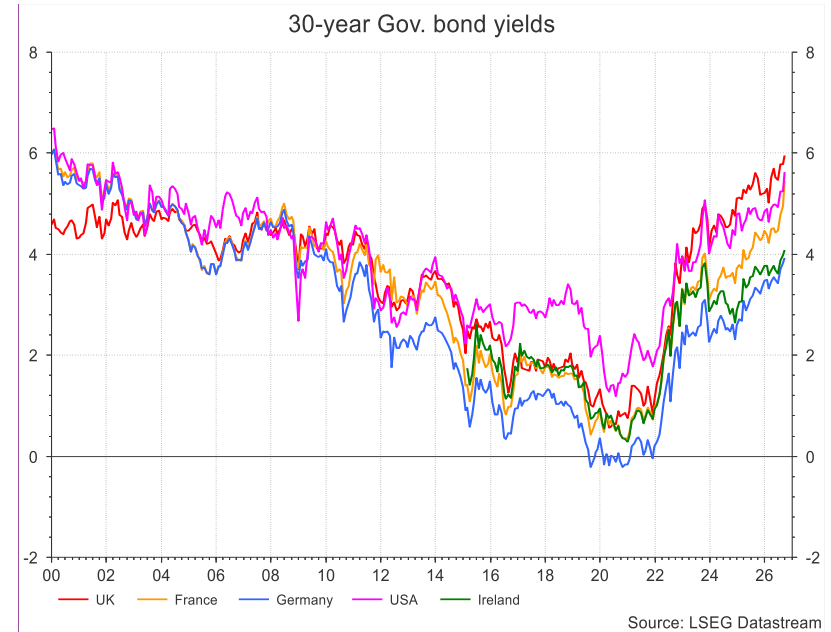
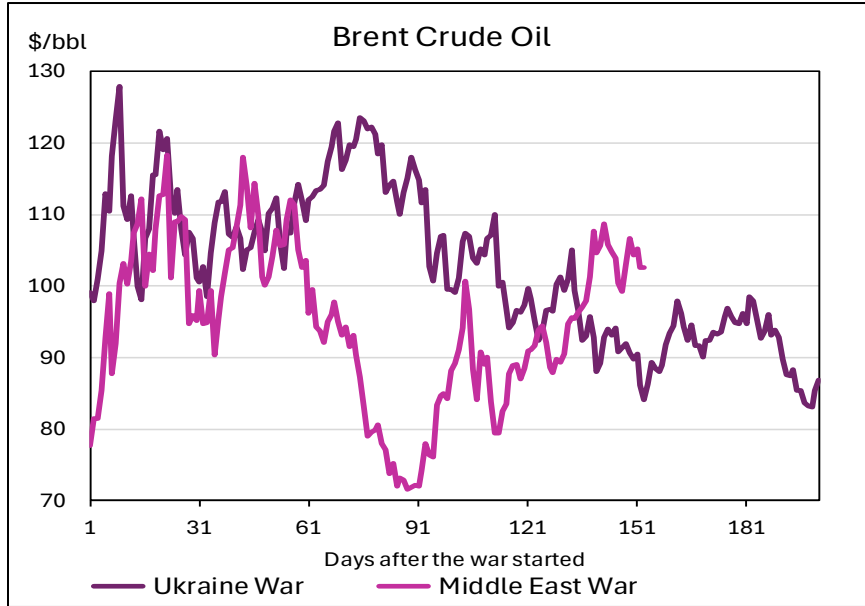


