EMBARGO 07:00 28 October 2022

AIB GROUP PLC – Q3 2022 TRADING UPDATE (UNAUDITED)
Strong Q3 performance - positive income trajectory and momentum in our business

"I am pleased to report that the Group had a strong third quarter and with momentum in our business, we are confident in our delivery for the remainder of the year. Notwithstanding the global macro-economic uncertainty and volatility, the Irish economy is demonstrating resilience supported by growth, record levels of employment and low leverage. Against this backdrop, AIB recorded robust new lending of €9 billion to September and as two banks exit the Irish market, we are welcoming new customers with an 82% increase in the number of accounts opened. While I am conscious of the cost of living challenges, the Group is well-positioned to support our growing customer base and the wider Irish economy. With upside potential to our >9% RoTE target, we look forward to updating the market with our revised medium-term targets on 2 December 2022."

- Colin Hunt, Chief Executive Officer

Key highlights: ***(all comparisons to YTD September versus equivalent period 2021 unless otherwise stated)***

- Strong profitability and loan growth in Q3; confident in our delivery for 2022 with upgraded income outlook
- Total income increased 17% supported by the higher interest rate environment
  - 10% increase in net interest income; Other income increased 40%
  - Net interest income (NII) expected to grow by >15% in 2022
- New lending of €9.0bn up 25%; €3.5bn in Q3
  - Mortgage market share of 31.2%(1) with strong applications data
  - Green lending represented 24% of total new lending
- Costs(2) up 7%; increase of 2% on an underlying basis(3)
- Small credit impairment charge in Q3
- Gross loans increased to €60.5bn including €1.5bn of Ulster Bank corporate and commercial loans
- Non-performing exposures (NPEs) down to €2.4bn or 3.9% of gross loans (Dec 21: €3.1bn or 5.4%)
- Strong funding and capital:
  - Customer deposits of €97.3bn (Dec 21: €92.9bn); US$750m bond issued in October
  - Fully loaded CET1 15.4% at end September 2022
- Ongoing customer recruitment with c. 350,000 new accounts opened YTD, an increase of 82%
- In October, AIB announced an agreement with NTR plc to buy energy from two new solar farms, providing 80% of AIB's energy requirements

Financial Performance

The Group is trading well with good income trajectory and momentum in the business.

In the nine months to September NII increased by 10% versus the equivalent prior year period, reflecting the impact of the higher interest rate environment. Net interest margin (NIM) for September YTD was 1.57% versus H1 2022 of 1.48% as official ECB rates turned positive. With rising interest rates, we now expect NII to increase by >15% in full year 2022 (previous guidance 10% increase).

Other income, inclusive of Goodbody, increased 40% on the equivalent prior year period with strong performances across fee-based lines. Other income also included a number of one off items such as gains from equity investments. We expect full year 2022 other income of c. €700m.

Operating costs were up 2% on an underlying basis or up 7% inclusive of Goodbody. This incorporates both the impacts of wage inflation and costs to onboard new customers from those banks exiting the Irish market. Based on these two factors coupled with general inflation, we now expect full year costs to be c. €1.65bn (previous guidance c. €1.6bn).

Regulatory costs and levies for 2022 are expected to be c. €150m for the full year.

In Q3, a small net credit impairment charge was recorded due to changes in the economic outlook and the day 1 ECL charge related to the migrated Ulster Bank corporate and commercial loans(4). At this point, we continue to expect a small ECL charge in FY22. We remain vigilant and will further assess macroeconomic scenarios and post-model adjustments as part of the full year credit impairment process with consideration of the potential impact of inflation and the uncertain economic environment. We will maintain our conservative, forward-looking and comprehensive ECL approach.

Exceptional costs are expected to be c. €300m in 2022 as previously guided.

Balance Sheet

Gross loans of €60.5bn were up €2.1bn (Dec 21: €58.4bn) driven by strong new lending and the migration to date of €1.5bn Ulster Bank corporate and commercial loans. We expect customer loans to grow by 5-6% in 2022.

Total new lending for the nine months to September was €9.0bn (up 25% versus the equivalent prior year period) with positive trends across Retail Banking and Capital Markets. Strong Q3 new lending of €3.5bn (up 33% versus Q3 2021) was recorded with continuing momentum in our pipeline as we enter the final months of the year.

The Irish mortgage market continues to perform strongly in 2022. In the nine months to September our drawdowns were up 60% on the equivalent prior year period. Our new mortgage lending in Ireland was €1.3bn in the quarter, up 37% on the previous quarter. With market share of 31.2%, we are optimistic for the remainder of the year given our strong applications data and the increased inbound switching activity we are experiencing. New personal lending in Retail Banking was up 16% reflecting a recovery in consumer credit demand.

New lending in Capital Markets increased by 25% on the equivalent prior year period with a particularly strong performance in real estate finance. With ongoing economic uncertainty, SME credit demand in Ireland remains subdued and new lending was in line with the equivalent prior year period.

In AIB UK, there was some pick up in new lending in Q3, however reflecting our decision to exit the GB SME market and our reduced credit appetite against the backdrop of a more challenging UK economic outlook, new lending to September was down 9%.

We continue to support our customers with the transition to a lower-carbon economy and green lending accounted for 24% of new lending whilst our green mortgage product represented 26% of new ROI mortgage lending.

