



Meeting of the Joint Committee on Arts, Heritage, Regional, Rural and Gaeltacht Affairs

Wednesday, November 9th, 2016

Opening address – Robert Mulhall, AIB Managing Director of Retail, Corporate and Business Banking

Good morning Chairman and Members of the Joint Committee on Arts, Heritage, Regional, Rural and Gaeltacht Affairs. Thank you for inviting AIB here today. We regard this as an important opportunity to explain the bank's role in the Irish economy and the community, particularly across the wide areas of responsibility covered by this Committee.

With 2.2 million AIB customers and 360,000 EBS customers, AIB Group is deeply rooted at every level in the local community. As an example of its sheer reach and range, the bank spends €600 million a year in the purchase of goods and services from local Irish suppliers. A total of 60,000 customers use our 205 AIB branches nationwide every day. A further 7,000 customers visit our 71 EBS locations each day. Our close partnership with An Post, with its 1,100 offices across the country, provides daily banking services to 15,000 customers, with approximately 4 million transactions expected to be recorded by the end of this year alone. These combined banking services amount to a remarkably embedded and widespread network across the country. Our 3,000 network bank staff are drawn from within the community, bringing with them unique local knowledge and understanding of our customers and their needs.

This close relationship between AIB and our customer base is crucial to our business and at the heart of our planning. AIB is currently reorganising its banking model to work closer with our customers -- retail, business and corporate. Nineteen new "Local Markets" will each be headed by an individual leader responsible for AIB's overall engagement with customers in that region. The bank will organise around customers at a local level, eliminating duplication and unnecessary complexities in the system. The new structure provides customers with a one-stop-shop form of service and brings more local autonomy when it comes to decision-making, including lending. It is designed to be more tailored to each customer's needs; it will allow far more agility of service; it will enable us to move working capital faster and more efficiently.

Nobody is more aware than you are of rapid changes in how people manage their finances, personal and business. Customers set the pace today and banks are required to respond. Customers expect personal professional service, be it over-the-counter or through technology. Digital and technological changes usage provides convenience, personal security and competition that allows choice and the trend across Ireland, Britain and Western Europe is a systematic move to digital. For example, 76% of all AIB's personal loan applications are now done through digital channels and 95% of customer transactions are automated – and nobody should imagine that this activity is conducted just by a younger generation of customers. The use of digital channels by older age groups is growing consistently, regardless of geographical location. In line with European norms, banking online and through remote channels has been embraced across the country.....almost 50% of customers in rural counties are now using digital banking of one kind or another. At least 43% of the 500,000 banking transactions conducted daily are outside of normal banking hours, and are executed online or on mobile.

But we are keenly aware that the one thing that will differentiate banks like AIB into the future is the quality of customer service be it in-branch, online or on mobile – that is the one constant that remains in spite of all other developments. We are aware that we must maintain the right balance between providing our customers with trusted personal, one-to-one service and an accessible and reliable digital or mobile service.

Last year AIB opened three new bank branches – in Little Island, Cork, Carrickmines, Dublin and Grand Canal Dock near Dublin city centre. This year we opened the only in-store banking outlet in the Republic of Ireland market through SuperValu in Lucan. This new outlet adds to the growing number of flexible banking options available to our customers – to use where and at a time of their choosing. Any company claiming to deliver market-leading service must go to the customer. AIB is increasing its mobile salesforce, trained staff who travel to meet customers where and when it suits their needs.

In addition to the core retail opening hours, by year end AIB will be operating 20 bank lobbies across the country providing a wide range of services, 7 days a week from 8am to 9pm. Where there is a lack of physical bank branches, AIB operates Community Banks – in rural areas of Cork and Kerry, Clare, Limerick and Tipperary, Mayo, Galway and in Donegal. There have been 40,000 over-the-counter transactions at these banks since the start of 2016. In addition, students now have exclusive on-campus banking services at 13 universities and colleges from Waterford to Sligo, from Dublin to Galway.

We mentioned earlier AIB's partnership with An Post and the banking services that are available in all post offices. This year alone, almost 4 million transactions will be processed in An Post for 400,000 customers, reflecting the flexibility, easy proximity and security that the post office service offers to bank customers. Personal customers can use any outlet of An Post to complete cash withdrawals – and they can lodge cash to their AIB accounts also. AIB credit card bill payments can also be completed in post offices. Equally, business customers can also avail of a large range of banking services at any post office, including cash lodgements as well as credit card bill payments to an AIB credit card.

