

OUR GROUP

AT THE HEART OF CUSTOMERS' FINANCIAL LIVES

AIB is a financial services group of companies. Our main business activities are retail, business and corporate banking, wealth management, mobile payments and card acquiring.

	AIB is our principal brand across all geographies. AIB provides a range of services to retail, business and corporate customers, with market-leading positions across key segments.
	EBS is a predominantly mortgage-focused brand within the AIB Group, helping thousands of people buy their own homes in Ireland. It offers mortgage, personal banking, savings and investment products and services.
	Haven is the trading name of our mortgage broker channel, which was established as a subsidiary of EBS in 2007, providing mortgages through intermediaries on behalf of AIB Group.
	Payzone is a subsidiary of AIB Group. It is a leader in digital payments, providing comprehensive solutions to more than 7,500 retail stores, over 100 clients and over 400,000 app users across Ireland.
	Goodbody is a leading investment-led business, offering wealth management, asset management and investment banking services with quality advice and exceptional client service at the core of its offering.
	AIB Merchant Services is a joint venture with Fiserv, a global leader in fintech and payments. It is one of Ireland's largest payment solution providers and one of Europe's largest e-commerce acquirers, with a global customer base.
	NiftiBusiness and Nifti Personal Leasing promote sustainable mobility solutions for Irish businesses and consumers. NiftiBusiness assists companies in achieving their fleet management goals; Nifti focuses on helping consumers switch to electric driving.

CHIEF EXECUTIVE'S REVIEW

POSITIONED FOR GROWTH

In 2021, we accelerated the delivery of our strategy and expanded our product suite, enabling us to sustainably generate value for our stakeholders.

2021 was a year of very significant progress across the Group despite uncertainties related to the COVID-19 pandemic. The Irish economy performed much better than expected due to the successful vaccine rollout, sustained government supports for business and society's willingness to adapt to tough restrictions. Against this backdrop, I am pleased to report a robust set of results with profit before tax of €629m, a strong CET1 capital position of 16.6%¹ and solid growth in new lending – clear evidence of AIB's ability to play a key role in the country's economic recovery.

We continued to simplify, streamline and strengthen our business and maintained the No. 1 position in our core markets. We are now the country's leading business bank and foremost mortgage provider while also setting the sustainability agenda in financial services in Ireland.

As the country and the world confronts the growing threat of climate change, we expanded our green lending portfolio and put a comprehensive set of actions in train across the Group to ensure we maintain and extend our position as a leading force for sustainability. We have stated our ambition for 70% of our new lending to be green or transition by 2030 and have a clear target to achieve net zero in our financed emissions by 2040 for our full lending portfolio (2050 including agriculture).

Throughout 2021, we accelerated the delivery of our strategy and began the year with the announcement of the acquisition of Goodbody, now firmly in the Group with integration going well. This was followed by our agreement to set up a joint venture with Great-West Lifeco. Both of these developments will enhance our wealth offering to customers and provide material long-term opportunities for the Group. We also announced the acquisition of the Ulster Bank corporate and commercial loan book, for which the competition authority approval process is underway.

¹ Excludes the impact of the proposed buyback of €91m. Including the buyback CET1 is 16.5%.



NEW MORTGAGE LENDING WAS 26% HIGHER, AT €3bn, AS IRELAND'S MORTGAGE MARKET CONTINUED ITS STRONG PERFORMANCE THROUGHOUT 2021

These initiatives help to complete our product suite and position the Group for growth, sustainably generating value for all our stakeholders and enhancing our capacity to be at the very heart of our customers' financial lives.

The recently agreed sale of our SME loan book in Great Britain is further evidence of how our Transformation Programme is delivering real change and tangible cost savings.

We remain on track to meet our medium-term targets of a CET1 of greater than 13.5%, a cost base of less than €1.475bn and a return on tangible equity of greater than 9% in 2023. More details on the progress made on each of our strategic initiatives can be found on page 19.

FINANCIAL PERFORMANCE

Our core business segments contributed positively to our financial performance in 2021 and we are reporting a profit before tax of €629m for the full-year. This includes an operating profit of €688m before exceptional items and impairment writeback.

Total operating income of €2,384m was in line with full year 2020. We have seen a further reduction in our net interest income to €1,794m, a 4% decrease year-on-year. This moderate decline was driven by lower average customer loan volumes, the low interest rate environment and lower investment securities income partially offset by the TLTRO funding income benefit. Other income of €590m is up 18%, or 13% excluding Goodbody, compared to 2020 driven by an increase in underlying net fee and commission income.

