

# Backing our Customers



Half-Yearly Financial Results 2020  
for the six months ended  
30 June 2020

AIB Group plc



# Forward looking statement

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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 40 to 43 in the Annual Financial Report 2019 and updated on pages 36 and 37 of this Half-Yearly Financial Report. 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 40 to 43 of the Annual Financial Report 2019 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.

Figures presented may be subject to rounding.

# H1 2020: pre-provision operating profit €0.4bn; loss €0.7bn



## **Effective COVID-19 crisis management - living our purpose of backing our customers**

- Swift and supportive action to protect our customers, colleagues and communities
- Multiple measures introduced to help customers through the peak of the crisis; c. 64,000 Retail Banking payment breaks implemented



## **Playing our role in aiding the economic recovery**

- €4.4bn of new lending; Retail Banking focused
- 36% increase in high quality green lending



## **Conservative, comprehensive and forward-looking approach to expected credit losses (ECL)**

- €1.2bn ECL charge in H1 2020 to substantially cover expected FY 2020 ECL charge



## **Strong capital base of CET1 16.4% or 15.6% post-TRIM 80bps indicative impact**

- Optimising changes in regulatory capital requirements; capital efficiency enhanced by successful AT1 issuance



## **Progressing strategy and planning ahead**

- Committed to medium-term targets with focus on cost base and other strategic initiatives



## **Maintaining focus on dealing with legacy issues**

- Closing out tracker mortgage examination; reduction and prevention of NPEs

# AIB strength and agility evident during Q2

## ■ Backing our customers when most needed

- Supporting cashflow needs
- Implementing payment breaks
- Postponement of fees

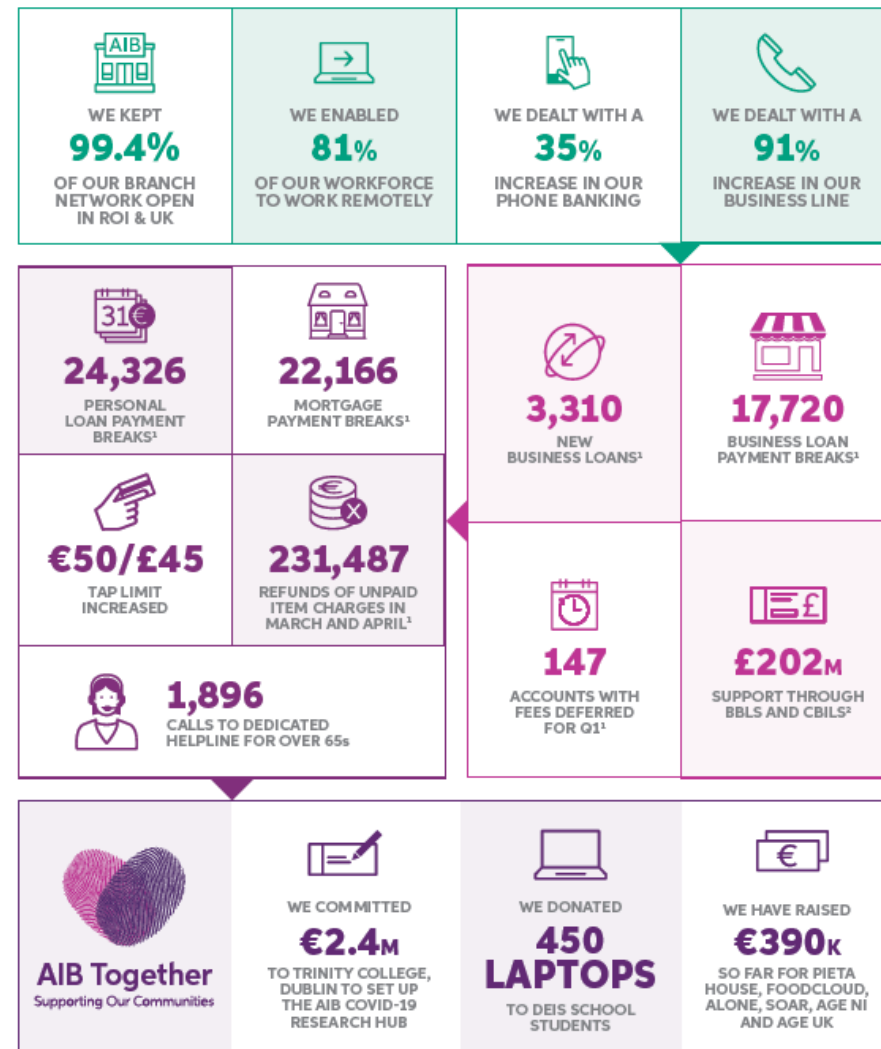
## ■ Operationally resilient with minimal disruption

- 81% of workforce working remotely seamlessly and securely
- Underpinned by modern, agile and robust systems
- Customer channels – physical and digital – remained open and operational

## ■ Committed to ESG agenda and sustainable communities

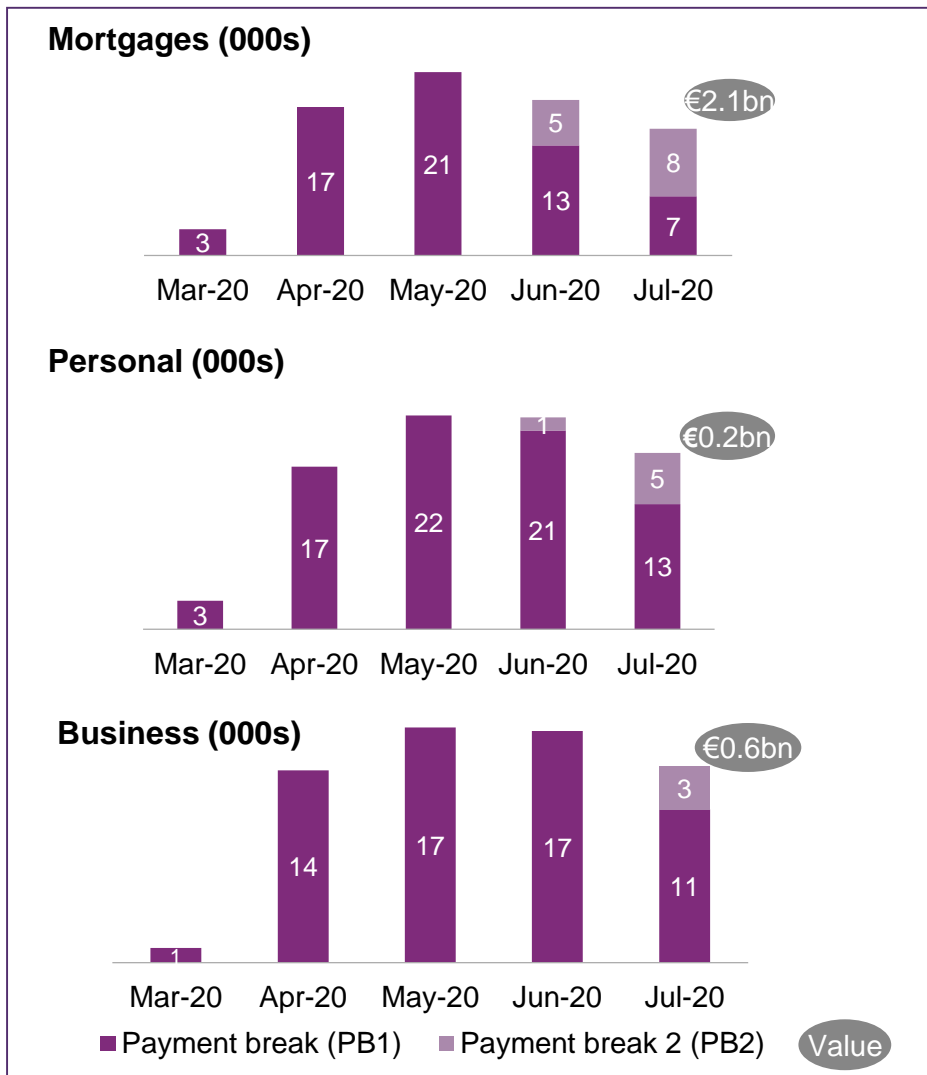
- Community investment programme: AIB Together
- €2.4m donation to Trinity College for COVID-19 research
- Employee supports

## COVID-19 supports in action



# Payment breaks – process of roll-off and roll-over underway

## Payment breaks – Retail Banking (# of accounts)



Payment breaks data as at 24 July 2020

## Retail Banking payment breaks granted

c.64k

€4.2bn

- 48% remain on PB1
- 27% rolled off
- 25% rolled onto PB2

## Currently in place

c.47k

€2.9bn

## Mortgages payment breaks granted

c.22k

€3.1bn

- 31% remain on PB1
- 34% rolled off
- 35% rolled onto PB2

## Currently in place

c.15k

€2.0bn



# AIB is well positioned to play a leading role in the recovery



## COVID-19 Fiscal support

- July Stimulus Package of €7.4bn
- Income supports extended to 2021
  - Pandemic Unemployment Payment (PUP) recipients falling
  - 598k at peak to 286k
- Business support schemes:
  - €0.8bn Future loan growth scheme
  - €2bn SBCI credit guarantee scheme
  - €2bn ISIF fund for larger corporates
- Total fiscal support of €24.5bn<sup>(1)</sup>
  - 14% of GNI<sup>(1)</sup>
  - Benchmarks well internationally



## Ready to play our role

Our strong funding and capital allow us to deploy our balance sheet to support the economic recovery

## Programme for government (PFG)<sup>(2)</sup> – AIB opportunity



### Backing our customers

- Aiding the re-booting of the economy as we support our personal and business customers
- Payment breaks
- Roll-out of credit guarantee scheme

### Reigniting the economy



### Leader in Irish housing finance

- Finance across the entire spectrum
  - Current dev. finance leader for >10k new homes
  - Equity investment
  - Social housing– long term debt
  - Mortgage finance
- New €300m debt fund for 2k new social houses
- Up to €50m equity for social housing projects
- >€1bn development finance over 3 years

### Housing for all



### Pledging to do more

- AIB €5bn fund for green lending
- AIB up to €100m equity to invest in sustainability projects
- 'A revolution in renewables' – government aim of at least 70% renewable electricity by 2030
- Retrofit of 500k homes

### A new green deal



### Ireland's No. 1 digital bank

- Ongoing improvements to digital customer propositions
- Streamlining and automating credit processes
- Facilitating remote ways of working while supporting the 'right to disconnect'

### National digital strategy



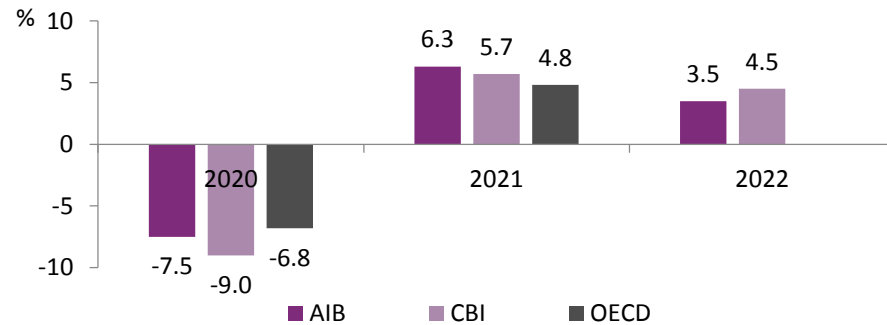
Key  
tenets  
of PFG

(1) Source: Department of Finance (DOF) 'July Stimulus' Policy Initiative: Overview of economic support measures ; GNI relates to modified Gross National Income and DOF projection is c. €175 billion for 2020.

(2) Source: Programme for Government Our Shared Future, published 15 June 2020

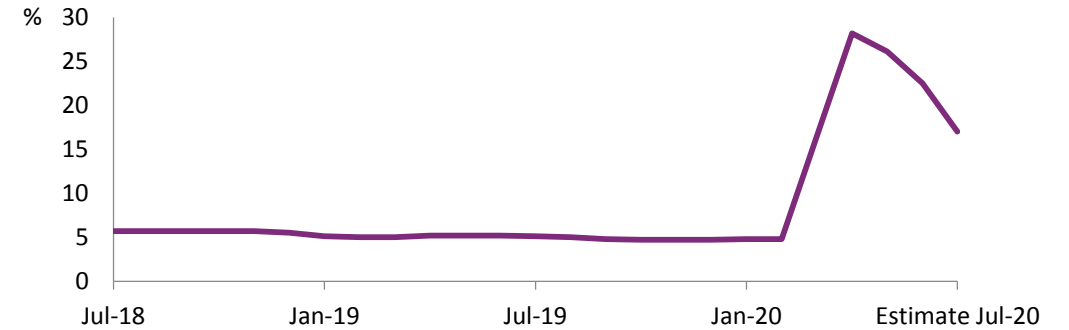
# Irish economy starts to emerge from lockdown

## Strong GDP growth expected in 2021, but off a low base due to impact of COVID-19 in 2020



Source: AIB, OECD 'World Economic Outlook', CBI 'Q3 Quarterly Bulletin'

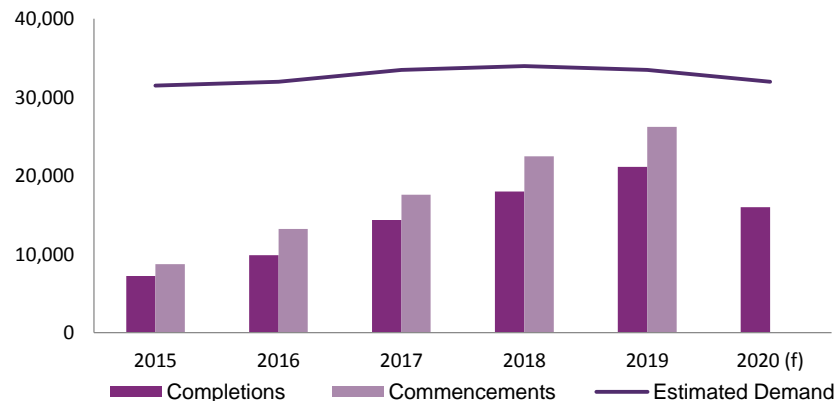
## Unemployment rate (COVID-adjusted) spikes to 28.2% in April, but falls to an estimated 17% by July



