

# BACKING OUR CUSTOMERS

Annual Financial Results  
for the financial year ended 31 December 2019

and  
Investor Update

AIB Group plc





## Forward looking statement

---

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 2019 Annual 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 2019 Annual Financial Report 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.



# Agenda

- 1 2019 Year in review – Colin Hunt
- 2 2019 Financial results – Donal Galvin
- 3 2020 – 2022 Strategic update – Colin Hunt
- 4 2020 - 2022 Financial targets & outlook – Donal Galvin
- 5 Questions and Answers

*Presenting today*



**Colin Hunt**  
*Chief Executive Officer*



**Donal Galvin**  
*Chief Financial Officer*

1

# 2019 Year in review

**Colin Hunt**  
*Chief Executive Officer*



## 2019 - year in review

---



### **Strengthening customer proposition and digital leadership**

- *Competitive product range, improved customer experience and enhanced fintech capability*



### **High quality new lending**

- *Greater than 98% of new lending at strong/satisfactory credit quality*



### **Significant NPE reduction**

- *Reached our c. 5% milestone and planning further reductions*



### **Focus on costs**

- *Headcount reduced by 5%\**



### **Advances in sustainability and culture agenda**

- *€5bn climate action fund in place; 20% reduction in our own carbon footprint since 2014*



### **Management change and simplified structure**

- *Focus on core business and support functions*



### **Dealing with legacy issues and regulatory developments**

- *Tracker mortgage examination*

\* Excludes acquisition-related & insourcing staff

# 2019 Financial results

**Donal Galvin**  
*Chief Financial Officer*



# Financial highlights 2019



## Pre-exceptional PBT €1,091m

- Profit before tax €499m includes €592m exceptional items



## Net Interest Income €2,076m broadly stable

- NIM 2.37%; higher customer loan yields and widening spread between customer loans and deposits



## Costs €1,504m<sup>(1)</sup>, up 5% year on year; renewed focus on cost discipline



## NPEs €3.3bn (5.4% of gross loans), reduced €2.8bn (-45%) in FY 2019 c. 5% milestone achieved



## Sustainable growth; performing loans €58.8bn up €2.0bn (3%); new lending €12.3bn up €0.2bn (2%)



## MREL issuance €4.3bn to date; well-positioned to meet expected MREL requirement

- AIB Group plc is investment grade with Fitch, Moody's and S&P



## CET1 (FL) 16.4%<sup>(2)</sup> includes €217m / 8c per share proposed dividend

- comfortably ahead of regulatory requirements

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

<sup>(2)</sup> Includes 90bps indicative TRIM impact for AIB mortgage model



# Income statement

Summary income statement (€m)	FY 2019	FY 2018
Net interest income	2,076	2,100
Other income	619	626
<b>Total operating income</b>	<b>2,695</b>	<b>2,726</b>
Total operating expenses <sup>(1)</sup>	(1,504)	(1,431)
Bank levies and regulatory fees	(104)	(99)
<b>Operating profit before impairment and exceptional items</b>	<b>1,087</b>	<b>1,196</b>
Net credit impairment (charge) / writeback	(16)	204
Associated undertakings & other	20	14
<b>Profit before exceptionals</b>	<b>1,091</b>	<b>1,414</b>
Exceptional items	(592)	(167)
<b>Profit before tax</b>	<b>499</b>	<b>1,247</b>

Metrics	FY 2019	FY 2018
Net interest margin (NIM)	2.37%	2.47%
Cost income ratio (CIR) <sup>(1)</sup>	56%	53%
Return on tangible equity (RoTE) <sup>(2)</sup>	3.6%	12.4%
Return on assets (RoA)	0.4%	1.2%
Earnings per share (EPS)	12.1c	38.9c
Dividend per share (DPS)	8.0c	17.0c

- Net interest income broadly stable
- Other income €619m – net fee and commission income up 3%
- Operating expenses €1,504m: renewed focus on cost discipline
- Net credit impairment €16m charge – returning to a more normalised cost of risk
- Exceptionals €592m includes €300m for tracker provision

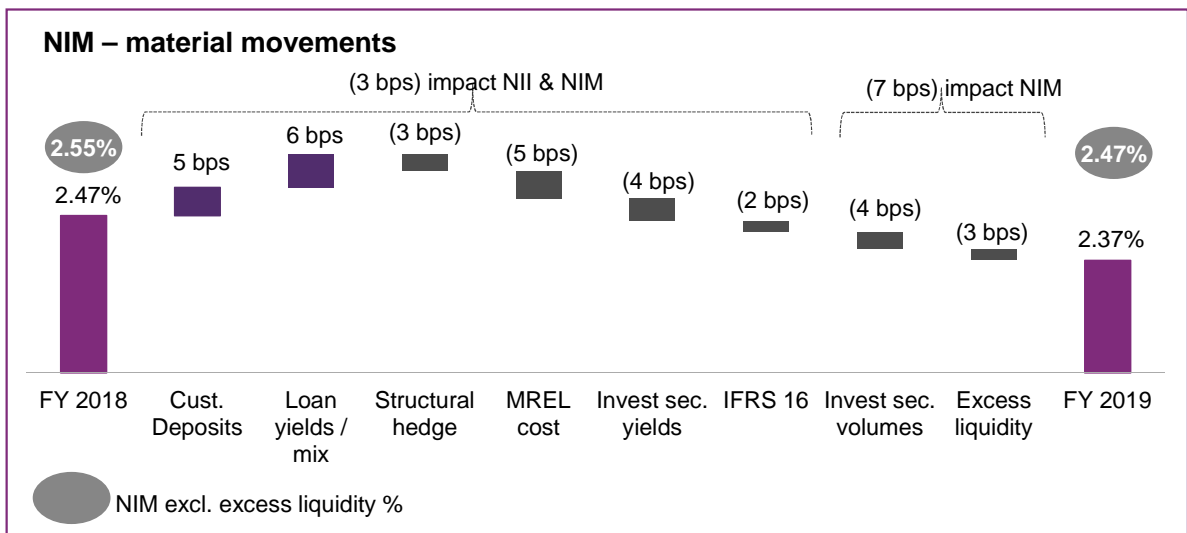
(1) Excludes exceptional items, bank levies and regulatory fees

(2) RoTE using (PAT – AT1 coupon + DTA utilisation) / (CET1 @13% plus DTA)

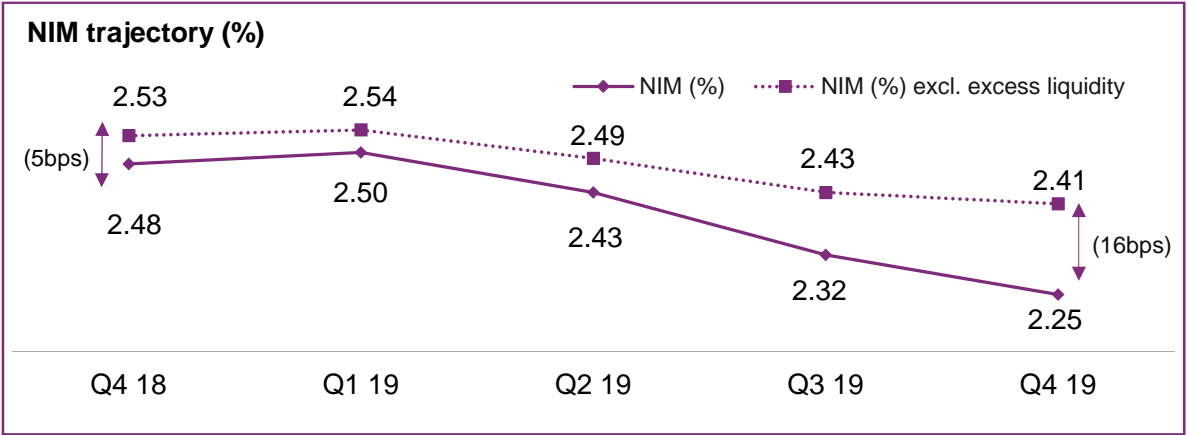




# Net interest income (NII) & net interest margin (NIM)



- Net interest income broadly stable; NIM 2.37% FY 19
- Higher loan yields 3.45% (2018: 3.42%) and lower cost of deposits 0.28% (2018: 0.41%) offset by
  - cost of MREL issuance
  - lower investment securities income
  - structural hedge

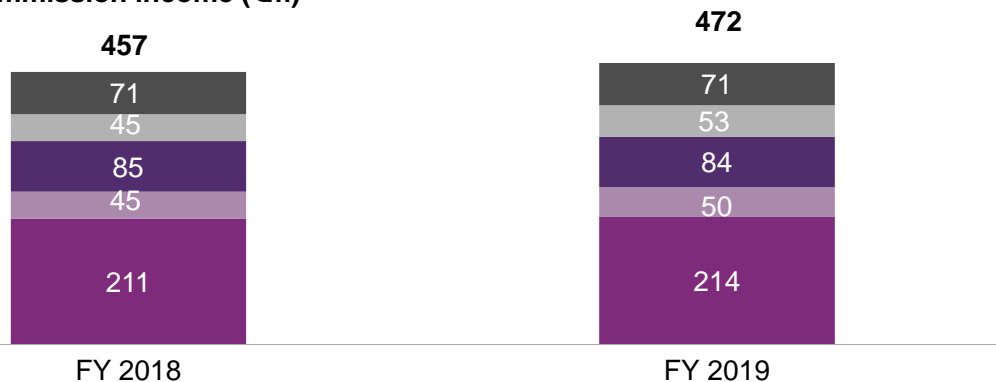


- Q4 exit NIM 2.25%
  - Euro excess liquidity average €6.2bn in Q4 19
  - €4.3bn placed with CBI (Dec 19) at 0%
- Excess liquidity management actions in place
  - tailored negative deposits strategy
  - grossing up impact of excess liquidity distorts NIM
  - each €1bn excess liquidity impacts NIM c. 3bps



## Other income

### Net fee & commission income (€m)



■ Customer accounts ■ Credit related fees ■ Card ■ Other fees & commission ■ Customer related FX

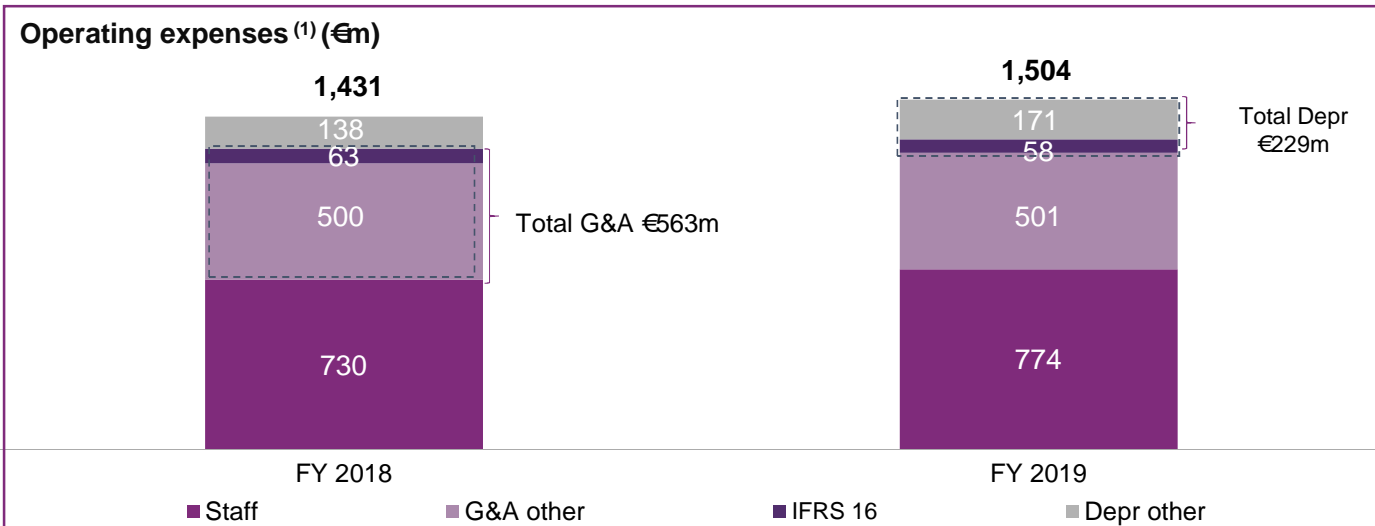
Other income (€m)	FY 2019	FY 2018
Net fee and commission income	472	457
Other business income	19	44
<b>Business income</b>	<b>491</b>	<b>501</b>
Gains on disposal of investment securities	45	15
Realisation of cash flows on restructured loans	62	84
Other gains / losses	21	26
<b>Other items</b>	<b>128</b>	<b>125</b>
<b>Total other income</b>	<b>619</b>	<b>626</b>

- Fee and commission income €472m, up 3% year on year

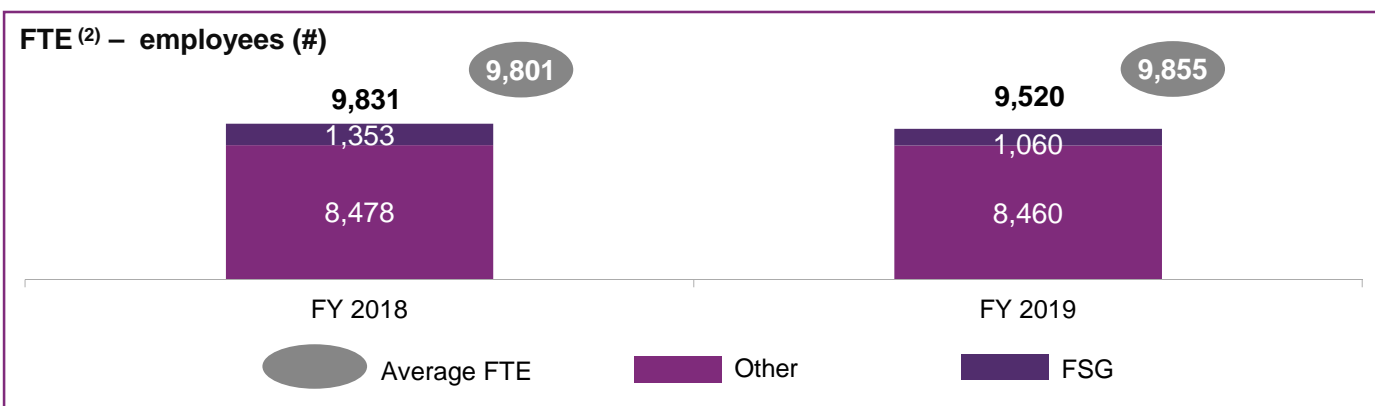
- Payzone joint acquisition
  - €2m Other Income / expectation c. €15m p.a.
  - increased Fintech capability
  - further strengthen our digital agenda in a post PSD2 / open banking economy



# Costs



- Costs €1,504m, up 5% year on year
- Factors impacting costs
  - increased depreciation from investment programme - €33m
  - wage inflation
  - elevated cost of NPE work out unit
  - heightened cost of regulation
- 5% FTE reduction from peak in Q1 through management actions, excluding
  - 91 Payzone FTE
  - c.100 insourcing FTE
- Exceptional items €592m primarily includes:
  - restitution costs €416m
  - provision for regulatory fines €78m
  - termination costs €48m
  - loss on disposal of loan portfolios €40m



1) Excluding exceptional items, bank levies & regulatory fees  
 2) Full time equivalent - Period end



# Balance sheet

Balance sheet (€bn)	Dec 2019	Dec 2018
Performing loans	58.8	56.8
Non-performing loans	3.3	6.1
<b>Gross loans to customers</b>	<b>62.1</b>	62.9
Expected credit loss allowance	(1.2)	(2.0)
<b>Net loans to customers</b>	<b>60.9</b>	60.9
Investment securities	17.3	16.9
Loans to central banks and banks	13.5	8.0
Other assets	6.9	5.7
<b>Total assets</b>	<b>98.6</b>	91.5
Customer accounts	71.8	67.7
Deposits by central banks and banks	0.8	0.8
Debt securities in issue	6.8	5.7
Other liabilities	5.0	3.4
<b>Total liabilities</b>	<b>84.4</b>	77.6
Equity	14.2	13.9
<b>Total liabilities &amp; equity</b>	<b>98.6</b>	91.5

