

# 2024-2026 Strategic update



# Strategy 2020 – 2023 has transformed AIB

## *Providing a strong and resilient platform for the future*

Dec 2020

**Three year plan to accelerate strategy** through transformation

RoTE (11.2%)(<sup>1</sup>)

### Ways of working

- Lower property and carbon footprint
- Hybrid working model

### Sustainability

- Expanded suite of green products
- ESG integrated credit decision making

### Digitalisation

- Enhanced digital credit processes
- Refocused branch network

Dec 2022

**Revised medium-term targets** in light of changed operating environment

RoTE 9.6%

### Changed environment

- Two banks exited the Irish market
- Rising interest rates and inflation

### Customer recruitment

- Safely onboarded new customers

### Corporate development

- Exit of GB SME business
- Acquired Ulster Bank loan books
- Acquired Goodbody
- JV with Great-West Lifeco

End 2023

**Strategy 2023 completed**  
Reshaped AIB delivering sustainable returns

RoTE 25.7%

### Enhanced customer base and franchise

- 3.3m customers (2020: 2.8m)
- Filled product gaps, especially wealth offering

### Transformed and de-risked balance sheet

- 14% growth in loan book since 2020(<sup>2</sup>)
- 3% NPE target achieved

### Resilient customer-focused technology

- c.€300m average investment spend p.a.
- 2.19m digitally active customers

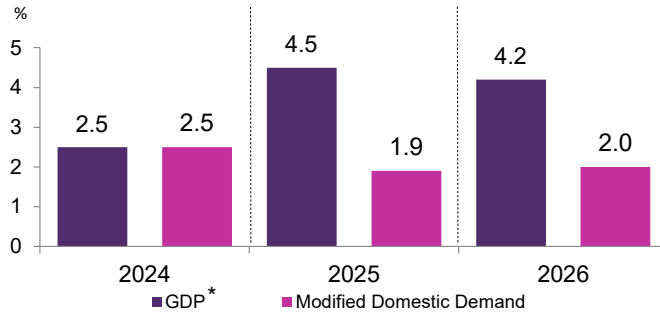
Underpinned by our long-standing commitment to sustainability

(<sup>1</sup>) Reflects impact of €1.46bn ECL charge for the potential impact of Covid-19 pandemic

(<sup>2</sup>) Includes remaining c. €1bn Ulster Bank tracker mortgages to migrate in 2024

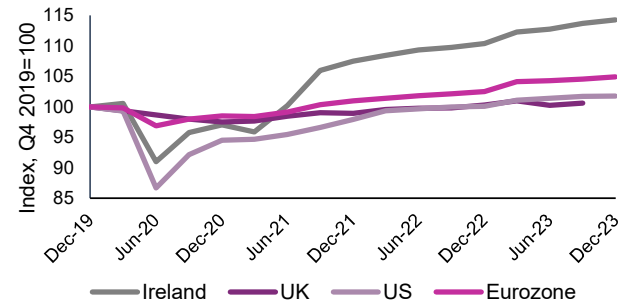
# Attractive Irish economic fundamentals

## Good growth forecast for 2024-26 despite headwinds



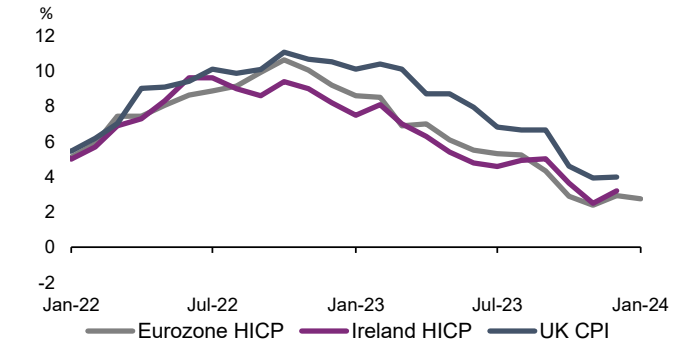
Source: CBI 'Quarterly Bulletin Q4 2023'