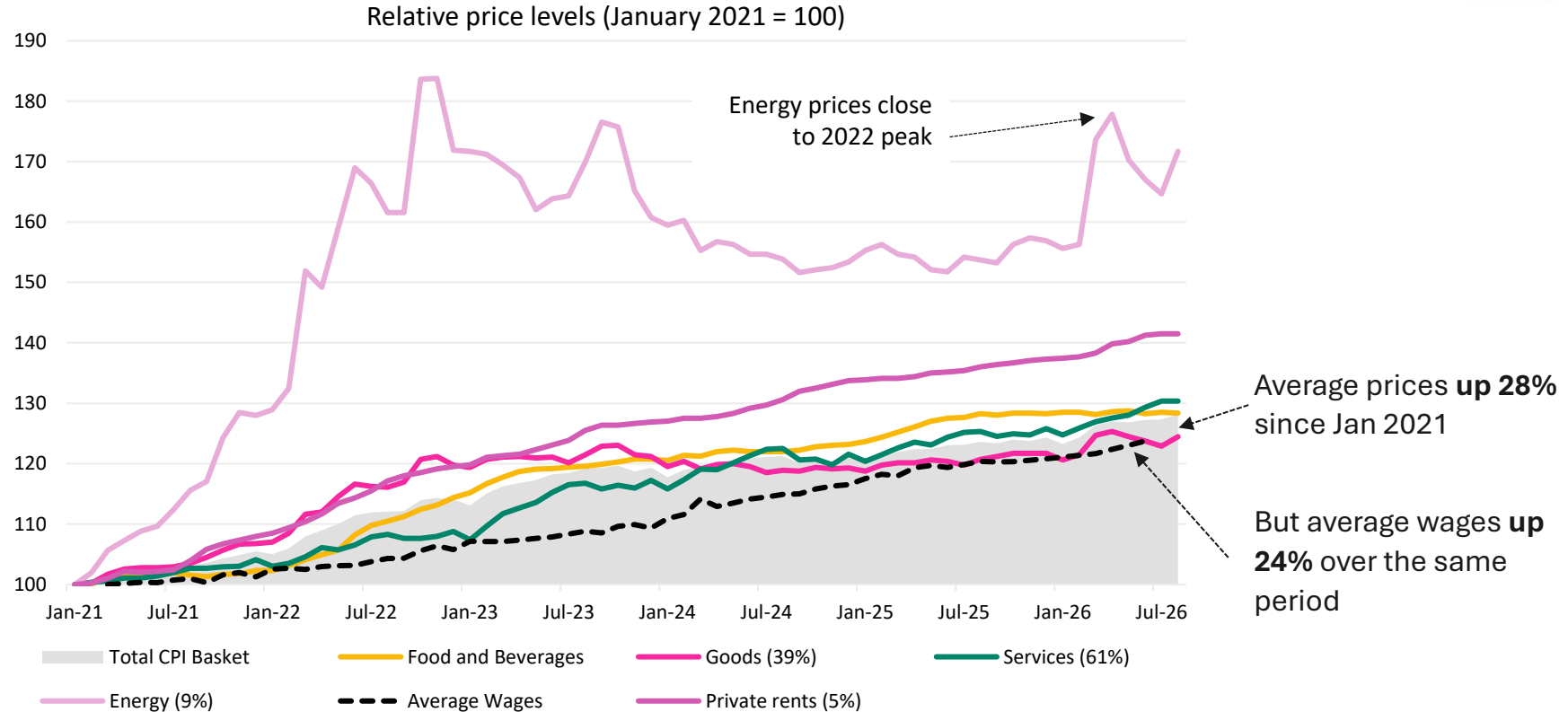
Budget 2027: Challenges & Opportunities

October 2026

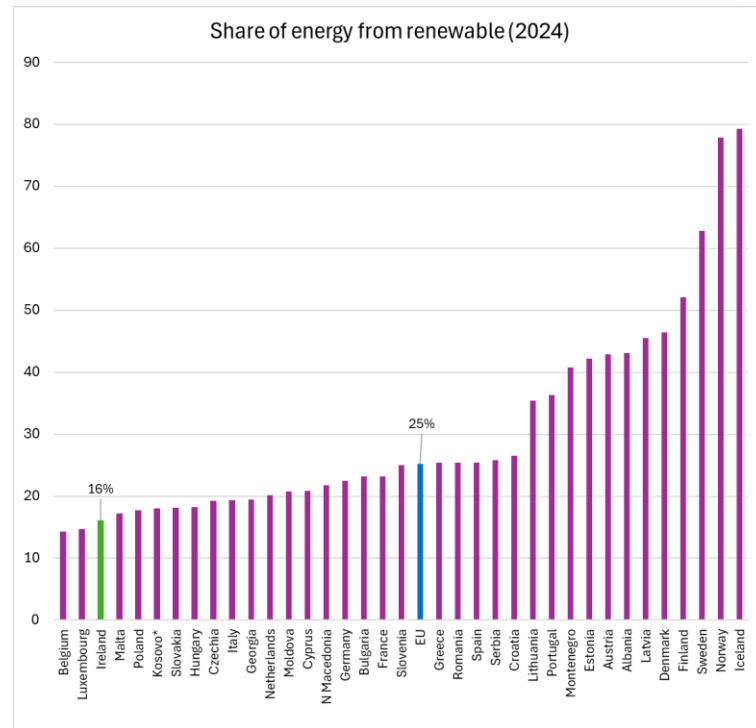
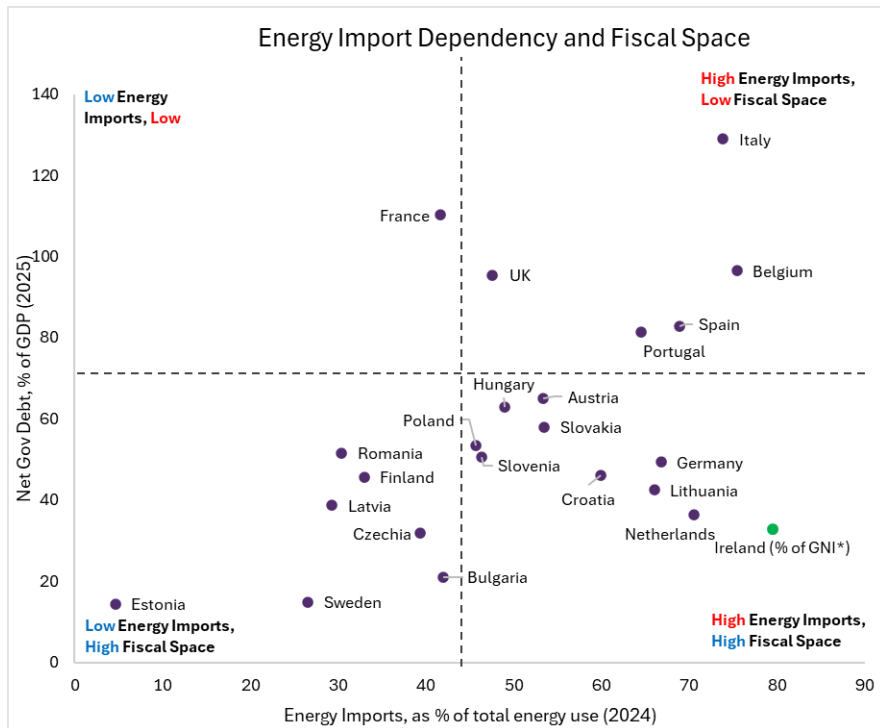
Irish economy faces significant global risks



