

Chief Executive's Review



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Colin Hunt
Chief Executive Officer

By any measure, the first six months of 2025 have been eventful, both in terms of AIB Group's own development and in terms of the macro-economic and geopolitical landscape. Against a backdrop of uncertainty and global tensions, I am pleased to report another set of strong financial results for the Group, demonstrating our ongoing stability and the continued resilient performance of the Irish economy.

A defining event for the Group came towards the end of the half-year, when the Department of Finance announced that the State would exit from AIB's share register on June 16 and AIB Group returned to full private ownership. Reaching this milestone reflects hard work and dedication across the Group to deliver for our customers and stakeholders. Following the completion of a €1.2bn directed buyback in May, which took place during incredibly volatile conditions, and including further proceeds from the trading plan during the year, AIB has returned a total of €20.5bn to the State since its rescue following the global financial crisis almost two decades ago. We owe an immense debt of gratitude to the Irish taxpayer for the support during one of the bank's most challenging times.

Since then, our focus has been on rebuilding trust, repaying the State, and continuing to support our customers, communities and the wider economy as we transformed our business. Our job has always been to run the business and build the strength of our franchise by delivering our strategy and serving the needs of our c. 3.35 million customers. This remains our priority, now and into the future, as we continue to implement our strategy at pace.

We are now at the half-way point of our current three-year strategic cycle as we continue to deliver across our three strategic priorities: Customer First, Greening our Business and Operational Efficiency and Resilience. I will outline some of the milestones achieved across each priority below. Overall, our progress is on track and our strategy remains clear, consistent and compelling as we continue to build a reliable and sustainable business.

We have proven our ability to generate capital and return it. A CET1 ratio of 16.4% at 30 June is comfortably above regulatory requirements and supports both growth and shareholder returns. The solid fundamentals of our business, including a leading franchise in our core market, underpin strong, organic capital generation, enabling the Group to both invest in our business and deliver market-leading distributions, demonstrated by our >100% payout in 2024 and the execution of the above-mentioned directed buyback.

We are pleased to return to more normalised distributions. Directed buybacks, which played a positive and significant role in repaying the Irish taxpayer for their support, reducing the State's stake and enhancing earnings per share (EPS) for all shareholders, are no longer an option. In this regard, we are pleased to announce the resumption of interim dividends with a cash dividend of 12.328 cent per share, which amounts to €263m.

The Group continued its strong financial performance in the first six months of 2025, delivering a profit after tax of €927m. Loan growth remains positive with new lending in the half-year reaching €6.9bn, up 9% compared with H1 2024, and gross loans totalling €71.6bn. Irish mortgage lending rose by 4% compared with H1 2024. During the half-year, we supported c. 7,100 customers to purchase their homes in the Republic of Ireland, c. 4,000 of whom were first-time buyers.

Return on tangible equity (RoTE) at 21.4% substantially exceeds the Group's 15% target. Our net interest income (NII) reduced by 10% compared with the same period in 2024, in line with expectations, driven by lower interest rates and increased interest expense on customer accounts. The net interest margin (NIM) was 2.78%.

AIB opened c. 185,000 new accounts in the first six months of the year in Ireland, primarily across Personal and SME, and welcomed an average of 399 new customers a day. This contributed to an increase in customer account balances across the Group, which now stand at €112.5bn, up 2% since 31 December 2024. We are serving our customers more effectively, through integrated digital and in-person channels.

The Group successfully raised funds in the form of a €700m AT1 bond in January, €800m from two senior non-preferred green bonds in March, and a USD\$750m senior non-preferred bond in May, further strengthening our funding and capital. In the second half of the year we expect c. 35bps positive CET1 impact from the sale of our share of AIB Merchant Services to Fiserv, Inc., our partner in the joint venture.

