CHIEF EXECUTIVE'S REVIEW

WE MAINTAINED LEADING POSITIONS IN OUR CORE MARKETS AND CONTINUED THE MOMENTUM IN THE DELIVERY OF OUR GROWTH STRATEGY

STABILITY AND STRENGTH

While leading the sustainability agenda in financial services in Ireland and driving growth, to support our customers we continued to simplify, strengthen and streamline AIB Group in the first six months of 2022.

Against the backdrop of rapidly changing economic conditions and global volatility, I am pleased to report a solid set of financial results for AIB Group for the first six months of the year, signalling the Group's ongoing stability and strength. We maintained leading positions in our core markets and continued the momentum in the delivery of our growth strategy; crucially, we continued to set the pace on the sustainability agenda in financial services in Ireland.

Clearly, a well-functioning and secure banking sector capable of withstanding shock is of vital importance to our customers and the economy at any time. This is particularly the case in the present unique set of circumstances where we have been dealing with the consequences of a protracted global pandemic and now the effects of the human tragedy and economic upheaval inflicted by the war in Ukraine. Globally escalating energy prices, supply chain disruption, and upward pressure on inflation and interest rates are all features of the current unpredictable environment. We are also very alive to the impact on many of our customers experiencing the cost of living crisis.

As one of Ireland's pillar banks with more than 2.8 million customers – a base that is rapidly growing – AIB has a symbiotic relationship with, and is intrinsically linked to, the Irish economy. Our strong balance sheet and the implementation of our ambitious growth strategy means we are now very well positioned to adapt to economic strains ahead, as well as the enormous changes that Ireland's banking landscape is currently experiencing.

The exit of Ulster Bank and KBC has triggered the mass migration of customers in search of a new financial relationship and, in the first half of this year, we have opened almost 205,000 accounts, a 110% increase on the same period last year. We are very keen to welcome our new customers and want to ensure their migration is as seamless as possible. To that end, we are making good progress on hiring up to 700 temporary staff to meet the onboarding demand. In addition, our continued investment in our digital capabilities means that c. 70% of personal customers are eligible to open a new bank account using our digital channels.

As we reach the mid-point of implementing our three year strategy, we continue to demonstrate our progress by enhancing and diversifying our revenue streams, growing our income, managing costs, broadening our product offerings to customers and safeguarding the success of our business for the long-term.

Following our acquisition of Goodbody and a joint venture with Great-West Lifeco last year, we continued to implement our growth plan this year. In April, we received Competition and Consumer Protection Commission approval for the acquisition of the Ulster Bank corporate and commercial loans with integration now underway, and the first customers have now transitioned to AIB.

In June, we entered into a binding agreement with NatWest Group plc for the acquisition of a performing Ulster Bank tracker (and linked) mortgage portfolio with an expected value of c. €5.7bn for a total consideration of €5.4bn, subject to obtaining the required customary regulatory approvals.

These initiatives position the Group for growth, sustainably generating value for all our stakeholders and consolidate our position as Ireland's leading bank.

In terms of legacy items, where we identify an issue our priority is to put things right for our impacted customers. During the period 2002 to 2006 the Group sold a series of investment property funds, known as Belfry, which subsequently incurred losses for c. 2,500 individual investors. Following a legal settlement in 2021 with certain investors, the Group instigated a programme to review investments in the Belfry Fund on a case-by-case basis to determine if redress may be due in some instances. We have written to investors to advise them that our review is expected to conclude shortly at which point we will communicate the outcome to all investors. If a refund is due to any individual investors, payments will commence in the second half of 2022.

In June, the Central Bank of Ireland (CBI) announced the conclusion of the enforcement actions against AIB and EBS regarding their handling of tracker mortgages. AIB has worked assiduously to rectify the mistakes of the past, and sincerely apologises for the impact on our customers' lives. Recognising the scale of the harm done, we have and will continue to take steps to build a positive consumer-focused culture to prevent such detriment happening again. The Group has undergone a major transformation programme in recent years to position itself as a positive economic and social force in Ireland. The conclusion of enforcement actions against AIB and EBS by the CBI will, we hope, allow us to close what has been a dark chapter in the bank's history.