Inflation is rising again



Ireland reliant on energy imports, but funds to offset



Budget 2027



Budget Speech Word Cloud

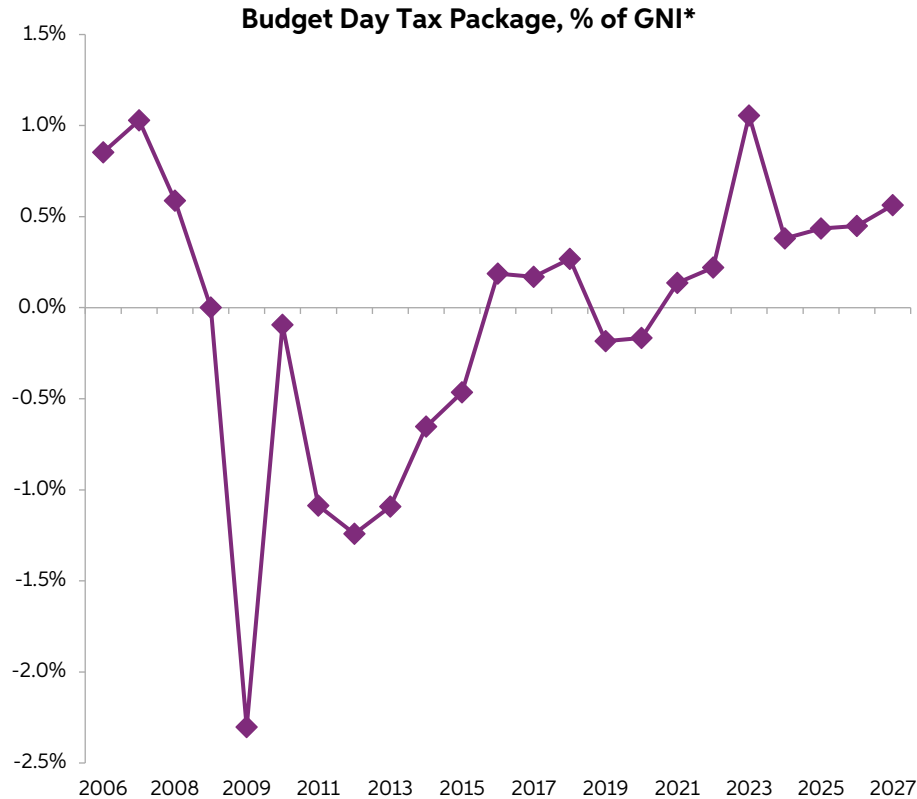


Overall Budget 2027 Package – Tax & Spend



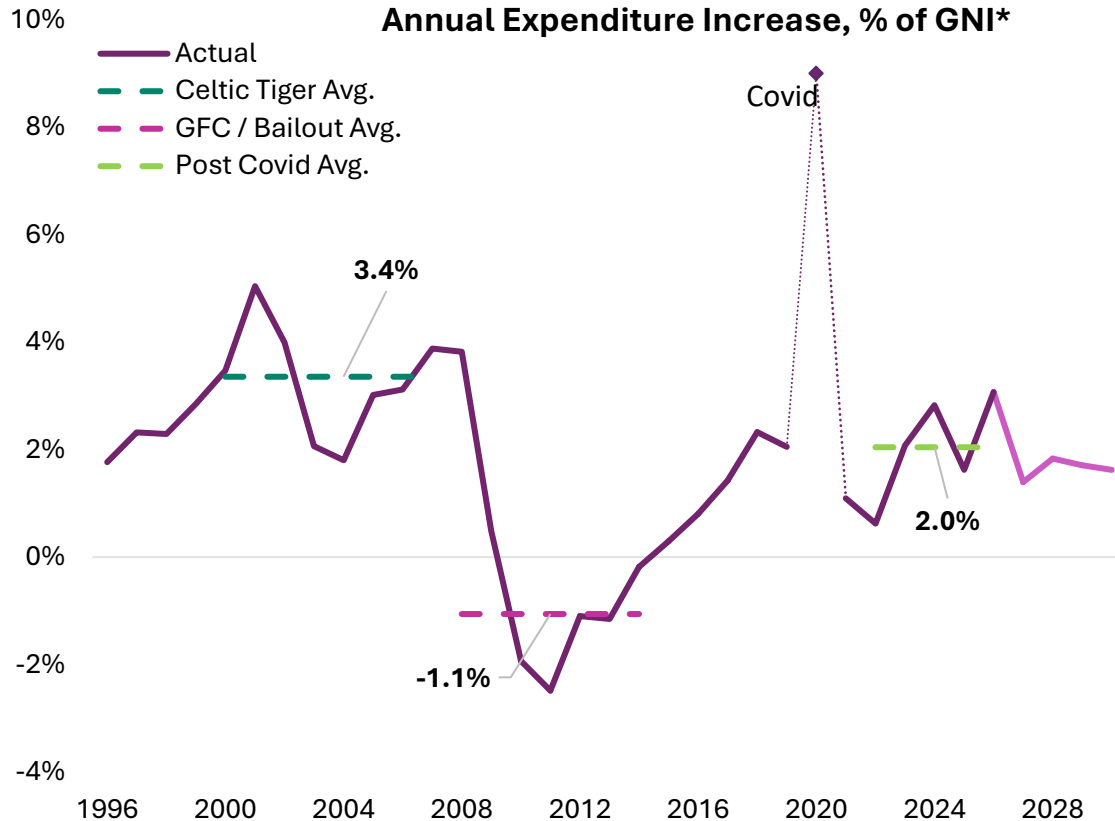
- In total - **€9bn** in new measures
 - A 'cost of living' budget is the main theme
 - This includes **€7bn in spending** measures, **€2bn in taxes**
 - Also €2bn spending overruns in 2026 which increases the expenditure base
- Focus on household supports in this Budget – Income taxes, Inheritance, Personal investment incentives, CGT
- This marks one of the largest Budget day packages ever, and does not come without risks of overheating the economy
- Spending increases enabled by surge in corporate tax receipts – c.€34bn in 2026
- The Government is contributing to sovereign wealth funds (€31bn by end 2027), with other monies also sitting with NTMA adding up to **€78bn in liquid assets**.