At this midway point, our strategy is clear, our purpose remains unwavering, and we have demonstrated what this Group is capable of delivering. To further support the execution of our strategy through our three main business lines – Retail Banking, Capital Markets and Climate Capital – we have simplified the management structure. In July, along with appointing Group General Counsel Miriam Nagle to the Executive Leadership Team, we announced that Graham Fagan, formerly Chief Technology Officer (CTO), has been appointed Chief Operating Officer (COO), taking on an expanded role leading our newly established Enterprise Delivery function. I want to extend sincere thanks to outgoing COO Andrew McFarlane, who announced his departure in March. We also announced the integration of our UK business into Retail Banking, enhancing our all-Ireland offering and continuing collaboration with Capital Markets and Climate Capital to align our wholesale business lines and improving operational efficiencies and customer experience.

Customer First

Our commitment to putting customers at the heart of everything we do has driven us to continue to optimise both our channels for delivery and our back office systems. At the half-year, our quarterly Customer Satisfaction Net Promoter Score (NPS), which relates to all the experiences our customers have across branches, call centres and our digital channels, was 62 compared with 55 for the same period in 2024. We do not take this outcome for granted and maintain a relentless focus on increasing customer satisfaction.

Our digital transformation continues to accelerate, first and foremost delivering improved customer experiences. Our AI-powered digital assistant Abi has assisted over 420,000 customers since its rollout commenced in December 2024 and now handles c. 23% of all daily calls to our Customer Engagement Centre. Notably, when customers are informed that they are dealing with a digital assistant, over 85% choose to continue their interaction with Abi. We are also now using AI for call analytics, providing deep insights into customer needs and driving improvements in this particular area of our customer experience.

One of our key objectives is the enhancement of our digital banking services in tandem with process and system improvements to accelerate credit decisions and lending, particularly for our business customers. We have added ten new features to our Internet Banking channel for SMEs, including the ability to authorise payments via push notification to mobile, and thanks to significant underlying system upgrades and simplifications, our auto-decision rate is at 65% for business credit. The number of customers opting into 'Selfie Check' – our biometric payments capability for transactions up to €10,000 – has doubled in the half-year. We also seamlessly delivered inbound SEPA Instant Payments capability in January.



Customer First

Helping customers plan for tomorrow

In the first half of the year, c. 19,000 AIB customers received long-term financial planning advice from our team of over 130 expert Financial Advisors nationwide. Additionally, we also expanded our customer proposition by offering remote consultation and providing greater investment choice with a series of fixed term capital protected options. Policy-holders with AIB life – AIB's joint venture with Great-West Lifeco – now total close to 50,000, with c. 15% growth in new policies since January.

In July, AIB announced our first fully digital investment device tool via the AIB life hub on the AIB Mobile app. This tool will support customers seeking to invest and build their financial strength by offering regulated investment advice and appropriate products and guidance.

Chief Executive's review continued

Overall, we're seeing continued digital adoption across our customer base. Our digitally active customers totalled 2.3 million at the end of the half-year, including 79% of all personal current account customers, and year-on-year the daily average usage of the AIB Mobile App has increased by 4%. Push notification enrolment increased by 550% in H1 2025, reaching 1.3 million customers who now receive real-time alerts that help them avoid surprises, stay in control of their finances and reduce reliance on contact centre support. Business Mobile enrolments increased by over 40% and app activity rose by 27% in the period. Business Mobile is now a core enabler of our SME strategy, supporting smarter, faster and more secure banking for business customers at scale.

In addition to our digital advancements, we remain focused on improving our in-branch customer experience. Of the branches identified for development as part of our €40m investment announced last year, 23 have now been completely upgraded, with a further 12 on track for completion by year-end. The upgrades and sustainability interventions delivered in 2025 will see a 7% reduction in emissions.

We made language interpretation and translation services available across our branch network in Ireland during the half-year, and in March, AIB became the first bank in Ireland to receive Autism Friendly Accreditation from the well-recognised charity AsIAm for all 170 of our branches, ensuring they are as accessible and inclusive as possible for Autistic people.