## Irish employment rises sharply post the pandemic



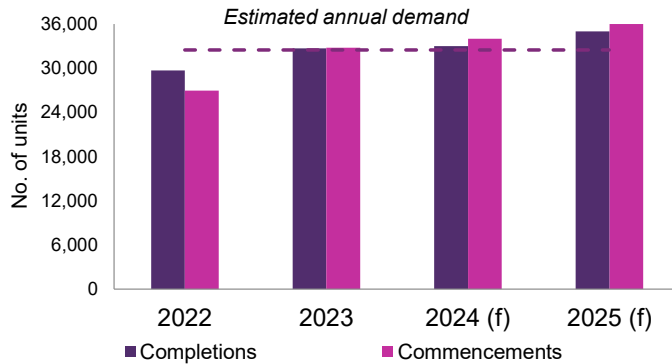
Source: CSO, ONS, EuroStat, BEA

## Irish inflation rate falls sharply, in-line with elsewhere



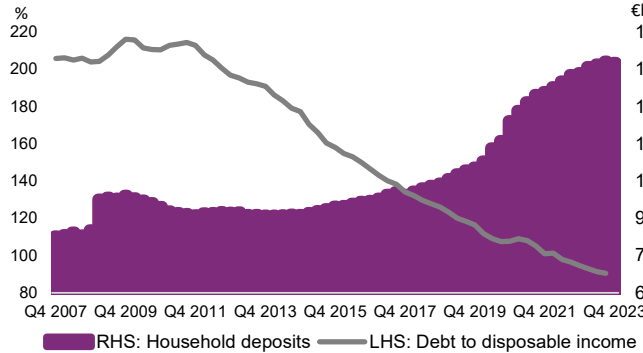
Source: CSO, ONS, EuroStat

## Housing activity expected to continue to trend higher



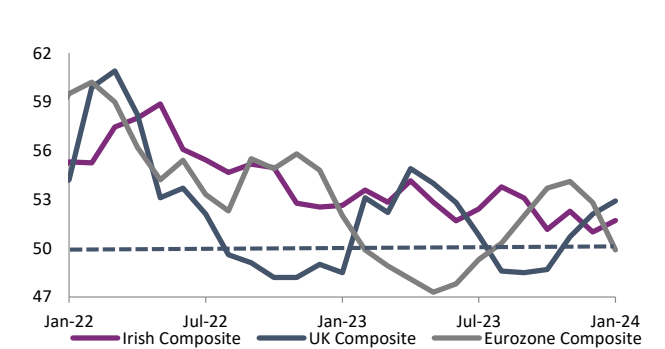
Source: CSO, CBI, Dept. of Housing, AIB ERU

## Household deposits remain elevated, indebtedness falls



Source: CSO, Central Bank, AIB ERU

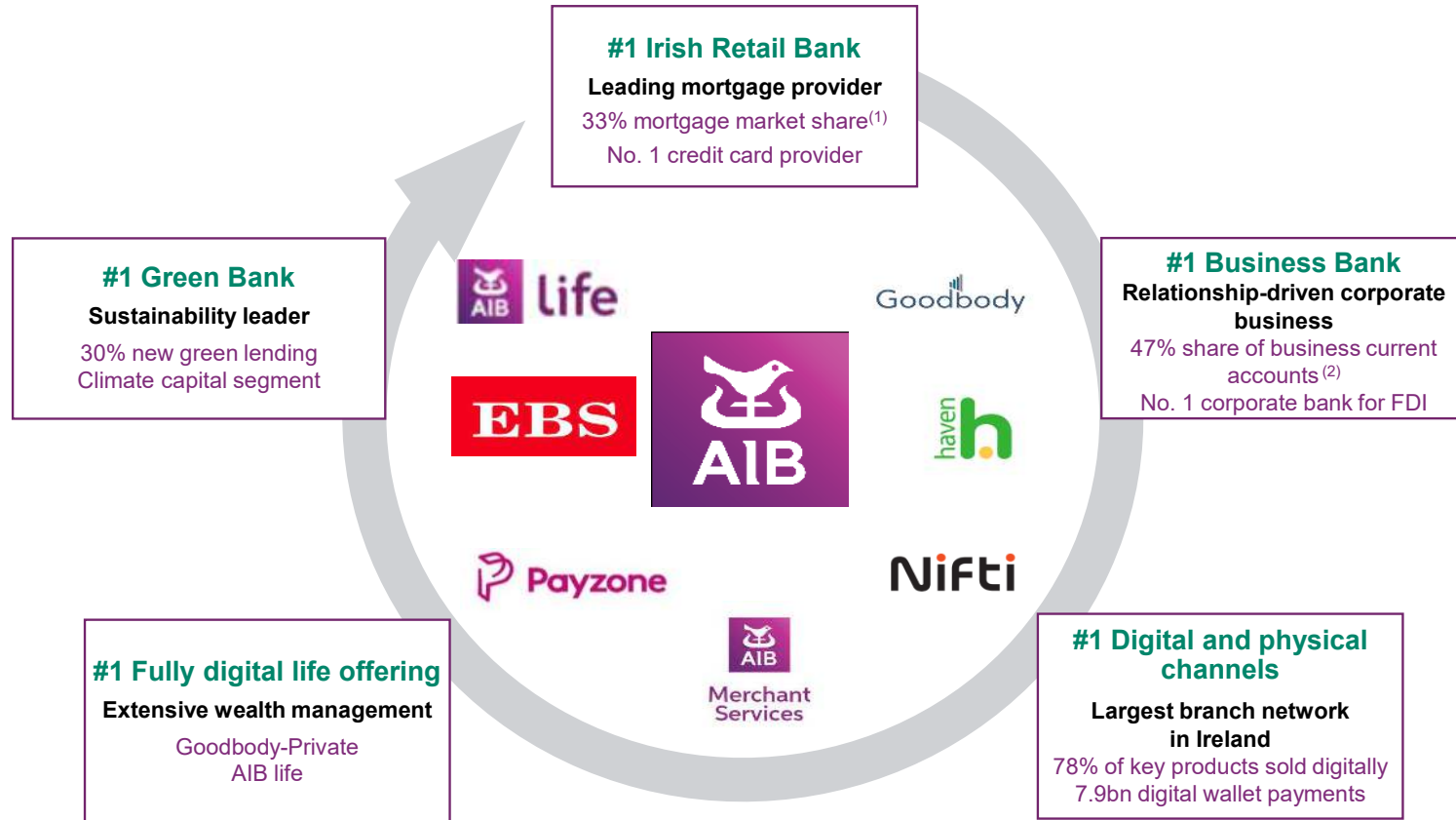
## Irish composite PMI consistently in expansion mode



