EMBARGO 07:00 **3 March 2022**

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AIB Group plc announces full-year profit after tax of €645m and €213m proposed distributions

"Today I am pleased to announce that AIB Group delivered a strong performance in 2021 with a return to profitability and €213m of proposed distributions for our shareholders. It was a year of very significant progress across the Group despite uncertainties related to the COVID-19 pandemic. We accelerated the delivery of our strategy and expanded our product suite to meet our ambition of being at the heart of our customers' financial lives. Guided by our social licence to operate, we maintained and extended our position as a leading force for sustainability in Ireland. With a strong track record of delivery, we will build on this platform for growth and continue to simplify, streamline and strengthen our business to sustainably generate value for all our stakeholders."

– Colin Hunt, Chief Executive Officer

KEY HIGHLIGHTS

Financial highlights ***(all comparisons versus FY 2020 unless otherwise stated)***

- Strong financial performance - Profit after tax €645m; Operating profit[1] €688m
- Capital strength continues – reported fully loaded CET1 16.6% up 100bps (Dec 20: 15.6%)
  - Proforma CET1 16.5% reflecting impact of proposed buyback
  - Estimated impact of inorganic initiatives c. 140bps
- Proposed distributions of €213m or 7.8c per share representing a 40% payout[2]
  - Ordinary dividend of €122m or 4.5c per share
  - Buyback of €91m – regulatory approval received and discussions underway regarding directed buyback
- New lending increased by 13% to €10.4bn; H2 new lending grew by 28% versus H1
  - Green lending increased 37% to €2bn and represents 19% of total new lending
  - Irish mortgage market share 28.3%[3] with continued strong pipeline into 2022
- Stable income of €2.4bn
  - 4% decline in net interest income (NII) with improving trajectory
  - 18% increase in other income; 13% increase excluding Goodbody
- Costs[4] decreased by 1% excluding Goodbody with continued downward trend in FTEs
  - 7% reduction in FTEs excluding Goodbody
- Net credit impairment writeback of €238m (2020: €1.46bn charge) due to a more favourable economic environment and improved credit quality
- NPEs 28% lower at €3.1bn or 5.4% of gross loans (Dec 20: €4.3bn or 7.3%) primarily due to portfolio sales
  - Legacy NPEs[5] of €0.9bn or 1.5% of gross loans
- Performing loans increased to €55.3bn (Dec 20: €55.1bn)
- Customer deposits increased 13% to €92.9bn reflecting COVID-19 related increased savings

Strategic highlights and outlook

- Delivering on our Strategy 2023 to fill product gaps and generate €230m of cost savings
  - 35% of targeted cost savings complete
- Strengthened mortgage propositions in all channels
  - Green mortgage products available across all three brands
  - Maintained position as Ireland's largest mortgage provider
- Inorganic initiatives enhance product suite and provide revenue diversification
  - Agreed Ulster Bank loan book acquisition positions AIB as No 1 bank for corporate banking
- Significant corporate development activity in 2021
  - Completed acquisition of Goodbody, a leading provider of wealth management, corporate finance and capital markets services
  - Agreed sale of c. £0.6bn GB SME loan book, to deliver €35m annualised cost-savings
  - Agreed acquisition of Ulster Bank corporate and commercial loans, subject to CCPC approval
  - Agreed JV with Great-West LifeCo to provide life, pension and investment solutions
- Independently recognised sustainability leader
  - Environment – doubled climate action fund to €10bn; €750m green bond issuance
  - Social – €800m social housing fund; social bond framework launched
  - Governance – 1st in Ireland and 11th in Europe in the EWOB Gender Diversity Index
- Over €300m p.a. investment providing modern, resilient and secure digital technology
  - 1.85m digitally-active customers embracing new ways of banking and payment methods; No 1 Irish banking app
  - 218% increase in digital wallet payments compared to pre-pandemic 2019 levels, with the value of these payments increasing by 382% over the same period
  - Leading payments providers across AIB, AIB Merchant Services and Payzone
- Strategic progress coupled with favourable economic backdrop provides platform for growth
- Well-positioned to deliver on 2023 medium-term targets:
  - **Focused cost[4] discipline** - Absolute cost base of <€1.475bn
  - **Appropriate capital target** - CET1**[6]** of >13.5%
  - **Deliver sustainable returns** – RoTE**[7]** of >9%