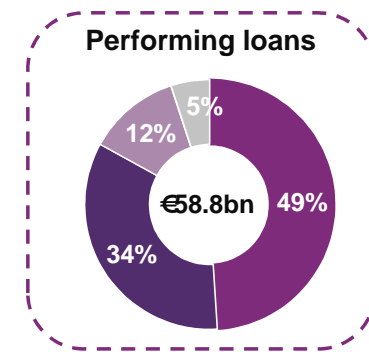
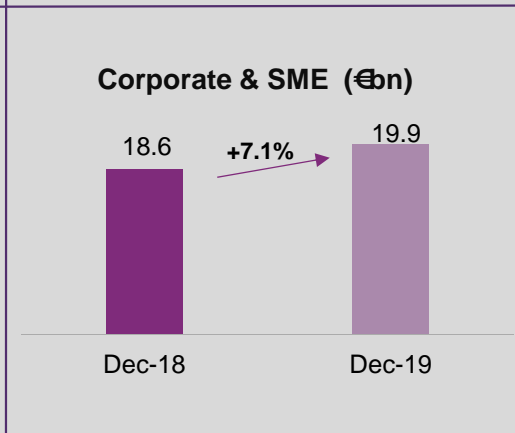
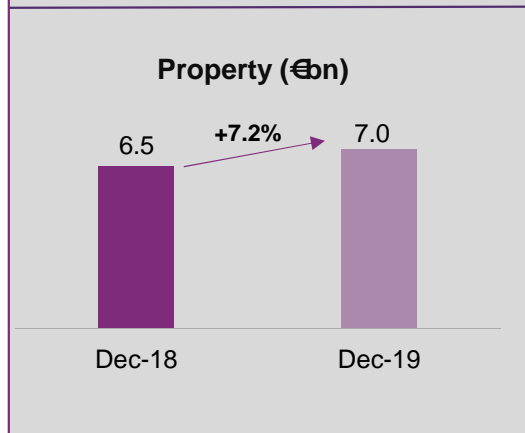
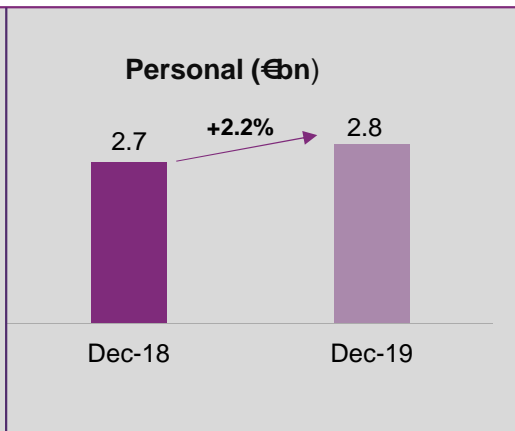
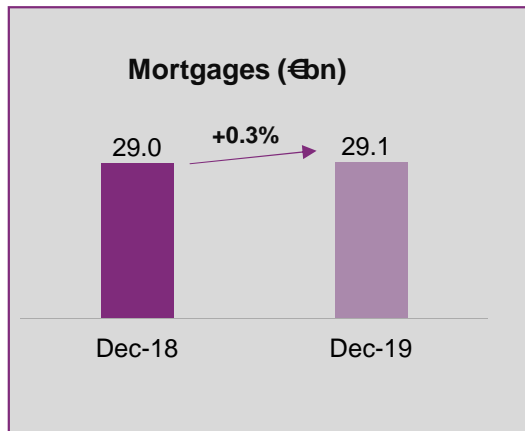
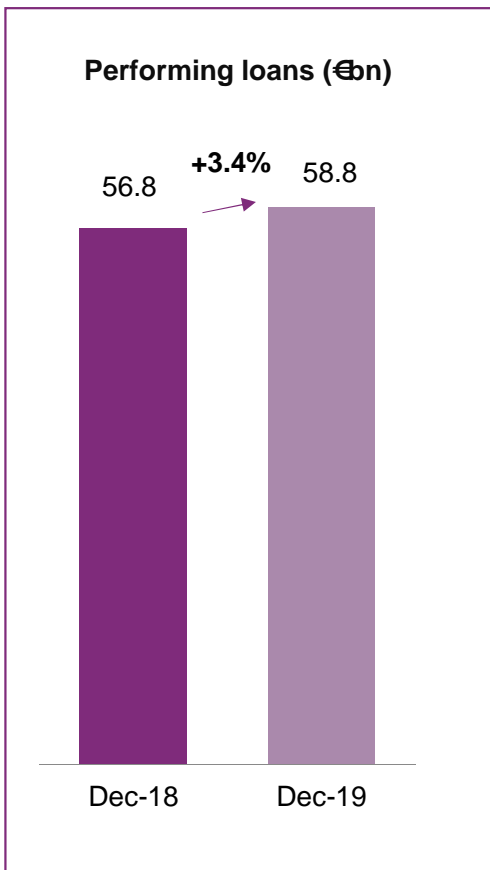
- Performing loans increased €2bn (3%)
- Sustainable new lending €12.3bn (exceeding redemptions €11.7bn)
- Loans to banks and central banks increased €5.5bn from increase in customer accounts and MREL issuance
- Customer accounts up €4.1bn

Key capital metrics	Dec 2019	Dec 2018
CET1 ratio (FL) pro-forma <sup>(1)</sup>	16.4%	17.5%
Leverage ratio (FL)	9.7%	10.1%

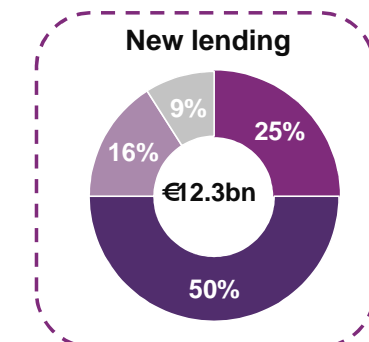
<sup>1)</sup> CET1 ratio (FL) 17.3% excluding 90bp indicative impact from AIB mortgage TRIM



# Gross performing loans



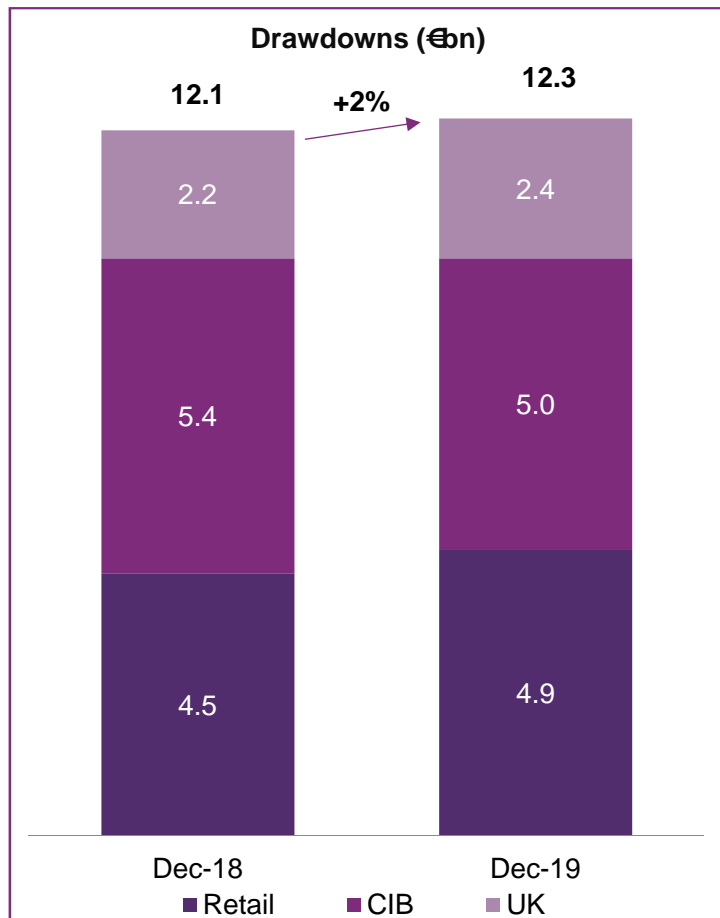
- Mortgages
- Corporate & SME
- Property
- Personal



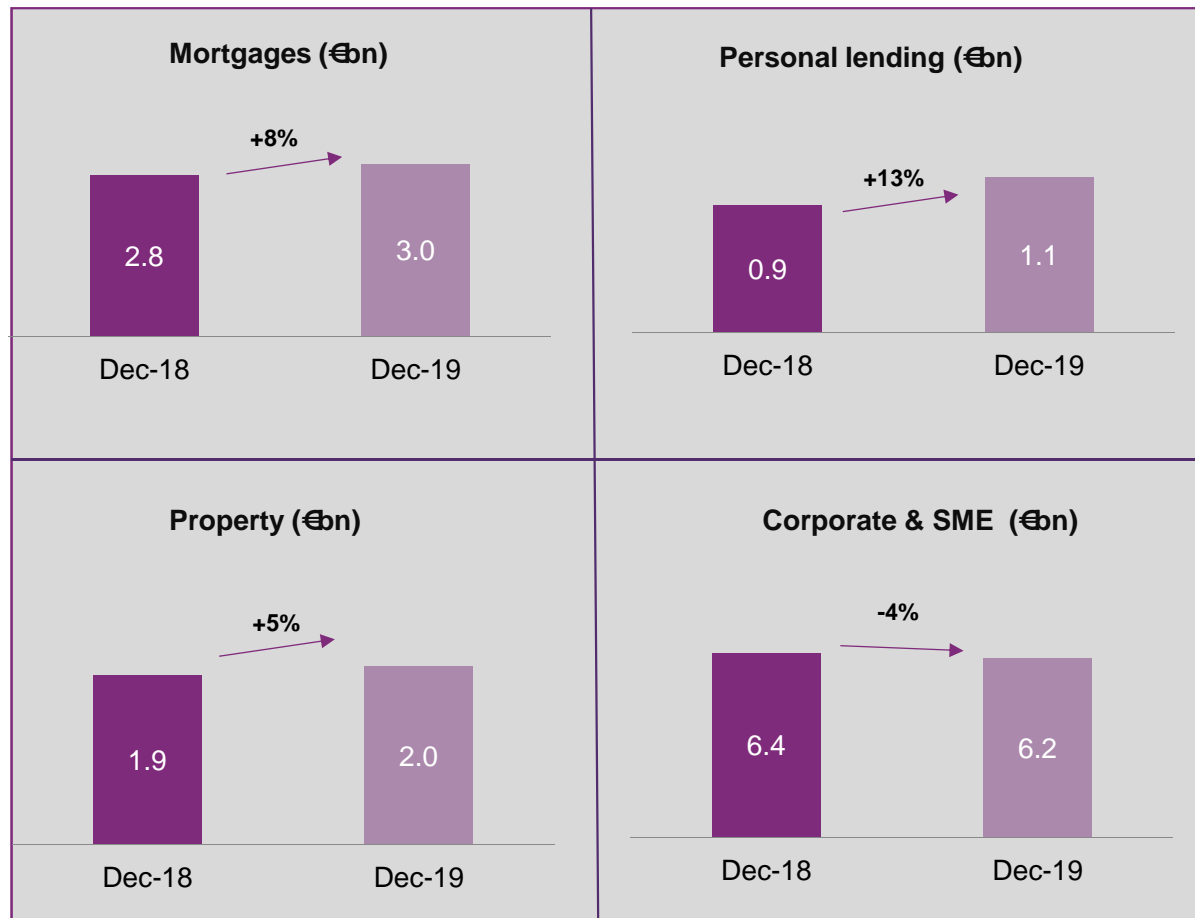


# New lending

### Continuing increase in new lending



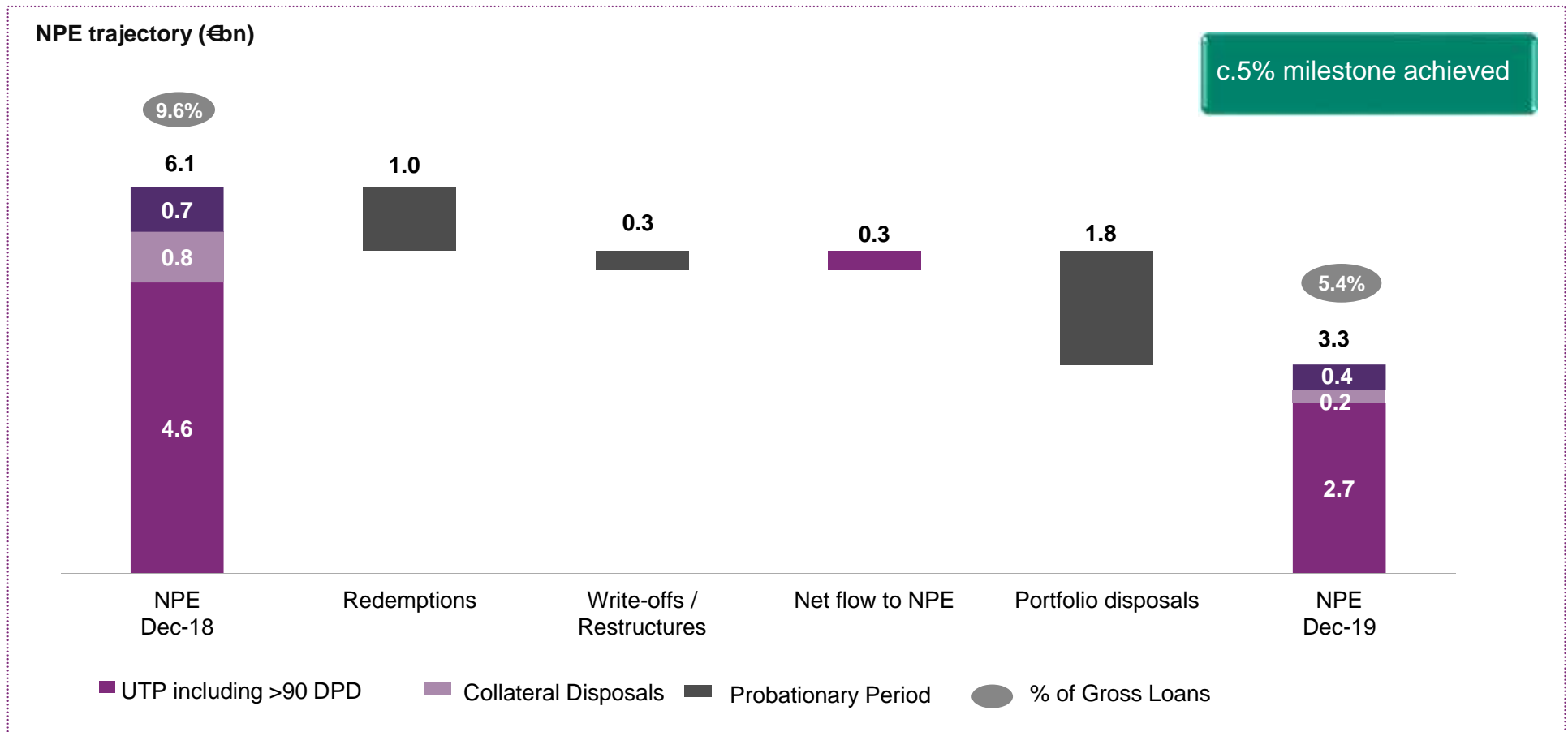
### New lending across all asset classes<sup>(1)</sup>