Source: S&P Global

\* GDP can be distorted due to the impact of multi-national sector in Ireland

# AIB is Ireland's #1 Bank



<sup>(1)</sup> Source: Mortgage drawdowns BPF1 for YTD Dec 2023

<sup>(2)</sup> Source: Ipsos B&A, AIB SME Market Monitor 2023

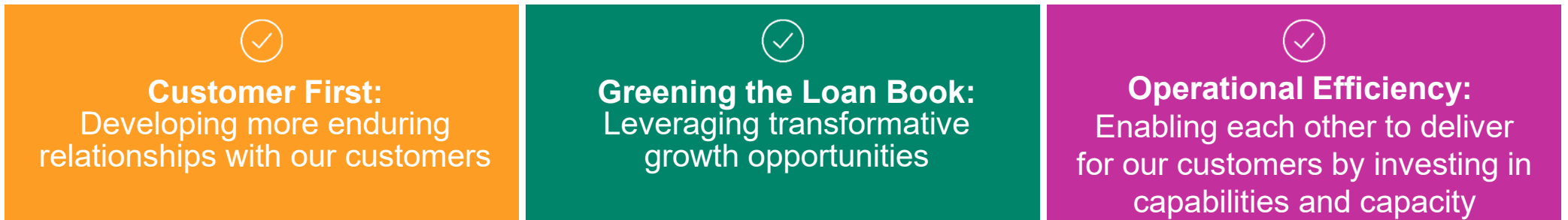
# Our purpose is to empower people to build a sustainable future

*Strategy 2024-2026 puts our purpose into action*

Guided by our strategic pillars



with three strategic priorities



delivering 2026 medium-term targets



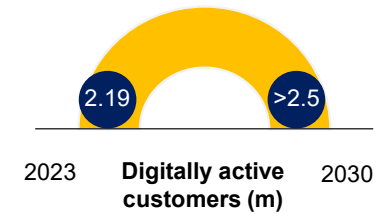
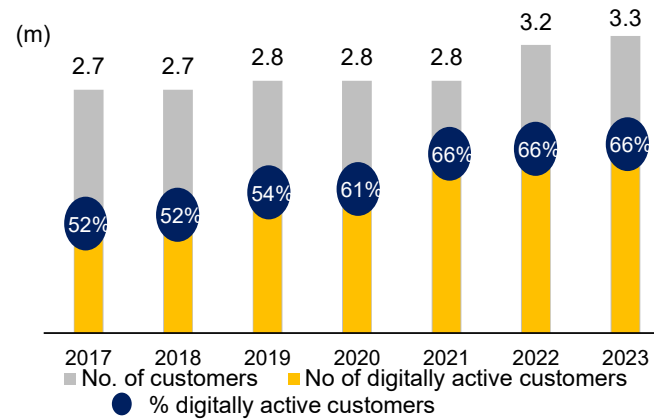
# Customer First – a step change in customer experience

*Centred on an informed view of our customers' needs anchored in a progressive ESG agenda*



- **Deep understanding** of customer needs informs our strategy
- Develop **deeper, more enduring relationships**
- Deliver a **transformed banking customer experience (CX)**
- Customer financial needs met in a **proactive, seamless and innovative** manner
- **Customer centricity** delivers tangible NPS benefits
- Supporting customers in the **transition to a low-carbon future**

Strategy 2024+ to deliver a seamless CX to an enlarged and increasingly digital & ESG-focused customer base



