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AIB Group plc announces 30% increase in proposed dividend to €326m

"2017 was a pivotal year for AIB, with the successful completion of the largest IPO in Europe. Against the backdrop of an improving Irish economy, these strong results confirm that we are generating significant amounts of capital and on track to meet our medium term targets on a sustainable basis. We are a customer focused bank, growing earning loans and significantly reducing impaired loans. We increased capital by 220bps in the year resulting in the ability to deliver a progressive dividend, up 30% on 2016."
– Bernard Byrne, CEO

Financial Highlights

- **NIM : 2.58% (+35bps yoy)**
  Continued positive NIM expansion from stable asset yields and lower cost of funds
- **PBT (pre-exceptional): €1.6bn (+€0.1bn yoy)**
  Sustainable underlying profit before tax with strong income growth, controlled costs and enhanced by net credit provision writebacks
- **CET1 (fully loaded) : 17.5% (+220bps yoy)**
  Generated 280bps capital before proposed ordinary dividend of €326m (12c per share); well positioned for growth
- **CIR : 48% (4 percentage point improvement)**
  In line with the Group's expectations and 53% excluding enhanced income effects. On track to achieve a cost income ratio of below 50% in the medium term
- **New Lending : €9.4bn (+€1.0bn yoy)**
  Growth of 13% with increased new lending in all segments
- **Earning Loans : €57.0bn (+€0.9bn yoy; excluding FX +€1.6bn)**
  With new lending exceeding redemptions, the earning loan book has returned to net growth
- **Impaired Loans: €6.3bn (-€2.8bn yoy)**
  Reduction in impaired loans reflects the continued implementation of sustainable solutions for customers and improving economic conditions

Delivering on commitments

The combination of our strategic focus, growing mortgage and SME markets and an improving domestic backdrop, are resulting in delivery against commitments made during the IPO process. We have achieved a robust set of financial numbers, maintained strong positions in our core markets and made continued progress on our strategic priorities. Our four strategic pillars of Customer First, Simple and Efficient, Risk and Capital and Talent and Culture continue to be the foundations on which we build our business and measure our progress. We made good progress against these pillars this year.

2017 saw growth in new lending in our core customer markets against the backdrop of the ongoing recovery of the Irish economy:

- Approved €14.4bn in new lending with actual customer drawdowns at €9.4bn, up from €8.4bn in 2016
- In Retail & Commercial Banking mortgage lending was up 17%, personal lending was up 16%, and business lending was up 15%.
- Lending in Wholesale, Institutional & Corporate Banking was up 12% while in AIB UK new lending was up 12%
- Earning loan book of €57.0bn has grown by €0.9bn or €1.6bn excluding FX
- Supported by a stable and low cost funding model

We continue to focus on and invest in reducing impaired and non-performing loan exposures through sustainable business-as-usual restructuring supplemented by the disposal of distressed loan portfolios. Impaired loan balances fell by €2.8bn yoy to €6.3bn, an overall reduction of 78% or c. €23bn since 2013. On the broader regulatory definition, NPEs reduced by €3.9bn to €10.2bn (16% of gross loans). We remain focused on reaching normalised European levels by 2019.

The positive new lending performance with a widening NIM to 2.58% contributed to an 8% increase in net interest income to €2.2bn. The 35bps increase in NIM was driven by stable customer loan yields and further reduction in the cost of funding. On an underlying[1] basis NIM was 2.50% and in line with our medium term target of NIM of 2.40%+.

Strong income and well controlled costs delivered a cost income ratio of 48%. Total operating expenses[2] for the year at €1.4bn are in line with expectations and represents a c.€320m reduction on 2012 levels. Excluding income from cured/restructured loans, the cost income ratio was 53% and we are on track to achieve a cost income ratio of less than 50% by end 2019.

A credit provision writeback of €113m (2016: €294m) reflects the positive economic backdrop with rising security values and improved business cashflows. As we continue to restructure loans on a case by case basis, we expect writebacks to be materially less.

As guided, 2017 contained a number of exceptional items which collectively led to a €268m exceptional charge in the year. These one off items support the continuing evolution of the business model and the ongoing implementation of the underlying regulatory infrastructure. In the main they relate to our property strategy, termination payments and IFRS9 implementation.

Capital generation and returns

Our high capital base, comfortably above minimum regulatory requirements, gives us the ability to back our customers, grow our business, invest in the future and return surplus capital to shareholders over time.

- Continued strong capital generation and ratios with a fully loaded CET1 ratio of 17.5% up 220bps due to profit generation and a reduction in risk weighted assets
- Full year dividend of €326m for 2017, up 30% on the previous year
- Strong investor appetite continues to be evident with a listing that is well supported
- Return on tangible equity of 12.3%

[1] Excluding interest on cured loans

[2] Before bank levies, regulatory fees and exceptional items

A sustainable, customer focused and digitally innovative business
The ongoing recovery of the Irish economy continues to contribute to a strong financial performance. We continue to anticipate and respond to customer needs while remaining focused on the ongoing evolution of our operating model and digitally enabling the bank to deliver for our customers.

Our commitment to our customer first approach requires us to continue to build a sustainable business that shares value with the economies and communities in which we operate.

We help customers to achieve their dreams and ambitions, whether that means starting a new business, buying a new home, or saving for the future.

AIB continued to lead the mortgage market in 2017. We monitor and balance the considerations of price, volume and quality as part of our mortgage strategy, reflecting our core customer offering of lifetime value. Our market share of drawdowns for the year was 33%. We monitor this closely, tracking our share of applications which grew in the final quarter of 2017 and we have made a good start to 2018. On the housing front, in 2017 we also provided finance and support for social housing schemes and an enhanced Mortgage to Rent Scheme to help customers in difficulty.

Our investment in digital banking is making it easier for customers to draw on the services we offer. AIB is the market leader in digital banking in Ireland. The Bank completed a €870m three-year investment programme in 2017 and we continue to invest in our digital offering. As a result, we are offering more of our products through digital channels, they are being delivered faster and more efficiently:

- 1.3 million active online users, and 700,000 mobile users
- 69% of transactional customer activity is on digital channels
- 77% of personal loans are now applied for via mobile or online
- 95% of customer transactions are now automated

Outlook
We have had a positive start to 2018 as our strategy continues to deliver real customer benefits and good commercial outcomes. We are well positioned for future challenges and opportunities in a growing economy.

Further detail, including all relevant disclosures and notes to financial statements can be found on aib.ie/investorrelations.

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