Our total operating expenses were €1,534m, down 1% excluding Goodbody. We will continue to maintain

our focus on the cost agenda in 2022, leveraging opportunities to reduce costs through increased efficiencies.

There was a net credit impairment writeback of €238m reflecting a more favourable economic environment, improved credit quality and updated macroeconomic assumptions partially offset by post-model adjustments. Our overall approach remains conservative, comprehensive and forward-looking and is reflected in an expected credit loss coverage rate of 3.2%.

Exceptional items of €318m include restitution-related costs, restructuring costs and inorganic transaction costs. In terms of legacy items, where we identify an issue, our priority is to put things right for our impacted customers. We continue to work closely with the Central Bank of Ireland with regard to any Tracker-related issues and associated Enforcement investigations.

New lending of €10.4bn in 2021 was 13% higher than 2020. We continued to see mixed trends across our core segments; new mortgage lending was 26% higher at €3bn, as Ireland's mortgage market continued its strong performance throughout the year, while personal lending was 5% lower at €0.9bn, reflecting subdued credit demand and higher savings as a result of COVID-19 restrictions. New lending in Capital Markets was 33% higher at €4.1bn, driven by an increase in property and renewable energy lending. Irish SME lending was broadly in line with 2020 with higher term lending (which benefited from government-supported schemes) offset by lower transaction lending.

Gross loans at €58.4bn were down €1.0bn driven by a reduction in non-performing loans of €1.2bn or 28% with performing loans of €55.3bn, broadly stable when compared to 2020 year-end. Net loans were down €1.3bn (excluding FX impact) primarily due to the redemption and disposal of non-performing loans. As at 31 December 2021, 87% of AIB's loan book was of strong or satisfactory

quality (up from 85% at 2020 year-end). Maintaining the quality of new lending is critical, with more than 98% of our new lending being of strong or satisfactory credit quality in 2021.

Non-performing loans as a percentage of gross loans to customers was 5.4% at 31 December 2021 compared to 7.3% at 31 December 2020. This decrease primarily reflects the disposal of loan portfolios and redemptions, partially offset by net flow to non-performing. We remain committed to reducing non-performing exposures (NPEs) to c.3% of gross loans by 2023 given the impact on cost, capital requirements and balance sheet resilience. Legacy NPEs were €0.9bn or 1.5% of gross loans.

AIB's funding ratios remain robust. As customer deposits continue to accumulate, up 13% in 2021, our Loan to Deposit Ratio was 61% at the end of December 2021 and we continue to have strong liquidity metrics (Liquidity Coverage Ratio 203% and Net Stable Funding Ratio 160%).

In May, we issued our second green bond to the market raising €750m and bringing MREL eligible instruments to €6.6bn.

The Group has a strong capital base with a CET1 ratio of 16.6% at 31 December 2021, well in excess of regulatory requirements and our medium-term target of greater than 13.5%. Proposed distributions include an ordinary dividend of €122m and a directed share buyback of €91m.

DIGITAL

As Ireland's leading digital bank, continued investment in our digitally-enabled product lines is imperative to ensure we provide our customers with a seamless end-to-end journey characterised by quicker decision times and access to funds.

The way our customers are choosing to interact with us has fundamentally changed – and was hastened by the pandemic with our digitally-active base now standing at 1.85m. It is not only younger

IT IS NOT ONLY YOUNGER CUSTOMERS WHO ARE CHOOSING DIGITAL; WE SAW A 41% INCREASE IN THE NUMBER OF ACTIVE MOBILE BANKING CUSTOMERS AGED 65+



customers who are choosing digital; in 2021 we saw a 41% increase in the number of active mobile banking customers aged 65+. Our customers have also embraced new payment methods with a 218% increase in digital wallet payments compared to pre-pandemic levels, with the value of these payments increasing by 382% on the same period.

Recognising the importance of cyber risk and information security, we continue to educate AIB staff and our customers on emerging cyber threats. We sustain significant annual investment in a range of sophisticated technologies and strategic partnerships that underpin our cyber defence capabilities. We actively participate in industry fora, collaborating with other banks to ensure our products and services remain available to customers and their data remains protected.

