EMBARGO 07:00 **3 November 2021**

AIB GROUP PLC – NINE MONTHS TO SEPTEMBER 2021 TRADING UPDATE (UNAUDITED)
Strong performance in Q3 with positive momentum

"I am pleased to report that the Group had a strong third quarter and is performing in line with our 2021 full year guidance. Looking to the fourth quarter and beyond, we expect the steady economic recovery to continue as our customers return to pre-pandemic levels of activity.

We are making meaningful progress towards achieving our medium-term targets as we deliver at pace on our strategy. Our robust balance sheet, leading digital capability and the strength and breadth of our franchise enable us to support our 2.8 million customers and the communities we serve.

The doubling of our Climate Action Fund to €10 billion will play a leading role in Ireland's transition to a low-carbon economy. The Group is also focused on continuing to fund the construction of much needed new homes and to provide mortgages to our customers and their families.

We are increasingly confident about the economic outlook and our ability to generate sustainable shareholder returns, and in this regard the Board will consider the resumption of dividends for 2021, subject to regulatory approval."

- Colin Hunt, Chief Executive Officer

Highlights: ***(all comparisons nine months to Sept 21 versus equivalent period 2020 unless otherwise stated)***

- Strong profitability in Q3 with current trading in line with expectations
- Confident in our delivery for 2021; full year guidance reiterated[1]
- Strong capital position continues; CET1 16.6%; significantly ahead of >13.5% target
- Total income broadly stable
    - Net interest income (NII) decreased 8%; on track for moderate full year decline
    - Other income increased 26%
- Costs in line with expectations; strategic cost initiatives on track
- Net credit impairment writeback in Q3; Asset quality remains resilient
- Performing loans stable at €55.1bn; new lending increased 7% to €7.2bn
    - ROI new mortgage lending increased 17% with green mortgages representing 18%
    - 31% mortgage market share in month of September, 27% YTD
- September pro-forma NPEs of c.€3.1bn (c. 5.3%) following c. €0.4bn agreed NPE portfolio sale
- Customer deposits of €90.7bn; increased 11% from Dec 20 as savings continue to accumulate
- Ireland's leading digital bank with 1.8m customers digitally active
- Doubled our Climate Action Fund to €10bn; first Irish bank to adopt the Equator Principles

Financial Performance

The Group is trading well and is on track to meet earnings expectations for the full year.

We reiterate our guidance that we expect a moderate decline in NII in 2021[1]. In the first nine months NII decreased 8% reflecting the impact of the lower interest rate environment, lower loan volumes and excess liquidity partially offset by momentum in our negative interest rate strategy. As at September 2021 c. €12bn deposits were at negative rates, up from €4.7bn at December 2020. The continued distortionary impact from c. 14bps excess liquidity grossing up the balance sheet contributed to a decline in NIM to 1.58% from 1.70% Q4 exit. NII in H1 2021 included €15m of TLTRO[2] III funding benefit as the relevant March 2021 lending benchmark target was achieved. We expect to recognise c. €50m TLTRO funding benefit in Q4 on TLTRO III borrowings of €10bn, subject to the achievement of the relevant December 2021 lending benchmark targets.

Interest rate sensitivity [3]

The structure of our balance sheet is geared towards higher rates in our core markets of ROI and UK. The table below shows the sensitivity of the Group's banking book to a 100 basis point parallel 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:

Sensitivity of projected NII to interest rate movements	**2020 €m**
+ 100 basis point parallel move in all interest rates	219
– 100 basis point parallel move in all interest rates	(202)

Other income increased 26% (+24% excluding Goodbody) and within this net fee and commission income increased 15%. We expect full year 2021 other income to be ahead of 2020 due to a better than expected performance as net fees and commissions return to more normalised levels and the inclusion of Goodbody.

Costs were stable in the first nine months and on a full year basis are expected to decline marginally (excluding c. €25m for Goodbody). We remain focused and on track to achieve our medium-term target of <€1.475bn[4] by 2023 which includes a commitment to generate €230m cost-savings.

Regulatory costs and levies for 2021 are expected to be c. €125m for the full year.

A further net credit impairment writeback was recorded in Q3 reflecting continued repayments, recoveries and a stronger macro environment, we expect this trend to continue in the fourth quarter. Macroeconomic scenarios will be updated as part of the full-year credit impairment process reflecting the strengthening environment.

Exceptional costs are expected to be c. €350m in 2021 as guided.

