

Chief Executive's Review



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Colin Hunt
Chief Executive Officer

I am delighted to present our half-year results, as AIB Group continues its strong performance due to the successful transformation of the Group during our previous strategic cycle, the continued resilience of the Irish economy in the face of global challenges and a more normalised monetary policy environment. In the first six months of 2024, we have begun embedding our priorities for the current strategic cycle and delivering on our purpose of empowering people to build a sustainable future.

Following significant growth in our customer base over recent years, our core business has performed very well and our net interest income continues to deliver a very strong performance. Profit after tax amounted to €1,108m, our return on tangible equity totalled 25.5% and our balance sheet remains robust with a CET1 of 15.5%.

Our current strategic cycle is focused on three priorities: serving our customers, further greening our business and driving greater operational efficiency.

Customer First has been a tenet of the Group's strategy for many years, but developing a deeper understanding of customer needs, especially given we now serve over 3.3 million customers, was a foundation in the formulation of our current strategic cycle. This year, we have created the Chief Customer Officer (CCO) role on the Executive Committee to drive ongoing improvements in our understanding of our customers' needs, the way we deliver our services and in building ever stronger, more enduring relationships. Having established a single centre of excellence, we have now confirmed that Orlaith Ryan, a senior executive with extensive experience in industry-leading customer-facing brands, will fill the CCO role from October.

We are determined to make the service experienced by our customers as intuitive, responsive and friction-free as possible. While we operate in a financial services landscape where digital operations and services are now the pre-eminent customer channel, we recognise that many customers also value the opportunity to engage directly with our colleagues for support. In this context, we have begun reshaping our delivery model to amplify the role played by our branches, contact centres and branch managers in supporting our expanded customer base. At the same time, we are making significant investment in further digital transformation, which will enable AIB to meet our customers' needs in a truly proactive, personalised and innovative manner.

We continue to get on with the business of supporting our customers throughout their financial lives and in May, we celebrated the first full year of operation of AIB life, our joint venture with Great-West Lifeco, offering protection, pensions and investments to AIB customers, and part of our drive in the previous strategic cycle to expand the Group's range of products and services. A digital-first offering, the number of customers interacting in the AIB life hub on the AIB Mobile Banking App continues to grow with encouraging signs of customers happy to engage end-to-end, connecting with advisors while in the hub, and completing consultations remotely.

Credit demand has remained strong, particularly for corporate, residential mortgage and personal loans. Over the past two years as the European Central Bank directed successive interest rate increases to address the threat of inflation, AIB took a very measured approach to pricing on both sides of the balance sheet. On average, we passed through less than one third of the ECB rate increases to our variable rate mortgage customers while also offering attractive and

competitive deposit rate options for savers. We will maintain this approach through the next monetary policy cycle signalled by the ECB's first reduction in rates in June.

We are focused on the long-term sustainability of our business. Through our €30bn Climate Action Fund, we are greening our loan book and supporting our customers as they transition to a cleaner, greener future. A significant and rapid global expansion in renewable energy is required in order to reduce emissions and slow global warming. Our Climate Capital segment is fully mobilised and growing as planned, providing finance for renewable energy and infrastructure projects across Ireland, the UK, Europe and North America.

In our Capital Markets segment, we are financing greener buildings as well as providing transition finance to our corporate and business customers. Through our Retail segment, we are financing greener homes and greener cars, making it easier for our customers to make greener personal choices. I am pleased to report that, in the first half of 2024, the Group's total green and transition lending amounted to €2.1bn, now comprising 34% of total new lending this period.

During the first half of the year, the State's shareholding in AIB Group plc reduced to c. 25.5% as a result of an accelerated book build, trading plan and a directed buyback. The successful sell-down in June saw another important milestone in the normalisation of the AIB share register as the shareholding moved below 30%. It also yielded a further c. €593m for the Irish taxpayer to whom AIB owes an immense debt of gratitude for its support during the financial crisis and brings the total proceeds returned to the State to €16.4bn.



Supporting our mortgage customers

In April, we reduced our green mortgage fixed rates across AIB, EBS and Haven by 0.2% for energy-efficient homes and increased our switcher payment by 50% to €3,000 for customers looking to move their mortgage to AIB, EBS or Haven. Those rate reductions made AIB Group market leaders for green mortgage fixed rates in Ireland. Then, in May, we announced that AIB self-build customers would gain access to the full range of mortgage products, including our green mortgages, from their first drawdown. And, finally, in July, we reduced our four-year fixed mortgage rate for loans of €250,000 or more by 0.25%. All mortgage rates in AIB continue to be available to both new and existing customers.