Source: CSO

## Housing output continues to be well below estimated demand

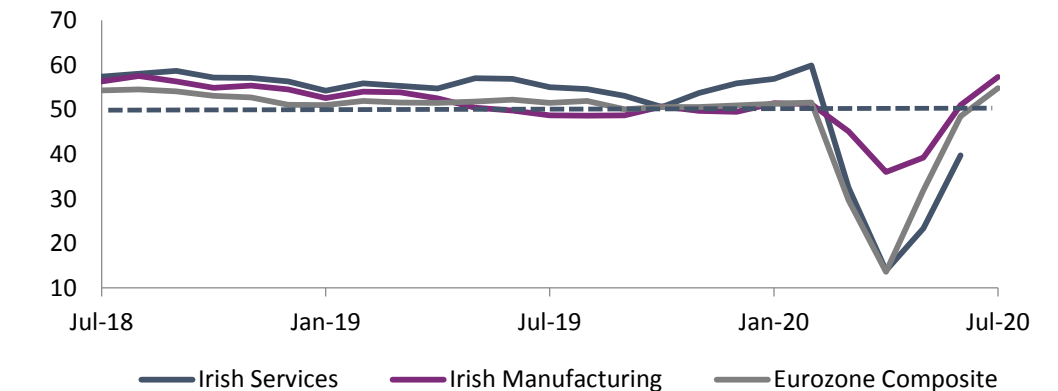
# of completions & commencements



Source: CSO, Dept. of Housing

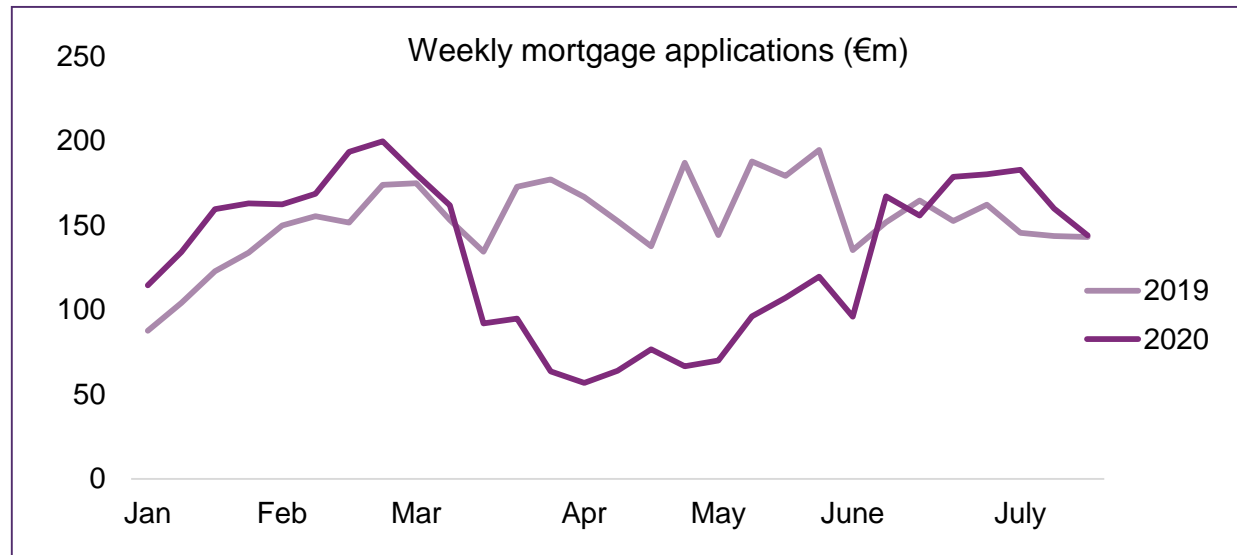
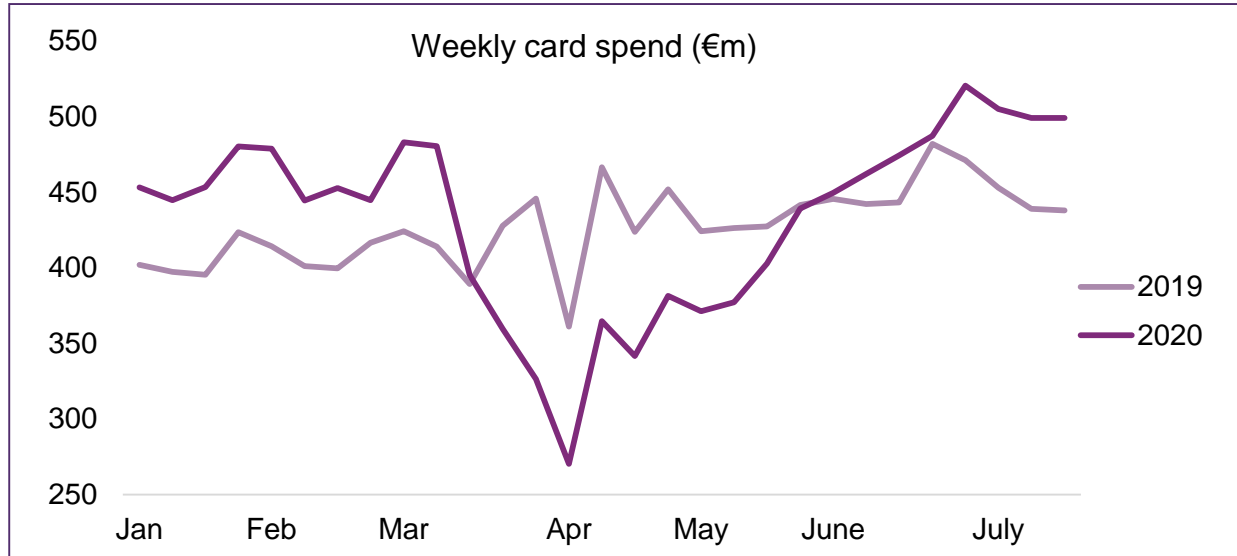
## Business sentiment rebounds, having hit low in April

PMI index



Source: Markit via Thomson Datastream

# Pick-up in activity since easing of restrictions



## Increase in customer activity and digital adoption

### Shift from cash

38%\* reduction  
in volume of  
ATM  
withdrawals



66%\* increase  
in volume of  
Digital Wallet  
payments



\* versus H1 2019

### End to end digital mortgage journey

34%\*\* of value  
of applications  
now online



35%\*\* of volume  
of applications  
now online



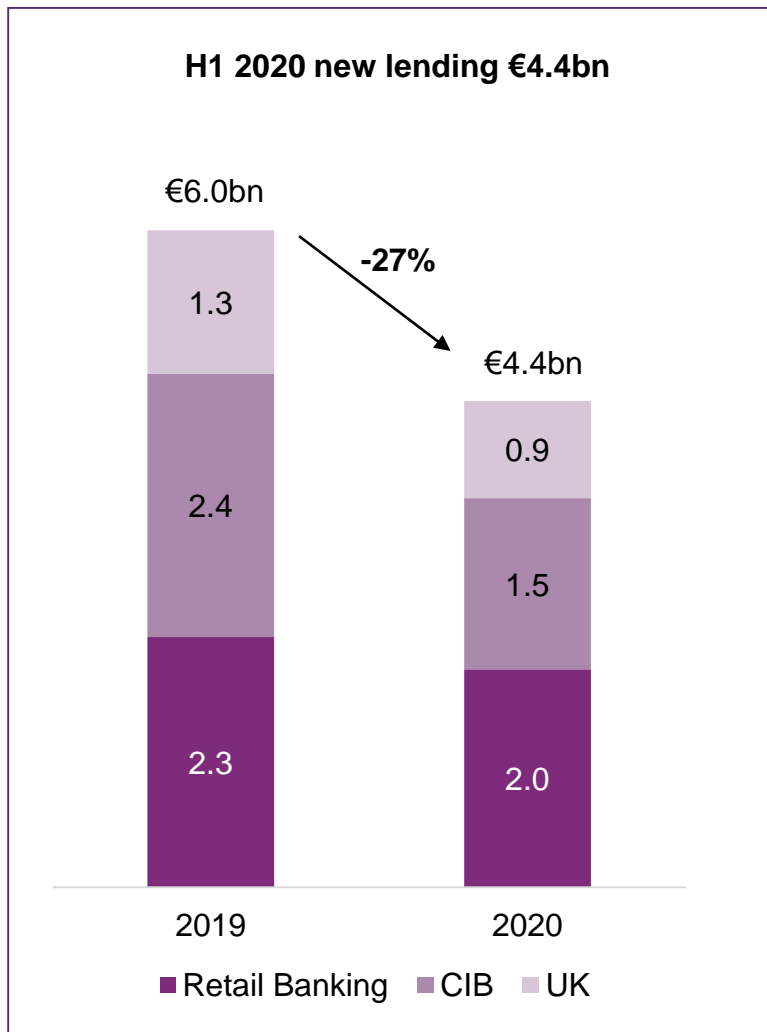
\*\* in June 2020

Capitalising on our position as Ireland's  
No 1 digital bank



# New lending impacted by lower economic activity

Total new lending down 27%; Retail Banking new lending down 13%



## Outlook for new lending in H2

### ■ Retail Banking

- Consensus estimates for 2020 new mortgage market lending €6bn - €7bn
- Retail sales rebound across multiple consumer spending categories
- Positive PMIs show encouraging improvement in business sentiment

### ■ Corporate, Institutional and Business Banking (CIB)

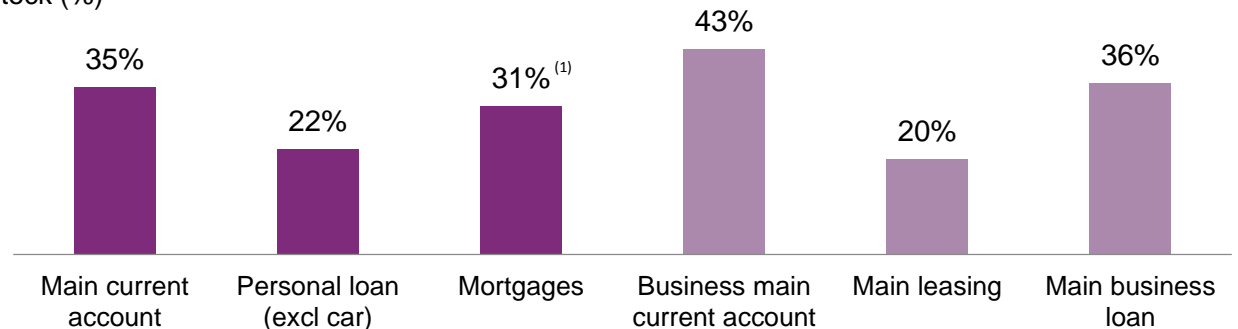
- Rollout of credit guarantee scheme
- Maintain momentum in housing and green lending
- Cautious approach to syndicated and international lending

### ■ UK

- New lending supported by government backed schemes

## Strong market shares in key segments

Stock (%)

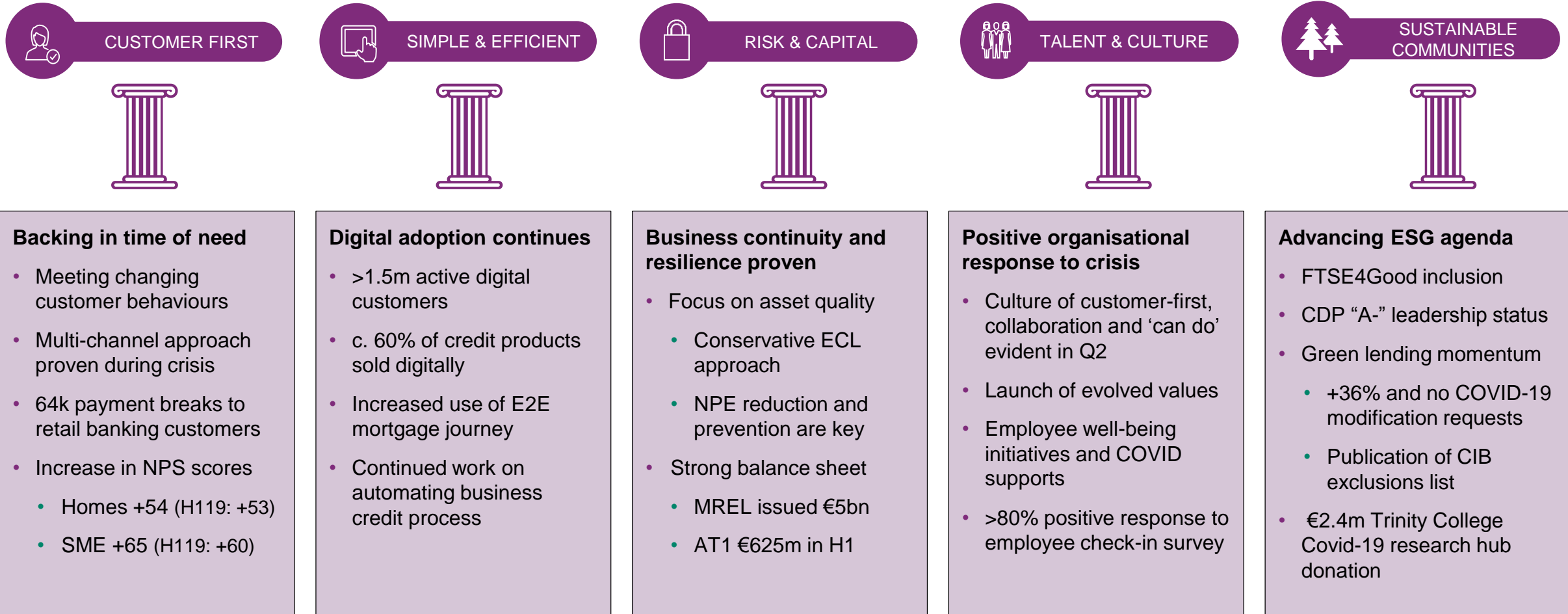


Source: Ipsos MRBI Personal Market Pulse Q2 2020; Ipsos MRBI AIB SME Market Pulse 2019, Feb 2020

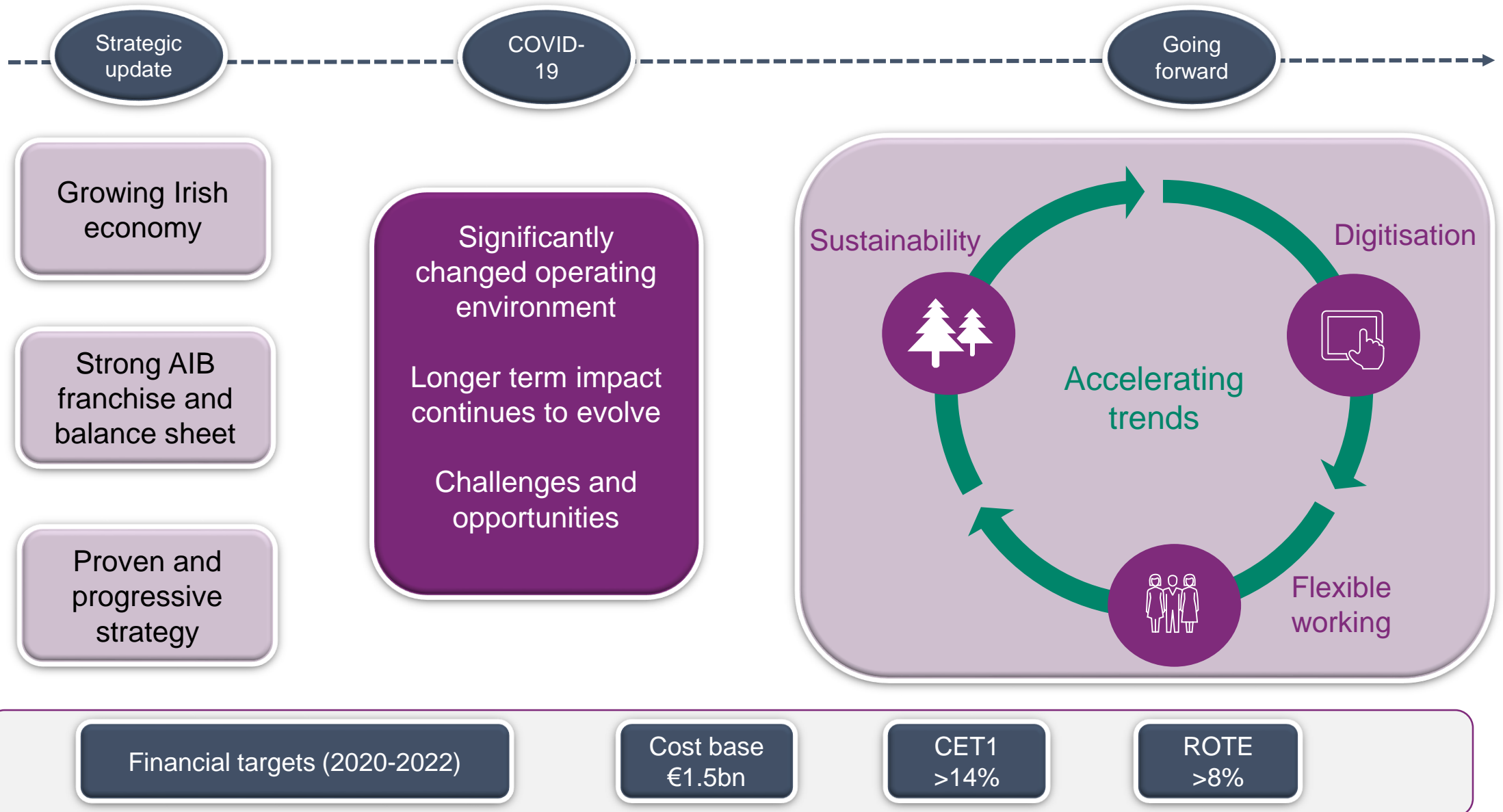
<sup>(1)</sup> Mortgage new lending flow based on BPFi industry drawdown data to end June 2020

# Crisis validates strategy to simplify, streamline and strengthen

## STRATEGIC PILLARS



# Targets remain unchanged





# Financial Performance



# Financial performance H1 2020

## **Operating profit €0.4bn; loss after tax €0.7bn**

- €1.2bn ECL charge reflecting changes to macro-economic scenarios and staging impact on loan book from COVID-19

## **Total income decreased 13% to €1.2bn**

- Net Interest Income €967m reduced 8% and Other Income €220m reduced 31% from H1 2019

## **Costs €747m<sup>(1)</sup> well managed and in line with H1 2019**

- FTEs reduced 6% versus H1 2019 (excluding Payzone)

