

OUR STRATEGY

A PLATFORM FOR GROWTH

In 2021, we continued to make steady progress against our strategic initiatives to address product gaps, generate cost savings and position AIB for growth, while supporting the transition to a low-carbon economy.

Following an acceleration towards digital banking and changing ways of working associated with the COVID-19 pandemic, we announced a refreshed three-year strategy and Transformation Programme for AIB Group in December 2020. Our strong capital base, leading customer franchise and digital capability enabled the Group to adapt to uncertainty and change while remaining focused on our long-term strategic objectives.

In 2021, we made good progress in our Transformation Programme, delivering real change to enable cost-savings across each of our strategic initiatives over the course of a multi-year plan. These initiatives are aligned to our five strategic pillars – Customer First, Simple & Efficient, Risk & Capital, Talent & Culture and Sustainable Communities. For more details, and an overview of the progress made in 2021, see the table on page 19.

Amid the uncertainty caused by the pandemic, there was also a growing recognition globally of a need to create a more sustainable world. Increasing evidence of the climate crisis, as witnessed by extreme weather events across the world in 2021, has reinforced and accelerated the drive to sustainability.

GOVERNANCE AND OVERSIGHT REMAIN KEY TO ENSURING OUR STRATEGY IS DELIVERED AND EFFECTIVE

At AIB, Sustainable Communities is a key strategic pillar and a core consideration in everything we do. We continue to progress our sustainability agenda across each of the ESG categories – environment, social, and governance (see page 19). A comprehensive set of actions is in train across the Group to further integrate sustainability practices and offer our customers more green propositions and services. To oversee and

progress this integration appropriately, in 2021 we introduced a new executive governance committee, the Group Sustainability Committee (GSC), complementing the existing Sustainability Board Advisory Committee. For more information about these committees, see our Sustainability Report 2021.

Governance and oversight remain key to ensuring our strategy is delivered and effective. To ensure the Group achieves our purpose and strategic goals in an appropriately risk-controlled manner, the Group’s Risk Committee safeguards proper oversight of the Group’s risk appetite, management structure, frameworks and policies, as well as challenging whether the management controls in place are adequately robust. More information about our risk approach can be found in the Risk Summary on pages 26 to 31.

In managing our strategy, the Group remains adaptable to changing circumstances and has responded appropriately in recent times, including the establishment of new Board advisory committees, such as the Technology & Data Advisory Committee in 2020.

Our focus for the next year is to leverage the progress made in 2021, using it as a platform for growth. While we remain alert to uncertainties in the economic environment and the evolving banking landscape, we have strong business fundamentals underpinning our growth strategy.

Looking forward, we will maintain focus on our products and services, aligning our Group operating model and ways of working to ensure we can serve customers as their banking needs evolve, as a complete provider of financial services. And we will continue to action our pledge to support the transition to a low-carbon economy, reducing our own carbon footprint and assisting our customers to do the same.

IN 2021, WE FOCUSED ON STRATEGIC INITIATIVES ACROSS OUR FIVE PILLARS, MAKING GOOD PROGRESS IN EACH DURING THE YEAR.

