



# Investor and Analyst Update Medium-term Targets

2 December 2022



## 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 28 to 30 of the Annual Financial Report 2021 and updated on page 37 of the Half-Yearly Financial Report 2022. In addition to matters relating to the Group's business, future performance will be impacted by the direct and indirect impacts of the COVID-19 pandemic, the direct and indirect consequences of the Russia-Ukraine War on European and global macroeconomic conditions, the impact of higher inflation on customer sentiment and 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 28 to 30 of the Annual Financial Report 2021 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.



## AIB management



**Colin Hunt**

Chief Executive Officer

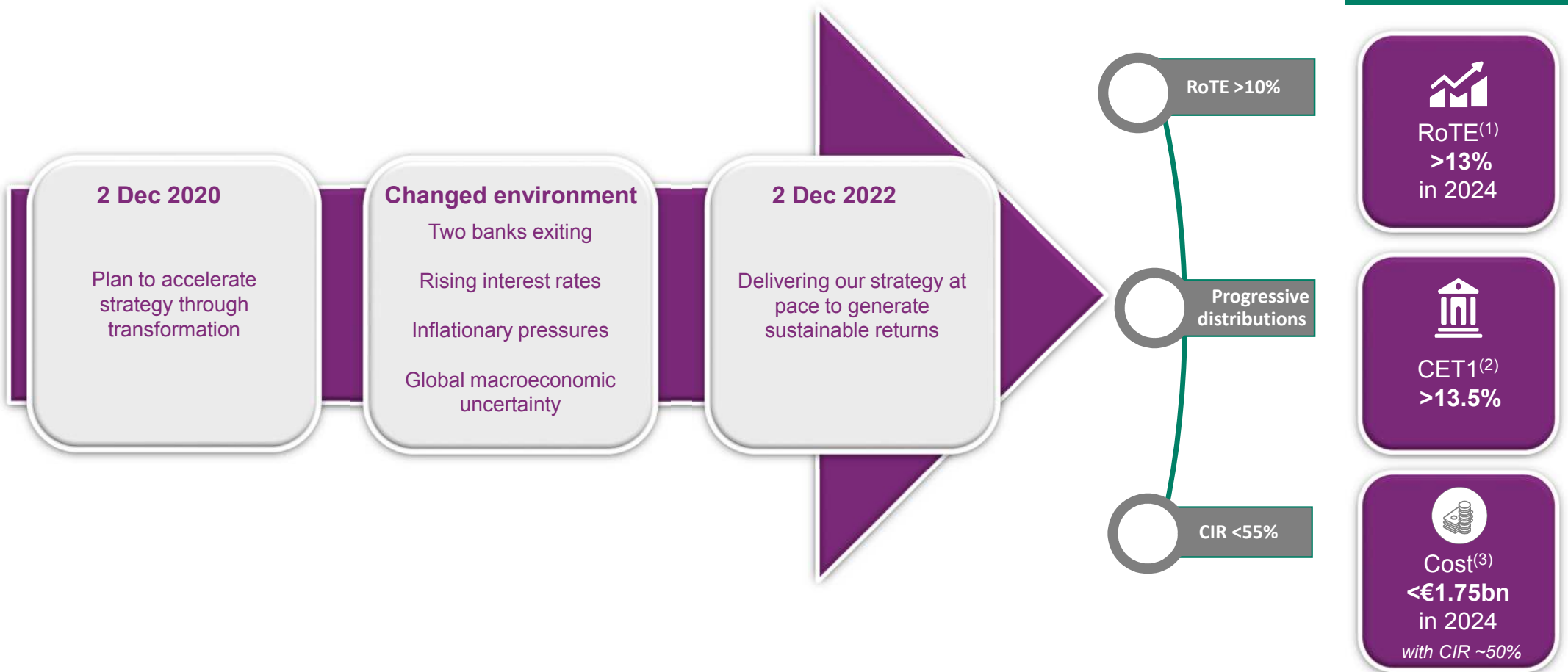


**Donal Galvin**

Chief Financial Officer



# Delivering our strategy *In an evolving environment*



1)  $RoTE = (PAT - AT1) / (CET1 @ 13.5\% \text{ of RWAs})$

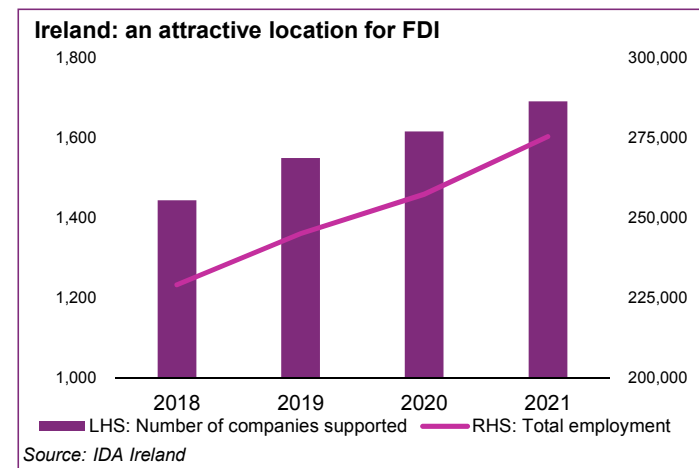
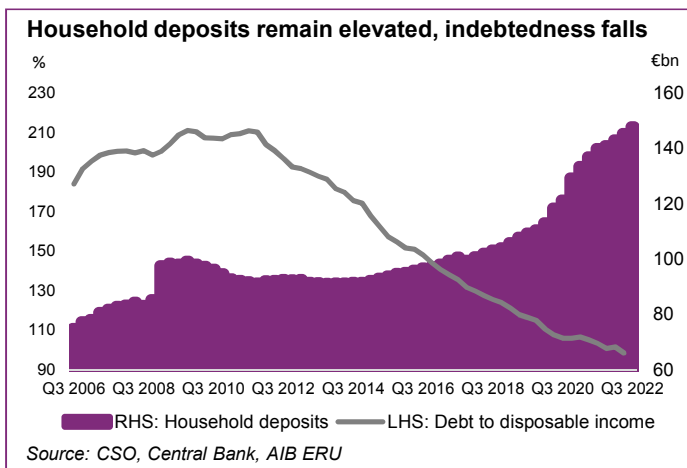
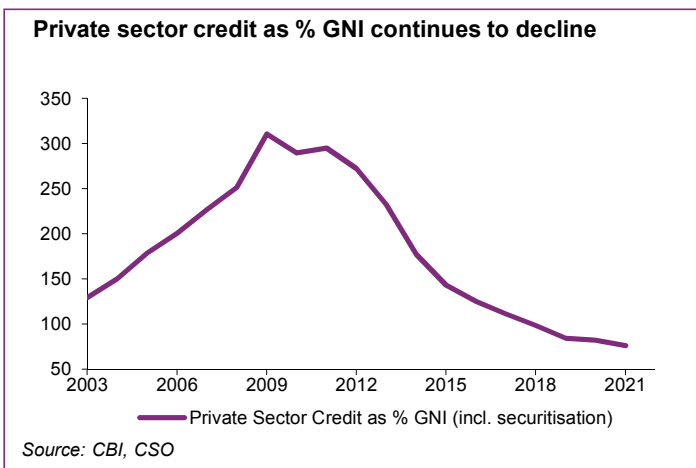
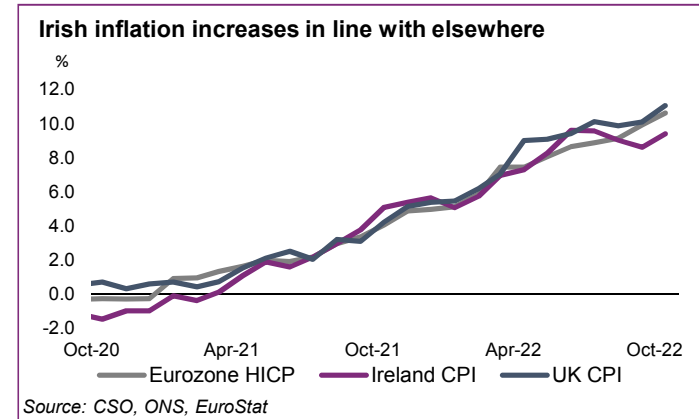
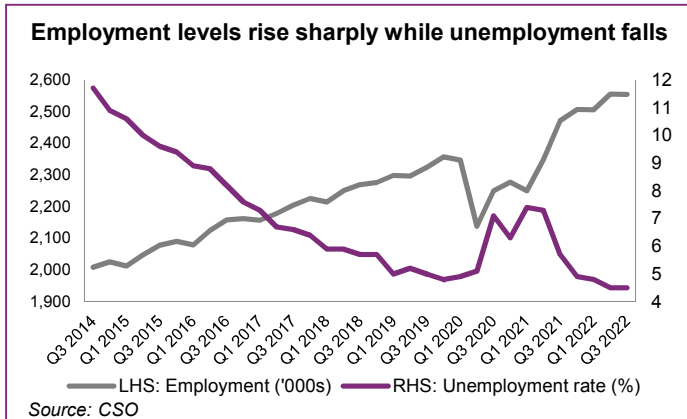
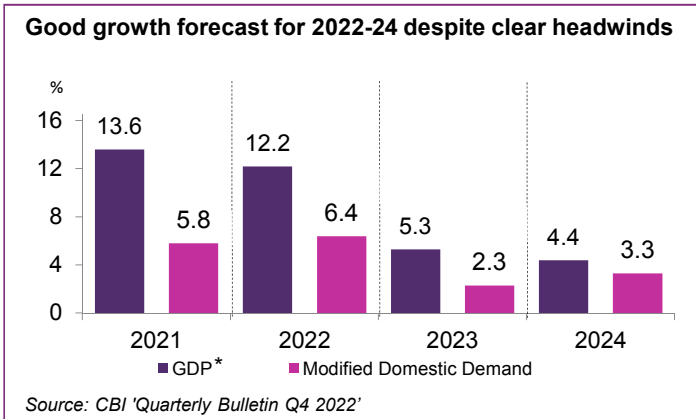
2) Fully loaded

3) Costs before bank levies and regulatory fees and exceptional items; CIR: Cost income ratio