FINANCIAL PERFORMANCE

The fundamentals of the Group remain strong and in 2021 we delivered a return to profitability with solid income performance and focused cost management. Profit after tax of €645m was recorded in 2021 and included a net credit impairment writeback of €238m offset by exceptional items of €318m.

Net interest income (NII) of €1,794m (2020: €1,872m) reduced by 4%, reflecting a moderate decline for the full year as guided. The impact of the negative interest rate environment, lower average loan volumes and excess liquidity remained. During 2021 we expanded our negative deposit pricing strategy and at December 2021 c. €12bn deposits were at negative rates, up from €4.7bn at December 2020. A net funding benefit of €65m, from €10bn of TLTRO**[8]** drawn down, was recognised in NII in 2021.

The structure of our balance sheet is geared towards higher interest rates in our core markets of ROI and UK. A sensitivity analysis of the Group's banking book to an immediate and sustained 100bps increase in interest rates shows a potential increase in NII of €272m. The table below outlines the sensitivity to an immediate and sustained movement in interest rates, in terms of the impact on NII on a forward-looking basis over a twelve month period, assuming no change in the balance sheet.

NII Sensitivity as at Dec 2021 (€m)	-100bps	+25bps	+50bps	+100bps
Euro	(193)	13	33	195
Sterling	(59)	14	29	57
Other (mainly US$)	(20)	5	10	20
Total	**(272)**	**32**	**72**	**272**

Net interest margin (NIM) for FY 2021 was 1.58% (2020: 1.94%). The Q4 2021 exit NIM was 1.41% excluding the net TLTRO funding benefit recognised in Q4. The distortionary impact of excess liquidity grossing up the balance sheet has led to a material decline in reported NIM over recent periods and represents 29bps of the 36bps NIM decline in 2021.

Other income increased by 18% to €590m (2020: €499m) and includes €24m for Goodbody. Net fee and commission income increased by 21% to €480m (2020: €395m) predominantly as a result of higher transaction volumes from the recovery in economic activity and changes in customer behaviour. Other income also included income from equity investments and realisations of cashflows on restructured loans.

Our programme to generate €230m cost savings by 2023 progressed significantly in 2021 with 35% of 2021-2023 targeted cost savings completed.

Costs[4] in 2021 were €1,534m (2020: €1,527m) and excluding the impact of Goodbody decreased by 1%. On the same basis FTE employee numbers reduced by 7%. A reduction in general and administration expenses was offset by increased depreciation as anticipated.

With a more favourable economic environment, there was a net credit impairment writeback in FY 2021 of €238m (2020: €1.46bn charge) reflecting improved credit quality and updated macroeconomic assumptions, partially offset by management post-model adjustments. Asset quality remains a priority and we continue to carefully manage the loan book, particularly in the sectors which were most impacted by COVID-19 restrictions.

Regulatory costs and bank levies increased to €162m in 2021 (2020: €115m) and relate to the Single Resolution Fund (SRF), the Deposit Guarantee Scheme (DGS), the Bank levy and other regulatory levies and charges. The increase was due to higher levels of deposits which impacted both DGS and SRF fees along with an SRF provision following a review of the liabilities due.

Exceptional items in the year were €318m and predominantly related to restructuring costs and provisions associated with legacy issues.

CUSTOMER LOANS

Gross loans decreased to €58.4bn (Dec 2020: €59.4bn) primarily due to portfolio sales and redemptions slightly exceeding new lending. The Group's performing loan book increased marginally to €55.3bn (Dec 20: €55.1bn).