## **Performing loans €56.8bn decreased €2bn (-3%) from Dec 2019 as redemptions exceeded new lending**

- new lending €4.4bn; €1.6bn (-27%) lower than H1 2019; Retail Banking new lending 13% lower to €2.0bn

## **AT1 €625m, MREL issuance €5bn**

- MREL ratio in excess of the expected intermediate target of 27.1% of RWAs

## **Reported CET1 (FL) 16.4%; CET1 (FL) pro-forma 15.6%<sup>(2)</sup>**

- comfortably ahead of regulatory requirements and >14% medium-term target

<sup>(1)</sup> Excludes exceptional items, bank levies and regulatory fees

<sup>(2)</sup> CET1 (FL) pro-forma includes 80bps indicative TRIM impact for AIB mortgage model



# Income Statement





# Income statement – Pre-provision operating profit €0.4bn

## Summary income statement (€m)

	H1 2020	H1 2019
Net interest income	967	1,050
Other income	220	319
<b>Total operating income</b>	<b>1,187</b>	<b>1,369</b>
Total operating expenses <sup>(1)</sup>	(747)	(744)
Bank levies and regulatory fees	(63)	(58)
<b>Operating profit before impairment and exceptional items</b>	<b>377</b>	<b>567</b>
Net credit impairment charge	(1,216)	(9)
Associated undertakings & other	5	9
<b>(Loss)/Profit before exceptionals</b>	<b>(834)</b>	<b>567</b>
Exceptional items	(75)	(131)
<b>(Loss)/Profit before tax</b>	<b>(909)</b>	<b>436</b>
Income tax credit / (charge)	209	(75)
<b>(Loss) / profit</b>	<b>(700)</b>	<b>361</b>

## Metrics

	H1 2020	H1 2019
Net interest margin (NIM)	2.10%	2.46%
Cost income ratio (CIR) <sup>(1)</sup>	63%	54%
Return on tangible equity (RoTE) <sup>(2)(3)</sup>	n/a	4.5%
Earnings per share (EPS)	(27.0c)	12.6c

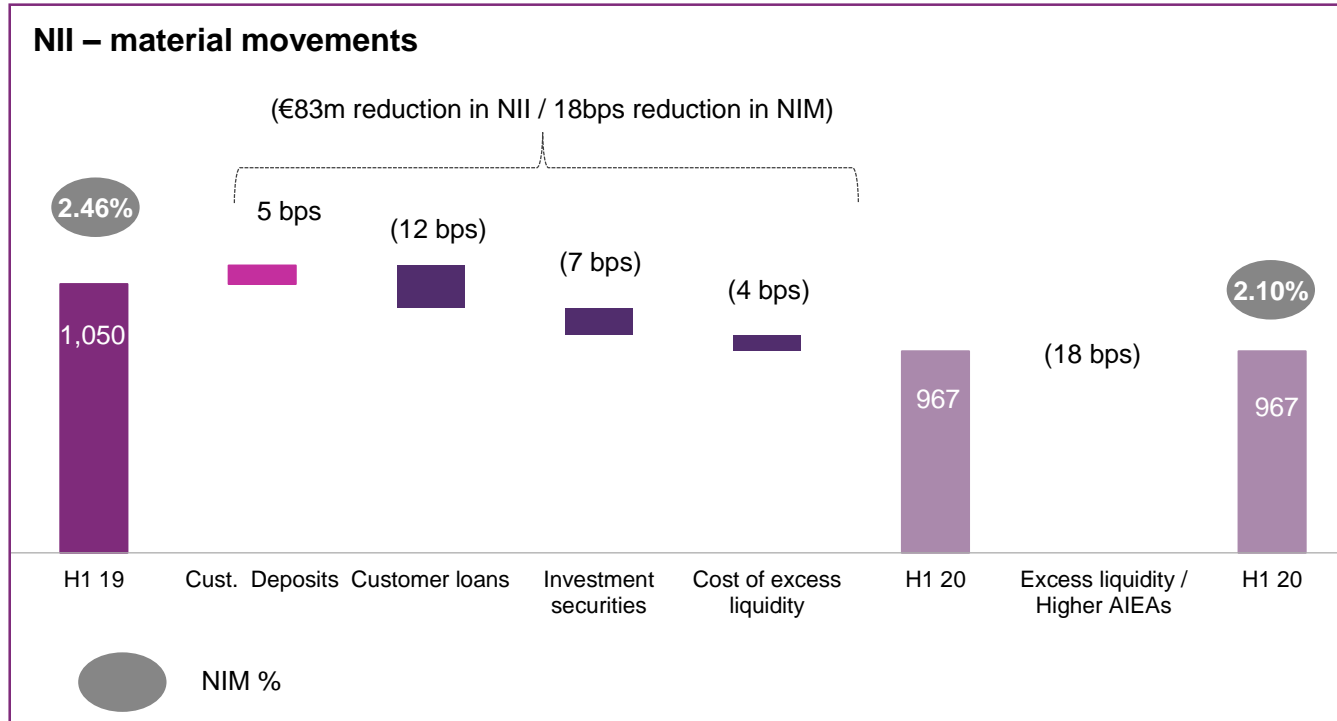
- Net interest income reduced 8% impacted by the lower interest rate environment
- Other income €220m – down 31%; net fee and commission income down 16%
- Total income €1,187m - down 13%
- Operating expenses €747m in line with H1 2019
- Net credit impairment €1,216m charge
- Exceptional costs €75m

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

(2) RoTE using (PAT – AT1) / (CET1 @ 14%)

(3) RoTE for H1 2020 is not reported as it would require the loss to be annualised which is considered not appropriate at this stage. Dec 2019 RoTE 4.5%

# Net interest income down 8% on H1 2019

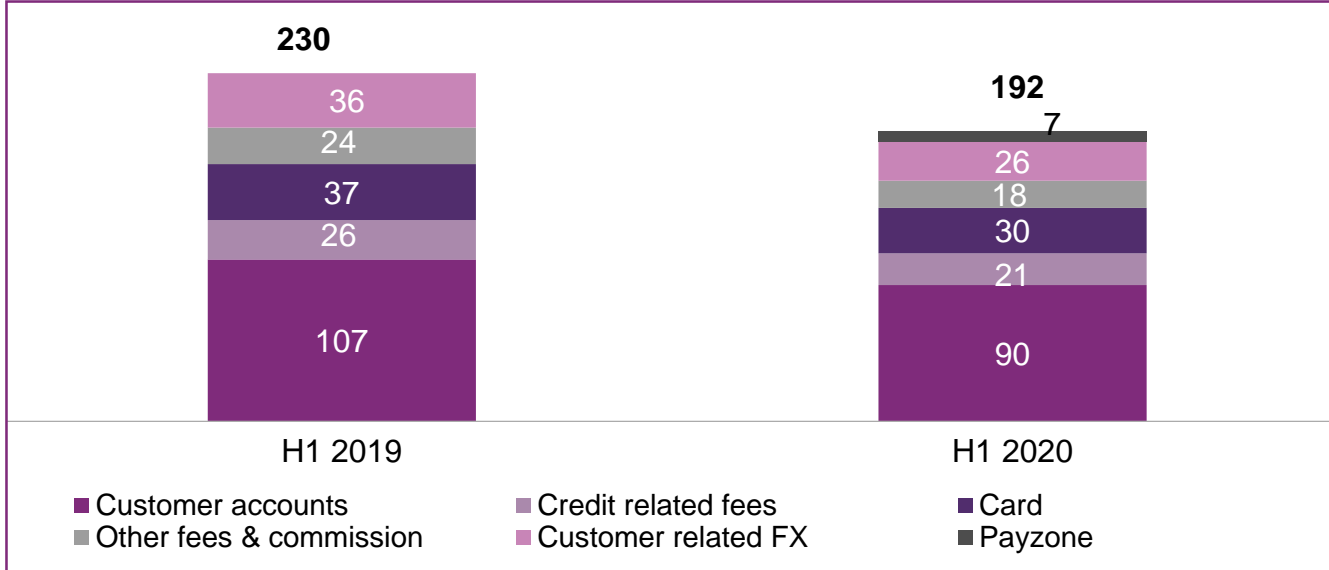


- NII €967m down €83m / 8% from H1 2019 impacted by:
  - +€24m: lower cost of customer accounts offset by
  - -€54m: lower customer loan income from reduced volumes and lower interest rate environment
  - -€34m: lower investment securities income as higher yielding assets rolling off and lower rate environment
  - -€20m: interest expense on excess liquidity placed with central banks
- Excess liquidity management actions in place
  - tailored negative deposits strategy
  - grossing up impact of excess liquidity distorts NIM
  - each €1bn excess liquidity impacts NIM c. 3bps
- TLTRO 3 – under consideration for Sept 2020 drawdown
  - Impact: NII positive; NIM distortionary

***FY 2020 – expected Net Interest Income €1.9bn if macro-environment evolves as expected***

# Other income – COVID-19 impact lowers fees & commission 16%

Net fee & commission income (€m)



Other income (€m)	H1 2020	H1 2019
Net fee and commission income	192	230
Other business income	(8)	14
<b>Business income</b>	<b>184</b>	<b>244</b>
Gains on disposal of investment securities	-	39
Realisation of cash flows on restructured loans	21	28
Other gains / losses	15	8
<b>Other items</b>	<b>36</b>	<b>75</b>
<b>Total other income</b>	<b>220</b>	<b>319</b>

- Other income €220m down 31%
- Fee and commission income €192m, down €38m (16%) from H1 2019 predominantly due to reduced economic activity:
  - customer account fees reduced due to
    - higher volume of contactless payments
    - lower business cash handling fees
    - lower customer ATM usage
  - card income reduced due to lower credit / debit card spend
  - other fees & commission down due to lower wealth income
  - customer related FX lower due to less transactions
- Other business income includes
  - €23m NAMA subordinated bond dividend (matured)
  - €36m from reduction in the value of long term customer derivative positions and foreign exchange contracts
- Other items €36m
  - €15m other gains include net income from equity investments

**FY2020 – expected Other Income c. €420m**

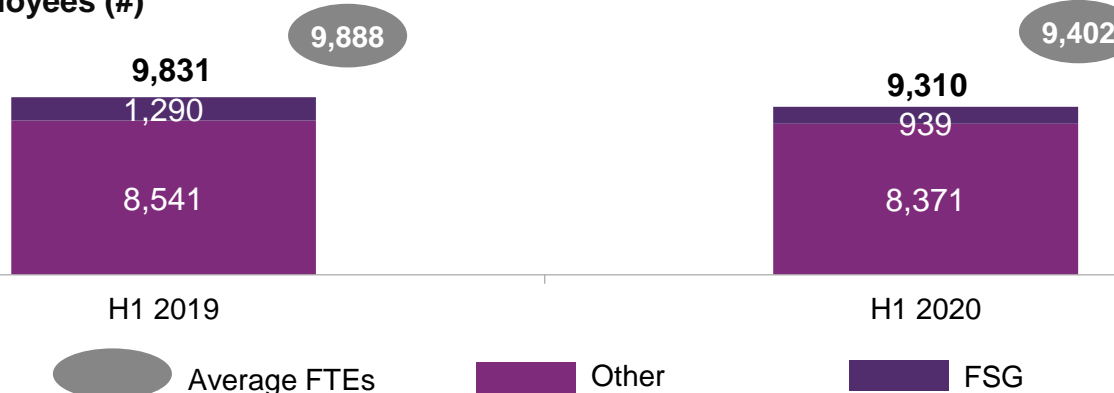
# Costs – stable and well-managed in H1

## Operating expenses <sup>(1)</sup> (€m)



- Costs €747m, in line with H1 2019
- Factors impacting costs
  - increased depreciation €28m
  - lower FTEs partially offset by wage inflation
  - COVID-19 related expenditure (sanitation, technology to facilitate remote working) absorbed
- FTEs reduced by 521 (5%) from H1 2019 (6% excl. 91 Payzone FTE)
  - FTEs declined 2% YTD

## FTEs <sup>(2)</sup> – employees (#)



- Exceptional items €75m primarily includes:
  - €58m restitution costs
  - €6m termination costs
  - €10m other specific once off COVID-19 system and resourcing related costs

**FY 2020 – expect c. 2% cost inflation**  
**Medium-term target - Costs €1.5bn**

<sup>1)</sup> Excluding exceptional items, bank levies & regulatory fees

<sup>2)</sup> Full time equivalent - period end

# ECL and Asset Quality



# ECL charge €1.2bn – conservative, forward looking and comprehensive

## Conservative, forward looking and comprehensive – Expected Credit Loss (ECL) of €1.2bn in H1 2020

- **Conservative and forward looking**

- changes in macro economic indicators in line with external data
- five scenarios with weightings to the downside to reflect uncertainty

1  
€0.7bn  
ECL  
increase

- **Comprehensive**

- transfers of loan exposures to Stage 2 and Stage 3
- net re-measurement within stage
- increasing coverage across all stages

2  
€0.4bn  
ECL  
increase

- post model adjustments (including payment breaks)

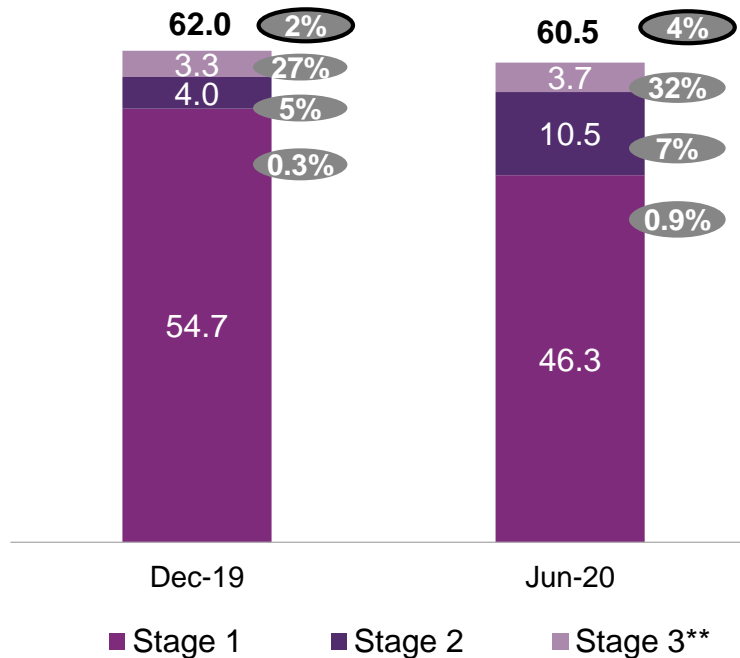
3  
€0.1bn  
ECL  
increase

*H1 2020: 196bps cost of risk, front loading of provisions to substantially cover FY 2020 charge*  
*FY 2020: 235-250bps annualised cost of risk, based on current view of economic scenarios*



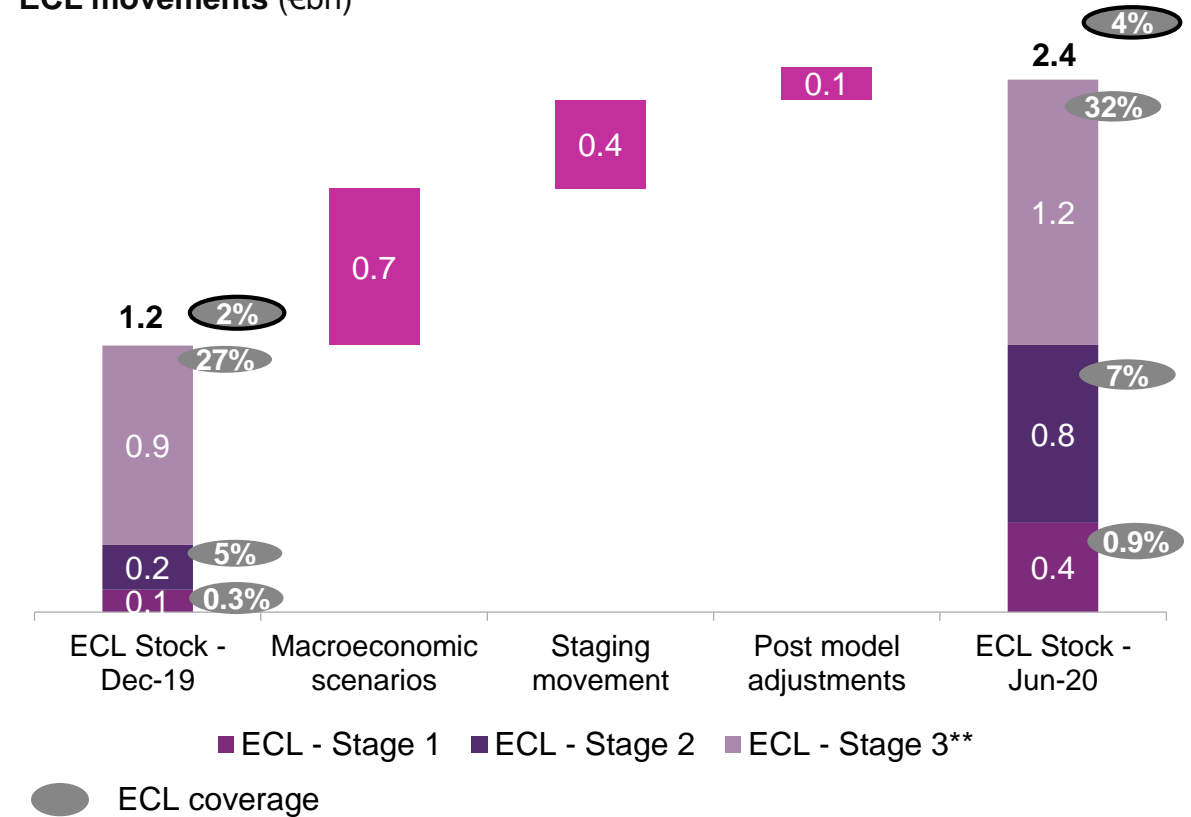
# Overview – stage 2 increases, coverage increases

