EMBARGO 07:00 **01 November 2023**

AIB GROUP PLC – Q3 2023 TRADING UPDATE (UNAUDITED)

Very strong Q3 performance driven by growth in revenue

"I am pleased to announce that the Group had a very strong third quarter performance continuing the momentum from the first half and we expect that to continue in the final quarter. Notwithstanding geopolitical uncertainty, AIB remains in a position of strength, delivering on our strategy and supporting our 3.2 million customers as well as the wider economy. 2023 is set to be a record year for the Group and we expect to deliver RoTE in excess of 20%. As we conclude the successful delivery of our three year strategy, we are now preparing for the next phase of the Group's development and remain committed to the creation of value for all our stakeholders and delivery of sustainable returns. We look forward to updating the market on our new medium-term targets and capital distribution plans in March 2024."

- Colin Hunt, Chief Executive Officer

Key highlights: ***(all comparisons to YTD September versus equivalent period 2022 unless otherwise stated)***

- Continued positive momentum in Q3 with very strong full year performance expected
- 2023 guidance revised upwards to expect:
  - Net interest income (NII) > €3.75bn and net interest margin (NIM) > 3%
  - Other income c. €850m
  - RoTE[(1)] in 2023 >20%
- Total income increased 70% supported by the higher interest rate environment
  - NII up 95%; NIM to September 3.08%
  - Other income increased 10%, increase of 8% in fee and commission income
- Costs[(2)] up 13% reflecting an enlarged Group, the wider inflationary environment and the introduction of variable remuneration
- Small net credit impairment writeback in Q3
- Gross loans up €5.6bn to €66.8bn (Dec 22: €61.2bn) driven by Ulster Bank loan book acquisitions
  - c. €4bn of Ulster Bank tracker mortgages migrated in Q3
  - New lending of €8.5bn; green lending of €1.7bn representing c. 20%
  - Mortgage market share 32.1% YTD[(3)]
- Strong and diversified funding: Customer accounts up €2bn to €104.4bn (Dec 22: €102.4bn); US$1bn bond issued in September
- Fully loaded CET1 of 16.2% (Jun 23: 15.7%) driven by strong organic capital generation and comfortably ahead of regulatory requirements
- Seven ESG bond issuances to date totalling €5.75bn

Financial Performance

The Group recorded a very strong financial performance in the first nine months and is set to deliver an exceptional full year outcome.

In the nine months to September NII increased by 95% versus the equivalent prior year period, reflecting higher loan volumes, increased interest rates and the slower than anticipated pace of deposit migration and associated interest expense, which we expect to evolve. In the first nine months we continued to increase the size and lengthen the duration of our structural hedge programme in order to reduce future NII sensitivity and volatility. NIM for September YTD was 3.08% versus H1 2023 of 2.94%. We expect NII of > €3.75bn and NIM of > 3% for FY 2023 which compares to our previous guidance of NII of > €3.6bn and NIM of > 2.90%.

Other income increased 10% on the equivalent prior year period with strong performances across most fee-based lines. Other income included non-recurring revenue in respect of forward contracts for the acquisition of Ulster Bank loan portfolios. We expect FY 2023 other income of c. €850m which compares to our previous guidance of c. €780m.

Operating costs were up 13% reflecting the enlarged Group, the impact of wage and general inflation and an allowance for limited variable remuneration payable in 2024. FTEs at end Q3 2023 were 10,502 (Jun 23: 10,133). We expect costs in FY 2023 to be c. €1.8bn with a CIR of c. 40%, inclusive of a c. €30m allowance for limited variable remuneration with further employee benefits to commence in 2024.

AIB acknowledges the increase in the bank levy following the publication of the Finance Bill 2023 and estimates an annual charge for 2024 of c. €100m which compares to an estimated c. €40m charge in 2023 (FY 2022: €37m). Regulatory costs and bank levies are expected to be c. €165m in 2023.

A small net credit impairment writeback was recorded in Q3. At this point, we remain vigilant to emerging risks and maintain our conservative, forward-looking and comprehensive ECL approach. For FY 2023 we expect a cost of risk (CoR) at the lower end of our 30-40bps through-the-cycle range.

Balance sheet

Gross loans of €66.8bn were up €5.6bn (Dec 22: €61.2bn) primarily driven by €4.7bn further migration of both Ulster Bank loan portfolios and new lending exceeding redemptions. NPEs were €2.2bn or 3.4% of gross loans (Dec 22: €2.2bn or 3.5%). We expect customer loans to grow by c. 10% in 2023 with the final tranche of Ulster Bank tracker mortgages expected to migrate early in 2024.

Total new lending for the nine months to September was €8.5bn, down 6% versus the equivalent prior year period.

New mortgage lending in Ireland was €2.8bn down 7% on the equivalent strong prior year period which included a high level of switching activity. Mortgage market share to September was 32.1%[3]. Personal lending was up 27% to €0.9bn reflecting our enlarged customer base and an increase in consumer credit demand. SME credit demand in Ireland remains subdued and new lending was in line with the equivalent prior year period.

New lending in Capital Markets decreased by 9% as growth in corporate banking and ECAI was offset by lower property lending reflecting reduced activity levels in the commercial real estate sector. New lending in AIB UK decreased by 13% compared to the equivalent prior year period.