With small to medium enterprises providing thousands of jobs across the country, AIBs support for the SME sector is reflected in our strong lending activity. For the first three quarters of 2016 AIB has seen an 11% increase in the value of new money loan approvals and a 5% increase in the number of loan applications approved. The bank has committed to providing customers with a decision within 48 hours on their credit applications of up to €30,000 and since its launch in September 2014, 28,000 applications have been approved under the scheme. AIB has developed a sectoral approach to its business, analysing key components of the Irish economic landscape and building up specialised teams to provide expert opinion, guidance and advice to customers in those sectors, be they retail, hospitality, health, transport, technology, hospitality or farming. This strategy of building sectoral capability has been very effective, giving the bank a strong sense of awareness of customer needs. For example, the bank's Agri-team now includes 12 specialist advisors with front-line experience of farmers' needs and opportunities and who can respond rapidly and pragmatically to issues such as flooding, price volatility and poor crop yields.

In response to the flooding crisis of last year, AIB opened an emergency flood response line for small business and farming customers and proactively contacted customers whose business finances might be impacted by adverse weather. We offered customers a moratorium on loan repayments in order to free up cash flow for their businesses at that critical time.

Following the full drawdown of the first €500 million Agri Loan Fund, AIB launched a second €500 million Agri Loan Fund at the end of 2015 to support the continuing development of Ireland's farming sector. Recently, AIB has been engaging with the Department of Agriculture, Food & the Marine and the Strategic Banking Corporation of Ireland (SBCI) in relation to the Low-Cost Agri Cash Flow Support Loan Fund announced in the Budget.

AIB has a history of partnership with the SBCI, helping small businesses and farmers to grow their businesses, create employment and support the economy through reduced priced loans. Since the launch of AIB's €400m SBCI Loan fund in 2015 (available at 4.5%, a discount of 2% off our Standard Variable Business Rate) AIB has approved more than €5 million credit each week to businesses and farmers. The

average loan drawdown last year under this fund was €28,500, but loans drawn down ranged in size from €1,000 to €1 million.

AIB relationship managers are continuing to proactively engage with dairy farming customers who may be experiencing cash flow pressures and the bank's Agri Advisory Team has participated in numerous seminars, farm talks and workshops to support farmers.

AIB is the largest bank seed fund investor in Ireland and is supporting businesses throughout the country, irrespective of location. In Skibbereen, for example, the bank is strategic partner of Ludgate, the first rural digital hub providing 1,000 MB Broadband, 80 hot desks, co-working space for small business with 24/7 access. Meanwhile, as strategic partner of the Portershed in Galway, AIB is funding a shared work space for entrepreneurs, start-ups, accelerators and incubators for the Western seaboard. We have had a really positive response to the AIB Start-Up Academy which is a programme of supports for Start-up business owners. This includes a range of summits, bootcamps and a mentoring programme designed to inspire, support and nurture SMEs in the critical initial phase of getting their businesses off the ground.

AIB Group has the largest share of the mortgage market with our latest mortgage lending showing a 15% increase on last year's figures to the end of October. We approve 8 out of 10 applications and we have consistently been one of the cheapest in the market. We have reduced our variable rates for both our new and existing customers 4 times in the last 2 years totalling a 1% reduction.

Meanwhile, though impaired loans are dropping significantly as the economy recovers – there has been an €18 billion reduction in impaired loans to €11 billion since December 2013 – the bank continues its case by case restructuring of personal and business customers in financial difficulty. Implementing sustainable solutions for customers takes time but progress is clearly being made and the bank continues to see a continued reduction in impaired loans. This remains a critical priority for the banking industry in general.

Regardless of our customers' location, a new set of challenges has come unexpectedly from the Brexit vote. AIB is very conscious of the short-term negative effect of a weakened Sterling. We continue to work with customers whose businesses are now experiencing cash flow challenges due to currency fluctuations. Brexit has also brought market uncertainty and volatility. As a bank we are acutely aware of the anxieties that many of our customers are facing, be they farmers in the west of Ireland or shop-owners in the Midlands. Some are under pressure. And while we cannot predict the shape of the post-Brexit change, we

can, as a profitable stable bank, assure you that we will support our customers, support jobs, and continue providing credit to businesses, the backbone of the Irish economy and the heart of our communities. AIB is actively advising our customers to plan strategically on the impact of Brexit on their businesses. We are holding Brexit information events this month in Sligo, Limerick/Clare and Drogheda with more planned for the New Year.

At the outset, we mentioned the degree to which the bank is involved in the community. Nowhere is this more highly illustrated than in its sponsorship of GAA club hurling, football and camogie. The bank's relationship with the GAA spans more than 25 years and that support reaches into every one of the 2,000 clubs that engage in the Championship – with many parishes and communities benefitting. In 2015 the bank extended its GAA sponsorship to include the All Ireland Football Championship.

AIB thanks the Committee again for the opportunity to explain the level of our commitment and support to our customers, their families and the local community. This relationship lies at the very core of our business. Having returned to sustainable profitability and begun repaying capital to the State, the bank is robustly positioned to continue that support – no matter where our customers live or work.

We are now happy to take your questions.