Loan book\* by Staging & Coverage (€bn)



- Stage 2 exposures – increased €6.5bn
- Stage 3 exposures – increased €0.4bn

ECL movements (€bn)



- Provision coverage doubled on the total loan book to 4%
- Provision coverage increased across all stages

\* Loan book at amortised cost

\*\* Includes Purchased or Originated Credit Impaired Loans (POCI)

# Outlook for macroeconomic environment has deteriorated

## 1 New macroeconomic scenarios reflect a more negative economic environment - increased ECL €0.7bn

H1 2020 – Base case scenario (55%)	2020	2021	2022
Irish GDP	-7.5%	6.3%	3.5%
Irish Unemployment	10.0%	9.0%	7.1%
Irish House Price Index (HPI)	-5.5%	-4.5%	4.0%
Irish Commercial Real Estate Index	-9.5%	-5.5%	6.0%
H1 2020 – Severe case scenario (5%)	2020	2021	2022
Irish GDP	-9.5%	-5.0%	8.5%
Irish Unemployment	12.8%	14.5%	12.0%
Irish House Price Index (HPI)	-7.5%	-14.0%	-6.0%
Irish Commercial Real Estate Index	-11.5%	-16.0%	-6.0%
H1 2020 – ECL probability weighted macroeconomic assumptions*	2020	2021	2022
Irish GDP	-7.8%	5.2%	3.7%
Irish Unemployment	10.6%	9.9%	8.0%
Irish House Price Index (HPI)	-5.9%	-5.3%	1.8%
Irish Commercial Real Estate Index	-9.8%	-6.3%	3.3%

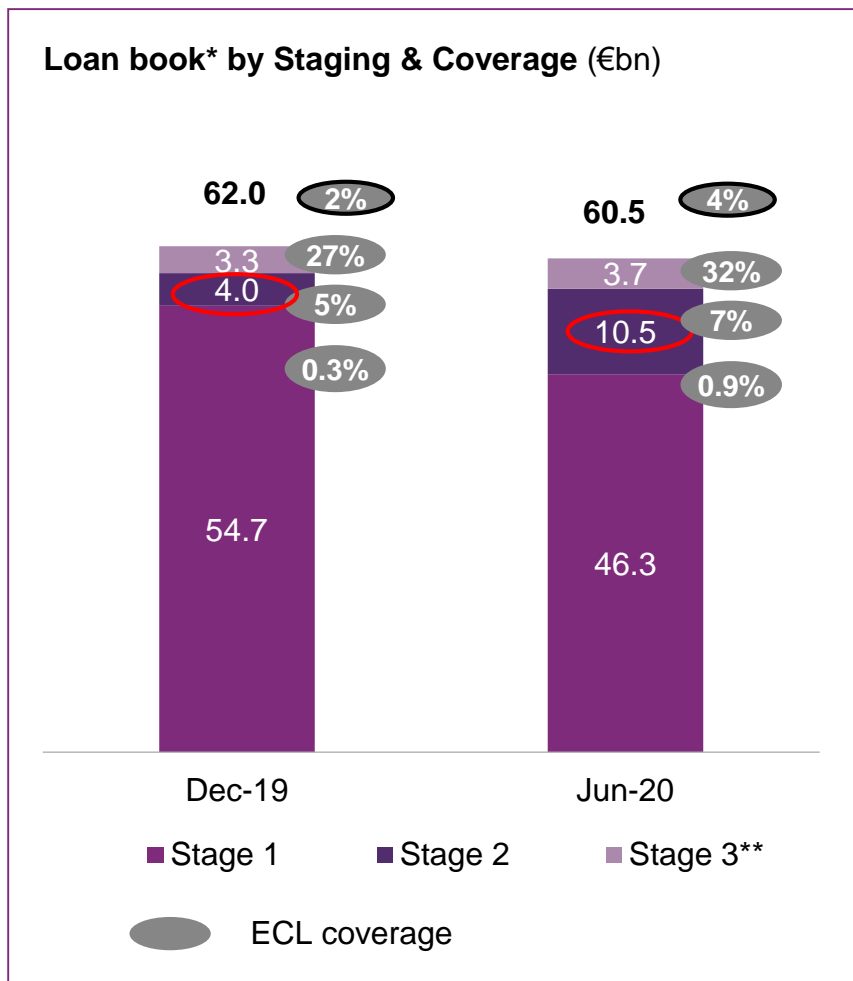
\*HY 2020 economic scenarios – COVID -19 base scenario (55%); Upside scenario 'Virus eliminated' (10%); Downside scenario 1 'Persistent virus' (20%); Downside scenario 2 'Failed EU/UK trade talks' (10%) and Downside scenario 3 / Severe 'Persistent virus plus second wave' (5%)

- Significant changes to GDP and unemployment
  - GDP to decline sharply by 7.8% before recovery
  - Unemployment 10.6% and continuing to remain elevated
- GDP, unemployment and HPI are key drivers in the IFRS 9 models impacting PDs and LGDs both increasing ECL cover within stage (€0.5bn) and contributing to stage transfers (€0.2bn)
- Weighted average LTV for new ROI mortgages 68%

H1 2020 – impact of updated macroeconomic scenarios on ECLs by Asset Class	€m
Mortgages	166
Personal	39
Property & Construction	267
Corporate & SME	233
<b>Total</b>	<b>705</b>

# Downward stage migration in COVID-19 impacted sectors

## 2 Impact of downward staging movements - increased ECL €0.4bn



- Stage 2 increased by €6.5bn to €10.5bn (17% of the loan book at HY 2020) of which:
  - €4.1bn relates to Corporate & SME
    - Hotels, Bars & Restaurants - €1.2bn
    - Retail/Wholesale - €0.3bn
    - Syndicated & International Finance – €0.7bn
  - €1.9bn relates to Property & Construction predominantly Commercial Real Estate Retail/Shopping Centres
- Stage 3 increased by €0.4bn (6% of the loan book at HY 2020)
- Coverage has increased across all stages

H1 2020 – impact of transfers between stages and re-measurement within stage on ECL	€m
Net transfer Stage 1 to Stage 2	154
Net transfer to Stage 3	55
Net re-measurement within stage / other	157
<b>Total</b>	<b>366</b>

\* Loan book at amortised cost

\*\* includes Purchased or Originated Credit Impaired Loans (POCI)

# Post model adjustments - payment breaks

## 3 Impact of post model adjustments - increased ECL €0.1bn

- Post model adjustments €131m primarily relates to:  
 €42m increase in ECL - Payment breaks in Retail Banking - Mortgages and Personal  
 €67m increase in ECL - Mortgage (PDH) deep arrears portfolio
- Payment breaks – Retail Banking Mortgage and Personal



<b>Retail Banking – Payment breaks</b>	<b>Mortgages</b>	<b>Personal</b>	<b>Business</b>	<b>Total</b>
No of accounts	14,557	18,320	14,004	46,881
Amount in Euro	€2,053m	€201m	€647m	€2,901m
% of number of customer loan accounts	6%	3%	11%	-
% of portfolio value	7%	8%	16%	-

Data as at 24<sup>th</sup> July 2020

# Balance Sheet





# Balance sheet – strong funding & liquidity to support economic recovery

## Balance sheet (€bn)

	June 2020	Dec 2019
Performing loans	56.8	58.8
Non-performing loans	3.8	3.3
<b>Gross loans to customers</b>	<b>60.6</b>	<b>62.1</b>
Expected credit loss allowance	(2.4)	(1.2)
<b>Net loans to customers</b>	<b>58.2</b>	<b>60.9</b>
Investment securities	19.6	17.3
Loans to central banks and banks	16.6	13.5
Other assets	7.0	6.9
<b>Total assets</b>	<b>101.4</b>	<b>98.6</b>
Customer accounts	75.7	71.8
Deposits by banks	0.8	0.8
Debt securities in issue	6.3	6.8
Other liabilities	4.8	5.0
<b>Total liabilities</b>	<b>87.6</b>	<b>84.4</b>
Equity	13.8	14.2
<b>Total liabilities &amp; equity</b>	<b>101.4</b>	<b>98.6</b>

## Assets

- Performing loans decreased €2.0bn (-3%)
- Sustainable new lending €4.4bn was exceeded by redemptions €5.3bn
  - New lending was €1.6bn lower than H1 2019 driven by the contraction of the economy impacting all asset classes
- Investment securities €19.6bn increased €2.3bn as the Group invested in Irish Government bonds
- Due to excess liabilities, balances placed with central banks increased €3.1bn

## Liabilities

- Customer accounts €75.7bn increased €3.9bn mainly due to increased current accounts reflecting higher savings rate

## Key capital metrics

	June 2020	Dec 2019
Reported CET1 ratio (FL) <sup>(1)</sup>	16.4%	17.3%
Leverage ratio (FL)	9.2%	9.7%

(1) Reported CET (FL) excludes 80bps indicative TRIM impact for AIB mortgage model, including this impact CET1 (FL) pro-forma:15.6%

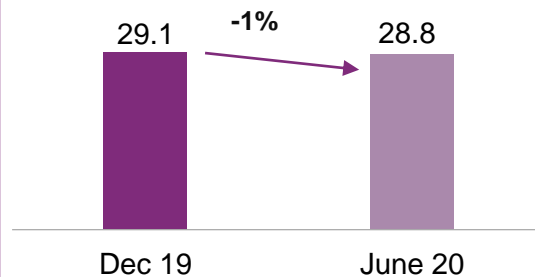


# Gross performing loans – redemptions contribute to 3% decline

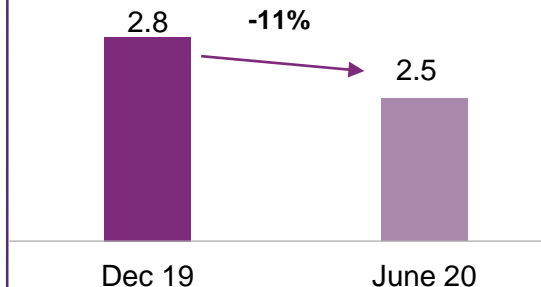
Performing loans (€bn)



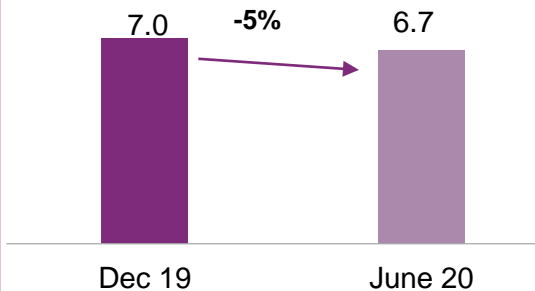
Mortgages (€bn)



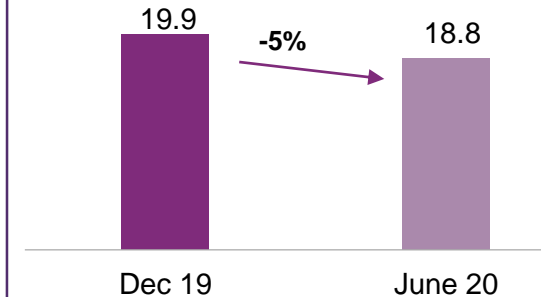
Personal (€bn)



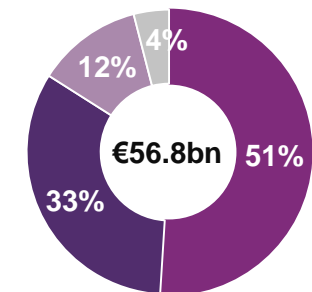
Property (€bn)



Corporate & SME (€bn)