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



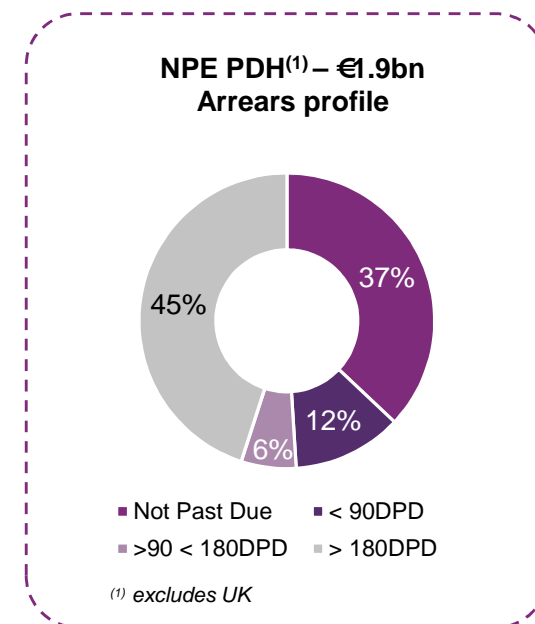
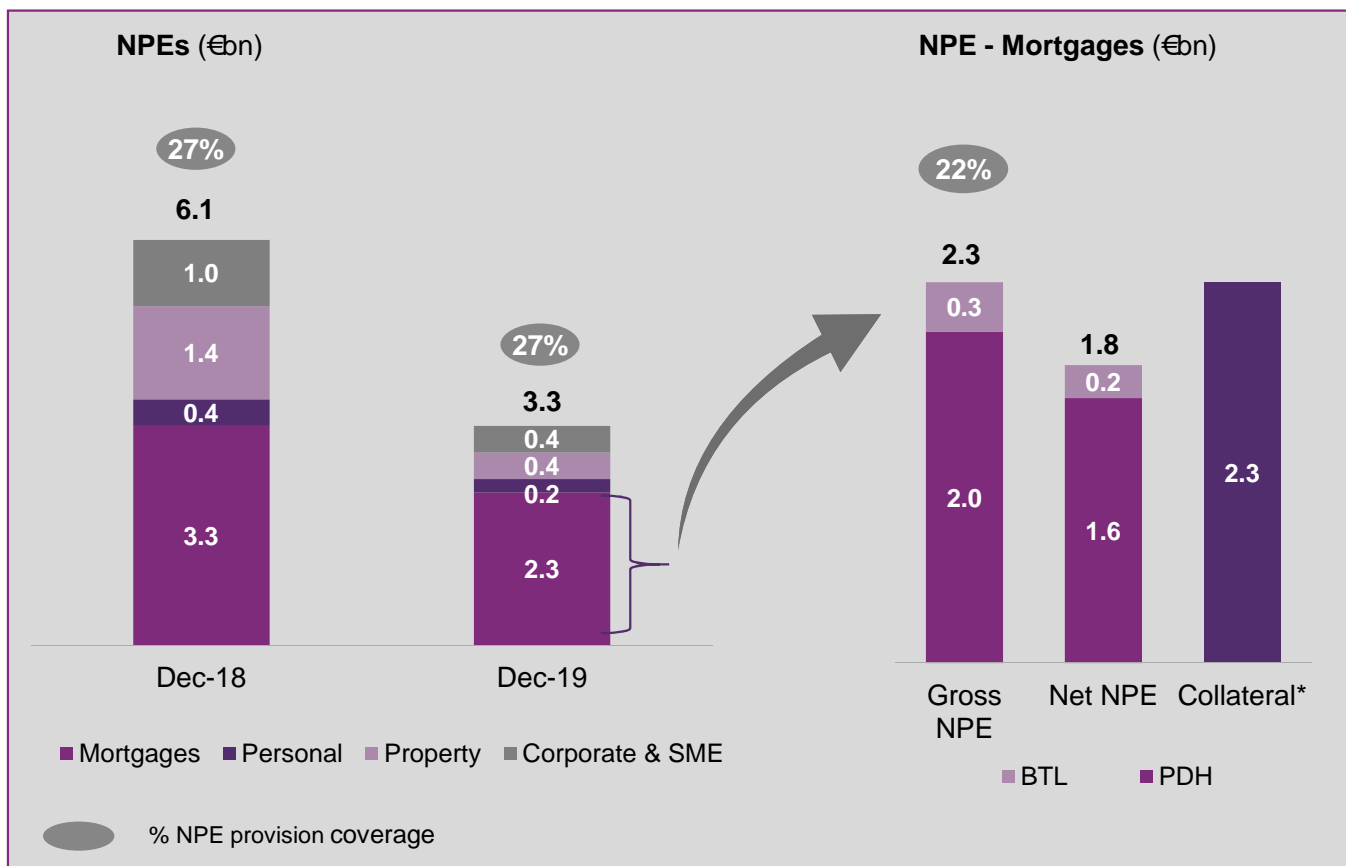
# NPE 5.4% of gross loans: FY19 milestone achieved



Note: UTP = unlikely to pay; DPD = days past due



# NPE provision coverage



Loan to Value	PDH (ROI)	BTL (ROI)
Dec 2016 - impaired	103%	101%
Dec 2017 - impaired	92%	88%
Dec 2018 - stage 3	74%	74%
Dec 2019 - stage 3	62%	66%

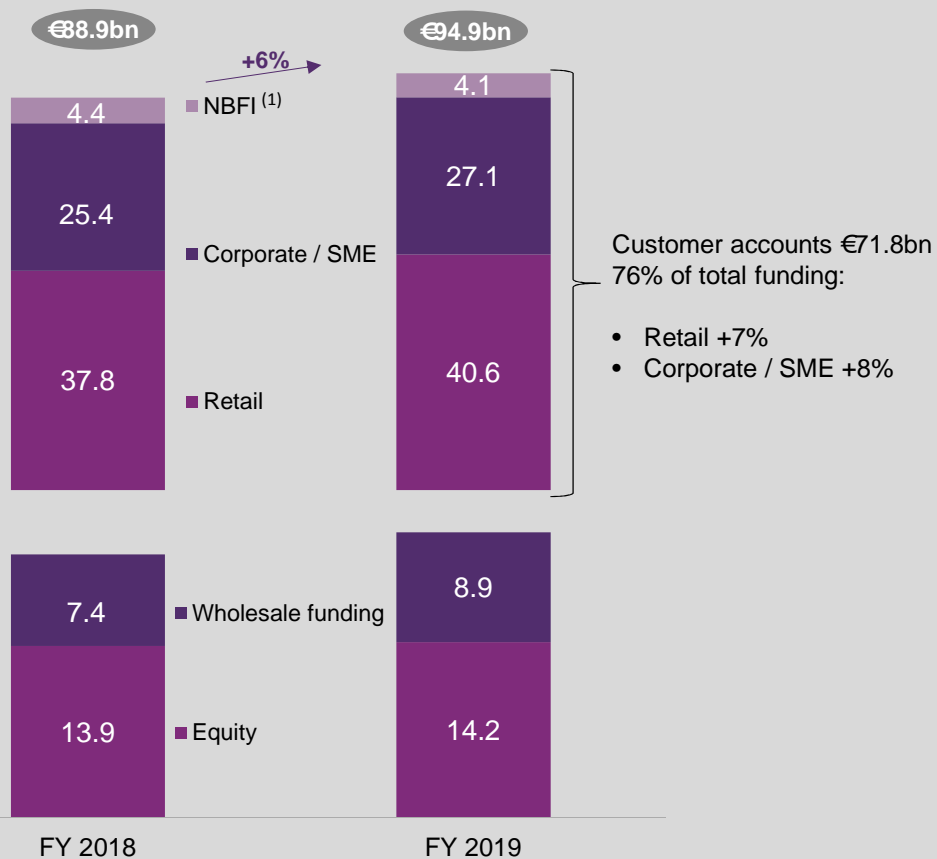
*Note: PDH = primary dwelling home; BTL = Buy-to-let; DPD = days past due*  
*\* The value of collateral held for stage 3 residential mortgages which are fully collateralised has been capped at the carrying value of the loans outstanding at year end*





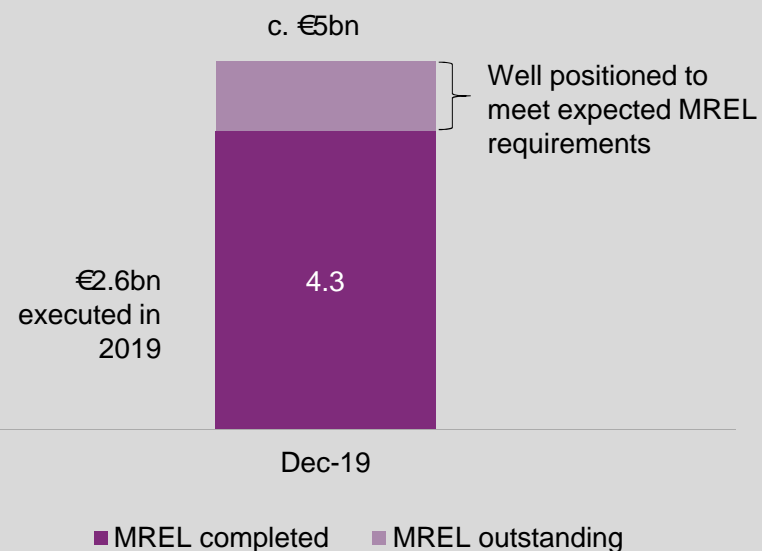
# Funding structure

## Total funding (€bn)



(1) Includes Credit Unions & Government deposits

## MREL issuance (€bn)



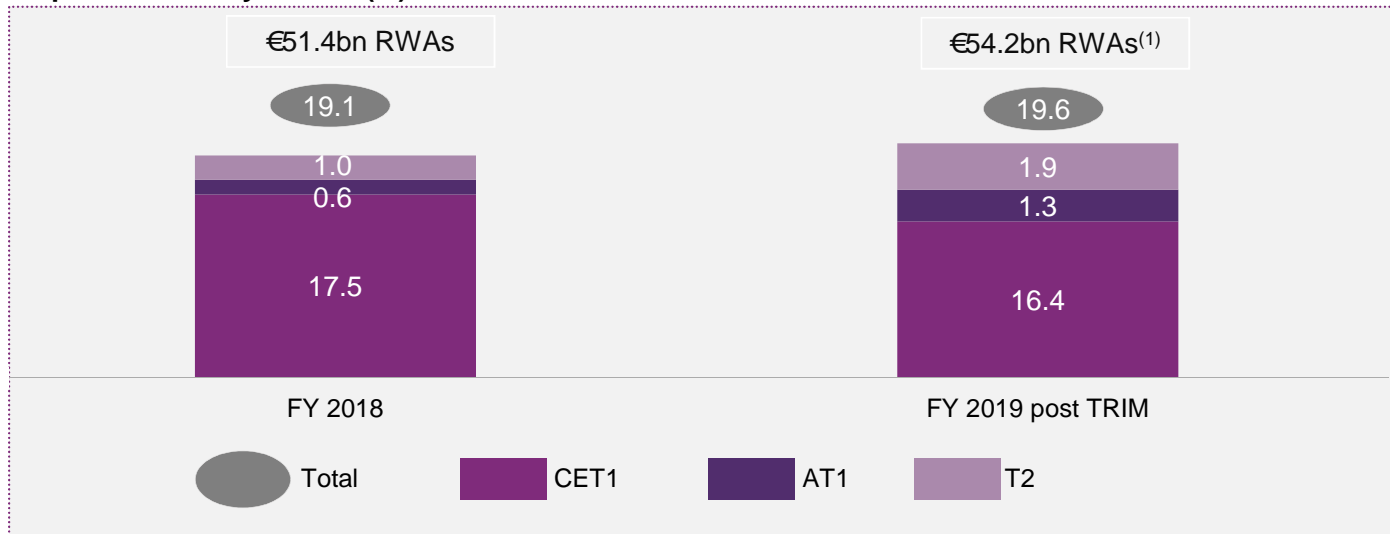
## Liquidity metrics (%)

	Dec 2019	Dec 2018
Loan to deposit ratio (LDR)	85	90
Liquidity coverage ratio (LCR)	157	128
Net stable funding ratio (NSFR)	129	125



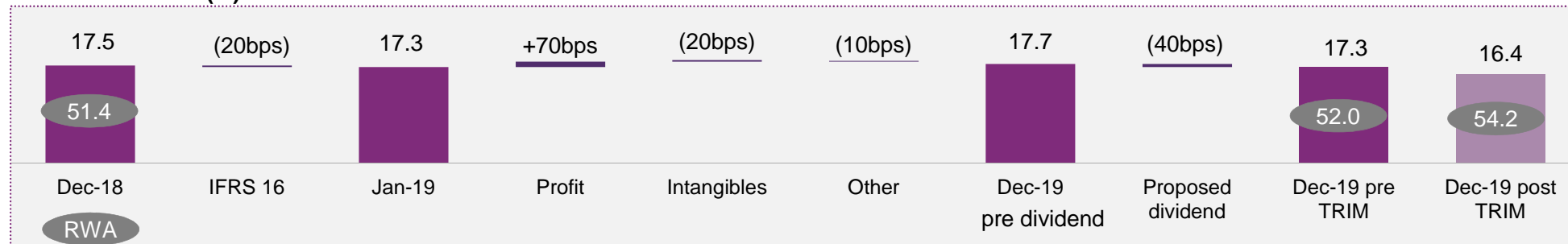
# Capital ratios

## Capital ratios fully loaded (%)



- Strong capital ratio - CET1 16.4%<sup>(2)</sup>
  - reflects profit generation +70bps
  - proposed dividend -40bps

## CET1 movements (%)



1) RWA €54.2bn includes €2.2bn TRIM impact from of the AIB mortgage model  
 2) Includes 90bps indicative TRIM impact for AIB mortgage model

3

# 2020-2022 Strategic update

**Colin Hunt**  
*Chief Executive Officer*

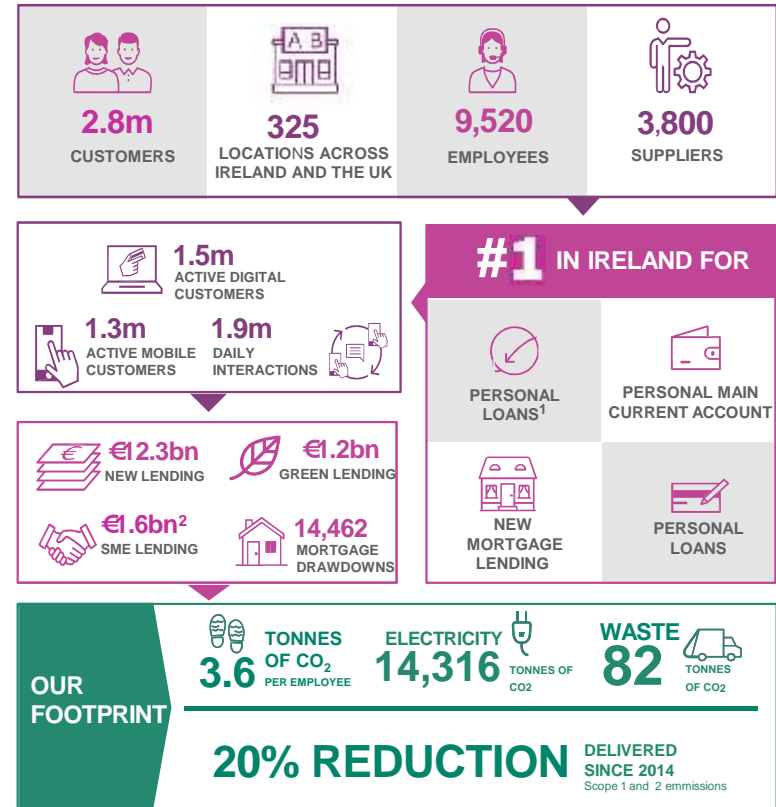
# AIB today



# Purpose-led market leader

## Our purpose is to back our customers to achieve their dreams and ambitions

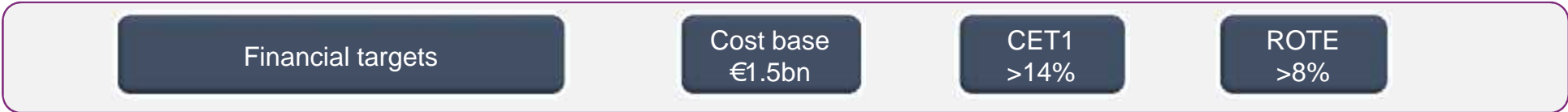
- No. 1 banking franchise in Ireland
- Leading market shares across all categories
- Digital leader with No. 1 Irish banking app
- Modern, resilient and flexible IT estate with digital architecture
- Early and committed supporter of sustainability



Information as at December 2019 Sources: company information & independent market research