### ESG customer propositions



Green mortgage



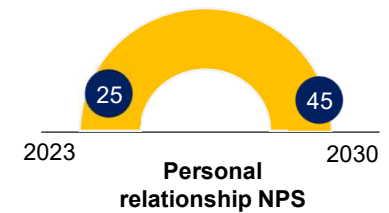
Green personal loan



Renewables, housing, healthcare & education



Sustainability linked loans



# Greening the loan book

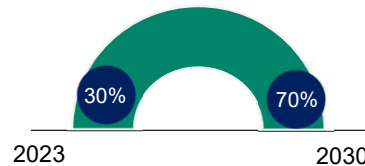
## Supporting customers in the transition to a greener future



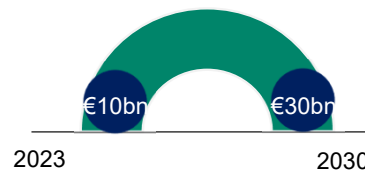
- Amplification of **ESG leadership**
- **Net zero ambition** set: 2030 in own operations; 2040 in financed emissions (agri 2050)
- **Green & transition lending**: financed emissions targets set for 75% of the loan book
- Dedicated green-financing segment: **'Climate Capital'**
- Ambition to be a **market leader in financing energy transition & ESG infrastructure**
  - Focus on solar PV, onshore wind and offshore wind in Europe, UK and North America
- **€30bn climate action fund** to support transition to a low-carbon economy
  - €10bn fund exceeded with lending of €11.6bn since 2019

Net-zero transition from 2021-2050 requires c. \$275 trillion globally or on average \$9.2 trillion p.a.<sup>(1)</sup>

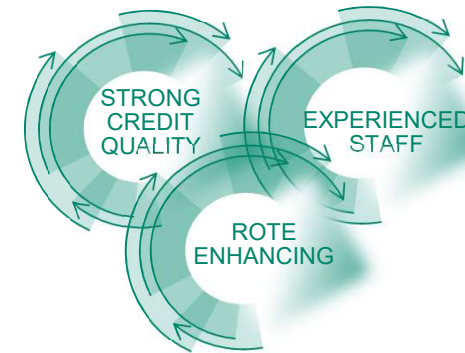
### % New green and transition lending to increase



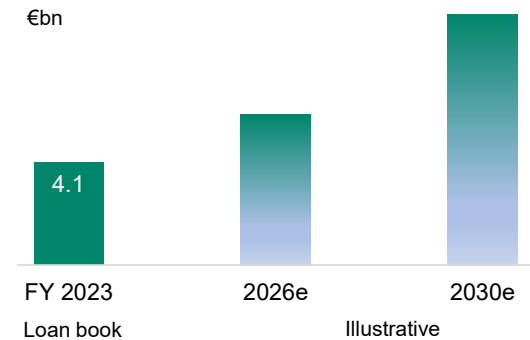
### Climate action fund tripled to €30bn