Total new lending increased 13% to €10.4bn (2020: €9.2bn) with a strong second half in which new lending grew by 28% versus H1 2021.

The mortgage market in Ireland performed strongly in 2021 with total market drawdowns of €10.5bn[(3)] up 25% from €8.4bn in 2020. New mortgage lending in our ROI business was up 26% in 2021 with a market share of 28.3%. With strengthened propositions across our different brands and channels, we are well positioned to benefit from a growing mortgage market over the coming years.

The impact of COVID-19 restrictions in 2021 continued to weigh on consumer credit demand and contributed to a 5% decline in new consumer lending. We expect a reversal of this trend with some positive indicators already in evidence in early 2022.

New lending in Capital Markets increased by 33%, driven by an increase in property, energy and corporate lending. Reflective of the improved economic environment, the outlook is favourable for the corporate sector, particularly given the low level of leverage and opportunities for growth. Sentiment in the SME sector has been mixed over recent periods. New commercial lending to the sector was down 3% in 2021 although Q4 showed strong growth of over 26% on the previous quarter.

In the UK, new lending was down with increased new mortgage lending offset by a reduction in commercial lending as we exited the GB SME market.

We continue to support our customers as we collectively tackle the challenges of climate change. In 2021, green and transitional lending was up 37% to €2.0bn and accounted for 19% of total new lending whilst our green mortgage products represented 23% of new mortgage lending.

In 2021, NPEs decreased by 28% to €3.1bn (5.4% gross loans) from €4.3bn (7.3% of gross loans) at December 2020. This decrease reflects €1bn of portfolio sales of long-term default NPEs and €0.7bn redemptions partly offset by €0.5bn net flow to NPEs. Reducing NPEs to our target of c. 3% remains a priority. Legacy NPEs[(5)] represent 1.5% of gross loans (€0.9bn) and are predominantly mortgages in long-term default. Non-legacy NPEs are primarily in sectors which were impacted by COVID-19 restrictions and have a higher propensity to cure particularly as the economic environment recovers. Given our track record and composition of NPEs, we remain confident of achieving our c. 3% target by 2023.

In terms of the outlook for loan book growth we expect a +5% CAGR for gross loans over the period to 2024.

FUNDING & CAPITAL

Strong funding and capital ensure AIB is well positioned for sustainable growth. Customer deposits of €92.9bn increased 13% from €82.0bn at December 2020 as COVID-19 pandemic-related savings continued to accumulate. This increase, together with €10bn TLTRO, contributed to higher cash held at the CBI of €35.2bn and BOE of €6.6bn. The Group continues to have strong funding and liquidity ratios with an LDR of 61%, LCR of 203% and NSFR of 160% at December 2021.

In May 2021 we issued our second green bond, raising €750m, the proceeds of which will contribute to the financing of projects with clear environmental and climate change benefits. This issue brought the total quantum of MREL[(9)] eligible instruments to €6.6bn and provides capacity for increases in

RWAs. The Group's MREL ratio at December 2021 was 31.9% of RWAs which is ahead of our intermediate target of 27.1% of RWAs for 1 January 2022. On average we expect to issue 2-3 debt issuances per annum.

Moody's upgraded AIB Group plc senior rating to Baa1 from Baa2 following the publication of their updated banks methodology with the stable outlook reaffirmed. Fitch revised the outlook to stable (from negative) and reaffirmed their ratings in October 2021. Similarly S&P reaffirmed ratings in January 2022. AIB continues to be rated investment grade across all three rating agencies.

Capital remains robust and ahead of minimum requirements of 10.2%. The fully loaded CET1 at December 2021 was 16.6%, up 100bps (Dec 20: 15.6%). The main drivers of the CET1 increase were profit (+120bps) and calendar provisioning (+30bps) offset by the acquisition of Goodbody (-20bps), proposed dividend (-20bps) and other capital adjustments (-10bps). The proforma capital impact of the proposed share buyback is c. 15bps which reduces the fully loaded CET1 ratio to 16.5% from the reported 16.6%.