A big budget giveaway relative to recent history



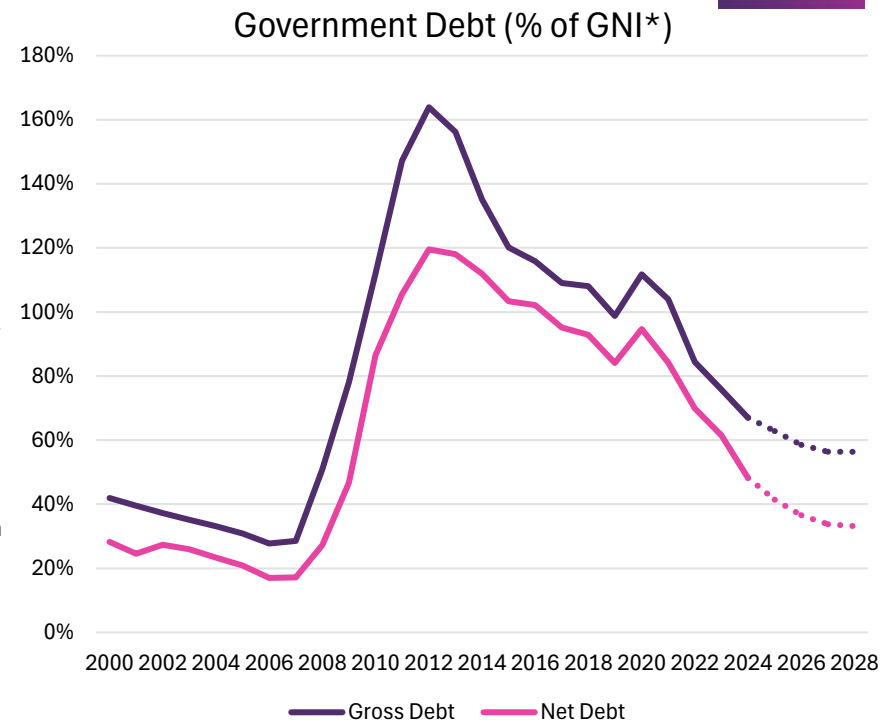
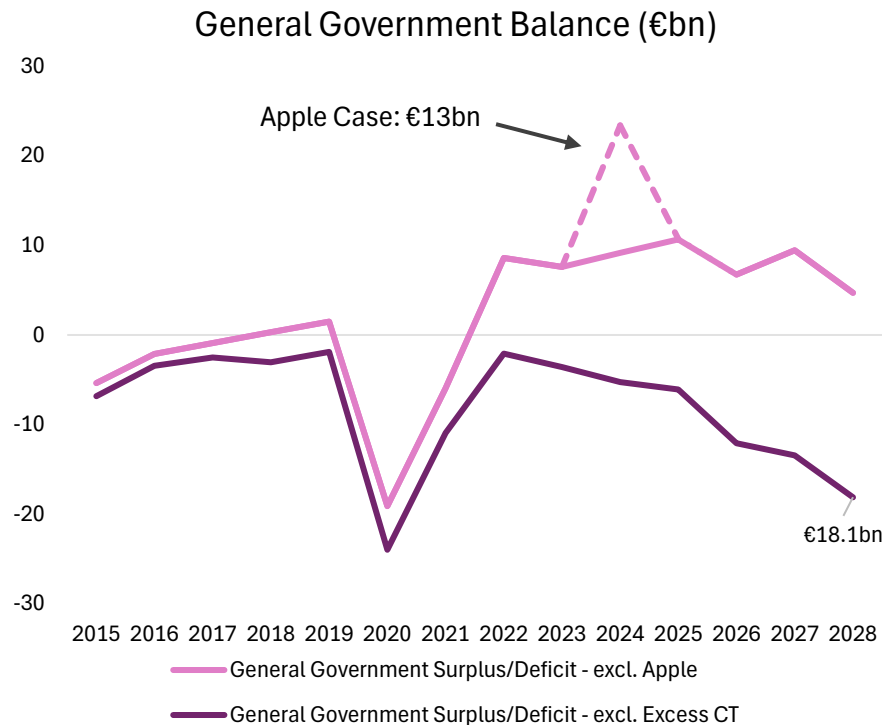
- Net tax cuts worth about 0.6% of the economy (GNI*) in Budget 2027
- A large giveaway, but not on the scale of Celtic Tiger budgets which delivered tax cuts of c.1% of GNI* each year

A big budget giveaway relative to recent history



- Spending increases dwarf tax cuts, with 2026 spending increase at c.3% of GNI*
- Spending increases expected to average c.1.8% of GNI* in the coming years
- These are large sums, but again nowhere close to Celtic Tiger era

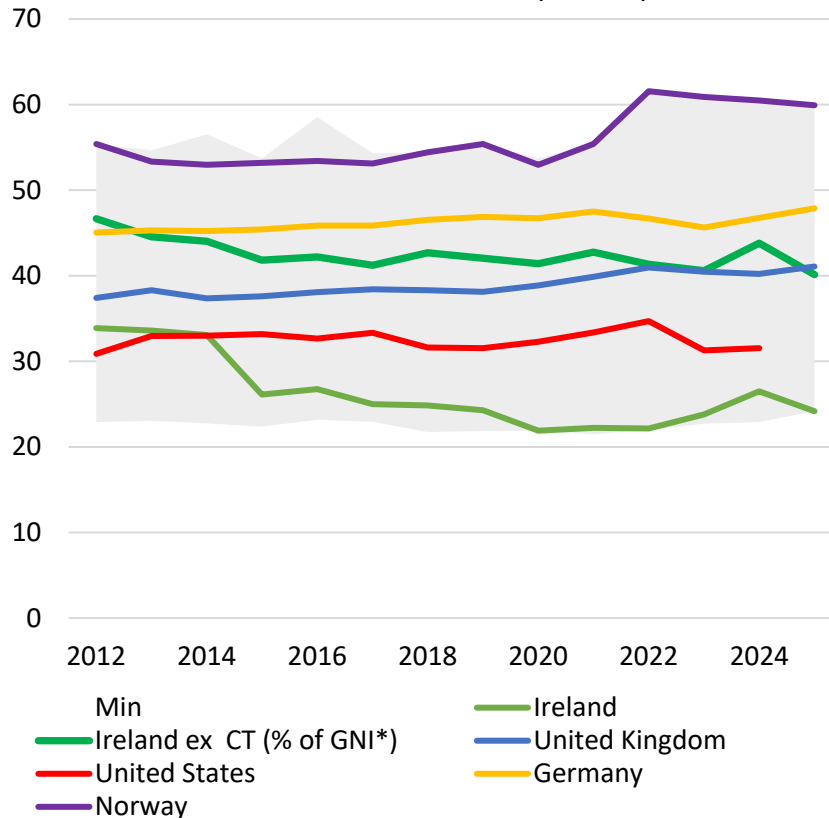
Strong Corp tax masks underlying deficit, but debt falling