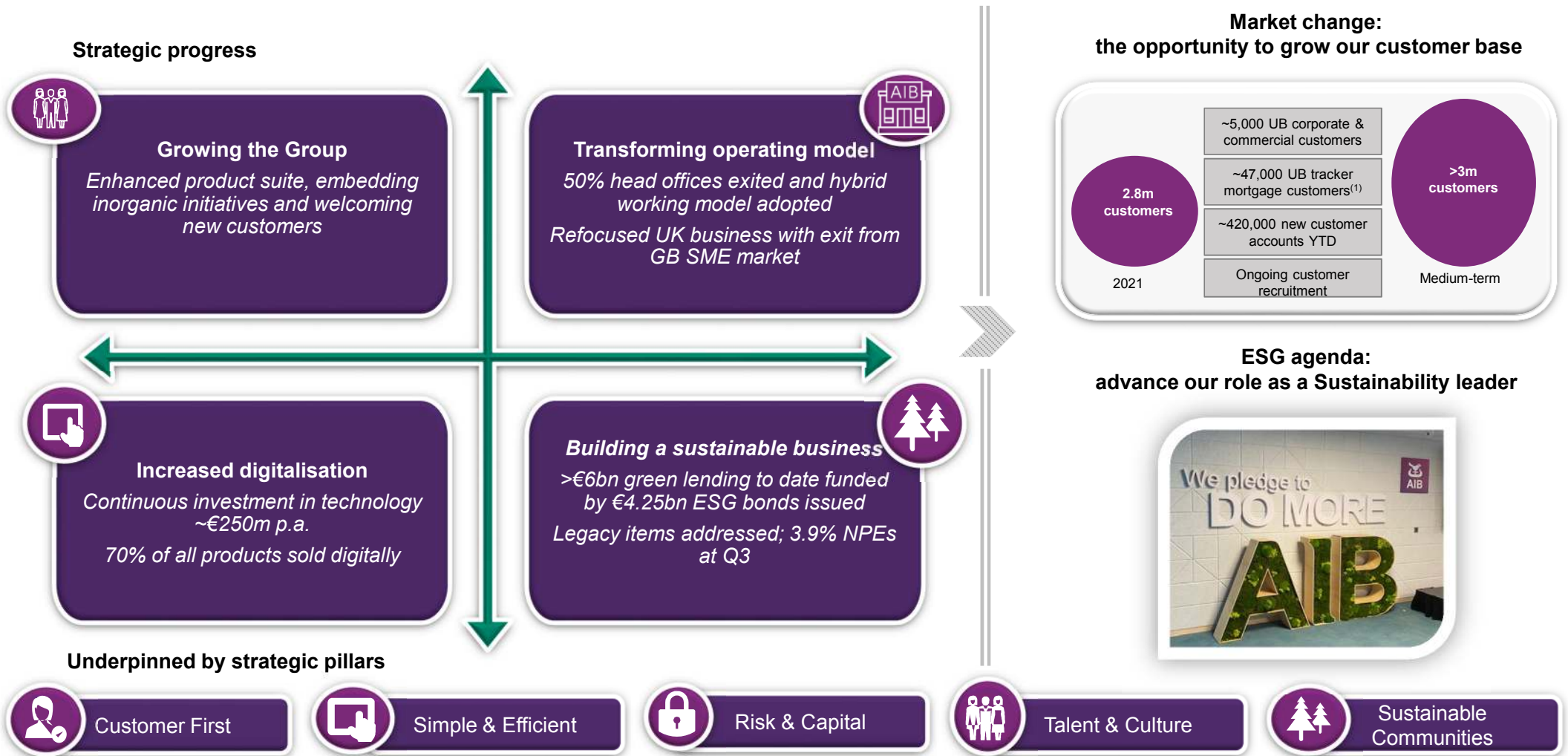
# Open and resilient Irish economy

## Solid Irish economic growth still expected despite headwinds



\* GDP can be distorted due to the impact of multi-national sector in Ireland.

**AIB** Significant strategic progress achieved  
*Leading financial services group positioned for growth in a changing environment*