We continue to support our customers with the transition to a lower-carbon economy. New green lending for the nine months to September was c. 20% of new lending and we are on track to deliver our €10bn climate action fund by the end of 2023.

Funding and Capital

AIB's balance sheet remains strong with ample and diversified funding. Customer accounts increased to €104.4bn (Dec 22: €102.4bn) with 77% in our Retail Banking segment (Dec 22: 74%). The mix between current accounts and deposits remains broadly unchanged from December 2022. The Group completed a number of MREL issuances this year including a €1bn social bond, a US$1bn bond and more recently a €750m green bond in October placing us comfortably ahead of our MREL target. The Group continues to have strong funding with September 2023 liquidity ratios of LDR of 62%, LCR of 187% and NSFR of 155%(4) which compare to 58%, 192% and 164% respectively at December 2022. The majority of our excess liquidity is deposited with the Central Bank of Ireland (€29.5bn) and Bank of England (€4.1bn).

The fully loaded CET1 at the end of September was 16.2% comfortably ahead of regulatory requirements. The primary driver of the increase since June (CET1: 15.7%) was strong organic capital generation which was partially offset by a dividend accrual(5).

Sustainability

Environmental:

- Having secured a Corporate Power Purchase Agreement with NTR plc in October 2022 to provide up to 80% of the Group's energy needs along with additional capacity for the national grid, work continues to bring these solar farms to operation in the near term
- The Group issued its fifth green bond in October 2023 raising €750m (total ESG bonds issued €5.75bn) helping to finance our €10bn climate action fund which is on track for completion by the end of 2023

Social:

- Introduction of healthcare benefits for all employees from January 2024 and from November 2023 support for carers with up to ten days paid leave per annum for staff who provide critical care for a dependent
- Launched the AIB Community €1 Million Fund 2023 to support 70 local charities; c. 16,000 nominations received from our customers, our people and members of the public

Governance:

- Having returned to majority private ownership in the first half, the State's shareholding was 45.96% at 16 October 2023
- Our remuneration policy was updated to reflect our intention to provide healthcare benefits from 2024 and variable remuneration based on performance in 2023, payable in 2024

Outlook

As we approach the end of our current strategic cycle, we have made significant progress on transforming the Group. With a supportive domestic economy and a changed operating environment, we are well-positioned for the future. We are now planning for the next strategic cycle and our focus will remain on supporting our customers, creating value for all our stakeholders and delivering sustainable returns. We look forward to updating the market with our new medium-term targets, including our capital distribution plans, on 6 March 2024 when we publish our full year 2023 financial results.

Guidance full year 2023

We anticipate 2023 to be an exceptionally strong year with a RoTE in excess of 20% and our updated guidance is as follows:

- NII is expected to be > €3.75bn with NIM > 3%
- Other income is expected to be c. €850m
- Costs are expected to be c. €1.8bn with CIR of c. 40%
- CoR expected to be at the lower end of 30-40bps through-the-cycle range
- Bank levies and regulatory fees are expected to be c. €165m
- Exceptional costs are expected to be c. €150m
- Customer loans are expected to grow by c. 10%

***

Analyst conference call

Colin Hunt, CEO and Donal Galvin, CFO, will host a conference call today at 08.30 GMT, details as follows:

CONFERENCE CALL

Republic of Ireland	+353 (0)1 436 0959
UK / International	+44 (0) 33 0551 0200
USA Local	+1 786 697 3501
Event Password:	AIB

Please dial in 5-10 minutes prior to the start time using the number / event password above

Note: Figures presented above may be subject to rounding

Abbreviations:
FTE: Full time equivalents
CIR: Cost income ratio
ECAI: Energy, Climate Action & Infrastructure
Liquidity metrics: Loan to deposit ratio (LDR); Liquidity coverage ratio (LCR); Net stable funding ratio (NSFR)

(1) RoTE = (PAT – AT1) / (CET1 @ 13.5% of RWAs)
(2) Costs before bank levies and regulatory fees and exceptional items
(3) Source: Mortgage drawdowns BPFI Sept 2023
(4) Subject to finalisation
(5) Article 2 Regulation (EU) No 241/2014 requires a foreseeable charge, being the maximum dividend pay-out ratio under the Group's internal dividend policy, to be deducted from equity

For further information, please contact:

Niamh Hore / Siobhain Walsh
Investor Relations
AIB Group
Dublin
Tel: +353-86-3135647 / +353-87-3956864
email: niamh.a.hore@aib.ie
siobhain.m.walsh@aib.ie

Paddy McDonnell
Media Relations
AIB Group
Dublin
Tel: +353-87-7390743
email: paddy.x.mcdonnell@aib.ie

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 Principal risks on pages 23 to 25 of the Annual Financial Report 2022 and updated on page 33 of the Half-Yearly Financial Report 2023. In addition to matters relating to the Group's business, future performance will be impacted by the Group's ability along with governments and other stakeholders to measure, manage and mitigate the impacts of climate change effectively, the impact of higher inflation on customer sentiment and by Irish, UK and wider European and global economic and financial market considerations. Future performance will further be impacted by the direct and indirect consequences of the Russia-Ukraine War on European and global macroeconomic conditions. 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 23 to 25 of the Annual Financial Report 2022 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.