EMBARGO 07:00 **05 May 2022**

AIB GROUP PLC – Q1 2022 TRADING UPDATE (UNAUDITED)
Strong Q1 performance - positive momentum with confidence in our outlook

"Today I am pleased to announce both a strong first quarter performance and the commencement of our share buyback programme. Notwithstanding heightened geopolitical risk and uncertainty internationally, the Irish economy remains strong. While maintaining a focus on cost discipline, we continue to execute our strategy at pace, delivering both inorganic and organic growth. We have received competition clearance for the acquisition of Ulster Bank's corporate and commercial loans and we are in exclusive discussions for the acquisition of Ulster Bank's performing tracker mortgages. New lending grew by 18% in Q1 and, with an enhanced suite of sustainable propositions, green lending represented 22% of new lending. We are conscious that higher prices are affecting our customers and we will continue to support them and the wider economy through the challenges ahead, just as we did during the pandemic. We remain confident in our outlook and with each passing quarter, we are delivering on our strategic priorities as we build an ever more resilient and sustainable business in the interests of all our stakeholders."

- Colin Hunt, Chief Executive Officer

Key highlights: ***(all comparisons Q1 2022 versus Q1 2021 unless otherwise stated)***

- Strong Q1 performance with momentum in the business
    - Confident for the remainder of 2022; upward revision to income outlook
- Total income increased 4% enhanced by diversified income streams
    - Stable net interest income; Other income increased 14%
- Continued focus on cost discipline; €230m cost savings programme on track
    - Broadly flat operating expenses(1) with stable FTEs since Dec 21
- Net credit impairment writeback of c. €50m
- Performing loans of €55.7bn, up €0.4bn since Dec 21; new lending of €2.8bn up 18%
    - Mortgage market share 32.2% Mar YTD(2)
    - Green lending represented 22% of new lending
- NPEs down to €3.0bn or 5.1% of gross loans (Dec 21: €3.1bn or 5.4%)
- Strong funding: Customer deposits of €91.7bn (Dec 21: €92.9bn); €1bn social bond issued
- Fully loaded CET1(3) of 16.6% (Dec 21: 16.5%); well ahead of >13.5% target
- Competition clearance received for the acquisition of Ulster Bank's corporate & commercial loans
- In exclusive discussions with NatWest Group plc for the acquisition of c. €6bn Ulster Bank performing tracker (and linked) mortgages
- Share buyback programme announced for up to €91m includes on-market and directed share purchases from the Minister for Finance
- 37% increase in the number of accounts opened, over half opened via digital channels

Financial Performance

The Group recorded a strong financial performance in the first quarter of 2022.

Net interest income (NII) was stable in Q1 compared to Q1 2021 despite lower gross loans following disposals in 2021 of €1bn NPEs and lower UK loans following the Group's decision to exit the GB SME market. Deposits at negative rates increased from c. €12bn in Dec 21 to current levels of c. €14bn. Q1 NIM of 1.45% was 4bps higher than the Q4 2021 exit NIM of 1.41%(4).

In an update to previous guidance of stable NII (which assumed official ECB and BOE rates of -50bps and 100bps respectively), we now expect NII to increase by a high single-digit percentage in 2022 compared to 2021 as we incorporate the expected impact of rising interest rates and the acquisition of the Ulster Bank corporate and commercial loans.

Interest rate sensitivity (5)
The table below shows updated NII sensitivities. The impact of higher European market rates, relative to Dec 21, is because European Central Bank rates are now forecast to be higher than our original year end 2022 assumption of -50bps. The updated sensitivities use rates as at 31 March with assumptions of ECB Deposit rate of 0% and BOE rate of 2% by December 2022.

NII Sensitivity as at Mar 2022 (€m)	**-100bps**	**+25bps**	**+50bps**	**+100bps**
Euro	(220)	42	106	268
Sterling	(51)	12	24	48
Other (mainly US$)	(17)	4	9	17
Total	**(288)**	**58**	**139**	**333**

Other income, inclusive of Goodbody, increased 14% on the prior year period with strong performances across fee-based lines. With the Irish economy fully open post-COVID-19 restrictions, which were in place for Q1 2021, increased customer activity and the impact of Goodbody led to a 33% growth in net fee and commission income. We expect full year 2022 other income of c. €630m.

