



# Investor Presentation – AT1

16 Jun 2020

AIB Group plc



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Where you act as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase any Securities (or any beneficial interests therein) from the Issuer and/or any of the Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding on both you and your client(s).

# Disclaimer



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# AT1 Transaction & Tender Offer – overview

AIB Group plc

# Executive summary



## Offering summary

- PerpNC [●] €[●] Fixed Rate Reset Additional Tier 1 Perpetual Contingent Temporary Write-Down Securities
- Issued by AIB Group plc (HoldCo), in line with group structure and resolution strategy
- Semi-annual, discretionary, non-cumulative coupons
- Par call exercisable at any time during the 6 month before the First Reset Date
- 7.0% CET1 ratio trigger
- Expected issue rating: Ba2 by Moody's
- Simultaneous capped EUR 250m tender for the EUR 500m 7.375% PNC Dec-20 as part of the Group's active management of its consolidated capital profile

## Issuance rationale

- The transaction is part of AIB's ongoing capital management strategy and fulfilment of its current and future capital and resolution requirements
  - AIB is committed to optimising its capital structure at AIB Group plc (HoldCo)
  - The transaction further supports AIB's robust leverage ratio, Tier 1 capital ratio, MREL position
  - It will also fund the concurrent capped tender offer on Allied Irish Banks, p.l.c.'s €500mm 7.375% AT1 Notes callable 3-Dec-2020 (up to €250mm)

## Investment thesis

- Leading Irish bank, well positioned and planning for the future
- Strongly capitalised with resilient buffer to principal and coupon risks – FL CET1 ratio 16.2%<sup>(1)</sup> and transitional CET1 18.6%<sup>(1)</sup> at Q1 2020
  - Q1 2020: CET1 buffer to trigger of 11.6% / €6.2bn (Trans)
  - Q1 2020: CET1 headroom to MDA of 7.1% / €3.8bn (Trans)
- Strong liquidity position, diversified sources of funding and smooth maturity profile
  - LCR 155%, NSFR 132% and LDR 83%
- Robust ADI capacity in excess of €4.5bn as at 31 Mar 2020

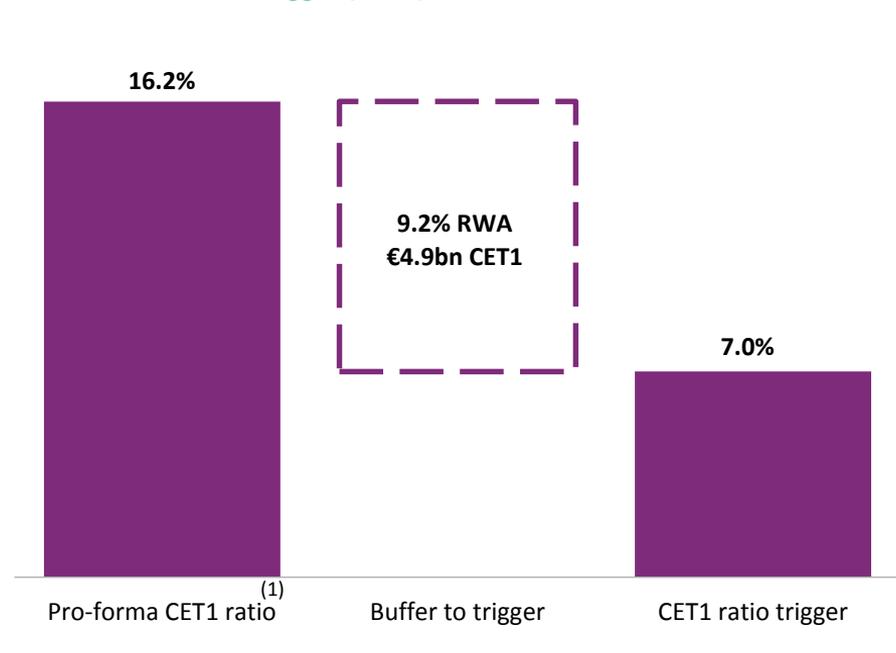
<sup>(1)</sup> Pro-forma FL CET1 16.2% and pro-forma Transitional CET1 18.6% both include 90bps indicative TRIM impact for AIB mortgage model and 40bps for cancelled 2019 dividend €217m

