit before tax (pre-exceptionals)	123	58	65
Exceptional items	(12)	(44)	32
Profit before tax	111	14	97
Net interest margin %	3.24%	2.99%	0.25%
Cost income ratio %	52.8%	62.1%	9.3%

Key Highlights for 2015

- Significant increase in profitability
- Favourable credit provisions owing to high level of recoveries
- Increased income driven by higher customer account income and credit related fees
- 8% decline in costs driven by reduction in personnel numbers
- Lower one-off exceptional items
- Increased Net Interest Margin – 25bps increase on 2014



6. Financial Performance – Summary of Balance Sheet AIB Group (UK) p.l.c.

Balance sheet	2015	2014
	£m	£m
Earning gross loans	6,263	6,038
Impaired gross loans	490	767
Total gross loans	6,753	6,805
Specific provisions	(240)	(383)
IBNR provisions	(41)	(47)
Total net loans	6,472	6,375
Available for sale	54	31
Other assets/placings	6,391	7,257
Total assets	12,917	13,663
Current accounts	4,644	4,262
Deposits	3,683	4,033
Total customer accounts	8,327	8,295
Shareholders' equity	1,614	1,694
Other liabilities/funding	2,976	3,674
Total liabilities	12,917	13,663

Key Highlights for 2015

- Net Loans increased £0.1bn in the year, reversing a declining trend witnessed in recent years
- New Lending written increased 50% in the year, across a range of SME and OMB sectors in both FTB and AIB (GB). This was underpinned by strong lending performance in the Corporate sector in GB, which represented over 60% of total new lending drawdowns
- Reduction in impaired loans and balance sheet provisions
- Non-criticised loans account for 78% of total loans in December 2015 (68% in 2014)
- Customer accounts remain largely flat in the year with resilient Current Accounts offsetting outflows in Term Deposits

7. Appendix I. Organisational structure of AIB Group (UK) p.l.c in context of AIB Group

The ultimate parent of AIB Group (UK) p.l.c. ("AIB UK Group") is Allied Irish Banks, p.l.c. ("AIB Group"). AIB Group is registered in the Republic of Ireland and regulated by the Central Bank of Ireland. AIB UK Group is a company registered in Northern Ireland and regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). AIB UK has a Board of Directors which is made up of Executive and Non-Executive Directors (the UK Board).

AIB Group (Allied Irish Banks, p.l.c. and all of its subsidiaries) is comprised of the following segments:

- AIB Ireland
- AIB UK
- Group & International

AIB UK is a collective term used internally to capture the business areas and entities managed within the UK operation. AIB UK operates in two distinct markets, Allied Irish Bank (GB) ("GB") in Great Britain and First Trust Bank ("FTB" in Northern Ireland, each with different economies and operating environments. AIB UK's activities are carried out primarily through AIB UK Group, although there are some residual lending exposures through the UK Corporate Banking branch ("CBB") of AIB Group. In addition, UK FSG has responsibility for the management of all vulnerable and impaired loans within AIB UK including AIB UK Loan Management Limited ("UK LM"), CBB as well as any vulnerable and impaired cases within AIB UK Group.

AIB UK ("UK segment") structure is illustrated below:



