

Chair's Statement



“We enter the next strategic cycle in arguably the strongest position in the Group’s history, with our largest ever customer base and an enhanced suite of products and services to offer these customers.”

Jim Pettigrew
Chair

When I prepared this report last year, I wrote about our optimism which was based on the strength of our franchise in our chosen markets and sectors. 2023 was the year in which this optimism was rewarded as our very strong results demonstrate.

The Group generated net interest income of €3,841m, an increase of 83.3% over 2022 as monetary policy tightening by central banks took effect. Profit before taxation amounted to €2,394m compared to €880m in 2022 and this has allowed the Board to reward shareholders with an increased dividend for the year.

Central to our strategy however are our customers. In the face of increasing interest rates, we managed to limit the effect of this on many of our borrowers at a time when they were faced with cost-of-living challenges. At the same time, and reflecting the importance to AIB of our depositors, we offered market-leading interest rates for those of our customers with surplus liquidity to invest, in a range of deposit products which they had to choose from. Balancing the needs of these two customer groups was a key focus for the Board and for management during 2023 given the emphasis we place on the value of quality long-term relationships with our customers.

Dividend and Capital

Profit after tax for the year amounted to €2,058m translating to attributable earnings of €2,061m. Earnings per share amounted to 75.7 cent. From this, your Board has decided to distribute a total of €1.7bn by way of a combination of a share buyback and a cash dividend to shareholders. Subject to approval by shareholders at the Annual General Meeting on 2 May 2024, a cash dividend of 26.6 cent per share will be paid on 10 May 2024 to shareholders on the register at the close of business on 22 March 2024.

Separately, your Board has resolved to distribute €1bn by way of a share buyback. Approval for this reduction in capital has been received from the European Central Bank. Our preference is to undertake this on a directed basis by agreement with the Minister for Finance and discussions with the Department of Finance are currently underway. Furthermore, a buyback of €1bn from the Minister for Finance would require the approval of independent shareholders, which, subject to agreeing the terms of the buyback with the Department of Finance, the Group will seek in due course.

Continued Sell Down by the Irish State and Share Buyback by AIB

During the year, the Minister for Finance continued to reduce the Irish State's holding of shares both through its now well established on-market share trading plan and through two accelerated book builds in June and November 2023 of 5% each. In addition, on 25 April 2023 the Group announced that it had agreed to make an off-market purchase of 54.7 million shares from the Minister for a total

consideration of €215.3m under the authority renewed by shareholders at the 2022 AGM.

The foregoing transactions resulted in the Minister for Finance, through the National Treasury Management Agency (NTMA), controlling 40.77% of the Group's shares at year end. This compares to 56.89% at 31 December 2022, and 71.12% at 31 December 2021. The Minister announced that he had restarted the on-market share trading plan on 9 January 2024. AIB welcomes all of these transactions undertaken by the Minister, each an important step in returning the State's investment in the Group and, for AIB, achieving a normalisation of the share register. AIB owes the Irish taxpayer an immense debt of gratitude for its support during the financial crisis.

Strategy

2023 was the final year of the most recent three-year strategic cycle. I believe that what has been achieved over the last three years has transformed the Group, de-risked our balance sheet, diversified our income streams and strengthened our franchise through deepening our relationships with our customers, who have grown materially in number over the period.

During 2023, and in anticipation of the new three-year strategic cycle we revised our purpose, recognising our focus in recent years to the area of sustainability, to "empowering people to build a sustainable future". The Board approved our Strategy for 2024 – 2026 putting this purpose into action. Our new strategy is centred on an informed view of our customers' needs and is anchored in a progressive ESG agenda. This is covered more expansively elsewhere in this Report.

Remuneration Restrictions

The remuneration restrictions introduced in 2009 remain in place for AIB and present a material talent retention risk, placing AIB at a significant disadvantage to our domestic and non-domestic competitors in the retention and attraction of talent. In this context, I note the December 2023 Country Report on Ireland by the International Monetary Fund. While welcoming the reduction in the State's shareholding in AIB to below 50%, the report noted "it is important to recognise the need for domestic banks to retain talent and ensure a level playing field for them in the face of more nimble non-banks". The Board has a fiduciary duty to act in the best interests of the Group. On behalf of the Board, I have engaged, and will continue to engage, with the Minister for Finance and his office to seek mitigation of this material risk.

Sustainability and Community Involvement

Our Detailed Sustainability Report and the ESG Disclosures section later in this Report deal comprehensively with our evolved sustainability strategy. The establishment of a new segment dedicated to Climate Capital underscores the centrality of the area of sustainability to our overall strategy.

Our community involvement is an important element of one of our strategic pillars and is always a source of great pride for us. Colin's Review covers the collaboration between our customers and employees in raising much needed funding throughout the year for GOAL, one of our strategic charity partners, and for the AIB Community €1 Million Fund which benefited 80 other charities in Ireland and the UK.

Looking Forward

Building on what has been achieved by the Group in recent years, we enter the next strategic cycle in arguably the strongest position in the Group's history, with our largest ever customer base and an enhanced suite of products and services to offer these customers. We also have a hard-working, loyal and innovative team who put our customers at the heart of everything they and we do. On behalf of the Board, I want to thank our customers for their continued loyalty and the trust they place in us and our employees for going the extra mile for our customers every day.

We are a strong bank with an excellent franchise and we are committed to deploying our resources in helping our customers to achieve net zero in their own operations as we all seek to arrest the impact of climate change on our planet and on our economy. This way we can ensure we will continue to deliver quality and sustainable results in the future for the benefit of our many stakeholders.

Thank you for your continued support.

Jim Pettigrew

Chair
5 March 2024