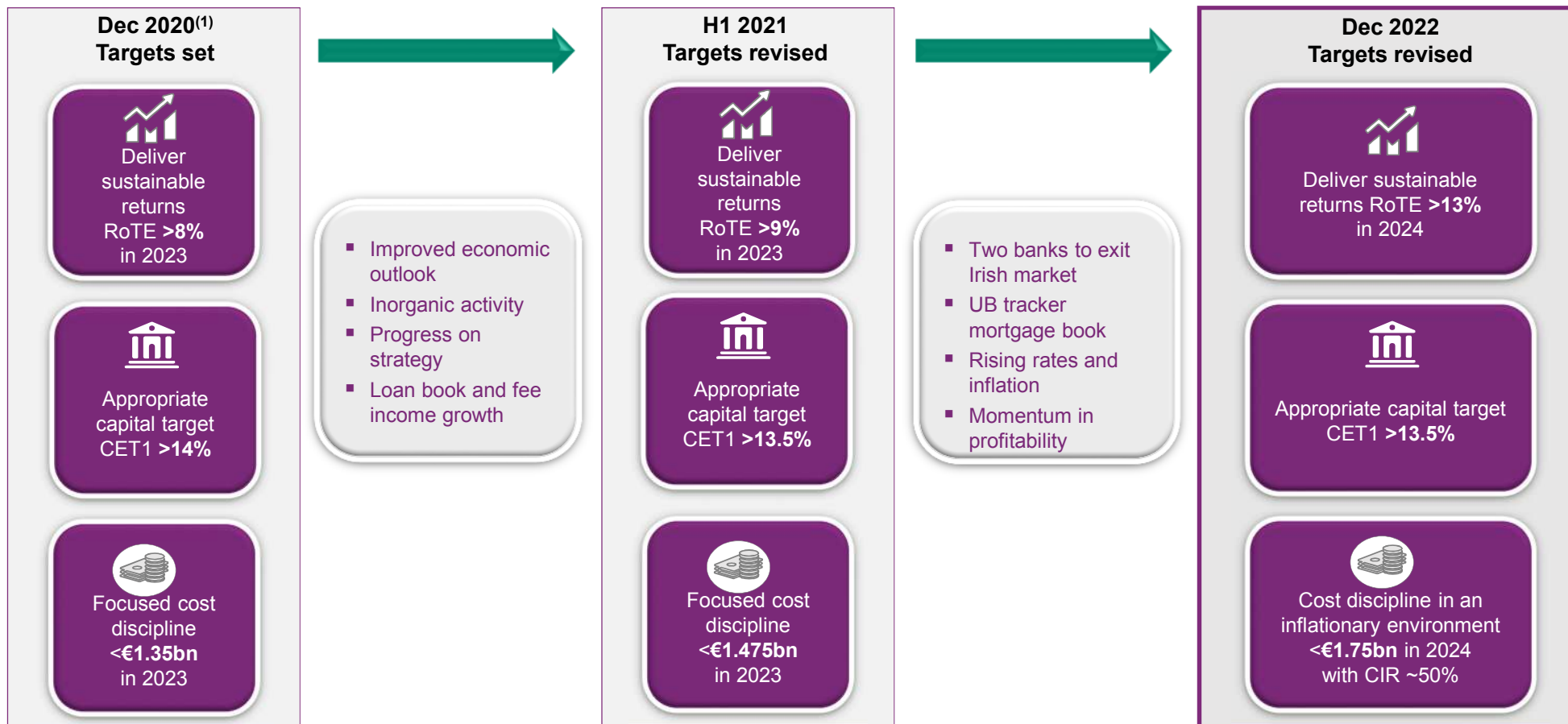
(1) Agreed acquisition of ~€5.7bn Ulster Bank performing tracker mortgages is currently undergoing the CCPC approval process

# Financial Targets



# Medium-term targets trajectory

*RoTE target upgraded to >13%*



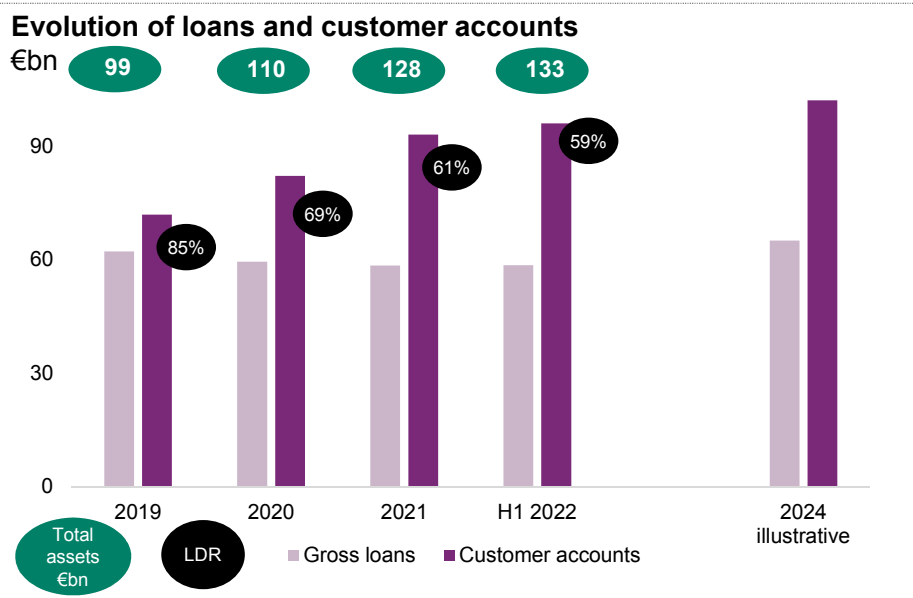
(1) Excluded potential inorganic opportunities and assumed a lower-for-longer/negative interest rate environment





