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AIB Group plc – confirms acquisition of €4.2 billion Ulster Bank corporate and commercial loans

AIB Group plc (“AIB”, the “Group”) confirms that Allied Irish Banks, p.l.c.¹ has today entered into a binding agreement with NatWest Holdings Limited and Ulster Bank Ireland DAC for the acquisition of c. €4.2 billion of performing Ulster Bank corporate and commercial loans (the “Transaction”). This agreement has been reached further to the Memorandum of Understanding that was announced on 19 February 2021 and follows a period of due diligence on the loan book.

AIB will acquire the portfolio for a total consideration of €4.1 billion, equivalent to 97.63% of par value, payable in cash funded from its existing resources. The exact size of the portfolio and consideration payable will depend on movements in the portfolio up to completion. The Transaction remains subject to customary regulatory approvals following which, AIB intends to migrate the loan book on a phased basis over a period of twelve to eighteen months to ensure optimised customer outcomes.

The Transaction is expected to be accretive to earnings in 2023. Based on the current portfolio size and following full loan migration, AIB expects customer loan net interest income of c. €100 million (excluding discount unwind) and some incremental fee income per annum. Increased operational costs as a result of the Transaction are expected to be c. €30 million per annum. As required under IFRS 9, AIB will incur a Day 1 expected credit loss (ECL) charge as the loans migrate, which will impact the contribution of the Transaction in 2022.

AIB anticipates the impact of increased risk weighted assets of €5.3 billion (related to €4.2 billion of drawn loans and €2.8 billion of associated undrawn exposures) to be c. 145bps of CET1. The Group remains well-capitalised compared to its minimum regulatory requirements and in excess of its CET1 target of above 14% (Q1 2021 CET1: 15.8%). The Transaction is also expected to be enhancing to RoTE in 2023, as AIB continues to target a return in excess of 8%.

As a result of the Transaction, approximately 280 employees who are directly involved in the servicing of the loan book will transfer to AIB under the Transfer of Undertakings legislation, the final number of roles will be confirmed as the deal completes.

¹ A subsidiary of AIB Group plc

AIB CEO, Colin Hunt, commented:

“AIB’s landmark acquisition of Ulster Bank’s €4.2 billion corporate and commercial loan book will further underpin the bank’s ambitious growth plans and position us to support the business community and Ireland’s economic recovery as we emerge from the pandemic. We continue to deliver on the strategy we announced last December to enhance and diversify our revenue streams and ensure AIB’s long-term sustainability.

We look forward to welcoming new colleagues from Ulster Bank and working with our new customers as they transition to AIB.

We are focused on delivering the transformation agenda and progressing towards our target RoTE of >8%. As we set out in our Q1 trading update, we are confident in the outlook for the remainder of the year. We look forward to updating on our further progress when we announce our first half results on 4 August.”

-ENDS-

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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 2020 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 50 to 53 of the 2020 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.