As we want to ensure an excellent customer experience across all our channels, we also want to cater for our customers' financial needs at their various life stages. Our savings, investment and protection offering continues to develop as both Goodbody and AIB life make significant strides in supporting our customers in their various life-stage needs.

Greening our Business

We continue to actively work with our customers to support the transition to a low-carbon economy; providing green products, promoting green practices and financing environmentally responsible and resilient projects, including large infrastructure development both in Ireland and abroad.

Since 2019, the Group has issued a total of €19.1bn in new green and transition finance against our 2030 target of €30bn. In the six months to June, this lending amounted to €2.5bn, which was 36% of total new lending in the half-year. Included in this was lending to energy-efficient homes, which amounted to 58% of all new mortgages issued in the half-year, and green lending to commercial real estate, which made up 73% of total lending to that sector in the period.

Our green bond programme is delivering real-world impact and reinforcing our ESG leadership. The two green bonds issued in March brought the total amount AIB has issued in ESG bonds so far to €7.2bn.

In terms of products, in July, we launched the Business Sustainability Loan, a new low-cost green loan of up to €100k/£100k to help businesses, including farmers, clubs, trusts and charities, transition to a low-carbon economy. Available to customers across Ireland and Northern Ireland, this was also our first product to be released across the island of Ireland at the same time.

Along with credit, we also support our customers with practical training and knowledge-sharing, understanding that sustainability covers many complex and technical topics. In the first six months of the year, we continued to host a range of sustainability customer events, publish various

ESG sector guides on sustainable practices, and develop our Steps to Sustainability online tool for SMEs. Through Goodbody Clearstream, we are guiding larger companies with independent sustainability consultancy. We also launched a Solar Panel Calculator to help people better understand the cost savings of solar panels in their homes.

In greening our business, we seek to create lasting impact for communities and stakeholders alike. AIB is dedicated to supporting the communities and economies in which we operate, and this is no more evident than in our annual AIB Community €1 Million Fund, where we work with our customers, colleagues and our communities at large to identify and support charities across Ireland and Great Britain. The process concluded in June with record engagement – a 24% increase in nominations. I look forward to announcing the awardees in September, which will join 220 charities that have already benefited from this initiative.

Operational Efficiency and Resilience

The achievements to date under our Operational Efficiency and Resilience strategic priority are central to our ambition to build a simpler, stronger and more sustainable bank.

Our loan origination capabilities continue to be transformed with the ongoing deployment of nCino, a secure, cloud-based banking platform designed to streamline and digitise the lending process, now covering approximately 66% of our Retail SME business. By automating key parts of the lending process, nCino helps deliver a faster, more seamless experience for customers, reducing paperwork and manual intervention.



Greening our Business

Supporting higher education and research

In June, AIB proudly supported the c. €380m Higher Education Bundle 2 Public Private Partnership (PPP) by providing c. €94m in debt facilities and acting as facility agent for the banking group. The project, led by Invesis Coöperatie U.A., will deliver five state-of-the-art buildings across college campuses in Waterford, Limerick, Donegal, Galway, and Carlow. These facilities will accommodate an additional 3,600 students, with a strong focus on STEM disciplines.

This project follows AIB's funding of the first Higher Education PPP bundle, which included approximately 38,000m² of buildings serving about 5,000 students across six sites nationwide, with construction now nearing completion.

These long-term investments in education infrastructure reflect AIB's commitment to supporting the next generation of talent and advancing a knowledge-based economy through high-quality learning environments.



Operational Efficiency and Resilience Accelerating innovation

In 2025, AIB launched a pilot programme for Microsoft 365 Copilot, integrating AI into daily workflows for a limited number of employees. This enhancement allows colleagues to focus on more valuable tasks while improving customer outcomes. AIB's AI Centre of Excellence has also used Copilot Studio to create customised AI solutions for faster customer insight analysis.

