



Backing a sustainable future

AIB Group plc
Summary Sustainability Report 2017



About this report

In this report, we want to inform our stakeholders about our sustainability priorities and performance in 2017.

In 2016, we completed our first materiality exercise, engaging with almost 1,200 stakeholders to identify 32 issues that they were most concerned about.

In Q1 2018, with the help of KPMG, we refreshed this exercise with input from 1,376 stakeholders from five stakeholder groups, our customers, employees, regulator, investors and government/society. This time, we refined our approach to focus in on a smaller number of issues.



Throughout this report we make reference to information contained in our Annual Financial Report 2017 (AFR 2017).

Throughout this report, "AIB", "the bank" or "we" refers to AIB Group plc. This is AIB's second report on non-financial activity, disclosing information specifically for the period 1st January to 31st December 2017. We have also included information on operations before and after these dates by way of context, in particular for the first quarter of 2018.

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AIB SUSTAINABILITY REPORT

Our strategy

Our Purpose is **to back our Customers to achieve their dreams and ambitions.**

This is what drives Our Ambition, **to be at the heart of our customers financial lives by always being useful, always informing and always providing an exceptional customer experience.**

This is underpinned by **Our Values** and **our four strategic pillars**.

Our Values are:

- We put our customers first
- We are better together
- We are empowering
- We are building trust and appreciation

Our four strategic pillars are detailed below.



Our four strategic pillars

Customer First

We put our customers at the heart of our organisation, continually adapting our product and service offerings to meet their needs. We provide a digitally-enabled, omni-channel banking experience that allows customers to interact with us how and when they want.

Simple & Efficient

We are at the forefront of digitally-enabled banking, with ongoing investment in technology and innovation. Our products and services are simple and easily accessible, supported by a resilient and agile technology platform.

Risk & Capital

We are increasing the value of the business while maintaining a strong risk management framework, improved asset quality and robust capital levels. We offer value to our customers while consistently delivering a strong financial performance that paves the way for future development and addresses legacy challenges.

Talent & Culture

We ensure that we have the right talent, skills and capabilities within the organisation to support accountable, collaborative and trusted ways of working. We promote a culture of diversity and inclusion, where people can be at their best.

A message from our CEO

“We can either allow the past to prevent us from moving forward, or we can accept the fact that the future needs to be different and it’s our job to make it both different and sustainable.”

Speaking at our inaugural sustainability conference – October 17



Progress and Purpose

2017 was a pivotal year for AIB as we continued to rebuild strength in and support for our business. Some of that support was evident through the successful completion of the IPO in June that saw AIB relist on the Irish and London stock exchanges. Through this, the Irish Government commenced the sell down of their investment in AIB and raised €3.4bn. Another mark of our progress was the continued strong financial performance, including the ongoing delivery towards the financial commitments made during the IPO process and the payment of a full year ordinary dividend, for 2017, of €326m.

We also published our first Sustainability Report, hosted a thought-provoking conversation at our first sustainability conference and launched our Purpose statement: to back our customers to achieve their dreams and ambitions. Our Purpose is necessarily ambitious, clearly conveying our intent and identity as an organisation. It puts our customers at the heart of our actions, it shows how we can add value and it communicates what we stand for. In effect, it is a constant cornerstone and a guide for everything we do.

Sustainability and culture

As a bank, we recognise our role in the economy and society. As is evident from Our Purpose

statement, it starts with an unrelenting focus on delivering for our customers and ripples out from there. Our aim is to create long-term shared value in our business, the economy and the communities where we work. By doing this well we can continue to build our social licence to operate. That means evolving and embedding a sustainable approach into every level of our business, ensuring it is hard-wired into the decisions we make and the actions we take.

Having the right culture is critical to the success of any business and it sets a baseline for the beliefs and values of our people. These beliefs and values drive behaviour, and our collective behaviour determines how we face out to our colleagues, customers and those we engage with in our communities. Culture has rightly been identified as being at the heart of many of the issues the banking industry faced in the recent past. Too often, banks focused on their own short-term priorities over and above those of their customers. We are on a journey of cultural change at AIB. We have made good progress but we know that we still have more to do.

Our stakeholders

Our stakeholders care about our sustainability agenda. They want to know more about our business, specifically the impact we have and the value we create. So when refreshed our materiality exercise in Q1 2018, we wanted to

know what sustainability issues our stakeholders believe are important for us to respond to, in addition to what they expect from us, in order to develop their trust.

This input has helped us focus on both the role we can play in addressing the social, environmental and economic issues facing our stakeholders, and also guide us on how we can continue to grow their trust in us, through responsible banking practices and operations.

What’s next?

Through this report, we are sharing examples of work we are already undertaking to respond to the issues that matter most to our stakeholders. That way we will be judged not on what we say, but what we do – our actions – to continue to rebuild trust in AIB. Our next step will be to publish metrics and targets against sustainability issues, fully aligned to our business and our four pillar strategy.

I want to thank the Office of Sustainable Business, the Sustainable Business Executive Council and the Sustainable Business Advisory Committee for their collaboration and focus in leading and guiding AIB on this important journey.

Bernard Byrne
Chief Executive Officer

AIB SUSTAINABILITY REPORT

Our impact

Our Purpose
To back our Customers to achieve their dreams and ambitions



2.7m
Customers



9,720
Employees (FTE)



2,871
Suppliers



Personal main current account



Business main current account



Personal credit cards

#1
in Ireland

Group



c.700,000

Active mobile app users



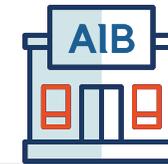
1.4m

Active digital customers



1.5m

Daily interactions



327

Locations across Ireland and the UK



Foreign direct investment



New mortgage lending

+39

Customer transactional

+21

Relationship – personal



+19

Relationship – SME

€1,070m

Suppliers and procurement

€790m

Salaries and benefits

€490m

Total tax paid and collected

Information as at December 2017
Sources: AFR 2017 and Company Information

Sustainability at AIB

A sustainable bank must be profitable, offering products and services that are relevant, easily understood, simple to access and fairly priced for both new and existing customers. A sustainable bank is technologically advanced, environmentally conscious and socially responsible.