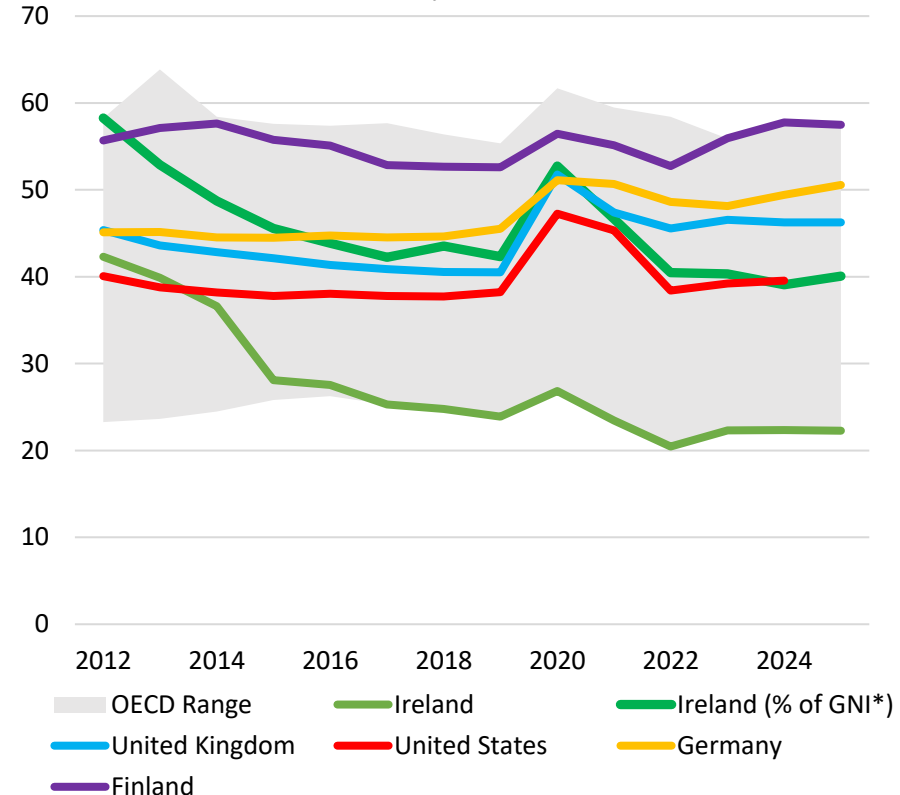
Boston or Berlin? Closer to US levels of spending



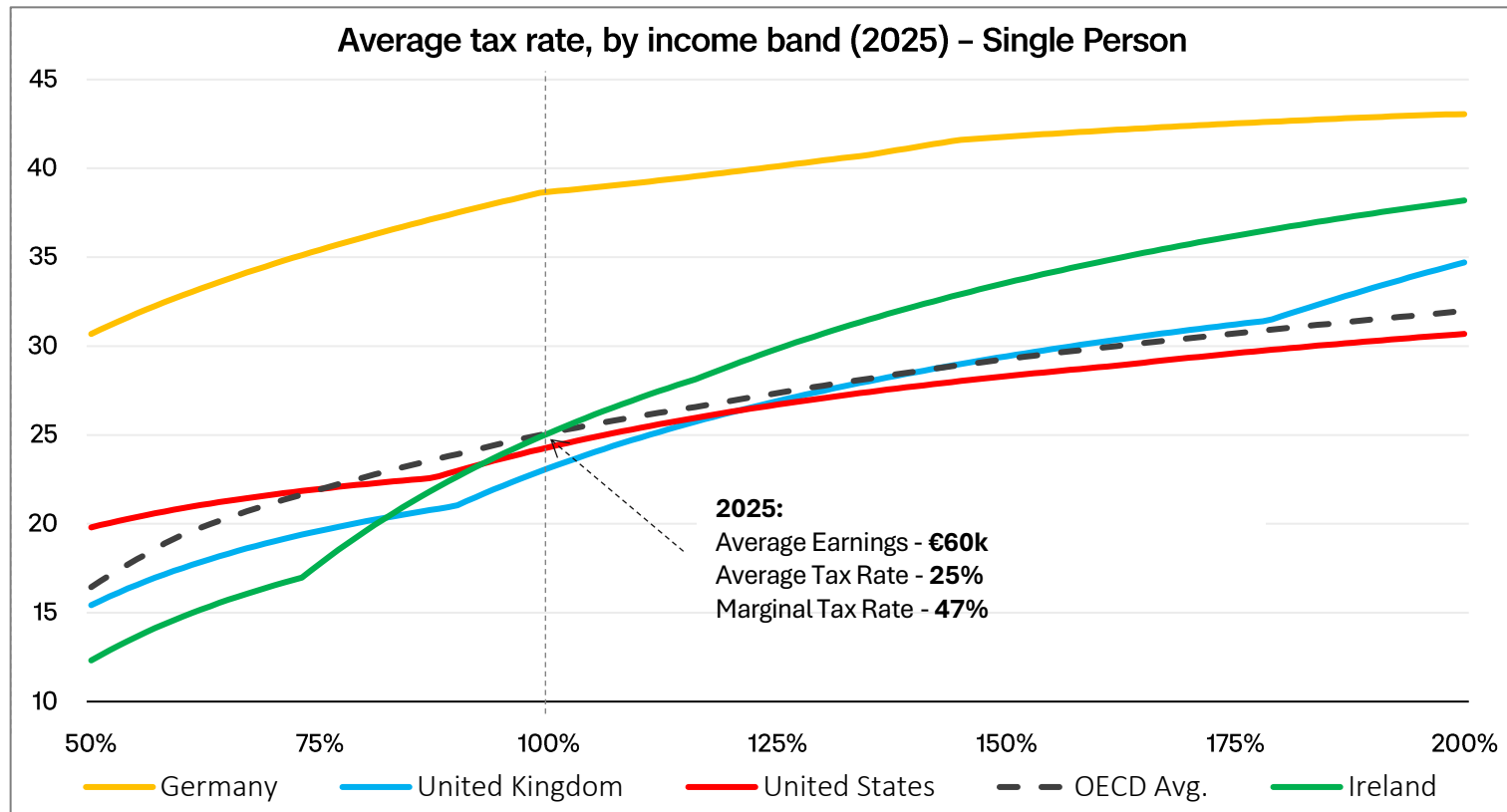
Government Revenue (% GDP)



Government Expenditure (% GDP)



