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AIB Group PLC
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AIB GROUP PLC - Q3 2024 TRADING UPDATE (UNAUDITED)

Very strong Q3 performance driven by income and loan book growth

"I am pleased to announce that the Group had a very strong third quarter performance, continuing the momentum from the first half. Income generation was robust, gross loans grew to €70.4bn and new lending to September increased by 17% to €10 billion, of which 35% was green lending. Demonstrating our ability to generate and return capital, we completed a €500 million directed share buyback with the Minister for Finance in the third quarter, bringing payments to the State to €17 billion including €3.1 billion this year.

We remain confident in our outlook for the remainder of 2024 and beyond given our 3.3 million customer base, competitive market positioning, growing loan book and resilient and diversifying income. The Irish economy continues to perform well and AIB plays a key role in its success by supporting our customers and their communities. We are implementing our strategy at pace and remain on course to deliver sustainable returns to our shareholders guided by our medium-term target of a RoTE of 15%."

- Colin Hunt, Chief Executive Officer

Key highlights: ***(all comparisons 9 months to Sept 2024 versus 9 months to Sept 2023 unless otherwise stated)***

- Upgrade to loan book growth guidance to 5-6%; all other 2024 guidance reiterated
- Total income increased 7%
  - NII up 12%; NIM YTD to September 3.22%
  - Increase of 6% in net fee and commission income
- Costs(1) up 6% in line with guidance; Cost income ratio 38%
- Gross loans increased to €70.4bn, up €3.4bn or 5% since Dec 2023
  - New lending up 17% to €10.0bn; of which 35% was green lending at €3.5bn
  - Completed final migration of €0.8bn Ulster Bank tracker mortgages
  - Mortgage market share 36% Sept YTD(2)
- Strong and diversified funding:
  - Growth in customer accounts to €108bn (Dec 23: €104.8bn; Jun 24: €107bn)
  - The flow of funds to term accounts has slowed in Q3
- CET1 of 15.8%(3) (Jun 24: 15.5%) driven by strong organic capital generation
- €500m directed buyback completed; State shareholding at 20.99% in September

Financial Performance

The Group recorded a very strong financial performance in the first nine months.

Net interest income was 12% higher in the nine months to September compared to the equivalent prior year period, primarily as a result of higher interest rates and an increase in average loan volumes. Net interest margin (NIM) for September YTD was 3.22% and the Q3 2024 exit NIM was 3.19%. For the nine months to September the deposit beta was c. 12%. Our full year 2024 NII guidance of c. €4.0bnassumes an ECB deposit rate of 3% at December 2024 and a deposit beta of <15%. The outlook for NII remainsresilient in a lower rate environment due to our stable and granular deposit base, growth in our loan book and management of our structural hedge programme to reduce NII sensitivity.

Other income decreased 15% on the equivalent prior year period, reflecting lower income from forward contracts with the completion of the onboarding of Ulster Bank loans. There were strong performances across fee-based lines primarily completion of the onboarding of Ulster Bank loans. There were strong performances across fee based lines primarily reflecting higher volumes from a larger customer base and we continue to enhance our wealth management proposition. Full year 2024 other income is expected to be >€700m.

Operating costs were up 6%, due to increased staff numbers to support higher business volumes, inflation and enhanced employee benefits. FTEs at end Q3 2024 were 10,692 (Jun 24: 10,617). We expect 2024 costs to increase by 6-7% plus the previously announced c. €25m once-off spend for customer and operational efficiency initiatives including investment in our branch network.

Asset quality remained robust in Q3. We maintain our conservative, forward-looking and comprehensive ECL approach and for full year 2024 we expect a cost of risk (CoR) at the lower end of a 20-30bps range.

Regulatory costs and levies are expected to be c. €145m for full year 2024.

Balance sheet

Gross loans of €70.4bn were up €3.4bn or 5% (Dec 2023: €67.0bn) driven by new lending of €10.0bn and the completion of the onboarding of €0.8bn Ulster Bank tracker mortgages. We expect customer loans togrow by 5-6% in 2024, upgraded from previous guidance of 4%.

Total new lending for the nine months to September increased by 17% to €10.0bn with positive trends across our new Climate Capital segment, personal lending and mortgages.

New mortgage lending in Ireland was up 10% to €3.1bn and reflected a market share of 36%. Personal lending in Ireland was up 9% to €1.0bn reflecting our larger customer base and an increase in consumer credit demand. New lending to SMEs in Ireland increased by 4% to €1.2bn.

New lending in Capital Markets increased by 11% to €3.0bn. In the UK new lending was up 4% to £0.7bn as we focus on our chosen market sectors.

Climate Capital had a very strong performance with new lending of €1.3bn in the nine months to Septemberas we continue to finance the transition to renewable energy and infrastructure.

Green lending accounted for 35% of new lending with €15.1bn of new green lending since 2019 as we continue to support our customers transition to a more sustainable future. Green mortgages represented 50% of new mortgage lending.