A sustainable bank takes care of its employees and plays a strong role in communities, in the economy and in society. Fundamentally, a sustainable bank is one that is trusted and has the support from society that it needs to survive and thrive.

We recognise that having a sustainable and responsible approach to how we do business – now and in the future – should be integral to everything we do at AIB. We want to create long-term, shared value in our business, the economy and the communities where we work.

We are working to embed a sustainable culture at all levels and across all areas of our business.

We wanted to find out what our stakeholders consider to be the key sustainability priorities for the bank. We asked them firstly to tell us what were the macroeconomic issues (e.g. Brexit, housing) of most concern to them. Secondly we asked what were the most material topics that stakeholders felt we should address as a bank.

We are also reporting in accordance with the Global Reporting Initiatives (GRI) standards, the full details of which can be found by downloading our detailed report at www.aib.ie/sustainability

Our vision for sustainability at AIB

- ▶ A holistic approach creating a sustainable business model, with sustainability practices embedded at every level
- ▶ Placing our stakeholders at the heart of our decision-making
- ▶ Creating long-term value for both our stakeholders and the bank



AIB SUSTAINABILITY REPORT

Message from Helen Normoyle

Over the last 12 months, we have continued to make progress in aligning our sustainability programme with our four pillar business strategy, ensuring that we maintain a simple and focused approach to our work. In doing so, we are responding to the topics that matter to our stakeholders, as part of who we are and what we do.

We're ensuring our approach has strong and effective governance within the business through both the Board and Executive committees. We're also directly responding to what matters to our stakeholders, as evidenced by the refresh of our materiality exercise in Q1 this year. Importantly, assurance has been provided by Deloitte on our preparation of the Detailed Sustainability Report in accordance with Global Reporting Initiative (GRI) Standards.

As we continue to rebuild trust in AIB, our work is focused on actively and practically regaining our social licence to operate, which is a critical next step in our long-term recovery. We are learning from the mistakes of the past, ensuring that our culture as a

business and the operations that support our activities are focused on our customers and doing right by them – all of the time. Our Purpose, launched last year, gives all our people a simple and clear basis from which to work.

Fundamentally, we know that a truly sustainable bank is one that is trusted and, as a result, has the social licence to operate that it needs to survive and thrive.

We will be reporting on our progress annually and will introduce key performance indicators (KPIs) to ensure that all our stakeholders can influence, follow, and judge us on this evolving journey. Importantly, our stakeholders will also have a say on the issues we focus on, which will be aligned with our core business strategy.

To that end, earlier this year we undertook an extensive stakeholder engagement exercise to understand the current macroeconomic issues that our stakeholders believe are important for us to respond to, in addition to what they would like us to do in order

to regain their trust. I'm delighted to see a very focused and clear agenda resulting from that process.

The outputs of this work have been linked to our four pillar business strategy, demonstrating that sustainability is core to AIB's strategy.

Sustainability is not just an add-on at AIB; it is part of who we are becoming and how we are doing things.

It is both an honour and a great responsibility to chair the Sustainable Business Advisory Committee. It is a role I am delighted to play and one that enables me, along with the team, to support and challenge the business in key areas that ultimately drive trust and engagement with all our stakeholders. I would like to thank my Board colleagues and the Executive team for their support in responding to this important agenda, for the bank and for our wider stakeholders.

Helen Normoyle
Chairman – Sustainable Business
Advisory Committee

“Fundamentally, we know that a truly sustainable bank is one that is trusted and, as a result, has the social licence to operate that it needs to survive and thrive.”



Our sustainability journey

January 2016

A new approach to performance development evaluating **what** objectives were achieved but also **how** these were achieved, considering behaviours and approach in line with our values.



April 2016

Formation of the Sustainable Business Advisory Committee (SBAC).

December 2016

Engagement with almost 1,200 stakeholders to define our material sustainability topics.

April 2017

Establishment of AIB's sustainability governance structures.

May 2017

Recommencement of ordinary dividend payment.



June 2017

IPO – listing on Irish and London stock exchanges.

September 2017

Launch of Our Purpose.



October 2017

Published our first Sustainability Report covering our progress and performance in 2016. Available at: www.aib.ie/sustainability



Over 350 people attended our first Sustainability Conference to discuss how business can become truly sustainable by creating long-term value.



November 2017

Ranked in the 62nd percentile of organisations for employee engagement, up from the 52nd percentile in 2016.

January – April 2018

Completion of an extensive refresh of our materiality exercise, listening to 1,376 of our stakeholders across five stakeholder groups.

March 2018

Launch of AIB Together – two volunteering days per staff member per year.



June 2018

Published our second Sustainability Report

Available at: www.aib.ie/sustainability



What's next

- We will host our second sustainability conference in October 2018.
- Introduction of targets and measures against identified sustainability issues.
- Embedding and operationalising sustainability across our business.

Hosting a conversation – Sustainability Conference 2017

In October 2017 we hosted our first Sustainability Conference at a kitchen table in Croke Park. We were joined by local and global leaders in sustainability for an all-day conversation where we shared ideas, best practice and future thinking with colleagues, customers and many other stakeholders from across Ireland and beyond.

Many a business has been hatched at a kitchen table. It is a potent symbol of the why of being in business at all – it's where the bread that's earned is eaten, it's where the family congregate and it's where much of the stuff of real life happens – it's the boardroom of life. As the place where all the best ideas are born, the kitchen table is the home of creativity.



