EMBARGO 07:00 **06 May 2021**

AIB GROUP PLC – Q1 2021 TRADING UPDATE (UNAUDITED)
Return to profitability in Q1 2021; Trading in line with expectations

"I am pleased to report that the Group returned to profitability in the first quarter of 2021 and we are confident of achieving our 2021 full year guidance. As we look to the remainder of the year, we expect a strong recovery as the economy re-opens and the roll-out of vaccines gathers momentum. The implementation of our strategy is well underway and positions us well for the future. As our industry undergoes significant change, our strategic clarity gives us confidence that our strong balance sheet, digital capability, distribution and franchise will enable us to grow, serving our customers and the communities in which we operate. As previously announced, we are progressing a number of acquisition opportunities to complement our existing strong customer propositions. We look forward to updating the market on these initiatives at the appropriate time later in the year. As Ireland emerges from lockdown and the vaccine roll-out continues, we are confident about the outlook and our ability to generate sustainable shareholder returns and meet our medium-term targets by 2023."

- Colin Hunt, Chief Executive Officer

Q1 key highlights: ***(all comparisons versus Q1 2020 unless otherwise stated)***

- Profitability restored in Q1 with current trading in line with expectations
- Confident for the remainder of 2021; full year guidance reiterated(1)
- Total income decreased 4%; resilient revenues supported by diversified income streams
  - Net interest income decreased 13%; Other income increased 36%
- Continued focus on cost discipline; strategic cost initiatives on track
  - Stable operating expenses; FTEs declined 1% since Dec 20 to 9,116
- Net credit impairment charge of c. €50m; Q1 annualised cost of risk c. 35bps
- Performing loans of €55.3bn, up €0.2bn since Dec 20; new lending of €2.3bn down 7%
- NPEs down to €3.8bn or 6.5% of gross loans (Dec 20: €4.3bn or 7.3%) post NPE portfolio sales
- Customer deposits of €84.5bn; increased 3% from Dec 20 as savings continue to accumulate
- Fully loaded CET1 of 15.8%, up 0.2% from Dec 20; well ahead of >14% target
- First Irish company to commit to use World Economic Forum Stakeholder Capitalism metrics
- Well-positioned as the Irish economy re-opens and the banking landscape evolves

Financial Performance

The Group recorded a profit in the first quarter of 2021 and is on track to deliver a performance in line with expectations for the full year.

Net interest income (NII) as anticipated was 13% lower in Q1 versus Q1 2020 while momentum gathers on NII recovery through our negative interest rate strategy. Since the year-end, deposits at negative rates increased from €4.7bn to €8bn at the end of Q1 and to c. €10bn currently. NIM in the quarter was 1.66%, 4bps lower than the Q4 20 exit NIM of 1.70%. No funding benefit, from the €4bn TLTRO drawn down in September 2020, has been included in Q1 pending verification that the relevant lending benchmark has been achieved. Our appetite to draw down further TLTRO in June 2021, up to our limit of c. €9bn, is influenced by a number of factors including the timing and completion of inorganic initiatives. We reiterate our guidance that we expect a moderate decline in NII in 2021.

Q1 2021 net fee and commission income of €103m was in line with a normalised quarterly run-rate, demonstrating resilient customer activity in the first quarter. Other items within other income benefited from positive valuation movements. We expect full year 2021 other income to be broadly in line with 2020.

Q1 2021 costs were broadly similar to Q1 2020 with lower staff costs offset by a rise in depreciation as expected. The focus on efficiency continues as FTE numbers declined by 1% to 9,116 since December 20. For the full year, costs are expected to decline marginally and we are on track to achieve our medium-term target of < €1.35bn[2] by 2023.

Regulatory costs and levies for 2021, including the Single Resolution Fund, the Deposit Guarantee Scheme and the Bank Levy, are expected to be c. €120m for the full year.

A net credit impairment charge was recorded in Q1 of c. €50m representing an annualised cost of risk of c. 35bps. Macroeconomic scenarios will be updated as part of the half-year credit impairment process. With positive trends emerging and the return to a more normalised credit environment, we expect our full year cost of risk to be at or below our previous guidance of c. 40bps.

We expect to incur exceptional costs in 2021 of c. €250m including costs relating to business restructuring, voluntary severance and the ongoing operational costs of the tracker mortgage programme.

Balance sheet

Gross loans of €59.2bn were down €0.3bn in the quarter (Dec 20: €59.5bn) primarily driven by NPE portfolio sales and the continuing trend of redemptions exceeding new lending. These impacts were partly offset by positive FX movements, which also contributed to a marginal increase in the performing loan book to €55.3bn.

In Q1 total new lending of €2.3bn (-7% versus Q1 20) was recorded with mixed trends across segments, with sluggish demand in consumer lending and stronger activity in corporate sectors.

