



2 December 2020

AIB announces Outcome of its Strategic Review

AIB today announces the conclusion of a strategic review shaped by the acceleration in trends towards digital banking and changing ways of working through the Covid-19 pandemic.

AIB is updating on its medium-term targets to achieve over 10% reduction in costs by 2023. This will result in a revised annual cost base below €1.35 billion; an appropriate Common Equity Tier 1 (CET1) fully loaded capital ratio of more than 14%; and a sustainable Return on Tangible Equity (ROTE) of greater than 8%.

Reshaping our UK business, reducing our overall workforce, vacating three of our six Dublin head offices and merging overlapping branches in three urban locations are among the key measures we are announcing.

AIB is also exploring opportunities to enhance and diversify our revenue to become a full service provider of financial services for our customers. By filling product gaps, particularly in the Life, Pensions and Investment segments, AIB intends to offer customers a comprehensive range of savings and investment options at a time of sustained low interest rates.

The plan also prioritises the bank's digital capability to give customers even faster and more efficient access to products and services.

AIB CEO Colin Hunt said: *"Our plans are now in place to ensure AIB's long-term sustainability as a major supporter of Ireland's economy and our 2.8 million customers. Our strategic plan, which will be implemented over the next three years, has been influenced by the accelerating effect of Covid-19 on customers' preference for digital banking and emerging new trends in how and where our people work.*

"Our heightened focus on cost controls, the pursuit of new growth opportunities and our investment in digital innovation will enhance the range of financial services and products for our customers, while generating value for our shareholders and putting the bank on an even stronger footing to meet the challenges ahead," he added.

Following an examination of our business in Britain, AIB's future focus will be on lending to corporates in the renewable, infrastructure and manufacturing sectors - the bank will exit SME lending in Britain.

By 2023, the bank expects to employ 1,500 fewer people due to a combination of normal retirements, natural exits and voluntary severance. The bank is confirming that in early 2021 it is to re-open its voluntary severance programme which was paused in March 2020.

Since the outbreak of the pandemic, 80% of AIB's workforce has been working from home. In light of the proven capability and effectiveness of remote working, a lower headcount and the need to reduce costs, the bank has re-assessed its future head office requirements in Dublin which currently account for 50% of its total property costs.

AIB earlier this week completed the exit from its former headquarters at Bankcentre, Ballsbridge and will leave adjacent premises at Hume House on 31 December. It is planning to vacate a further three of its six remaining Dublin head office locations as leases come up for renewal over the next few years.

Covid-19 has rapidly accelerated customers' preference for digital banking and they are now interacting with our app more than 1.54 million times a day, compared with 40,000 daily branch visits. Branch services will further evolve towards sales and advisory. The bank has also seen a 27% increase in digital daily usage among customers aged over 65 and a 9% cent increase in digital adoption among the over 40s. Customers have increased their use of digital wallets by more than 90% year on year.

Due to service overlaps in three urban areas, the bank will merge a small number of branches, all in close proximity to one another in Dublin, Cork and Galway in the first half of next year. In Dublin, AIB's Westmoreland Street operations will move to its Dame Street branch; the Crumlin Cross branch to Crumlin Road and 52 Baggot Street to 1-4 Baggot Street. Eyre Square will move to Lynch's Castle in Galway; and Patrick Street branch to 66, South Mall, Cork. We will communicate details to our customers to ensure a seamless transition to the new arrangements.

Having invested €1.4 billion between 2015 and 2019, AIB has a modern, resilient and flexible digital IT architecture, positioning it as the market leader in digital banking, with the No. 1 Irish banking App. As a result, AIB has been well placed to serve its customers digitally during the pandemic as cash usage fell dramatically. AIB is confirming sustained investment of €300 million annually to improve functionality, customer experience and security.

Tackling climate change by lending to support lower carbon projects remains central to AIB's sustainability strategy. Green lending has been the fastest-growing part of the bank's loan book. Despite the economic shock caused by Covid-19, AIB has exceeded its target of €1 billion in new green lending this year.

The AIB CEO concluded: *"As one of Europe's best capitalised banks, the updated strategy we are announcing today will ensure that AIB remains resilient and adaptable so that we can continue to provide maximum support to our customers, our communities and the wider economy."*

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