“In Ireland, one in eight people don't have enough food to eat while one million tonnes of food is going to waste.”

Iseult Ward, CEO & Founder, FoodCloud



“AI is not about technology; it's about a new set of ethics, morality and trust.”

Aric Dromi, Futurologist



“Trust is the ultimate currency.”

Bill McDermott, CEO SAP



“Customers are looking for brands that have strong values embedded in their DNA.”

Jo Fairley, Co-founder, Green & Black's

Our materiality exercise

In 2018 we completed our second materiality exercise, engaging with 1,376 stakeholders across five stakeholder groups: customers, employees, regulator, investors and government & society.

Macroeconomic issues

When reviewing our sustainability priorities, we looked at two key themes: the macroeconomic issues, taking in social, environmental and economic themes; and the material topics identified by our stakeholders.

We asked our stakeholders:

“What are the social, environmental and economic issues that you believe AIB is best placed to address?”



To see our full list of macroeconomic issues please see page 9.

Material topics – rebuilding trust

Our stakeholders were also asked to choose between a range of material topics that reflect how we operate, and to rank these topics in terms of their importance in rebuilding trust.

We asked our stakeholders:

“In your opinion, what actions can be undertaken within the bank to rebuild trust through responsible banking practices and operations?”



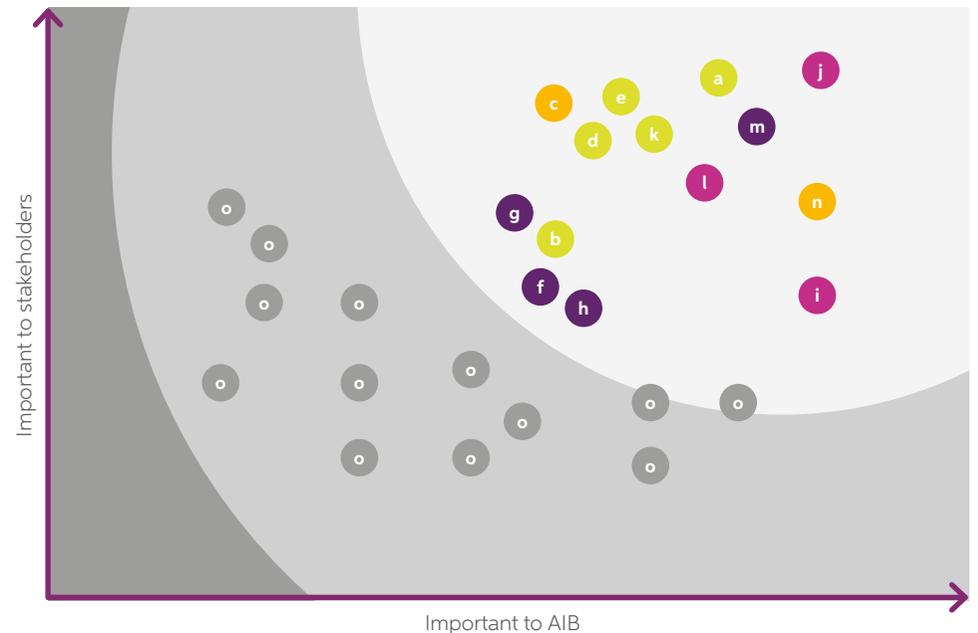
To see our full list of material topics please see page 9.

To find out more about our ongoing stakeholder engagement and materiality exercises, please download our detailed sustainability report at www.aib.ie/sustainability

Our material topics – top 14 out of 32

The table below represents our material topics, ranked in order of importance to our stakeholders. The top 14 are aligned to our four pillar strategy. See page 9 for a full list.

- Customer First
- Simple & Efficient
- Risk & Capital
- Talent & Culture
- Other material topics



AIB SUSTAINABILITY REPORT

Linking our approach

Our stakeholders told us which material topics they were most concerned about. We have linked them to our macroeconomic issues and our four strategic pillars. These are indicated by icons at the top of the following pages, please use the key below as a reference.

Our stakeholder groups	Our material topics	Macroeconomic issues	Our four strategic pillars
 <p>Customers</p>  <p>Employees</p>  <p>Regulator</p>  <p>Investors</p>  <p>Government/ Society</p>	<ul style="list-style-type: none"> a Making our services and products transparent to consumers b Engaging with all our stakeholders regularly c Protecting our customers' privacy and data d Pricing our products and services fairly e Improving our customer experience and satisfaction levels f Talent attraction, retention and development g Employee engagement and satisfaction h Providing business leadership and vision i Maintaining a profitable and financially sustainable business j Complying with laws, codes and regulations k Providing responsible services and products l Managing our business risks effectively m Our business culture and ethical behaviour n The stability, security and continuity of our business services 	<p>Housing</p> <p>Digitalisation</p> <p>Business and personal lending</p> <p>Entrepreneurship</p> <p>Food production and sustainable agriculture</p> <p>Brexit</p> <p>Low carbon economy</p> <p>Financial literacy</p> <p>Skills and training</p> <p>Managing debt</p> <p>Ageing population</p>	



Housing

Housing is a key strategic priority for us and is one of the most important macroeconomic issues for our stakeholders. As a pillar bank in Ireland, we understand that we have a critical role to play in this area.