CULTURE AND OUR PEOPLE

Our purpose, values and our people are the cornerstones on which our culture is built. Empowering our leaders and encouraging them to live our organisation's values and associated behaviours is key to evolving our culture. With that in mind, we held our first Leadership Summit in October and launched our Leaders Enabling a Difference (LEAD) Programme, an all-inclusive programme

designed to equip our people with the skills and knowledge to successfully manage and motivate colleagues to be purpose-driven and performance orientated, while positively impacting cultural change.

We are committed to creating an inclusive and supportive organisation that delivers for all our customers and creates an environment in which our employees also develop and thrive. In 2021, we were the first Irish bank to be awarded a Silver accreditation by the Irish Centre for Diversity, Ireland's only equality, diversity and inclusion performance mark. Gender diversity has been a key strategic focus for AIB and last year's Graduate Programme intake had a 50/50 gender split. We also launched our Employee Value Proposition (EVP), which is designed to attract more diverse talent while supporting our continued focus on ensuring we have the right skills and capabilities in place to deliver on our strategic objectives.

Despite the challenges posed by the pandemic, our customer-facing colleagues continued to work tirelessly supporting our customers, while the majority of our colleagues continued to work remotely. Progress was also made on our Future of Work plans and in December 2021 we defined our future Hybrid Working Model. We will focus on new ways of working, enabling team engagement in the office, and shifting the emphasis to purposeful collaboration, networking and innovation.

A number of announcements were made in 2021 regarding our Executive Committee. Fergal Coburn was appointed Chief Technology Officer, Robert Mulhall announced his decision to leave the Group and Hilary Gormley has since been appointed Managing Director Designate of AIB UK. Our Chief Risk Officer, Deirdre Hannigan, also signalled her intention to retire and a process to appoint her successor is well advanced and an announcement will be made in due course. I congratulate Fergal and Hilary on their appointments and express my appreciation to Deirdre and Robert for their significant contributions to the Group and wish them well in their future endeavours.

SUSTAINABLE COMMUNITIES

Sustainable Communities is a key strategic pillar for AIB. The Environmental, Social and Governance (ESG) agenda is being embedded as part of the very fabric of the organisation and how we conduct our activities day in, day out.

As underlined at COP26 in Glasgow last year, in the fight against climate change there can be no further delays.

WE CONTINUED TO EXPAND OUR GREEN LENDING WHICH ACCOUNTED FOR 19% OF ALL NEW LENDING IN 2021

To this end, we continued to expand our green lending which accounted for 19% of all new lending in 2021 and is the fastest growing part of our loan book. We also reduced our own scope 1 & 2 emissions by 19% and are now finalising a Corporate Power Purchase Agreement (PPA) to directly source renewable solar energy for our operations to reduce our emissions further.

We gave further practical effect to our commitment to social progress, particularly in relation to the greatest issue facing our society – the housing deficit. We announced a new €500m Social Housing Fund to provide 3,000 social housing units in Ireland in the coming three years. We published our Social Bond Framework, we launched a financial literacy and skills programme for secondary school students and, in addition, AIB also became the title sponsor of the GOAL Mile.

From a governance perspective, we established a new Group Sustainability Committee which also oversees our multi-year sustainability regulatory programme.

Overall, the Group is now well placed to continue to drive ESG and Sustainability across both the organisation and our customer base. For further details on the progress we are making, please see pages 42 to 55 and our detailed Sustainability Report.



For more information see our Sustainability Report 2021

OUTLOOK

Though COVID-related restrictions remained in place for much of the year, it is a measure of the underlying strength of the Irish economy that it could rebound so strongly in 2021 across all sectors including manufacturing, services, construction and retail. Housing starts picked up sharply during 2021, with the strongest level of commencement activity seen since 2007. Forecasters are projecting another year of strong economic growth, with the global economy expected to perform well and scope for a rundown of the large build-up of private sector savings seen during the pandemic. However, there are still risks to the economic recovery, including how well businesses will cope with a withdrawal of government COVID-19 supports, as well as the marked rise in inflationary pressures over the past year, which is expected to see central banks move onto a policy-tightening path in 2022. The crisis in Ukraine adds further uncertainty to the economic outlook, but any impact on growth in our core markets is expected to be modest at this point.

AIB Group's robust balance sheet, its digital capability and the scale of its operations mean we will continue to play a key role in supporting our customers, our communities and the wider Irish economy. We want to build on the achievements of 2021, by enabling and leveraging a platform for growth, focusing on key areas including mortgages, Capital Markets and our UK business. We will further enhance our wealth proposition and go to market across a wide range of customer groups. Combining this with our leading customer franchise and the quality and ever increasing functionality of our digital offering, these moves will ensure that AIB is the market-leading, full-service financial provider in Ireland.

