



**Opening Statement by Colin Hunt, Chief Executive Officer, AIB
Committee on Finance, Public Expenditure and Reform, and Taoiseach
September 27th, 2023**

Good afternoon Chairman and Members of the Committee and thank you for inviting us here this afternoon. I'm joined today by two senior colleagues from our retail division, Elaine Downey, Head of Products and Tom Kinsella, Managing Director of Homes.

I'd like to begin with an overview of what we have been doing at AIB since I was last here.

AIB Group now serves a record 3.2 million personal, household and business customers. Close to 650,000 of these customer accounts have been opened over the past eighteen months as we welcomed very significant numbers of people and businesses from Ulster and KBC banks.

As in the case of other industries, our products and services are increasingly offered and delivered online and on mobile. We have 2.2m digital customers, and growing, the largest digital customer base in Ireland, while in the current year we have seen a 12% increase in the daily average use of the mobile channel.

Of course, we understand the requirement on the part of some of our customers for direct engagement at times and our network of close to 250 AIB and EBS branches will continue to provide this service around the country. We are also a major employer in Ireland with close to 10,000 dedicated staff supporting our growing business and customer base.

AIB is an important engine of investment and growth in the Irish economy and currently supports more than €61bn in customer lending, including more than €30bn in mortgage loans where we are a market leader. Within this wider portfolio and throughout all our operations, sustainability represents a key strategic objective. We have led the way in Ireland in this regard through initiatives such as the raising of green bonds – a new source of capital for investment in sustainable infrastructure – and our partnership with NTR that will source the bulk of our own future energy requirements from solar farms in Wexford. A significant proportion of our new lending is already validated as green, and our target is for this proportion to grow to 70% of the total by 2030.

Our current strategic planning cycle is drawing to a close and has fulfilled its objective of transforming AIB into a full-service financial services group. In doing so, we have delivered strong, sustainable growth over its three-year term both from existing operations and via acquisitions such as Goodbody and new joint ventures such as AIB Life which will serve as a platform for growth in the future.

Our profits have also recovered well over the period due to the factors I have just outlined and the robust performance of the Irish economy despite many challenges.

Over the past twelve months profit recovery has also been sustained by the unprecedented series of interest rate increases instigated by the ECB to tackle inflationary pressures. This process has reversed the impact of a long period during which Irish banks' net interest margins were severely curtailed. We are likely approaching the top of this intensive interest

rate cycle and hopefully entering a more stable and normalised period from next year, though the era of ultra-low and indeed negative rates is unlikely to return.

Banks, like all other commercial enterprises, need to generate adequate and sustainable returns on the capital they utilise. Crucially, given our systemic relationship with the wider economy, this capital generation helps build the reserves required by regulators to sustain continued prudent lending and to prepare for the next inevitable economic downturn or an unanticipated disruptive event such as Covid 19.

We also need adequate capital to drive continuous investment in digital and product innovation and to protect our systems and customers from increasingly sophisticated cyber threats and attacks.

We also have a responsibility to make appropriate dividend payments to shareholders to provide a return on their investment repay them for their support and sustain their confidence in our business model. In AIB's case, our majority shareholder is the Irish State with a 46% holding. This has fallen from 71% over the past eighteen months and has helped bring the overall return to the Exchequer to date from AIB to €13.3bn. One of our key objectives is to continue optimising these ongoing returns to taxpayers by maintaining our prudent growth and the platform it provides for investment and a dividend distribution policy aligned to international norms.

During this recent period of rapid increases in interest rates, AIB has endeavoured to bring a measured approach to lending and deposit pricing, mindful of the key role retail banks play in implementing ECB monetary policy.

In this context, we have refrained from passing the full impact of rising rates to our mortgage customers, who are facing other inflationary pressures. We have also positioned our deposit pricing for customers who may have excess funds in current accounts or low-yielding demand deposit accounts and who can now avail of higher returns of up to 3% in fixed-term savings products. We will continue to keep this policy under review as ECB policy evolves and, hopefully, inflationary pressures stabilise.

As previously mentioned, mortgage lending represents approximately half our loan portfolio, and we remain the market leader in terms of mortgage lending. It is a very important market for us, but we are also very mindful that for our customers, these loans represent much more than an economic transaction. They enable them to buy homes for themselves and their families and they likely represent the most important financial transaction of their lives.

While close to 60% of our mortgage customers are currently on fixed rates, we know that rapid increases in interest rates make loan repayments more challenging for many mortgage customers. Thus far, thankfully, we have not seen any material increase in potential or actual arrears but are aware that this situation may change and keep it under constant review.

We are, and have been, very proactive in engaging with our customers and encouraging them to discuss any problems they may face or are concerned about. We have a broad range of forbearance measures and alternative repayment arrangements in place which have, over the past decade, enabled tens of thousands of our customers to work through their difficulties

and remain in their homes. In this context, we have also provided strong support for the “Dealing with Debt” information campaign run by the BPFI and MABS to get the same message out to all challenged borrowers.

AIB is also cognisant of the impact of the succession of interest rate rises on those borrowers who had previously experienced repayment difficulties and whose impaired loan accounts are now owned by a credit servicing firm. As Committee are aware, we have recently joined with the other pillar banks, non-bank lenders and credit servicing firms, under the auspices of the BPFI, to communicate minimum collective criteria by which some of these borrowers may be eligible to switch their loans.

This initiative and others by the credit servicing firms themselves to provide hardest-pressed borrowers with alternative repayment arrangements, has the support of the Department of Finance, the Central Bank of Ireland and various consumer support agencies such as MABS.

Finally, we note your intention to discuss the issue of defective concrete blocks on some of our mortgage customers living in Donegal and other affected counties. We are acutely aware of the anxiety and concern this issue is causing for people, through no fault of their own, and we have put dedicated personnel and resources in place to engage with customer queries. We have also engaged proactively with the BPFI to meet various representative bodies and government departments to seek sustainable funding solutions for those who need them.

We are happy to take questions on this and other issues of interest to the Committee. Thank you.

ENDS