Helping customers purchase their homes

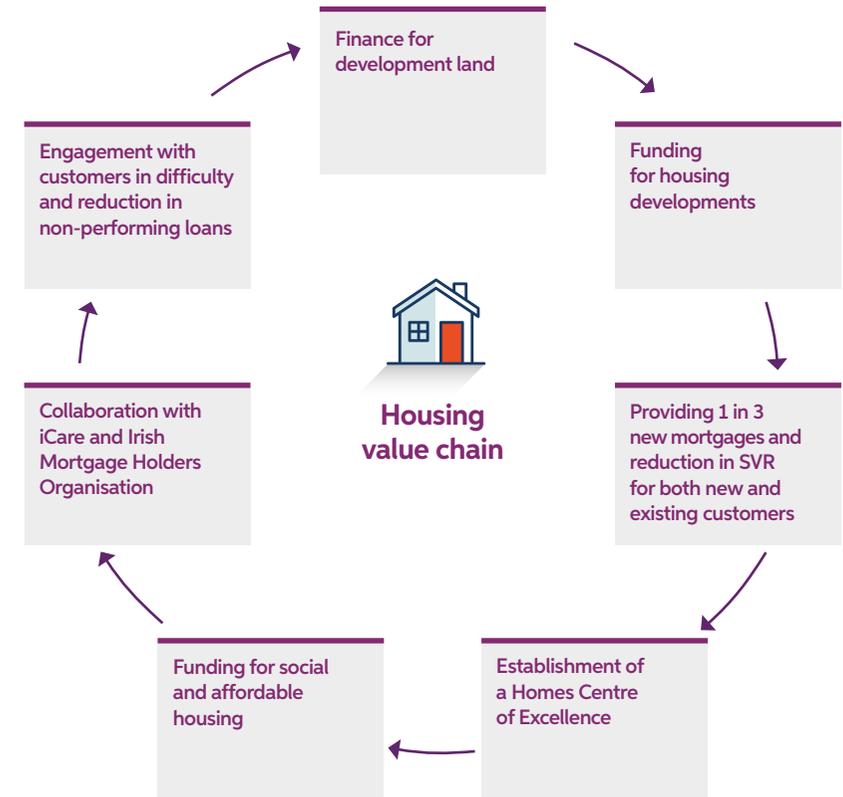
We are the leading mortgage provider in Ireland, with a 33% share of the market, extending circa €2.4bn drawdowns of new mortgage loans in 2017. We know that customers want choice and different propositions appeal to different customers. That is why we have a multi-brand mortgage strategy, which includes AIB, EBS and Haven.

Our mortgage expertise is spread across our AIB and EBS locations. Over 250 specialist advisors are available in branches and over the phone. In 2017, we enhanced our service with extended opening hours in branches, including Saturday mornings and evenings, as well as making teams available on the phone.

Our mortgage approvals stay valid for 12 months, so customers can find the right place to settle down. In 2017, we reduced the standard variable rate (SVR) by 0.25%, the fifth rate reduction in three years, resulting in a total reduction of 1.25% since 2014 for both new and existing customers.

Supporting social housing

We have a key role to play in boosting housing supply in Ireland. This involves providing appropriate funding structures for developers, investors and social housing. A key element of the government's Rebuilding Ireland plans is to help experienced developers deliver newly-built stock to the larger Approved Housing Bodies (AHBs). To support this, we launched a €100m Social Housing Development Fund in 2017. The fund was launched at the Resi Development conference, hosted by AIB and WK Nowlan, which was attended by more than 150 customers and industry experts. Bernard Byrne, AIB's CEO, said: "We are an important stakeholder in the property industry, and with this new fund we are providing more attractive terms to developers to help accelerate the provision of much needed social housing and a sustainable property sector."



Our offering

Long-term value

Lowest variable rates

Choice

Multi-brand



Strategic Pillars



Stakeholder Groups



Material Topics

Digitalisation

Our stakeholders expect AIB to invest in digitalisation as part of our delivery of digitally enabled banking services. This is in line with our Simple & Efficient approach. Across Ireland and the UK we have over 1.4m active digital customers and over 77% of personal loan applications made online.

Using tech to make banking easier

Our customers told us that they prefer to manage their money online, so we invested €870 over the past three years in our technology and infrastructure to make that possible.

95% of our customer transactions are now automated and we are number one for digital distribution in Ireland.

We offer an alerts service to all AIB internet banking customers, providing them with convenient and secure access to their account information. With customised alerts, this service informs customers of their bank balance, when eStatements are available, and payments due. It is easy to register and free of charge.

Alerts and fraud text alerts

We offer an alerts service to all our online customers, providing convenient and secure access to their account information. With free, customised alerts, we can inform customers of their bank balance, when eStatements are available, and payments due.

We also send fraud text alerts to customers' phones, if we detect suspicious activity on their AIB Debit and Credit Cards. This is quicker than a phone call or letter; we can contact customers at any time of day or night; and it is easy for them to respond. We look for suspicious transactions outside customers' normal purchasing patterns, unusual timeframes or locations; and recognise transactions that fit previously identified fraud trends.

Getting ready for General Data Protection Regulation (GDPR)

The GDPR came into force on 25 May 2018, replacing the existing data protection framework under the EU Data Protection Directive.

The GDPR will provide us with the opportunity to further strengthen our relationships with our customers and employees based on enhanced transparency, security and accountability. These changes build on the data protection safeguards we already have in place. This is, however, the most important and biggest change to data privacy regulation in 20 years.

The implemented changes will further ensure that we conduct our business in a fair and transparent manner in line with our brand values and Purpose, and ensure that processes are in place to minimise the risk of unfair customer outcomes.

Apple and Android Pay

We were one of the first banks to offer Android Pay to the market in late 2016. We then introduced Apple Pay for our customers in 2017, allowing them to pay for goods and services by thumbprint verification, from a choice of cards linked to their smartphone.



Engaging students to imagine a 'smart city'

Last year, over 200 students attended AIB's fourth annual Datahack, focused on Smart Cities. The hackathon required students to build an app or tool to solve a problem, which could be anything from air quality to smart lighting, sensor usage, waste management, transport or homelessness. Alongside this, we also held a Datathon, where teams had to build a predictive model based around a dataset they were given on bicycle usage in a particular city.