STRATEGIC PILLAR	INITIATIVE	UPDATE
CUSTOMER FIRST	 PRODUCT GAPS; INORGANIC GROWTH	<ul style="list-style-type: none">Acquired Goodbody to enhance capital markets, wealth management and corporate finance propositionsCCPC approval received for a joint venture with Great-West Lifeco; CBI application underwayCompleted commercial negotiations with NatWest Holdings Limited for the acquisition of the performing Ulster Bank corporate and commercial loan portfolio; CCPC process underwayAcquired a 50% stake in Autolease Fleet Management – trading as NiftiBusiness and Nifti Personal Leasing – for car leasing solutions
	 REFOCUSED BRANCH NETWORK	<ul style="list-style-type: none">Reorganised c.20% of our AIB and EBS branch network in Ireland and the UKAmalgamated 21 AIB branches and closed 3 EBS offices in Ireland; closed 8 branches in Northern IrelandCreated 17 new Sales & Advisory branches, making 22 in total, dedicated to meeting our customers’ lending, mortgage and financial planning needsExpanded the services on offer for AIB customers at An Post locations
SIMPLE & EFFICIENT	 CHANGE DELIVERY	<ul style="list-style-type: none">Created 240 technology, data and digital specialist roles, reducing reliance on third partiesEnhanced cost management across the Group using zero-based budgeting methodology
	 AIB GB BUSINESS MODEL	<ul style="list-style-type: none">Reorganised the business to focus on Corporate growth in specific sectors, including renewables, infrastructure, real estate, healthcare and manufacturingExited the SME market with agreed bid on portfolio sale of £0.6bn
RISK & CAPITAL	 END-TO-END CREDIT	<ul style="list-style-type: none">Streamlined existing credit, customer and account management and fulfilment activities for SMEsCompleted design work on long-term credit solutions for corporate and SME customersImplemented CreditLogic technology to enable digitalisation of EBS mortgage journeys
	 FUTURE OF WORK	<ul style="list-style-type: none">Designed our Future of Work approach around a hybrid working modelPhysical exit completed of Burlington Road office building in DublinLaunched aib Connect, our new employee communications and engagement app
TALENT & CULTURE	 ENVIRONMENT	<ul style="list-style-type: none">Launched the AIB Personal Green Loan and Haven Green MortgageRaised €750m on completion of our second green bond issuanceDoubled our Climate Action Fund to €10bn to support large-scale green and transition projects
	 SOCIAL	<ul style="list-style-type: none">Launched a Social Bond Framework to support communities across IrelandLaunched Future Sparks, supporting financial literacy among post-primary schools in IrelandAgreed a three-year partnership to support the annual GOAL Mile
	 GOVERNANCE	<ul style="list-style-type: none">Appointment of Jim Pettigrew as Chair of the BoardEstablished the Group Sustainability Committee (GSC)Advanced the work of the new Technology & Data Advisory Committee (TDAC)Appointed Elaine MacLean as our NED designated to engage directly on employee issues



**CUSTOMER
FIRST**



**SIMPLE &
EFFICIENT**



**RISK &
CAPITAL**



**TALENT &
CULTURE**



**SUSTAINABLE
COMMUNITIES**

OUR STRATEGY

CUSTOMER FIRST



AWARD-WINNING CX

The International Customer Experience Awards (ICXA) recognise organisations leading the way in managing Customer Experience excellence. In November, AIB won Gold Awards in Best Use of Insights and Feedback and Customer Experience in the Crisis categories and a Silver Award for Customer Experience Team of the Year.

COMPETITIVE MORTGAGE OFFERINGS



In 2021, AIB Group continued to offer market-leading mortgages:

- Launched AIB Higher Value 4 Year Fixed Rate
- Reduced AIB Green 5 Year Fixed Rate
- Launched Haven Green 4 Year Fixed Rate
- Reduced EBS 3 and 5 Year Fixed Rates
- Reduced Haven long-term 7 and 10 Year Fixed Rates

**€1.6BN
NEW LENDING
TO SMES**



including
Government
support schemes

10,000 NEW SUSTAINABLE HOMES

AIB is the main Irish bank for most large residential development groups, with primary lending facilities on current live developments with the potential to deliver over 10,000 new sustainable homes, including 1,100 social housing units. And in the second half of 2021, we launched a new €500m Social Housing Fund to provide over 3,000 individuals and families with the keys to their own homes.

IRELAND'S
#1
MORTGAGE
PROVIDER



IRELAND'S
#1
BUSINESS
BANK

MEASURE

OUTCOME 2021

TARGET

**CUSTOMER
SATISFACTION
TRANSACTION NET
PROMOTER SCORE (NPS)¹**

Measured after customer
transactions for key touch points

+45

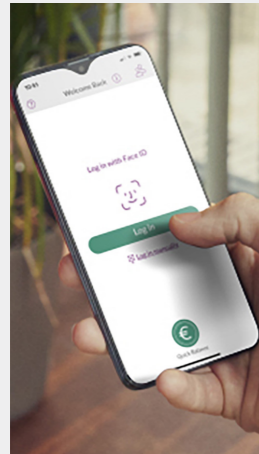
+53

MEDIUM-TERM (END 2023)

1. Transaction Net Promoter Score (NPS) is an aggregation of 20 customer journeys across Homes, Personal, SME, Digital, Retail, Direct and Day-to-Day Banking.

