



# Half-Yearly Financial Results

For the half year ended 30 June 2016

2016

# Important information and forward looking statement

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This presentation should be considered with AIB's Half-Yearly Financial Report 2016, Trading Update May 2016 and all other relevant market disclosures, copies of which can be found at the following link:

<http://investorrelations.aib.ie>

## **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 59 of the Annual Financial Report 2015 and on page 32 '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 59 of the Annual Financial Report 2015 and on page 32 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.







**Bernard Byrne**  
Chief Executive Officer

Performance & Strategic Objectives



# H1 2016 in summary

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Strong financial performance; ongoing sustainable profitability, capital generation and further improvement in asset quality



Market leading franchise with customer first strategy and investment in digital and innovation driving the commercial agenda



Robust capital generation; further payment of €1.8bn to the State



Well positioned for future challenges and opportunities in a growing economy

# Profitable and strong capital generation

H1 2016 financial highlights

## Profit before tax

**€1.0bn**  
€1.2bn in H1 2015

- Strong sustainable underlying profit
- Enhanced by provision writebacks and one-offs

## Net Interest Margin<sup>(1)</sup>

**2.08%**  
16bps increase in H1 2016

- Positive upward NIM trajectory to 2.08% from 1.92%
- Stable asset yields; lower funding costs

## Impaired loans

**€11.3bn or €5.9bn net<sup>(3)</sup>**  
€1.8bn reduction on Dec '15

- Continued reduction in impaired loans
- Primary restructuring period concluding

## CET1 ratio<sup>(2)</sup>

**13.3%**  
30bps higher than Dec'15

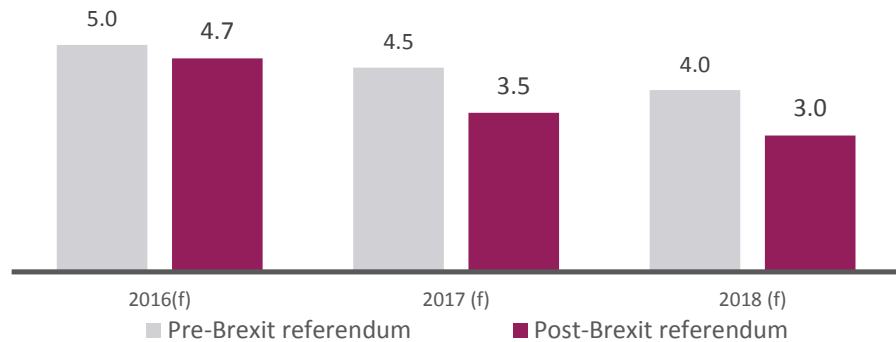
- Strong capital ratios
- Comfortably above regulatory requirements
- Generating significant capital; payment of €1.8bn to the State on the maturity of the CoCo<sup>(4)</sup>

(1) Excludes Eligible Liabilities Guarantee (ELG)  
(2) Fully loaded CET1 ratio  
(3) Net of specific provisions  
(4) Contingent Capital Notes

# Improving economy in H1 2016; challenges remain

## Growth momentum despite Brexit

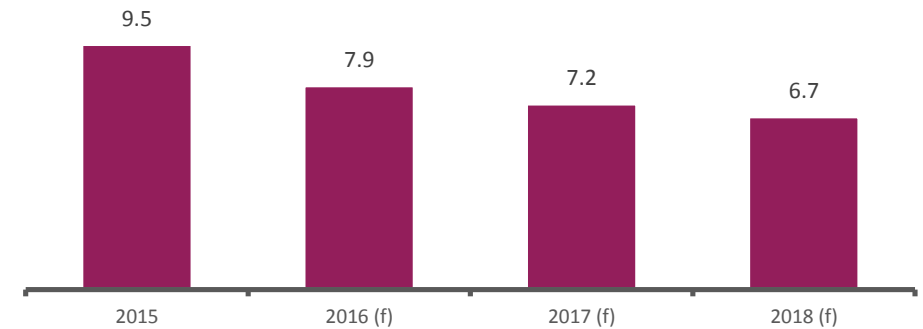
ROI GDP (% change in real terms) forecasts pre- and post- Brexit referendum



AIB Economic Research Unit

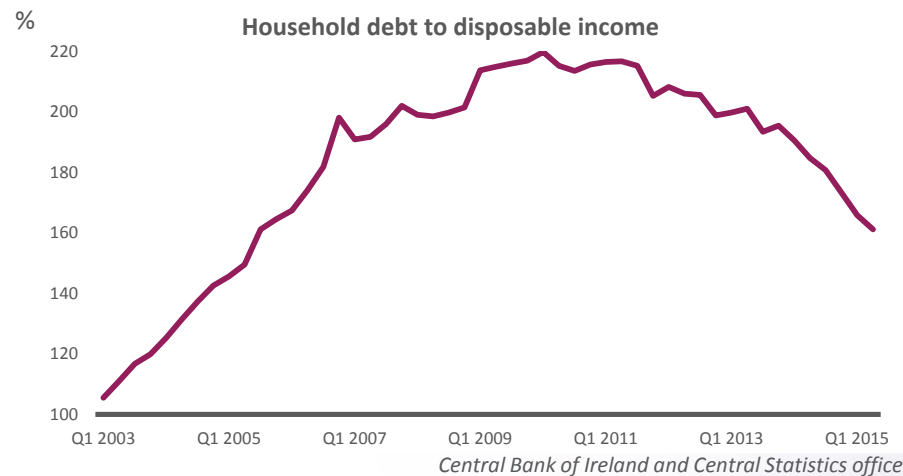
## Unemployment rate falling, strong jobs growth

Average Unemployment rate (%)



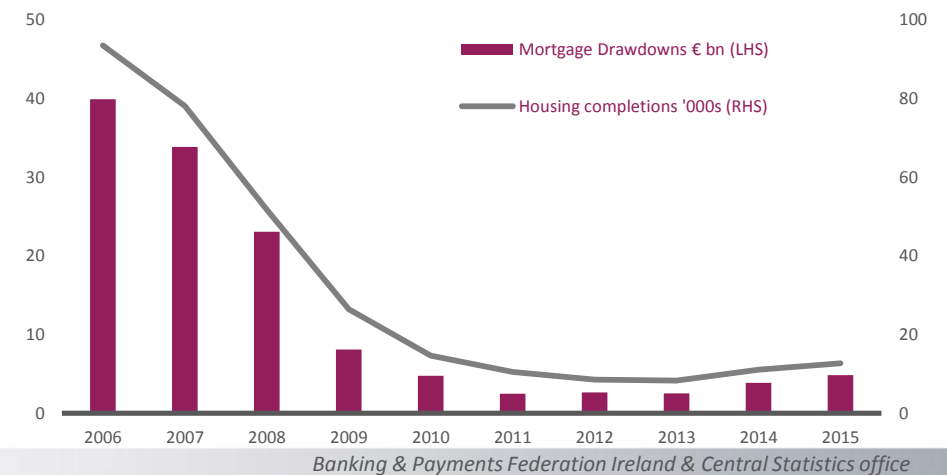
AIB Economic Research Unit

## Household debt at 2005 levels



Central Bank of Ireland and Central Statistics office

## Housing completions recovering from record lows



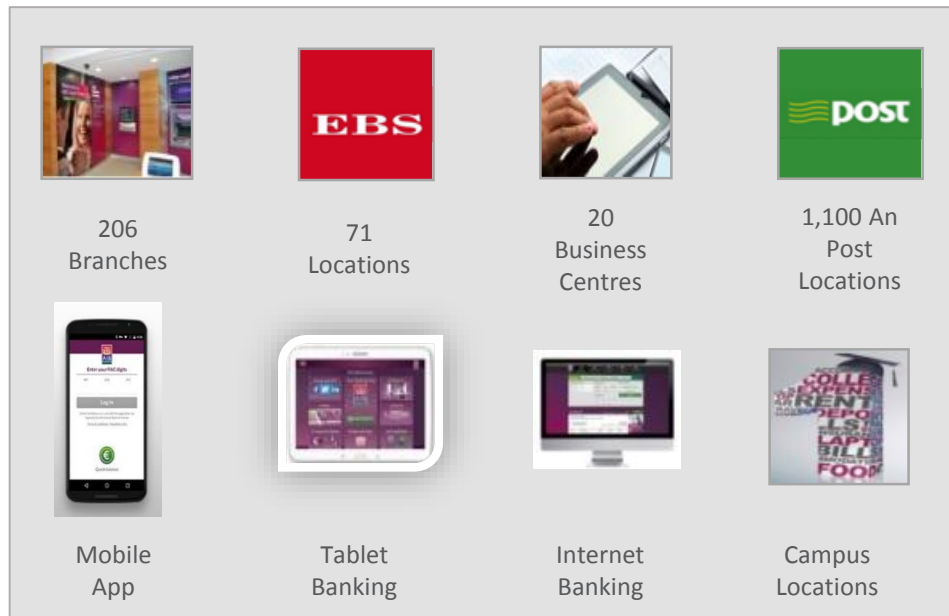
Banking & Payments Federation Ireland & Central Statistics office



# Customer first strategy driving the commercial agenda

## Leading omni-channel and digital offering

- Largest distribution network in Ireland supported by digital innovation
- Reconfiguration of the physical franchise into 'Local Markets Model'

