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AIB GROUP PLC – Q1 2024 TRADING UPDATE (UNAUDITED)

Very strong Q1 performance driven by growth in revenue

“I am pleased to announce that the Group had a very strong first quarter performance and, with continued momentum across our business and the embedding of our strategic priorities, we are confident in our outlook for 2024. AIB continues to be in a position of strength with a robust balance sheet, stable deposit base and growing loan book enabling us to support our customers and the wider economy. We are well on track to deliver sustainable returns for our shareholders guided by our medium-term target of a RoTE of 15%.”

- Colin Hunt, Chief Executive Officer

Key highlights: (all comparisons Q1 2024 versus Q1 2023 unless otherwise stated)

- Total income increased 18% supported by the higher interest rate environment
 - NII up 27%; Q1 NIM 3.25%
 - Other income down 14% given non-recurrence of forward contract income; increase of 8% in fee and commission income
- Costs⁽¹⁾ up 7% in line with guidance; Cost income ratio of 38%
- Small net credit impairment charge in Q1
- Gross loans increased to €68.0bn, up €1bn since Dec 2023; new lending of €2.8bn
 - Mortgage market share 35.4% Mar YTD⁽²⁾
- Stable and diversified funding: Customer accounts of €104.6bn; \$1bn MREL bond issued
- Strong capital with a fully-loaded CET1 ratio of 15.9% (Dec 2023: 15.8%)
- On track to execute previously announced €1bn directed buyback in the near term

Financial Performance

The Group recorded a very strong financial performance in the first quarter of 2024.

Net interest income was 27% higher in Q1 2024 compared to Q1 2023 primarily as a result of higher interest rates, an increase in average loan volumes and the slower than anticipated pace of deposit migration. Our full year 2024 NII guidance of >€3.65bn assumes an ECB deposit rate of 2.75% at December 2024.

Other income decreased 14% on Q1 2023 reflecting lower income from forward contracts as the majority of Ulster Bank loans have been onboarded. There were strong performances across fee-based lines. We expect full year 2024 other income to be >€700m.

Operating costs were up 7% in Q1 2024, reflecting the impact of wage and general inflation, the introduction of variable pay and health insurance and higher staff numbers given the enlarged Group. FTEs at end Q1 2024 were 10,563, in line with December 2023. We expect costs for full year 2024 to increase by 6-7%.

A small net credit impairment charge was recorded in Q1 2024. At this point, we maintain our conservative, forward-looking and comprehensive ECL approach and for full year 2024 we expect a cost of risk (CoR) at the lower end of a 20-30bps range.

Bank levies and regulatory fees of c. €100m were accrued in Q1 2024 reflecting early recognition of the revised Irish bank levy. We expect bank levies and regulatory fees for full year 2024 to be c. €145m.

Balance sheet

Gross loans of €68.0bn were up €1bn in the quarter (Dec 2023: €67.0bn) primarily driven by new lending exceeding redemptions. We expect customer loans to grow by 2% in 2024.

Asset quality remains resilient. However we are ever vigilant with careful management of the loan book as we monitor the impact of inflation and higher interest rates. NPEs were €2.1bn or 3% of gross loans (Dec 2023: €2.0bn or 3%).

Total new lending of €2.8bn in Q1 2024 was broadly in line with Q1 2023.

The Irish mortgage market performed well in Q1 2024. Our new mortgage lending in Ireland was €0.8bn in the quarter and resulted in market share of 35.4%. Personal lending in Retail Banking was up 14% reflecting our larger customer base. SME credit demand in Ireland remains subdued and new lending was broadly in line with Q1 2023.

New lending in Capital Markets, excluding property, was in line with Q1 2023 whilst there was a decrease in the UK.

Climate Capital had a strong performance as we focus on financing energy transition and ESG infrastructure.

Green lending in Q1 2024 accounted for 34% of new lending with €12.5bn of new green lending since 2019 as we continue to support our customers with the transition to a lower-carbon economy.