Boston or Berlin? The later for income tax

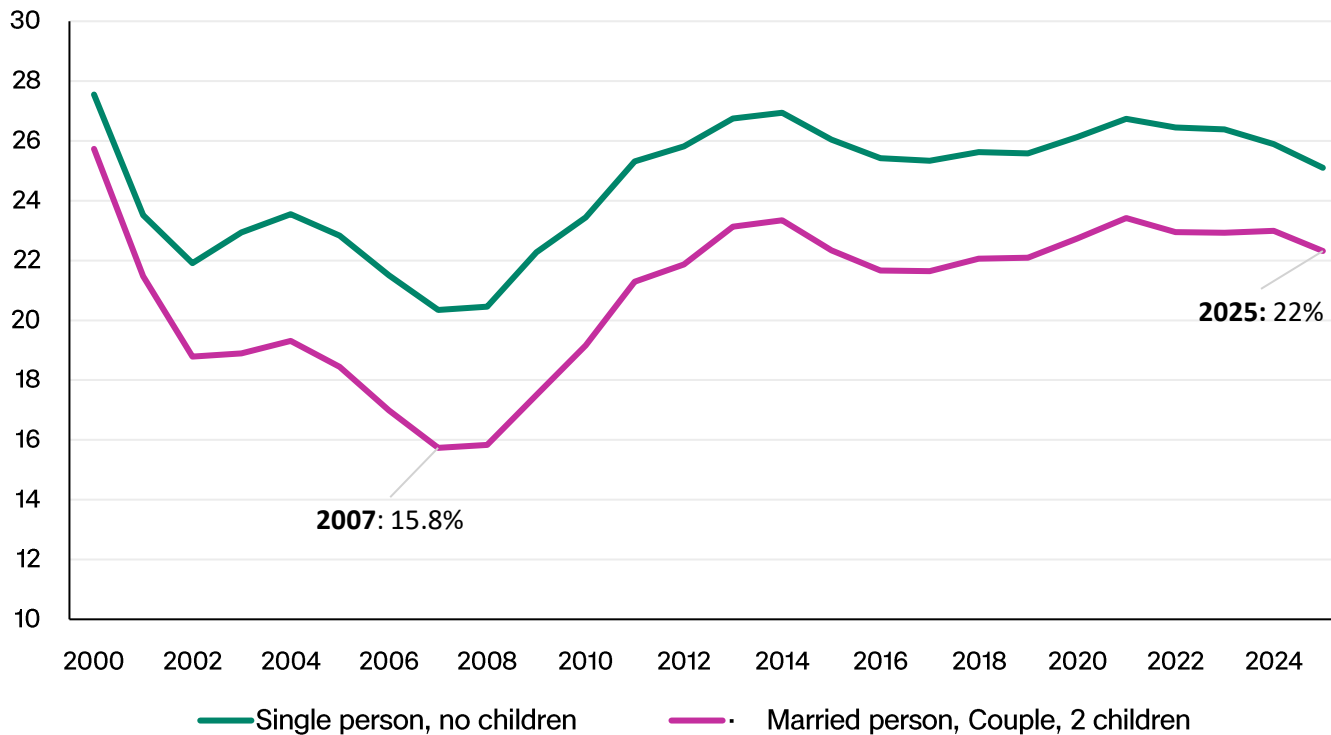


Source: OECD

Personal tax rates much higher since the GFC



Net personal average tax rate* (%) - Average Wage

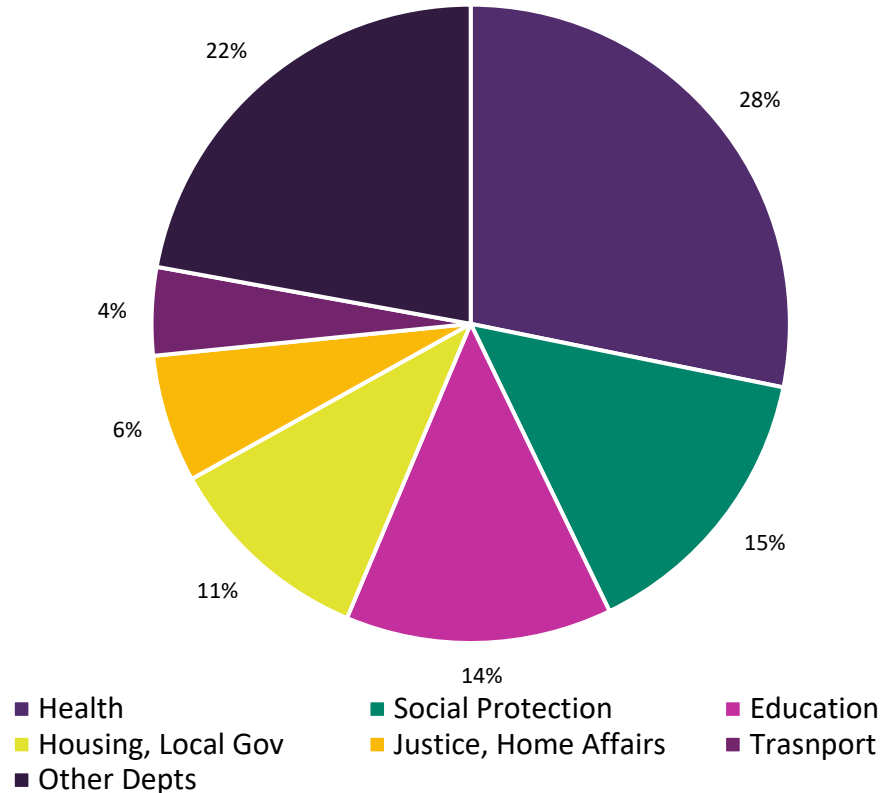


Source: OECD

Where is our money spent? – two-thirds in three areas



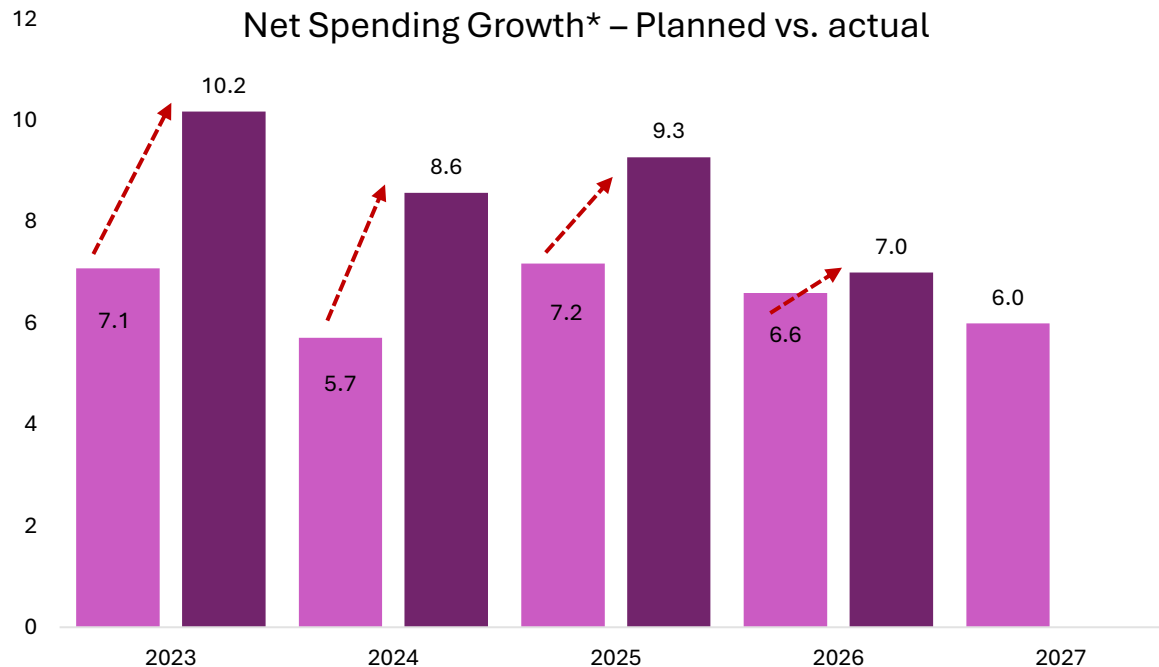
Departmental Spending 2026



- The Government planned to **spend €119bn** across all departments in 2026
- Social Protection, Health and Education **account for nearly two-thirds** of that spending

Source: Dept. of Finance