NPEs at the end of September were €2.4bn or 3.9% of gross loans (Dec 21: €3.1bn or 5.4%). We are well progressed towards our medium-term target of c.3%. 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

The loan to deposit ratio was 61% at the end of September. Strong funding and capital ensure the Group is well-positioned for further sustainable growth. Customer deposits of €97.3bn increased by 5% (Dec 21: €92.9bn) reflecting inflows from the exiting banks and increased customer savings. This increase, together with €10bn drawn TLTRO, contributed to cash placed at the ECB of €39.0bn and BOE of €5.1bn.

Capital remains robust at the end of September with a fully loaded CET1 of 15.4% which is well ahead of our minimum regulatory requirements. The main movements since June (CET1: 15.3%) are organic capital generation offset by increased risk-weighted assets (RWAs) as a result of organic balance sheet growth and a dividend accrual[5]. We expect the acquisition of the c. €5.7bn Ulster Bank performing tracker mortgage portfolio to reduce CET1 by c. 60bps reflecting increased risk-weighted assets of c. €2.5 billion.

Strategic progress & Sustainability

Update on strategic initiatives

- At end September 2022, €1.5bn of Ulster Bank corporate and commercial customer loans had migrated to AIB; full transfer of loans and customers expected by H1 2023
- The agreed acquisition of c. €5.7bn Ulster Bank performing tracker mortgages is currently undergoing the CCPC approval process
- AIB has opened c. 350,000 new accounts YTD, an 82% increase on 2021 with c. 50% of accounts opened by 20-40 year olds

- We continue to make progress on our transformation programme while remaining conscious of the opportunity to onboard new customers and grow our loan book through acquisitions as we balance priorities and resources
- Progress on enhancing our wealth management proposition continues with Goodbody now integrated and our joint venture with Great-West LifeCo set to launch by year end
- Strategic planning process is advancing with update of medium-term targets on 2 December 2022.

Sustainability highlights

Environmental:

- Signed a Corporate Power Purchase Agreement (CPPA) with NTR plc to source energy generated from two solar farms NTR will construct in County Wexford. AIB is the first Irish company to conclude such an agreement, helping it deliver on its commitment to source 100% of its power requirements from certified renewable energy sources by 2030(6).
- Partnered with the Strategic Banking Corporation of Ireland (SBCI) on the SBCI Energy Efficiency Loan Scheme (EELS). The scheme supports qualifying Irish businesses, including primary producers, by providing access to affordable medium to long-term finance, so that they can invest in the energy efficiency upgrade of their enterprise.

Social:

- Announced the recipients of the AIB €1m Community Fund to support 70 local charities.
- Agreed a country-wide initiative with TASC, the think tank for action on social change to undertake 'People's Transition' studies over the next three years. The 'People's Transition' gives people and communities a voice in, and ownership of, the transition to a zero-carbon society. It aims to enhance public support for climate action by tackling inequality and raising standards of living through the delivery of climate solutions.
- €50,000 donation to the Irish Red Cross 'Creeslough Community fund'.

Governance:

- AIB has become the first bank and the largest employer in Ireland to be awarded the 'Investors in Diversity' Gold accreditation by the Irish Centre for Diversity.
- Over 6,000 people joined our sixth annual AIB Sustainability Conference – No Time to Waste – held on 17 October 2022 as part of AIB's sponsorship of Climate Finance Week Ireland.

Outlook & Guidance

Given the changing banking landscape, evolving operating environment and rising interest rates, our medium-term targets are under review. With upside potential to our >9% RoTE(7) target, we will update the market on 2 December 2022.

With a strong third quarter performance and momentum in the business, we are confident for the remainder of the year and update guidance as follows:

- NII to increase by >15%
- Other income of c. €700m

- Costs to be c. €1.65bn incorporating higher inflation, agreed salary increases and cost of onboarding new customers
- We continue to expect a small ECL charge in FY22 as we maintain our conservative, forward-looking and comprehensive ECL approach
- Regulatory costs and bank levies are expected to be c. €150m
- Exceptional costs are expected to be c. €300m
- Customer loans to grow by 5-6%

All guidance is for 2022 and includes the impact of inorganic initiatives

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Analyst conference call

Colin Hunt, CEO, and Donal Galvin, CFO, will host a conference call today @ 08:30 IST, details as follows:

Analyst call @ 08:30 IST 28 October		**Playback 28 October 12:30 – 4 November 23:59**	
Ireland:	01 582 2023	International:	+44 (0) 20 3433 3849
International	+44 (0) 20 3481 4247	USA:	1 (609) 800 9909
Conference ID:	**7834773**	**Conference ID:**	**7834773**

Note: Figures presented above may be subject to rounding

Abbreviations:
TLTRO: Targeted longer-term refinancing operations
CCPC: Competition and Consumer Protection Commission

(1) Source: Mortgage drawdowns BPFI September 2022
(2) Costs before bank levies and regulatory fees and exceptional items
(3) Excluding Goodbody
(4) Migrated loans at end August 2022
(5) Article 2 Regulation (EU) No 241/2014 requires a foreseeable charge, being the maximum dividend pay-out ratio under the Group's internal dividend policy, to be deducted from equity
(6) For further information see https://aib.ie/content/dam/aib/group/Docs/Press%20Releases/2022/cppa-announcement.pdf
(7) RoTE = (PAT – AT1) / (CET1 @ 13.5% of RWAs)

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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 Principal risks on pages 28 to 30 of the Annual Financial Report 2021 and updated on page 37 of the Half-Yearly Financial Report 2022. In addition to matters relating to the Group's business, future performance will be impacted by the direct and indirect impacts of the COVID-19 pandemic, the direct and indirect consequences of the Russia-Ukraine War on European and global macroeconomic conditions, the impact of higher inflation on customer sentiment 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 28 to 30 of the Annual Financial Report 2021 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.*