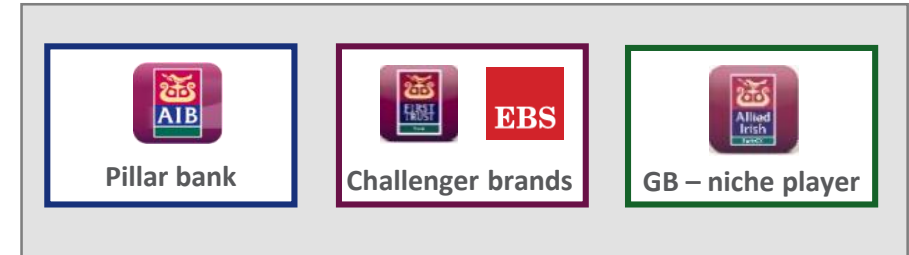


COMPLETE

CONSISTENT

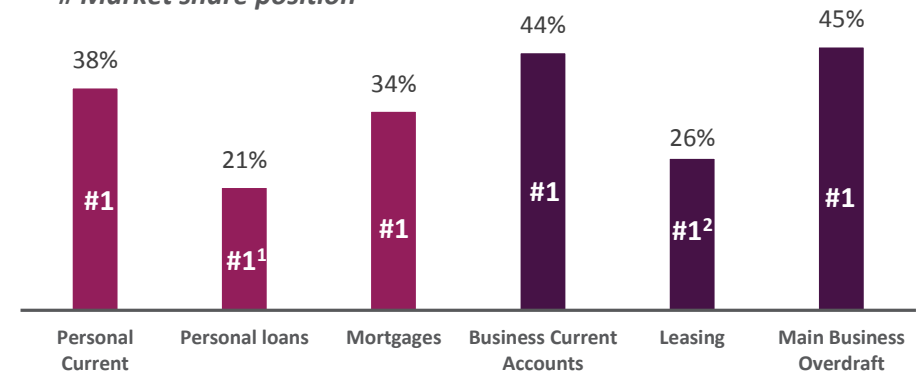
CONNECTED

## Strategic multi-brand and proposition approach



## Leading market shares in Ireland

# Market share position\*



\*Source: Ipsos MRBI, AIB Market Pulse Tracker Q3 2015 – Q2 2016 rolled

Customer First

Simple & Efficient

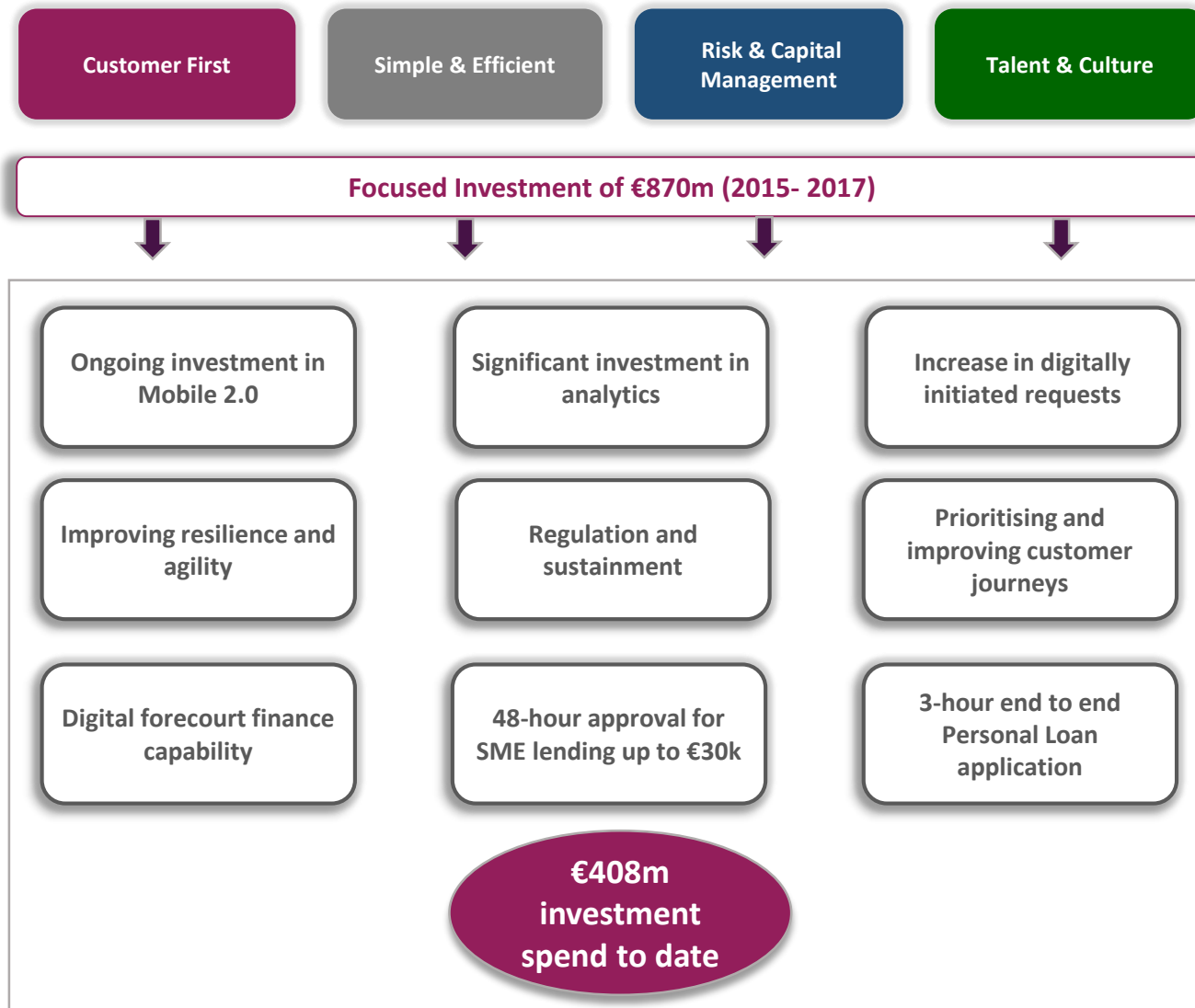
Risk & Capital  
Management

Talent & Culture

(1) Amongst banks  
(2) Main Business Leasing Agreement



# Investment delivering on strategic priorities



## Delivering tangible outcomes

- Over 1 million online users
- 578,000 active mobile users
- 95% of customer transactions are automated
- 76% of personal loan applications now through digital channels
- Market share of personal loans increased to 21% from 15%
- 53% of all credit card sales now through digital channels

## Transforming Customer Experience

AIB NPS Q4  
2014

16

AIB NPS Q2  
2016

38

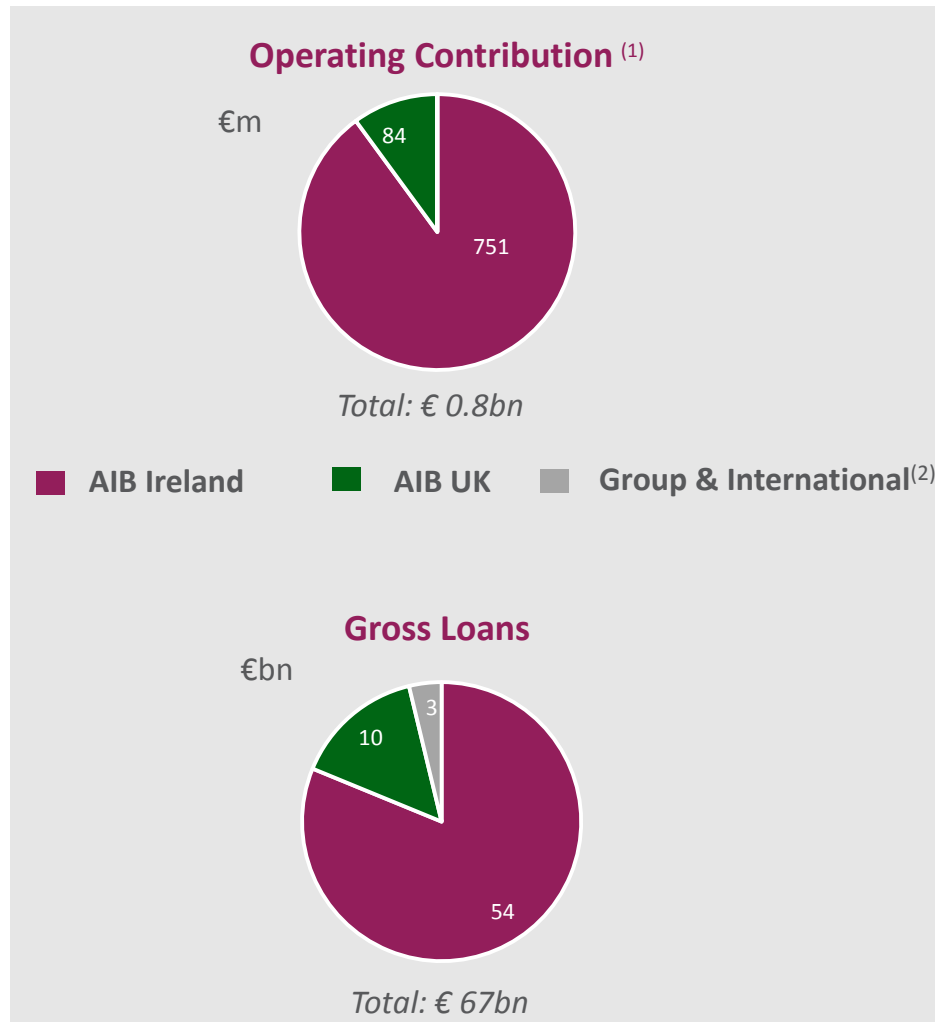
Increasing Net Promoter Scores





# Strong franchise in Ireland with retail and business focus

## Segment overview



### AIB Ireland – well positioned for growth

- Ireland's leading franchise bank with continuous development of customer propositions
- Omni-channel distribution with No.1 physical presence and highest digital adoption
- Largest mortgage player with multi-brand approach and market leading pricing
- Product and delivery innovation driving market share gains in personal lending
- No.1 bank for SMEs and start-up businesses
- Sector approach to business and corporate banking delivering strong market shares

### AIB UK – Niche, low risk business

- Sector specific and niche service offering to OMBs<sup>(3)</sup> in GB; targeting a core personal market with selective business customers in NI
  - Continuing to develop UK strategy
- Brexit likely to bring economic challenges

### Group & International

- Central control and support functions
- Wholesale treasury activities
- Corporate business in Europe and USA

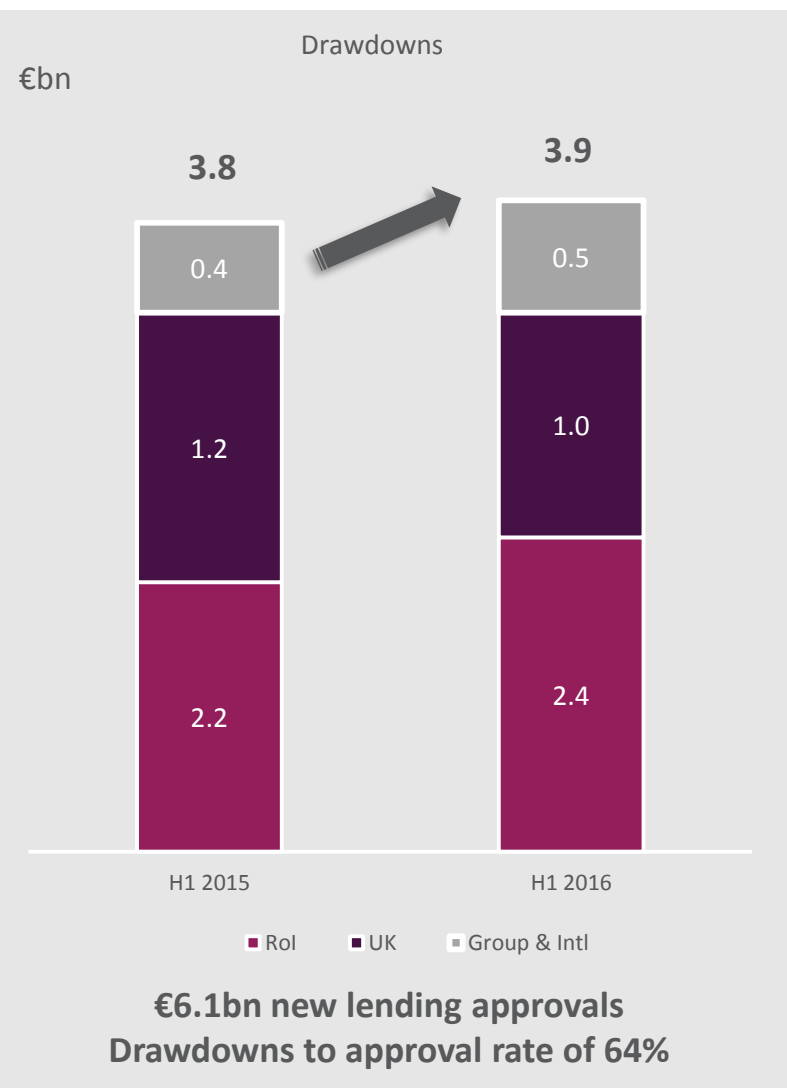
(1) Operating contribution before exceptional items

(2) Group & International operating contribution -€82m

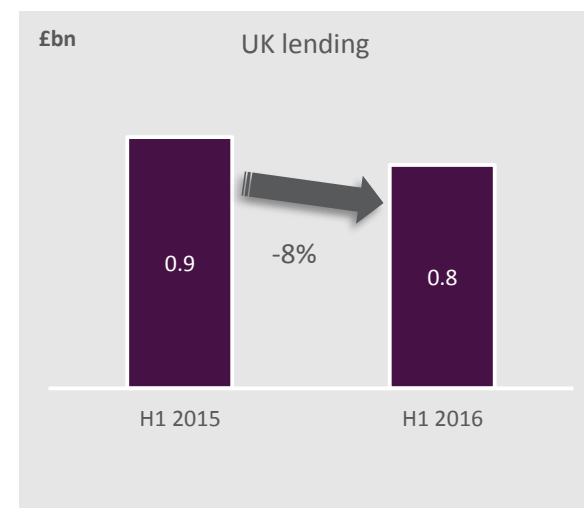
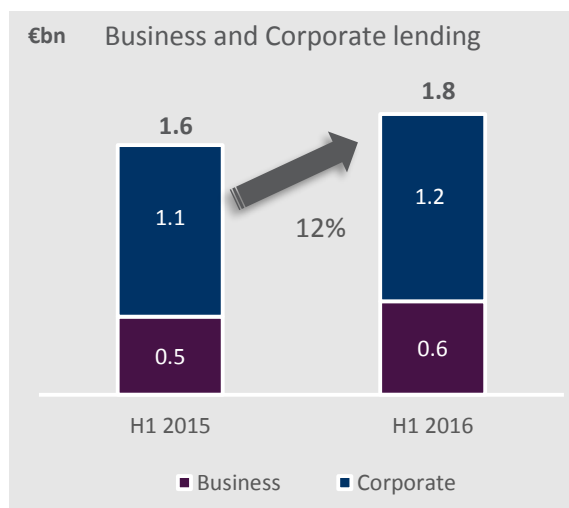
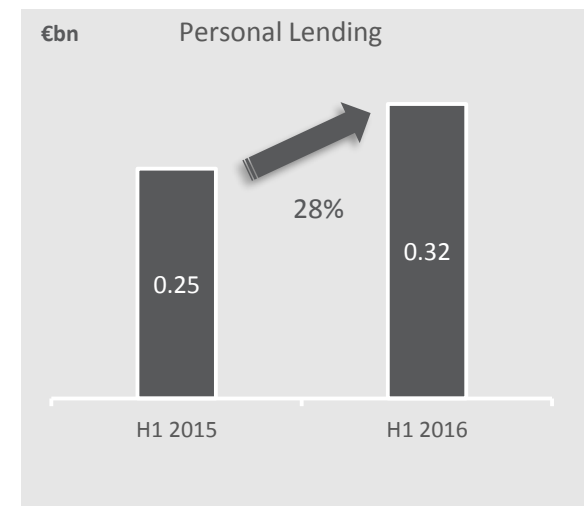
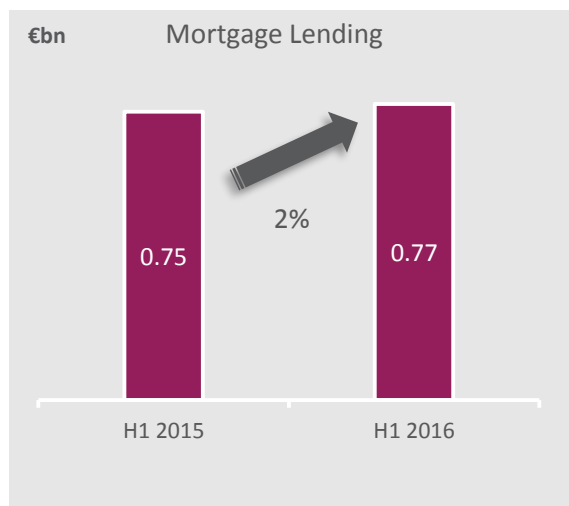
(3) Owner managed businesses

