EMBARGO 07:00 **01 May 2019**

AIB GROUP PLC – Q1 2019 TRADING UPDATE (UNAUDITED)

Good start to 2019 and trading in line with expectations

"In this, my first update on the trading performance of AIB, I'm delighted to confirm that we have had a good start to 2019 with solid profitability, strong new lending and continued performing loan book growth. Asset quality continued to improve with significant reduction in non-performing exposures (NPEs) putting us firmly on track to reach the milestone of c. 5% by end 2019. We remain focused on our Customer First strategy and in April we were pleased to enhance our customer propositions in both our digital agenda, through our joint venture (JV) acquisition of Payzone, and market leading mortgage offering."

- Colin Hunt, CEO

Key Highlights

- Net interest margin (NIM) of 2.50% for Q1, up from 2.48% exit Q4 2018
- Performing loans up €0.8bn; new lending up 11% on the equivalent prior year period
- NPEs reduced by 21% to €4.8bn from €6.1bn at year end; including €1bn non-performing loan sale
- Fully loaded CET1 17.3% driven by solid profitability offset primarily by IFRS 16 impact of 17bps
- Successful MREL transaction of US$1bn; c. 65% of our MREL issuance requirement complete

ECONOMIC ENVIRONMENT

The Irish macro indicators published for the opening months of 2019 point to an economy that is continuing to grow at a relatively strong pace. The general consensus is for growth of c. 4% this year, which would represent a moderation on the underlying growth rate of between 4.5-5% evident in the past couple of years. Activity metrics for the housing market continue to indicate improving output, with housing commencements up 30% in the first two months of 2019. Housing completions are forecast at close to 23,000 units this year, still some way below estimated annual housing demand of 35,000 units. Market commentators estimate a mortgage market of c. €10bn for 2019, which represents an estimated c. 15% increase year on year. House price inflation is now trending at more moderated levels, especially in the Dublin market, which overall we view as a positive from a business perspective. Factors which continue to constrain the market include supply shortage, impact of CBI macro-prudential rules and affordability, more acutely in Dublin. The Irish economy looks set to continue to grow at a healthy pace not withstanding Brexit uncertainty.

AIB has put in place a comprehensive contingency plan for various Brexit outcomes. Our 31 Brexit advisors understand the challenges and opportunities presented by Brexit and are focused on supporting customers to manage their business through this period of change.

FINANCIAL PERFORMANCE

In Q1 2019 solid net interest income was supported by NIM of 2.50% up from 2.48% exit Q4 2018. We remain comfortable with our 2019 guidance of mid-2.40%s and in excess of our medium term target 2.40%+.

Fees and commission income was stable in Q1 versus Q1 2018.

Costs are in line with expectations and cost focus remains a key priority for the Group. Operating costs in Q1 were marginally up compared to Q1 2018 due to the previously stated factors of wage inflation, continued investment in loan restructuring and increased depreciation. We continue to work towards a sub 50% cost income ratio and making the bank as efficient as possible.

Regulatory costs and levies for 2019, relating to the Single Resolution Fund, the Deposit Guarantee Scheme and the Bank Levy, are expected to be c. €100m for full year 2019.

A small net credit provision write-back was recorded in Q1 reflecting the current economic environment.

We expect to incur exceptional costs in 2019 including costs relating to business restructuring projects and the tracker mortgage examination programme as it reaches its final stages.

BALANCE SHEET

The performing loan book increased from €56.8bn in December 2018 to €57.6bn at end March 2019 as new lending exceeded redemptions. Gross loans of €62.4bn were down €0.5bn primarily driven by the non-performing loan sale.

New lending increased by 11% on the prior year equivalent period. ROI mortgage new lending increased 9% and our market share(1) of mortgage drawdowns YTD March was 31.4%. We are experiencing a positive trend in applications data although the impact of our enhanced fixed rates offering has yet to be reflected. In a continuation of credit demand trends witnessed in 2018, corporate and consumer credit remains strong but SME credit demand remains somewhat subdued as firms have delayed making investment decisions due to Brexit related uncertainties.

Strong progress continued in Q1 normalising our NPEs with a 21% reduction of €1.3bn to €4.8bn (7.6% of gross loans) due to continued customer engagement and the €1bn non-performing loan sale(2). The normalisation of NPEs remains a key focus and we are firmly on track to reach c. 5% of loans by end 2019.

Customer accounts of €68.1bn increased from €67.7bn at December 2018. The loan to deposit ratio was 89% at the end of Q1 2019.

FUNDING & CAPITAL

AIB Group plc is now rated investment grade across all three rating agencies and this contributed to our successful execution in April of a US$1bn MREL transaction, priced at T+195bps (yield 4.26%). The quality and breadth of investor interest (2.4x oversubscribed) was positive and positions us well for further issuance. We have now completed c. 65% of our estimated c. €4bn MREL issuance requirement.

The fully loaded CET1 at the end of Q1 was 17.3% (Dec 2018: 17.5%) driven by solid profitability in the quarter offset by IFRS16 impact, dividend accrual and RWA increase from balance sheet growth. CET1 will be impacted by the RWA reduction from the non-performing loan sale(2) and the JV acquisition of Payzone(3) in due course.

OUTLOOK

We have had a good start to the year and remain on track to meet expectations. The economic backdrop is favourable and our Customer First strategy is delivering results. We continue to make progress on our key priorities of delivering for our customers and reducing NPEs to normalised levels. With strong profitability we are well positioned to deliver for our customers and shareholders.

(1) Source: Mortgage drawdowns BPFI March 2019.

(2) On 1 April 2019 we announced a non-performing loan sale of €1bn equating to RWAs €0.75bn. Agreement was reached on the 31 March and €1bn NPEs have been derecognised from customer loans. We await the RWA reduction until settlement. The buyer Everyday is a regulated entity and will be responsible for all regulated activities in relation to the portfolio. Link ASI Limited will service the portfolio on behalf of Everyday under an outsourcing arrangement between the two parties. Please click here for announcement: *https://aib.ie/content/dam/aib/investorrelations/docs/se-announcements/2019/aib-portfolio-sale-01-april-2019.pdf*

(3) On 18 April 2019 we announced a joint venture acquisition of Payzone, a leading Irish fintech payments business, for an enterprise value of up to €100m. Please click here for announcement: *https://aib.ie/content/dam/aib/investorrelations/docs/se-announcements/2019/aib-forms-joint-venture-to-acquire-payzone-18-apr-2019.pdf*

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Forward Looking Statements

This announcement contains certain forward-looking statements with respect to the financial condition, results of operations and business of AIB Group plc ("AIB" or the "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 62 to 68 of the Annual Financial Report 2018. 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 62 to 68 of the Annual Financial Report 2018 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.