We welcomed the decision in December by the Minister for Finance, Mr Paschal Donohoe, in relation



EMPOWERING OUR LEADERS AND ENCOURAGING THEM TO LIVE OUR ORGANISATION'S VALUES AND ASSOCIATED BEHAVIOURS IS KEY TO EVOLVING OUR CULTURE

to the further divestment of the State's shareholding in AIB Group plc. We owe the Irish taxpayer an immense debt of gratitude for its support during the global financial crisis.

And so, looking to 2022 and beyond, buoyed by the momentum in our business and strong pipeline, we are well positioned to deliver on our medium-term targets and generate sustainable profits in the interests of all our stakeholders.

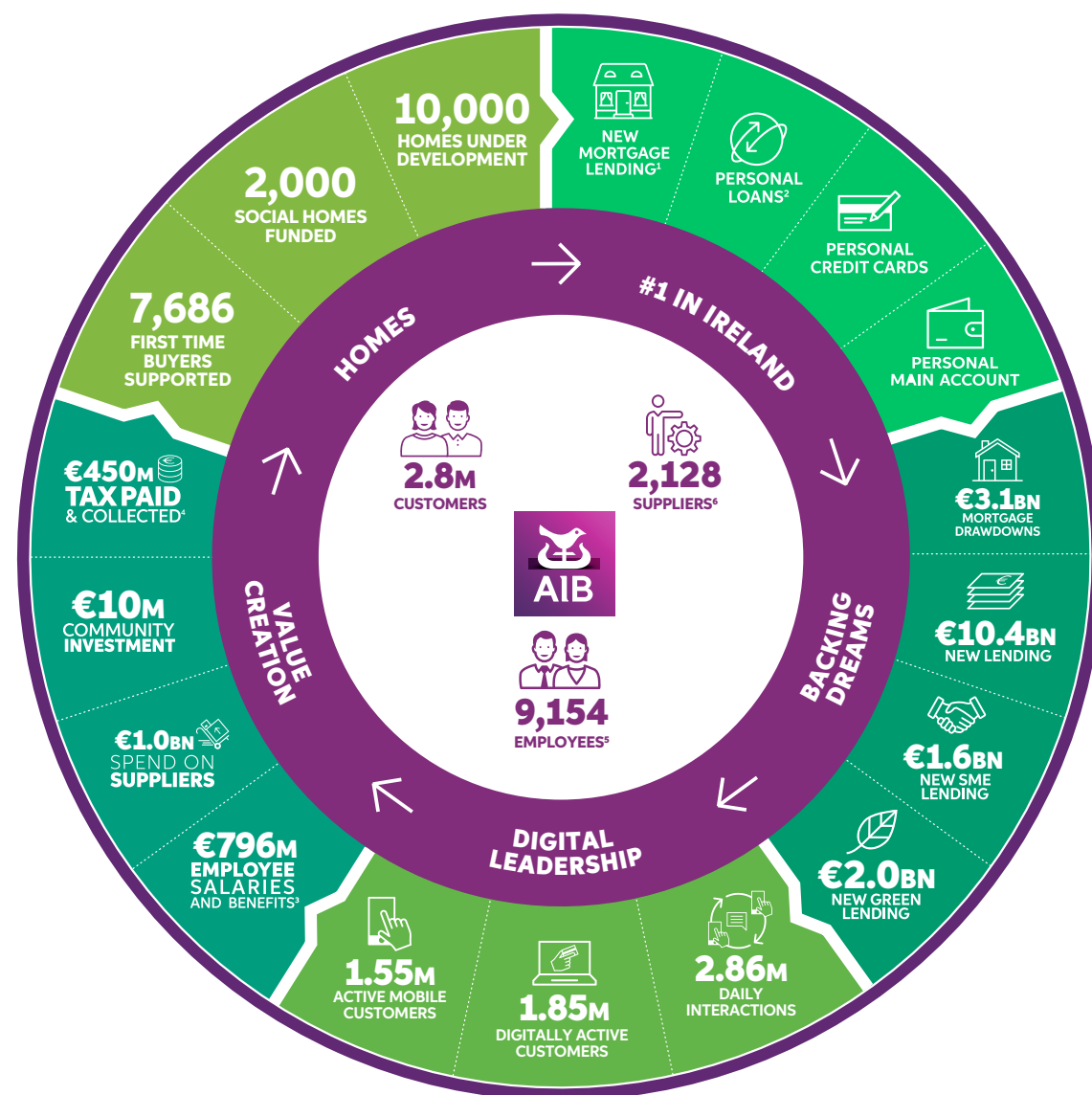
Finally, I would like to thank my fellow Board and Executive Committee members for their unwavering support and determination to deliver a professional and trusted banking service to our 2.8 million customers. I welcome our new Chair, Jim Pettigrew,