# Mitigating principal write-down risk



## Robust buffer to trigger

Q1, 2020 - Buffer to trigger (FL, %)



- Capital position remains particularly strong with 16.2% CET1 ratio fully loaded (18.6% CET1 ratio transitional)<sup>(1)</sup> at Q1 2020
- Temporary write-down loss absorption mechanism
- 7.0% CET1 ratio trigger
- Distance to trigger 9.2% RWA / €4.9bn CET1 buffer based on fully loaded Q1 2020 CET1 ratio of 16.2%
  - On a transitional basis, distance to trigger 11.6% RWA / €6.2bn CET1 buffer from Q1 2020 CET1 ratio of 18.6%

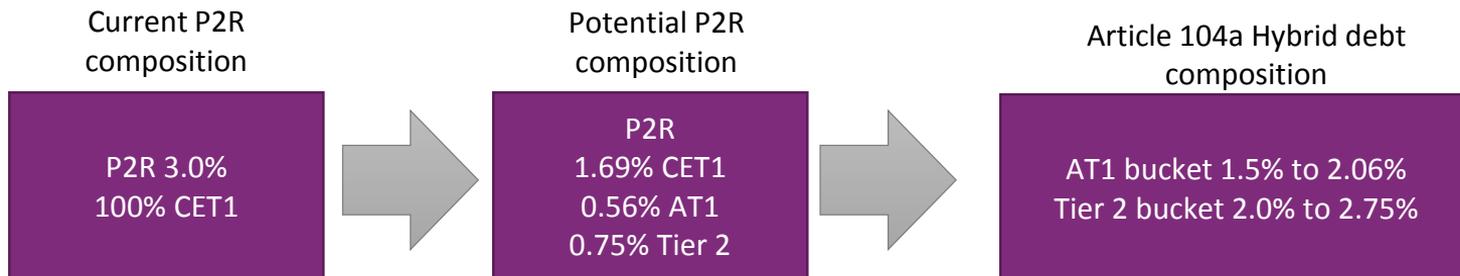
<sup>(1)</sup> Pro-forma FL CET1 16.2% and pro-forma Transitional CET1 18.6% both include 90bps indicative TRIM impact for AIB mortgage model and 40bps for cancelled 2019 dividend €217m

# SREP: CET1 & Total capital requirements FY 2020 & 2021



CET1 requirements (% RWA)	FY 2020	FY 2020 (Pro-forma Article 104a)	FY 2021	FY 2021 (Pro-forma Article 104a)
Pillar 1 - CET1	4.50%	4.50%	4.50%	4.50%
Pillar 2 Requirement (P2R) <sup>(1)</sup>	3.00%	1.69%	3.00%	1.69%
Capital conservative buffer (CCB)	2.50%	2.50%	2.50%	2.50%
Other systemically important institution (OSII)	1.00%	1.00%	1.50%	1.50%
Counter cyclical buffer (CCyB)	0.00%	0.00%	0.00%	0.00%
<b>CET 1</b>	<b>11.00%</b>	<b>9.69%</b>	<b>11.50%</b>	<b>10.19%</b>
AT1	1.50%	2.06%	1.50%	2.06%
Tier2	2.00%	2.75%	2.00%	2.75%
<b>Total capital</b>	<b>14.50%</b>	<b>14.50%</b>	<b>15.00%</b>	<b>15.00%</b>