The Irish mortgage market performed strongly in Q1 2021 with total drawdowns up 7% on Q1 2020. A solid rise in mortgage lending is expected with market estimates revised to c. €10bn for 2021. AIB ROI new mortgage lending was €0.5bn in the quarter. The Q1 pipeline shows strong applications and approvals data both at market level and AIB's share thereof, giving us confidence in our full year performance.

The Q1 lockdown impacted consumer credit demand which led to a 30% decline in new ROI personal lending versus Q1 2020. In contrast, household deposits have continued to increase while credit card debt and overdrafts declined. We expect this trend to reverse on the re-opening of the economy, as discretionary spend increases, as seen in Q3 2020. The SME sector, supported by government measures, remained resilient and we recorded a 3% increase in new lending versus Q1 2020. CIB[3] had a good start to the year, particularly in the renewable energy sector and corporate banking. New lending in the UK was up 8%.

We continue to support our customers with the transition to a lower-carbon economy and green lending accounted for 21% of total new lending whilst our green mortgage product represented c. 15% of new ROI mortgage lending.

NPEs decreased to €3.8bn or 6.5% of gross loans (Dec 20: €4.3bn or 7.3%) primarily due to €0.7bn of portfolio sales. In terms of stage migration, there has been minimal net flow to Stage 3. Of the c. 66,000 payment breaks provided in Retail Banking, effectively all have concluded and, consistent with our previous update, 88% have returned to and maintained full capital and interest payments.[4]

The loan to deposit ratio was 67% at the end of Q1 2021. Customer accounts of €84.5bn increased from €82bn at December 2020 due to the continued high levels of savings.

Capital

The fully loaded CET1 at the end of Q1 was 15.8% (Dec 20: 15.6%) which is well ahead of our medium-term target of >14%. The 0.2% increase since December was driven by Q1 profit and positive calendar provisioning impact (due to NPE portfolio sales) partially offset by normal capital deductions. Our strong capital position enables us both to invest in our business and pursue RoTE accretive inorganic opportunities and over time resume distributions to shareholders.

Strategy 2023 and Outlook

Strategic progress
Implementation of our strategic plan continues and we are making good progress in advancing our digitalisation and ways of working programmes. Having initiated a sales process earlier this year, we are reviewing exit options in relation to our GB SME business.

Regarding inorganic initiatives, the regulatory approval process is underway for the acquisition of Goodbody and our joint venture proposition with Great-West LifeCo is progressing well. Both businesses will enhance our product suite for customers and diversify our revenues. Commercial negotiations with NatWest Holdings Limited, for the acquisition of a c. €4bn performing corporate and commercial loan portfolio, have progressed constructively and we will update the market in due course.

Sustainability
We are proud to be the first Irish company to have committed to use World Economic Forum Stakeholder Capitalism metrics in our reporting, joining 78 other sustainability-focused companies globally. The Forum's Stakeholder Capitalism metrics are based on the four value-driven principles of People, Planet, Prosperity and Governance. This commitment reflects our pledge to lead with purpose and to seek long-term value creation by adopting a multi-stakeholder approach. Additionally we are

the first Irish bank to join the UN Net Zero Banking Alliance. In April we received an ESG rating upgrade from Sustainalytics. With an improved low risk ESG score of 14.5, AIB ranks 53rd out of 1,047 banks globally which benchmarks very favourably to our peer group and demonstrates AIB's significant progress in advancing the Sustainability agenda.

Outlook

Following a return to profitability in the first quarter and the phased re-opening of the economy, we are confident for the remainder of the year as we focus on implementing our strategy and supporting our customers. We remain comfortable with the guidance provided to the market at our full year results in March 2021 and outlined above. For clarity, this guidance excludes the impact of any inorganic initiatives and we will provide a further update at our half year results on 4 August 2021.

Note: Figures presented above may be subject to rounding and thereby differ to the 2020 Annual Financial Report

(1) Guidance excludes impact of inorganic opportunities

(2) Costs before bank levies and regulatory fees and exceptional items

(3) CIB: Corporate, Institutional and Business Banking

(4) Return to full capital and interest (88%) reflects those customers who are performing and making full repayments post-payment break. It excludes those in arrears management (5%), forbearance (4%) or NPE (3%) processes - not all these customer will require forbearance as many are resolved through business as usual customer engagement. Data as at 23 April 2021

-ENDS-

For further information, please contact:

Niamh Hore / Janet McConkey
Investor Relations
AIB Group
Dublin
Tel: +353-1-6411817 / +353-1-6418974
email: niamh.a.hore@aib.ie
janet.e.mcconkey@aib.ie

Paddy McDonnell
Media Relations
AIB Group
Dublin
Tel: +353-87-7390743
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 50 to 53 in the 2020 Annual Financial Report. In addition to matters relating to the Group's business, future performance will be impacted by direct and indirect impacts of the COVID-19 pandemic and by Irish, UK and wider European and global economic and financial market considerations. 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 50 to 53 of the 2020 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.