Left: Donal and Orla Beagan, who are building their home in Monaghan, along with their dog Oscar and their AIB Homes Advisor Olivia Daly.

Chief Executive's Review *continued*



Portraits of Ireland

AIB has, over many decades, offered significant support to the development of the arts in Ireland as part of our contribution to Irish society and the communities we serve. In April, we announced our sponsorship of The National Gallery of Ireland's Portrait Prize and Young Portrait Prize competitions and exhibitions, which are a highlight of the gallery's annual calendar. The AIB Portrait Prize showcases work from artists in all media across the island of Ireland, and from Irish artists living abroad. The AIB Young Portrait Prize is for young people aged 18 and under.

Left: Colin Hunt, AIB Group Chief Executive Officer, and Dr Caroline Campbell, Director of the National Gallery of Ireland.

AIB Group is an important driver of economic activity in Ireland and a key facilitator for the businesses, households and individuals we are honoured to call our customers in attaining the life they are after. We will continue to carry out these dual roles with integrity and prudence and enhance our service offering through innovation, agility and efficient, secure delivery. We need to deliver sustainable, profitable growth to fund our growing business activity and the investment required to underpin it, and I am pleased to note that the Group's performance in the first half of the year has met all these objectives.

In commencing our three interconnected strategic priorities of developing deeper relationships with our customers, greening our business and increasing operational efficiency, we have laid the foundations over the past six months for the ambitious targets we have set for the coming years.

Financial Performance

Continuing our momentum from 2023, we have achieved a strong financial performance in the first half of this year and we are reporting a profit before tax of €1,293m. This includes an operating profit of €1,395m before impairment losses and exceptional items.

Total operating income of €2,470m was 12% higher than in the first half to June 2023. Net interest income of €2,075m increased by €322m or 18% compared with the half-year to June 2023, reflecting the impact of higher average interest rates and an increase in average loans, partly offset by higher funding costs. NIM increased by 34 bps to 3.24% in the half-year to June 2024, compared with 2.90% in the same period in 2023. Other income of €395m decreased by €61m compared with the half-year to June 2023 as higher fee and commission income and equity

investment gains were more than offset by lower income from the forward contract for the acquisition of the Ulster Bank tracker mortgage portfolio.

Total operating expenses of €947m increased by €50m or 6% compared with the half-year to June 2023, primarily reflecting the enlarged Group, inflationary impacts and enhanced staff benefits. The Group's cost income ratio in the first six months of 2024 was 38% compared with 41% in the half-year to June 2023.

Overall credit has remained relatively stable throughout the period. There was a net credit impairment charge of €61m in the half-year to June 2024. Our approach remains conservative, comprehensive and forward looking, and is reflected in an expected credit loss coverage rate of 2.3%.



Sustainable growth

In April, €625m was raised from the issuance of an Additional Tier 1 (AT1) perpetual bond, further supporting the Group in meeting our regulatory capital requirements. This issuance came after a \$1bn 10-year senior bond in March, the longest duration for such a bond ever issued by an Irish bank. In May, we raised a further €650m of Tier 2 subordinated bank capital from the issuance of our sixth green bond, bringing total proceeds raised from green and social bonds to date to €6.4bn. With a peak book of >€3.5bn, the order book was 5.4 times over-subscribed and represents the largest ever Green Tier 2 order book for a bank issuer to date. The bond issuances contribute to the Group's robust Capital and MREL base, which supports our sustainable growth ambitions.

Left: Green bond proceeds contribute to the financing of projects with clear environmental and climate action benefits.



Our housing delivery commitment

In March, AIB Group and Activate Capital launched the Irish Apartment Development Fund (IADF), a new €500m strategic lending partnership to drive the increased production of apartment and student accommodation in Dublin, Cork, Galway and Limerick. IADF's objectives align closely with Housing for All, the Irish Government's housing plan to 2030. AIB is the largest lender to Ireland's homebuilders and this partnership further demonstrates our commitment to supporting the home-building sector through innovative funding solutions.

Left: Robert Gallagher, CEO of Activate Capital, with Cathy Bryce, MD of AIB Capital Markets at the launch of IADF.

New lending of €6.3bn in the half-year to June 2024 was €0.7bn or 13% higher compared with the half-year to June 2023. Irish mortgage lending of €1.9bn, representing a market share of 36.4% (H1 2023: 30.7%), was 10% higher compared with the half-year to June 2023.