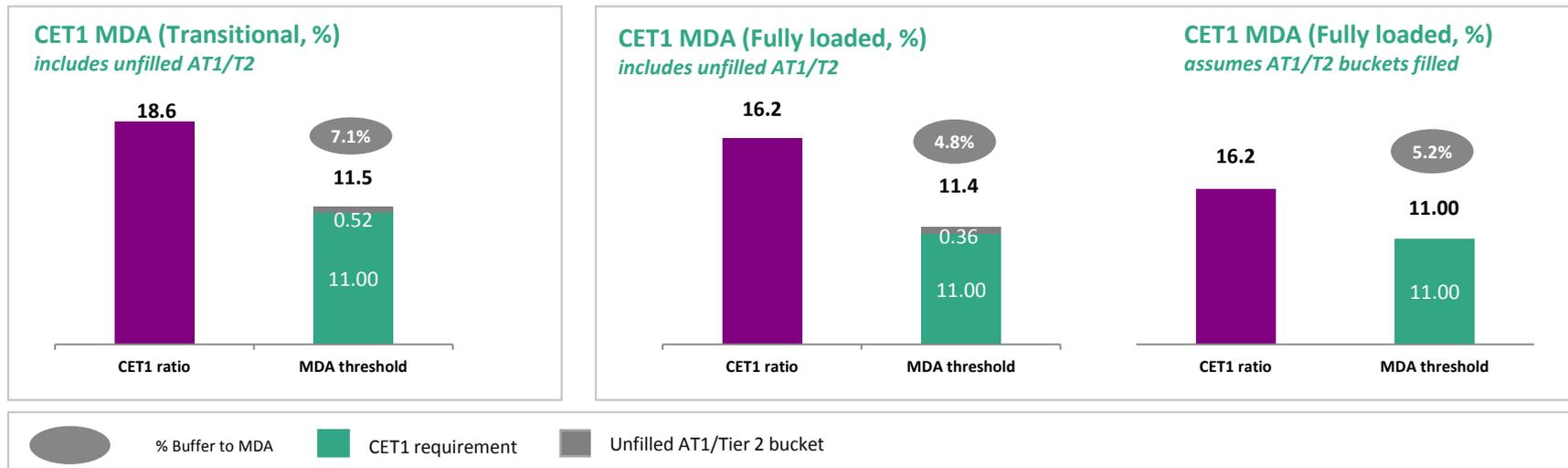
<sup>(1)</sup> In early 2020 P2R was required to be filled with CET1 only; post 8<sup>th</sup> April 2020 at least 56.25% (1.69% of RWA) of P2R must be CET1. Once AIB has fully filled its AT1 and T2 buckets the potential P2R composition as permitted by Article 104a shall include hybrid capital as follows:



# Mitigating distribution risk — FY 2020 SREP 11%, AT1 1.50%, T2 2.00%



## Very strong buffers to MDA and robust ADI capacity

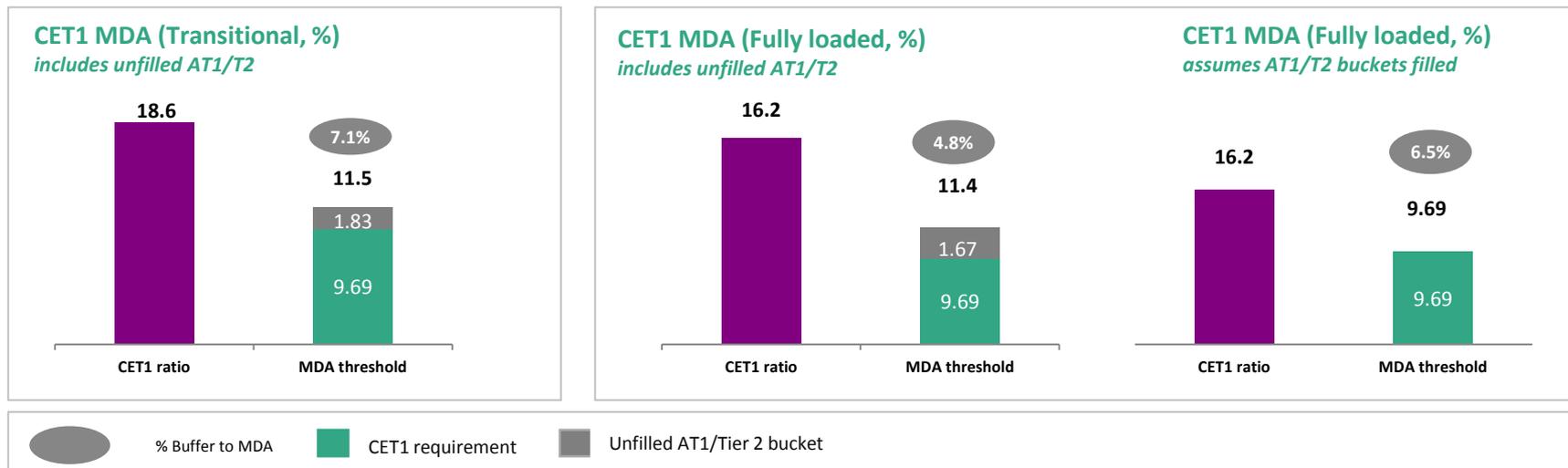


- Very strong buffers to MDA:
  - Q1 2020 – CET1 ratio Transitional 18.6%: buffer to MDA of 7.1% RWA / €3.8bn CET1 (Trans) which includes AT1/T2 unfilled portion of 0.52%
  - Q1 2020 – CET1 ratio Fully loaded 16.2%: buffer to MDA of 4.8% RWA / €2.6bn CET1 (FL) which includes AT1/T2 unfilled portion of 0.36%. If the AT1/T2 buckets are filled this buffer would increase to 5.2% RWA / €2.8bn CET1 (FL)
- Overtime AIB intends to fill its AT1 and Tier 2 buckets at AIB Group plc (HoldCo) in order to optimise its use of CET1
- Robust ADI capacity in excess of €4.5bn as at 31 Mar 2020
- AIB intends to give due consideration to the capital hierarchy in the face of possible distribution restrictions stemming from any MDA or ADI limitations. However, AIB may deviate from this approach in its sole discretion

# Mitigating distribution risk – Pro-forma Article 104a SREP 9.69%, AT1 2.06%, T2 2.75%



## Very strong buffers to MDA and robust ADI capacity



- Very strong buffers to MDA:
  - Q1 2020 – CET1 ratio Transitional 18.6%: Buffer to MDA of 7.1% RWA / €3.8bn CET1 (Trans) which includes AT1/T2 unfilled portion of 1.83%
  - Q1 2020 – CET1 ratio Fully loaded 16.2%: Buffer to MDA of 4.8% RWA / €2.6bn CET1 (FL) which includes AT1/T2 unfilled portion of 1.67%. If the AT1/T2 buckets are filled this buffer would increase to 6.5% RWA / €3.5bn CET1 (FL)
- Over time AIB intends to fill its AT1 and Tier 2 buckets at AIB Group plc (HoldCo) in order to optimise its use of CET1
- Robust ADI capacity in excess of €4.5bn as at 31 Mar 2020
- AIB intends to give due consideration to the capital hierarchy in the face of possible distribution restrictions stemming from any MDA or ADI limitations. However, AIB may deviate from this approach in its sole discretion