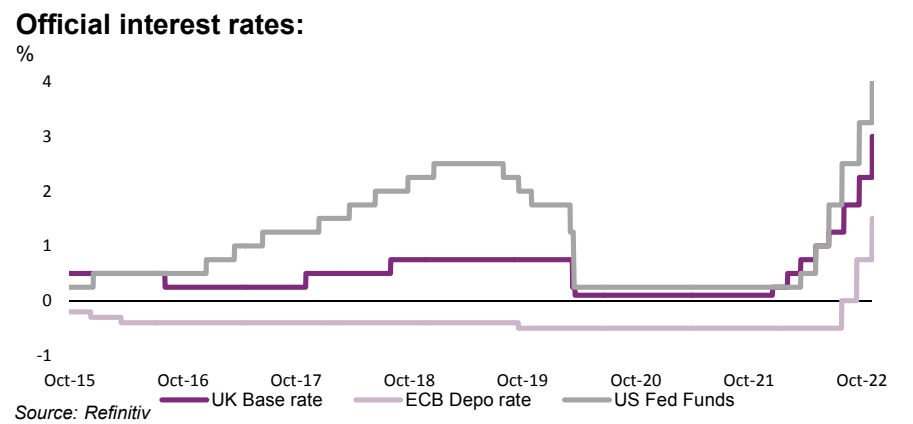
# Balance sheet geared for rising rates

*Customer accounts continue to grow*



### NII sensitivity as at June 2022 (€m)

	-100bps	+25bps	+50bps	+100bps
Euro	(301)	75	150	301
Sterling	(48)	12	23	47
Other (mainly US\$)	(21)	5	10	21
<b>Total</b>	<b>(370)</b>	<b>92</b>	<b>183</b>	<b>369</b>

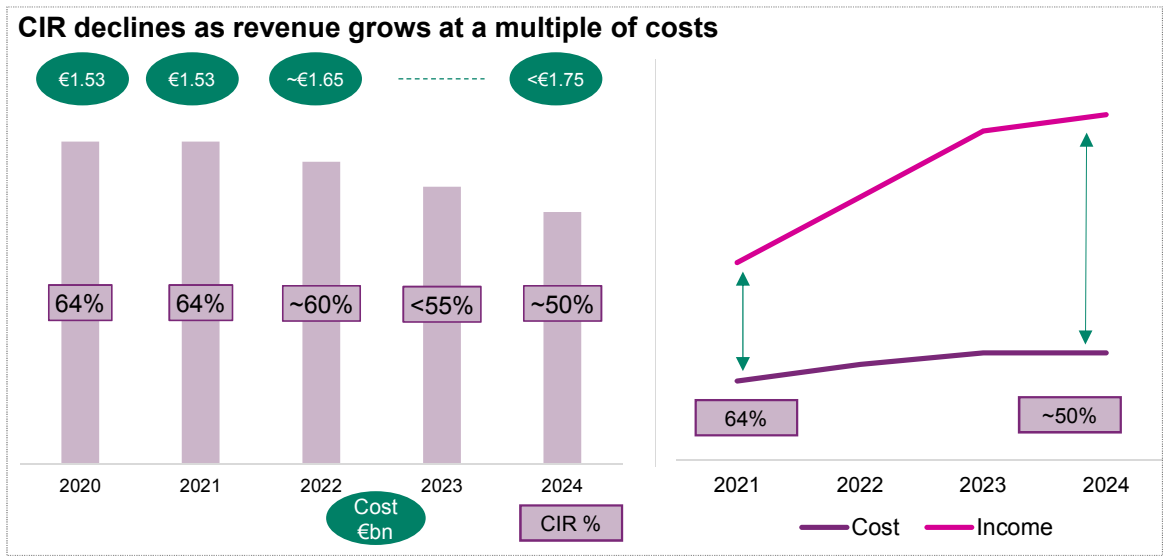
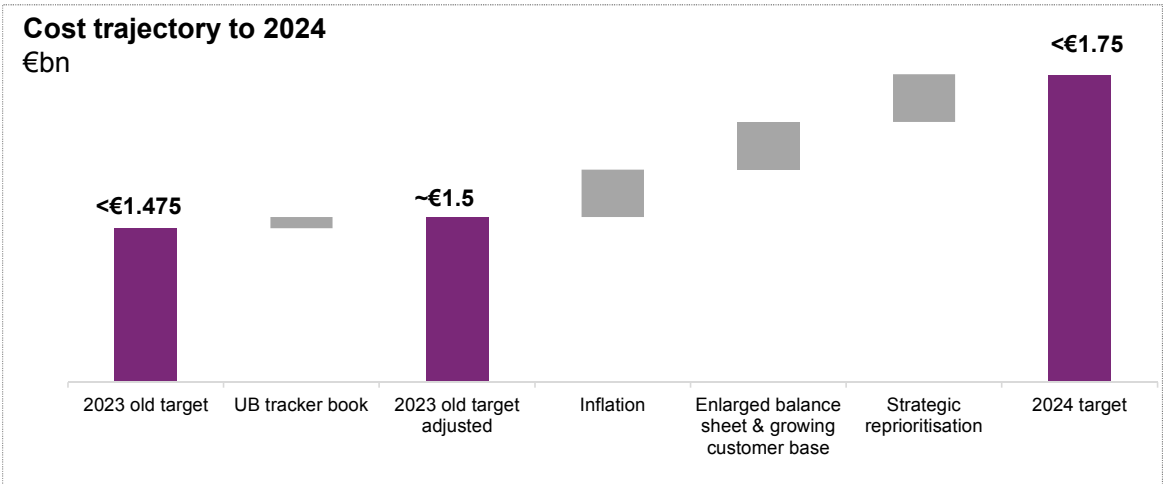