Balance sheet

Gross loans of €58.5bn were broadly stable from €58.7bn in June 21. New lending of €7.2bn for the nine months to September represented 7% growth versus the equivalent prior year period with a pick-up in momentum in Q3 to €2.7bn (Q1: €2.3bn, Q2: €2.2bn). We expect this trend to continue in Q4 as H2 new lending is on track to outperform H1 with a strong performance expected in mortgages and corporate banking.

The Irish mortgage market continued to perform strongly in Q3 with nine months drawdowns up 32% on the prior year period. Market estimates have been revised upwards to >€10bn for 2021.
YTD ROI new mortgage lending increased 17% versus the prior year with 36% increase in Q3 versus Q2. Our mortgage market share of drawdowns in the month of September was 31% (Sept YTD 27%) as the strong pipeline of applications and approvals that we have seen throughout 2021 is converting to drawdowns.

New lending in AIB Capital Markets[5] increased 20% with strong performances particularly in renewable energy and property. SME new lending to September was up 3% and the pipeline is robust across a number of sectors. New consumer lending remains sluggish reflecting subdued credit demand.

Our commitment to the sustainability agenda and support for customers transitioning to a lower-carbon economy is reflected in €1.4bn of new green lending recorded in the first nine months of the year. Within this our green mortgage product represented 18% of new ROI mortgage lending.

NPEs decreased to €3.5bn or 5.9% of gross loans at end September (Dec 20: €4.3bn or 7.3%). Including the recently announced long-term default c. €0.4bn portfolio sale, NPEs are c. €3.1bn or c. 5.3% on a pro-forma basis. Asset quality remains resilient with minimal net flow to Stage 3. We are well progressed towards our medium-term target of c.3%.

Funding & Capital

The loan to deposit ratio was 62% at the end of Q3 2021. The strong trend in customer deposits continued in the third quarter with €90.7bn at the end of September compared to €88.3bn in June (Dec 20: €82.0bn). Cash held at the CBI (inclusive of €10bn TLTRO) amounted to €33.5bn at the end of Sept (Dec 20: €19.3bn).

The fully loaded CET1 at the end of Q3 was 16.6% (Dec 20: 15.6%) which is well ahead of our medium-term target of >13.5% and regulatory requirements. The main movements since June (CET1: 16.4%) are organic capital generation and lower RWAs partially offset by the impact of Goodbody c. 16bps. Additionally we expect a further c. 25bps CET1 benefit as a result of the recently announced NPE portfolio sale.

Following the easing of regulatory guidelines in relation to capital distributions for European banks, the Board will consider the resumption of dividends for 2021, subject to regulatory approval.

Strategic progress & Sustainability

Implementation of our strategic plan continues and we are making good progress in advancing our digitalisation and ways of working programmes.

Following receipt of all regulatory approvals, on 1 September we announced the completion of the acquisition of Goodbody. Competition and Consumer Protection Commission (CCPC) approval has been received for our joint venture proposition with Great-West LifeCo with the regulatory approval process progressing well. Commercial negotiations with NatWest Holdings Limited, for the acquisition of a c. €4bn performing corporate and commercial loan portfolio, have completed and the CCPC approval process is now underway. Our plans to exit the GB SME market are progressing well with a sales process significantly advanced and we have moved to preferred bidder stage.

AIB became the first Irish bank to adopt the Equator Principles, a globally recognised risk management framework used by financial institutions for determining, assessing and managing environmental and social risk in projects. Additionally in October we doubled our Climate Action Fund to €10bn due to strong customer demand.

Following a strong performance in Q3 with an economy that has effectively fully re-opened we are confident for the remainder of the year and we continue to focus on embedding our strategy and supporting our customers.

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Analyst conference call

There will be a conference call for analysts at 08:30 GMT today 3 November, hosted by Colin Hunt, CEO, and Donal Galvin, CFO.

Dial in details for this event are as follows:

Ireland:	01 5060650
International:	+44 (0) 2071 928338
USA	+1 646 741-3167
Conference ID	**8089418**

(1) Guidance excludes impact of inorganic opportunities
(2) TLTRO: Targeted Longer-Term Refinancing Operations
(3) For further information please see page 159 of Annual Report 2020
(4) Costs before bank levies and regulatory fees and exceptional items
(5) AIB Capital Markets formerly Corporate, Institutional and Business Banking (CIB)

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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 50 to 53 in the Annual Financial Report 2020 and updated on page 36 of the Half-Yearly Financial Report 2021. 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 Annual Financial Report 2020 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.

Figures presented may be subject to rounding.