OUR STRATEGY

SIMPLE & EFFICIENT



AWARD-WINNING AUTOMATION

In October, we won the EMEA Automation & Management category at the Red Hat Digital Leaders Awards. Our CTO team was recognised for the speed at which we provision and decommission systems, the empowerment of our developers through a fully automated self-service model, the level of security codified upfront and the focus on our team training and capability uplift.



FASTER COMMERCIAL GRADING

In October, we launched our new Commercial Grading System for facilities where the borrower's total AIB exposure is €300,000 or greater. The new system has many efficiencies including accelerated completion time.

85%



PERSONAL LOANS COMPLETED ONLINE



BEST IN CLASS E2E

In December, our nCino Programme won Best Use of Technology – Transformation Programme in the Customer Contact & Shared Services Awards 2021 for its transparent and seamless customer credit journey.



CONTINUED DIGITAL GROWTH

AIB customers made c. 107m digital wallet payments in 2021, almost double the number in 2020 (57m) and three times the amount before the pandemic (c. 34m in 2019). The value of these payments has increased 382% since 2019 from €0.5bn to €2.4bn in 2021. Overall, AIB's digitally active customer base grew by a further 8% in 2021.

MEASURE

OUTCOMES 2021

TARGETS

DIGITALLY ACTIVE CUSTOMERS

Number of active customers on digital channels

1.85m

>2.25m

MEDIUM-TERM (END 2023)

ABSOLUTE COST BASE¹

Cost of running the business, excluding exceptional costs

€1.534bn

<€1.475bn

MEDIUM-TERM (END 2023)

1. Before bank levies, regulatory fees and exceptional items. For exceptional items, see pages 62 and 71.

OUR STRATEGY

RISK & CAPITAL



€750m GREEN BOND ISSUANCE

In May, we raised €750m after completing our second green bond issuance in less than a year. The proceeds will finance projects with clear environmental and climate change benefits and further strengthen AIB's capital position.

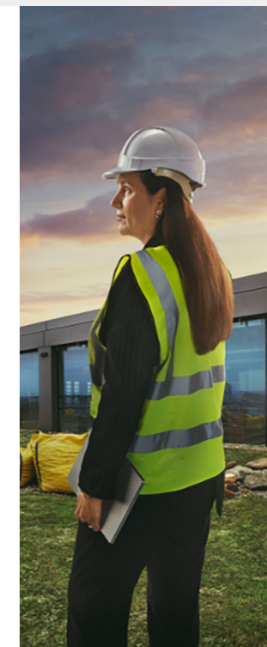


FIGHTING FINANCIAL CRIME

In May, we mobilised a new centre of excellence for AML, Fraud and Sanctions to ensure timely detection and response in the first line of defence.

MANAGING OUR ESG RISKS

In June, we launched new initiatives that will further embed ESG considerations across our lending business: our Sustainable Lending Framework which will categorise green or transition lending; our ESG Questionnaire for borrowers in high climate risk sectors to help assess ESG risk before we agree to lend; and our Collateral Valuations to capture Building Energy Ratings/Energy Performance Certificates for our property assets.



OUR SOCIAL BOND FRAMEWORK

In August, we became the first Irish bank to launch a Social Bond Framework. Funds raised under this new framework will support a wide range of social issues, including the provision of social and affordable housing, healthcare and education as well as charitable and non-profit organisations.

€6.6bn MREL ELIGIBLE INSTRUMENTS

MEASURE

OUTCOMES 2021

TARGETS

RETURN ON TANGIBLE EQUITY¹

A measure of how well capital is deployed to generate earnings growth

8.2%

>9%

MEDIUM-TERM (END 2023)

CET1 RATIO (FULLY LOADED)²

A measure of our ability to withstand financial stress and remain solvent

16.6%

>13.5%

MEDIUM-TERM (END 2023)

1. Based on CET1 revised target of 13.5%. 2020 RoTE is based on prior CET1 target of 14%.
2. Excludes the impact of the proposed buyback of €91m. Including the buyback CET1 is 16.5%.