- AIB's NII sensitivity drivers tend to fall into one of three interest rate cohorts:
  - market rate portfolios (e.g. IBOR-priced lending)
  - official rate portfolios (e.g. ECB balances, tracker mortgages)
  - managed rate portfolios (e.g. variable rate mortgages, customer liabilities)



# Cost target <€1.75bn in 2024

*CIR reducing from 64% to ~50%*



Cost target <€1.75bn in 2024  
With a cost income ratio ~50%

Significant reduction in cost income ratio to ~50%

~20% cumulative Irish inflation over 2021-2024 inclusive

Inorganic initiatives fully embedded by 2023

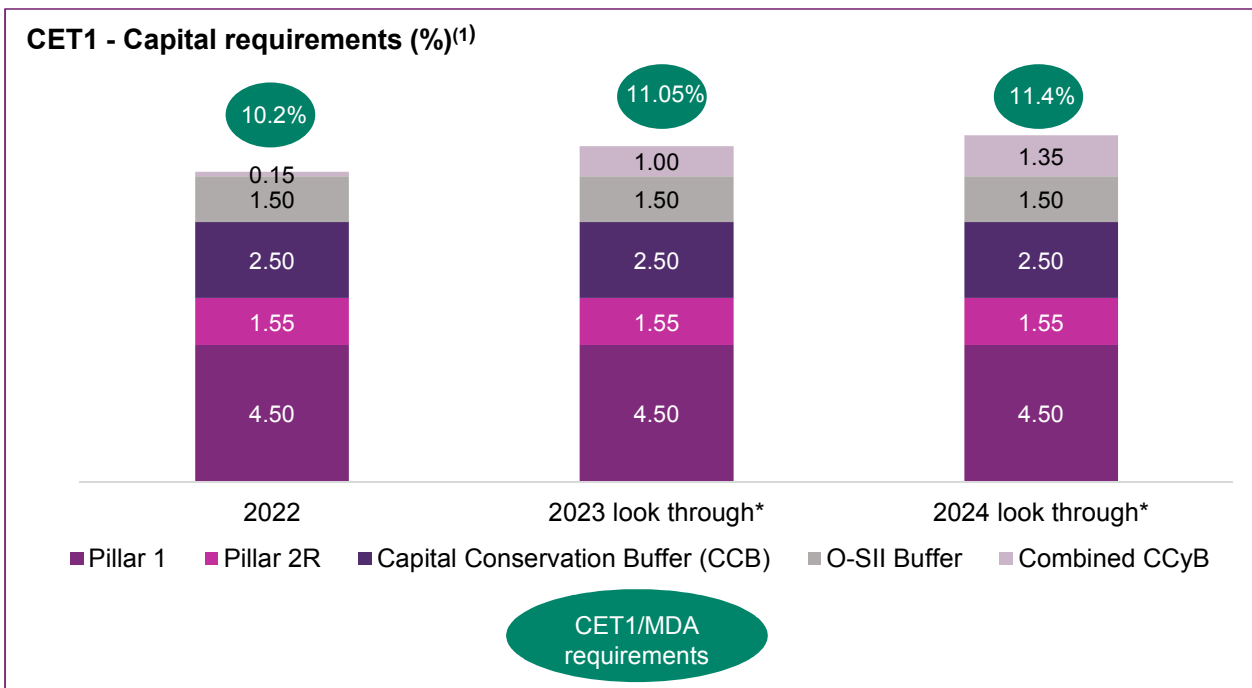
Enlarged balance sheet with customer base growing to >3 million