FINANCIAL PERFORMANCE

Continuing our momentum from full year 2021, we have delivered another solid financial performance in the first half of this year. We are reporting a half-year profit before tax of €537m. This includes an operating profit of €391m before impairment writeback and exceptional items.

Total operating income of €1,274m was 8% higher than in the first half of 2021. Net interest income of €895m was €14m higher compared to the half-year to June 2021. NIM decreased by 18 bps to 1.48% in the half-year to June 2022 compared to 1.66% in the half-year to June 2021 primarily due to higher average interest earning assets driven by an increase in excess liquidity at negative rates. Other income of €379m increased by €77m or 26% compared to the half-year to June 2021. This includes the impact of Goodbody of €33m following the acquisition in the second half of 2021 and an underlying increase of €44m.

Total operating expenses of €782m increased by €43m compared to the half-year to June 2021. This includes the impact of Goodbody following the acquisition and an underlying increase in costs of 1%.

There was a net credit impairment writeback of €309m reflecting the economic environment in Ireland in the first half of the year with robust credit quality and repayments, updated macroeconomic assumptions as well as some release of post-model adjustments (including in respect of the non-performing loan portfolio disposal). Our overall approach remains conservative, comprehensive and forward-looking and is reflected in an expected credit loss coverage rate of 2.4%.

Exceptional items of €168m include an additional charge of €87m related to Belfry, a series of investment property funds which were sold to individual investors during the period 2002 to 2006, reflecting an increased provision for customer redress of €73m and associated costs of €14m (half-year to June 2021 charge of €100m including €25m for legal and settlement costs). Also included is €27m in respect of the CBI enforcement investigation in respect of tracker mortgages at AIB and EBS. Additional exceptional items primarily include restructuring and inorganic transaction costs.

New lending of €5.4bn in the half-year to June 2022 was 20% or €0.9bn higher compared to the half-year to June 2021, driven by strong Irish mortgage lending of €1.7bn, up 59%, representing a market share of 31%. Property related lending was up 54% to €1.2bn. Non-property lending of €2.0bn was 6% lower as higher corporate lending in Ireland was more than offset by lower UK lending. Personal lending was up 16% to €0.5bn.

Gross loans at €58.5bn were up €0.1bn compared to 31 December 2021 with an increase in performing loans of €0.8bn offset by a reduction in non-performing loans of €0.7bn or 22%. Net loans increased by €0.6bn compared to 31 December 2021 primarily due to strong new

CUSTOMER USAGE AND DEMAND FOR DIGITAL BANKING SERVICES CONTINUE TO ACCELERATE

lending exceeding redemptions, the acquisition of loans from Ulster Bank partially offset by the reduction of non-performing loans and planned UK deleveraging. As at 30 June 2022, 89% of AIB's loan book is of strong or satisfactory quality (up from 87% at 2021 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 2022.

Non-performing loans as a percentage of gross loans to customers were 4.2% at 30 June 2022 compared to 5.4% at 31 December 2021. This decrease primarily reflects a loan portfolio disposal of €0.4bn and redemptions of €0.4bn partially offset by net flow to non-performing of €0.2bn. We remain committed to reducing non-performing exposures (NPEs) to c.3% of gross loans by 2023 given the impact on cost, capital requirements and balance sheet resilience. Legacy NPEs were €0.3bn or 0.6% of gross loans.

AIB's funding ratios remain robust. As customer deposits continue to accumulate our Loan to Deposit Ratio decreased to 59% at 30 June 2022 compared to 61% at 31 December 2021. We continue to have strong liquidity metrics (Liquidity Coverage Ratio 215% and Net Stable Funding Ratio 164%).

Debt securities issued of €6.7bn increased by €0.9bn from 31 December 2021 following MREL related social and green bond issuances of €1.0bn and €0.75bn respectively, partly offset by the maturity of a covered bond of €0.75bn and a partial buyback of €0.2bn.

The Group has a strong capital base with a CET1 ratio of 15.3% at 30 June 2022, which reflects the 1.3% impact due to early recognition of the Ulster Bank corporate and commercial loan book risk weighted assets. Our CET1 ratio is well in excess of regulatory requirements and our medium-term target of greater than 13.5%.