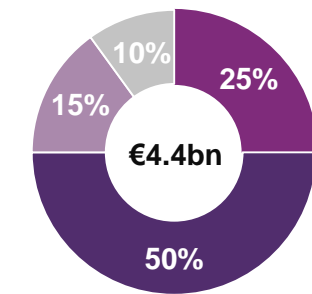


Performing loans



- Mortgages
- Corporate & SME
- Property
- Personal

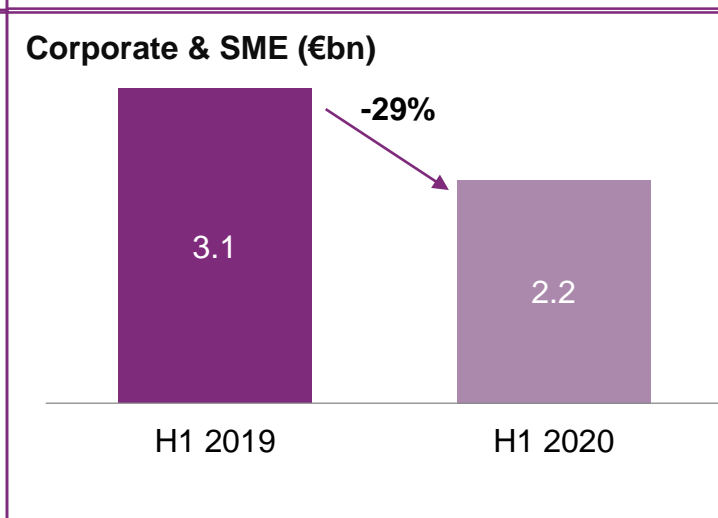
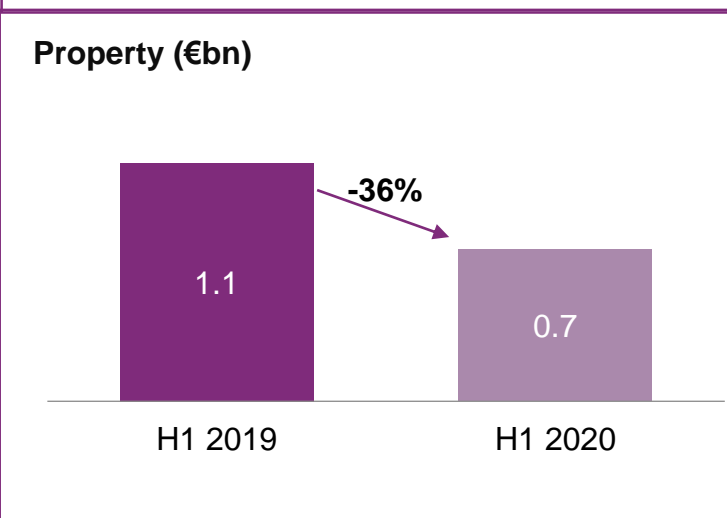
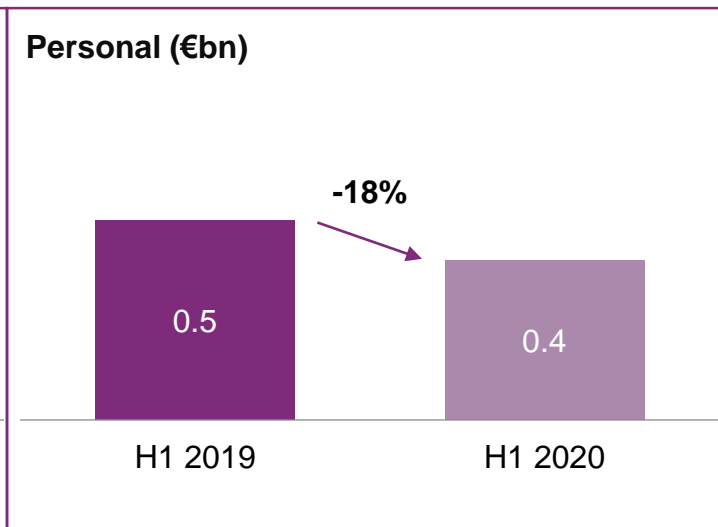
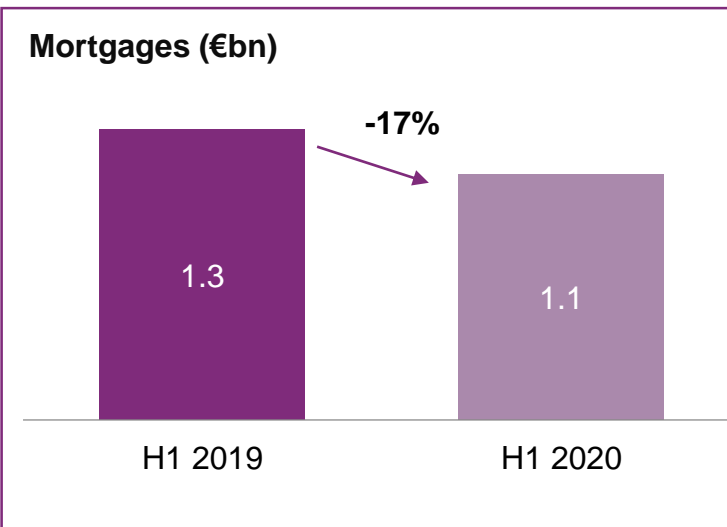
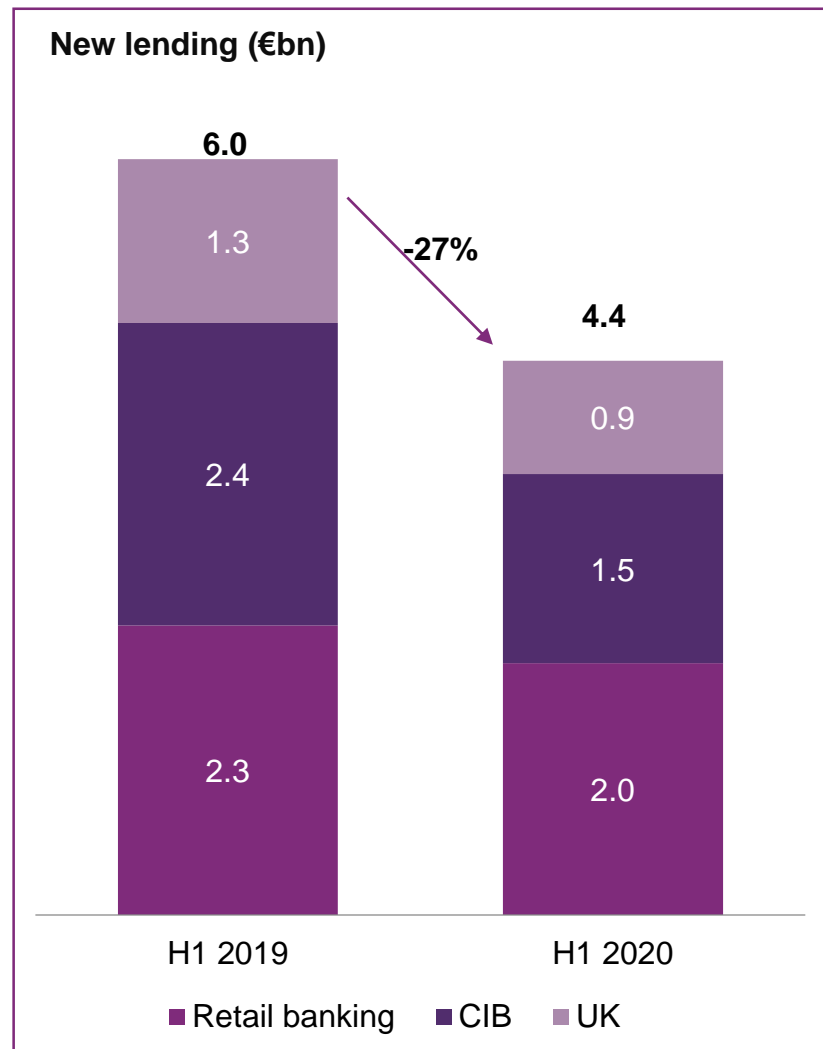
New lending



# New lending €4.4bn down 27%; Retail Banking down 13%

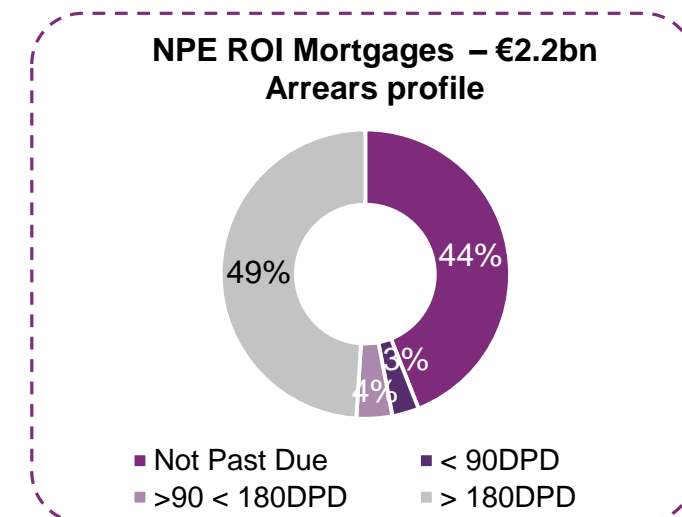
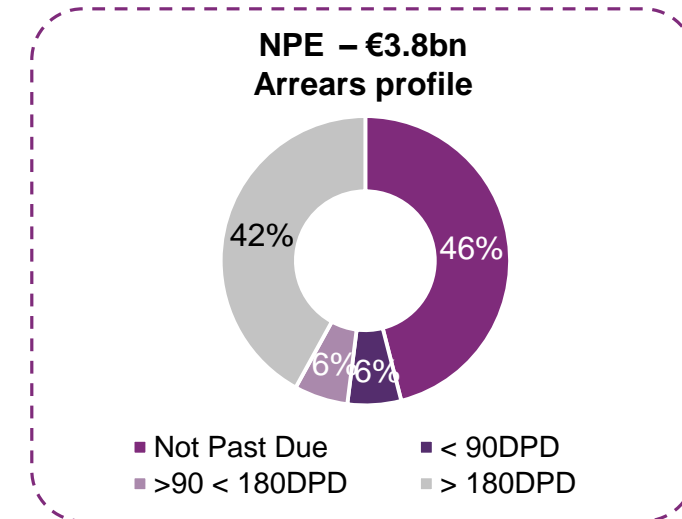
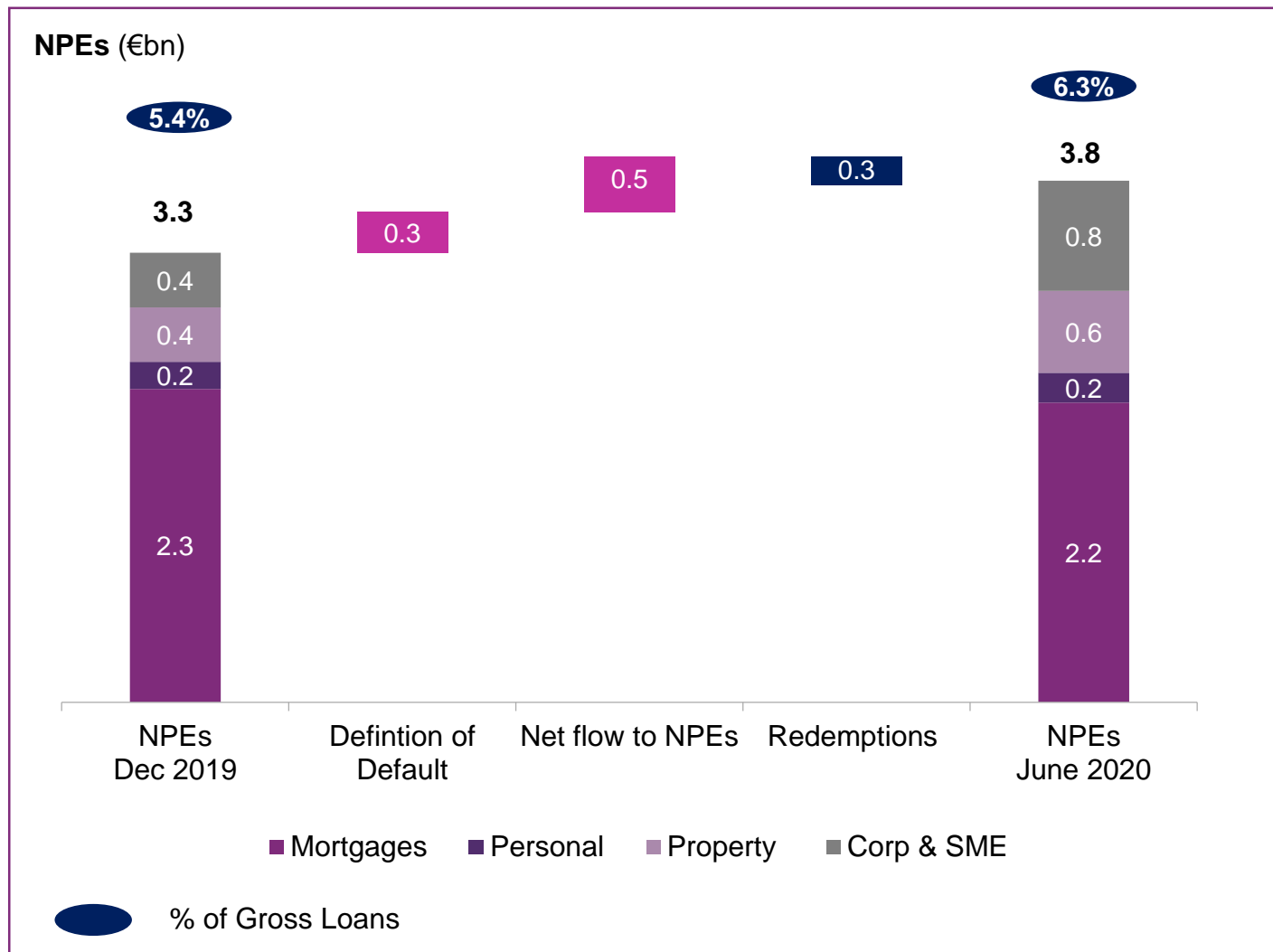
New lending Q2 impacted by lower economic activity

New lending across all asset classes<sup>(1)</sup> declined in H1 2020



<sup>(1)</sup> Includes UK

# NPE normalisation remains a priority

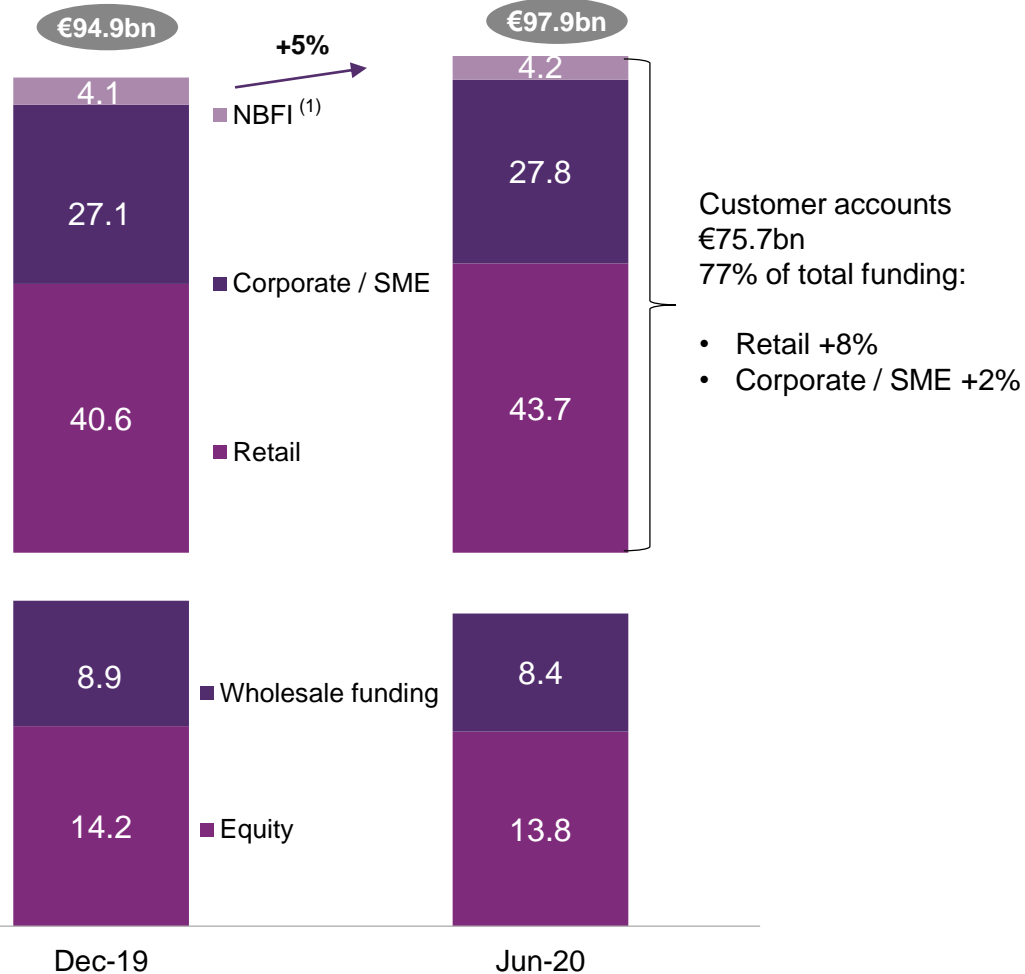


# Funding and Capital

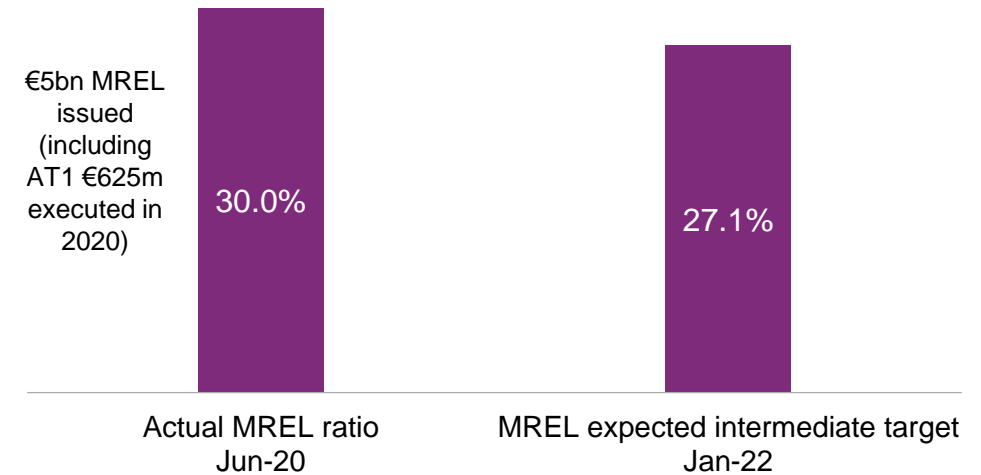


# Strong funding driven by increased customer deposits

## Total funding (€bn)



## MREL target (% of RWAs)



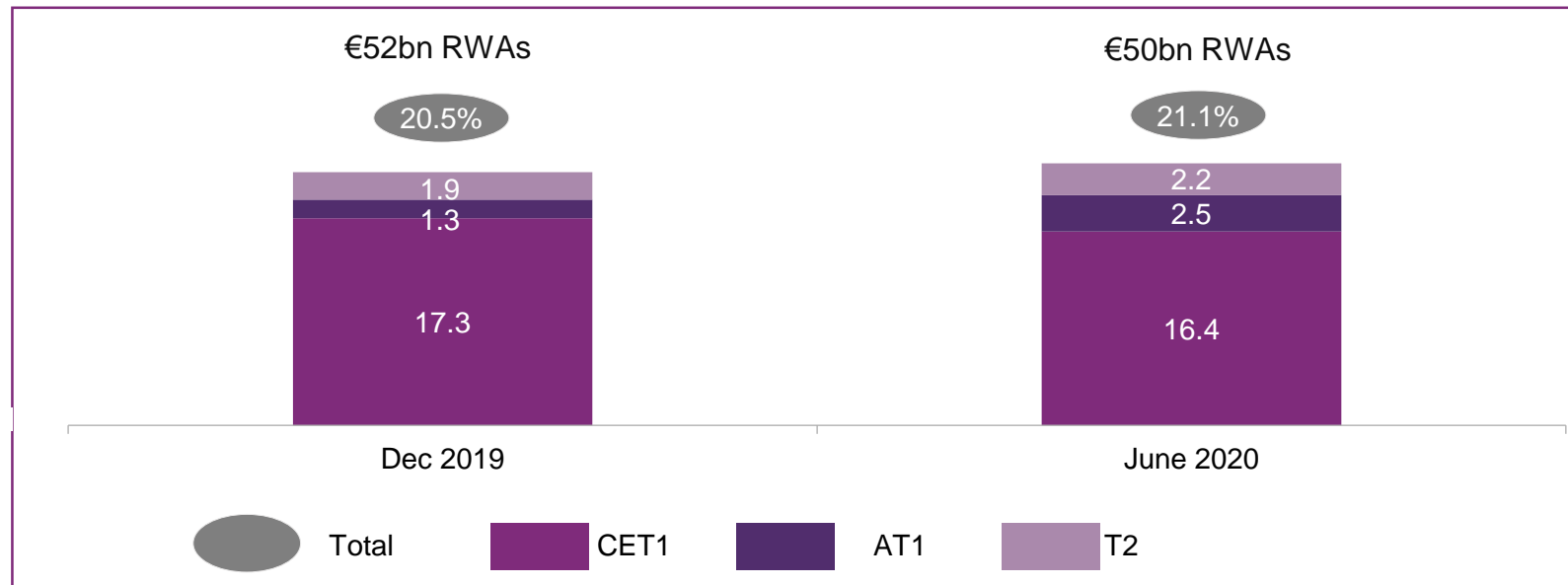
## Liquidity metrics (%)

