



1 June 2022

AIB Group plc confirms acquisition of Ulster Bank performing tracker mortgage portfolio

AIB Group plc (“AIB”, the “Group”) confirms that Allied Irish Banks, p.l.c.¹ has today entered into a binding agreement with NatWest Group plc and Ulster Bank Ireland DAC (“Ulster Bank”) for the acquisition of a performing Ulster Bank tracker (and linked) mortgage portfolio with an expected value of circa €5.7 billion² (the “Transaction”). This agreement has been reached further to the exclusive discussions that were announced on 29 April 2022 following a period of due diligence on the portfolio.

AIB will acquire the portfolio consisting of circa 47,000 Ulster Bank customers for a total consideration of €5.4 billion equivalent to 95.15% of par value, payable in cash funded from its existing resources. The exact consideration payable will depend on movements in the portfolio up to completion. AIB intends to engage a third party service provider to administer the portfolio on its behalf. This servicing arrangement will have no impact on customers who will retain their existing terms and conditions. The Transaction remains subject to obtaining any necessary customary regulatory approvals. AIB will acquire an economic interest in the mortgage portfolio in the second half of 2022 with formal completion expected in 2023.

The Transaction is expected to be accretive to earnings in 2023. On an annualised basis and inclusive of discount unwind, AIB expects total income of c. €90m and a 30bps average servicing cost. As required under IFRS 9, AIB will incur a Day 1 expected credit loss (ECL) charge as the portfolio migrates following formal completion.

AIB anticipates the Transaction to reduce CET1 by c. 70bps reflecting increased risk weighted assets of c. €2.5 billion³. AIB’s fully loaded CET1 at end March 2022 was 16.6% with a further 130bps CET1 reduction expected in relation to the agreed acquisition of Ulster Bank’s corporate and commercial loans. The Transaction is also expected to be enhancing to RoTE in 2023, as AIB progresses towards its medium-term RoTE target of greater than 9% in 2023.

AIB Chief Executive, Colin Hunt, commented:

“We are delighted to have reached agreement with NatWest and Ulster Bank on another loan book acquisition and look forward to welcoming these customers to AIB. This acquisition further adds to our growing balance sheet and progress towards our strategic targets. Our strong capital position, which is well ahead of our medium-term target of >13.5%, enables us to invest in our business, pursue RoTE accretive inorganic opportunities and make distributions to shareholders.”

¹ A subsidiary of AIB Group plc

² Portfolio size c. €6 billion at end March 2022

³ Risk weighted assets may differ from what NatWest derecognise following the sale of assets

-ENDS-

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Forward Looking Statements

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 the Principal risks on pages 28 to 30 in the 2021 Annual Financial Report. In addition to matters relating to the Group's business, future performance will be impacted by direct and indirect impacts of the COVID-19 pandemic 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 2021 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.