# Strategic propositions supporting lending growth

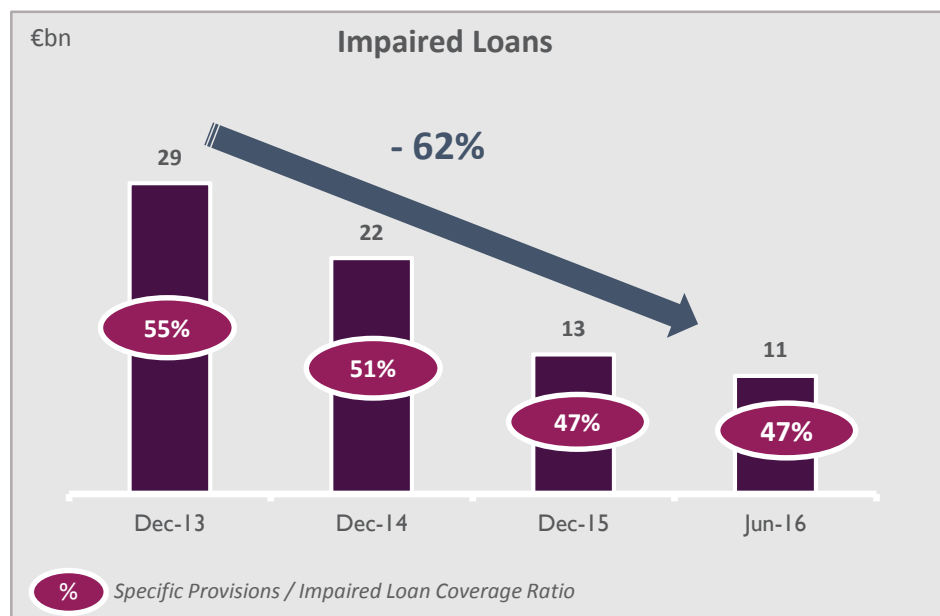
## Increase in new lending year on year



## Momentum across key sectors



# Progress on resolving legacy customer issues



## Overall Total Arrears\*

Early and late arrears

- 8%

## Owner Occupier Arrears\*

Early and late arrears

- 9%

\* by number of mortgage accounts in the six months to June 2016

## Delivering for customers in financial difficulty

- €18bn reduction in impaired loans to €11bn since Dec 2013
- Case by case restructuring of personal and business customers in financial difficulty
- Implementing sustainable solutions for customers who engage
- c. 37,000 forbearance solutions provided to mortgage customers
- €0.8bn impaired mortgages in 'probationary period'
- Owner occupier arrears > 90 days past due at 5.8% significantly below industry average at 8.0%
- Primary restructuring period concluding

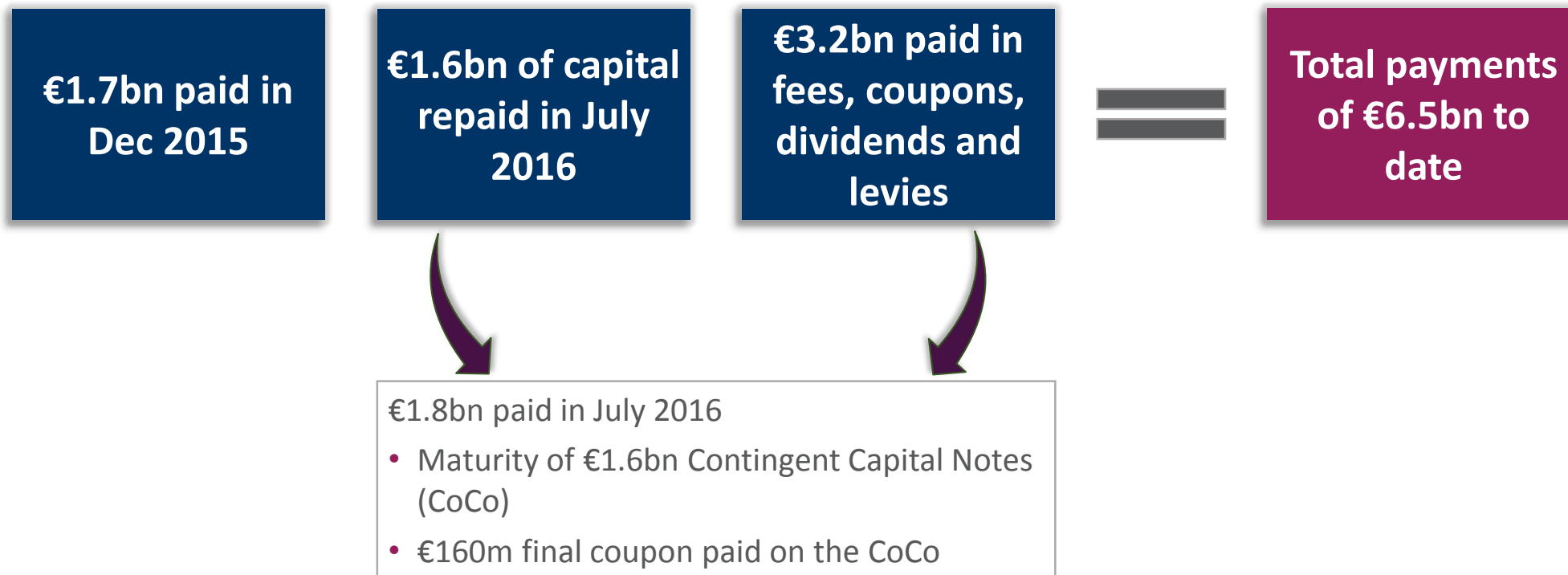
## Progress on industry tracker mortgage examination

- Ongoing mortgage review with independent external oversight on the process
- Provision created in December 2015
- Shortly commencing initial customer communication

# Substantial payments to the State

*Further capital repaid – €6.5bn in total payments to the State*

Regulatory approval for €3.5bn payments to State reflects strength of capital base



Well positioned to repay further capital to the State and return to private ownership over time



# Summary

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Sustainable profitable with strong capital base; delivering capital to the State



Continued reduction in impaired loans and improvement in asset quality



Leading market shares and growing new lending through customer first strategic priorities and a differentiated business model enhanced by digital innovation



Executing a clear strategy to deliver enhanced customer experience, improved efficiency and sustainable value accretion

**Focused on delivering sustainable performance through key levers**

Net interest  
margin

Cost income  
ratio

Capital

Return on equity



# Financial highlights

*Key performance metrics in line with expectations*

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Sustainable underlying profitability and positive net interest margin trajectory



Stable performing loan book in H1 driven by new lending, redemptions, restructuring and FX impact



Reduction in impaired loans; primary restructuring period concluding



Capital generative, strong capital stack and ratios

# Operating Performance





# Income Statement

Sustainable underlying profit of €0.5bn

Summary income statement (€m)	HY 2016	HY 2015	Change %
Net interest income	945	940	1%
Other income	295	409	-28%
Total operating income	1,240	1,349	-8%
Total operating expenses <sup>(1)</sup>	(677)	(646)	5%
Operating profit before provisions	563	703	-20%
Bank levies and regulatory fees	(48)	(2)	
Provisions	214	543	
Associated undertakings & profit on sale	24	17	
Operating profit before exceptionals	753	1,261	
Exceptional items	264	(26)	
Profit before tax from continuing operations	1,017	1,235	

- Operating income of €1.2bn (H1 2015 €1.3bn)
  - net interest income marginally higher
  - net interest margin up 16bps to 2.08%; continued positive NIM trajectory
  - underlying other income stable excluding one-off benefits
- Operating expenses up €31m (+5%) due to planned business investment initiatives and wage inflation partially offset by lower headcount
- Net credit provision writebacks of €211m includes €103m new to impaired charge
  - primary restructuring period concluding

Metrics	HY 2016	HY 2015
Net interest margin (excluding ELG)	2.08%	1.92%
Cost income ratio <sup>(1)</sup>	55%	48%
Return on average ordinary shareholders' equity	13.6% <sup>(2)</sup>	16.8%
Return on assets	1.7%	1.6%

- ROE of 13.6% enhanced by net credit provision writebacks and one-off items

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

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

# Average balance sheet

Further NIM expansion due to lower funding costs and stable asset yields

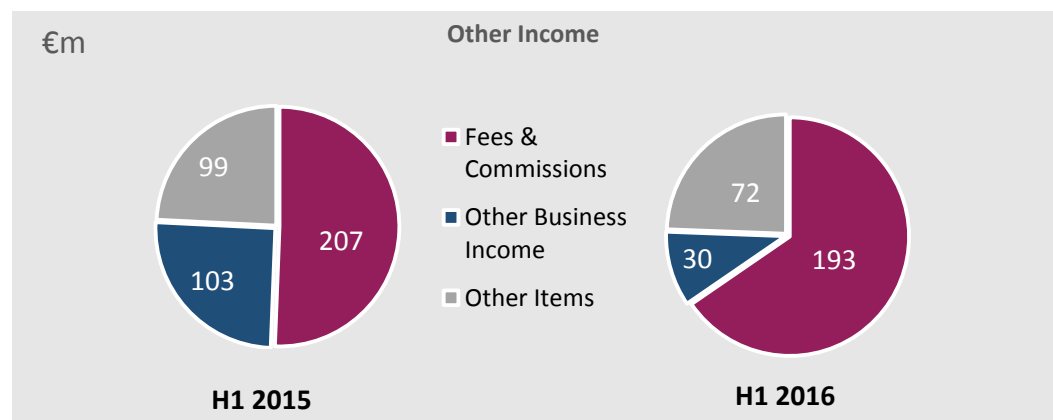
	Half year ended 30 June 2016			Half year ended 30 June 2015		
	Average balance	Interest	Average Rate	Average balance	Interest	Average Rate
	€m	€m	%	€m	€m	%
<b>Assets</b>						
Loans and receivables to customers	62,767	1,039	3.32	65,129	1,115	3.45
NAMA senior bonds	4,529	7	0.32	8,683	20	0.46
Financial investments AFS	15,168	158	2.09	19,625	258	2.65
Financial investments HTM	3,451	65	3.79	0	0	0
Other interest earning assets	6,215	12	0.37	7,200	11	0.32
Net interest on swaps	0	60			38	
Average interest earning assets	92,130	1,341	2.92	100,637	1,442	2.89
Non interest earning assets	8,023			7,632		
Total assets	100,153	1,341		108,269	1,442	
<b>Liabilities and shareholders' equity</b>						
Deposits by banks	10,951	(6)	(0.10)	16,944	5	0.06
Customer accounts	39,686	140	0.70	44,808	236	1.06
Subordinated liabilities	2,348	162	13.85	1,480	136	18.54
Other debt issued	7,684	91	2.36	7,466	108	2.93
Average interest earning liabilities	60,669	387	1.28	70,698	485	1.38
Non interest earning liabilities	27,114			25,726		
Shareholders' equity	12,370			11,845		
Total liabilities and shareholders' equity	100,153	387		108,269	485	
Net interest income excluding ELG <sup>(1)</sup>		954	2.08		957	1.92
ELG		(9)	(0.02)		(17)	(0.04)
Net interest income including ELG		945	2.06		940	1.88

- NIM<sup>(1)</sup> of 2.08%
- Maintaining spread between customer loans at 3.32% (H1 2015 3.45%) and deposits 0.70% (H1 2015 1.06%)
- NIM will continue to expand
  - Maturity of €1.6bn CoCo
  - NAMA Senior Bond redemptions
- Reducing AFS portfolio; average yield including HTM of 2.40% (H1 2015: 2.65%)
- Average interest earning assets decreased by €8bn to €92bn
  - NAMA senior bond redemptions
  - Lower net loans from redemptions and restructuring
- Positive NIM trajectory and on track for further expansion