	Jun 2020	Dec 2019
Loan to deposit ratio (LDR)	77	85
Liquidity coverage ratio (LCR)	158	157
Net stable funding ratio (NSFR)	136	129

<sup>(1)</sup> Includes Credit Unions & Government deposits

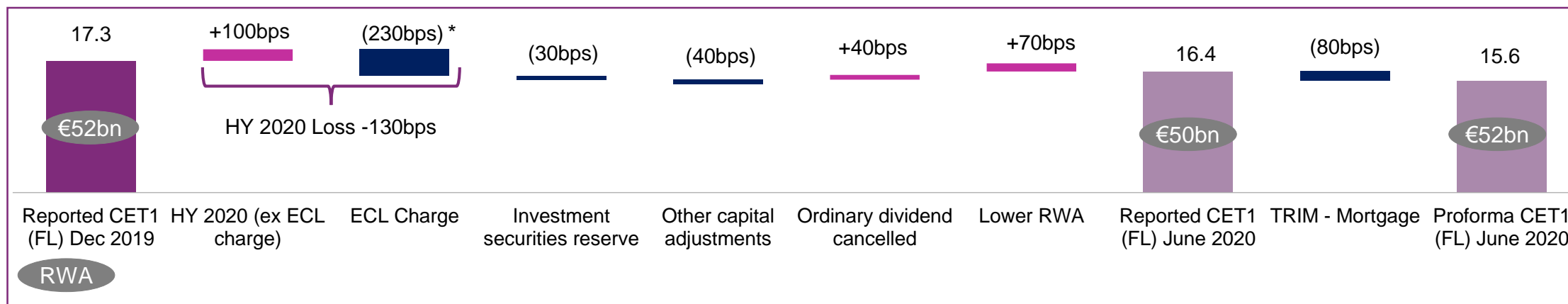
# Reported CET1 (FL) 16.4% in excess of >14% target

## Reported - Capital ratios fully loaded (FL) (%)



- Reported CET1 (FL) ratio 16.4%
  - 6.7% buffer to MDA / SREP of 9.69%
- Transitional CET1 ratio 20.2%
  - 10.5% buffer to MDA / SREP of 9.69%
- AT1 ratio FL 2.5%
  - new issue €625m AT1; filled AT1 bucket

## CET1 movements (%)



\* simple calculation for illustrative purposes

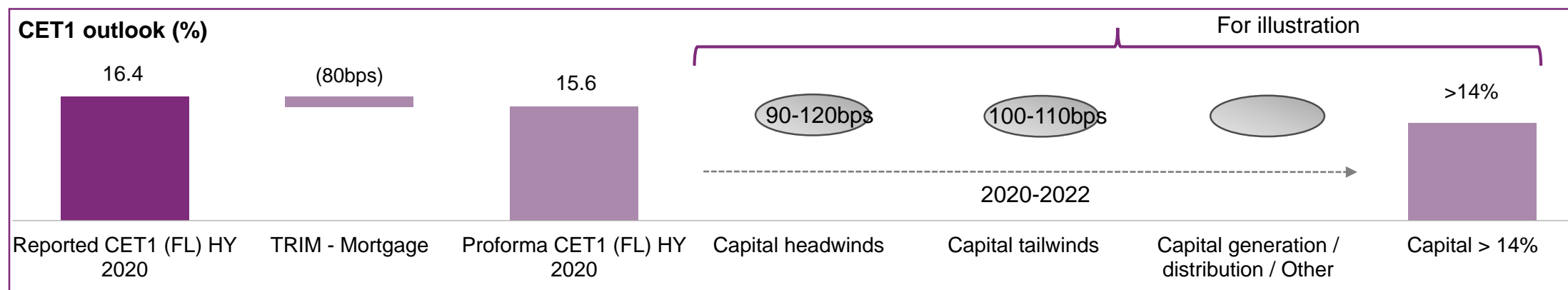


# Capital – medium-term target: CET1 >14%

Capital requirements	Dec 2020 <sup>(1)</sup>
Pillar 1	4.50%
Pillar 2 requirement (P2R)	3.00% - 1.31% = 1.69%
Capital Conservation Buffer (CCB)	2.50%
O-SII Buffer	1.00%
<b>Total CET1</b>	<b>9.69%</b>
AT1	1.50% + 0.56% = 2.06%
Tier 2	2.00% + 0.75% = 2.75%
<b>Total capital</b>	<b>14.50%</b>

## Capital outlook

- Dec 2020 capital requirements – Under Article 104a 1.31% of current P2R (3.00%) can now be met with hybrid capital
- Capital headwinds/tailwinds to broadly offset over time:
  - Software intangibles
  - SME 501
  - TRIM (SME & Corporate model)
  - Calendar provisioning
- Transitional capital benefits
  - IFRS 9 add back €736m (146bps)



Medium term target CET1 > 14%

<sup>(1)</sup> The Group's minimum CET1 requirement is 9.69% at Dec 20 under Article 104a. In addition any shortfall of AT1 & Tier 2 must be held in CET1

# Guidance (2020) and medium-term targets (2022)

## Guidance 2020

- Net interest income c. €1.9bn
- Other Income c. €420m
- Cost inflation c.2%
- Cost of risk c. 235-250bps
- New lending to reduce c.30%

## Medium-term targets by 2022



Focused  
cost<sup>(1)</sup>  
discipline  
**€1.5bn**



Appropriate  
capital  
target  
**CET1<sup>(2)</sup> > 14%**



Deliver  
sustainable  
returns  
**RoTE<sup>(3)</sup> > 8%**

Acknowledging the need for caution, we look forward with confidence as the fundamentals of AIB remain healthy and strong

1) Costs before bank levies and regulatory fees and exceptional items

2) Fully loaded

3)  $RoTE = (PAT - AT1) / (CET1 @ 14\% \text{ of RWAs})$

# Appendices

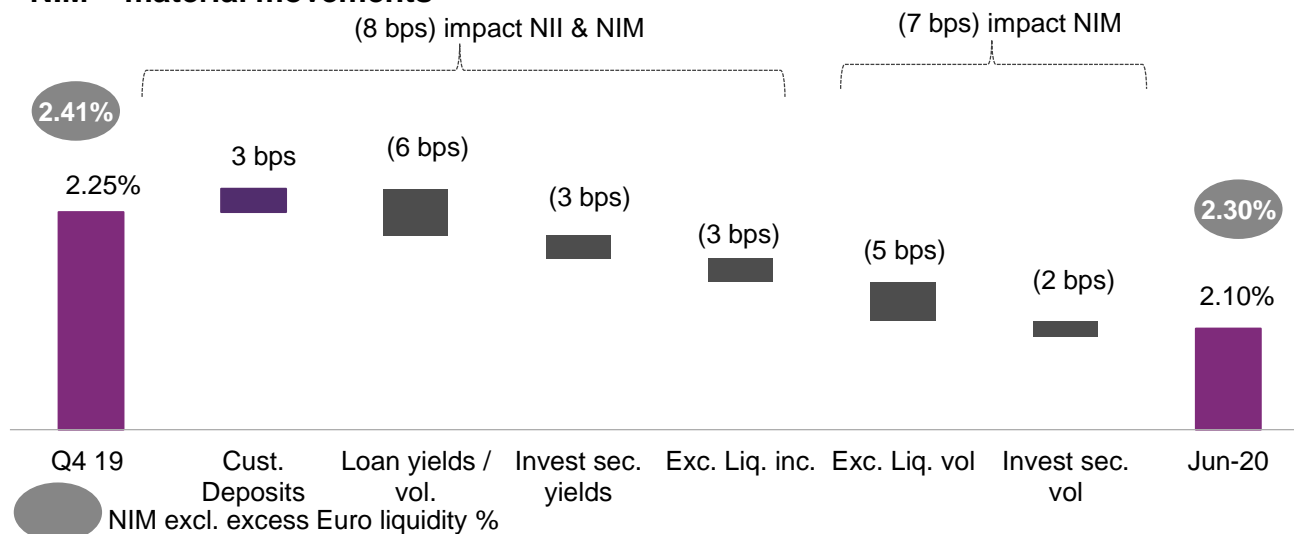


# Average balance sheet

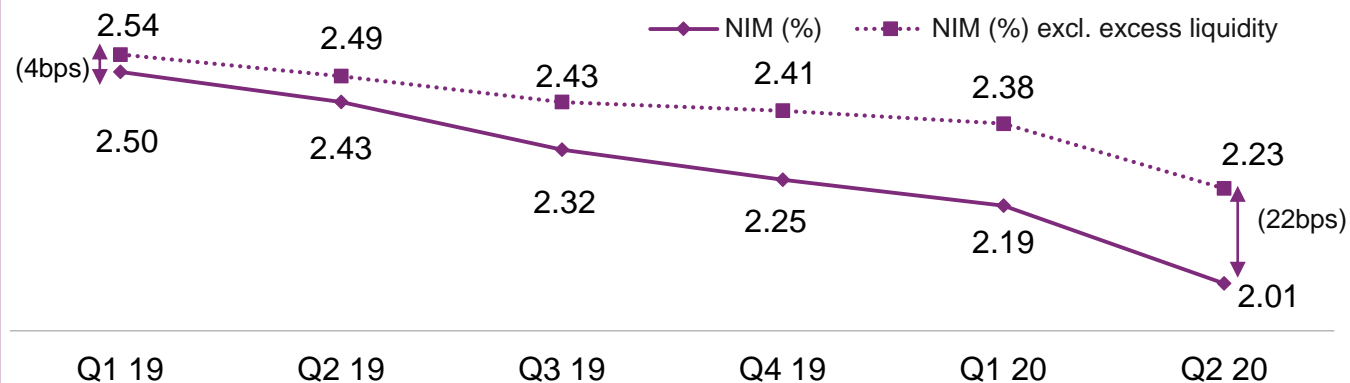
	H1 2020			H1 2019		
	Average Volume €m	Interest €m	Yield %	Average Volume €m	Interest €m	Yield %
<b>Assets</b>						
Customer loans	60,417	1,004	3.33	61,577	1,058	3.47
Investment securities	17,417	72	0.82	16,666	106	1.28
Loans to banks	14,571	(4)	(0.05)	7,643	16	0.41
Interest earning assets	92,405	1,072	2.33	85,886	1,180	2.77
Non interest earning assets	7,649			7,932		
<b>Total Assets</b>	<b>100,054</b>	<b>1,072</b>		<b>93,818</b>	<b>1,180</b>	
<b>Liabilities &amp; equity</b>						
Customer accounts	39,819	36	0.18	38,670	60	0.31
Deposits by banks	999	3	0.57	885	6	1.43
Other debt issued	6,567	39	1.19	6,090	41	1.37
Subordinated liabilities	1,299	20	3.15	796	16	4.00
Lease liability	419	7	3.21	448	7	3.10
<b>Interest earning liabilities</b>	<b>49,103</b>	<b>105</b>	<b>0.43</b>	<b>46,889</b>	<b>130</b>	<b>0.56</b>
Non interest earning liabilities	36,869			32,933		
Equity	14,082			13,996		
<b>Total liabilities &amp; equity</b>	<b>100,054</b>	<b>105</b>		<b>93,818</b>	<b>130</b>	
<b>Net interest income / margin</b>		<b>967</b>	<b>2.10</b>		<b>1,050</b>	<b>2.46</b>

# Net interest margin (NIM)

## NIM – material movements



## NIM trajectory (%)



# Loan book by Staging and Coverage

June 2020 Gross loan exposures (€bn)	Stage 1	Stage 2	Stage 3*	Total exposure
Mortgages	26.2	2.5	2.3	31.0
Personal	2.1	0.4	0.2	2.7
Property & Construction	4.3	2.3	0.4	7.1
Corporate & SME	13.6	5.2	0.8	19.6
<b>Total</b>	<b>46.3</b>	<b>10.5</b>	<b>3.7</b>	<b>60.5</b>
<b>Stage composition</b>	<b>77%</b>	<b>17%</b>	<b>6.2%</b>	<b>100%</b>
<b>ECL</b>	<b>0.4</b>	<b>0.7</b>	<b>1.2</b>	<b>2.4</b>
<b>ECL coverage</b>	<b>0.9%</b>	<b>7%</b>	<b>32%</b>	<b>4%</b>

December 2019 Gross loan exposures (€bn)	Stage 1	Stage 2	Stage 3*	Total exposure
Mortgages	27.0	2.1	2.3	31.5
Personal	2.5	0.3	0.2	3.0
Property & Construction	6.5	0.4	0.4	7.3
Corporate & SME	18.7	1.1	0.4	20.3
<b>Total</b>	<b>54.7</b>	<b>4.0</b>	<b>3.3</b>	<b>62.0</b>
<b>Stage composition</b>	<b>88%</b>	<b>6%</b>	<b>5.4%</b>	<b>100%</b>
<b>ECL</b>	<b>0.1</b>	<b>0.2</b>	<b>0.9</b>	<b>1.2</b>
<b>ECL coverage</b>	<b>0.3%</b>	<b>5%</b>	<b>27%</b>	<b>2%</b>

Movements in loan exposures & ECL (€bn)	Stage 1	Stage 2	Stage 3*	Total exposure
Mortgages	(0.7)	0.4	(0.1)	(0.4)
Personal	(0.4)	0.1	0.0	(0.3)
Property & Construction	(2.2)	1.9	0.1	(0.2)
Corporate & SME	(5.1)	4.1	0.4	(0.7)
<b>Total</b>	<b>(8.5)</b>	<b>6.5</b>	<b>0.4</b>	<b>(1.6)</b>
<b>ECL movement</b>	<b>0.3</b>	<b>0.5</b>	<b>0.3</b>	<b>1.1</b>

\* includes Purchased or Originated Credit Impaired Loans (POCI)

## Loan book by Staging – €60.5bn loan exposures

- Stage 2 loan exposures increased by €6.5bn to €10.5bn (17% of the loan book at June 2020) of which:
  - Corp & SME Stage 2 loan exposures increased €4.1bn as sectors like Hotels, Bars, Restaurants, Retail/Wholesale have felt the impact of the 'lockdown' in Q2 in Ireland
  - Property & Construction loan exposures increase €1.9bn as Retail / Shopping Centres in particular have been adversely impacted from the measures in place to contain COVID-19.
- Stage 3 loan exposures increased by €0.4bn to €3.7bn (6.2% of the loan book at June 2020) primarily driven by definition of default change €0.2bn