€870m

Investment
over 3 years



60%

Products sold
online



700k

Mobile users



Strategic Pillars



Stakeholder Groups



Material Topics

Business and personal lending

Business and personal lending is one of the most important issues for all our stakeholder groups. We have more customers in Ireland than any other provider in the marketplace, and in 2017 we saw growth in new lending in our core customer markets.

Business and personal lending

We are the market leader in Ireland for a wide range of products for personal and SME customers, including current accounts, deposits and loans, according to research by Ipsos MRBI in January 2018. We achieve this success with a sector-led strategy and expertise across all our distribution channels, over the phone, and across our local markets.

Wholesale, Institutional & Corporate Banking (WIB)

We provide customer-focused solutions in private and public markets to our largest customers and customers requiring specific sector or product expertise. With a diversified portfolio and an end-to-end relationship model, we are Ireland's leading corporate bank and number one for foreign direct investment.

#1

Foreign direct investment

€

3.2bn
New lending

AFR 2017

2017 Highlights – SME

We are the bank of choice for SMEs, thanks to our wide range of products, our sector specialists, our digital offering and our excellent relationship management. In 2017 we experienced growth in new lending to SMEs of 15% and provided €1.4bn of new lending to SMEs.

€

1.4bn
New lending drawdowns



15%
Growth in new lending to SMEs

AFR 2017

2017 Highlights – personal market

We offer the best-in-class mobile offering with 77% of all personal loans applied for online, via mobile, tablet or internet banking. Customers can now complete personal loan applications end-to-end on their mobile device and receive a decision within three hours.

€

0.8bn
New personal lending drawdowns



16%
New personal lending growth

AFR 2017

AIB SUSTAINABILITY REPORT



Strategic Pillars



Stakeholder Groups



Material Topics



Strategic Pillars



Stakeholder Groups



Material Topics

Entrepreneurship

Small and medium-sized enterprises (SMEs) are the backbone of the Irish economy – with over 238,000 SMEs located across Ireland, employing over 900,000 people. We are supporting entrepreneurs with our dedicated approach and support, through the start-up phase, expansion and beyond.

SMEs – the backbone of the Irish economy

We helped SMEs expand their knowledge base in 2017, by providing specialist advisors, organising events to help customers prepare for Brexit, as well as producing several new sector reports.

We have helped develop vibrant clusters of entrepreneurs by backing SME hubs in Ludgate Skibbereen, and PorterShed in Galway and by partnering with social enterprise ventures such as FoodCloud and SOAR.



Aoibheann O'Brien and Iseult Ward co-founders of FoodCloud.

AIB is backing Women in Enterprise

In October 2017, we launched our Women in Enterprise programme to deliver training, mentoring and finance to female entrepreneurs.

This includes the AIB Women in Enterprise Masterclasses, run by trainers from the Entrepreneurs Academy, and the AIB Women in Enterprise Growth Academy, an intensive programme of six days spread over five months.

We have launched a €100m Women in Enterprise Loan Fund to provide financial support to female business owners.

We will measure the level of uptake by female-led businesses and will ensure it is fully accessible to female entrepreneurs.

Skills and training

We are working to help address the important issue of skills and training in our support and involvement in various partnerships and sponsorships. This includes supporting children in education, entrepreneurs and third-level institutions.

Teaching young people the value of work – Junior Achievement

Junior Achievement Ireland (JAI) helps children of all ages understand the benefits of staying in education. We are proud to have supported this organisation since it was established in 1996. Over 1,000 of our colleagues have worked with JAI over the past 20 years, benefitting more than 27,000 students in Ireland. Last year, 34 AIB volunteers delivered five week-long programmes in schools and another 28 took part in Junior Achievement events across Dublin, reaching more than 1,000 students in 33 local schools.

Last September, JAI came to our offices in Bankcentre to recognise our contribution over the academic year 2016/2017. JAI's CEO, Helen Rafferty, presented AIB volunteers with certificates and a booklet containing pictures and testimonials of their help and support throughout the year.

AIB and education in the community – building on existing relationships

We partner with a variety of third-level institutions. In Dublin City University, we sponsor a Chair in Data Analytics. We have partnered with University College Dublin (UCD) to establish the AIB Chair in Behavioural Economics, together with a PhD scholarship programme, an MSc programme, and a new UCD-AIB Behavioural Economics Lab. In Northern Ireland, First Trust Bank supports Graduate and Student of the Year awards in both the Ulster University and Queen's University Belfast.



JAI session taking place in Bankcentre.



Food production and sustainable agriculture

Ireland is well placed to play its part in meeting the global demand for producing sustainable, safe and high quality food. We support food production and sustainable agriculture with a dedicated team of Agri Advisors, who provide strong, objective financial and technical analysis of individual farm cases.

A dedicated team of Agri Advisors

2017 was a busy year for farm financing, with the launch of the SBCI's Agriculture Cashflow Support Loan Scheme and the Targeted Agricultural Modernisation Schemes, or TAMS II Farm Investment initiative, which were both key drivers of new lending requests. There is a depth of knowledge and experience in dealing with farmers throughout AIB. We have a dedicated team of Agri Advisors, who support our employees in delivering a service to our farming customers.

AIB sponsor Grass 10

To help promote sustainable grassland excellence, we have partnered with Teagasc, the Department of Agriculture, Food and Marine, Grassland Agro and FBD, on a new four-year campaign 'Grass 10'. The Grass 10 programme aims to increase grass utilisation on Irish livestock farms (dairy, beef and sheep). It will play an important part in increasing grass growth and utilisation on Irish livestock farms, thereby improving

profitability and helping to ensure the long-term sustainability of Irish farms. As part of the programme in 2017, 52 farm walks were held, attended by over 5,000 farmers, in addition to discussion group meetings, industry events and reseeding demonstrations. The programme also introduced a new Grassland Farmer of the Year competition to recognise farmers who are achieving high levels of grass utilisation in a sustainable manner.