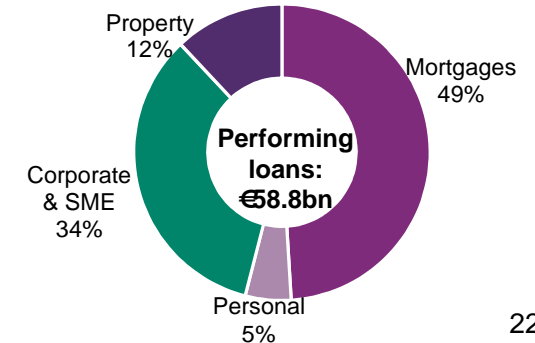
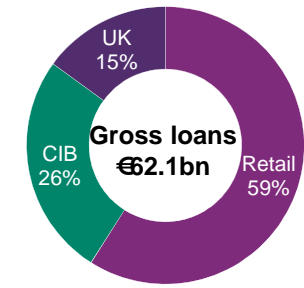
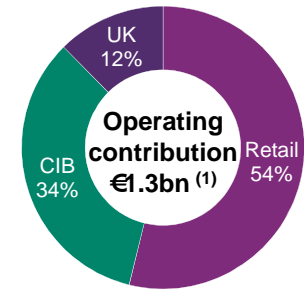
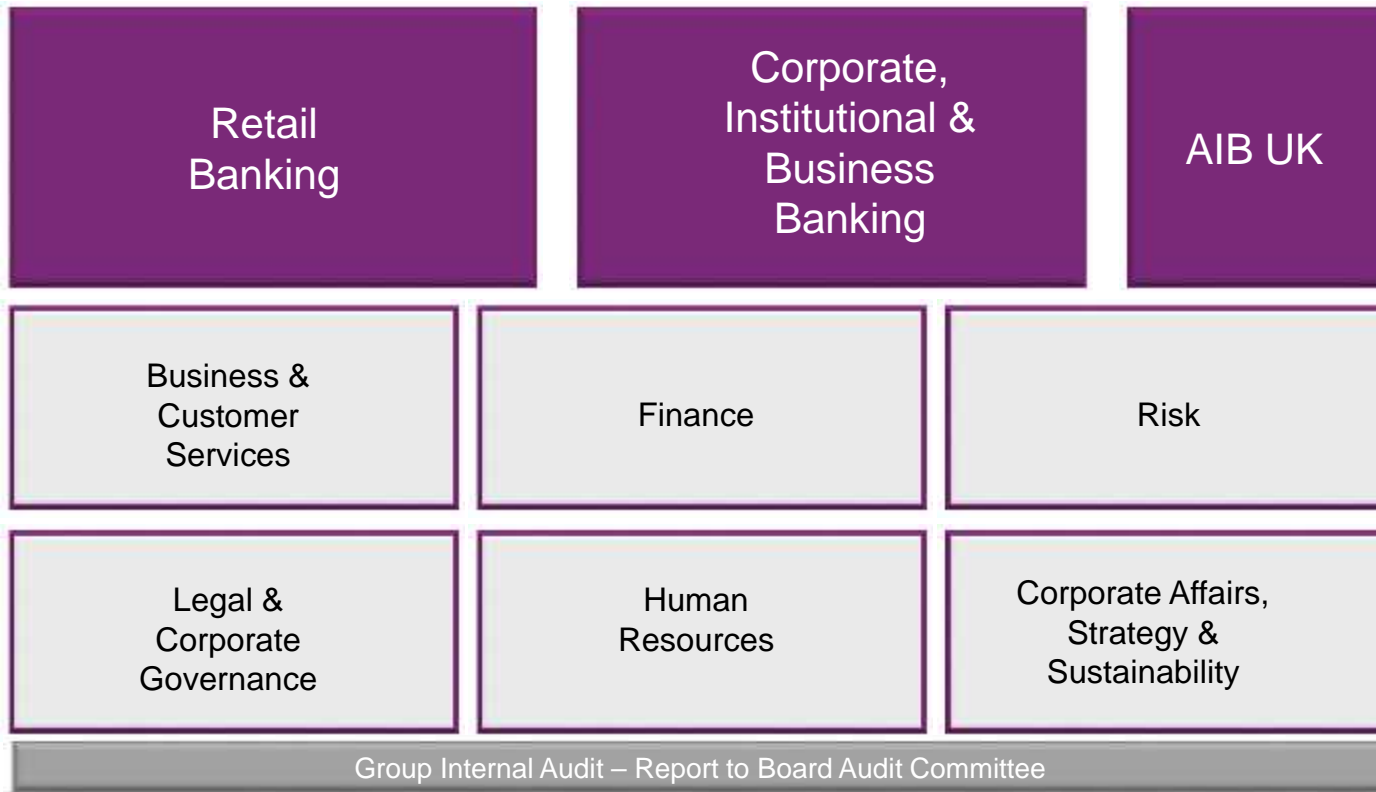
<sup>1</sup> No. 1 among banks, personal lending excluding car finance

<sup>2</sup> SME lending in ROI





# Simplified structure to support strategy

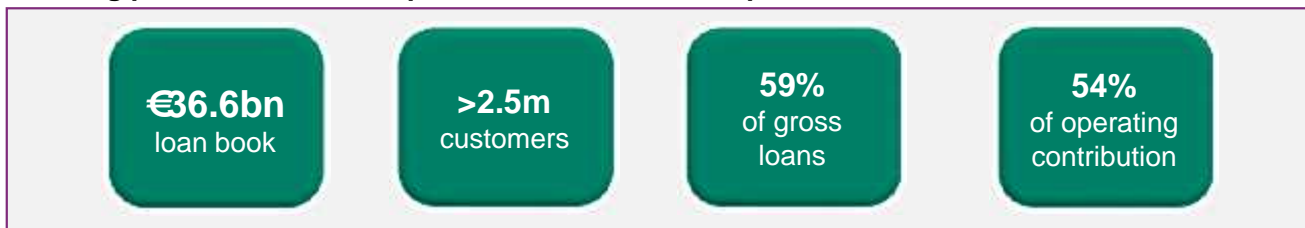


(1) Pre-provision operating profit (before Group)



# Retail Banking - leading retail bank in Ireland

Leading provider of financial products and services to personal and SME customers in Ireland:



**Homes**  
NPS +53

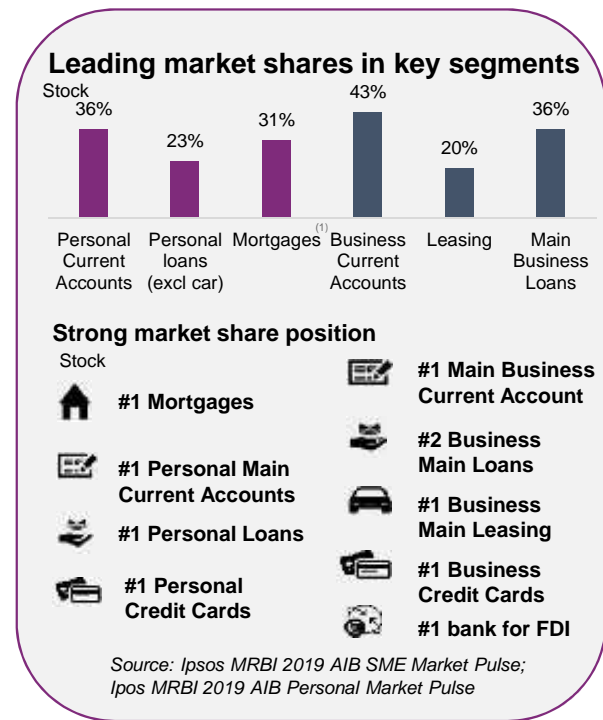
- No. 1 mortgage provider; 31.4% market share
- Multi-brand, multi-proposition approach
- Successful digital mortgage journey - 60% of customers now using AIB's Express Mortgage and My Mortgage App

**SME**  
NPS +60

- No. 1 Business Bank in Ireland <sup>(2)</sup>; 43% share of current accounts
- Largest distribution network; sector specialism supporting our customers
- Leading digital payments platform; end to end online loans and overdrafts for sole traders; 35% growth in direct channel new lending

**Consumer lending and day-to-day banking**  
NPS +75<sup>(3)</sup>

- No.1 bank for personal current accounts and loans
- Leading digital bank – 1.5m interactions daily on mobile app
- Fintech capability enhanced with Payzone acquisition
- Launched Voice ID biometric system in 2019 and won 'best use of disruptive technology' award<sup>(4)</sup>

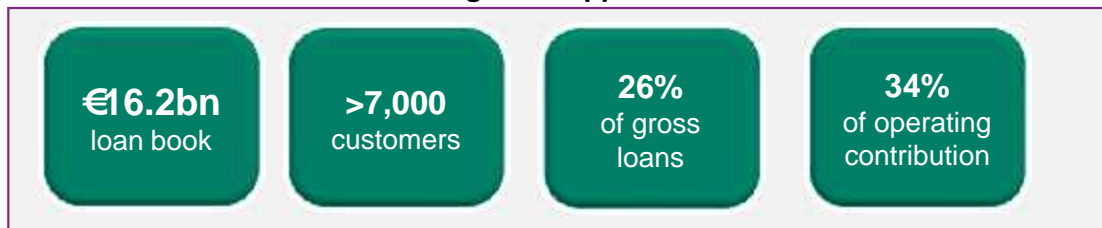


(1) New lending flow to December 2019  
 (2) 2019 Ipsos MRBI SME Financial Monitor – Brand sentiment  
 (3) Personal loans success NPS  
 (4) 2020 Spider Awards recognising first use of biometrics in Irish retail banking



# CIB – leading corporate and business bank

A well-established business with growth opportunities:



Corporate, Institutional & Business Banking:



Proven business model & customer proposition

- 1 established business lines
- 2 with customer focused solutions
- 3 based on deep relationship management
- 4 delivering sustainable, risk-managed growth through sector specialists

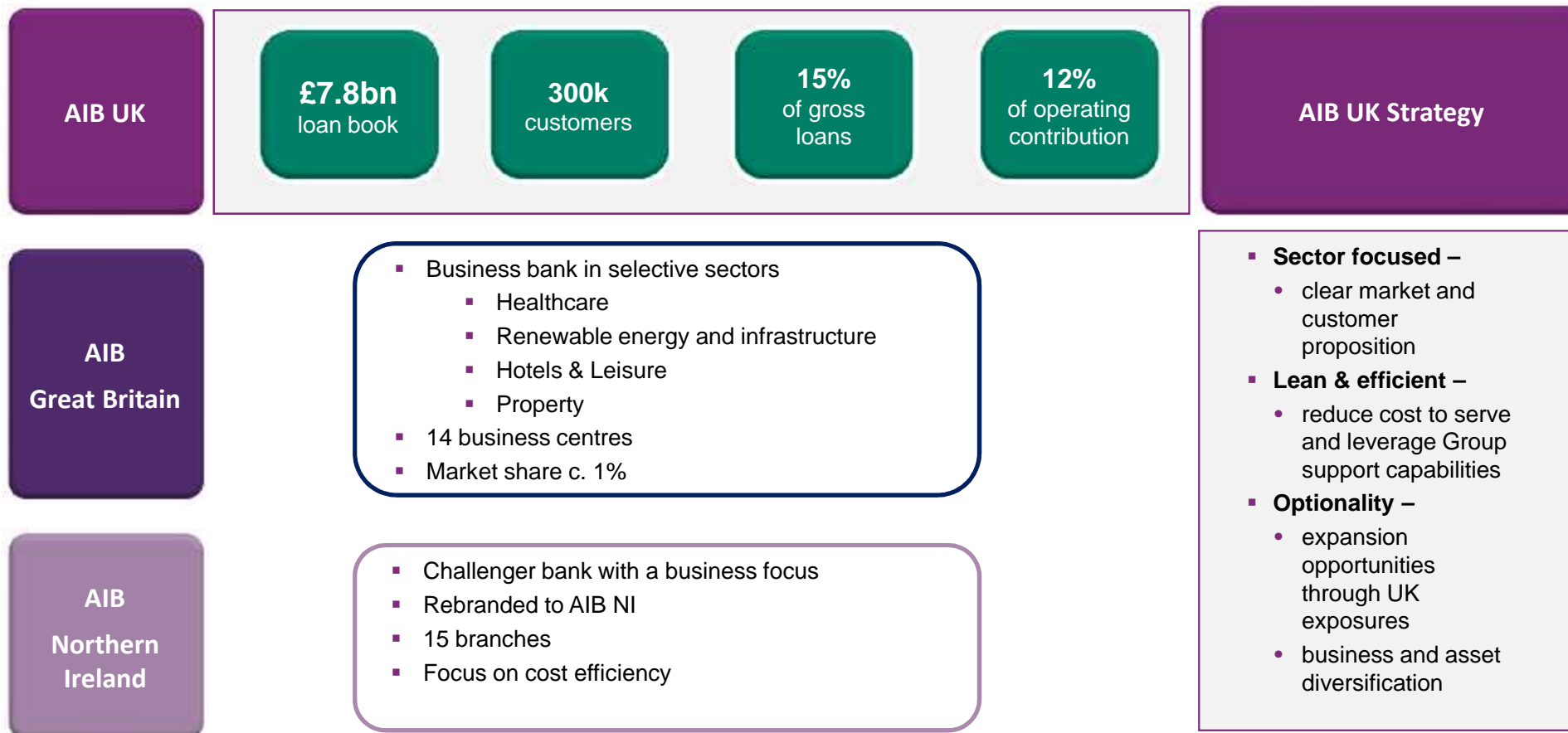
- Best Business Bank for medium and large enterprises - InBusiness Recognition Awards 2019
- Best Private Bank in Ireland - Global Finance Award 2019
- Best Investment Bank in Ireland - Global Finance Award 2019
- “Excellence in Services to the Healthcare Sector” awarded to Corporate Banking – Public Sector Magazine Excellence in Business Awards 2019







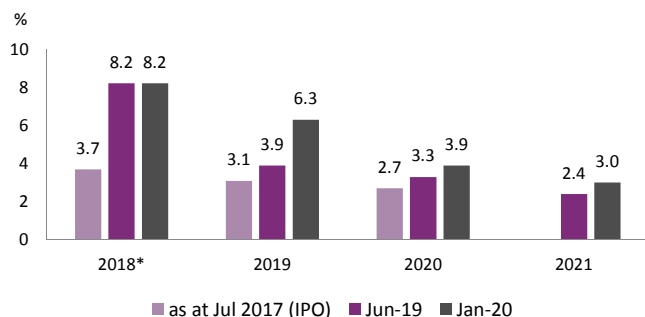
# AIB UK





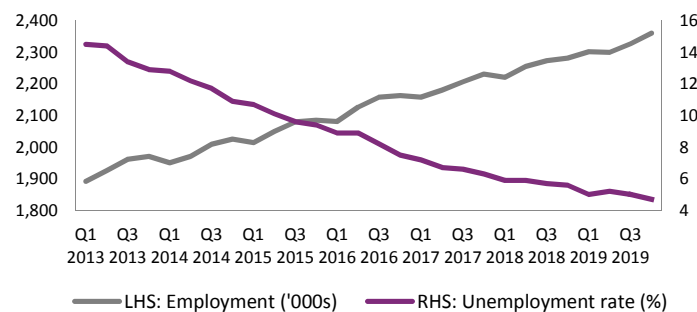
# Irish economic backdrop

**Upward revisions to economic growth\*; risks remain**



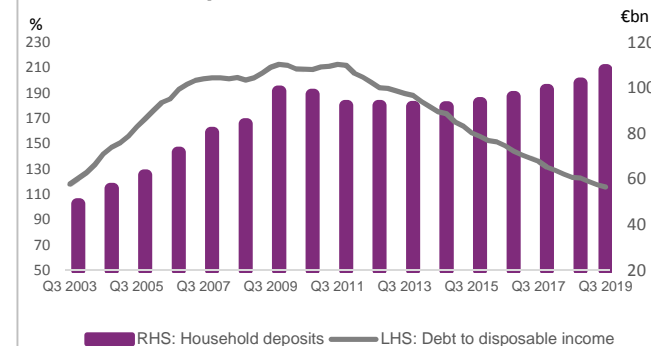
Source: CSO, Department of Finance

**Employment levels rising as unemployment decreases**



Source: CSO

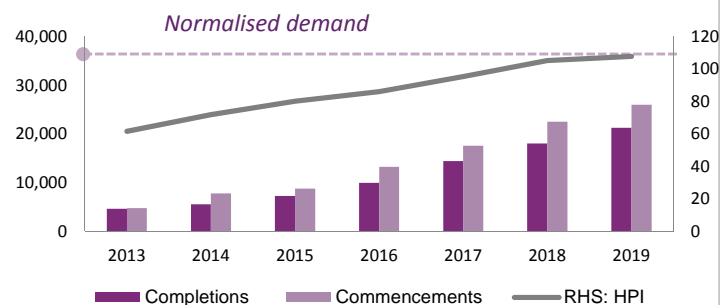
**Household deposits build as indebtedness falls**



Source: CSO, Central Bank, AIB ERU

**Irish housing activity**

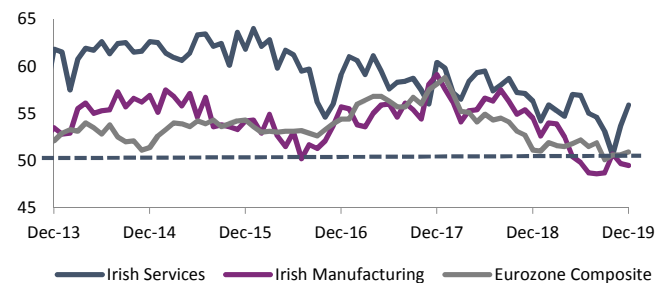
# of completions & commencements ('000s)



Source: CSO, Dept of Housing, AIB ERU, National House price index Jan 05=100;