Additionally, AIB built our third cloud-native data centre, strengthening our cloud infrastructure, operational resilience and accelerating speed to market for future digital capabilities.

More recently, in July, AIB announced a partnership with Microsoft Ireland, extending AI capabilities to 10,000 employees and driving innovation and efficiency. This initiative emphasises AIB's commitment to responsible AI adoption and solidifies its leadership in AI in the Irish banking sector.

The simplification of our corporate structure is progressing well, with a 30% reduction in legal entities achieved to date against a target of 40% and up from 17% at the end of 2024. Operating on Agile principles, we have also streamlined our change delivery structure, reducing the number of delivery programmes from over 90 in H1 2024 to 31 today, enabling better prioritisation and more agile investment planning.

Many of these change programmes focus on technology and resilience. AIB has achieved 99.99% availability across Level 1 technology services, underscoring the robustness and reliability of our core platforms. This performance reflects sustained investment in modernising our technology estate – ensuring systems are resilient, scalable and aligned with evolving customer needs. We continued to invest c. 10% of our IT spend on cyber security in H1.

AIB Group may be digital by design, but it remains human at heart; our people and culture are central to the delivery of our ambitions. We continue to enhance our employee proposition, and in April updated our compassionate leave and family leave offering including the introduction of up to ten days' foster leave for employees and paid neonatal leave. Almost 1,900 staff have availed of topped-up parent's leave. As such, I was very pleased with our recent internal engagement survey, in which 90% of respondents stated they are satisfied with AIB as a place to work, a 1% increase on our last survey.

Outlook

The global economic outlook is clouded by elevated levels of uncertainty, especially in relation to geopolitical tensions and international trade. This uncertainty is expected to act as a drag on economic activity. Amid this backdrop, the International Monetary Fund (IMF) has revised lower its forecast for global growth from 3.3% to 2.8%, which would be a slowdown compared with the 3.3% increase registered in 2024. Overall, the IMF is less optimistic on the growth prospects for many of the major economies. It is expecting growth in 'advanced economies' to slow from 1.8% in 2024 to 1.4% this year. A key reason for the weaker pace of growth is an expected slowdown in the US economy (1.8%) and ongoing sluggish expansion in the Eurozone (0.8%) in 2025.

Ireland is not immune to this global uncertainty and the export side of the economy could face significant challenges amid ongoing trade tensions between the US and EU. However, domestic demand continues to register a solid performance, although the economy appears to be on a slower growth trajectory as capacity constraints act as a headwind to activity levels. Recent forecasts from the Economic and Social Research Institute (ESRI) and Central Bank of Ireland (CBI) show they expect underlying Irish economic growth in 2025 to be in the region of 2%.

Several factors should underpin growth in the Irish economy. Lower inflation, combined with solid wage growth, will help to boost real household disposable incomes, supporting the domestic economy. Private sector balance sheets remain characterised by low debt and high levels of savings. Fiscal policy is set to remain supportive in the context of the healthy state of the public finances. These buffers will be important if any downside risks emerge to impact growth in the highly open Irish economy. It is notable that the IDA reported a strong pipeline of foreign direct investment in H1 2025 despite the more challenging international environment.

As for AIB Group, we know what we have to deliver through our current strategic cycle, which remains central to our ambitions. While geopolitical uncertainty may temper global economic growth and have a level of impact on loan growth, our plan to the end of 2026 remains appropriate.

As we work towards the end of this cycle and beyond, I firmly believe that AIB is a fundamentally different organisation today; more customer focused, more innovative and with a comprehensive product suite that we continue to evolve. We've made huge strides in putting in place products and services that our customers want and delivering those products and services to our customers in the way that they want. The Group has demonstrated very clearly what we're capable of, with a strong foundation for further development in the years ahead.

Colin Hunt
Chief Executive Officer

31 July 2025