EMBARGO 07:00 **8 March 2023**

AIB Group plc announces full year 2022 profit after tax of €765m and €381m proposed distributions

"AIB delivered a strong financial performance in 2022 with profit after tax of €765m and proposed distributions of €381m to our shareholders. 2022 was an eventful year as the impact of the Covid-19 pandemic receded, geopolitical uncertainty increased and cost of living pressures emerged amid rising interest rates. Despite high levels of volatility in the global environment, the Irish economy performed well and remains on track to record further growth in 2023.

Against this background, AIB was steadfast in implementing its strategy to grow the Group as we surpassed the three million customer mark, progressed our inorganic initiatives with €2.1bn of Ulster Bank loans now migrated to AIB and expanded our customer product suite. This enhanced offering enables our ambition to be at the heart of our customers' financial lives.

AIB is a driving force for the sustainability agenda and our new green lending continued to grow, up 65% to €3.3bn, as we support our customers' transition to a lower carbon economy and play a leading role in funding renewable energy and infrastructure development.

Having announced our medium-term targets in December 2022 and with a strong start to 2023, we are well on track to generate shareholder value and deliver sustainable returns in the interests of all our stakeholders."

– Colin Hunt, Chief Executive Officer

KEY HIGHLIGHTS

Financial highlights ***(all comparisons versus FY 2021 unless otherwise stated)***

- Strong financial performance: Profit after tax €765m; Operating profit(1) €1,081m
- Total income increased 21% to €2,895m
    - 20% increase in net interest income (NII)
    - 25% increase in other income
    - 2023 guidance: NII >€3.0bn, other income c. €750m
- Reported fully loaded CET1 16.3% (Dec 21: 16.6%)
    - Proforma CET1 15.9% reflecting -40bps impact of approved buyback
- Proposed distributions up 79% to €381m or 14.3c per share representing a 50% payout ratio(2)
    - Ordinary dividend of €166m or 6.2c per share
    - Share buyback of €215m; regulatory approval received with directed buyback discussions underway
- New lending increased by 22% to €12.6bn; H2 new lending grew by 33% versus H1
    - Green lending increased 65% to €3.3bn and represents 26% of total new lending
    - Leading Irish mortgage market share 32.2%(3)
- Costs(4) increased 8% to €1.66bn, an increase of 5% on an underlying basis(5), with a cost income ratio (CIR) of 57% (Dec 21: 64%)

    - 8% increase in FTEs reflecting an increase in staff numbers to support higher business volumes, insourcing and the initial transfer of Ulster Bank staff
- Net impairment charge of €7m with H2 charge of €316m and H1 writeback of €309m
    - Maintaining our conservative approach to asset quality; 2.7% ECL cover
- Gross loans increased 5% to €61.2bn (Dec 21: €58.4bn) including €2.1bn of Ulster Bank loans
- NPEs were 31% lower at €2.2bn or 3.5% of gross loans (Dec 21: €3.1bn or 5.4%)
- Strong funding with 10% increase in customer accounts to €102.4bn; €3.2bn MREL issued in 2022

Strategic highlights

- Delivering on our strategic priorities as we commence the final year of our three-year plan
- The strategic progress made in 2021 and 2022 together with a favourable domestic economic backdrop provided a platform for our medium-term targets update in Dec 2022:
    - RoTE(6) of >13% in 2024
    - CET1(7) target of >13.5%
    - Absolute cost(4) target of <€1.75bn in 2024

  With a CIR ratio of c. 50% by 2024
- Onboarding new customers as two retail banks exit Ireland
    - Opened c. 450,000 bank accounts, a 76% increase on the same period last year
    - 49% share of new account openings[8]
- Inorganic initiatives enhance our product suite, diversify revenue and grow our loan book
    - €2.1bn of Ulster Bank corporate and commercial loans transferred by Dec 22. The remaining loans are expected to be largely complete by H1 2023
    - Received Competition and Consumer Protection Commission (CCPC) approval for the acquisition of c. €5.7bn[9] Ulster Bank performing tracker mortgage portfolio in Jan 2023
    - JV with Great-West Lifeco now operational, trading as AIB life, following receipt of regulatory approvals and licence
- Transformation programme delivered €100m annualised cost savings to end 2022
- Independently recognised sustainability leader[10]
    - €7.9bn or 79% of 2023 €10bn green lending target achieved; set financed emissions targets for 75% of our loan book, increasing from 63% in 2021
    - ESG bond issuances: €1.5bn green bonds and €1bn inaugural social bond in 2022; further €750m social issuance in Jan 2023 bringing total ESG bonds issued to date of €5bn
    - Sustainalytics: 2023 industry and region top rated awards; S&P Global Sustainability Yearbook inclusion for 2023 and 2022
- Closing out legacy items in 2022
    - NPEs: legacy NPEs[11] of €0.2bn, NPE ratio of 3.5% with a clear path to c. 3% by end 2023
    - Conclusion of CBI's enforcement actions regarding tracker mortgages and substantial progress towards closure of the Belfry[12] review
- Circa €300m investment in modern, resilient and secure digital technology
    - 2.1m digitally-active customers embracing new ways of banking and payment methods, an increase of 12% versus 2021
    - €4.8bn in digital wallet payments nearly ten times more than pre-pandemic 2019 levels
    - Leading payments providers across AIB, AIB Merchant Services and Payzone