OUR STRATEGY

TALENT & CULTURE

CHAMPIONING #WOMENINTECH

In November, we were awarded the #WomeninTech Company Initiative of the Year by Technology Ireland. We were recognised for our work with Skillnet ReBOOT, supporting the ambitions of IT-qualified women and helping to reignite their careers in technology.



INVESTING IN DIVERSITY

In August, we became the first bank in Ireland to be awarded the Investors in Diversity Silver accreditation. Supported by the Irish Business and Employers Confederation (Ibec), Investors in Diversity is Ireland's only equality, diversity and inclusion performance mark.



YOUNG BANKER OF THE YEAR

In October, AIB UK's Rosie Lyon won the 2021 UK Chartered Banker Institute's Global Young Banker of the Year competition for her proposal to create a fairer financial future for victims/survivors of domestic violence.



In November, we launched our week-long Speak Your Mind campaign, encouraging our people to speak up about opinions, ideas and issues, and report wrongdoing through AIB's Speak Up Policy. AIB's commitment to an open, transparent and supportive culture is supported by our senior leaders, our CEO, CPO and Whistle-blowers' Champion, who shared videos encouraging staff to 'Speak Your Mind'.



GENDER BALANCED

2021 Graduate Programme in-take

#1 IN IRELAND **#11** IN EUROPE

Gender Diversity Index Report 2021

EMPLOYEE CHECK-IN SURVEY, NOVEMBER 2021

RESPONDENTS AGREED	STATEMENT
82%	AIB is supporting employees to adapt to new ways of working.
83%	AIB has communicated clearly and consistently during COVID-19.
85%	My people leader keeps me informed about what is going on at AIB.

MEASURE	OUTCOME 2021	TARGET
INCLUSION & DIVERSITY Women as % of management	42%	GENDER BALANCED ONGOING

1. Based on a participation rate of 59%.

OUR STRATEGY

SUSTAINABLE COMMUNITIES



SKILLS FOR SECONDARY SCHOOL STUDENTS

In September, we launched our Future Sparks programme for post-primary school students aimed at supporting their development and learning of key life skills, including financial literacy. We plan to support 500,000 customers with financial literacy by 2023.

SUPPORTING ZERO-CARBON COMMUNITIES

Throughout the summer, we worked with social enterprise the Think Tank for Action on Social Change (TASC), piloting The People's Transition Project in Ardara, Donegal, and Phibsborough, Dublin. The project aimed to facilitate community stakeholders to identify local challenges and create a strategic plan of potential climate solutions to benefit their community.

€10BN CLIMATE ACTION FUND



In October we doubled our Climate Action Fund to €10bn, due to strong customer demand. The fund was originally launched in 2019 with a target of lending €1bn per annum for green lending over five years. Having comfortably exceeded this annual target for two years, it is now €2bn.

GAA: FROM THE GRASSROOTS UP

AIB is proudly the longest continuous sponsor of the GAA. We are now in our 31st season as sponsor of the All-Ireland Club Championships, our ninth season as sponsor of the AIB Camogie Club Championships, and we have sponsored the All-Ireland Senior Football Championships since 2014.



MEASURE	OUTCOMES 2021	TARGETS
REDUCTION IN EMISSIONS ¹ % reduction in Scope 1 & 2 emissions from operations year-on-year	19%	NET ZERO BY 2030 (OWN OPERATIONS) LONG-TERM
GREEN FINANCE Amount of new lending per year for climate action	€2bn	€2bn per year MEDIUM-TERM (END 2023)

1. In our 2020 AFR, we reported our GHG emissions one year in arrears. In an enhancement, we are now reporting Scope 1 & 2 emissions for the most recent financial year. Consequently, we have restated our 2020 emissions data, as we now disclose our datacentre emissions in our Scope 3 emissions. Our ambition is to achieve Net Zero in our financed emissions by 2040 for our full lending portfolio with the exception of Agriculture. In addition, COVID-19 restrictions had an impact on our emissions reduction in 2021.