NPEs were unchanged from June 2024 at €2.2bn representing 3.1% of gross loans (Dec 2023: €2.0bn or 3%) and we remain vigilant with careful management of the loan book.

Funding and Capital

Strong funding and capital ensure AIB is well-positioned for sustainable growth. Customer accounts increased by €3.2bn to €108.0bn (Dec 23: €104.8bn; Jun 24: €107.0bn) with 92% of accounts ROI-based. The mix between current accounts and deposits remains broadly unchanged from December 2023 and the flow of funds to term accounts has slowed in the third quarter.

The Group continues to have strong funding and liquidity ratios with an LDR of 64%, LCR of 204% and NSFR of 162%[4] at Q3 2024 which compare to 63%, 199% and 159% respectively at December 2023.

Capital remains robust and comfortably ahead of minimum requirements. The CET1ratio was 15.8%[3] (Dec 23: 15.8%) and reflects strong capital generation, offset by a dividend accrual in line with the Group's policy, the €505m[5] share buyback which is now complete and an increase in RWAs. We continue to expect a positive impact from Basel IV of c. 50bps while our inaugural SRT is nearing completion with an estimated CET1 benefit of c. 20bps.

Distributions: AIB targets a payout ratio at the upper end of 40-60% ordinary policy range and has capacity for additional distributions above policy as we move towards our medium-term target of CET1 >14%, subject to Board and regulatory approval.

Sustainability

Environmental

- AIB announced two new shorter term green fixed mortgage products of two and three years on homes with an energy rating of B3 or higher
- Committed to our communities, AIB is investing €40m in its branch network, the largest in Ireland, which will reduce our operational carbon emissions by a further 10%

Social

- AIB introduced a voluntary customer-request block feature on debit and credit card transactions which are classified as linked to gambling
- AIB and GOAL have been awarded Corporate Charity Partnership of the Year (joint) at the Charities Institute Ireland's Charity Excellence Awards

Governance

- The Irish State's shareholding continues to reduce and was 20.99% in September
- Our 8th annual AIB Sustainability Conference takes place on 25th November. The ambition for this year's conference is to highlight the opportunity the required transition presents, and the central role AIB continues to play in supporting our customers on this journey

Outlook

As we close out the first year of our new strategic cycle, the Group is on track to deliver a very strong performance in 2024. Against the backdrop of a supportive domestic economy we are well-positioned for the future with a growing loan book and resilient and diversifying income. Our confidence in our outlook for the remainder of 2024 and beyond is underpinned by our leading customer franchise, competitive market positioning and strong balance sheet.

Guidance full year 2024:

Reiterate 2024 guidance with an upgrade to expected loan book growth

- NII is expected to be c. €4.0bn
- Other income is expected to be >€700m
- Costs are expected to increase 6-7% plus c. €25m once-off spend
- We expect a CoR at the lower end of a 20-30bps range
- Bank levies and regulatory fees are expected to be c. €145m
- Exceptional costs are expected to be c. €100m
- Customer loans are expected to grow by 5-6%, previous guidance 4%

2026 Medium-term targets:

- RoTE of 15%
- CET1 >14% with a buffer over MDA of at least 250bps
- Absolute cost <€2 billion with a CIR of <50%

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Analyst conference call

Colin Hunt, CEO and Donal Galvin, CFO, will host a conference call today at 08.00 GMT for 30 minutes.

CONFERENCE CALL ACCESS

Please register in advance [AIB Q3 2024 Trading Update-Self Registration] to receive the dial in details including the Conference Pin and your unique User PIN. You will be unable to access this call without your unique User PIN

REPLAY will be available until 19 November 2024 - dial your preferred number followed by **3367679#**

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Note: Figures presented above may be subject to rounding

Abbreviations:
RoTE: Return on tangible equity; RoTE = (PAT-AT1) / (CET1 @14% of RWAs)

(1) Costs before bank levies and regulatory fees and exceptional items

(2) Source: Mortgage drawdowns BPFI September 2024

(3) In accordance with ECB guidance and under Article 26(2), year to date profits have not been recognised in the September regulatory reported CET1 of 14.9%. The regulatory reported CET1 of 14.9% is net of the mid-year €505m share buyback.

(4) Subject to finalisation

(5) Includes €500m directed buyback, an amount for the Odd-lot offer and all costs related to the buybacks

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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 Principal Risks on pages 27 to 30 of the Annual Financial Report 2023 and updated on page 32 of the 2024 Half-Year Financial Report. In addition to matters relating to the Group's business, future performance will be impacted by (i) the Group's ability along with governments and other stakeholders to measure, manage and mitigate the impacts of climate change effectively, (ii) the impacts of inflation and (iii) Irish, UK and wider European and global economic and financial market considerations. Future performance could also be impacted by the direct and indirect consequences of conflicts in the Middle East and Ukraine. 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 27 to 30 of the Annual Financial Report 2023 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.