FINANCIAL PERFORMANCE

With continued momentum in revenue throughout 2022, the Group delivered a strong profit after tax of €765m which included a small net credit impairment charge of €7m and exceptional items of €231m.

Net interest income of €2,159m (2021: €1,794m) increased by 20% with a strong fourth quarter. The impact of a rising interest rate environment and higher average loan volumes were the main drivers. A net funding benefit of €26m, from €10bn of TLTRO(13) was recognised in 2022, this compares to €66m in 2021. Net interest margin (NIM) for FY 2022 was 1.74% (FY 2021: 1.58%). The Q4 2022 exit NIM was 2.18% excluding €16m net TLTRO benefit recognised in Q4.

The structure of our balance sheet is geared towards higher interest rates. Updated sensitivity analysis of the Group's banking book shows benefits of €177m and €351m under the +50bps and +100bps scenarios respectively over a 12 month period. Our NII guidance of >€3.0bn uses revised rate assumptions of an ECB deposit rate of 3.5% and a BOE rate of 4% by December 2023.

Other income increased by 25% to €736m (2021: €590m) and includes €62m related to a forward contract for the acquisition of Ulster Bank's corporate and commercial loans and €88m net gain on equity investments. Net fee and commission income increased by 22% to €588m (2021: €480m) reflecting the full year impact of Goodbody, higher transaction volumes due to a recovery in economic activity, the onboarding of customers from the banks exiting the Irish market and higher card interchange fees.

Operating costs were €1,659m (2021: €1,534m), an increase of 8% or 5% on an underlying basis. This increase incorporates the impacts of inflation, the cost to onboard new customers from those banks exiting the Irish market and higher depreciation partially offset by cost savings delivered including lower average FTEs on an underlying basis. At December 2022 FTEs were 9,590 (Dec 2021: 8,916) reflecting an increase in staff numbers to support higher business volumes, insourcing and an initial transfer of staff from Ulster Bank following the acquisition of the corporate and commercial loan portfolio.

There was a small net credit impairment charge of €7m in 2022 (2021: €238m writeback) as a H1 €309m writeback was more than offset by a H2 €316m charge driven by macroeconomic uncertainty and the potential impact from inflationary and interest rate risks. The first half writeback was characterised by repayments, updated macroeconomic assumptions and a release of some post-model adjustments. As economic uncertainty increased in the second half, macroeconomic assumptions were revised including a change in weightings to the downside along with post-model adjustments to address emerging headwinds and downside risks from inflation and interest rate impacts on credit quality. The H2 charge also included ECL recognised for migrated Ulster Bank corporate and commercial loans. Asset quality remains a priority and we continue to carefully manage the loan book. With ECL cover of 2.7%, we maintain our conservative, forward-looking and comprehensive ECL approach.

Bank levies and regulatory fees of €155m in 2022 decreased by €7m (2021: €162m) primarily due to lower Single Resolution Fund fees offset by higher Deposit Guarantee Scheme fees.

Exceptional items in the year were €231m, mostly recognised in H1 and include costs associated with legacy items such as Belfry investment property funds and the agreed tracker mortgage enforcement fine. Additional items primarily include restructuring and inorganic transaction costs.

CUSTOMER LOANS

Gross loans of €61.2bn increased by €2.8bn (Dec 2021: €58.4bn) as new lending exceeded redemptions and €2.1bn of Ulster Bank corporate and commercial loans migrated. As a leading provider of sustainable finance, our Energy, Climate Action & Infrastructure loan portfolio was the fastest growing part of the loan book.

Total new lending increased by 22% to €12.6bn (2021: €10.4bn) with a strong second half in which new lending grew by 33% versus H1 2022.

The mortgage market in Ireland outperformed forecasts in 2022 with total market drawdowns of €14.1bn(3) up 34% from €10.5bn in 2021. New mortgage lending in our ROI business was €4.5bn, up 53%, with strong inbound switching activity and a market share of 32.2%. Our strong market franchise, across our different brands and channels, positions us to grow as the market and competitive landscape evolves. Personal lending in Retail Banking was up 15% to €1bn reflecting a recovery in consumer credit demand.

New lending in Capital Markets increased by 15% to €4.7bn with strong new lending in property, renewable energy & infrastructure and corporate lending partially offset by lower syndicated lending.