(1) Net interest margin excluding ELG

# Other income

*Stable customer fees and commissions; lower treasury income*

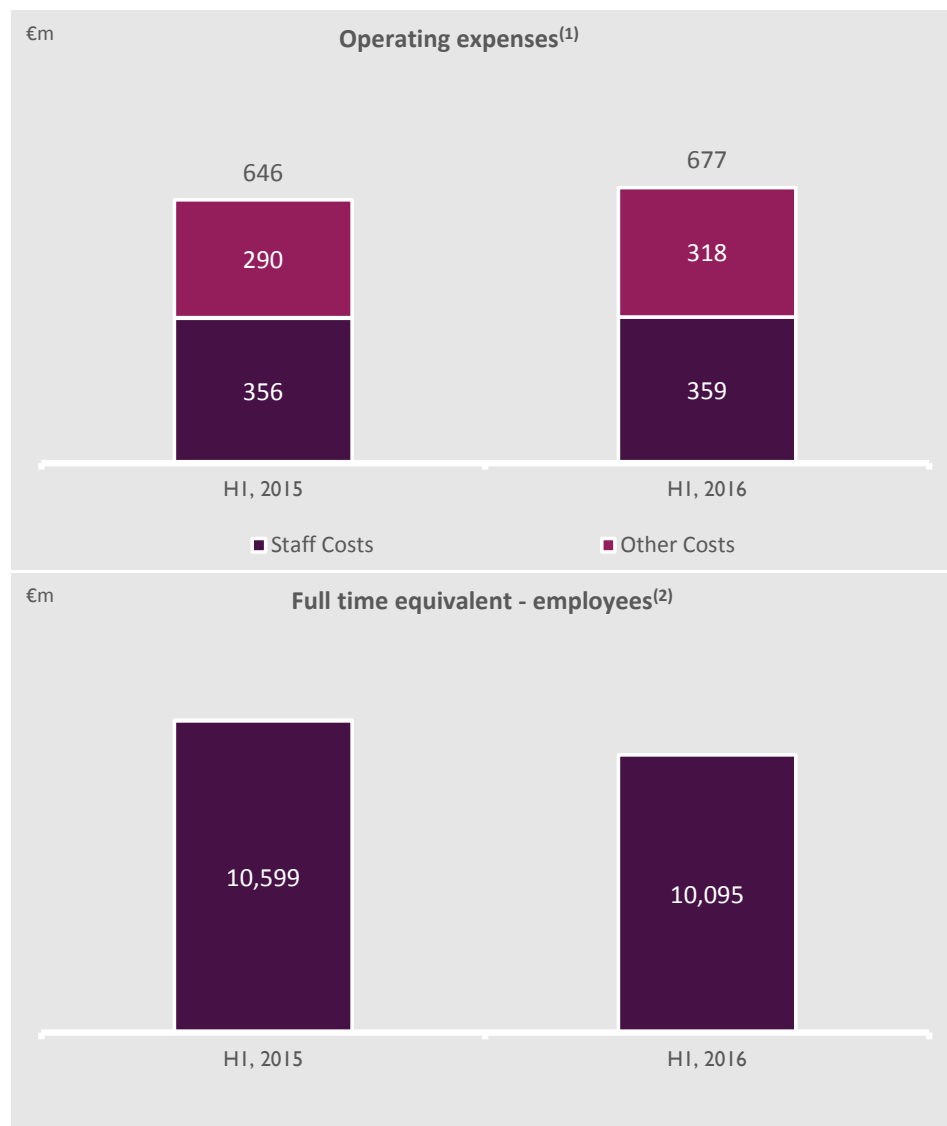


Other income (€m)	HY 2016	HY 2015	Change %
Net fee and commission income	193	207	-7%
Other Business Income	30	103	
<b>Business Income</b>	<b>223</b>	<b>310</b>	
Gains on disposal of AFS securities	22	51	
Re-estimation of timing of cashflows on NAMA bonds	10	4	
Settlements and other gains	40	44	
<b>Other items</b>	<b>72</b>	<b>99</b>	
<b>Total other income</b>	<b>295</b>	<b>409</b>	<b>-28%</b>

- Other income €295m (H1 2015 €409m)
- Stable net fee and commission income of €193m (H1 2015 €207m)
  - Increased customer activity in cards and wealth management in Ireland
  - - €14m impact primarily due to lower card interchange fees and FX impact
- Other business income €30m (H1 2015 €103m); lower in H1 2016 due to valuations on long term customer derivative positions
- Other items €72m (H1 2015 €99m) includes:
  - AFS disposals net gains of €22m (H1 2015 €51m)
  - other gains of €50m, mainly due to cashflows on previously restructured loans

# Costs

*Continued focus and management of cost while progressing on strategic investment programme*



- Operating expenses €677m +5%

## Factors impacting cost

- Staff costs flat and incorporate wage inflation; Outsourcing for future resilience
- Investing in strategic initiatives for growth and efficiency
- Continued investment in loan restructuring operations
- Increasing burden of regulatory compliance

## Investment in strategic programmes

- Focus on customer, digital innovation and information technology
- total investment programme €870m (2015 to 2017)
- €408m<sup>(3)</sup> invested to date to simplify processes, improve efficiency and transform the customer experience

## Disciplined cost management

- Significant reduction in cost base since 2012
- Medium term target of sustainable cost income ratio of <50%

(1) Excluding exceptional items & 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)	HY 2016	HY 2015
Operating profit before provisions	563	703
Bank levies and regulatory fees	(48)	(2)
Provisions	214	543
Associated undertakings & profit on sale	24	17
Operating profit before exceptionals	753	1,261

Total exceptional items (€)	HY 2016	HY 2015
Operating profit before exceptionals	753	1,261
Restitution & restructuring expenses	(20)	(12)
Gain on transfer of financial instruments	16	7
Profit on disposal of Visa Europe	272	0
Termination benefits	(3)	(13)
Other exceptional items	(1)	(8)
Profit before taxation	1,017	1,235

- Net credit provision writeback of €211m<sup>(1)</sup> mainly due to case by case restructuring of customers in difficulty
  - primary restructuring period concluding - higher numbers of residual complex cases at lower value
  - €103m (30bps) new to impaired charge compared to €163m (43bps) in H1 2015, due to ongoing slowing pace of migration in an improving economy
  - €214m net writeback of specific provisions
  - €100m IBNR release
- Provision writebacks expected to be lower in 2016 versus 2015
- Bank levies and regulatory fees €48m
  - Bank Levy in H2, estimated €60m
- Profit on Visa Europe transaction €272m
  - €188m cash
  - €19m deferred consideration
  - €65m fair value of preferred stock in Visa Inc

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

# Balance sheet & Asset quality



# Balance sheet

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

Balance Sheet	€bn	Jun-16	Dec-15	% Change
Gross loans to customers		67.0	70.1	-4%
Provisions		(5.9)	(6.9)	-14%
Net loans to customers		61.1	63.2	-3%
Financial investment AFS		14.9	16.5	-10%
Financial Investment HTM		3.4	3.5	-3%
NAMA senior bonds		3.2	5.6	-43%
Other assets		14.8	14.3	3%
<b>Total assets</b>		<b>97.4</b>	<b>103.1</b>	<b>-6%</b>
Customer accounts		61.6	63.4	-3%
Monetary Authority funding		2.5	2.9	-14%
Other market funding		5.6	11.0	-49%
Debt securities in issue		7.9	7.0	13%
Other liabilities		7.5	6.7	12%
<b>Total liabilities</b>		<b>85.1</b>	<b>91.0</b>	<b>-6%</b>
Equity		12.3	12.1	2%
<b>Total liabilities &amp; equity</b>		<b>97.4</b>	<b>103.1</b>	<b>-6%</b>

Key Funding Metrics	Jun-16	Dec-15
Loan deposit ratio (LDR)	99%	100%
Liquidity coverage ratio (LCR)	122%	116%
Net stable funding ratio (NSFR)	115%	111%
Transitional CET1 ratio	16.5%	15.9%
Fully loaded CET1 ratio	13.3%	13.0%
<b>€bn</b>		
Risk weighted assets (transitional)	56.5	58.5

## Assets

- Net loans €61.1bn (Dec €63.2bn)
- Stable performing loans, continued progress on restructuring and growth in new lending
  - new lending drawdowns of €3.9bn (H1 2015 €3.8bn) with AIB Ireland €2.4bn up 8%
  - redemptions €4.7bn
  - fx impact of €1.3bn
- Ongoing NAMA senior bond redemptions of €2.4bn since Dec 2015

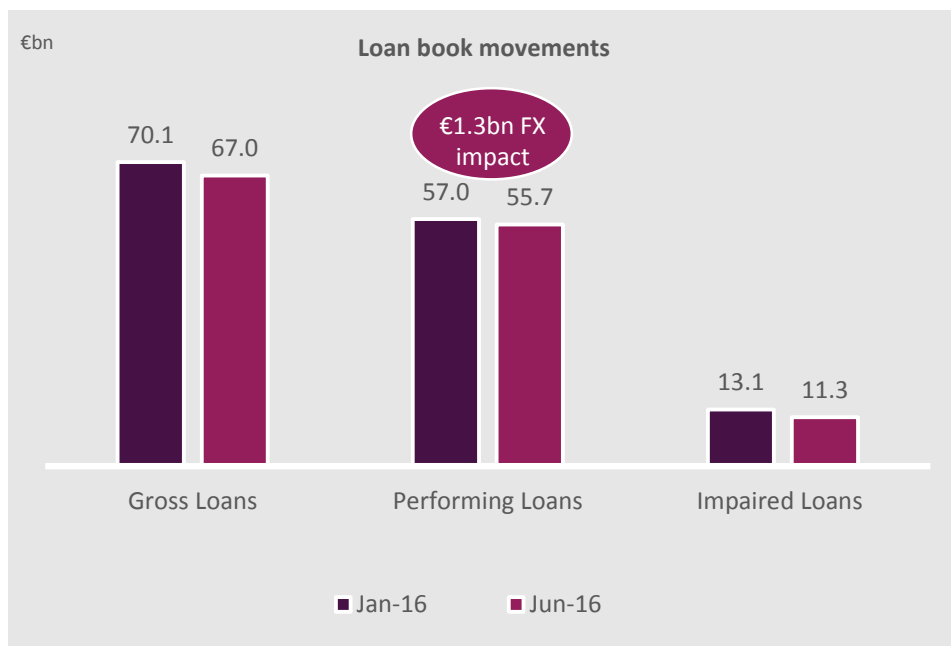
## Liabilities

- Customer accounts of €61.6bn (H1 2015 €63.4bn)
  - growing retail resources base; positive mix with increased demand deposits and current accounts (+€1.7bn) and lower term deposits (-€1.2bn)
  - reduction in Corporate deposits of €0.8bn; focus on strategic pricing and liquidity management
  - fx impact of €1.5bn
- Equity increase €0.2bn primarily due to
  - profit for H1 2016 €0.8bn
  - net pension deficit increase of €0.5bn

# Customer loans

New lending up 2% to €3.9bn, performing loan book stable

Customer loans (€bn)	Performing 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	3.9	0.0	3.9	0.0	0.0	3.9
New impaired loans	(0.3)	0.3	0.0	(0.2)	0.0	(0.2)
Restructures and writeoffs <sup>(1)</sup>	0.7	(1.3)	(0.6)	0.7	0.0	0.1
Redemptions of existing loans	(4.2)	(0.5)	(4.7)	0.0	0.0	(4.7)
Foreign exchange movements	(1.3)	(0.2)	(1.5)	0.2	0.0	(1.3)
Other movements	(0.1)	(0.1)	(0.2)	0.2	0.1	0.1
<b>Closing balance (30 June 2016)</b>	<b>55.7</b>	<b>11.3</b>	<b>67.0</b>	<b>(5.3)</b>	<b>(0.6)</b>	<b>61.1</b>



- Performing loan book stable on constant currency basis
- New lending of €3.9bn, up 2% compared to June 15
  - AIB Ireland new lending, up 8% to €2.4bn
  - new lending at higher grades and maintained margins
  - growing market share in key sectors against backdrop of market challenges - constrained Irish mortgage market and increased economic uncertainty in UK
  - given Brexit, cautious outlook for new lending for remainder of year
- Redemptions higher than new lending as deleveraging continues
- €0.7bn returned to performing status from restructuring activity