Rebalance priorities and resources to maximise market opportunity



# CET1 target >13.5%

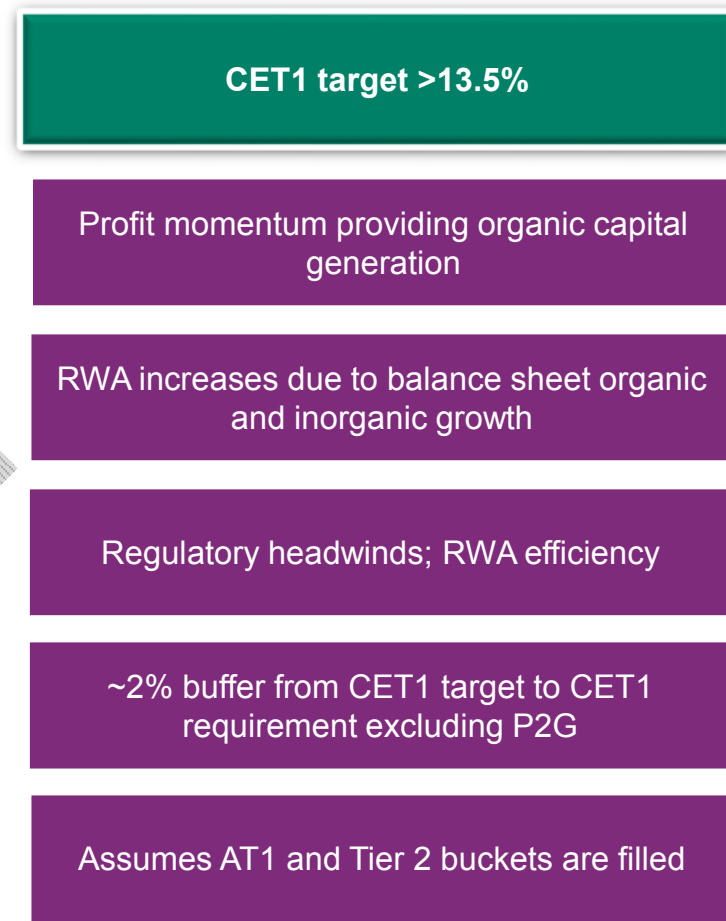
~2% buffer to regulatory requirements



**Capital requirements – fully loaded**  
 Estimated CET1 capital requirement 11.4% in 2024  
 Includes CCyB changes as follows:

- ROI CCyB: 1% in 2023 and 1.5% in 2024
- UK CCyB: 1% in 2022 and 2% in 2023

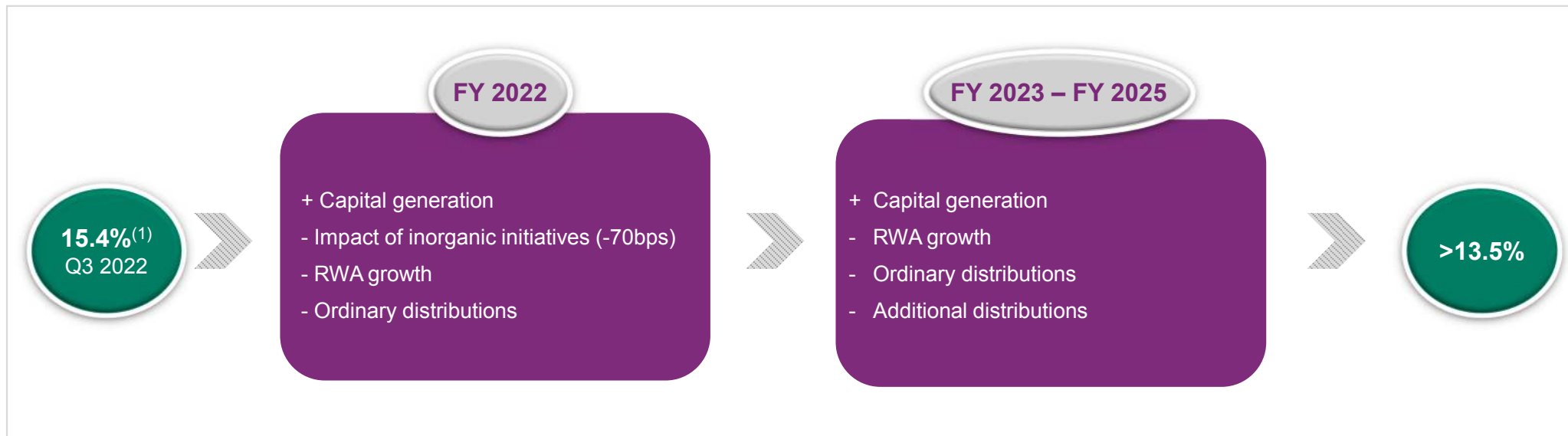
<sup>(1)</sup>Pillar 2 Guidance (P2G) not disclosed  
 \*Look through incorporates best estimate