# Summary Term Sheet



<b>Issuer</b>	<ul style="list-style-type: none"> <li>AIB Group plc</li> </ul>
<b>Description</b>	<ul style="list-style-type: none"> <li>Fixed Rate Reset Additional Tier 1 Perpetual Contingent Temporary Write Down Securities (the “Securities”)</li> </ul>
<b>Ranking</b>	<ul style="list-style-type: none"> <li>Direct, unsecured, unguaranteed and deeply subordinated obligations of the Issuer and rank <i>pari passu</i>, without any preference, among themselves and with Other Pari Passu Instruments, ahead of all other classes of issued shares of the Issuer, but ranking junior to the claims of Senior Creditors</li> </ul>
<b>Exp. Issue Ratings</b>	<ul style="list-style-type: none"> <li>Ba2 by Moody’s</li> </ul>
<b>Currency / Size</b>	<ul style="list-style-type: none"> <li>EUR [●] million</li> </ul>
<b>Maturity</b>	<ul style="list-style-type: none"> <li>Perpetual Non-Call [●]</li> </ul>
<b>Optional Redemption</b>	<ul style="list-style-type: none"> <li>The Issuer may, in its sole and full discretion but subject to conditions (including Supervisory Permission) redeem all (but not some only) of the Securities on (i) any day falling in the period commencing on (and including) the date six months prior to the First Reset Date and ending on (and including) the First Reset Date or (ii) on any Interest Payment Date thereafter</li> </ul>
<b>Interest</b>	<ul style="list-style-type: none"> <li>Fixed [●]% until First Reset Date, payable semi-annually in arrear on [●] June and [●] December in each year beginning on [●] December 2020</li> <li>Thereafter resets every 5 years to a rate equal to the sum of the then prevailing 5-year EUR mid-swap rate (subject to any Benchmark Event) + the margin (no step-up) (with such sum converted from an annual to a semi-annual basis)</li> </ul>
<b>Interest Cancellation</b>	<ul style="list-style-type: none"> <li>The Issuer may elect at its sole and full discretion to cancel (in whole or in part) any interest payment on any Interest Payment Date</li> <li>Mandatory cancellation upon insolvency of the Issuer, insufficient Distributable Items, the occurrence of a Trigger Event, or any Maximum Distributable Amount restrictions</li> </ul>
<b>Write Down</b>	<ul style="list-style-type: none"> <li>If, at any time, AIB Group plc or the Competent Authority determines that the CET1 Ratio of the Group has fallen below 7.0%, the then Prevailing Principal Amount of each Security shall be automatically and irrevocably reduced by the Write Down Amount necessary to restore the CET1 ratio to 7.0%</li> </ul>
<b>Write up</b>	<ul style="list-style-type: none"> <li>To the extent permitted by Regulatory Capital Requirements and subject to any Maximum Distributable Amount, the Issuer shall have full discretion to reinstate any portion of any Written Down Security, which has been Written Down and which has not previously been Written Up, on a pro rata basis with all Written Down Additional Tier 1 Instruments (if any), and subject to certain conditions including the Maximum Write Up Amount</li> </ul>
<b>Special Event Redemption</b>	<ul style="list-style-type: none"> <li>Subject to certain conditions (including Supervisory Permission), in whole (but not in part), upon the occurrence of a Tax Event (Additional Amounts and Deductibility) or Capital Disqualification Event (partial or whole), at par</li> </ul>
<b>Substitution/Variation</b>	<ul style="list-style-type: none"> <li>Subject to certain conditions (including Supervisory Permission), upon the occurrence of a Tax Event (Additional Amounts and Deductibility) or Capital Disqualification Event, the Issuer may substitute or vary the terms of the Securities (all but not some only) so that they remain, or as appropriate become, Compliant Securities</li> </ul>
<b>Bail-in</b>	<ul style="list-style-type: none"> <li>Statutory Irish bail in powers</li> </ul>
<b>Governing Law</b>	<ul style="list-style-type: none"> <li>Laws of Ireland</li> </ul>
<b>Listing / Denom.</b>	<ul style="list-style-type: none"> <li>Euronext Dublin – GEM / €200k</li> </ul>