Shareholder distributions

In line with our policy of a 40-60% payout, an ordinary cash dividend of €122m (4.5c per share) has been proposed and regulatory approval received for a buyback of shares of €91m. Together distributions of €213m are proposed representing 40% of attributable earnings. The resumption of distributions is an important milestone and we will seek to establish a sustainable and progressive ordinary cash dividend while maintaining optionality for buybacks.

STRATEGY & SUSTAINABILITY

Strategic progress

2021 was a year of significant strategic progress and achievements despite the uncertainties related to the COVID-19 pandemic. With clarity of strategy we quickly moved to implement our transformation programme to generate costs savings of €230m by 2023 with 35% achieved by end 2021. Progress was made across all initiatives including the agreed sale of c. £0.6bn GB SME loans delivering €35m annualised cost-savings, enhancing end-to-end credit management, 21 branch amalgamations, a further reduction in our head office footprint and improved efficiency through digitalisation, change delivery and legacy simplification.

We further accelerated our strategy through inorganic initiatives to fill product gaps and enhance our customer offering with a wider suite of products and services while diversifying revenue.

Corporate development activity in 2021, included:

- Completed acquisition of Goodbody, a leading Irish provider of wealth management, corporate finance and capital market services into AIB Group
- Agreed purchase of c. €3.7bn Ulster Bank corporate and commercial loans, subject to CCPC approval
- Agreed joint venture with Great-West LifeCo's subsidiary Canada Life to provide life, pension and investment solutions, CBI licence process underway and CCPC approval received
- Agreed joint venture with Autolease Fleet Management, trading as NIFTI, to provide car leasing solutions for business and personal customers supporting them in the transition to a lower carbon future

The strategic progress made in 2021 together with a favourable economic backdrop provides a platform for growth and the achievement of our medium-term 2023 targets:

- Focused cost discipline - **Absolute cost[(4)] base of <€1.475bn**
- Appropriate capital target - **CET1[(6)] of >13.5%**
- Deliver sustainable returns - **RoTE[(7)] of >9%**

Sustainability

Progressing our Sustainability agenda is a strategic priority for AIB. We continue to play our part to ensure a greener tomorrow by backing those building it today. The summary below shows some of the highlights of 2021 across each of the ESG categories/criteria:

Environment

- Net zero commitment in own operations (Scope 1 and Scope 2) by 2030; Net zero ambition in customer loan portfolio (ex-agriculture) by 2040, including agriculture by 2050
- Raised €750 million in our second green bond issuance
- Total green lending €2.0bn in 2021; 19% of new lending, with climate action fund doubled to €10bn by 2023
- Green mortgage propositions across all brands and further enhanced our green consumer loan
- Developed internal science based targets covering 63% of loan book and commitment to disclose in 2022
- Continued to embed climate risk management into operating model, including quantification of physical and transition risk in key portfolios, as well as bank wide training on climate risks and opportunities
- Our scope 1 and 2 emissions have reduced by 71% since 2009 and were down 19% in 2021

Social

- Published Social Bond Framework aligned to International Capital Market Association ("ICMA") Social Bond Principles 2020
- Supporting development of 3,000 social housing units as part of new €500m fund bringing total to €800m; €300m allocated
- Renewed our partnership with Food Cloud to 2023, with further investment of €1.5m
- AIB Together Community partnerships / fundraising of c. €10m
- Future of Work programme defining our return to office approach in the short and medium terms
- In 2021 AIB supported over 3,700 vulnerable customers and opened over 21,000 basic bank accounts, up from c. 17,000 in 2020
- Future Sparks Programme launched – an online programme for post-primary school consisting of subjects including financial wellness with 327,000 students participating