DIGITAL

While maintaining the largest branch network in Ireland, along with our long-standing partnership with An Post, AIB is also well established as the country's leading digitally-enabled bank. Again and again, our customers embrace the latest digital solutions to meet their banking needs – a trend that was amplified by the Covid crisis and has continued since.

Customer usage and demand for digital banking services continue to accelerate with approximately 74% of AIB's personal customers digitally active. In the first six months of 2022, 89% of personal loan, 65% of overdraft and 60% of credit card applications were completed online. It's not only younger customers who are choosing digital, we have seen growth across all our demographics – there was a 7% increase year-on-year in digital activity among customers aged 65+, including a 42% increase in those using our mobile channel.

There have been 82 million digital wallet payments so far in 2022, which is more than double the volume for the same period in 2021. Similarly, eCommerce transactions have increased in value by 15% versus the first half of 2021. We must be competitive and prepared to adopt technological changes on the scale that customers demand. Earlier this year, we enabled Pay a Contact which allows our customers to send and receive payments in real time with another AIB customer using just their mobile number, while progression on a cross-bank, real-time peer-to-peer payment solution is continuing at pace.

Investment in our digital capability will remain a priority; strengthening services to ensure we continue to deliver meaningful enhancements to our customer journeys, characterised by faster response and turnaround times and our ability to safely get financial products into the hands of our customers in a timely way.

SUSTAINABLE COMMUNITIES

Sustainability is a core tenet of our strategy and in the first six months of the year we continued to embed environmental, social and governance considerations throughout our business.

We believe our future competitiveness will be underpinned by our commitment to the green and low-carbon agenda. Major progress has been made to integrate climate and environmental risk in our Risk Management Framework, including the completion of the ECB climate risk stress test; all this while responding to the increasing regulatory oversight on this agenda. We also responded to the opportunity presented by climate change – with over 23% of new lending being classified as green as we help our customers transition to a low-carbon economy.
We are continually expanding our green product

FOR AIB, SUSTAINABILITY CONTINUES TO BE BOTH A VERY SIGNIFICANT RESPONSIBILITY AND OPPORTUNITY TO HELP SHAPE THE IRISH ECONOMY AND SOCIETY FOR THE BETTER

suite and have also announced the AIB Foresight SME Fund with a €30m investment – actively backing green SME businesses of the future. Our continued focus on the creation of a virtuous circle of green lending was enhanced through our third green bond issuance in June, which now totals €2.5bn in proceeds raised from green bonds to date.

In March, AIB raised €1bn in the first social bond issuance by an Irish bank. The proceeds will support projects with clear social benefits in communities across Ireland including healthcare, education and social and affordable energy-efficient housing. In July, we supported the launch of The First Homes Scheme which is a significant public-private partnership to provide up to a 30% equity stake in the home, total stakeholder funding is €400m and equates to nearly 5,000 homes.

In supporting local communities, we backed Ireland's first inclusive remote working hub for people with disabilities – The 'Impact Hub @ Crann' in Ballincollig, Cork – along with Cork City Council and long-time AIB partner, the Open Doors Initiative. In May, we launched our new Community €1m Fund to support local charities in Ireland and the UK. In June, we also announced our support for Technological University Dublin's new entrepreneurship programme for people with disabilities, designed to address the additional and distinctive challenges they face when starting their own business.

In response to the plight of the people in Ukraine, we committed €500,000 to support those impacted by the war, including an immediate €250,000 to our partners GOAL for on the ground humanitarian aid and €150,000 to the Irish Refugee Council to help their efforts in supporting those arriving in Ireland, and matched all funds raised by our employees.

For AIB, sustainability continues to be both a very significant responsibility and opportunity to help shape the Irish economy and society for the better, whilst also ensuring we have a successful, long-term, resilient and regenerative business.

CULTURE & OUR PEOPLE

A strong culture is built on a unified and highly-developed awareness of proper governance and an appreciation of the imperative to deliver for all our customers. I am very much of the view that the talent we attract and retain is extraordinarily important as the organisation's health is essentially a function of the quality of its people.