### New Climate Capital segment



### Strong growth expected in Climate Capital



<sup>(1)</sup> Source: McKinsey



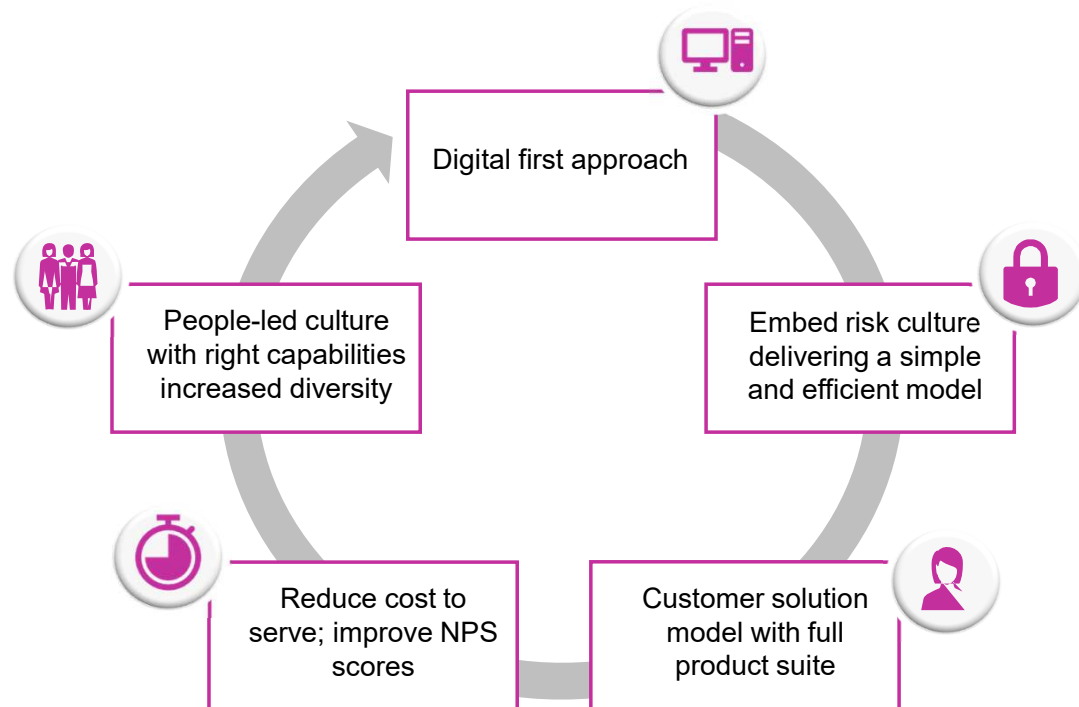
## Operational efficiency

*Reduce cost to serve; focus on efficiency and removing complexity*



- **Enhanced customer experience:** simplify / digitise processes, efficient access to products and services and increased share of wallet
- **Technology:** modernising channel experience, future-proofing & resilience
- **Risk & credit:** delivering a simple & seamless model to transform credit process and risk management
- **Operations and capacity:** deployment of Agile & Tribes to drive efficiency of operations and change management
- **People strategy:** Dynamic workforce management, focus on capabilities to enable strategy
- **ESG:** Delivering towards net zero commitment

Strong focus on optimising customer interactions, digitising our data & systems and tightening our product set and corporate structure






# Transforming business credit process and mobile banking app


*Digitalisation improving operational efficiency and customer experience*




## Business credit transformation

- Increased digital adoption and customer volumes
- Data enablement to make fast, robust decisions
- Increased agility in a dynamic market

**Originations:**   
**60%** of originations via customer self-serve

**Time to decision:**   
**90%** auto decision rate

**Time to cash:**   
**75%** <4 days



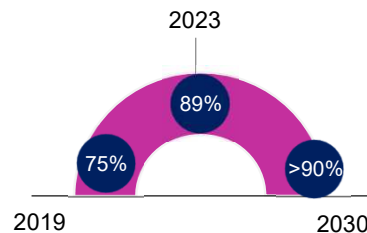
*Fast, frictionless business credit for customers*



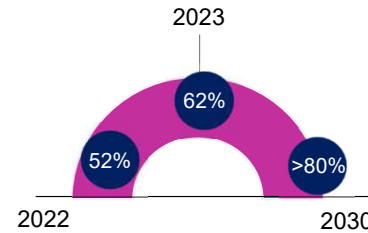
## Mobile banking app

- Innovative interface for personal and business customers
- Modern, flexible journeys
- Increased functionality and integrate new services
- Drive efficiencies and grow our business

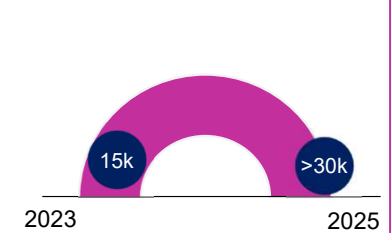
**% Personal loans applied digitally**



**% Accounts opened digitally**



**Business app users**



*Modern, digital channel for personal & business customers*



## Progressive modernisation of technology

### Continuous investment in technology

*c.€300m investment on average p.a. 2024 to 2026 ensuring a 'Future fit' platform to deliver strategic priorities*



#### Customer channel experience

- **Broadening digital capability** with business mobile app
- **Modernising our credit platforms** to enable faster credit decisions and time to cash
- **Transforming our channels** through personalised customer experiences and integrated digital product & service journeys



#### Resilient & secure foundations

- **Improved staff experience** through major end user computing platform upgrade
- **Enhancing the resilience** of critical banking services e.g. DORA
- **Continued strengthening of security measures** for greater customer trust with reduced friction



#### Data & AI capabilities

- **Improving customer engagement** through the deployment of speech analytics and conversational AI in our contact centres
- **Scaling cloud capabilities and tooling** to accelerate the availability of insight and establish next generation data capability
- **Progressing generative AI trials** across a range of use cases supporting staff creativity and productivity

Intelligent automation

Modern engineering

Dynamic workforce

Agile practices

**Modern, reliable technology provides foundations for the future**



# Transformed, reshaped and revitalised Group

## Investment Thesis

- Exceptional financial performance over the last three years
- Supportive domestic macroeconomic backdrop
- Well-positioned enlarged Group with customer-centric focus
- Resilient balance sheet; conservative credit management
- Leader in sustainability
- Focused on targeted growth and operational efficiency
- Strong capital generation and distributions

### 2026 medium-term targets

- Cost < €2.0bn with CIR < 50%
- CET1 > 14%
- RoTE 15%

### Non-financial targets

- Greening our balance sheet  
**€30bn climate action fund** by 2030
- Helping customers to buy their first home  
**>€6bn new lending** by 2026
- Universal inclusion  
Ongoing gender balanced Board, ExCo & management<sup>(1)</sup>

<sup>(1)</sup> The Equileap annual Gender Equality Global Report & Ranking equates 'gender balanced' with between 40% and 60% women