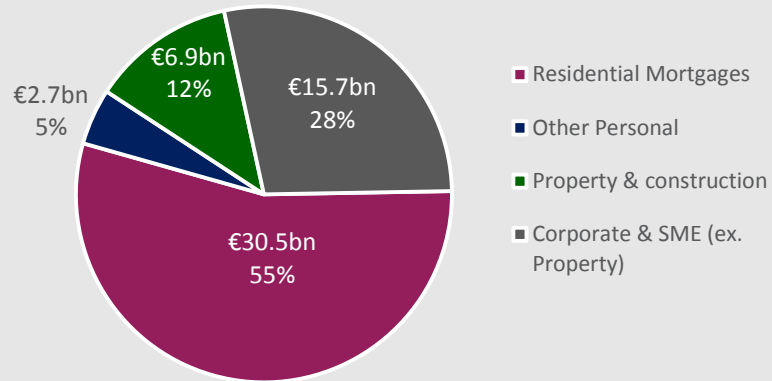
(1) includes non contractual writeoffs



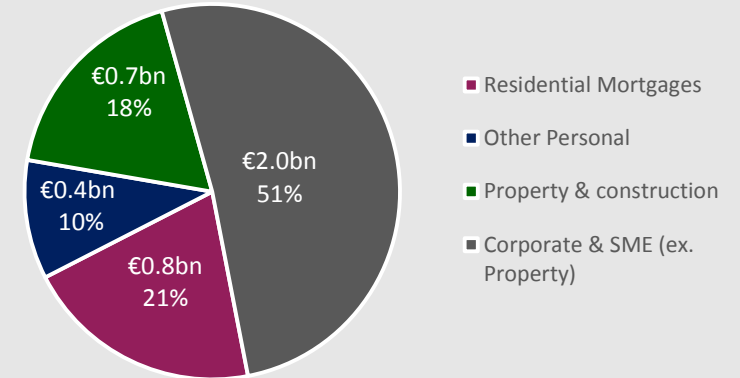
# Customer loans

*Corporate & SME driving new lending growth*

June 2016 – Performing loans €55.7bn



June 2016 – New lending €3.9bn



- Mortgages 55% of total performing loans
- Corporate & SME (ex. property) 51% of new lending
- New lending across ROI personal, corporate & SME portfolios exceeding or matching redemptions
- Positioned for increase in mortgage market activity

# Asset quality

Continued progress as impaired loans reduce across all sectors

Jun-16 €m	Residential Mortgages	Other Personal	Property and Construction	Non-property business lending	Total
Loans and receivables to customers	35,742	3,319	10,475	17,550	67,086
Impaired	5,263	639	3,530	1,833	11,265
Balance sheet provisions (specific + IBNR)	2,162	454	2,097	1,191	5,904
Specific provisions / impaired loans (%)	37%	64%	56%	55%	47%
Total provisions / total loans (%)	6%	14%	20%	7%	9%

Impaired loans net of  
specific provisions  
€5.9n

Dec-15 €m	Residential Mortgages	Other Personal	Property and Construction	Non-property business lending	Total
Loans and receivables to customers	36,818	3,512	11,532	18,301	70,163
Impaired	5,966	698	4,308	2,113	13,085
Balance sheet provisions (specific + IBNR)	2,322	535	2,649	1,326	6,832
Specific provisions / impaired loans (%)	34%	70%	57%	55%	47%
Total provisions / total loans (%)	6%	15%	23%	7%	10%

Impaired loans net of  
specific provisions  
€6.9bn

Year on year movements €m	Residential Mortgages	Other Personal	Property and Construction	Non-property business lending	Total
Impaired	(703)	(59)	(778)	(280)	(1,820)
Balance sheet provisions (specific + IBNR)	(160)	(81)	(552)	(135)	(928)

# Balance sheet provisions

*Working well within provision stock while maintaining coverage*

Balance sheet provisions movement (€m)	Residential Mortgages	Other Personal	Property & construction	Non-property business	Total
<b><u>Opening Balance sheet provisions 1 Jan 2016</u></b>					
Specific	2,045	486	2,475	1,152	6,158
IBNR	277	49	174	174	674
Balance sheet provisions	2,322	535	2,649	1,326	6,832
<b><u>Income statement - credit provision charge/writebacks</u></b>					
Specific	1	-32	-71	-9	-111
IBNR	-64	-4	-40	8	-100
Total	-63	-36	-111	-1	-211
<b><u>Balance sheet provisions - amounts written off / other</u></b>					
Total	-97	-45	-441	-134	-717
<b><u>Closing Balance sheet provisions 30 June 2016</u></b>					
Specific	1,950	409	1,965	1,013	5,337
IBNR	212	45	132	178	567
Balance sheet provisions	2,162	454	2,097	1,191	5,904

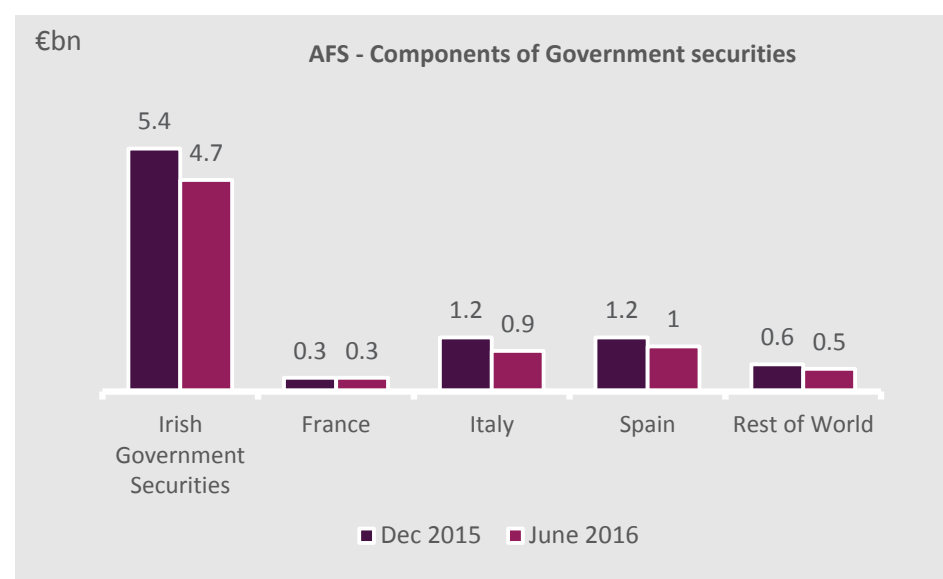
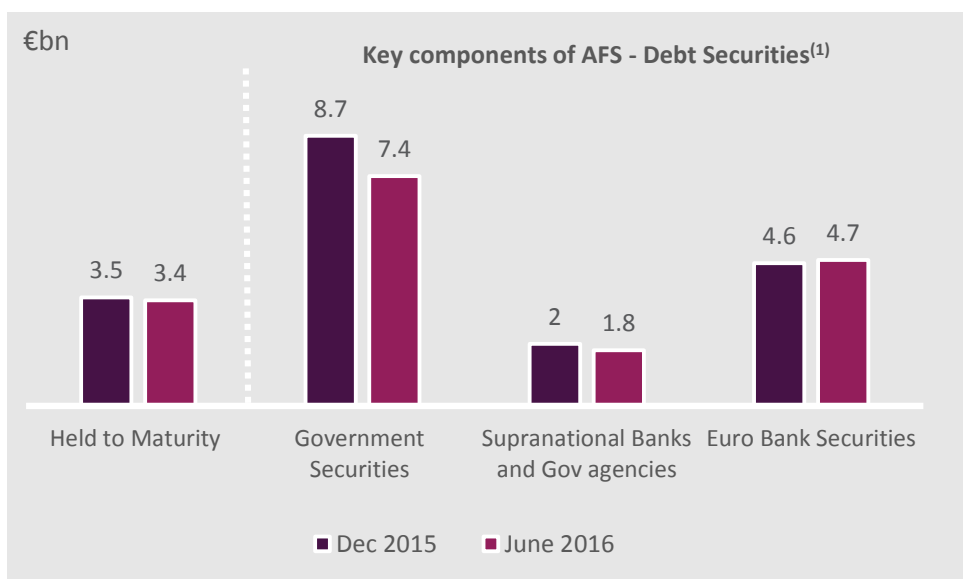
47%<sup>(1)</sup>  
coverage

47%  
coverage

(1) Provision coverage = Specific Provisions / Impaired loans

# Financial investments

€18.3bn portfolio of Financial investments including €3.4bn as HTM



## AFS and HTM - Debt Securities:

- €14.4bn debt securities
- Net gains from disposal of AFS debt securities in H1 2016: €22m
- Average yield on AFS and HTM of 2.40% (H1 2015 2.65%)
  - Declining yield over time
  - c. 75% of the book maturing < 5yrs
- Unrealised gains on AFS debt securities of c. €1.0bn
- Reduction of AFS in line with expected LCR requirements

## AFS - Equity Securities<sup>(2)</sup>:

- Equity securities available for sale €0.5bn decreased €0.2bn following Visa Europe transaction
- Unrealised gains on AFS equity securities of c. €0.4bn

(1) Excludes NAMA senior bonds of c. €3.2bn

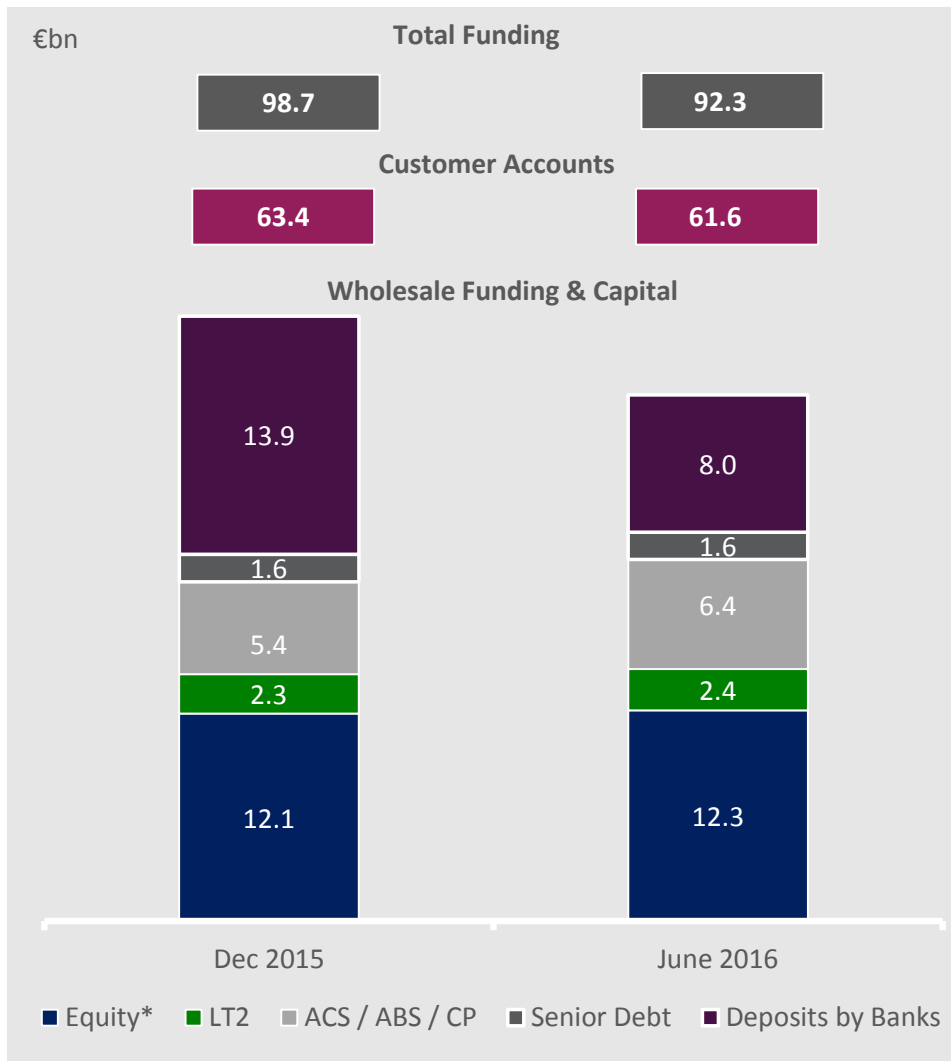
(2) Equity securities include NAMA subordinated bonds and Visa Inc preferred stock

# Funding & Capital



# Funding structure

Normal market participant



Key Funding Metrics	Jun-16	Dec-15
Loan deposit ratio (LDR)	99%	100%
Liquidity coverage ratio (LCR)	122%	116%
Net stable funding ratio (NSFR)	115%	111%

- Customer deposits
  - 67% of total funding
  - ongoing stable source of funds
  - LDR ratio 99%
- Wholesale funding
  - 7 year AIB Mortgage Banks ACS issuance €1bn
  - LCR 122% (minimum 70%, rising to 100% by 1 Jan 18)
  - NSFR 115% (NSFR scheduled to be introduced in Jan 18)
- MREL
  - discussions ongoing with the Resolution authorities around MREL indicative requirement

