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## AIB Group plc – European Banking Authority (EBA) European-wide stress test 2023

AIB notes the announcements made today by the EBA on the EU-wide stress test.

### CFO comment on EBA EU-wide stress test

*“Our result of 9.95% fully loaded CET1 in the EBA’s hypothetical adverse scenario demonstrates our high capital base and capital resilience in the face of one of the most severe EBA adverse scenarios to date. Capital depletion of 6.3% marks an improvement on the 2021 exercise, despite this test being more severe. AIB continues to be very well-capitalised with a CET1 ratio of 15.7% at H1 2023 which remains substantially in excess of regulatory requirements.”*

*-Donal Galvin, CFO*

### Results of EBA EU-wide stress test

AIB Group plc (“AIB”) was subject to the 2023 EU-wide stress test conducted by the European Banking Authority (EBA), in cooperation with the Central Bank of Ireland (CBI), the European Central Bank (ECB), the European Commission (EC) and the European Systemic Risk Board (ESRB).

AIB’s capital ratios and EBA stress test results are outlined below:

AIB CET 1 capital ratios	Dec 2022
CET 1 - Transitional	17.90%
CET 1 - Fully loaded	16.27%
EBA 2023 stress test results	Dec 2025 (Adverse scenario)
CET 1 <sup>(1)</sup>	9.95%

The 2023 EU-wide stress test does not contain a pass-fail threshold and instead is designed to assist competent authorities in assessing AIB’s ability to meet applicable prudential requirements under stressed scenarios.

The adverse stress test scenario was set by the ECB/ESRB and covers a three-year time horizon (2023-2025). The stress test was carried out applying a static balance sheet assumption as of December 2022, and therefore does not take into account future business strategies and management actions. It is not a forecast of AIB’s profits.

No capital action is envisaged for AIB as a result of the EBA stress test results.

The 2023 EBA stress test adverse scenario resulted in capital depletion of 6.3% on a fully loaded basis and is lower than the 2021 EBA stress test adverse scenario (capital depletion 6.8%), reflecting the improved risk profile of the Group. CET1 in the adverse scenario of 9.95% is well above the total SREP capital requirement (TSCR) of 6.05%<sup>(2)</sup>.

AIB Group plc published its half-yearly financial results this morning, further information is available on our website.

**-ENDS-**

**Further information:**

- The severe nature of the adverse scenario reflects the EBA's deliberate choice and purpose of the stress test exercise, which is to assess the resilience of the European banking system to a hypothetical severely deteriorated macro-environment
- The EBA's 2023 adverse scenario is the most severe to date in terms of GDP decline. The scenario also includes a significant shock to Irish unemployment which is assumed to increase from a low starting position of 4.7% at Dec 2022 to a peak of 12.4%. For further scenario information, please refer to the EBA website [here](#)
- Due to the methodology, net interest income (NII) was capped at 2022 levels such that the increasing interest rate environment was not incorporated into the assessment.
- AIB's stress test results are heavily influenced by past experience and historical credit losses; they do not fully capture the significant improvements in risk management and credit underwriting since the global financial crisis (GFC)

To view the results including disclosure templates published by EBA for AIB please [click here](#)

<sup>(1)</sup> Note that both the transitional and fully loaded CET1 ratios are the same by the end of the stress test period as all transitional adjustments are fully phased out.

<sup>(2)</sup> TSCR is the sum of Pillar 1 (4.5%) and Pillar 2 requirement (1.55%) and excludes combined buffer requirements

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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 23 to 25 in the Annual Financial Report 2022 and updated on page 33 of the Half-Yearly Financial Report 2023. In addition to matters relating to the Group's business, future performance will be impacted by the Group's ability along with governments and other stakeholders to measure, manage and mitigate the impacts of climate change effectively, the impact of higher inflation on customer sentiment and by Irish, UK and wider European and global economic and financial market considerations. Future performance will further be impacted by the direct and indirect consequences of the Russia-Ukraine war on European and global macroeconomic conditions and any enduring effects of the COVID-19 pandemic. 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 23 to 25 of the Annual Financial Report 2022 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.