# 2026 Medium-term targets





## Guidance and Medium-term targets

### 2024 Guidance

- Net interest income >€3.65bn
- Other income >€700m
- Cost increase 6-7%
- Cost of risk at the lower end of 20-30bps range
- Bank levies & regulatory fees c. €145m
- Exceptional costs c. €100m
- Customer loans to grow by 2%

### 2026 medium-term targets



Cost<sup>(1)</sup>  
**< €2.0bn**  
 with CIR <50%



CET1<sup>(2)</sup>  
**>14%**



RoTE<sup>(3)</sup>  
**15%**

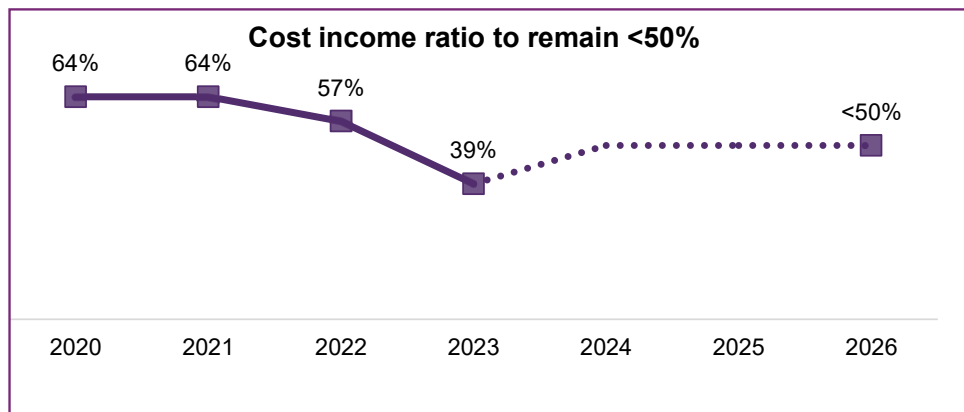
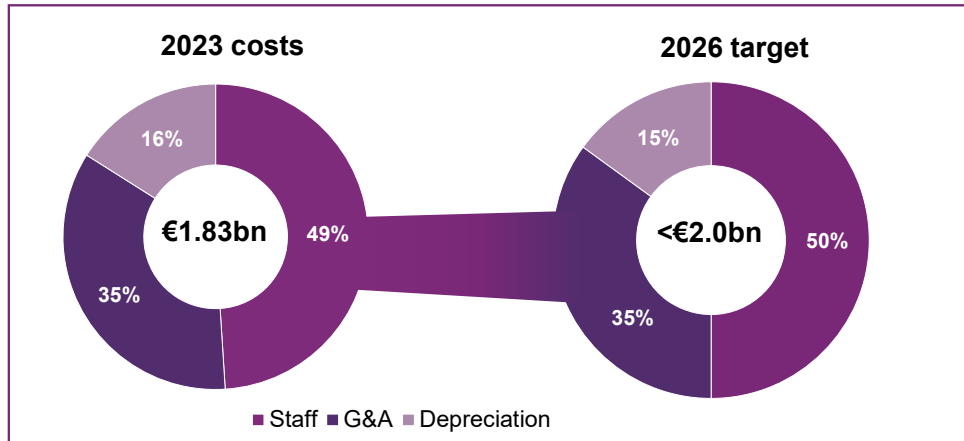
1) Costs before bank levies, regulatory fees and exceptional items