BUILDING AN INCLUSIVE AND DIVERSE CULTURE IN AIB CONTINUES TO BE A KEY PRIORITY

We are steadfast in our commitment to embed a strong culture of accountability among our people and have placed a sustained emphasis on our Speak Up agenda, strongly supported by our Board and Executive Committee members.

Building an inclusive and diverse culture in AIB continues to be a key priority and at the beginning of the year, we launched our new Inclusion & Diversity (I&D) strategy, with a focus on the promotion of gender balance, supporting and providing opportunities for disadvantaged young people and empowering people with disabilities to develop new skills. We ran two Group-wide I&D campaigns on the themes of 'universal inclusion' and 'allyship and inclusive behaviours', encouraging our colleagues to become allies with a view to eliminating barriers faced by under-represented groups.

Attracting and retaining quality talent to deliver our strategy is critical to our success and we were delighted to be recognised again by the Grad Ireland Student Awards as the most popular graduate recruiter in financial services for the third consecutive year. AIB also ranked sixth in LinkedIn's list of the top 25 workplaces to grow your career in Ireland, the leading indigenous Irish company.

We reached agreement with the Financial Services Union on a three-year pay agreement for non-management staff and we also increased our entry level salary in ROI to €28,000. The agreement provides certainty on pay for our people over the coming years.

As previously reported in the Annual Financial Report 2021, Carolan Lennon stepped down from the Board in June and we are thankful to her for her significant contribution during her tenure. Helen Normoyle replaces her as the Group's Senior Independent Director.

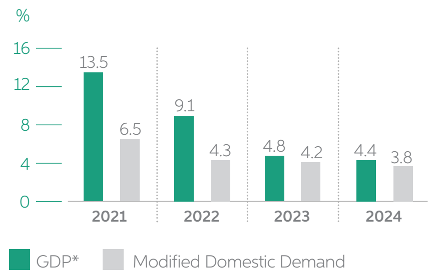
After careful consideration and reflection on the prevailing environment, we have taken the opportunity to review, reconfigure and expand the Executive Committee team. We identified an opportunity to take a more holistic enterprise approach to corporate development and strategy formulation, which had been under two separate Executive Committee areas of accountability. With this in mind, in July, CJ Berry was appointed to the role of Chief Enterprise Development Officer and Andrew McFarlane was appointed Chief Operating Officer.

Deirdre Hannigan retired as Chief Risk Officer at the end of June and is succeeded by Michael Frawley. Hilary Gormley has assumed the role of Managing Director of AIB UK, taking over from Robert Mulhall who leaves the Group at the end of August 2022. I am delighted to welcome Andrew, Michael and Hilary to the Executive Committee and wish to thank Deirdre and Robert for their deep commitment and significant contributions to the Group.

OUTLOOK

Reflecting current volatilities, the OECD and World Bank in their mid-year Economic Updates made dramatic cuts to their growth forecasts for the world economy in 2022 and revised their projections for inflation sharply upwards, largely on the back of the fall-out from the war in Ukraine. The OECD is now projecting global growth of 3% for this year, down from its previous estimate of 4.5% made at end 2021. The World Bank has cut its 2022 global forecast from 4.2% to 2.9%.

STRONG GROWTH FORECAST FOR 2022-24 DESPITE CLEAR HEADWINDS (ROI)



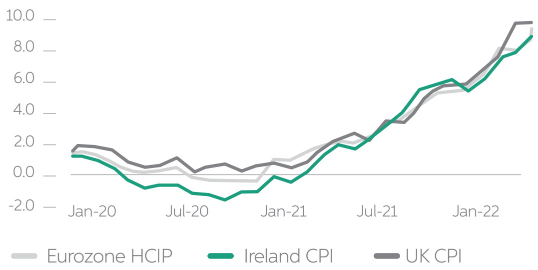
Source: CBI 'Quarterly Bulletin Q3 2022'

The Economic and Social Research Institute (ESRI) in its Summer Update, forecast that GDP will grow by 6.8% this year, with modified final domestic demand (MFDD) expanding by 4.4%. Meanwhile, the CBI is projecting growth rates of 9.1% and 4.3% for GDP and MFDD, respectively, in 2022.