## ECL - €1.2bn charge

- Coverage has increased across all stages – total loan book coverage has doubled to 4%; Stage 1 coverage has tripled to 0.9%
- Increase in exposures in Stage 2 & Stage 3 along with increased coverage rates (7% and 32%) drives ECL increase of €0.5bn & €0.3bn



## Stage 2 movements

June 2020 Gross loan exposures (€bn) (excluding Mortgages & Personal)	Stage 1	Stage 2	Stage 3*	Total exposure
Property & Construction	4.3	2.3	0.4	7.1
Hotels, Bars & Restaurants	1.3	1.5	0.2	2.9
Retail /Wholesale	1.0	0.5	0.1	1.6
Manufacturing	0.9	0.7	0.1	1.7
Energy	1.4	0.1	0.0	1.5
Transport	1.0	0.3	0.0	1.3
Financial	0.4	0.1	0.0	0.5
Agriculture	1.1	0.5	0.1	1.7
Other Services	3.1	0.7	0.1	4.0
Syndicated & International Finance	3.5	0.8	0.1	4.4
<b>Total</b>	<b>18.0</b>	<b>7.6</b>	<b>1.2</b>	<b>26.8</b>

Movements Gross loan exposures (€bn) (excluding Mortgages & Personal)	Stage 1	Stage 2	Stage 3*	Total exposure
Property & Construction	(2.2)	1.9	0.1	(0.2)
Hotels, Bars & Restaurants	(1.3)	1.2	0.1	(0.0)
Retail /Wholesale	(0.4)	0.3	0.0	(0.0)
Manufacturing	(0.6)	0.6	0.0	(0.1)
Energy	(0.1)	0.1	0.0	0.1
Transport	(0.2)	0.2	0.0	0.1
Financial	(0.2)	0.1	(0.0)	(0.1)
Agriculture	(0.4)	0.3	0.0	(0.0)
Other Services	(0.8)	0.5	0.1	(0.3)
Syndicated & International Finance	(1.2)	0.7	0.1	(0.3)
<b>Total</b>	<b>(7.3)</b>	<b>6.0</b>	<b>0.4</b>	<b>(0.9)</b>

- The majority of the Stage 2 loan exposures increase (€6bn) is primarily due to movement in certain sectors in Property and Corporate & SME sectors
  - **Property & Construction** - €1.9bn increase in Stage 2 loan exposures. Retail / Shopping Centres in particular have been adversely impacted from the measures in place to contain COVID-19.
  - **Hotels, Bars & Restaurants** - €1.2bn increase in Stage 2 loan exposures, as businesses would have been impacted by the 'lockdown' in Q2 in Ireland.
  - **Retail/Wholesale** - €0.3bn increase in Stage 2 loan exposures; many retailers have been negatively impacted by COVID-19.
  - **Syndicated and International Finance (SIF)** - €0.7bn increase in Stage 2 loan exposures reflecting the slowdown of the global economy. We have tightened our risk appetite for this business. Exposures in SIF are well diversified by name and sector with the top 20 names accounting for 21% of the total and 68% of the book is rated B+ or above.

\* includes Purchased or Originated Credit Impaired Loans (POCI)

# Loans to customers

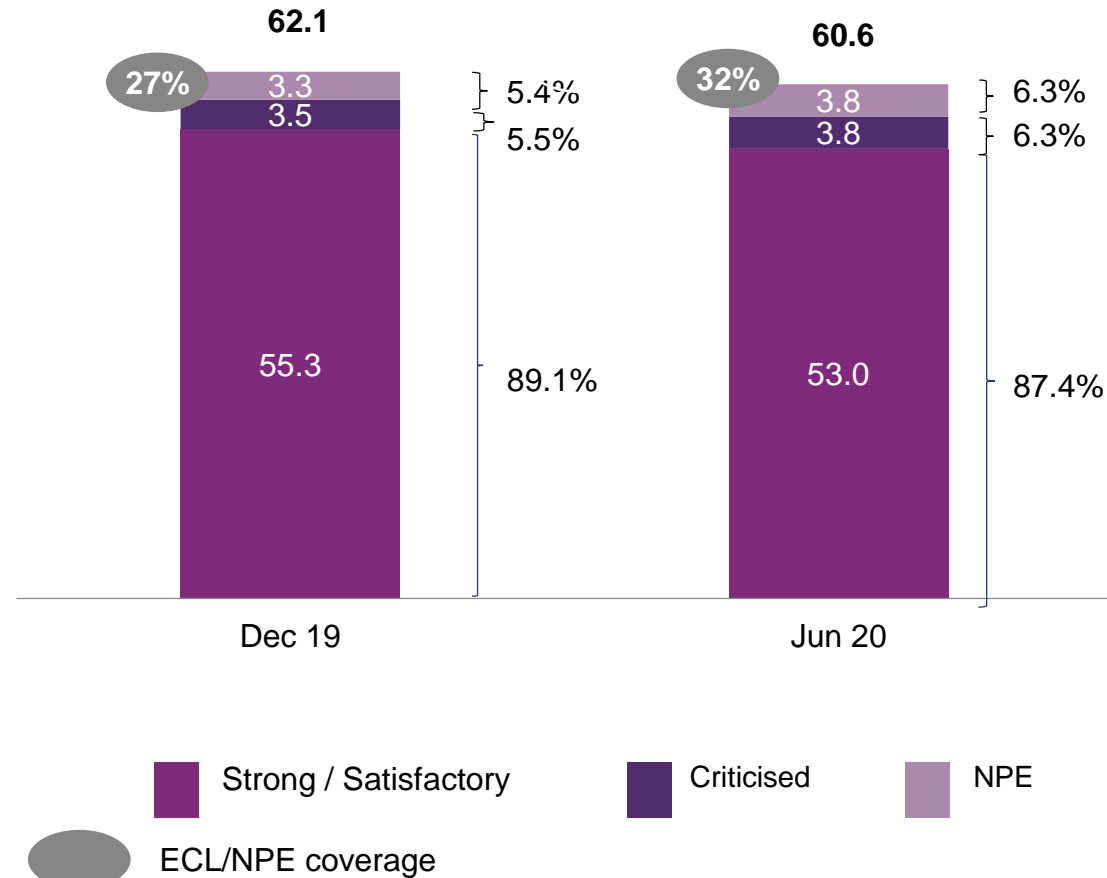
€bn	Performing Loans	Non-Performing Loans	Loans to Customers
<b>Gross loans (1 Jan 2020)</b>	<b>58.8</b>	<b>3.3</b>	<b>62.1</b>
New lending	4.4	-	4.4
Redemptions of existing loans	(5.0)	(0.3)	(5.3)
Write-offs / restructures	-	(0.1)	(0.1)
Net flow to NPE	(0.8)	0.8	-
Foreign exchange / other movements	(0.6)	0.1	(0.5)
<b>Gross loans (30 Jun 2020)</b>	<b>56.8</b>	<b>3.8</b>	<b>60.6</b>
ECL allowance	(1.2)	(1.2)	(2.4)
<b>Net loans (30 Jun 2020)</b>	<b>55.6</b>	<b>2.6</b>	<b>58.2</b>

# Asset quality by portfolio

€bn	Mortgages	PDH	BTL	Personal	Property	Corporate & SME	Total
<b>Jun 2020</b>							
Customer loans	31.0	28.7	2.3	2.7	7.2	19.6	60.6
Total ECL cover (%)	3%			9%	7%	4%	4%
<b>of which NPEs</b>	2.2	1.9	0.3	0.2	0.5	0.8	3.8
ECL on NPE	0.6	0.5	0.1	0.1	0.2	0.3	1.2
<b>ECL / NPE coverage %</b>	28	28	26	61	39	32	32
<b>Dec 2019</b>							
Customer loans	31.5	29.0	2.5	3.0	7.3	20.3	62.1
Total ECL cover (%)	2%			6%	3%	2%	2%
<b>of which NPEs</b>	2.3	2.0	0.3	0.2	0.4	0.4	3.3
ECL on NPE	0.5	0.5	0.1	0.1	0.1	0.2	0.9
<b>ECL / NPE coverage %</b>	22	21	22	60	35	32	27

# Asset quality –total portfolio

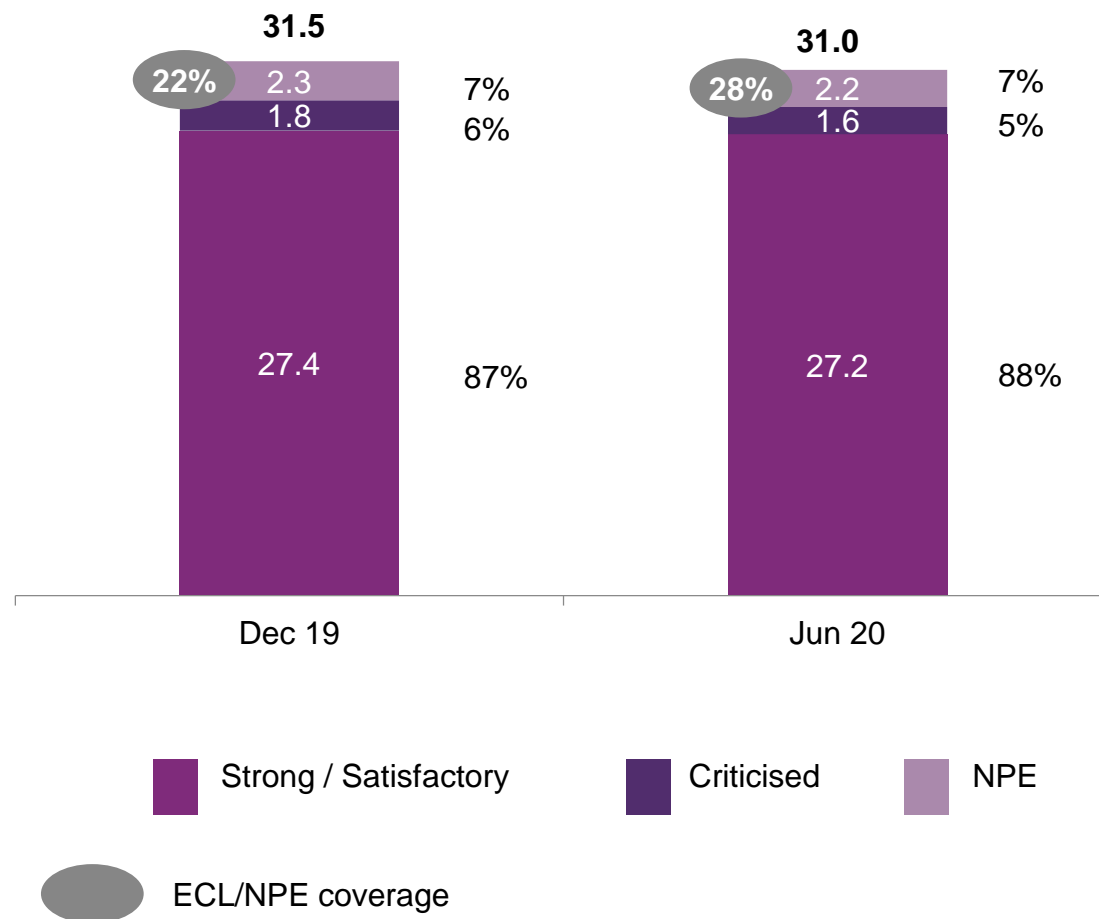
Credit quality (€bn)



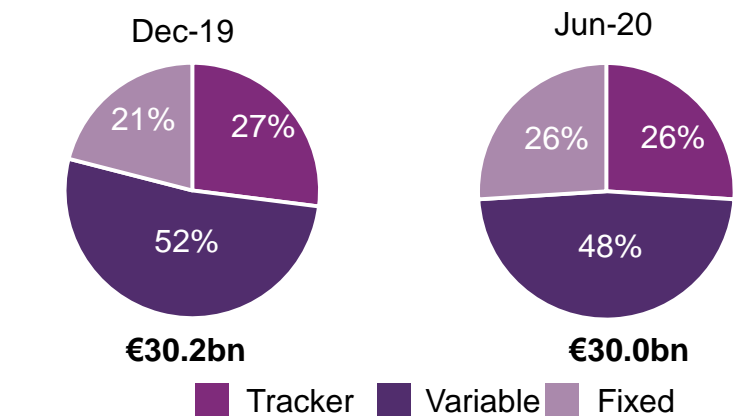
- Asset quality has been impacted by the deterioration in the economic outlook as a result of COVID-19 in H1 2020
- 87.4% of the loan book is strong / satisfactory, down €2.4bn (-1.7%)
- 97% of new lending flow is strong / satisfactory
- 94% of the loan book is performing, down slightly from 95%
- Criticised loans €3.8bn increased by €0.4bn
  - includes €0.9bn that are classified as 'criticised recovery'

# Asset quality - Mortgages

## Credit quality (€bn)

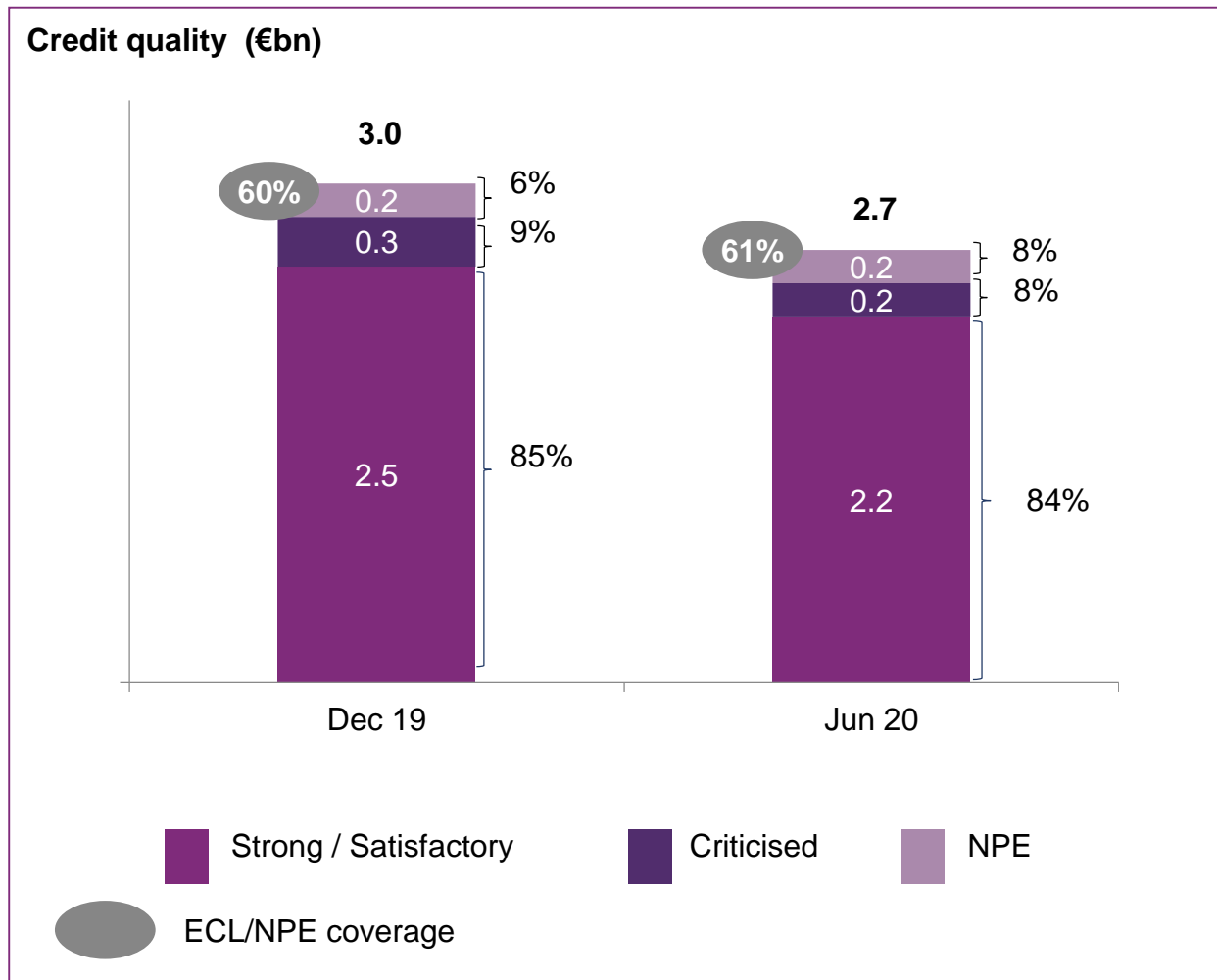


## Rol mortgages



- Portfolio €31bn declined €0.5bn in H1 2020
  - Total new lending €1.1bn declined 18%; ROI down 16%
- 88% of portfolio is strong / satisfactory
- NPE 7% of portfolio, in line with Dec 19
  - Coverage increased to 28% from 22%
- ROI loans in arrears decreased by 27% (decrease 31% PDH, increase 1% BTL)
- Weighted average LTV for new ROI mortgages 68%