Funding and Capital

AIB's balance sheet remains strong and well-positioned for growth.

Customer accounts of €104.6bn were in line with Dec 2023 (€104.8bn). Circa 92% of customer accounts are ROI balances. The mix between current accounts and deposits remains broadly unchanged from December 2023 and the flow to term accounts remains consistent with Q4 2023.

The Group continues to have strong funding and liquidity ratios with an LDR of 64%, LCR of 204% and NSFR of 161%⁽³⁾ at Q1 2024 which compare to 63%, 199% and 159% respectively at December 2023. In March 2024 the Group raised \$1bn from a senior non-preferred MREL issuance. In April 2024 the Group raised further MREL from a €625m AT1 issuance.

CET1 fully-loaded ratio at the end of Q1 2024 was 15.9% (Dec 2023: 15.8%), comfortably ahead of regulatory requirements. CET1 movements in Q1 2024 include organic capital generation partially offset by a dividend accrual (in line with CRR guidance) and an increase in RWAs primarily as a result of balance sheet growth.

Sustainability

Environmental

- Aligned to our target to green our loan book, green mortgage fixed rates reduced by 0.2% from April 2024 for all customers whose homes have an energy rating of B3 or higher
- Recognising the impact of climate and changing weather patterns on our customers, AIB has provided a range of cashflow solutions to support our Agri customers following the prolonged period of difficult weather conditions in Ireland

Social

- AIB launched an approved profit-sharing scheme to recognise the contribution of our people which is linked to a range of performance targets across the Group
- Aligned to our strategic focus on housing, AIB announced a €500m development fund to support apartment and student accommodation development, increasing Ireland's housing supply and supporting customers to buy their first home
- Commitment to deliver >€6bn new lending by 2026 to support our customers to buy their first home; in Q1 first time buyers accounted for 60% of ROI new mortgage lending at €0.5bn

Governance

- The Irish State's shareholding currently stands at 37.99% and we are on track to complete the previously announced €1bn directed buyback post the EGM on 2 May, this should reduce the shareholding to 32.9%

Outlook

We are in the first year of our new strategic cycle and the Group has had a very strong start to 2024 with both income and asset quality demonstrating resilience. Our reshaped Group is well-positioned, generating sustainable profits, supporting our 3.3 million customers and the wider economy and delivering attractive shareholder returns. Following a very strong first quarter, we are confident for the remainder of the year.

Guidance full year 2024

- NII is expected to be >€3.65bn
- Other income is expected to be >€700m
- Costs are expected to increase by 6-7%
- We expect a CoR at the lower end of a 20-30bps range
- Bank levies and regulatory fees are expected to be c. €145m
- Exceptional costs are expected to be c. €100m
- Customer loans are expected to grow by 2%

We will announce our half-yearly financial results on 2 August 2024.

Analyst conference call

Colin Hunt, CEO and Donal Galvin, CFO, will host a conference call today at 08.00 IST for 30 minutes.

Conference call access

Republic of Ireland +353 (0)1 436 0959
UK / International +44 (0) 33 0551 0200
USA Local +1 786 697 3501

Event Password: AIB

Please dial in 5-10 minutes prior to the start time using the number / event password above

Note: Figures presented above may be subject to rounding

Abbreviations:

RoTE: Return on tangible equity; RoTE = (PAT-AT1) / (CET1 @14% of RWAs)

- (1) Costs before bank levies and regulatory fees and exceptional items
- (2) Source: Mortgage drawdowns BPF1 March 2024
- (3) Subject to finalisation

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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 27 to 30 in the 2023 Annual Financial Report. In addition to matters relating to the Group's business, future performance will be impacted by the Group's ability along with governments and other stakeholders to measure, manage and mitigate the impacts of climate change effectively, the impact of higher inflation on customer sentiment and by Irish, UK and wider European and global economic and financial market considerations. Future performance will further be impacted by the direct and indirect consequences of the Russia-Ukraine War on European and global macroeconomic conditions. 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 27 to 30 of the 2023 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