2) Fully loaded

3)  $RoTE = (PAT - AT1) / (CET1 @ 14\% \text{ of RWAs})$



## Medium-term target: Costs<sup>(1)</sup> <€2.0bn



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

**Cost target <€2.0bn in 2026 with CIR <50%**

Transformed Group: Enhanced product suite and more customers to serve

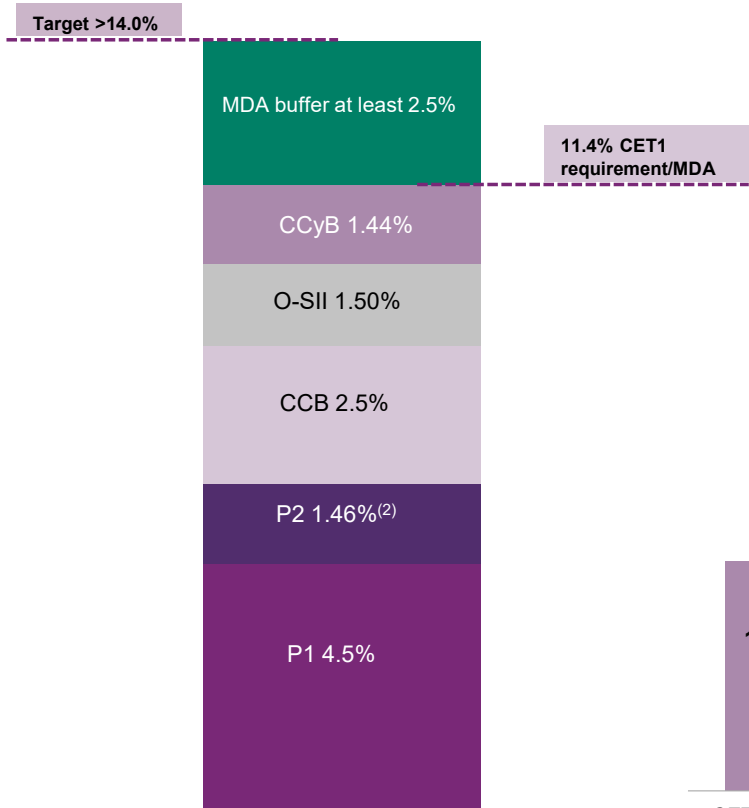
Variable pay and health benefits

Normalising inflationary environment

Strategic initiatives with c. €300m average investment p.a.  
Operational efficiency driving ongoing cost savings

# Medium-term target: CET1 >14% with a buffer over MDA at least 250bps

## Capital requirement 2026<sup>(1)</sup>



## CET1 target >14%

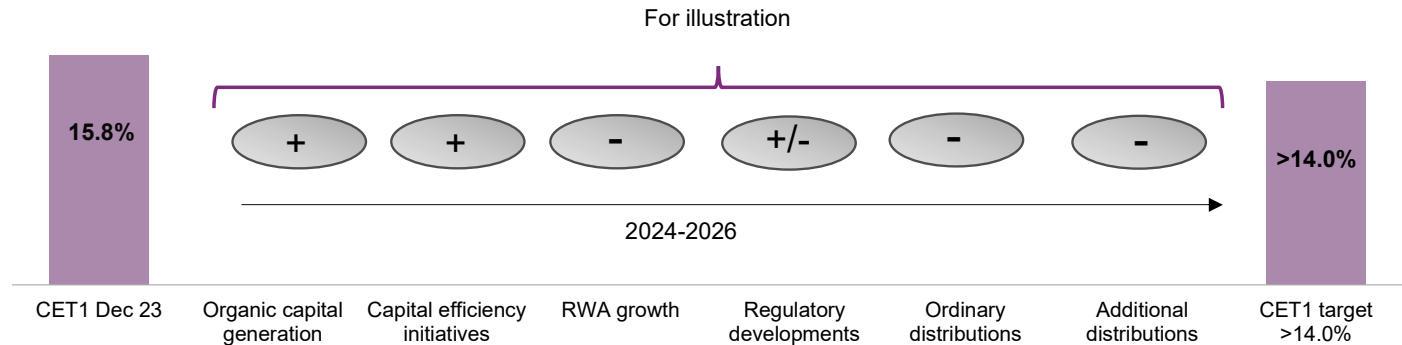
### CET1 target >14%

- Reflecting a prudent approach to capital management
- A buffer over MDA of at least 250bps
- Anticipate moving towards CET1 target as we return capital to shareholders

### Capital headwinds/tailwinds

- IRB model redevelopment and build
- Basel III – implementation 1 Jan 2025; impact not expected to be material
- RWA efficiencies – SRT programme underway; expect to transact in H2

## CET1 outlook with pathway to >14.0% target

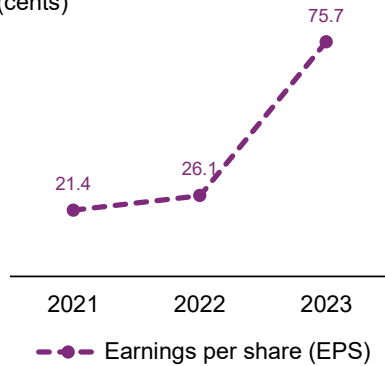


(1) 2026 CET1 estimate on a look through basis

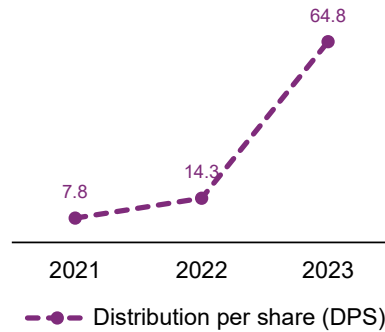
(2) P2R reduction from 2.75% to 2.60% for 2024; total capital requirements on slide 53