to the Group, and I look forward to working closely with him in implementing our strategy. I also thank our interim Chair, Brendan McDonagh, and all of my colleagues across the Group for their relentless effort and commitment. Together, we are demonstrating our ability to rise to unprecedented challenges and to ensure that all our strategies have, at their core, the welfare of our customers and the strengthening of the Group's balance sheet so that we continue to play a key positive role in the Irish economy now and in the years to come.

COLIN HUNT

Chief Executive Officer
2 March 2022

CREATING VALUE SUSTAINABLY



Information as of 28 February 2022.

Source: Company information and independent market research.

1. New mortgage lending FY2021

2. No. 1 among banks personal lending excluding car finance

3. See "Personnel expenses" in our AFR 2021 – note 12 p.276.

4. "Tax paid" (€194m) refers to taxes borne by the Group, incl. corporate tax, bank levy, social employer insurance and irrecoverable VAT.

"Tax collected" (€256m) comprises of payroll taxes/social insurance collected from employees and net VAT collected from customers.

5. Average employees in 2021, including Payzone and Goodbody employees. Total employees at 31 December 2021 including Payzone and Goodbody employees was 8,916.

6. For more details, see page 112 in our Sustainability Report 2021.

AIB IN OUR COMMUNITY

DOING MORE FOR OUR COMMUNITIES

In 2021, AIB continued to support local and national initiatives to do vital work in our communities.

In 2021 communities continued to be impacted by the COVID-19 pandemic, and AIB continued to respond. With our deep community roots, we have demonstrated our support and are committed to making a positive contribution to society and the communities in which we live and work.

We make a meaningful impact through community partnerships and our people; our physical presence on high streets enables face-to-face advice and support for local activities.

Our employees fundraised for over 600 local organisations in 2021 and have now surpassed 10,000 recorded volunteering hours since 2018. Our core community partners and programmes enable us to further develop our impact on society and focus on key areas where we can make a real difference: Education & Opportunities; Sustainability, and; Digital Innovation & Financial Inclusion.

THE GOAL MILE

First year of AIB sponsorship of the GOAL Mile, supporting sustainable communities, raised €409k with 20,000 participants in over 20 countries around the world – making 2021 the largest GOAL Mile ever!



2021 was our fourth year of partnering with FoodCloud. Since 2018, with AIB's support alone, over



19 MILLION MEALS

have been redistributed to over 600 charities throughout Ireland



6th year of partnering with SOAR.

5,847

teenagers supported across Ireland



25 years of partnering with Junior Achievement.

1,260 volunteers working with over

29,000 students in

355 schools



Through our AIB Together Covid fund, we distributed

€1 MILLION

to those most in need, including our charity partners Age NI, Age UK, ALONE, FoodCloud, Pieta, and Soar

"I FELT A REAL BOOST OF MORALE AND SUPPORT FROM AIB BACKING THE GOAL MILE. I WAS BOWLED OVER BY THE ENTHUSIASTIC AND ENERGETIC HELP FROM AIB STAFF IN THE AREA... TOGETHER WE FORMED A DYNAMIC TEAM OF EVENT ORGANISERS AND LOCAL NETWORKERS"

Liam O'Brien, GOAL Mile Organiser, Herbert Park and Lahinch



"I LOVE WORKING IN THE SHOP. I'VE MET SO MANY PEOPLE IN THE COMMUNITY, FRIENDS AND NEIGHBOURS"

Emma Raben, AIB employee and Sue Ryder Foundation charity shop volunteer



"I DEFINITELY FEEL MORE PREPARED FOR MY FUTURE WORK LIFE AND FEEL LESS NERVOUS ABOUT GOING FOR AN INTERVIEW"

Sean O'Leary, Junior Achievement student at St. Paul's CBS, North Brunswick Street, Dublin 7