SME credit demand in Ireland remains subdued and new lending of €1.6bn was in line with the equivalent prior year period.

In AIB UK, new lending of £1.3bn was in line with equivalent prior period as increases in corporate lending sector were offset by a reduction in mortgage and commercial lending which reflects our decision to exit the GB SME market.

We continue to support our customers as we transition to a lower-carbon economy and new green lending was up 65% to €3.3bn and accounted for 26% of total new lending whilst our green mortgage products represented 28% of new mortgage lending.

Significant progress has been made on NPEs with the NPE ratio falling below the <5% milestone in 2022. NPEs decreased by 31% to €2.2bn (3.5% gross loans) from €3.1bn (5.4% gross loans) at December 2021. This decrease reflects €0.5bn of portfolio sales of long-term default NPEs and €0.6bn redemptions partly offset by €0.3bn net flow to NPEs. Legacy NPEs have effectively been addressed and at end Dec 2022 represented 0.4% of gross loans (€0.2bn). We are well progressed towards our target of c. 3% by end 2023. Asset quality remains resilient with no signs of distress to date. However, we remain vigilant with careful management of the loan book, particularly in those sectors impacted by inflationary pressures and rising interest rates.

FUNDING & CAPITAL

Strong funding and capital ensure AIB is well positioned for sustainable growth. Customer accounts of €102.4bn increased 10% from €92.9bn at Dec 2021 as we experienced inflows from banks exiting the Irish market. This increase contributed to cash held at the CBI of €32.6bn and BOE of €4.6bn. TLTRO of €10bn was repaid in full in Dec 2022. The Group continues to have strong funding and liquidity ratios with an LDR of 58%, LCR of 192% and NSFR of 164% at Dec 2022.

In 2022, AIB raised €3.2bn from four bond issuances including €1bn from our inaugural social bond in March followed by two €750m green bond issuances in June and November. This brings total proceeds raised from ESG bonds to €4.25bn at end 2022. A further $750m issuance in October brought the total quantum of MREL(14) eligible instruments to €8.8bn(14) and provides capacity for increases in RWAs. The Group's MREL ratio at Dec 2022 was 33.7% of RWAs which is ahead of our intermediate target of 28.5% of RWAs for 1 January 2023. On average we expect to issue 2-3 debt issuances per annum.

During 2022 Moody's upgraded the AIB Group plc senior rating to A3 from Baa1 following an upgrade of Ireland's sovereign debt rating and an improvement in the operating environment with the Stable outlook reaffirmed. S&P revised the outlook for AIB Group plc from Negative to Stable in May and subsequently from Stable to Positive in December due to stronger creditworthiness and improved asset quality.

Capital remains robust and ahead of minimum requirements of 10.23%. The fully loaded CET1 at Dec 2022 was 16.3%, down 30bps (Dec 21: 16.6%). The main drivers of the CET1 movement were profit (+150bps) offset by RWA increases (-90bps) mainly from the full impact of the Ulster Bank corporate and commercial loans, proposed dividend (-30bps), movement in investment securities reserves (-40bps) and completion of the €91m share buyback in May 2022 (-20bps). The capital impact of the approved €215m share buyback is c. 40bps which reduces the fully loaded CET1 ratio to 15.9% on a proforma basis from the reported 16.3%. Looking forward we expect CET1 reductions of c. 60bps for the RWA impact of the Ulster Bank tracker mortgages, c. 10bps for our Life JV and c. 30bps for an IRB mortgage model review. We are exploring capital efficiency measures such as securitisations.

Shareholder distributions

In line with our policy of a 40-60% payout, an ordinary cash dividend of €166m (6.2c per share) has been proposed and regulatory approval received for a share buyback of €215m. Together proposed distributions of €381m represent a payout ratio of 50%. As part of our medium-term targets update in December 2022, we outlined a pathway to our CET1 target of >13.5% by prudently increasing levels of distributions, supplementing cash dividend with share buybacks where appropriate, subject to a supportive economic environment and annual Board and required regulatory approvals.

SUSTAINABILITY

Progressing our Sustainability agenda is a strategic priority for AIB. We continue to play our part to ensure a greener tomorrow by backing those building it today. The summary below shows some of the highlights of 2022 across each of the ESG categories/criteria:

Environment

- We have set financed emissions targets for 75% of our loan book, increasing from 63% in 2021
- Corporate Purchase Power Agreement (CPPA) with NTR plc to deliver and use solar powered renewable energy to be used across our business, which will provide up to 80% of our electricity needs
- Raised €1.5bn from two green bond issuances
- Total green lending €3.3bn (26%) of new lending in 2022 compared to our target of €2bn; climate action fund doubled to €10bn by 2023 of which €7.9bn (79%) achieved at Dec 2022
- Green mortgage propositions across all brands and further enhanced our green consumer loan
- Our scope 1 and 2 emissions have reduced by 40% since 2019 and were down 10% in 2022