Property related lending was 39% lower, at €0.6bn, reflecting lower lending in Ireland and the UK. Corporate and SME lending of €3.1bn was up 38% driven by continued growth in renewable energy and infrastructure. Personal lending was up 10% to €0.7bn.

Gross loans at €68.9bn were up 3% compared with 31 December 2023, primarily driven by new lending exceeding redemptions.

As at 30 June 2024, 93% of AIB's loan book is of strong or satisfactory quality (up from 92% at 2023 year-end). Maintaining the quality of new lending is critical, with >98% of our new lending being of strong or satisfactory credit quality in the first six months of 2024.

Non-performing loans as a percentage of gross loans to customers was 3.2% at 30 June 2024 compared with 3.0% at 31 December 2023. We remain committed to carefully managing NPEs given the impact on cost, capital requirements and balance sheet resilience.

AIB's funding and liquidity ratios remain robust. The loan to deposit ratio of 63% at 30 June 2024 is in line with 31 December 2023. We continue to have strong liquidity metrics (Liquidity Coverage Ratio 204% and Net Stable Funding Ratio 163%).

Debt securities issued of €8.2bn decreased by €0.2bn from 31 December 2023, primarily due to a \$1.0bn MREL-related bond issuance and net commercial paper issuance of €0.5bn offset by maturities of €1.6bn.

The Group has a strong capital position with a reported CET1 ratio of 15.5% at 30 June 2024, well in excess of regulatory requirements and our medium-term target.

Operational Efficiency

Digital channels remain the preferred means of engagement for our customers, and digital wallet payments continue to grow in popularity. We now have c. 1.96 million customers active on Mobile Banking, accounting for c. 3.5 million daily interactions. We have witnessed a 27% increase in the use of Digital Wallet payments, along with a 43% increase in the value of transactions, year-on-year. The value of eCommerce transactions has increased by 17% year-on-year, as online applications for our main personal products, including mortgages, continue to rise. Of personal loan applications in the first half of 2024, 90% were completed digitally.

It is important, therefore, that we enhance our services in line with customer expectations, who rightly demand seamless processes. We are determined to remove friction for our customers and improve their overall experience. We continually improve and complement digital services, with examples during the past six months including the introduction of in-mobile FX payments and in-flight payment editing online for business customers, along with faster overdraft cancellation (from days to minutes) and faster account opening time (1 hour reduced to sub-30 minutes) for personal customers, each enabled by intelligent automation.

Despite continued high levels of fraud attacks, recent trends show that fewer customers are being compromised and fraud losses have reduced year-on-year. This welcome movement is driven by the effectiveness of our suite of fraud prevention measures, increasing awareness amongst our customers and an increase in both fraud detection rates and recoveries, as well as the positive impact of significant international law enforcement campaigns. Meanwhile, we are

continuing to enhance the Group's resilience to cyber threats, with an established team in place delivering enterprise-wide, best-in-class security and resilience capabilities.

The ultimate intention of our digital transformation, coupled with a commitment to innovation, is to not only improve our overall customer experience but also to help streamline our operations. For our business, we are enhancing efficiency and automating routine tasks while improving accuracy and reducing operational costs, using data analysis to generate valuable insights, enabling better decision-making and more personalised customer experiences. We are establishing an Artificial Intelligence Centre of Excellence to drive efficiencies and to both support and safeguard our customers.

Meanwhile, our hybrid working model is now well established. In May, we completed successful office moves in Dublin and London. In both instances, we have brought Goodbody together with AIB teams under the same roof, and increased the sustainability of our property portfolio. The building at 70 St Mary Axe in London is highly energy-efficient, while 11-12 Dawson St is an amalgamation of three restored buildings with a wonderful historical and architectural pedigree in the heart of Dublin city.

Sustainable Communities

This is the decade of action and, as we approach the midpoint, we start to take stock of progress. Sustainable Communities continues to be a core pillar of our Group strategy, transforming the organisation to make progress against long-term goals. We are clear on the outcomes we seek to achieve and we are making good progress, working with our customers, our colleagues and our communities. Banks have an important role to play in steering finance towards more sustainable activities, promoting a fairer and more inclusive society and supporting thriving communities.

Chief Executive's Review *continued*

In AIB, our ambition is for 70% of all new lending to be green or transition by 2030, and our €30bn Climate Action Fund is already actively supporting our customers. Key progress during H1 2024 includes mobilisation of our new Climate Capital segment to provide finance for clean energy and other sustainable infrastructure, as well as the launch of our new Transition Finance Guidance to support the roll out of transition finance to our corporate customers. We have launched our sustainability advisory service, Goodbody Clearstream, to assist organisations to measure and implement best-in-class environmental and sustainable practices into their businesses, products and supply chains. Throughout our business, our Sustainability Champions are ready to meet with customers and support them to progress their sustainability goals. Horizon scanning by our in-house Sustainability Research team and continuous capacity building for colleagues through our Sustainability Academy helps to ensure we are informed and ready to support our customers.