\*Equity includes AT1

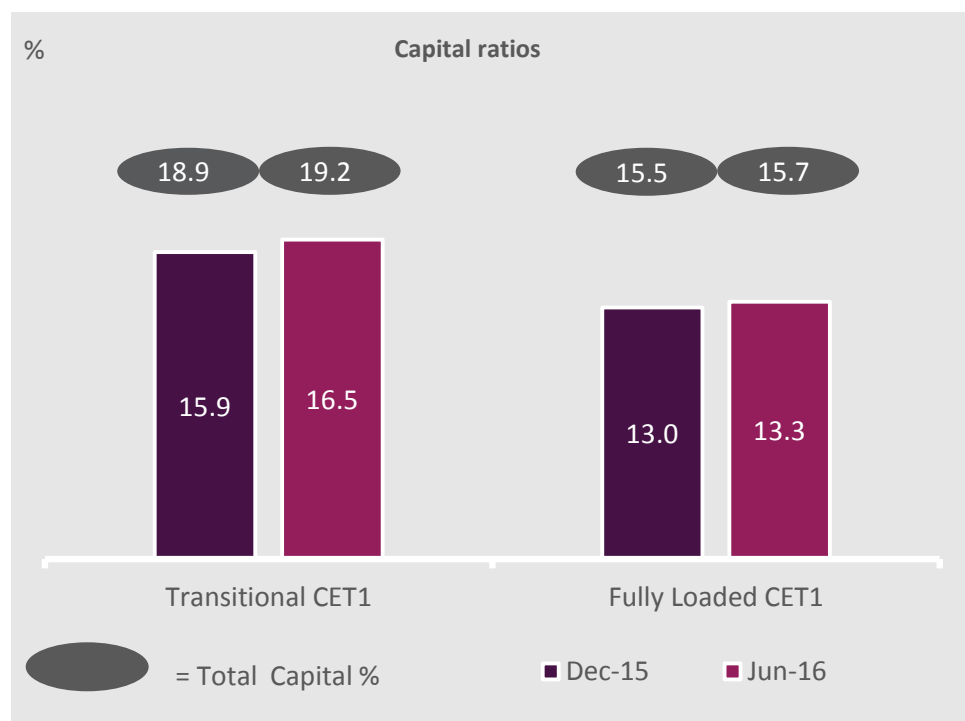
MREL: Minimum required eligible liabilities





# Capital ratios

Strong capital base with fully loaded CET 1 of 13.3% - normalised capital stack



## AIB Group - RWA (€m) (Transitional)

Risk Weighted Assets (€m)	30-Jun-16	31-Dec-15	Movement
Credit risk	50,574	53,596	(3,022)
Market risk	631	457	174
Operational Risk	3,874	3,139	735
CVA/Other	1,449	1,357	92
<b>Total Risk Weighted Assets</b>	<b>56,528</b>	<b>58,549</b>	<b>(2,021)</b>

- Capital accretive
  - profit after tax €0.8bn
  - offset by pension deficit increase €0.5bn
- Reorganised capital stack
  - LT2 €750m and AT1 €500m issuances December 2015
  - CoCo €1.6bn maturing July 2016
  - total capital on a fully loaded basis 15.7% (transitional 19.2%)
- RWA €56.5bn; reduction of €2bn primarily due to
  - credit risk decreased by €3bn due to restructuring activity, net redemptions and FX impact €1.4bn
  - operational risk up €0.7bn due to higher average 3 year income
- EBA stress test – results on 29 July 2016
  - static balance sheet at December 2015
  - benchmark approach
  - regulatory approved return of €1.7bn in December 2015 and €1.8bn to be paid on CoCo maturity to State

The capital position as at 30 June 2016 as outlined above does not include any deduction for future dividends on ordinary shares



# Normalised and well positioned

*Capital repayment facilitated by progress and momentum*

- Strengthened and simplified capital structure
- Sustainable profitability
- Path to normalised balance sheet
- Normalised funding market access
- Delivering a clear and focused strategy

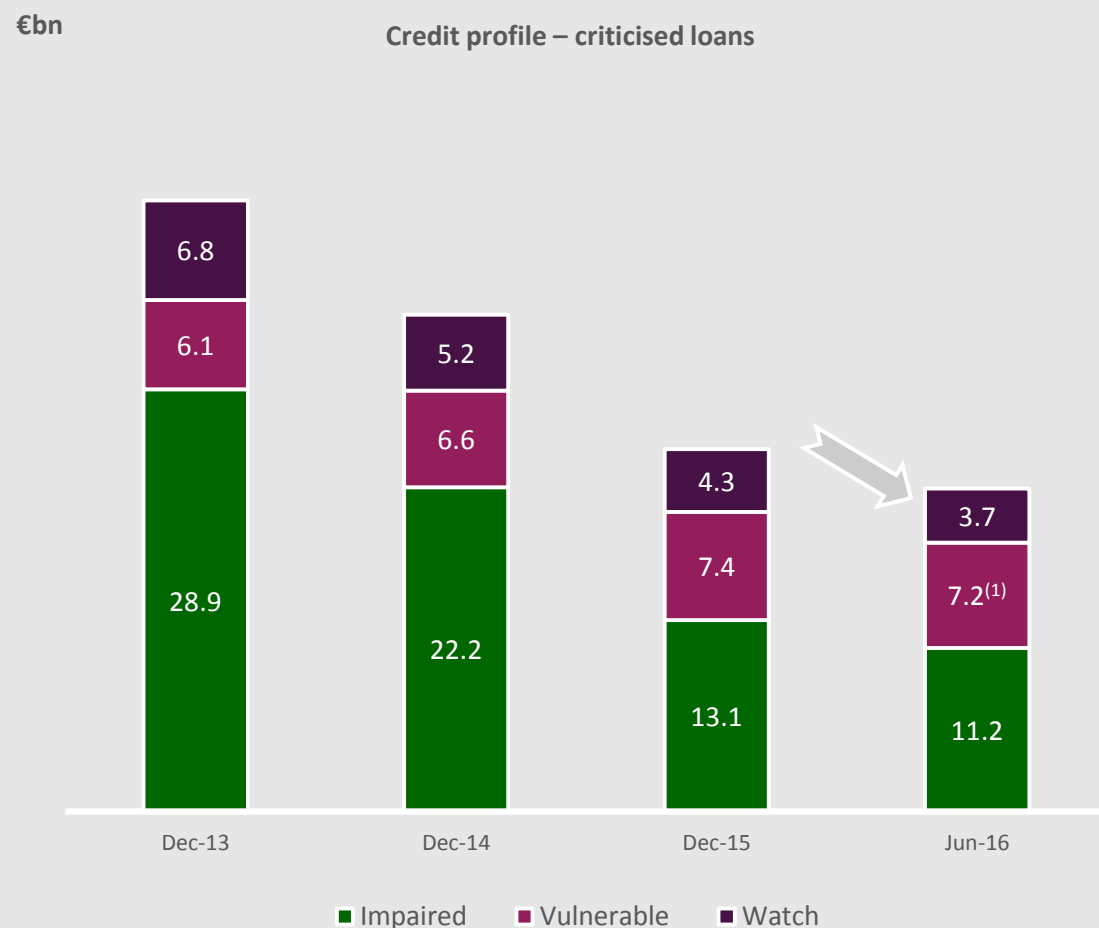


**€6.5bn of payments to the State**  
**Shareholder value creation**

# Appendix



# Criticised loans and definitions



(1) Includes upgrades from impaired as well as downgrades from watch

## Watch

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

## Vulnerable

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

## Impaired

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.

# Improving asset quality

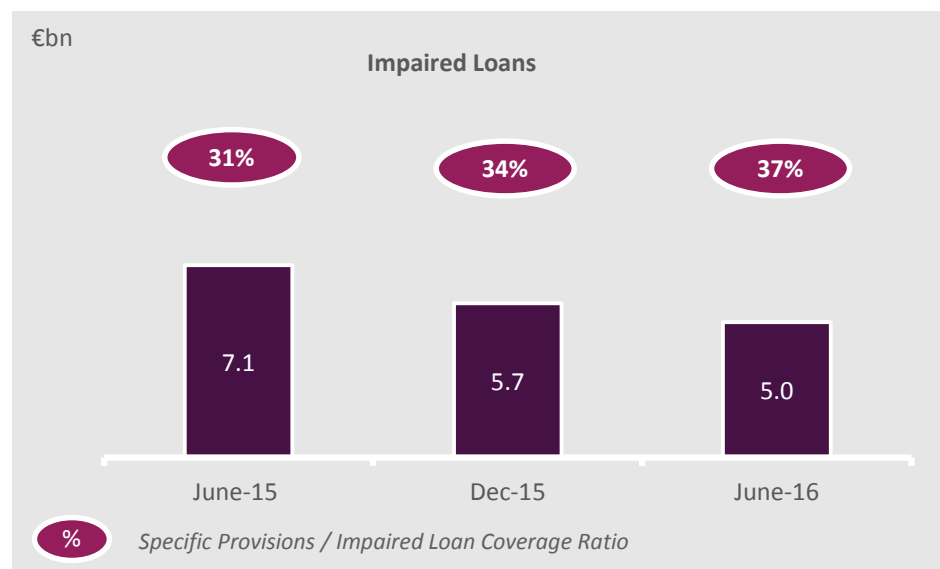
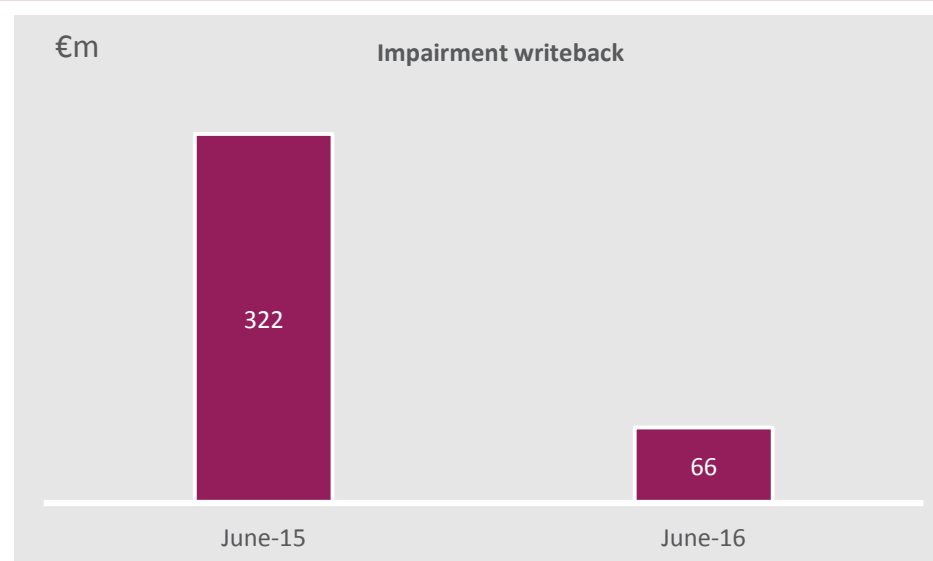
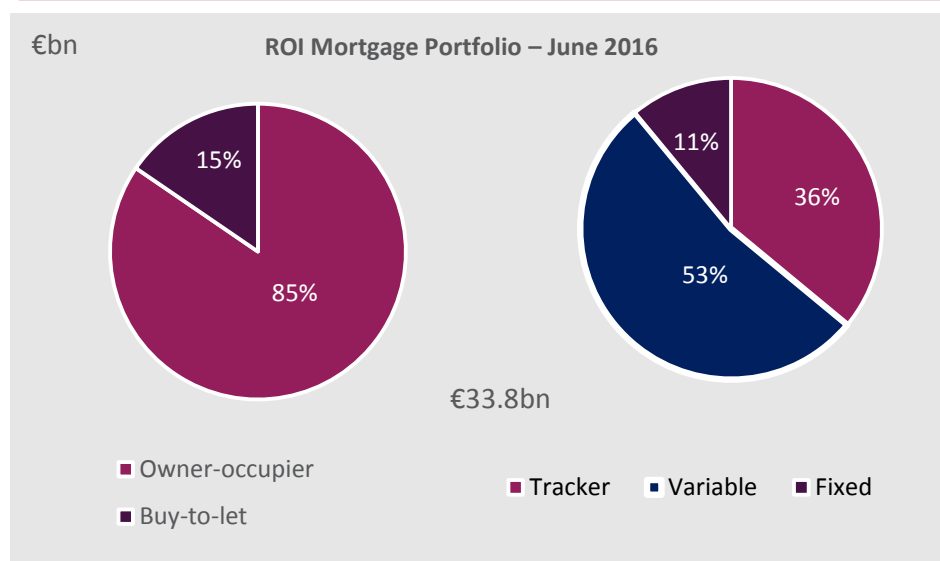
€m	Jun-16				Dec-15			
	Ireland	UK	Group & Intl	Total	Ireland	UK	Group & Intl	Total
Residential mortgages	33,765	1,977	0	35,742	34,456	2,362	0	36,818
<u>of which:</u> owner-occupier	28,547	1,715	0	30,262	28,880	2,048	0	30,928
<u>of which:</u> buy-to-let	5,218	262	0	5,480	5,576	314	0	5,890
Other personal	3,026	293	0	3,319	3,156	356	0	3,512
Property and onstruction	7,559	2,884	32	10,475	8,055	3,443	34	11,532
Non-property business lending	10,076	4,944	2,530	17,550	10,223	5,292	2,786	18,301
<b>Total</b>	<b>54,426</b>	<b>10,098</b>	<b>2,562</b>	<b>67,086</b>	<b>55,890</b>	<b>11,453</b>	<b>2,820</b>	<b>70,163</b>
Impaired loans	9,927	1,297	41	11,265	11,371	1,668	46	13,085
Balance sheet provisions	5,028	845	31	5,904	5,705	1,098	29	6,832
<u>of which:</u> Specific	4,536	781	20	5,337	5,109	1,027	22	6,158
<u>of which:</u> IBNR	492	64	11	567	596	71	7	674
Specific provisions / impaired loans	46%	60%	49%	47%	45%	62%	48%	47%
<b>Net Loans</b>	<b>49,398</b>	<b>9,253</b>	<b>2,531</b>	<b>61,182</b>	<b>50,185</b>	<b>10,355</b>	<b>2,791</b>	<b>63,331</b>