## Clear pathway to CET1 >13.5%

*Generating and returning capital*



### Distributions

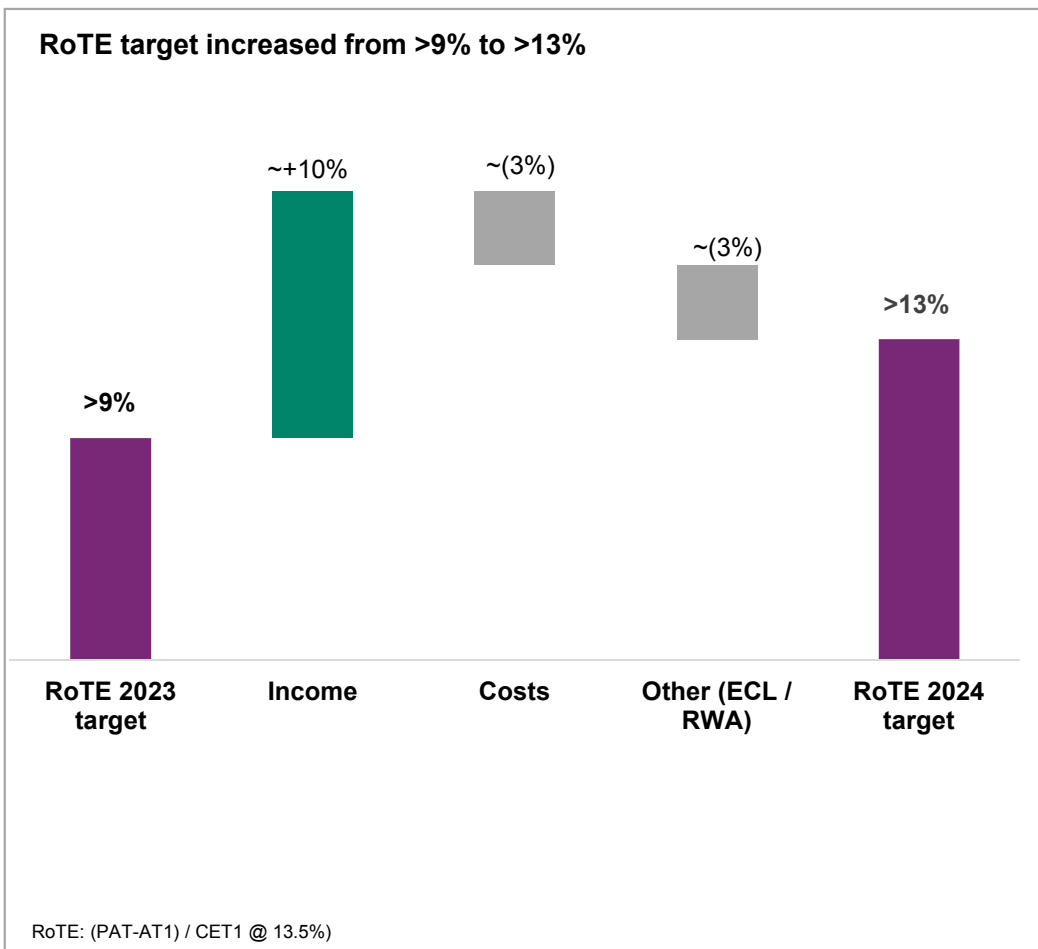
- Existing policy 40-60% payout; will assess balance between dividends and buybacks annually
- In recognition of the current environment, AIB intends to propose distributions within its normal policy (40-60%) from 2022 profits in Q1 2023
- Subject to a supportive economic environment and annual Board and required regulatory approvals, in the coming years AIB will seek to move towards the CET1 target by prudently increasing levels of distributions, supplementing cash dividend with share buybacks where appropriate.

<sup>(1)</sup> Excludes expected impact of ~60bps for proposed Ulster Bank tracker mortgage book acquisition and ~10bps for Great-West LifeCo JV



# RoTE target >13% in 2024

*Strong revenue momentum exceeds cost growth*



**ROTE target >13% in 2024**

Strong revenue momentum; geared to rising interest rates

Sustainable loan book growth

Growing customer base supporting fees and commissions

RoTE enhancing inorganic activity

Strong asset quality; conservatively provided

FY 2023 expected to be >10% RoTE



# AIB - leading financial services provider

*A group transforming and well-positioned for the future*

Sound AIB fundamentals

- Leading market positions and expanding product suite in attractive market
- Modern, resilient and flexible digital IT architecture; No1 Irish banking app
- Simple and efficient operating model servicing the Irish economy
- Sustainability leader

Shaped to meet future opportunities & challenges

- Resilient balance sheet, focus on asset quality and strong funding and capital
- Market consolidation presents “once in a lifetime opportunity” for growth
- Positively geared for rising interest rate environment
- No longer a high NPE bank with legacy NPEs effectively resolved

Outlook

- Supportive domestic macroeconomic backdrop
- Strong income momentum; sustainable financial returns
- Inflationary pressure with focus on cost discipline
- Generating and returning capital to shareholders

## Medium-term Targets



RoTE  
>13%  
in 2024



CET1  
>13.5%



Cost  
<€1.75bn  
in 2024  
with CIR ~50%

Generating shareholder value and delivering sustainable returns

# Appendix



## Capital requirements *Outlook to 2024*

Capital requirements <sup>(1)</sup>	Dec-22	Dec-23 look through*	Dec-24 look through*
Pillar 1	4.50%	4.50%	4.50%
Pillar 2 requirement (P2R)	<b>1.55%</b>	<b>1.55%</b>	<b>1.55%</b>
Capital Conservation Buffer (CCB)	2.50%	2.50%	2.50%
O-SII Buffer	1.50%	1.50%	1.50%
Countercyclical Buffer (CCyB) ROI	-	0.70%	1.05%
Countercyclical Buffer (CCyB) UK	0.15%	0.30%	0.30%
<b>Minimum CET1 requirement - MDA</b>	<b>10.20%</b>	<b>11.05%</b>	<b>11.40%</b>
AT1	<b>2.02%</b>	<b>2.02%</b>	<b>2.02%</b>
Tier 2	<b>2.69%</b>	<b>2.69%</b>	<b>2.69%</b>
<b>Total capital</b>	<b>14.91%</b>	<b>15.76%</b>	<b>16.11%</b>

<sup>(1)</sup>Pillar 2 Guidance (P2G) not disclosed  
\*Look through incorporates best estimate





## Contact details

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

Name	Email	Telephone
Niamh Hore <i>Head of Group IR</i>	niamh.a.hore@aib.ie	+353 86 3135647
Siobhain Walsh <i>Head of Debt IR</i>	siobhain.m.walsh@aib.ie	+353 87 3956864
Pat Clarke	patricia.m.clarke@aib.ie	+353 86 1718598
Bernie Glynn	bernie.a.glynn@aib.ie	+353 87 9195707
John McEvoy	john.a.mcevoy@aib.ie	+353 87 3604613

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