To add to our customer supports, the AIB-sponsored Sustainability Academy with Dublin Chamber of Commerce was launched for 2024 as well as sustainability education initiatives that we support with the Chamber of Commerce in Northern Ireland. We also launched the AIB Future Sparks School Impact Awards to recognise schools that make a positive impact to the social, financial and environmental success of their communities. With submissions from 103 schools nationwide, Trinity Comprehensive School in Ballymun emerged as the winner for their exemplary Better Ballymun Day initiative, a vibrant effort to uplift their community.

We fully recognise the important social impact of adequate housing for society. Recognising the interconnection between climate and social issues, we are strategically focused on expanding the supply of energy-efficient homes in Ireland and helping customers own

their first home. I am pleased that, during the first half of the year, we provided €1.2bn in Irish mortgage lending for first-time buyers. Supporting the communities in which we operate, we have once again commenced the annual AIB Community €1 Million Fund, aiming to again support over 70 local charities. We asked our customers, colleagues and the wider public to nominate the charities they would like to be supported and received a phenomenal response – triple that of the previous year. I very much look forward to congratulating the recipients in September.

Our purpose is empowering people to build a sustainable future. Through our culture, our values and our strategy, we bring this purpose to life and we will continue to work to embed a sustainable and responsible business ethos across everything that we do.

Culture and Our People

We have continued to build our strong employer brand by enhancing our employee value proposition through greater supports around career development opportunities, further embedding a strong culture of inclusivity and launching a more progressive reward structure.

In January, we launched our AIB Employee Value Proposition, which clearly outlines our commitment to staff across our Purpose, Ambition, Culture and Total Reward (PACT) offering. Bringing the full suite of supports together in this manner positions us to ensure full clarity for all our people and all potential employees on the employee experience and offering at AIB. Having the right supports in place, at every career stage, is critical to enable our people to develop, thrive and be at their best throughout their career with AIB.

Our people are the key enablers for the successful delivery of our strategy and, in January, we held our first in-person Leadership Summit, where 3,000 people leaders came together to hear about our new strategy, our ambition around customer

centricity, our new brand position and evolved purpose in one cohesive narrative. The day focused on empowering our people leaders by emphasising the pivotal role each plays in driving a Customer First culture across the Group.

Demonstrating the continued strength of the AIB brand, we received over 8,600 applications for the 2024 graduate campaign, which was an increase of over 4,500 applications on the previous year. We were also pleased to again be recognised by the Grad Ireland Student Awards in 2024 as the Most Popular Graduate Recruiter in Financial Services for the fifth year in a row.

We are committed to continually improving the employee experience and our employee engagement strategy enables us to identify the issues that matter most to our people.

During April, we ran our fourth engagement survey to seek feedback from our colleagues on how we can improve innovation and drive diversity of thinking. With results of this survey showing improvements across all areas, the overall satisfaction rate with AIB as a place to work is a very encouraging 89%. We continue to promote a culture of universal inclusion throughout the organisation and completed Inclusive Leadership Training for all leaders in our organisation including Board, ExCo and Senior Management Teams.

In line with the easing of some Government restrictions in December 2022 and the Group's return to majority private ownership, we updated our Remuneration Policy to reflect our provision of healthcare benefits for all AIB employees from January 2024 and the introduction of a measured variable remuneration scheme, based on performance targets across the business in 2023, made payable in the first half of 2024. The new benefits and updated Group remuneration policies and practices promote long-term success for our organisation.

Engaging with innovation

Earlier this year, our fourth 'aib engage' employee engagement survey took place. The survey was centred on Innovation – a key focus area for the Group to support our new purpose and strategic ambition. Nearly 10,000 of our workforce participated in the latest edition, with 89% expressing satisfaction with AIB as a place to work, marking a 6% increase from the previous survey and the highest satisfaction rate in the last four years. Additionally, we received almost 20,000 comments, feedback, and suggestions on fostering and delivering innovation for our customers and our people, which will be the foundation for an action plan.

Left: Emma Morrissey, a member of the Guest Services Team in AIB Molesworth Street Office.



Outlook

Overall, the Group's strong performance in the first six months of 2024 reflects the successful implementation of prior and current strategic objectives and the ongoing growth and resilience of the Irish economy, our core market.