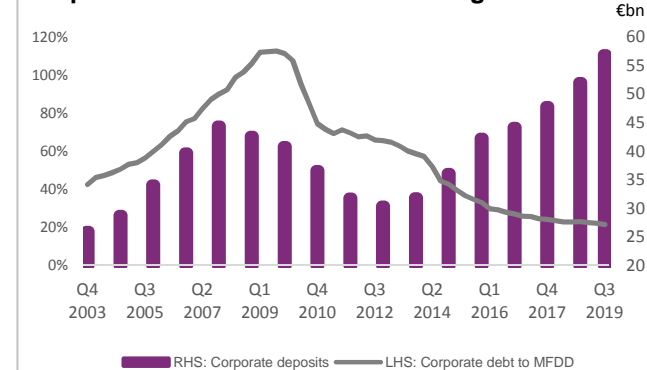
**Cautious business sentiment**

PMI index



Source: Markit via Thomson Datastream

**Corporate\*\* balance sheets deleveraged**



Source: CSO, Central Bank, AIB ERU

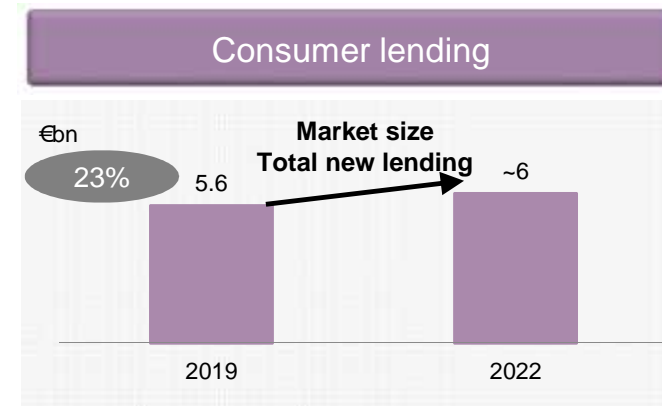
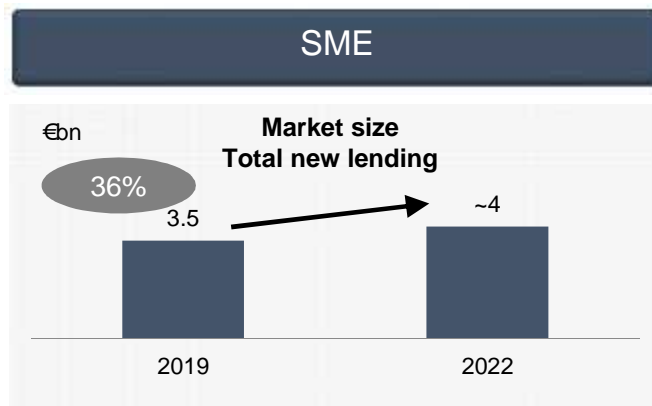
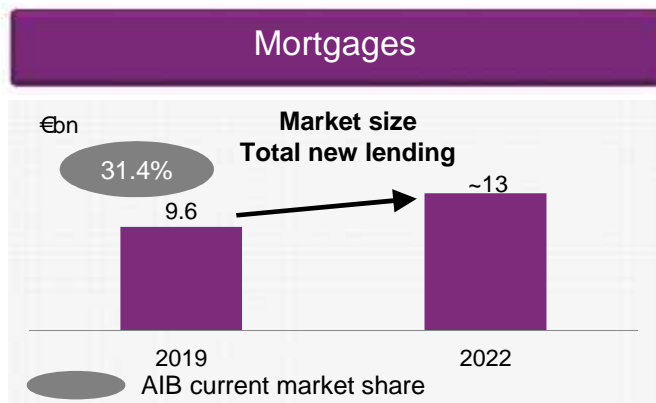
\*GDP forecasts used, however note that GDP can be distorted due to the impact of multi-national sector in Ireland. Modified final domestic demand (MFDD) in 2018 was 4.7%

\*\* Non-financial corporates

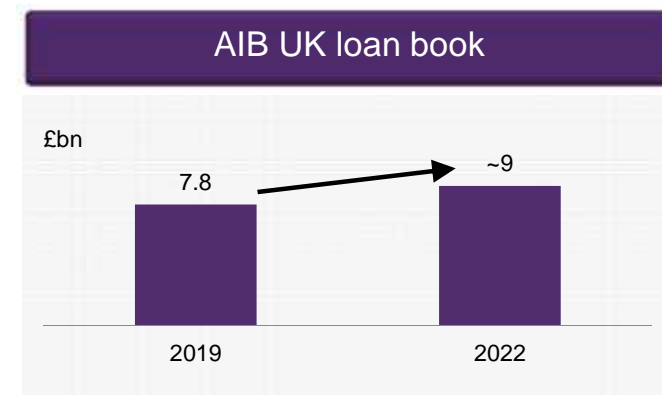


# Outlook for new lending

## Outlook for market new lending



## Outlook for AIB loan book growth



(1) Includes FSG

Source: Management estimates

# Strategic evolution

The background is a solid purple color. On the right side, there are several white lines that intersect and curve, creating a dynamic, abstract graphic element. One line starts near the top right and curves downwards. Another line starts near the bottom right and curves upwards. They meet and cross each other in the middle-right area of the slide.



# Strategic evolution - key elements to build a better AIB

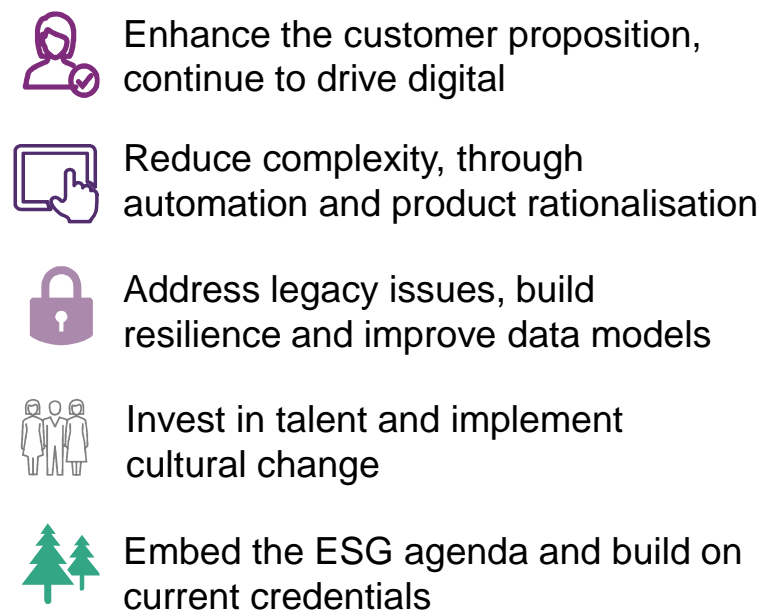
## AIB challenges



## Strategic Pillars to address



## Key actions









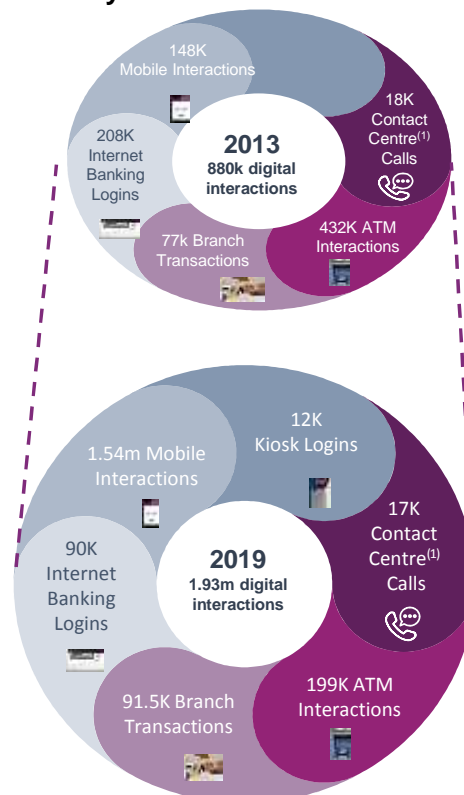
# Track record of successful strategic investment

## Modular IT architecture has transformed digital ways to bank

### Digital 'Front to Back' 2015-2019

- 
  - Complete, consistent & connected customer solutions
  - Investment strategy rooted in customer experience
- 
  - Standardised, repeatable, de-risked processing
  - Agile and flexible digital architecture
- 
  - Secure, resilient and responsive IT platforms
  - Significant investment in cyber security
- 
  - Flexible Operating Model leveraging partnerships
  - Becoming a customer first, purpose led bank

### Daily customer interactions



<sup>(1)</sup> Includes calls to direct banking & service

### Personal digital engagement & processes

- No.1 Irish Banking app
- 1.5m active daily digital customers
- 75% personal loans applied for digitally
- 63% key products sold digitally
- 200% growth in digital wallet transaction volumes
- 41% growth in all contactless transaction volumes



# Investment focus to deliver simplification

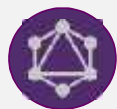
## Digital 'Front to Back' Strategy 2015-2019

### Transformational Results



#### Consolidated position as Ireland's leading digital bank

- Mobile interactions at digital leadership levels
- Sales penetration considerably ahead of peers
- Growing mobile adoption and trend to mobile-only



#### Major platform replacements

- New payments platform; 50% of all ROI payments
- New business banking platform
- Treasury platform upgrade



#### Digital architecture enhances customer experience

- E2E digital mortgage journey; NPS +64
- Digital wallet; 17% of contactless



#### Regulatory compliance; fit for purpose operating model

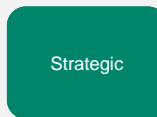
- Open Banking; strong customer authentication
- Scalable change delivery model
- Modern work environment - new ways of working



## Relentless Simplification 2020-2022

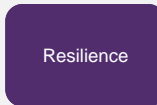
### Improving Customer Experience & Efficiency

Doing for Business customers what we have successfully achieved for Personal customers



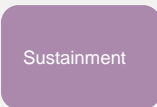
#### Cost reduction; maintain leadership

- Simplify and automate business credit processes
- Expansion of customer self-service capability on mobile



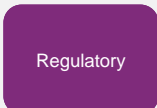
#### Future proofing

- Replacement of corporate and business lending platform



#### Service reliability; customer protection

- Evergreen - technology currency, routine change
- Continuous investment in cyber resilience capability



#### Licence to trade

- Compliance with legislation and focus on capital models



# 1. Customer First

Being at the heart of our customers' financial lives is the foundation of our sustainable business model

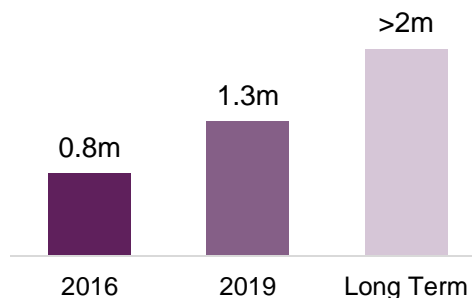
## Customer First Pillar

- Put our customers at the heart of our organisation
- Provide for the full range of their financial service needs
- Integrate related journeys onto the AIB platform for convenience
- Deploy technology to personalise our product and service offerings
- Minimise and effectively resolve conduct-related issues

We will be at the heart of our customers' financial lives

## Outcomes

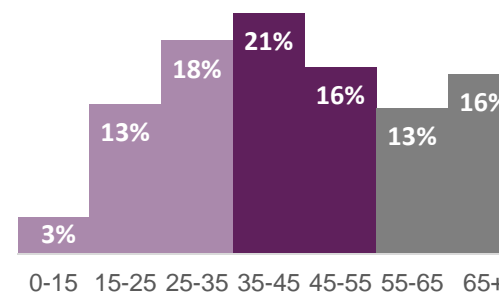
### Mobile platform



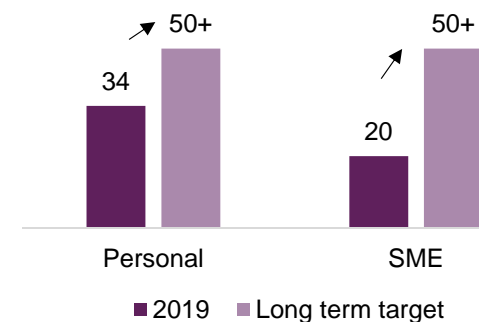
### Transformed customer engagement

- Evolving nature of branch network
- Address personal digital service gaps
- Streamline business credit
- Increase access to information digitally
- Digital capture of customer requests

### AIB customer demographic profile



### Relationship NPS







## 2. Simple & Efficient

Digitisation of credit, sales and service processes and product rationalisation will reduce complexity and resource needs

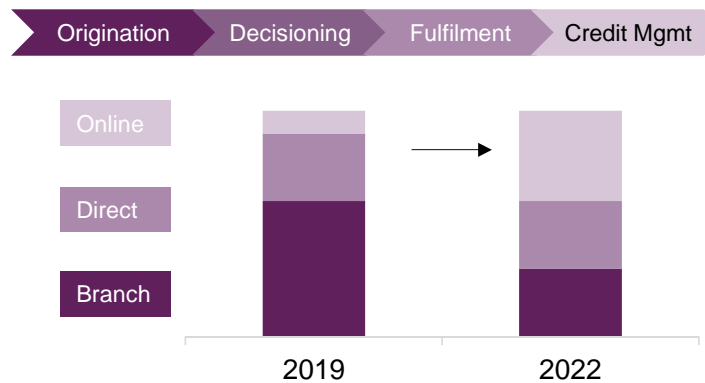
### Simple & Efficient Pillar

- Drive efficiency through technology enablement in operations
- Increased availability of sales and services digitally
- Foster a culture of cost awareness and accountability
- Simplify processes and ways of working

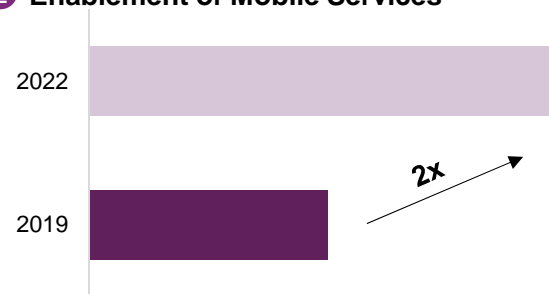
Reduced organisational complexity – lowering cost, risk and enhancing customer experience

### Outcomes

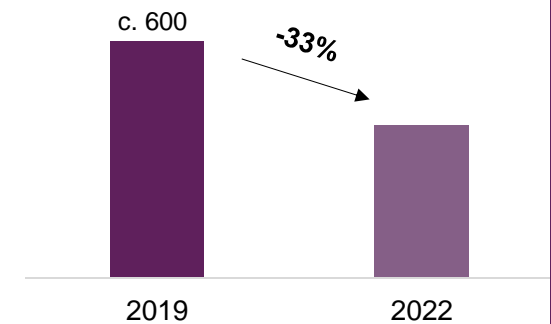
#### 1 Changed SME Credit Delivery Model



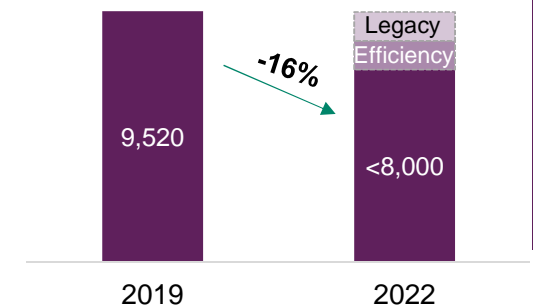
#### 2 Enablement of Mobile Services



#### 3 Retail Product Rationalisation



#### 4 FTE<sup>1</sup> Evolution



<sup>1</sup> Full time equivalent

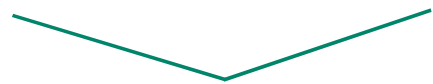


# 3. Risk & Capital

Maintain focus on asset quality; Investment in models and IT resilience enhances risk profile and capital efficiency

## Risk & Capital Pillar

- Maintain strong risk management, high asset quality and robust capital levels
- Efficient capital deployment through risk model development and risk pricing
- Resilient and secure technology
- Position the bank to best deal with economic, environmental and cyber challenges

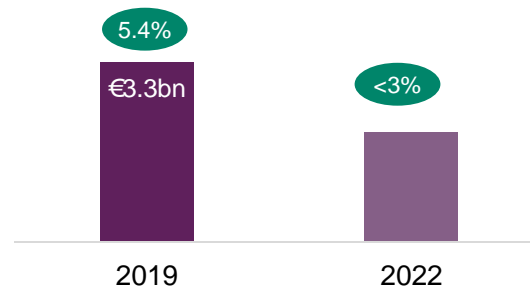


Optimal capital efficiency underpinned by balance sheet strength and resilient systems

## Outcomes

- Investment in IT system resilience
- Improved data models
- Data driven early warning indicators
- Simplification of credit processes
- Addressing legacy reduces risk

### Reduced NPEs



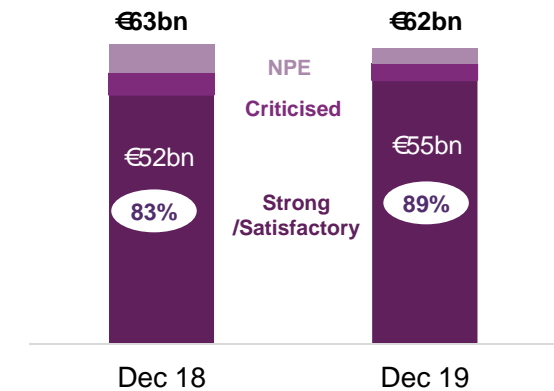
### Sustainment & Resilience imperative

**1/3rd** of investment

- Platform replacements/upgrade
- Maintain levels of service
- Cyber resilience capability