Q1 2022 operating costs, inclusive of Goodbody, were broadly flat to Q1 2021 or 2% lower excluding Goodbody. This reflects the progress to date on our strategic cost savings programme which remains on schedule. FTEs at end Q1 2022 were 8,916, in line with Dec 21 and down 6% on the prior year on an underlying basis(6). In line with guidance we expect flat costs in 2022 and the addition of costs associated with the Ulster Bank corporate and commercial loans. Whilst we are alert to inflationary pressures and the need for additional temporary resources to on-board new customers from those banks exiting the market, we maintain our focus on our medium-term target of < €1.475bn(1) by 2023.

Regulatory costs and levies for 2022, including the Single Resolution Fund (SRF), the Deposit Guarantee Scheme and the Bank Levy, are expected to be c. €150m for the full year including the impact of higher than expected SRF costs.

A net credit impairment writeback was recorded in Q1 of c. €50m and reflects a number of factors including some release of COVID-19-related post model adjustments, recoveries/repayments, changes to macroeconomic scenario weightings to reflect global slowdown following the increase in geopolitical risks and an element of new business ECL charge.

At this point in time for FY 2022, we expect a small writeback before the impact of the Ulster Bank corporate and commercial loans. Including the estimated Day 1 ECL impact of this acquisition, we expect a small charge for the year.

The Group has negligible direct credit exposure to Ukraine, Russia or Belarus.

As guided, we expect to incur exceptional costs in 2022 of c. €250m.

Balance sheet

Gross loans of €58.7bn were up €0.3bn in the quarter (Dec 21: €58.4bn) primarily driven by new lending exceeding redemptions. Performing loans of €55.7bn were up €0.4bn versus Dec 21. Incorporating the phased migration of Ulster Bank corporate and commercial loans, we expect customer loans to grow by a high single digit percentage in 2022.

In Q1 total new lending of €2.8bn (+18% versus Q1 21) was recorded with positive trends across Retail Banking and Capital Markets.

The Irish mortgage market continued to perform strongly in Q1 2022 with total drawdowns up 17% on Q1 2021. Our new mortgage lending in Ireland was €0.8bn in the quarter, up 58%, our highest Q1 new mortgage lending in three years and resulted in market share of 32.2%. This strong momentum is expected to continue for the remainder of the year.

The reopening of the Irish economy led to an improvement in consumer and business sentiment and saw a 24% increase in new personal lending while new lending to SMEs in Ireland was up 3% in Q1. With continued momentum from H2 2021 Capital Markets had a very strong Q1 particularly in Corporate Banking and Real Estate Finance.

We continue to support our customers with the transition to a lower-carbon economy and green lending accounted for 22% of new lending whilst our green mortgage product represented 23% of new ROI mortgage lending.

NPEs decreased to €3.0bn or 5.1% of gross loans (Dec 21: €3.1bn or 5.4%), the lowest level since the global financial crisis and we remain on track to achieve our c.3% target by 2023.

The loan to deposit ratio was 62% at the end of Q1 2022.

Capital

The fully loaded CET1 at the end of Q1 was 16.6% and reflects the impact of the €91 million share buyback. This compares to 16.5% at the end of December on an equivalent basis. In Q2 we expect the acquisition of the Ulster Bank corporate and commercial loans to reduce CET1 by c. 130bps(7). Movements in CET1 in Q1 include organic capital generation, reduction in RWAs partially offset by a dividend accrual (in line with CRR guidance) and other regulatory deductions. 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.

AIB announces that, from today, it will commence a share buyback programme for up to €91m which will include (i) an on-market buyback of shares and (ii) a directed buyback of shares from the Minister for Finance. For further information please see separate announcement on the share buyback programme.