# Tender offer

## Summary Terms



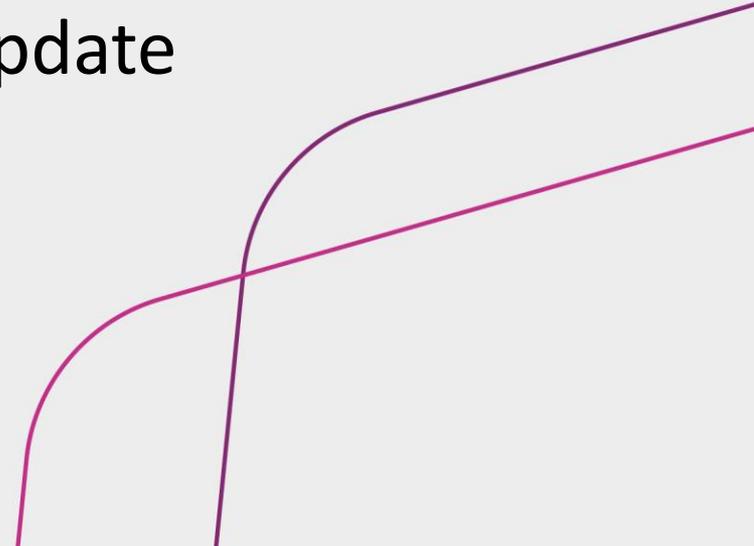
<b>Offer</b>	<ul style="list-style-type: none"><li>▪ Tender offer targeting up to €250mm in aggregate principal amount</li></ul>
<b>Offeror</b>	<ul style="list-style-type: none"><li>▪ Allied Irish Banks, p.l.c.</li></ul>
<b>Target Securities</b>	<ul style="list-style-type: none"><li>▪ €500mm Additional Tier 1 Perpetual Contingent Temporary Write-Down Securities (ISIN: XS1328798779), with a first reset date (being the first date on which, subject to obtaining regulatory consent and the satisfaction of certain other conditions, the issuer can elect to redeem such securities) of 3-Dec-2020.</li></ul>
<b>Purchase Price</b>	<ul style="list-style-type: none"><li>▪ [x]% (together with Accrued Interest)</li></ul>
<b>Allocation of New AT1 Securities</b>	<ul style="list-style-type: none"><li>▪ When considering allocation of the New AT1 Securities, AIB Group plc intends to give preference to those Securityholders who, prior to such allocation, have validly tendered (or have given a firm indication to AIB Group plc or any Dealer Manager that they intend to tender) their Securities pursuant to the Offer.</li><li>▪ Please refer to the Tender Offer Memorandum for full details regarding the New AT1 Securities Allocation</li></ul>
<b>New Financing Condition</b>	<ul style="list-style-type: none"><li>▪ Purchase of any Securities validly tendered in the Offer is subject, without limitation, to the successful completion (in the sole determination of the Offeror) of the issue of the New Additional Tier 1 Securities</li></ul>
<b>Rationale</b>	<ul style="list-style-type: none"><li>▪ The purpose of the Offer is to provide liquidity to holders and it is being made as part of the Offeror's active management of the AIB Group plc's consolidated capital profile whilst issuing New Additional Tier 1 securities ultimately for the benefit of the Offeror's business. Securities purchased by the Offeror pursuant to the Offer (and subject to satisfaction or waiver of the New Financing Condition on or prior to the Settlement Date) are expected to be cancelled and will not be re-issued or re-sold</li></ul>
<b>Expected timetable of events (all times are London time)</b>	<ul style="list-style-type: none"><li>▪ Commencement of the Offer: 16 June 2020</li><li>▪ Expiration Deadline: 4.00pm on 22 June 2020</li><li>▪ Announcement of Results: At or around 10.00 a.m. on 23 June 2020</li><li>▪ Settlement Date: expected on 24 June 2020</li></ul>
<b>Dealer Managers</b>	<ul style="list-style-type: none"><li>▪ BofA Securities, Goldman Sachs International, J.P. Morgan</li></ul>

Note: Allocation of New AT1 securities – AIB Group plc is not obliged to allocate the New Additional Tier 1 Securities to a Securityholder who has validly tendered or indicated a firm intention to tender the Securities pursuant to the Offer. Any potential allocation of New Additional Tier 1 Securities, while being considered by AIB Group as set out above, will be made in accordance with customary new issue allocation processes and procedures. Offer restrictions apply. For further details please review the Tender Offer Memorandum dated 16 June 2020.