Shane Fitzgerald and Vincent Gorman

Brexit

Brexit is a concern for all of our stakeholder groups. With our strong market position, we have an important role to play to help our customers plan for this transition. We are doing this by providing customers with a dedicated network of Brexit Advisors, as well as information and trends via our quarterly online Brexit Sentiment Index.

Our dedicated team of Brexit Advisors

A team of Brexit Advisors, operating across our business, have been put in place to support our customers in this uncertain climate.

Keeping customers informed about Brexit

We issued quarterly Brexit outlook reports in 2017, to help our customers stay informed, as the UK prepares to leave the EU.

In the fourth quarter, the AIB Brexit Sentiment Index showed that the vast majority of SMEs, both north and south of the border, had yet to devise a formal Brexit plan: only 6% of SMEs in the Republic of Ireland (ROI), and 2% in Northern Ireland (NI) had plans in place.

Some 36% of SMEs in the ROI had plans to invest in their businesses prior to the Brexit vote. Of these, 10% were reviewing them, while 8% had cancelled or postponed them indefinitely. The situation in NI was starker. Of the 44% of SMEs who had plans to invest, 23% had cancelled or postponed those plans, while 6% were reviewing them.

Overall, the index registered a score of -36 for both the ROI and NI in the fourth quarter. This was an improvement on the third quarter, but showed that SMEs are still broadly negative about the potential impact of Brexit.

Strategic Banking Corporation of Ireland (SBCI) Brexit loan scheme

In 2018, we partnered with the SBCI on the new €300m SBCI Brexit Loan Scheme. This scheme provides competitively-priced, flexible funding to businesses to address the challenges posed by Brexit. Loans can be used to fund working capital needs, innovation or business adaptations to mitigate the impact of Brexit. Key features of the loans include:

- Competitive rates, fixed for the term of the loan with no breakage costs;
- Loans of €25,000 up to a maximum of €1.5m per business, for terms of one to three years;
- No security required for loans of up to €500,000; and
- An interest-only repayment option may be available at the start of a loan, subject to normal lending criteria.



Strategic Pillars



Stakeholder Groups



Material Topics

Low carbon economy

The transition to a low carbon economy is of concern to our stakeholders. We can play a major role in addressing this issue, by how we run our bank and how we invest in our own business and in how we support our customers. In 2017, we established a specialist team and developed our customer offering to further support investment in renewable energy, infrastructure and climate finance.

Driving the winds of change

Last March, Greencoat Renewables purchased onshore wind farms in North Cork and Tipperary, with a combined operating capacity of 137 MegaWatt, backed by AIB and the Ireland Strategic Investment Fund.

The 137MW of wind farms provides clean renewable electricity for over 60,000 homes. In July, Greencoat Renewables became the first renewable energy company to list in Ireland, and the first euro-denominated renewable infrastructure company to list on the London Stock Exchange.

Greencoat Renewables announced that it was buying more windfarms in Ireland in December, and was putting in place a new €250m revolving credit facility (RCF) with a syndicate of five banks – AIB, BNP Paribas, Commerzbank, Royal Bank of Canada and Santander. Greencoat Renewables was advised by AIB Corporate Finance on the RCF which was one of the largest debt advisory deals of 2017 in Ireland.

Boosting our energy efficiency

Since 2013, we have cut energy use by 53% across our five head office buildings, which account for 60% of the group's overall energy consumption.

Tackling climate change from within AIB

In 2017, we proudly earned a place on Carbon Disclosure Project's climate change A List, which names the world's leading businesses in environmental performance. We are one of only two Irish companies to achieve this accolade.

Awards – 2017

- CDP Climate Change A list
- Large Green Organisation of the Year at the Green Awards
- Finalist of Professional Services Award at the Pakman Awards
- Finalist of Energy Team/Manager of the Year at the SEAI Awards
- Finalist of Social Impact Award at the Sandyford Business District Awards



“We are delighted to be supporting a customer who is committed to producing products which are 100% environmentally-friendly.”

Bill McIvor
Relationship Manager
(second from left)

Cup Print – a sustainable growth story

AIB customer Cup Print is one of Europe's fastest growing 100% environmentally-friendly paper cup companies. Specialising in the design and production of paper cups for the takeaway coffee market, they offer customised orders with short lead times.

In November, the company announced the launch of new environmentally-friendly and sustainable products, the expansion of its manufacturing facility in Ennis, Co Clare and the creation of 15 new jobs at an event attended by the Minister for Business, Trade and Employment, Pat Breen.

We are funding the expansion of Cup Print's manufacturing facility at Ballymaley Business Park in Ennis, Co Clare, which will facilitate the company's rapid growth.

Cup Print, which also has operations in Germany and the US, has been a customer of AIB since 2016.

Michael Earley, Ennis Branch Manager, said: “It is fantastic to support a dynamic and progressive Clare business, which is expanding both its operation and its workforce to underpin the development of the local economy.”



53%
Energy Cut



150k
CDP A list



Financial literacy

Financial literacy is an important issue for our stakeholders. In 2017, we continued to work on a number of initiatives to address this issue, from providing guidance to students through our Build a Bank challenge to offering easy-access basic bank accounts.

Rewriting our T&Cs in plain English

We overhauled our customer terms and conditions last year, in line with our 'Customer First' and 'Simple & Efficient' agenda.