* Note GDP can be distorted due to the impact of multi-national sector in Ireland.

House building in Ireland remains strong, the four quarter total of housing completions rose to 22,219 units in Q1 2022, an increase of 14% compared to year earlier levels. At its current growth rate, the aggregate for 2022 is on track to be in the region of 24,000 units. House building commencements have picked up to 30,000-35,000 in the past year, pointing to a continued uptrend in completions in the next couple of years. This remains one of Ireland's most critical infrastructural and social challenges and while demand continues to outstrip supply, construction of homes is gradually gaining momentum.

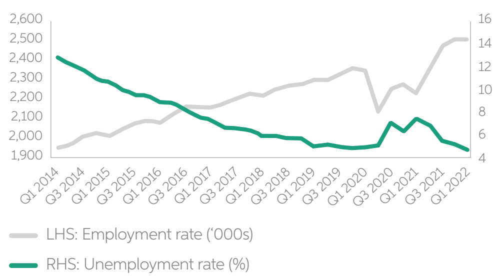
INFLATION INCREASES IN IRELAND IN-LINE WITH ELSEWHERE



Source: CSO, ONS, EuroStat

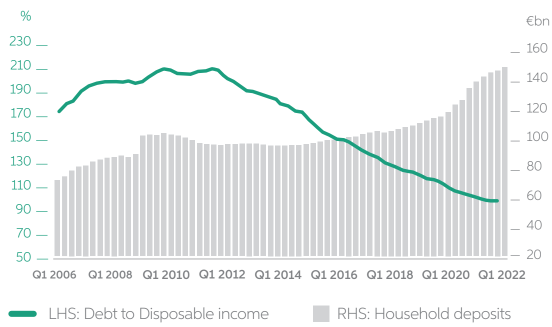
Ireland obviously has not escaped the marked upward pressure on global inflation with the Irish HICP rate rising broadly in line with the average rate for the Euro area. Higher inflation is leading to a tightening of monetary policy across the world. The ECB increased rates for the first time in over a decade in July and has indicated that further rate hikes are in the pipeline in the coming months.

EMPLOYMENT LEVELS RISE SHARPLY WHILE UNEMPLOYMENT FALLS



Source: CSO

HOUSEHOLD DEPOSITS REMAIN ELEVATED, INDEBTEDNESS FALLS



Source: CSO, Central Bank, AIB ERU

Though the Irish economy is likely to lose some momentum given the weakening global backdrop, it is entering the challenging period ahead in a strong position. The economy is at full employment, public finances are moving back into surplus, household savings are at an exceptionally high level, private sector debt levels are low, while inflows of FDI remain very strong. The ESRI is forecasting growth of 4.8% for GDP and 3.7% for MFDD in 2023, which would constitute strong performance by Ireland in the circumstances. While alert to the global macro-economic challenges, we believe that the relative strength of the Irish economy will allow us to continue to grow our business in a risk-conscious, measured way.

To ensure the bank is future-proofed for the challenges ahead, AIB has made significant progress in delivering a more simplified, streamlined and strengthened business.
As a result, the fundamentals of our business are robust. We continue to expand our loan book, close out on legacy items and make significant progress towards our NPE target. Our strong capital position, which is well ahead of our medium-term target of >13.5%, enables us to invest in our business, pursue RoTE accretive inorganic opportunities and make distributions to shareholders. In May, we paid an ordinary dividend of €122m or 4.5c per share and we completed a €91m share buyback programme.

We welcome the decision by the Minister for Finance to extend the State's share trading plan out to 2023. In June, that shareholding was reduced to 63.5%. It is an important development in the process of returning the State's investment in the Group and a normalisation of the share register, and again, I reiterate AIB's immense gratitude to the Irish taxpayers for their extraordinary support during the financial crisis.

Finally, I would like to thank my fellow Board and Executive Committee members, and all of my colleagues across the Group for their ongoing support, energy and enthusiasm. Their collective efforts are delivering tangible results and we can look forward to continuing this momentum into the next six months.

COLIN HUNT
Chief Executive Officer
28 July 2022