▲ Efficiency ▼ Risk ▲ Agility

### Improving loan book credit quality



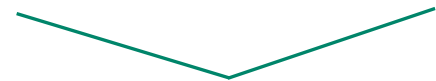


# 4. Talent & Culture

Culture transformation, a diverse talent pool and simplified organisation design are key outcomes

## Talent & Culture Pillar

- Employees' skills and capabilities are appropriate to deliver the strategy
- Proactively manage required capability changes
- Enable talent effectiveness through the promotion of diverse and inclusive culture
- Build accountability, collaboration and trust

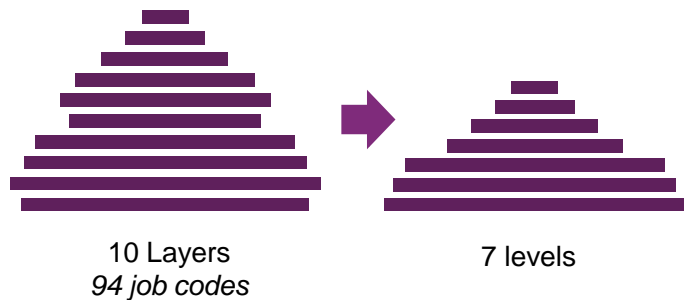


Appropriate culture and talent development are key to achieving strategic priorities

## Outcomes

- Cultural transformation aided by Culture Board
- Structured talent development programmes
- Diversity ensures deep succession bench
- Effective organisational design
- Senior Executive Accountability Regime

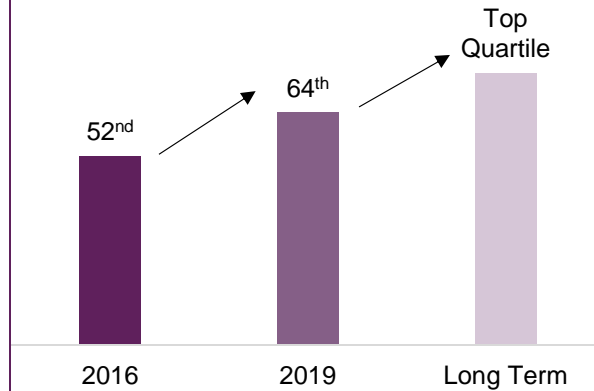
### Leaner Organisation



### Gender Balanced Management



### Employee Engagement Gallup Percentile

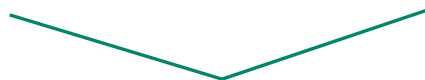




# 5. Sustainable Communities

## Sustainable Communities Pillar

- **Climate action:** Supporting the transition to a low-carbon economy
- **Economic & social inclusion:** Actively investing to support economic progress & social issues
- **Better banking experience:** building better banking experience & products with a focus on continuous improvement and learning from our mistakes
- **Responsible & resilient technology:** Protecting the privacy, security & integrity of our data & systems to ensure responsible practices & resilient technology



Meaningful sustainability contribution  
'We pledge to Do More'

## Outcomes

### Climate Action

#### Priorities

- Supporting transition to a low-carbon economy
- Consideration of broader environmental impacts
- Green products & sector specific strategies
- Supporting green communities
- Lower own carbon foot print

#### Progress

- ✓ 20% reduction in AIB carbon footprint since 2014
- ✓ €5bn climate action fund in place
- ✓ Green mortgage launched
- ✓ Green bond framework in place
- ✓ Supporter of TFCF<sup>1</sup> recommendations
- ✓ Founding signatory of UNEP<sup>2</sup> finance initiative for Responsible Banking

#### Targets

- Lending for climate change solutions  
*€1bn per annum*
- 50% reduction in our emissions by 2030
- Maintain CDP leadership rating

### Economic & Social Inclusion

#### Priorities

- Backing our customers to start-up & grow
- Improving financial access & literacy
- Community involvement through sponsorship, partnership, education, charity & volunteering
- Playing our part in solving social issues

#### Progress

- ✓ Vulnerable customer programme in place with c.5k staff trained
- ✓ AIB Together programme supporting staff volunteering & corporate giving
- ✓ Women in Enterprise programme supporting female entrepreneurship

#### Targets

- New lending to support Irish SMEs  
*(2019: €1.6bn)*
- Financing new housing  
*(2019 supported build of 8.2k units incl 900 social units)*
- Enhanced Reprtrak citizenship score

<sup>1</sup> Task Force on Climate-Related Financial Disclosures

<sup>2</sup> United Nations Environment Programme



## AIB 2022 – simplify, streamline and strengthen



**Strong and resilient balance sheet**



**Sustainable profits; generating and returning capital to shareholders**



**Excellent customer experience with competitive products and efficient processes**



**Appropriate cost base for a leaner, simpler and more agile business**



**De-risked bank with NPEs and legacy issues resolved**



**Poised for future opportunities**

Delivering on our  
financial targets

Cost base  
€1.5bn

CET1  
>14%

ROTE  
>8%

4

# 2020-2022 Financial targets and outlook

**Donal Galvin**  
*Chief Financial Officer*



## Medium term targets (2022) and Guidance (2020)

### 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%

### Guidance 2020

- Net interest income c. €2bn
- Cost inflation c. 2-3%
- Normalised cost of risk c. 20-30bps
- Performing loans to grow by low single digit percentage
- NPEs < 4%

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

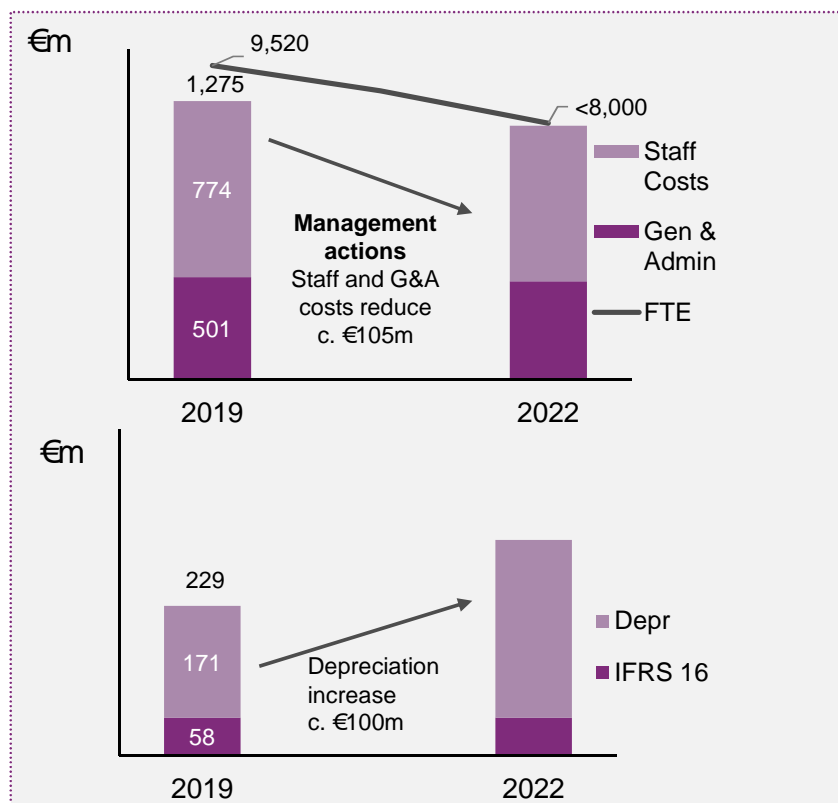
2) Fully loaded

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



# Medium term target: Operating expenses<sup>(1)</sup> €1.5bn

## Operating Expenses<sup>(1)</sup> €1.5bn – medium term target



**Medium term target - costs €1.5bn**

**Reduction in staff costs c. -€90m by 2022**

- ↓ Planned 16% reduction (>1,500) in FTEs by 2022
  - ↓ c.750 FTE reduction from legacy issues (e.g. work out unit, tracker)
  - ↓ c.500 FTE reduction from business process improvements
  - ↓ c.250 FTE reduction from Digitisation
- ↑ Salary inflation (c. 3%)

*Restructuring costs associated with voluntary severance c. €100-150m*

**Reduction in G&A costs c. -€15m by 2022**

- ↓ Reduction in external consultancy, rent and general expenses

**Increase in depreciation costs c. +€100m by 2022**

- ↑ Increased depreciation from investment spend in 2015-2022

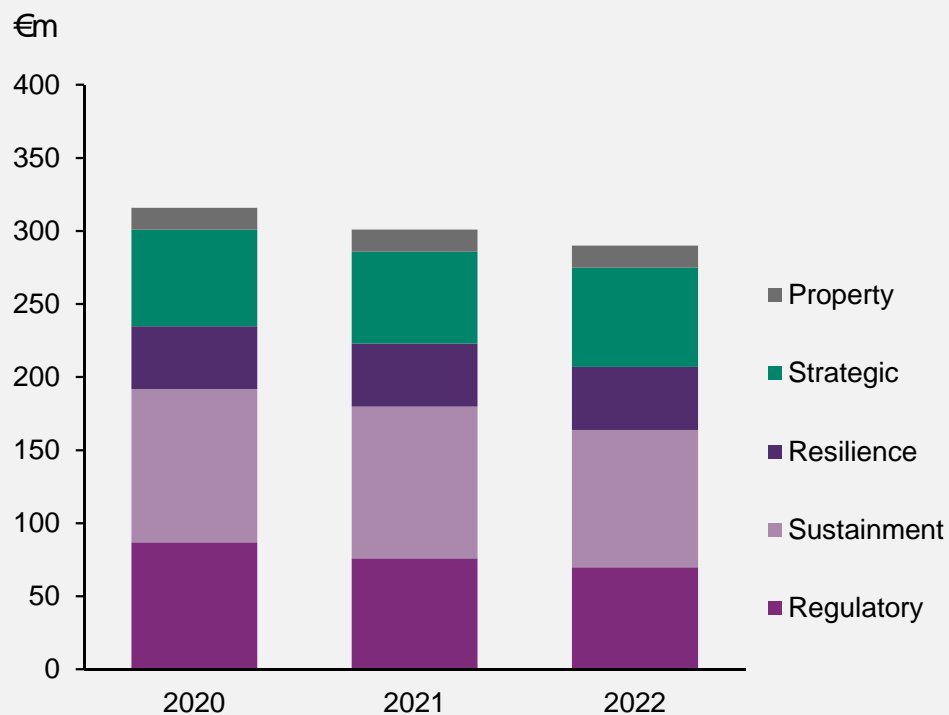
1) Costs before bank levies and regulatory fees and exceptional items





# Investment: 2020-2022

**Investment: 2020-2022**



Investment 2020-2022 c. €300m p.a. c. 80% capex / 20% opex

### Strategic

- Simplify and automate business credit processes
- Expansion of customer self-service capability on mobile

### Resilience

- Significant IT investments in either system replacement or stabilisation; Payments and Treasury platforms complete
- Replacement of corporate and business lending platform

### Sustainment

- Evergreen - investments to ensure ongoing maintenance and upgrades of IT systems
- Continuous investment in cyber resilience capability

### Regulatory

- Compliance with legislation and focus on capital models

### Property

- Maintenance of our overall physical estate following the successful completion of AIB's property transformation programme

### Investment 2015 - 2019 - average €330m p.a.

- 2015-2017 - €870m / average €290m p.a.
- 2018-2019
  - c. €225m-€250m p.a. - operating platform investment
  - c. €150m p.a. one-offs – property & models

### Investment 2020-2022 - average €300m p.a.



## Medium term target: CET1 >14%

### Capital requirements

Regulatory Capital requirements	FY 2019	Pro-forma 2020	Pro-forma 2021
Pillar 1	4.50%	4.50%	4.50%
Pillar 2 requirement (P2R)	3.15%	3.00%	3.00%
Capital Conservation Buffer (CCB)	2.50%	2.50%	2.50%
O-SII Buffer	0.50%	1.00%	1.50%
Countercyclical Buffer (CCyB)	0.90%	1.10%	1.10%
<b>Total CET1 requirement</b>	<b>11.55%</b>	<b>12.10%</b>	<b>12.60%</b>

### Capital headwinds

- TRIM
- Buffers – potential Systemic Risk Buffer (SRB)
- Basel IV
- Calendar provisioning

### Capital tailwinds

- P2R trajectory
- Art 104 - P2R partially filled by AT1 and Tier 2
- RWA efficiencies

Medium term target CET1 > 14%



## Capital update

---

### Ordinary dividend

- ordinary dividend pay-out ratio of attributable profit of 40-60%

### Additional distribution

- intend to apply for regulatory approval to make an additional capital distribution as soon as possible, ideally this year
- first step of multi-year programme
- converge on capital target
- subject to regulatory approvals
- maintain flexibility on the form of any additional distributions

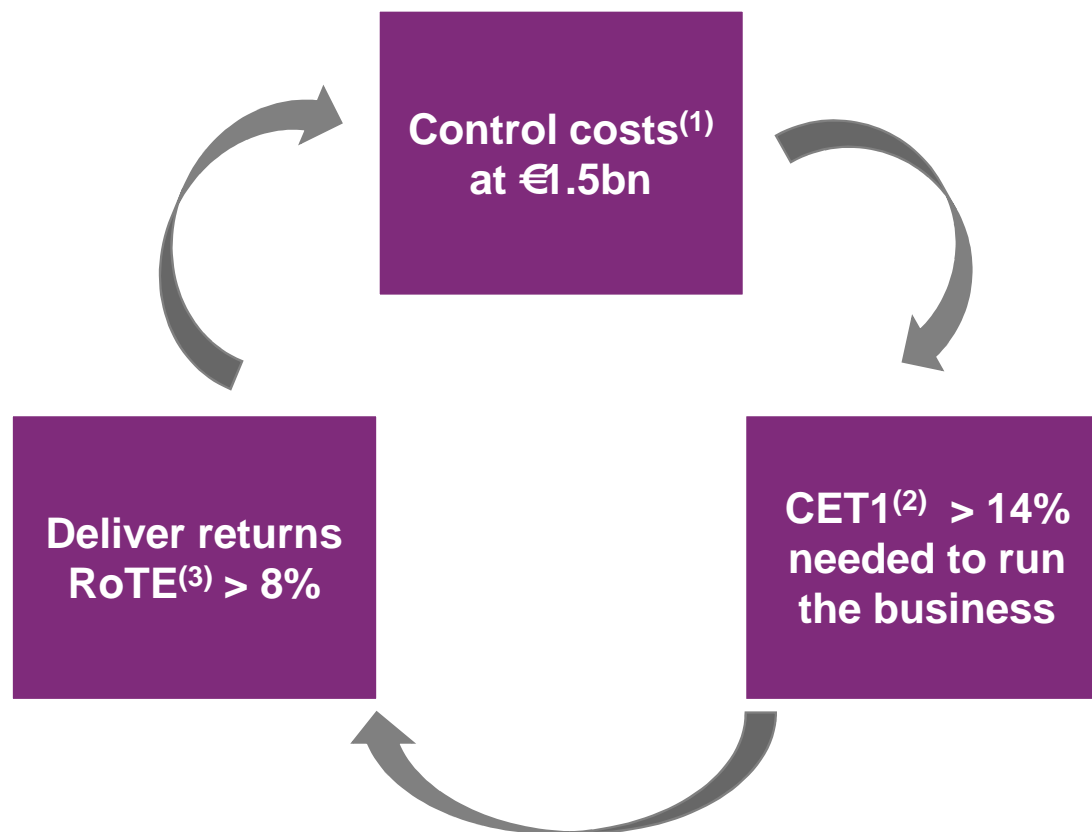
*Over the last couple of years we have made material progress in reducing our NPEs and have met the c. 5% milestone we set ourselves. While there is some additional clarity on our future capital requirements, some uncertainty remains. Reflecting our progress, we now believe it is appropriate to maintain a target CET1 of > 14% but will maintain flexibility to amend the target subject to regulatory developments. Looking forward, we will continue to invest in our business where we can generate sustainable returns and will combine this with a sustainable ordinary dividend policy which will target a pay-out ratio of attributable profit of 40-60% through the cycle. Any distributions require prior regulatory approval.*

*Acknowledging our plan for further NPE reduction and cognisant of macro uncertainties, we intend to apply for regulatory approval to make an additional capital distribution as soon as possible, ideally this year, as a first step in what we envisage to be a multi-year programme to converge on the Group's capital target. Subject to the necessary regulatory and other approvals we intend to maintain flexibility on the form of any additional distributions.*