# Balance sheet provisions by segment

Balance sheet provisions movement (€m)	Ireland	UK	Group & Intl	Total
<b><u>Opening Balance sheet provisions 1 Jan 2016</u></b>				
Specific	5,109	1,027	22	6,158
IBNR	596	71	7	674
Balance sheet provisions	5,705	1,098	29	6,832
<b><u>Income statement - credit provision charge/writebacks</u></b>				
Specific	-100	-18	7	-111
IBNR	-104		4	-100
Total	-204	-18	11	-211
<b><u>Balance sheet provisions - amounts written off / other</u></b>				
Total	-473	-235	-9	-717
<b><u>Closing Balance sheet provisions 30 June 2016</u></b>				
Specific	4,536	781	20	5,337
IBNR	492	64	11	567
Balance sheet provisions	5,028	845	31	5,904



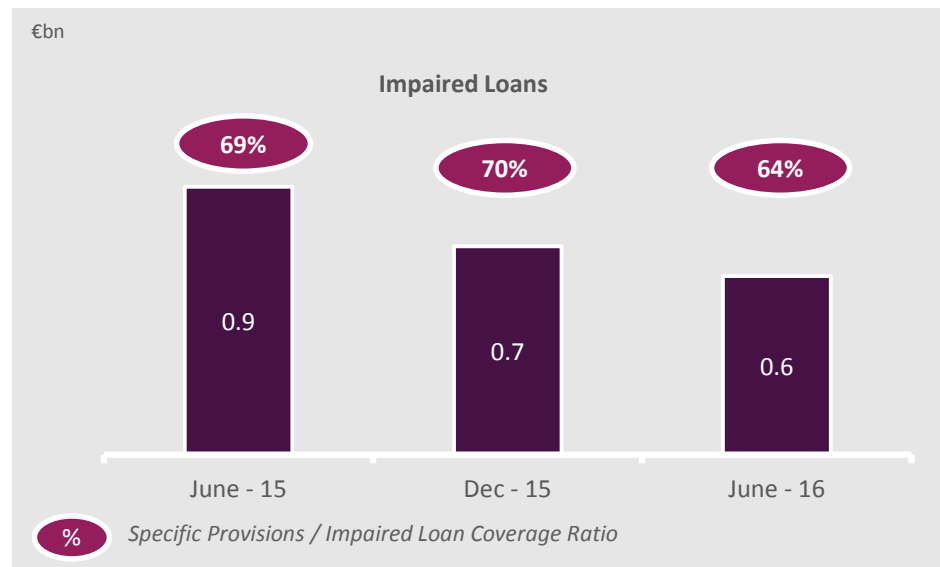
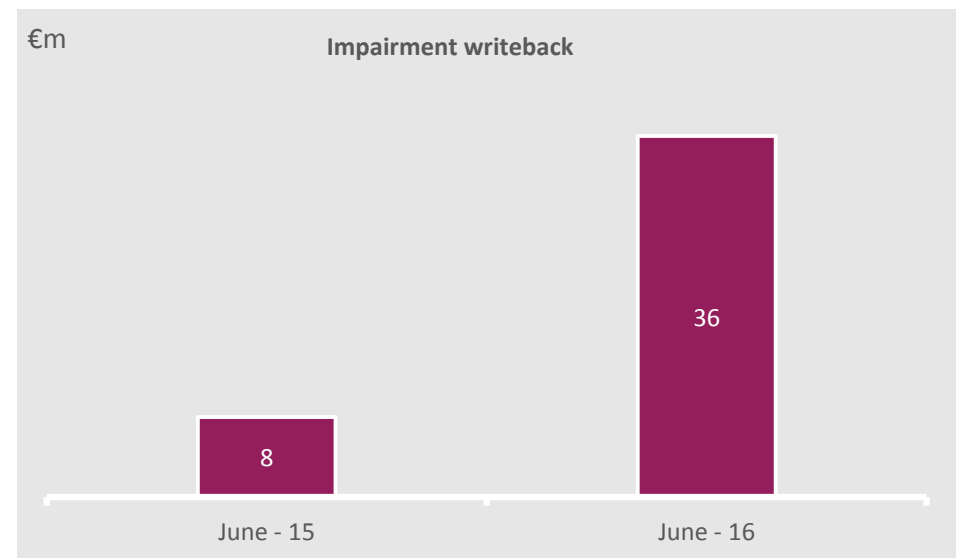
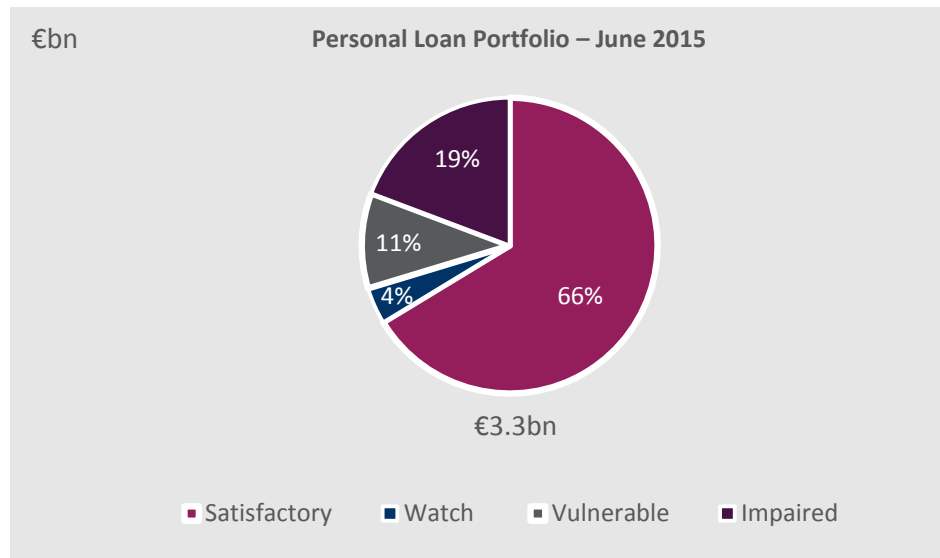
# ROI residential mortgages – arrears significantly lower



- 85% of the ROI mortgage portfolio is owner occupier and 15% is buy to let
- Arrears levels down 8%<sup>(1)</sup> ytd 2016 due to restructuring activity and improving economic conditions
  - Arrears owner-occupier down 9% ytd 2016
  - Arrears buy-to-let down 6% ytd 2016
- Impaired loans down €0.7bn since Dec '15 to €5.0bn mainly due to restructuring, write-offs and repayments through customer asset sales
- c. €0.8bn of forbore mortgages in 'probationary period'

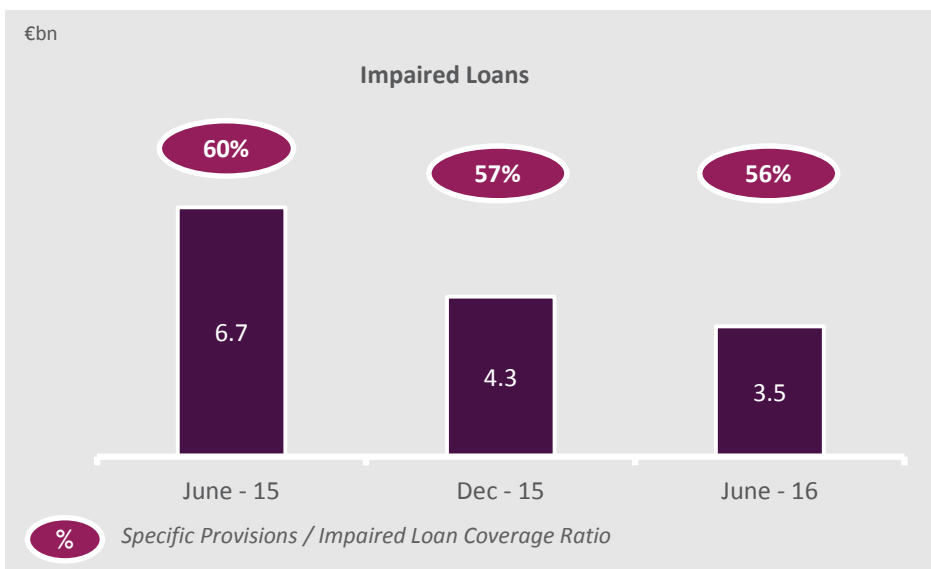
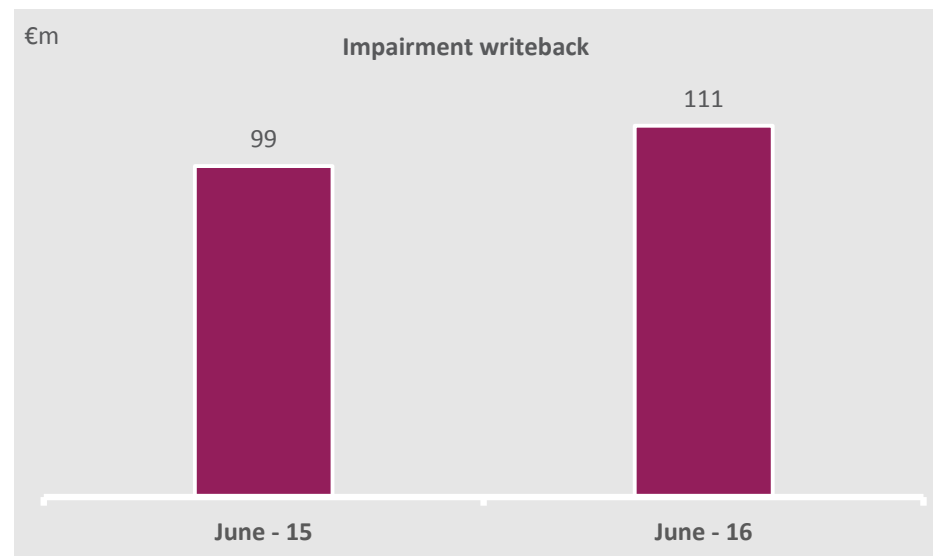
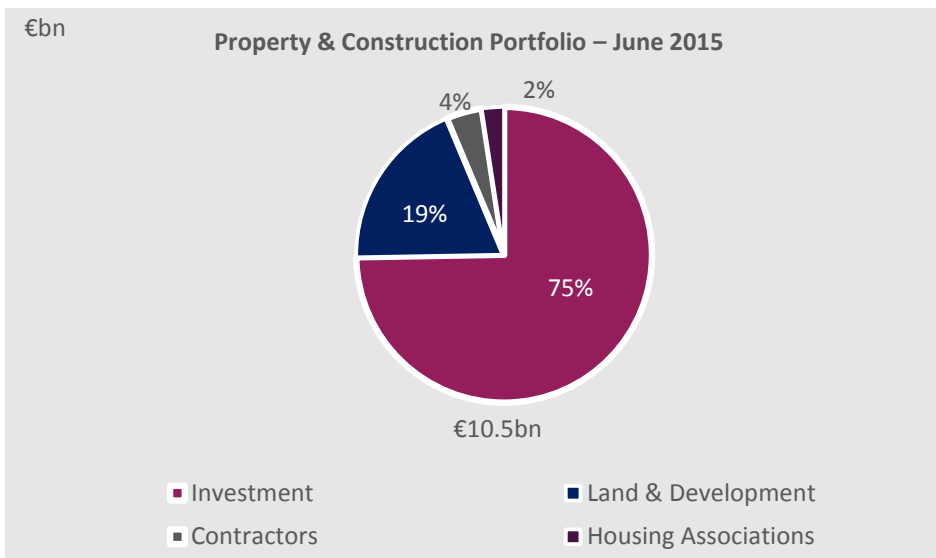
(1) Arrears by no of accounts