Recent budgets have blown through initial spending estimates



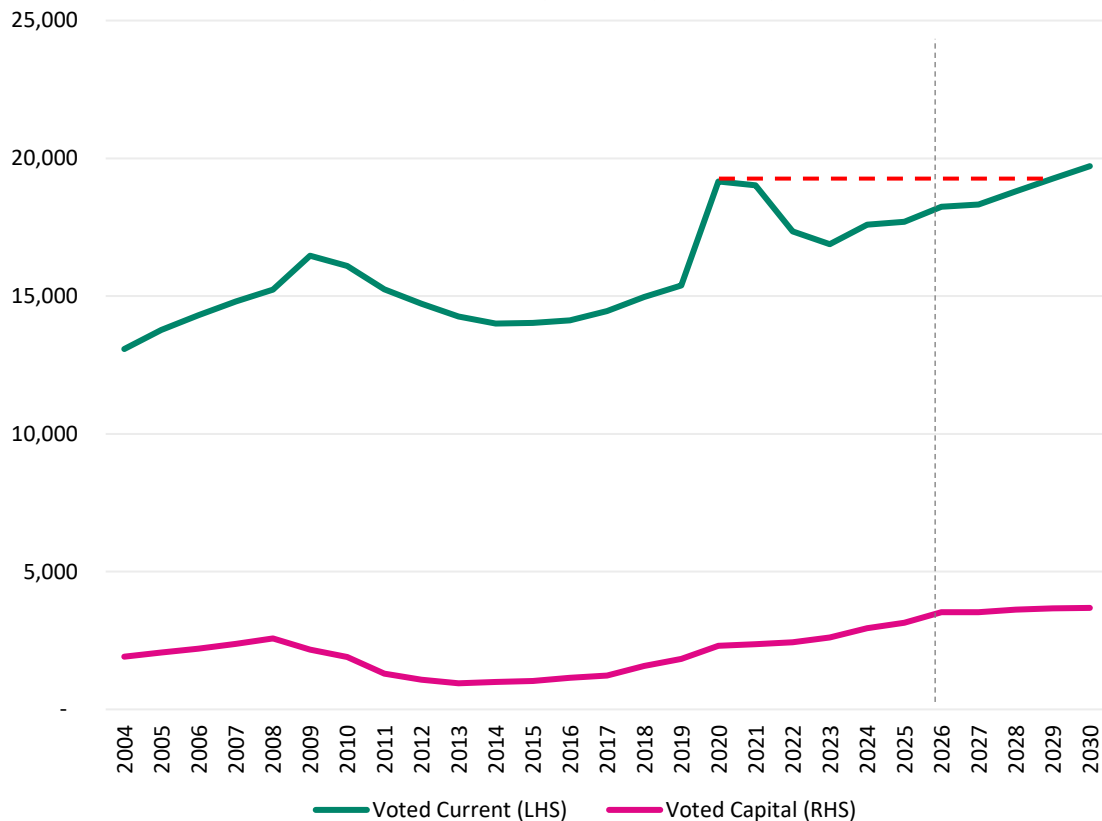
- Recent history suggests spending will be beyond what is announced today
- For 2026 – current spending came in €2bn higher than planned in last year's budget

Net spending = general government spending – one-off spending -interest – cyclical unemployment costs – EU cofinanced and funded spending – discretionary revenue measures.

Ageing society will bring further spending pressures



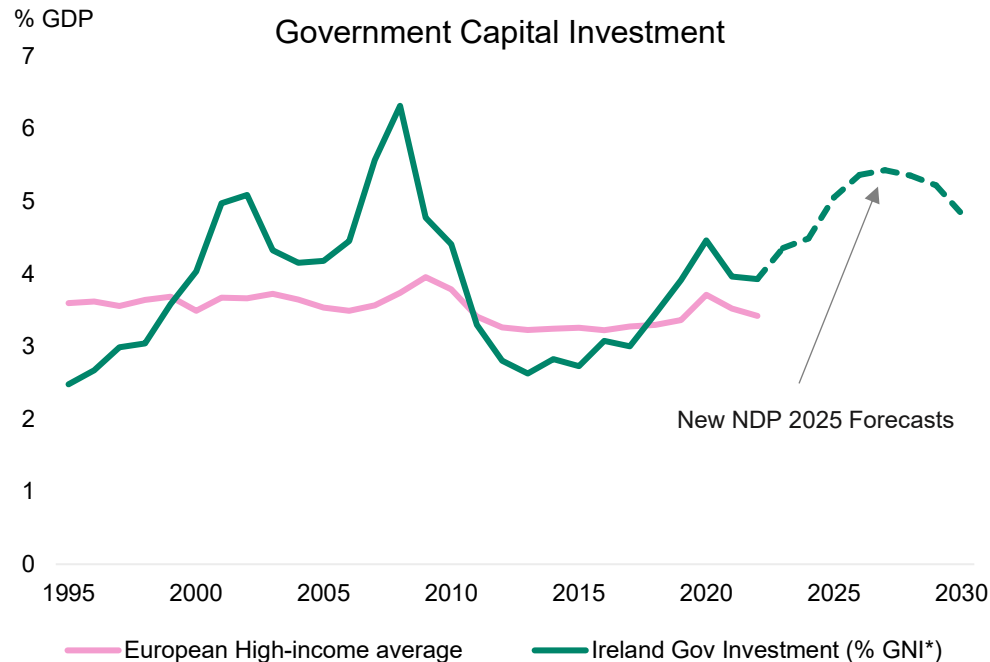
Real per capita spending (2026 prices)