Governance

- AIB has been included in the S&P Global Sustainability Yearbook 2022 (companies must be within the top 15% of their industry to be included) [(10)]
- New Executive Committee Group Sustainability Committee introduced in addition to the existing Board-level Sustainable Business Advisory Committee to ensure integration of sustainability strategy and implementation
- Multi-year Sustainability Programme in train to deliver on AIB's ESG strategic ambition, our commitments and regulatory expectations

- ESG training provided at Board, Executive and employee level
- Gender balance at Board and Executive Committee & AIB ranked first in Ireland, and 11th in Europe in the EWOB Gender Diversity Index Report[11]
- Launched the AIB Sustainable Lending Framework, which outlines clear criteria by which we will report our green, transitional and social lending which is published externally
- Developed an enhanced ESG risk assessment for borrowers in sectors more exposed to climate risk
- First Irish company to have committed to use World Economic Forum Stakeholder Capitalism metrics in our reporting and first disclosures in 2021 annual report
- AIB signed up to the Net Zero Banking Alliance, Equator Principles and UN Global Compact in 2021

For more information please see the Detailed Sustainability Report on our website (aib.ie/sustainability).

OUTLOOK & GUIDANCE

Notwithstanding the current increased geopolitical risk and global uncertainty, 2022 is forecast to be another strong year of growth for the Irish economy.

With this favourable domestic economic backdrop and the strategic progress made in 2021, AIB entered 2022 with a strong business pipeline. This momentum together with our robust balance sheet, digital capability and scale of franchise, position us well to build on our platform for growth with estimated loan book CAGR of c. 5% to 2024. We are cognisant of the challenge of inflationary pressures and the uncertainty and timing of movements in interest rates.

Our priorities in 2022 include loan book growth to support our customers and the economy, progressing our cost savings programme, completing and integrating inorganic initiatives and closing out legacy items. In doing so we are confident of generating sustainable profits and returns for our shareholders as we advance towards 2023 and our medium-term targets.

Our strategy is set, the domestic operating landscape is supportive and we are united in our determination to make further significant progress in 2022 in the interests of all our stakeholders.

Guidance:

All guidance is for 2022 and based on a pre-acquisition basis (i.e. excluding the impact of agreed Ulster Bank loan book acquisition)

- NII is expected to be stable
- Other income is expected to be c. €630m
- Flat costs are expected as c. €80m cost savings from our transformation programme are primarily offset by the full year impact of Goodbody
- We maintain a cautious approach to asset quality and based on our current view of macroeconomic scenarios, we expect a small ECL charge in 2022
- Regulatory costs and bank levies are expected to be c. €140m
- Exceptional costs are expected to be c. €250m

Further detail is provided in the annual report which can be found on aib.ie/investorrelations

Notes:

1) *Operating profit before impairment losses and exceptional items*
2) *40% payout is based on attributable earnings: PAT - AT1 coupon adjusted for DTA utilisation*
3) *Source: Mortgage drawdowns BPFI Dec 2021*
4) *Costs before bank levies and regulatory fees and exceptional items*
5) *Legacy NPEs are those NPEs in default prior to December 2018*
6) *Fully loaded*
7) *RoTE = (PAT – AT1) / (CET1 @ 13.5% of RWAs)*
8) *TLTRO: Targeted Longer-Term Refinancing Operations*
9) *MREL: Minimum requirements for own funds and eligible liabilities*
10) *AIB inclusion in the S&P Global Sustainability Yearbook 2022 which assessed >7,500 companies. In the 2021 Corporate Sustainability Assessment AIB scored 70/100 (2020: 61/100) placing it in the 87th percentile of banks (2020: 78th percentile) as at 12 Nov 2021*
11) *The EWOB 2021 Gender Equality Index report looked at 668 publically listed companies across the EU, ranking them on diversity of board members, women in leadership functions and women at executive level*

Figures presented above may be subject to rounding and thereby differ to the 2021 Annual Financial Report

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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 the Principal risks on pages 28 to 30 in the 2021 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 28 to 30 of the 2021 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.