Strategy 2023 and Outlook

Update on strategic initiatives

- Entered into exclusive discussions with NatWest Group plc for the acquisition of c. €6bn Ulster Bank performing tracker (and linked) mortgages. Any potential transaction remains subject to negotiations and agreement
- Received competition clearance from CCPC on 28 April 2022 for the acquisition of c. €3.7bn(7) Ulster Bank performing corporate and commercial loans
- Progress on enhancing our wealth management proposition continues with Goodbody now integrated and our joint venture with Great-West LifeCo set to launch later this year
- Implementation of €230m cost savings programme on track

Sustainability highlights

Environmental:

- Introduction of discounted loans to residential developers who meet the 'Irish Green Building Council' benchmark which include standards for water efficiency, air quality and transport links in addition to energy efficiency
- AIB is part of a consortium financing the €500m Greenlink Interconnector linking Ireland with Wales which enables additional renewable energy sources for the Irish power system.
- Completed a tender process for the development of a Corporate Purchase Power Agreement which enables AIB to source our own energy

Social:

- Issuance of Ireland's first Social Bond, raising €1bn (order book twice oversubscribed with a diverse investor base) with investment into projects with clear social benefits
- Donated an initial €250,000 to support GOAL's Ukraine Emergency Appeal, as part of an overall €500,000 commitment to support those in need; matching all staff donations currently at €83,000
- The number of accounts opened increased 37% and 28% compared to Q1 2021 and Q4 2021 respectively with more than half opened via digital channels. Personal accounts opened via our mobile app increased 104% versus Q1 2021

Governance:

- Science-based targets defined for Corporate Loans [8]
- Goodbody is now a member of Sustainable Trading, a non-profit membership network focused on setting the standard for ESG best practice in financial markets trading
- Received the overall ESG award at the 2021 Business & Finance, Irish business annual awards

Outlook

Following a return to profitability in 2021 and a strong first quarter, 2022 will be a pivotal year for the Group as we close out legacy items, integrate inorganic initiatives and work towards our strategic targets. While the domestic macro environment is supportive with Irish economic growth forecast at c. 5%, we are conscious of increased geopolitical risk and uncertainty in the global economy. We remain mindful of inflationary pressures and the prospect of interest rate increases.

We are conscious that higher prices are affecting our personal, business and corporate customers this year as the Russian invasion of Ukraine has further contributed to price inflation, soaring energy costs and supply chain issues. We aim to support our customers and the wider economy through the challenges ahead just as we did during the pandemic.

With a resilient balance sheet and strong business pipeline we are confident for the remainder of the year as we focus on implementing our strategy and supporting our customers.

Guidance for 2022[9]:

- Net interest income to increase by a high single-digit percentage
- Other income of c. €630m
- Flat costs and the addition of costs associated with the Ulster Bank corporate and commercial loans
- A small writeback before the impact of the Ulster Bank corporate and commercial loans acquisition. Including the estimated Day 1 ECL impact of this acquisition, a small charge is expected
- Regulatory costs and bank levies of c. €150m
- Exceptional costs of c. €250m
- Customer loans to grow by a high single-digit percentage

We will announce our half-yearly financial results on 29 July 2022.

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Note: Figures presented above may be subject to rounding

Abbreviations:
CCPC: Competition and Consumer Protection Commission
FTE: Full time equivalents

(1) Costs before bank levies and regulatory fees and exceptional items
(2) Source: Mortgage drawdowns BPFI March 2022
(3) CET1 at both end March 2022 and December 2021 reflect the impact of the €91m buyback
(4) Q4 exit NIM excludes €50m of net TLTRO benefit
(5) For further information please see page 156 of the 2021 Annual Report; reported sensitivities should not be considered a forecast of future performance

(6) Excluding Goodbody
(7) Estimate based on transaction had it completed on 31 December 2021
(8) Validation with Science-based targets initiative planned for H2 2022
(9) 2022 guidance does not include the potential acquisition of Ulster Bank's performing tracker mortgages announced on 29 April 2022

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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.