# Commitment to deliver sustainable capital return to shareholders

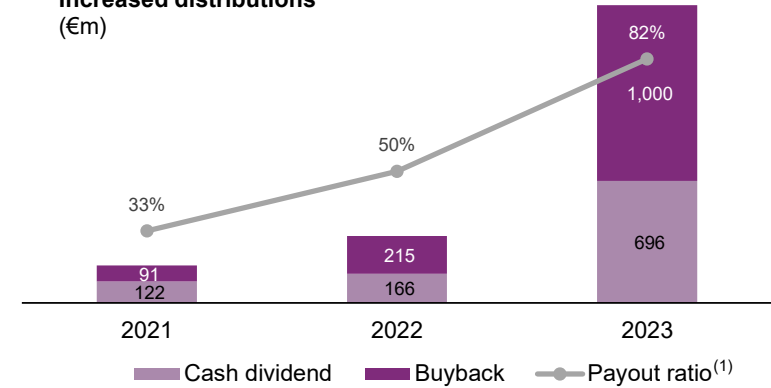
**Increased EPS**  
(cents)



**Increased DPS**  
(cents)



**Increased distributions**  
(€m)



## Distributions outlook



### Capital return 2021-2023

Increasing payout<sup>(1)</sup> ratios; €2.3bn cumulative distributions:

- 2021: 33%
- 2022: 50%
- 2023: 82%

- Discussions with the Department of Finance in relation to a €1bn directed buyback underway
- Shareholder approval required given size
- Intention to seek approval at AGM on 2 May 2024



### Capital return 2024-2026

- Expected organic capital generation to average over 250bps p.a.
- Target a payout ratio at the upper end of 40-60% ordinary policy range
- Plus additional distributions moving towards CET1 medium-term target (Subject to annual Board and regulatory approval)
- Grow cash dividend per share on a sustainable and progressive basis
- Balanced approach to cash dividends and share buybacks



### CET1 target

Reaching and maintaining a prudent CET1 ratio of >14%

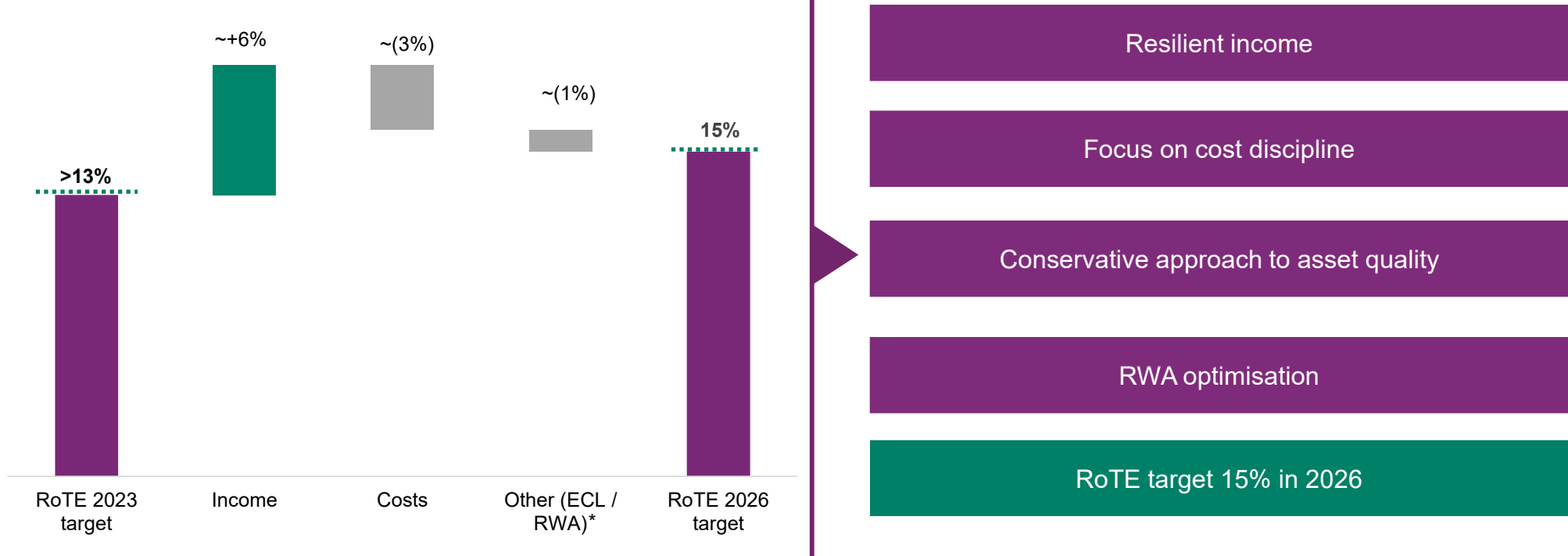
In considering our distribution plans we have prudently re-calibrated our management buffer to at least 250bps over MDA

<sup>(1)</sup> Payout ratio based on PAT



## RoTE target 15% in 2026

RoTE target increased from >13% to 15%



**Sustainable RoTE 15%**  
**Delivering attractive shareholder returns**

RoTE: (PAT-AT1) / CET1 @ 14%

\*Includes impact of change to CET1 target to 14% from 13.5%