Source: RNS announcement 6<sup>th</sup> March 2020



## Medium term targets by 2022 – simplify, streamline and strengthen



- 1) Costs before bank levies and regulatory fees and exceptional items
- 2) Fully loaded
- 3)  $RoTE = (PAT - AT1) / (CET1 @ 14\% \text{ of RWAs})$

# Appendix



## Medium term target: Return on Tangible Equity (RoTE) >8%

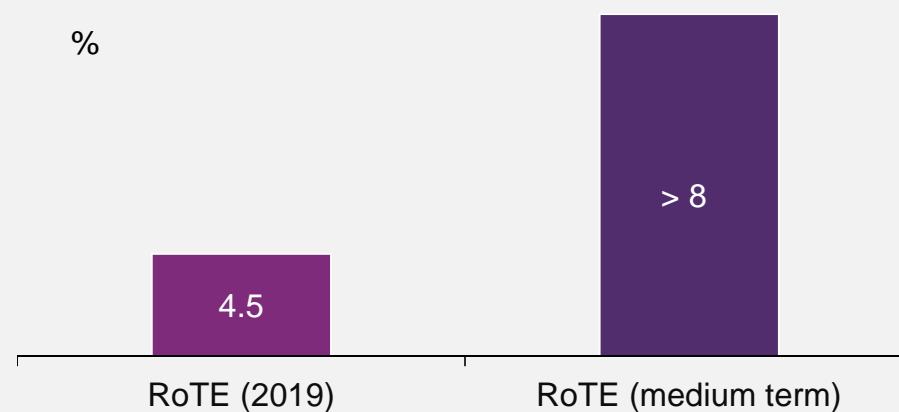
### RoTE:

- Return / Equity
- $(PAT - AT1) / (CET1 @ 14\% \text{ of RWAs})$

$$\frac{\text{PAT - AT1}}{\text{CET1 @ 14\% of RWAs}} = \text{Return on CET1 @ 14\% of RWAs}$$

### RoTE target:

- > 8% by 2022
- Deliver sustainable returns in the medium term



Medium term target: RoTE >8%



# Capital ratios

## Transitional capital ratios

	Dec 19	Dec 18
<b>Total risk weighted assets (€m)</b>	<b>52,121</b>	51,596
<b>Capital (€m)</b>		
Shareholders equity excl AT1 and dividend	<b>13,023</b>	12,903
Regulatory adjustments	<b>(2,434)</b>	(1,994)
Common equity tier 1 capital	<b>10,589</b>	10,909
Qualifying tier 1 capital	<b>625</b>	235
Qualifying tier 2 capital	<b>926</b>	415
Total capital	<b>12,140</b>	11,559
<b>Transitional capital ratios (%)</b>		
CET1	<b>20.3</b>	21.1
AT1	<b>1.2</b>	0.5
T2	<b>1.8</b>	0.8
Total capital	<b>23.3</b>	22.4

## RWA (Transitional)

Risk weighted assets (€m)	Dec 19	Dec 18	Mvmt
Credit risk	<b>46,811</b>	46,209	602
Market risk	<b>473</b>	371	102
Operational risk	<b>4,700</b>	4,624	76
CVA	<b>137</b>	392	(255)
Total risk weighted assets	<b>52,121</b>	51,596	525

## Fully loaded capital ratios

	Dec 19	Dec 18
<b>Total risk weighted assets (€m)</b>	<b>51,999</b>	51,439
<b>Capital (€m)</b>		
Shareholders equity excl AT1 and dividend	<b>13,023</b>	12,903
Regulatory adjustments	<b>(4,018)</b>	(3,910)
Common equity tier 1 capital	<b>9,005</b>	8,993
Qualifying tier 1 capital	<b>655</b>	316
Qualifying tier 2 capital	<b>1,007</b>	531
Total capital	<b>10,667</b>	9,840
<b>Fully loaded capital ratios (%)</b>		
CET1	<b>17.3</b>	17.5
AT1	<b>1.3</b>	0.6
T2	<b>1.9</b>	1.0
Total capital	<b>20.5</b>	19.1

## Shareholders' Equity (€m)

<b>Equity – Dec 2018</b>	<b>13,858</b>
Profit FY 2019	364
Investment securities & cash flow hedging reserves	131
AT1	496
Dividend	(461)
Other	(148)
<b>Equity – Dec 2019</b>	<b>14,230</b>
<b>less: AT1</b>	<b>(990)</b>
<b>less: Accrued ordinary dividend</b>	<b>(217)</b>
Shareholders' equity excl AT1 and dividend	<b>13,023</b>



# Credit ratings

MOODY'S

FitchRatings

STANDARD  
& POOR'S

**AIB Group plc (HoldCo)**  
Long term issuer rating

**Baa2**

**BBB**

**BBB-**

Outlook

Positive

Stable

Stable

Investment grade

✓

✓

✓

**AIB p.l.c. (OpCo)**  
Long term issuer rating

**A2**

**BBB+**

**BBB+**

Outlook

Stable

Stable

Stable

Investment grade

✓

✓

✓



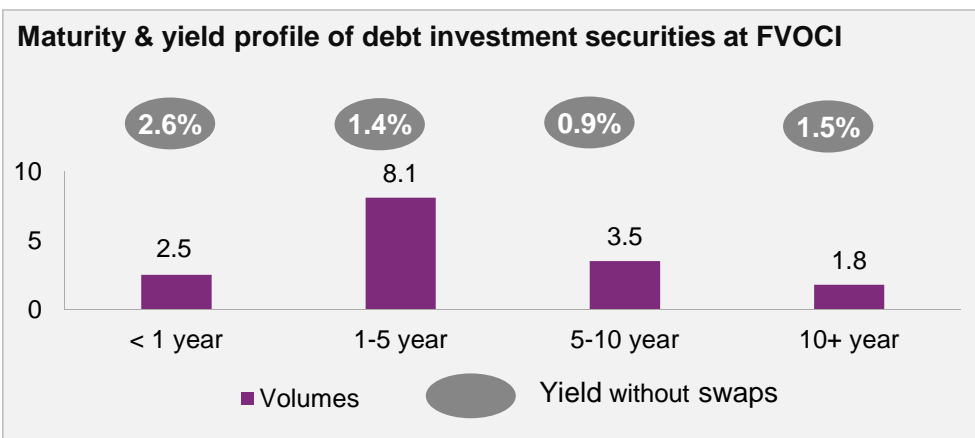
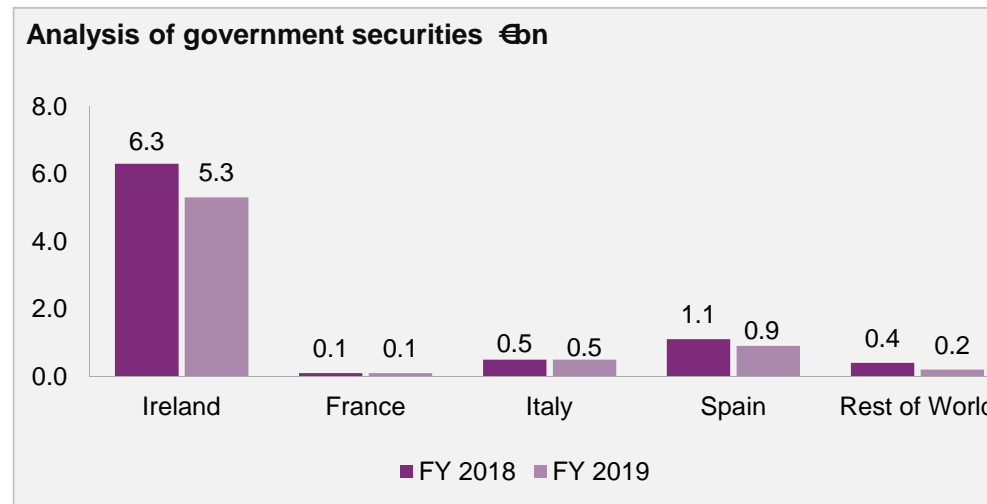
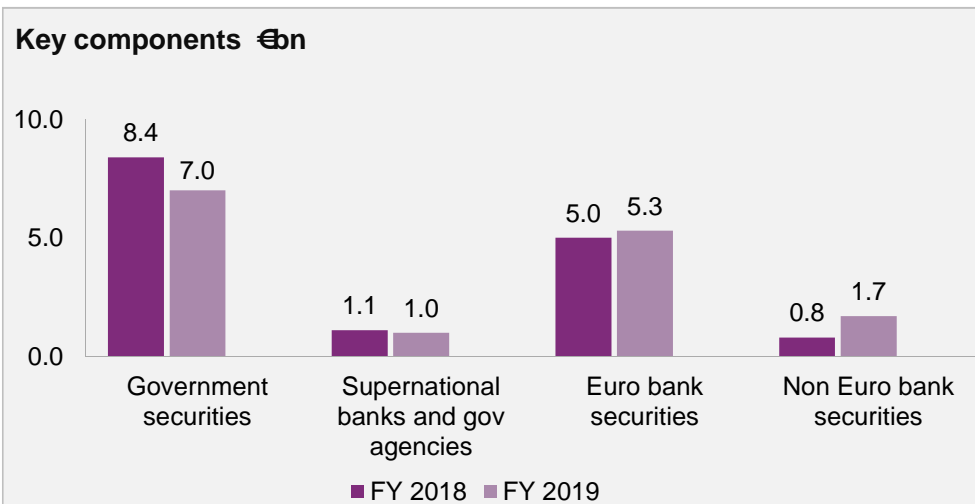


## Average balance sheet

	FY 2019			FY2018		
	Average Volume €m	Interest €m	Yield %	Average Volume €m	Interest €m	Yield %
<b>Assets</b>						
Customer loans	61,405	2,117	3.45	60,879	2,082	3.42
Investment securities	16,755	195	1.17	15,313	226	1.47
Loans to banks	9,319	22	0.24	8,654	22	0.26
Interest earning assets	87,479	2,334	2.67	84,846	2,330	2.75
Non interest earning assets	8,108			7,176		
<b>Total Assets</b>	<b>95,587</b>	<b>2,334</b>		<b>92,022</b>	<b>2,330</b>	
<b>Liabilities &amp; equity</b>						
Customer accounts	38,765	109	0.28	36,670	151	0.41
Deposits by banks	957	11	1.15	2,771	2	0.06
Other debt issued / other	6,488	91	1.41	5,223	45	0.87
Subordinated liabilities	856	33	3.82	794	32	3.98
Lease liability	446	14	3.06	–	–	–
<b>Interest earning liabilities</b>	<b>47,512</b>	<b>258</b>	<b>0.54</b>	<b>45,458</b>	<b>230</b>	<b>0.51</b>
Non interest earning liabilities	33,881			32,986		
Equity	14,194			13,578		
<b>Total liabilities &amp; equity</b>	<b>95,587</b>	<b>258</b>		<b>92,022</b>	<b>230</b>	
<b>Net interest income / margin</b>		<b>2,076</b>	<b>2.37</b>		<b>2,100</b>	<b>2.47</b>



# Investment securities



- €16.5bn up from €16.1bn
- €45m net gains from disposal of investment debt securities in FY 2019
- Average yield of 1.17%, down from 1.47% from FY18
  - yield reducing as higher yielding assets mature
  - c. 65% of book maturing <5year



## Loans to customers

€bn	Performing Loans	Non-Performing Loans	Loans to Customers
<b>Gross loans (1 Jan 2019)</b>	<b>56.8</b>	<b>6.1</b>	<b>62.9</b>
New lending	12.3	-	12.3
Redemptions of existing loans	(10.7)	(1.0)	(11.7)
Portfolio disposals	-	(1.8)	(1.8)
Write-offs / restructures	-	(0.3)	(0.3)
Net flow to NPE	(0.3)	0.3	-
Foreign exchange / other movements	0.7	-	0.7
<b>Gross loans (31 Dec 2019)</b>	<b>58.8</b>	<b>3.3</b>	<b>62.1</b>
ECL allowance	(0.3)	(0.9)	(1.2)
<b>Net loans (31 Dec 2019)</b>	<b>58.5</b>	<b>2.4</b>	<b>60.9</b>

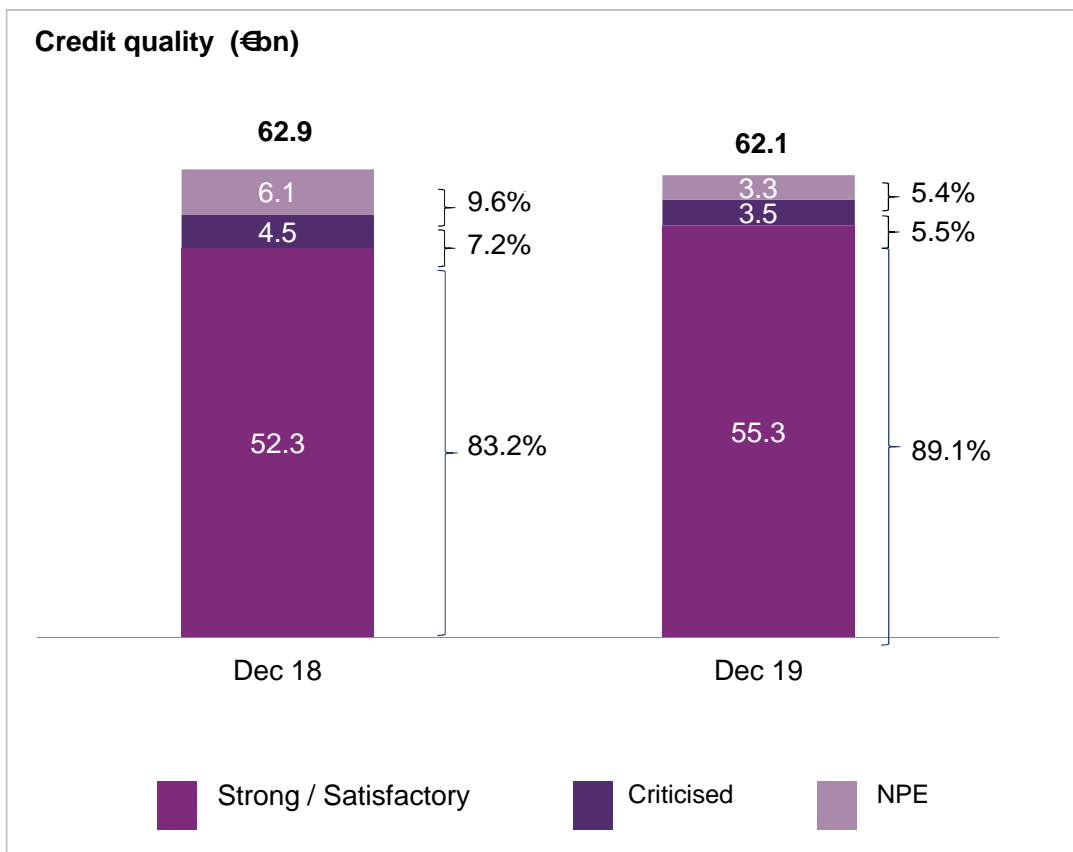


## Asset quality by portfolio

€bn	Mortgages	PDH	BTL	Personal	Property	Corporate & SME	Total
<b>FY 2019</b>							
Customer loans	31.5	29.0	2.5	3.0	7.3	20.3	62.1
<b>of which NPEs</b>	<b>2.3</b>	<b>2.0</b>	<b>0.3</b>	<b>0.2</b>	<b>0.4</b>	<b>0.4</b>	<b>3.3</b>
ECL on NPE	0.5	0.5	0.1	0.1	0.1	0.2	0.9
<b>ECL / NPE coverage %</b>	<b>22</b>	<b>21</b>	<b>22</b>	<b>60</b>	<b>35</b>	<b>32</b>	<b>27</b>
<b>FY 2018</b>							
Customer loans	32.3	29.0	3.3	3.1	7.9	19.6	62.9
<b>of which NPEs</b>	<b>3.3</b>	<b>2.5</b>	<b>0.8</b>	<b>0.4</b>	<b>1.4</b>	<b>1.0</b>	<b>6.1</b>
ECL on NPE	0.6	0.5	0.1	0.2	0.4	0.4	1.6
<b>ECL / NPE coverage %</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>50</b>	<b>29</b>	<b>36</b>	<b>27</b>