# Q1 2020 Trading and Covid-19 Update

AIB Group plc



# Q1 Trading and Covid-19 update



## COVID-19 response

- Financially and operationally resilient; backing our customers, staff and the Irish economy through the COVID-19 crisis
- Introduction of a wide range of customer initiatives; close to 50,000 payment breaks implemented
- Over 7,000 of our c. 9,500 staff are working remotely
- Our branch network remains open to serve the community
- Pledged €2.4m to Trinity College Dublin to accelerate the immunology project and provided additional commitment to our Community Investment Programme, AIB Together

## Financial Highlights

- Solid income performance: Q1 net interest income 5% lower than prior year; Q1 net interest margin (NIM) of 2.19% (Q4 exit NIM: 2.25%)
- Ongoing focus on cost discipline: Modest growth in costs, as expected, due to depreciation
- Increase in credit provisioning: Q1 ECL charge of €210m (136bps annualised cost of risk), primarily reflecting changes in macroeconomic assumptions due to COVID-19 impact with further impact of the crisis expected to be felt in Q2
- Mixed new lending performance: Strong new lending in Retail Banking with 11% growth in mortgages and increased market share of 32.9%<sup>(1)</sup>, overall new lending was 12% lower than Q1 2019 principally due to lower international lending
- Strong capital and liquidity positions: Fully loaded pro-forma CET1 16.2%<sup>(2)</sup>, >500bps buffer to Maximum Distributable Amount (MDA) and well in excess of our target CET1 level of >14%

<sup>(1)</sup> Source: Mortgage drawdowns ytd BPF1 March 2020

<sup>(2)</sup> Pro-forma FL CET1 16.2% and pro-forma Transitional CET1 18.6% both include 90bps indicative TRIM impact for AIB mortgage model and 40bps for cancelled 2019 dividend €217m

# Q1 Trading and Covid-19 update *continued*



## Outlook

- Medium term targets outlined on 6 March 2020 remain appropriate; Guidance related to 2020 expected performance is no longer current
- The Group remains financially and operationally resilient amid heightened uncertainty
- Our strong capital and funding position enables us to support our customers and aid the economic recovery efforts

Please see link below to our most recent market announcement on 12 May 2020 on Q1 2020 Trading and Covid-19 update

<https://aib.ie/content/dam/aib/investorrelations/docs/se-announcements/2019/aib-group-plc-q3-2019-trading-update.pdf>

# Breakdown of loan book by sector and stage Q1 2020



5.7% loans are classified as Stage 3 / Purchased or originated credit impaired (POCI)

<b>Gross Loans and advances to customers (at amortised cost) at end Q1 €m</b>					
<b>Analysed by ECL stage profile</b>					
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
Agriculture	1,436	228	102	0	1,766
Energy	1,529	19	4	0	1,553
Manufacturing	2,871	149	57	0	3,077
Property and construction	6,372	443	418	0	7,234
Distribution	4,282	682	241	0	5,205
Transport	1,761	82	47	0	1,890
Financial	620	13	3	0	636
Other services	5,138	543	140	0	5,821
Personal: Residential mortgages	26,747	2,250	2,084	192	31,273
Personal: Other	2,263	371	222	0	2,856
<b>Total</b>	<b>53,021</b>	<b>4,780</b>	<b>3,318</b>	<b>192</b>	<b>61,311</b>
<b>% Stage composition</b>	<b>86.5%</b>	<b>7.8%</b>	<b>5.4%</b>	<b>0.3%</b>	<b>100%</b>

# Credit ratings

Investment grade status for AIB Group plc



	MOODY'S	FitchRatings	STANDARD & POOR'S
AIB Group plc (HoldCo) Long Term Issuer Rating	Baa2	BBB	BBB-
Outlook	Stable	Negative	Negative
Investment Grade	✓	✓	✓

# Medium term targets (2022)



## 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%**

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

# Contacts



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