Source: Dept. of Finance

- Adjusted for inflation and population growth, the spending increases don't look so dramatic.
- But day-to-day current expenditure per person will surpass the Covid emergency period by 2029 – largely reflecting costs of ageing society
- Capital spending per person will also reach record levels as NDP ramps up

Continued boost to infrastructure – time to deliver on plans

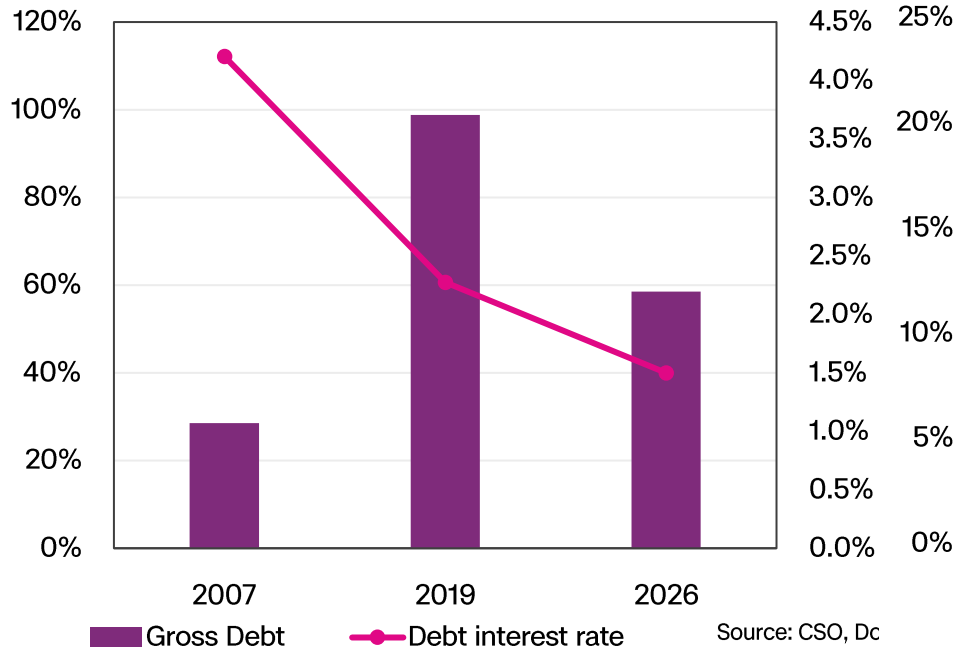


- Big ramp up in capital spending planned over the next five years – 40% will go to housing and transport
- Will reach a record €20.2bn next year

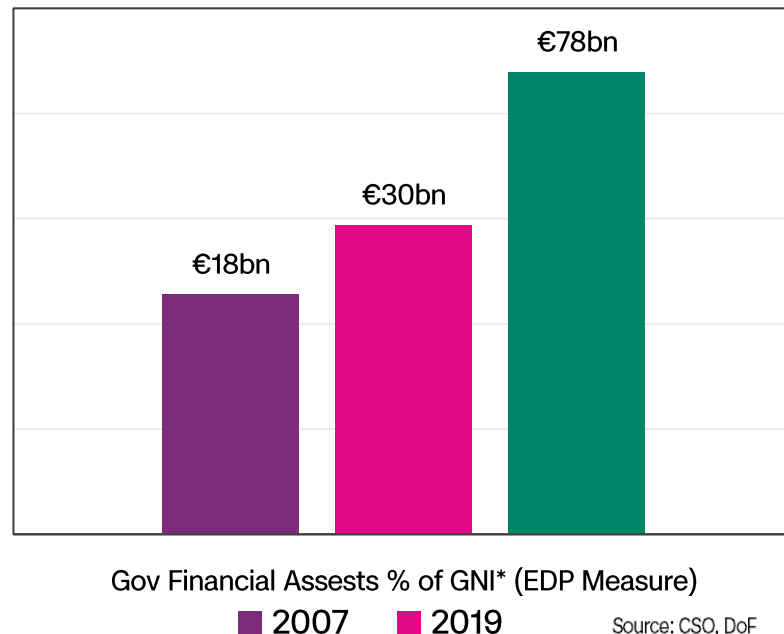
But Ireland has built up a large piggy bank



Debt Dynamics: 2007-2019-2026 (% of GNI*)



Government fiscal buffers rising



Key Takeaways – Challenges & Opportunities



- Global economy faces risk of geopolitics, energy price rises
- Irish economy has been resilient so far – but energy price rises will hurt the consumer
- We're expecting a slowdown in Irish growth 2026/27, but still a top performer in Europe
- Corporate taxes are the main source of revenue that enables these giveaway budgets – growing reliance on a handful of US firms.
- Hold our nerve on infrastructure spending – spend through the cycle, while being prudent on current expenditure

Note: All Irish data in tables are sourced from the CSO unless otherwise stated. Non-Irish data are from the IMF, OECD and Thomson Financial. Irish forecasts are from AIB Economic Research Unit. This presentation is for information purposes and is not an invitation to deal. The information is believed to be reliable but is not guaranteed. Any expressions of opinions are subject to change without notice. This presentation is not to be reproduced in whole or in part without prior permission. In the Republic of Ireland it is distributed by Allied Irish Banks, p.l.c. In the UK it is distributed by Allied Irish Banks, plc and Allied Irish Banks (GB). In Northern Ireland it is distributed by Allied Irish Bank Northern Ireland (NI). In the United States of America it is distributed by Allied Irish Banks, plc. Allied Irish Banks, p.l.c. is regulated by the Central Bank of Ireland. Allied Irish Bank (GB) and Allied Irish Bank (NI) are trade marks used under licence by AIB Group (UK) p.l.c. (a wholly owned subsidiary of Allied Irish Banks, p.l.c.), incorporated in Northern Ireland. Registered Office 92 Ann Street, Belfast BT1 3HH. Registered Number NI 018800. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. In the United States of America, Allied Irish Banks, p.l.c., New York Branch, is a branch licensed by the New York State Department of Financial Services. Deposits and other investment products are not FDIC insured, they are not guaranteed by any bank and they may lose value. Please note that telephone calls may be recorded in line with market practice.