This involved rewriting them in plain English and combining them where possible, so 33 products are now covered by three sets of core terms and conditions, with product-specific supplements. That means any future changes will be considerably easier to implement and will allow for other documents to be simplified in due course.

Teaching students how to build a bank

Now in its 16th year, our Build a Bank challenge offers students in transition year an opportunity to showcase their creativity, innovation and entrepreneurship. With direct links to the Business Curriculum, it provides practical preparation for running a business. Students that take part are involved in all aspects of banking, such as sourcing new customers, encouraging regular savings, providing ongoing customer service, and keeping accurate financial records.



2017 AIB Build a Bank challenge winners – Presentation Secondary School from Tralee.



33 to 3

Core sets of T&Cs with supplements

Ageing population

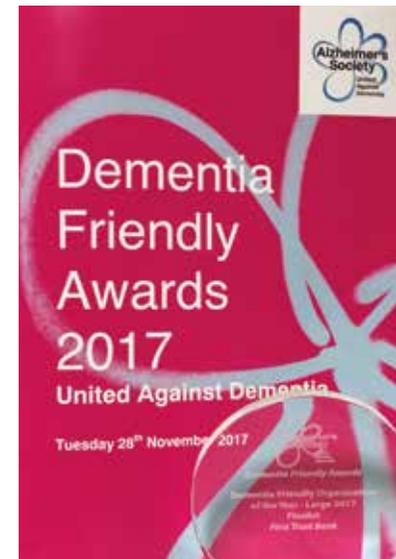
We know the ageing population and access to and availability of healthcare are of concern to our stakeholder groups. At AIB, we are supporting the ageing population with specialised funding across the healthcare system; as well as taking care of how we engage with customers experiencing vulnerability or bereavement.

Becoming dementia friendly

In 2017, AIB UK committed to improve the customer experience of people living with dementia by working collaboratively with The Alzheimer's Society and applying the principles of their dementia-friendly financial services charter. Our goal is to help colleagues recognise dementia, to understand how dementia can impact our customers, to treat our customers with respect and dignity and help them to retain as much independence as possible. Across AIB UK, and in collaboration with The Alzheimer's Society, we have trained 10 Dementia Champions and 65 Dementia Friends. We will continue on our journey to become dementia friendly in 2018 and beyond.

In Northern Ireland, First Trust Bank made the final shortlist of three for the Dementia Friendly Large Organisation of the Year 2017.

An internal online course has also since been developed, accessible for all staff, providing an opportunity to develop knowledge and awareness of dementia.



Our finalist award at the Dementia Friendly Awards.



Strategic Pillars



Stakeholder Groups



Material Topics

Managing debt

We are acutely aware of the difficult circumstances our customers can find themselves in and the need for a sensitive approach when they are coping with financial difficulty. Our approach is guided by the key objectives of keeping viable businesses operating, supporting jobs and enabling customers to stay in their family homes.

Financial Solutions Group (FSG)

FSG is a dedicated department to support businesses and personal customers, who find themselves in financial difficulty.

FSG's core objective is to support our customers and get them back to financial health where feasible, all the while ensuring that these customers are treated with fairness and respect. We have the most extensive range of solutions for customers in the Irish market place which includes the writing off of debt as part of these solutions.

In 2017, our impaired loans fell by €2.8bn year-on-year to €6.3bn. The FSG team, comprising over 1,500 people, worked with customers to deliver bespoke long-term sustainable solutions, agreeing on average 1,000 customer solutions each month. As well as supporting our customers in their time of need, FSG aims to optimise recovery rates for AIB. The team therefore plays a pivotal role in sustaining AIB's recovery and re-establishing customers' trust in us.

What we can do to help

With the need for customer-engagement at the core of our approach, solutions have been devised and implemented mainly on a case-by-case restructuring basis for personal and business customers in difficulty, and overseen by a robust consumer-protection framework.

We recognise the difficulty some customers have approaching us when in difficulty and, as a result, have engaged with a number of external agencies and independent customer advocates including the Irish Mortgage Holders Organisation, Money Advice and Budgeting Service (MABS) and StepChange.

Business debt

Our resolution strategy for dealing with business debt begins with an individual assessment of the levels of sustainable and unsustainable debt involved. Solutions allow the customer to enter into a performance based arrangement, typically over a five-year period, characterised by the disposal of non-core assets, contribution of unencumbered assets, and contribution towards residual debt from available cash flow. In 2017, over 5,100 solutions were provided to our customers in difficulty.

Mortgage debt

We have a four-step process to deal with distressed mortgages, known as the Mortgage Arrears Resolution Process (MARF); this allows bespoke sustainable solutions for each customer in difficulty. The process has been extremely effective, resulting in 93% of customers with these sustainable mortgage solutions continuing to work for customers as the resolution agreements are meeting their terms.



A close collaboration with iCare and the IMHO

In September 2017, we launched a market leading, enhanced Mortgage to Rent (MTR) scheme for our customers, together with iCare Housing and the IMHO. MTR is a government initiative to help homeowners who can no longer repay their mortgage and who qualify for Social Housing Support. The customer surrenders their home to the bank, to be sold to an Approved Housing Body. The customer then pays an affordable rent based on their income to remain living in their home. With our commitment to put our customers first, MTR provides a long-term solution to keep families in their homes, even when they find themselves in acute arrears.

The customer has the option to buy back their home, at any time, at the price that iCare Housing paid for the property, including any discounts negotiated between iCare Housing and AIB.

Our people and our communities

We are becoming a purpose-led organisation and our people support the delivery of Our Purpose:

To back our customers to achieve their dreams and ambitions

We know that our future is inextricably linked to that of our customers and we want to help them to succeed.

We work to ensure we have the right talent, skills and capabilities within the organisation to support accountable, collaborative and trusted ways of working.