# Asset quality - Personal

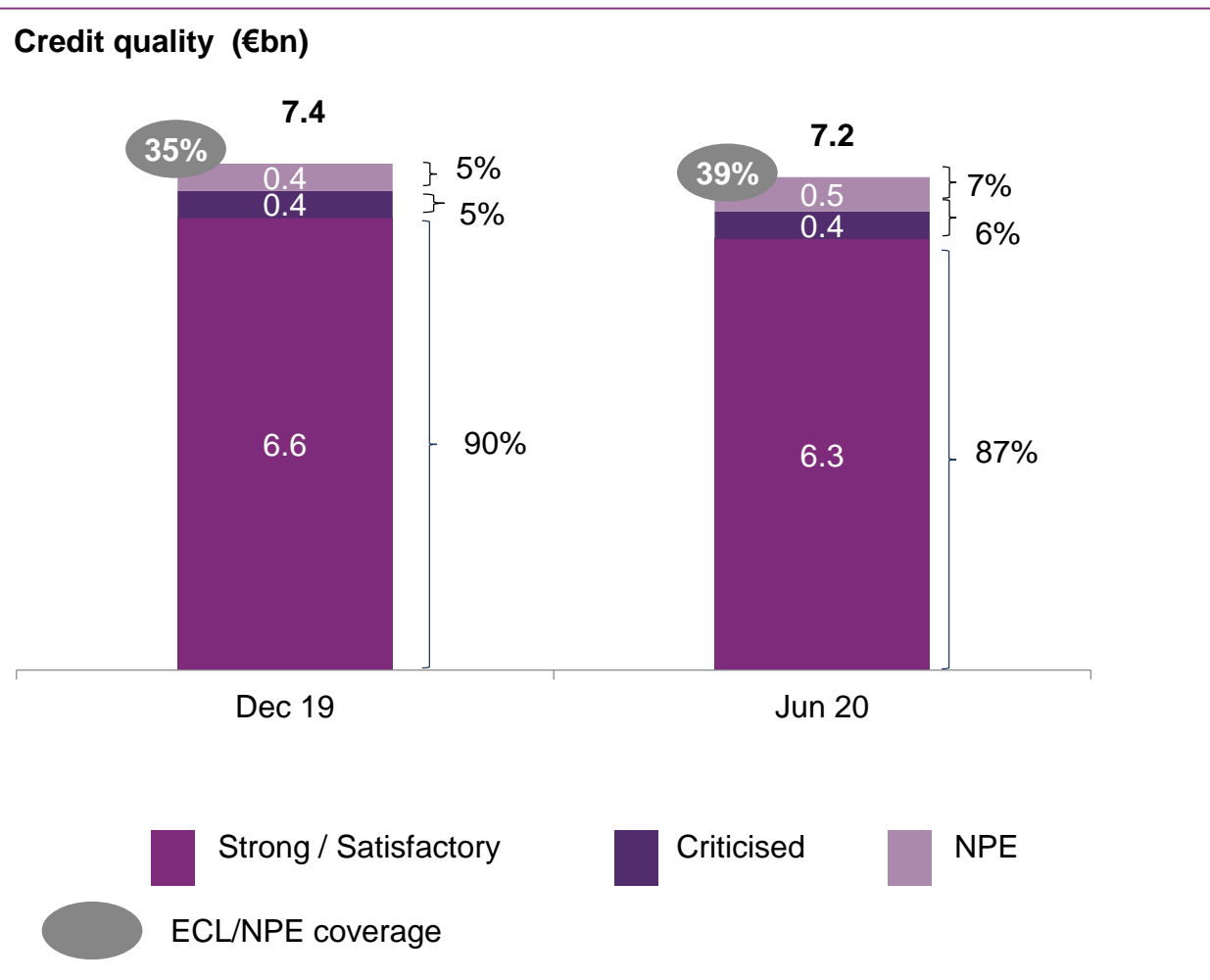


Portfolio has been negatively impacted by COVID-19 in Q2 with demand for personal new lending reducing significantly in April and May. June volumes indicate a return to pre COVID-19 application activity.

- 84% of portfolio is strong / satisfactory compared to 85% Dec 19
- Personal €2.7bn comprises €2.2bn in loans and overdrafts and €0.5bn in credit card facilities



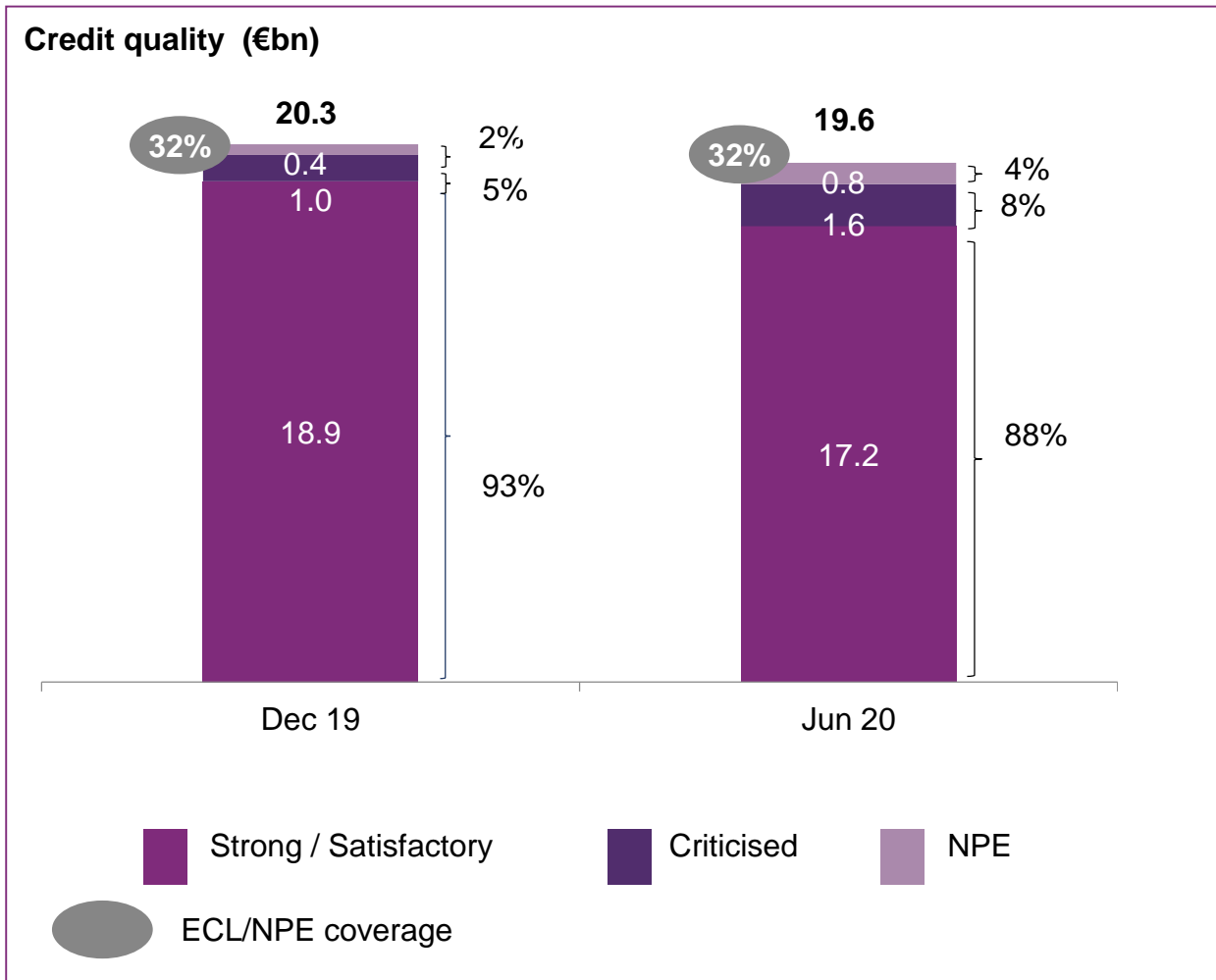
# Asset quality – Property & construction



Property sector was impacted by COVID-19 as construction activity stalled on both residential and commercial sites during the lockdown.

- 87% of portfolio is strong / satisfactory, down from 90% Dec 19
- NPEs €0.5bn increased by €0.1bn from €0.4bn Dec 19

# Asset quality – Corporate & SME



Portfolio has been negatively impacted by COVID-19 in Q2 with demand for new lending reducing significantly

- 88% of portfolio is strong / satisfactory, down from 93% Dec 19

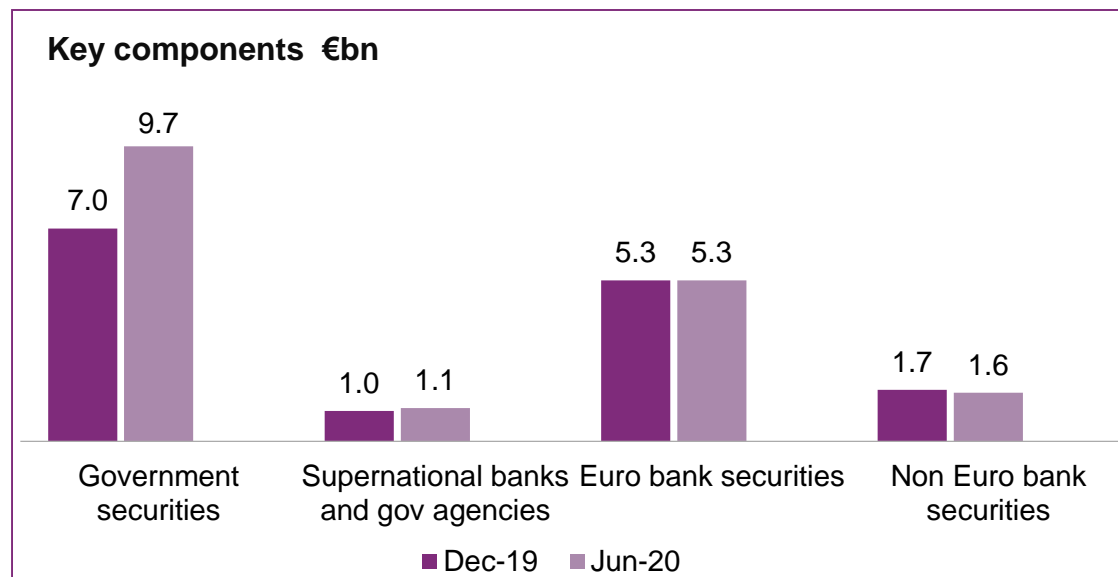
# Asset quality – internal credit grade by ECL staging\*

€m	Jun 2020					Dec 2019				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Strong	35,531	1,955	-	2	37,488	42,123	329	-	2	42,454
Satisfactory	9,785	5,581	-	-	15,366	11,346	1,452	-	-	12,798
Total strong / satisfactory	45,316	7,536	-	2	52,854	53,469	1,781	-	2	55,252
Criticised watch	813	2,115	-	1	2,929	1,111	1,163	-	1	2,275
Criticised recovery	23	856	-	8	887	119	1,048	-	8	1,175
Total criticised	836	2,971	-	9	3,816	1,230	2,211	-	9	3,450
NPE	108	-	3,535	180	3,823	24	-	3,140	183	3,347
Total customer loans	46,260	10,507	3,535	191	60,493	54,723	3,992	3,140	194	62,049

\* Excludes €76m loans FVTPL (Dec 19 €77m)

- Stage 1 loans €46.3bn decreased €8.5bn from Dec 19, 98% are strong / satisfactory
- Stage 2 loans €10.5bn increased €6.5bn from Dec 19, 72% are strong / satisfactory
- Stage 3 loans €3.5bn increased €0.4bn mainly due to changes in definition of default

## Investment securities – debt securities €19.3bn



- €19.3bn up from €16.5bn up €2.7bn mainly due to €2.8bn increase in Irish Government securities
- There were no material disposals in H1 2020
- Average yield of 0.82%, down from 1.28% from H1 2019
  - yield reducing as higher yielding assets mature

# ECL– sensitivities

Jun 2020						
€m	Reported	Base	Downside scenario (‘Persistent virus’)	Downside scenario (‘Failed EU/UK trade talks’)	Downside scenario (‘Persistent virus plus second wave’)	Upside scenario (‘Virus eliminated’)
ECL allowance	2,441	2,270	2,908	2,736	3,519	1,984
Delta to reported		(171)	467	295	1078	(457)
Delta to base			638	466	1,249	(286)

The sensitivities reflect the approximate impact on the current ECL allowance before the application of probability weights to the forward looking macroeconomic scenarios. The sensitivities provide an estimate of ECL movements driven by both changes in model parameters and quantitative ‘significant increase in credit risk’ (SICR) staging assignments.

# Reported capital ratios

## Transitional capital ratios

	Jun 20	Dec 19
<b>Total risk weighted assets (€m)</b>	<b>50,395</b>	52,121
<b>Capital (€m)</b>		
Shareholders equity excl AT1 and dividend	12,361	13,023
Regulatory adjustments	(2,200)	(2,434)
Common equity tier 1 capital	10,161	10,589
Qualifying tier 1 capital	1,238	625
Qualifying tier 2 capital	902	926
Total capital	12,301	12,140
<b>Transitional capital ratios (%)</b>		
CET1	20.2	20.3
AT1	2.4	1.2
T2	1.8	1.8
Total capital	24.4	23.3

## RWA (Transitional)

Risk weighted assets (€m)	Jun 20	Dec 19	Mvmt
Credit risk	44,925	46,811	(1,886)
Market risk	618	473	145
Operational risk	4,686	4,700	(14)
CVA	166	137	29
Total risk weighted assets	50,395	52,121	(1,726)

## Fully loaded capital ratios

	Jun 20	Dec 19
<b>Total risk weighted assets (€m)</b>	<b>49,763</b>	51,999
<b>Capital (€m)</b>		
Shareholders equity excl AT1	12,361	13,023
Regulatory adjustments	(4,223)	(4,018)
Common equity tier 1 capital	8,138	9,005
Qualifying tier 1 capital	1,268	655
Qualifying tier 2 capital	1,090	1,007
Total capital	10,496	10,667
<b>Fully loaded capital ratios (%)</b>		
CET1	16.4	17.3
AT1	2.5	1.3
T2	2.2	1.9
Total capital	21.1	20.5

## Shareholders' Equity (€m)

<b>Equity – Dec 2019</b>	<b>14,230</b>
Loss H1 2020	(700)
Investment securities & cash flow hedging reserves	(54)
AT1 (HoldCo)	620
Redemption AT1 (OpCo)	(206)
Other	(119)
<b>Equity – Jun 2020</b>	<b>13,771</b>
<b>less: AT1</b>	<b>(1,410)</b>
Shareholders' equity excl AT1	12,361





# Credit ratings

MOODY'S

FitchRatings

STANDARD  
& POOR'S

## AIB Group plc (HoldCo)

Long term issuer rating

Baa2

BBB

BBB-

Outlook

Stable

Negative

Negative

Investment grade



## AIB p.l.c. (OpCo)

Long term issuer rating

A2

BBB+

BBB+

Outlook

Stable

Negative

Negative

Investment grade



# Loan book analysis and interest rate sensitivity

Concentration by sector (%)	H1 2020
Agriculture	3
Energy	3
Manufacturing	5
Property & construction	12
Distribution	9
Transport	3
Financial	1
Other services	9
Resi mortgages	51
Personal	4
<b>Total</b>	<b>100</b>

Concentration by location (%)	H1 2020
Republic of Ireland	76
United Kingdom	15
North America	5
Rest of World	4
<b>Total</b>	<b>100</b>

Sensitivity of projected net interest income to interest rate movements	FY 2019 €m	FY 2018 €m
+100 basis point parallel move in all interest rates	234	211
-100 basis point parallel move in all interest rates	(274)	(245)

## Contact details

Our Investor Relations Department are happy to facilitate your requests for any further information

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