Social

- Inaugural social bond issued raised €1bn, the proceeds of which will contribute to the financing of projects with clear social benefits in communities across Ireland in the areas of healthcare, education and social and affordable energy efficient housing
- Target to provide €800m finance for social housing by 2024 with €437m allocated by Dec 2022

Governance

- Reduced State shareholding from c. 71% to c. 57% at December 2022 with returns to the State of >€1bn in 2022
- Leading ESG ratings

    - Sustainalytics: 2023 industry and region top rated awards; S&P Global Sustainability Yearbook inclusion for 2023 and 2022[10]
- Goodbody is now a member of Sustainable Trading, an ESG benchmark in financial markets trading and has established an ESG corporate advisory service
- Helen Normoyle, Chair of Sustainable Business Advisory Committee was appointed our new Senior Independent Director (SID)

For more information please see the Detailed Sustainability Report on our website (aib.ie/sustainability).

OUTLOOK & GUIDANCE

Notwithstanding the current increased geopolitical risk and global uncertainty, 2023 is forecast to be another year of growth for the Irish economy albeit at a slower pace than 2022. While inflation appears to have peaked, we are mindful of the impact of increased interest rates and inflationary pressures on our customers. Protecting and supporting our customers is paramount so we will maintain a conservative approach to our underwriting standards and engage proactively with customers in difficulty.

We are focused on the implementation of our strategy as we are now in the final year of our three year plan which continues to deliver an enlarged customer base, enhanced product suite and inorganic initiatives. Our cost-savings programme will help deliver efficiency to support the increased size and scale of the Group. As the Irish banking landscape continues to evolve, our unique customer franchise and strong balance sheet ensure AIB is well-positioned to continue to grow and strengthen.

The Group has had a good start to 2023 with positive momentum in income and we are well on track to deliver our medium-term targets. We are optimistic about our business and look forward to AIB delivering progressive and sustainable returns for our shareholders over the years ahead.

Guidance:

All guidance is for 2023 and includes the impact of the two Ulster Bank loan book acquisitions.

- NII is expected to be >€3.0bn with NIM >2.40%
- Other income is expected to be c. €750m
- Costs are expected to be <€1.75bn
- We expect a CoR of c. 30-40bps through-the-cycle
- Bank levies and regulatory fees are expected to be c. €165m
- Exceptional costs are expected to be c. €150m
- Customer loans are expected to grow by >8%

Further detail is provided in the annual financial report which can be found on aib.ie/investorrelations

Notes:

1) *Operating profit before impairment losses and exceptional items*
2) *50% payout is based on attributable earnings: PAT - AT1 coupon adjusted for DTA utilisation. Total dividend amount is based on the aggregate number of shares currently outstanding; Dec 22 shares in issue: 2,673,428,473*
3) *Source: Mortgage drawdowns BPFI for YTD Dec 2022*
4) *Costs before bank levies and regulatory fees and exceptional items*
5) *Excludes Goodbody*
6) *RoTE = (PAT – AT1) / (CET1 @ 13.5% of RWAs)*
7) *CET1 fully loaded*
8) *New accounts opened across the three main Irish retail banks*
9) *Under the agreement to acquire the Ulster Bank tracker mortgages, the Group acquires an economic interest in the portfolio from 1 Sept 2022. The agreement received CCPC approval in Jan 2023 with formal completion expected in 2023. At Dec 2022 the eligible loans subject to the agreement were €5.4bn. Additional movements are anticipated in the portfolio up to completion*
10) *Refer to ESG ratings at www.aib.ie/sustainability/esg-ratings*
11) *Legacy NPEs are those NPEs in default prior to December 2018*
12) *Belfry relates to a series of investment property funds which were sold to individual investors during the period 2002 to 2006. Further information is available on page 308 of the 2022 Full Year Financial Report*
13) *TLTRO: Targeted Longer-Term Refinancing Operations*
14) *MREL: Minimum requirements for own funds and eligible liabilities. Total MREL issued includes senior unsecured and hybrid capital issuances*

Figures presented above may be subject to rounding and thereby may differ to the 2022 Annual Financial Report

- ENDS -

For further information, please contact:

Donal Galvin	Niamh Hore	Paddy McDonnell
Chief Financial Officer	Head of Investor Relations	Head of Media Relations
Tel: +353-1-6418300	Tel: +353-86-3135647	Tel: +353-87-7390743
email: donal.j.galvin@aib.ie	email: niamh.a.hore@aib.ie	email: paddy.x.mcdonnell@aib.ie

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 23 to 25 in the 2022 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 and any enduring effects of the COVID-19 pandemic. 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 23 to 25 of the 2022 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.