We promote a culture of diversity and inclusion, where people can be at their best to support customers and their local communities.



Our people

Developing the right culture is critical to our success. It sets a baseline for values of our people, which determines how we treat customers and colleagues, as well as those we engage with in our communities.

Culture has rightly been identified as being at the heart of many of the issues the banking industry faced in the recent past. Too often, banks focused on their own short-term priorities instead of their customers' needs. We are on a journey of cultural change at AIB. We have made good progress and we know that we still have more to do. A milestone for us on this journey was the launch of our Purpose in September 2017.

Boosting employee engagement

Last year, 88% of our employees took part in the iConnect survey, which helps us assess employee engagement levels. This high level of participation means we have clear insights we can take action on to help drive engagement, both at a Group level and locally.

There are two key measures we use for engagement. The first is the average score on questions that measure employee engagement and the second is the percentile ranking, which tells us how we compare with other organisations.

Last year, our average score rose to 4.22, up from 4.08 in 2016. This increase saw AIB move from the 52nd up to the 62nd percentile on the worldwide Gallup database. This shows significant progress from 2013, when we were in the lowest fifth percentile of organisations for employee engagement. In 2013, we had just 0.3 engaged people to every one actively disengaged. Last year we had 8.4 engaged people to every one person that was disengaged. That is a significant turnaround and testament to all the work put in by our teams.



Direct banking celebrating Pride week.

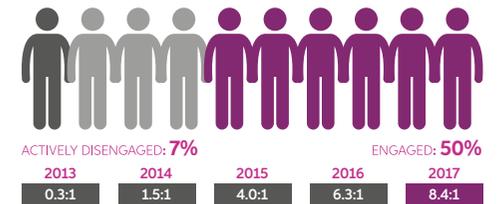
Promoting diversity in the workforce

Being a diverse and inclusive employer is an important part of the culture that we want to develop. It helps create an environment where employees can perform at their best, while building an organisation that reflects and understands our customer base. With over 9,700 employees, we should be representative of the society we live in, based not just on gender, but also race, sexual orientation, life stage, ability and viewpoint.

We have a target for women to hold 25% of the director positions on the Board, which we have already met. We are working on our 2018 target of 40% female managers, with women currently holding 38% of all management roles.

Our progress in this area has been publicly recognised and AIB became the first Irish company to achieve the prestigious Investors

Engaged outnumber actively disengaged



in Diversity standard in 2017. This year, we also won the Distinction in Inclusion and Diversity award at the HRD Awards, which celebrates innovatively designed and executed HR strategies.

Bernard Byrne, AIB's CEO, said: "Diversity and Inclusion are important aspects of Our People agenda. By committing to a more diverse workforce at management level, we will lay the foundations for increased diversity at more senior levels."

We are also active supporters of the 30% Club, which is an organisation that works to promote gender balance on company boards around the world.

In AIB UK in 2017, we signed up to the HM Treasury Women in Finance Charter, which aims to build a more gender-balanced workplace.



Strategic Pillars



Stakeholder Groups



Material Topics

Our communities

In 2017, we made a decision to rebuild our community programme, with financial and volunteer support. In early 2018, we launched a group wide programme, focused on Youth & Education and Social Enterprise in local communities.

AIB Together – supporting our communities

Last year, we made a strategic decision to rebuild our community programme, with financial and volunteer support. Staff fundraising and volunteering is a big part of our culture and we want to capture the positive contribution that our employees are making. That is why we have launched AIB Together, a new three-year Community Investment Programme.



A Soar workshop.

As part of the programme, all employees are entitled to two volunteering days per year, and there will be a focus on supporting two main social themes – Social Entrepreneurship and Youth & Education in local communities, with our partners FoodCloud and Soar.

Soar

Soar is a collective movement that believes there is greatness within all young people and is committed to creating environments where that potential can be released.

It delivers early-intervention, preventative, wellness workshops for young people aged 12 to 18 years-old from all backgrounds. Its workshops empower young people to thrive, believe in themselves and fulfil their potential.

Within a safe and supportive environment, they are given the opportunity to be themselves and explore any challenges that are holding them back. It has worked with over 26,000 young people since 2012.

We engage with 1,700 clubs and communities across Ireland



Gaelic Athletic Association (GAA) – Backing club and county

Our support for the GAA dates back almost 30 years and is one of the most enduring partnerships in Irish sport. Since 1991, we have sponsored the All-Ireland Club Championships. In 2013, we became proud sponsors of the All Ireland Camogie Club Championships; and in 2015, we extended our relationship and became sponsors of the All Ireland Football Championship.

These partnerships allow us to engage at the grassroots level of the GAA, with 1,700 GAA clubs and communities right across Ireland.

During 2017, we launched a bespoke Home Insurance offer for GAA clubs, contributing €50 per new Home Insurance policy to a GAA club of our customer's choice. So far, over 800 GAA clubs have registered for this offer and over €100,000 is being distributed.

In the summer of 2017, we ran our most successful campaign to date. 'Jeff & Kammy's Journey to Croke' proved a massive success, achieving over 10m views through AIB's social channels, across YouTube, Facebook and Twitter, and capturing the imagination of GAA fans around the country.

This also showcased the impact that the GAA has on local communities in every part of the country and beyond, to a worldwide audience.

Conclusion

We are agreeing and establishing clear targets for what we want to achieve as we build out our sustainability agenda, aligned with Our Purpose and our four strategic pillars.

We will report further on our progress in Q1 2019.

This is an ongoing journey and we recognise the shared value that doing it well can bring for our customers, our employees, our business and our communities; with both a financial and social impact.

If you have any comments or observations on what you have read in this report, we would like to hear from you. Please get in touch with us through any of the channels below:

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 [@AskAIB](https://twitter.com/AskAIB)

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