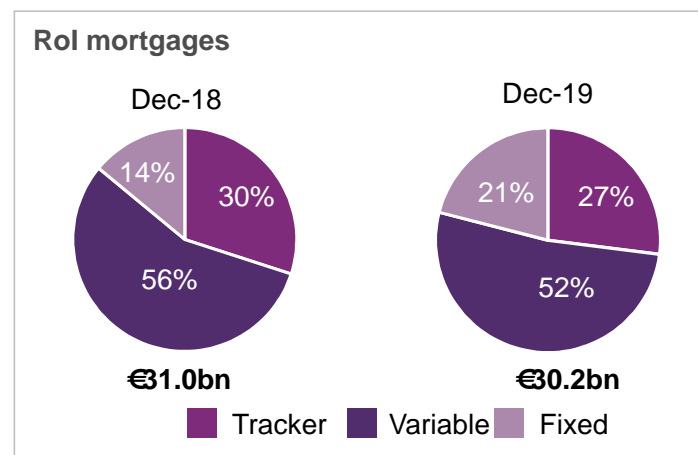
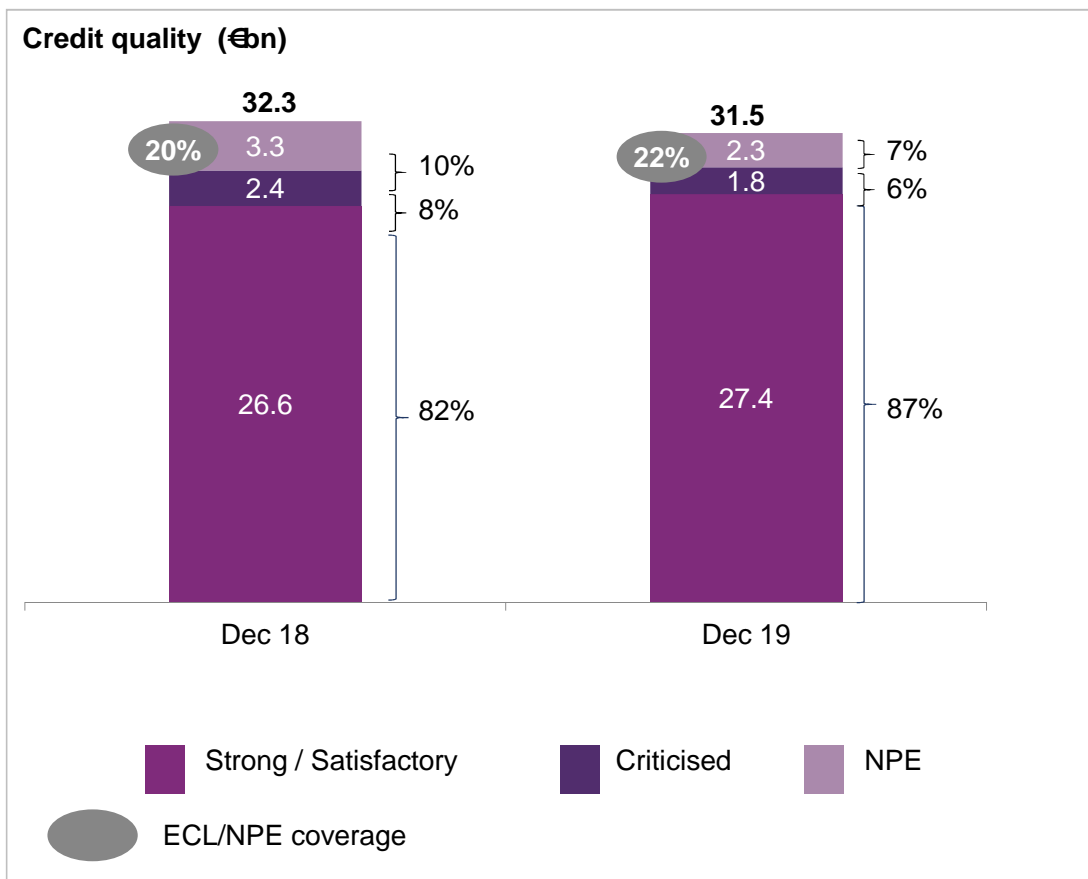
# Asset quality



- Asset quality continues to improve in FY 2019
- 89.1% of the loan book is strong / satisfactory, up €3.0bn (+5.7%)
- 98% of new lending flow is strong / satisfactory
- 95% of the loan book is performing, up from 90%
- Criticised loans €3.5bn decreased by €1.1bn
  - includes €1.2bn that are classified as 'criticised recovery'



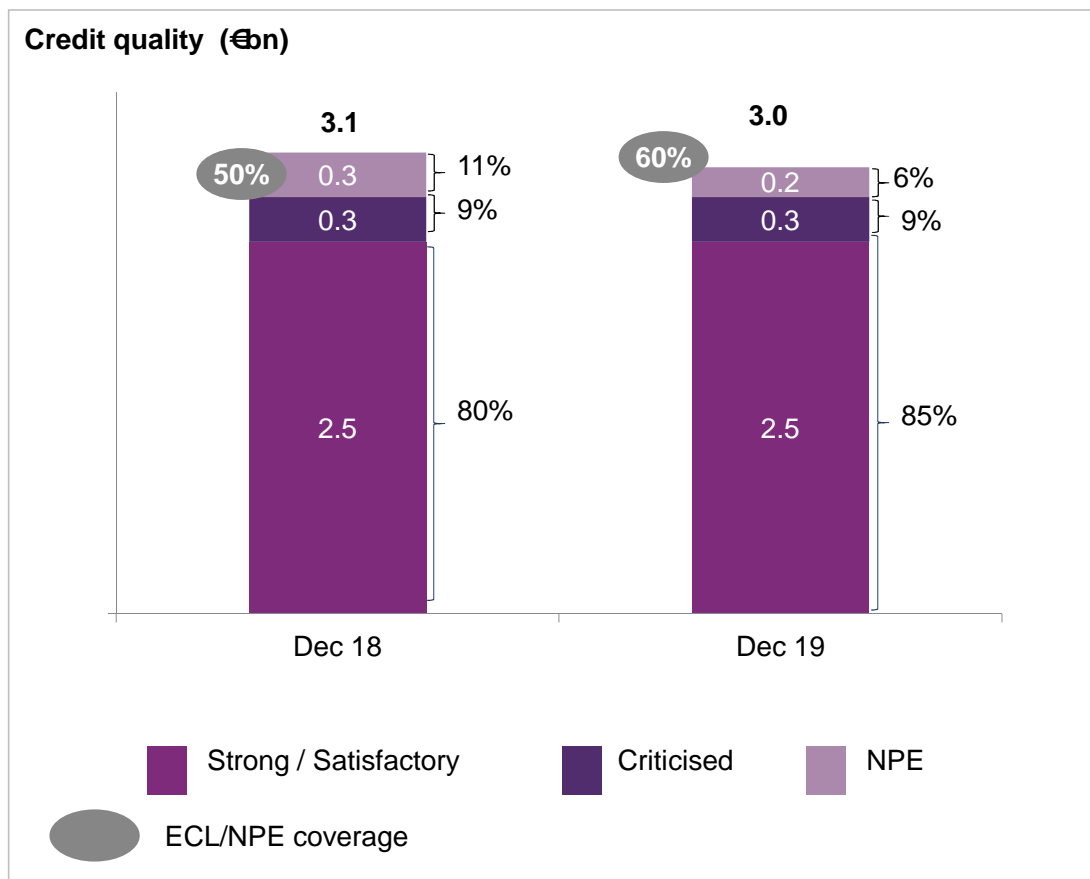
# Asset quality - Mortgages



- Strong improvement in asset quality
- 87% of portfolio is strong / satisfactory, up 5%
- NPE 7% of portfolio, down from 10% at Dec 18, with coverage of 22%
- Total loans in arrears decreased by 26% (16% PDH, 63% BTL)
- Weighted average LTV for new ROI mortgages 68%



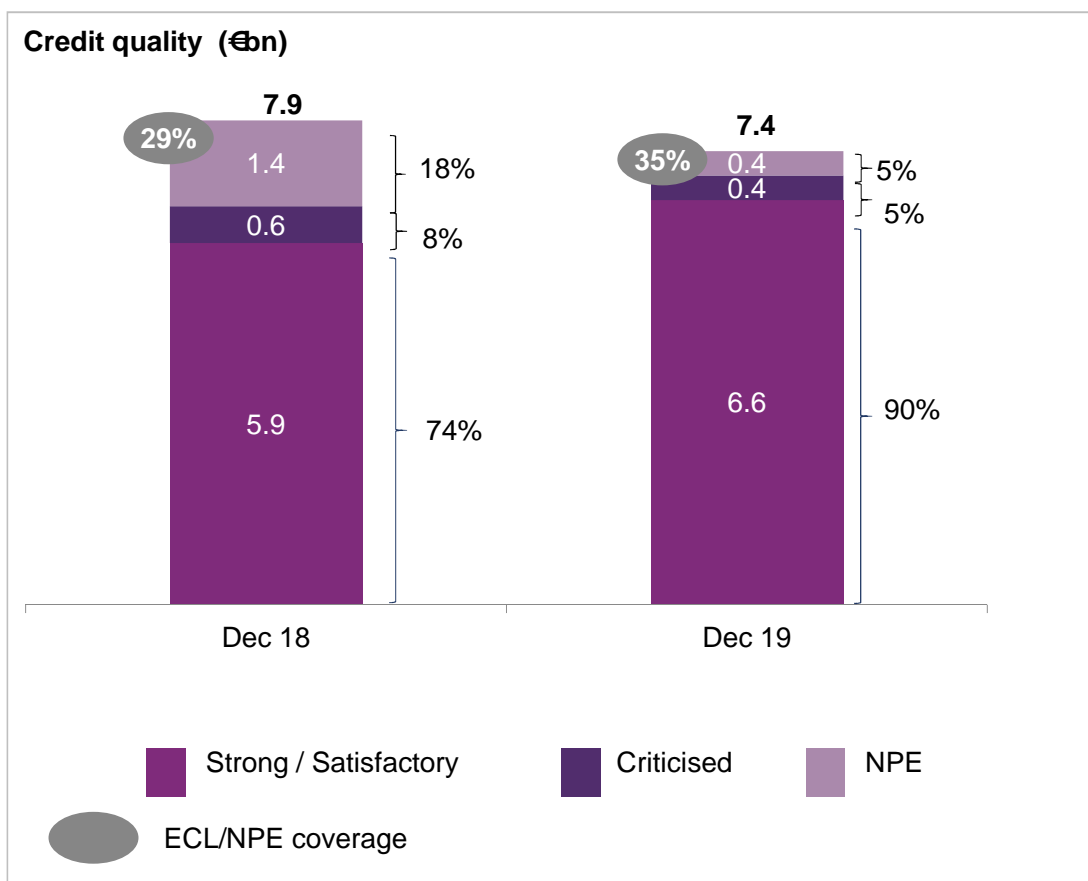
# Asset quality - Personal



- Strong improvement in asset quality
- 85% of portfolio is strong / satisfactory, up 5%
- Personal €3.0bn comprises €2.3bn in loans and overdrafts and €0.7bn in credit card facilities
- Demand for personal loans remains strong due to the favourable economic environment and AIB's increased automated service offering



# Asset quality - Property

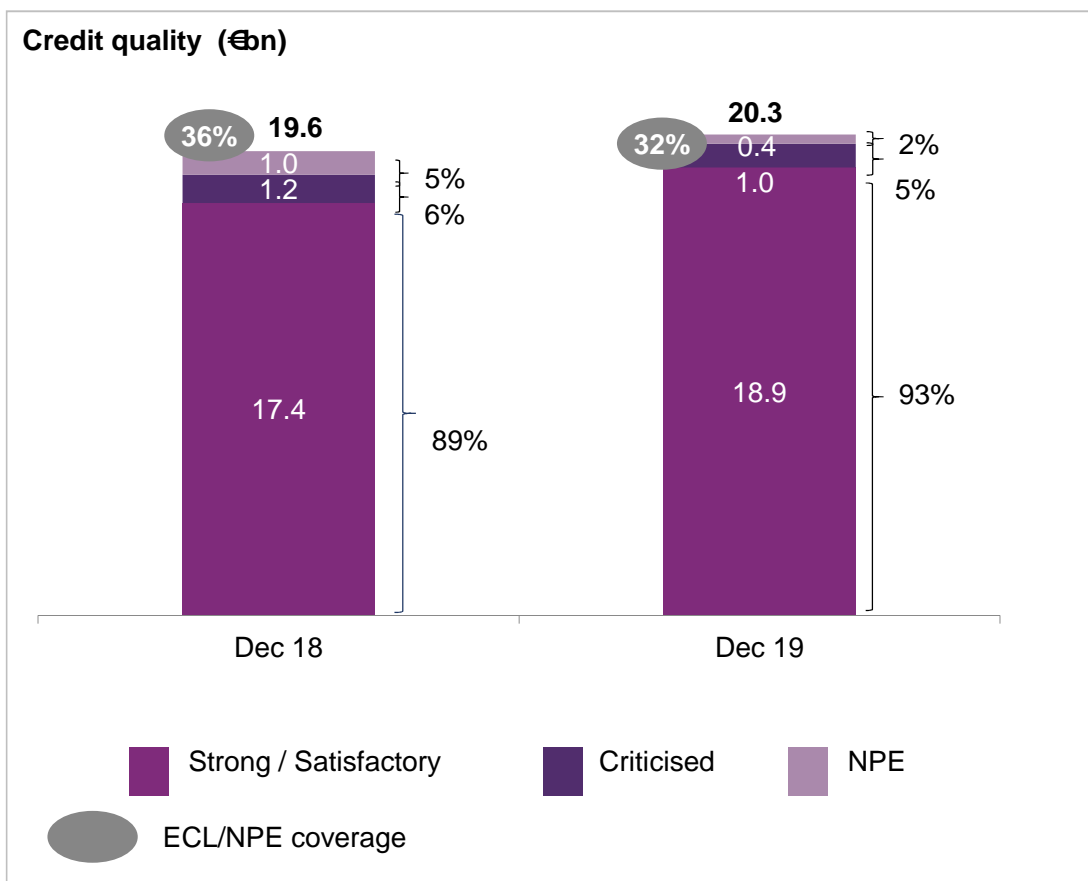


- Strong improvement in asset quality
- 90% of portfolio is strong / satisfactory, up 16%
- NPEs €0.4bn reduced by €1.0bn due to disposals and redemptions / repayments





# Asset quality – Corporate & SME



- 93% of portfolio is strong / satisfactory, up 4%
- €0.7bn of new lending to the energy sector



## Asset quality – internal credit grade by ECL staging

€m	Dec 2019					Dec 2018				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Strong	<b>42,123</b>	<b>329</b>	-	<b>2</b>	<b>42,454</b>	39,148	923	-	3	40,074
Satisfactory	<b>11,346</b>	<b>1,452</b>	-	-	<b>12,798</b>	10,923	1,262	-	-	12,185
Total strong / satisfactory	<b>53,469</b>	<b>1,781</b>	-	<b>2</b>	<b>55,252</b>	50,071	2,185	-	3	52,259
Criticised watch	<b>1,111</b>	<b>1,163</b>	-	<b>1</b>	<b>2,275</b>	1,226	1,596	-	1	2,823
Criticised recovery	<b>119</b>	<b>1,048</b>	-	<b>8</b>	<b>1,175</b>	184	1,509	-	5	1,698
Total criticised	<b>1,230</b>	<b>2,211</b>	-	<b>9</b>	<b>3,450</b>	1,410	3,105	-	6	4,521
NPE	<b>24</b>	-	<b>3,140</b>	<b>183</b>	<b>3,347</b>	212	-	5,541	227	5,980
Total customer loans	<b>54,723</b>	<b>3,992</b>	<b>3,140</b>	<b>194</b>	<b>62,049</b>	51,693	5,290	5,541	236	62,760

\* Excludes €77m loans FVTPL (Dec 18 €147m)

- Stage 1 loans €54.7bn increased €3.0bn from Dec 18, 98% are strong / satisfactory
- Stage 2 loans €3.9bn decreased €1.3bn from Dec 18, 45% are strong / satisfactory
- Stage 3 loans €3.1bn decreased €2.4bn due to continued restructuring, repayments and portfolio sales



## Loan book analysis and interest rate sensitivity

Concentration by sector (%)	FY 2019
Agriculture	3
Energy	2
Manufacturing	5
Property & construction	12
Distribution	8
Transport	3
Financial	1
Other services	10
Resi mortgages	51
Personal	5
<b>Total</b>	<b>100</b>

Concentration by location (%)	FY 2019
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)



## Contacts

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

Name	Email	Telephone
Niamh Hore <i>Head of IR</i>	niamh.a.hore@aib.ie	+353 1 6411817
Janet McConkey	janet.e.mcconkey@aib.ie	+353 1 6418974
Siobhain Walsh	siobhain.m.walsh@aib.ie	+353 1 6411901
Pat Clarke	patricia.m.clarke@aib.ie	+353 1 6412381
Susan Glynn	susan.j.glynn@aib.ie	+353 1 7724546

Visit our website at [aib.ie/investorrelations](http://aib.ie/investorrelations)