Modest growth is anticipated for the global economy. The International Monetary Fund (IMF) is forecasting "steady but slow" global growth, with a 1.7% gain expected in 2024 in advanced economies, a similar pace of growth to 2023. This will be characterised by relatively strong US growth (2.6%) and more sluggish growth in the Eurozone (0.9%) in 2024. Nonetheless, there are signs that the US economy is starting to cool following successive years of exceptional growth.

In Ireland, recent forecasts from the Economic and Social Research Institute (ESRI) and Central Bank of Ireland (CBI) show they expect a pick-up in Irish growth in 2024 and 2025, assuming the drag on output, exports and investment in the multi-national sector in 2023 abates. This should be underpinned by a number of factors. Inflation is now close to the 2% target and interest rates are expected to be cut further over the next couple of years. Combined with solid wage growth, this will boost real household disposable incomes.

Fiscal policy is set to remain expansionary in the context of the healthy state of the public finances. The IDA also reports that Ireland's foreign direct investment proposition remains strong against a somewhat challenging environment. Meanwhile, private sector balance sheets remain characterised by low debt and high levels of savings. These buffers will be vital if any downside risks emerge to impact growth in the highly open Irish economy.

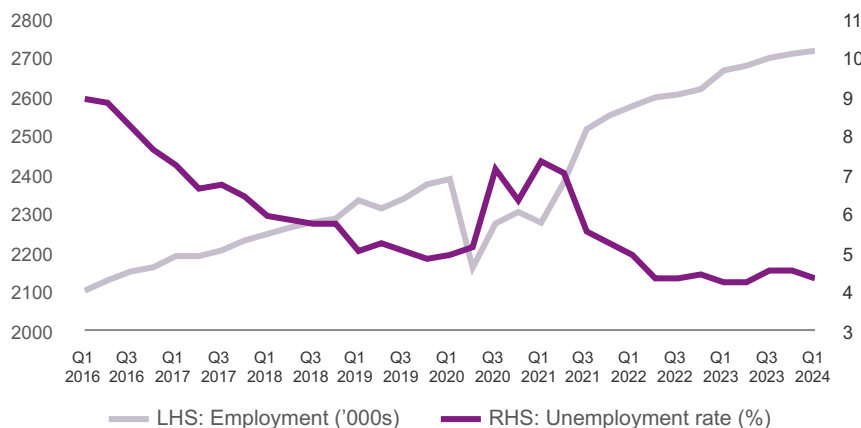
At AIB, we remain optimistic about the opportunities that lie ahead over the remainder of this year and into 2025, bolstered by Ireland's economic resilience, our enlarged customer base, and the rising demand for our comprehensive range of products generated by a growing population.

Our strategic priorities remain clear: to put our customers first, green our business and embed operational efficiency. I extend my gratitude to our customers, my colleagues and the Group's many stakeholders for their support, enthusiasm and commitment. Together, we will continue to build a strong, resilient bank that stands ready to maximise the opportunities, meet the challenges that lie ahead and deliver for all our stakeholders.

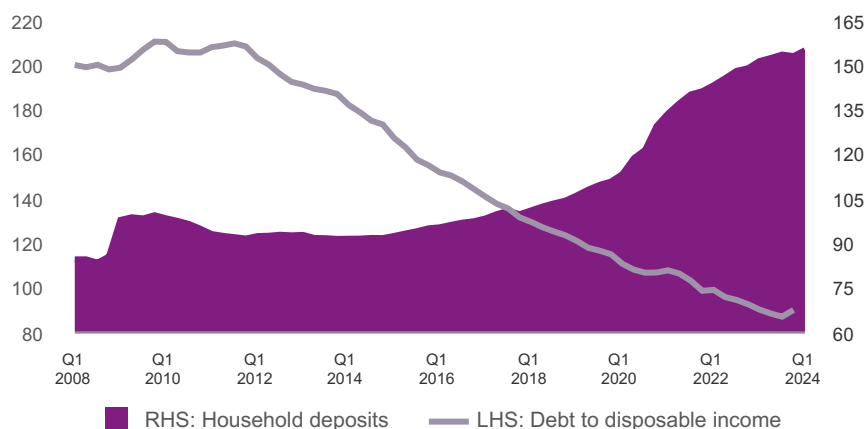
Colin Hunt

Chief Executive Officer
1 August 2024

Employment levels rise while unemployment remains low



Household deposits remain elevated, indebtedness falls



Irish headline inflation rate in marked decline