# Other personal



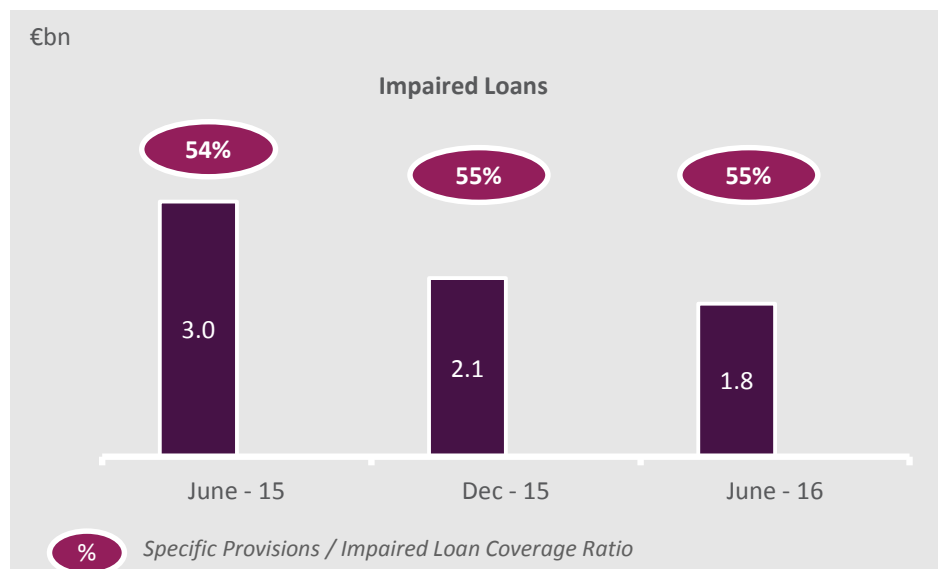
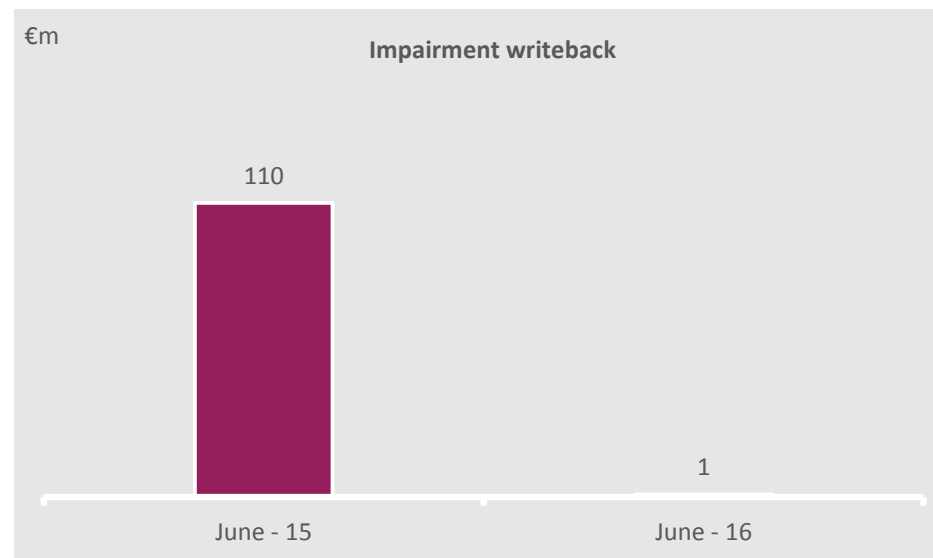
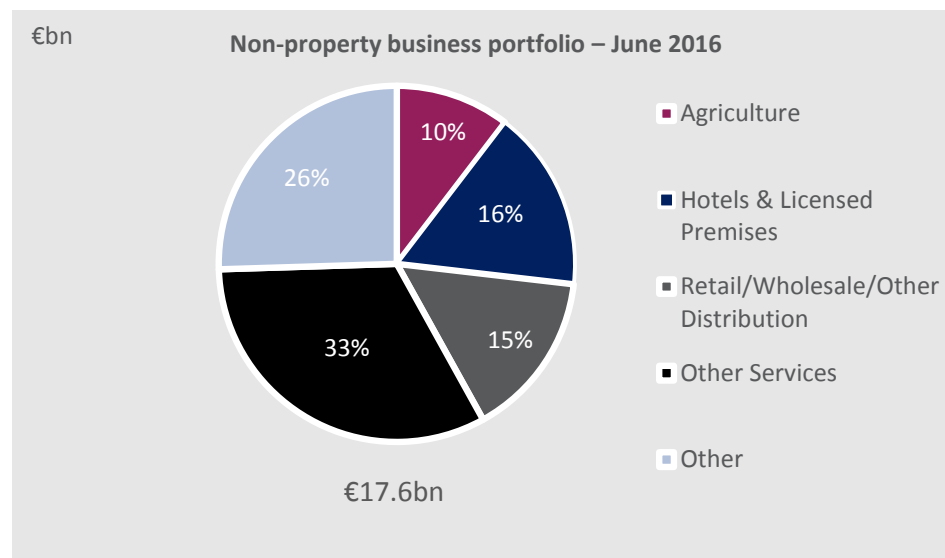
- Portfolio comprises €2.5bn loans and overdrafts and €0.8bn in credit card facilities
- Increase in new lending due to expanded product and proposition offering in an improved economic environment offset by restructuring and redemptions; total portfolio reduced by €0.2bn since Dec '15 to €3.3bn
- Slight decrease in specific provision cover 70% to 64%

# Property & construction



- Overall portfolio has reduced by €1bn (9%) since Dec' 15
  - €0.6bn due to restructuring activity, write-offs, amortisations and repayments
  - €0.4bn due to fx impact
- Investment Property (75% of the total portfolio) reduced by €0.3bn to €7.8bn due to restructuring, asset sales and repayment of debt
  - €1.9bn of which is in the UK
- Impaired loans reduced by €0.8bn to €3.5bn in H1 2016
- Specific provision cover reduced from 57% to 56% to June 2016

# Non-property business



- Portfolio comprises Corporate and SME lending
  - 57% in Ireland and 28% in the UK
- 4% reduction year to date reflecting new lending offset by repayments and fx impact
- Performing loans increased to 90% of the portfolio (Dec 15: 88%)
  - upward grade migration reflecting improved economic conditions
- Impaired loans reduced by €0.3bn to €1.8bn in June 2016
- Specific provision cover remained stable at 55%

# ROI Mortgages – stock of forbearance

Forbearance type by mortgage	June 2016 - Total		of which: loans > 90 days in arrears and/or impaired		June 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	2,834	525	1,128	228	3,338	629	1,448	292
Reduced payment (greater than interest only)	1,154	270	643	151	1,400	315	781	181
Payment moratorium	553	85	237	35	682	95	314	44
Fundamental restructure	1,161	176	179	29	1,184	185	99	16
Arrears capitalisation	19,166	2,770	8,044	1,261	18,854	2,779	9,279	1,475
Term extension	5,250	591	531	74	5,781	638	582	73
Split mortgages	3,031	470	904	134	2,902	455	1,183	179
Voluntary sale for loss	770	49	342	36	693	48	348	37
Low fixed interest rate	1,424	225	164	29	1,250	197	109	20
Positive equity solution	1,399	153	98	10	1,240	136	99	11
Other	15	3	-	0	16	4	0	0
<b>Total</b>	<b>36,757</b>	<b>5,317</b>	<b>12,270</b>	<b>1,987</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
  - ongoing reduction of interest only forbearance
- Following restructure, loans are reported as impaired for a further 12 months (probationary period)
  - c. €0.8bn of forborne mortgages are in 'probationary period'
  - c. €0.3bn reduction in forborne >90 days in arrears and/or impaired loans in the period

# Non-mortgage – stock of forbearance

Forbearance Type by Non-Mortgage	Jun-16				Dec-15			
	Other Personal	Property and construction	Non-property business lending	Total	Other Personal	Property and construction	Non-property business lending	Total
	Balance €m	Balance €m	Balance €m		Balance €m	Balance €m	Balance €m	
Interest only	65	177	200	442	71	203	188	462
Reduced payment (greater than interest only)	12	58	41	111	14	38	37	89
Payment moratorium	76	6	13	95	51	5	14	70
Arrears capitalisation	20	43	42	105	23	43	64	130
Term extension	143	198	194	535	123	207	154	484
Fundamental restructure	53	911	532	1496	49	1089	498	1636
Restructure	293	599	609	1501	304	556	617	1477
Other	9	93	88	190	15	169	195	379
<b>Total</b>	<b>671</b>	<b>2,085</b>	<b>1,719</b>	<b>4,475</b>	<b>650</b>	<b>2,310</b>	<b>1,767</b>	<b>4,727</b>

- Non-mortgage forborne loans of €4.5bn at June 2016
  - mainly forborne loans in property and construction sector
- €1.7bn 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 €1.7bn with associated contractual secondary facilities of c. €3bn
  - €43m recognised in the year on secondary facilities following receipt of additional payments and updated cashflows



# 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	2.875% annually	2.33% annually	2.75% annually	0.625% annually	1.375% annually	0.625% annually	4.125% annually	7.375% semi- annual	0.875% annually

# AIB segment performance

Contribution statement (€m)	AIB Ireland		AIB UK (£m)		Group & International	
	Jun-16	Jun-15	Jun-16	Jun-15	Jun-16	Jun-15
Net interest income	685	665	90	104	144	133
Other income	229	231	21	36	40	129
<b>Total operating income</b>	<b>914</b>	<b>896</b>	<b>111</b>	<b>140</b>	<b>184</b>	<b>262</b>
Total operating expenses	(389)	(379)	(60)	(54)	(211)	(192)
<b>Operating profit before provisions</b>	<b>525</b>	<b>517</b>	<b>51</b>	<b>86</b>	<b>(27)</b>	<b>70</b>
Provisions	205	543	14	3	(9)	(4)
Bank levies and regulatory fees	0	0	(2)	(2)	(46)	
Other	21	15	3	1		
<b>Operating contribution</b>	<b>751</b>	<b>1,075</b>	<b>66</b>	<b>88</b>	<b>(82)</b>	<b>66</b>
<b>Euro Equivalent of AIB UK</b>			<b>84</b>	<b>120</b>		

Balance sheet metrics (€bn)	AIB Ireland		AIB UK (£m)		Group & International	
	Jun-16	Dec-15	Jun-16	Dec-15	Jun-16	Dec-15
Gross loans	54.4	55.8	8.3	8.4	2.5	2.8
<b>Net loans</b>	<b>49.4</b>	<b>50.1</b>	<b>7.6</b>	<b>7.6</b>	<b>2.5</b>	<b>2.8</b>
Financial Investments (AFS & HTM)					18.3	20.0
NAMA Bonds					3.2	5.6
<b>Customer accounts</b>	<b>50.3</b>	<b>50.2</b>	<b>8.7</b>	<b>8.6</b>	<b>0.7</b>	<b>1.5</b>

# Capital movements H1 2016

AIB Group - CRD IV Transitional Capital Ratios		
Risk Weighted Assets (€m)	30-Jun-16	31-Dec-15
Total Risk Weighted Assets	56,528	58,549
<b>Capital (€m)</b>		
Shareholders equity (excluding AT1)	11,851	11,654
Regulatory adjustments	(2,526)	(2,369)
Common Equity Tier 1 Capital	9,325	9,285
Additional Tier 1 Capital	494	494
Total Tier 2 Capital	1,040	1,269
Total Capital	10,859	11,048
<b>Transitional Capital Ratios</b>		
CET1 %	16.5%	15.9%
AT1%	0.9%	0.8%
LT2%	1.8%	2.2%
Total Capital %	19.2%	18.9%

AIB Group - Shareholders Equity (€m)	
<b>Equity - Dec 2015</b>	<b>12,148</b>
Profit 2016	823
Pension deficit change	(505)
Other	(121)
<b>Equity - June 2016</b>	<b>12,345</b>
<b>less AT1</b>	<b>(494)</b>
Shareholders equity	11,851

AIB Group - Fully loaded Capital Ratios		
Risk Weighted Assets (€m)	30-Jun-16	31-Dec-15
Total Risk Weighted Assets	56,688	59,058
<b>Capital (€m)</b>		
Shareholders equity (excluding AT1)	11,851	11,654
Regulatory adjustments	(4,311)	(3,979)
Common Equity Tier 1 Capital	7,540	7,675
Additional Tier 1 Capital	494	494
Total Tier 2 Capital	850	993
Total Capital	8,884	9,162
<b>Fully Loaded Capital Ratios</b>		
CET1 %	13.3%	13.0%
AT1%	0.9%	0.8%
LT2%	1.5%	1.7%
Total Capital %	15.7%	15.5%

The capital position as at 30 June 2016 as outlined above does not include any deduction for future dividends on ordinary shares