

# Shareholders Report

For the financial year ended 31 December 2017

AIB Group plc





AIB is a financial services group operating predominantly in the Republic of Ireland. We provide a comprehensive range of services to retail, business and corporate customers, and hold market-leading positions in key segments in the Republic of Ireland.

AIB also operates in Great Britain, as Allied Irish Bank (GB), and in Northern Ireland, under the trading name of First Trust Bank.

Our purpose, as a financial institution, is to back our customers to achieve their dreams and ambitions.

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This Shareholders Report contains forward-looking statements with respect to certain of the Group's plans and its current goals and expectations relating to its future financial condition, performance, results, strategic initiatives and objectives. See page 2.

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## FINANCIAL HIGHLIGHTS

### A strong performance in 2017

#### Net interest margin<sup>1</sup>

**2.58%**

2017	2.58%
2016	2.23%

Continued positive net interest margin (NIM) growth from stable asset yield and reducing cost of funds. NIM excluding interest on cured loans was 2.50%.

#### Cost income ratio<sup>2</sup>

**48%**

2017	48%
2016	52%

Increased income contributed to lower cost income ratio (CIR) of 48%. CIR excluding income from cured/restructured loans was 53%.

#### Profit before tax

**€1.3bn**

2017	€1.3bn
2016	€1.7bn

Profit before tax is lower due to higher exceptional costs. Profit before tax and exceptional items increased to €1.6bn.

#### New lending<sup>3</sup>

**€9.4bn**

2017	€9.4bn
2016	€8.4bn

New lending increased by 13% with growth across all segments.

#### Earning loans

**€57.0bn**

2017	€57.0bn
2016	€56.1bn

Growth of €1.6bn in earning loan book excluding FX impact, as a result of higher new lending and loans upgraded from impaired.

#### Impaired loans

**€6.3bn**

2017	€6.3bn
2016	€9.1bn

Continued focus on reducing impaired loans through sustainable restructuring solutions and disposal of distressed loan portfolios.

#### CET1 fully loaded

**17.5%**

2017	17.5%
2016	15.3%

Robust capital position with CET1 of 17.5%, after proposed ordinary dividend of €326m, supporting future growth and capacity for capital return.

1. Net interest margin (NIM) including eligible liabilities guarantee (ELG) charge. ELG charge is no longer material and is no longer separately disclosed.
2. Before bank levies, regulatory fees and exceptional items, cost income ratio (CIR) including these items was 61% in 2017 (2016: 54%).
3. New lending for 2016 has been restated by €0.3bn to exclude all transaction based new lending.

## FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements with respect to the financial condition, results of operations and business of AIB Group and certain of the plans and objectives of the Group. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as 'aim', 'anticipate', 'target', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'may', 'could', 'will', 'seek', 'continue', 'should', 'assume', or other words of similar meaning. Examples of forward-looking statements include, among others, statements regarding the Group's future financial position, capital structure, Government shareholding in the Group, income growth, loan losses, business strategy, projected costs, capital ratios, estimates of capital expenditures, and plans and objectives for future operations. Because such statements are inherently subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking information. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These are set out in the Principal risks and uncertainties on pages 58 to 68 in the 2017 Annual Financial Report. In addition to matters relating to the Group's business, future performance will be impacted by Irish, UK and wider European and global economic and financial market considerations. Any forward-looking statements made by or on behalf of the Group speak only as of the date they are made. The Group cautions that the list of important factors on pages 58 to 68 of the 2017 Annual Financial Report is not exhaustive. Investors and others should carefully consider the foregoing factors and other uncertainties and events when making an investment decision based on any forward-looking statement.

# CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated income statement for the financial year ended 31 December 2017

	2017 € m	2016* € m
<b>Continuing operations</b>		
Interest and similar income	2,481	2,611
Interest expense and similar charges	(305)	(598)
<b>Net interest income</b>	<b>2,176</b>	2,013
Dividend income	28	26
Fee and commission income	436	430
Fee and commission expense	(45)	(35)
Net trading income	97	71
Profit on disposal of loans and receivables	32	11
Other operating income	277	403
<b>Other income</b>	<b>825</b>	906
<b>Total operating income</b>	<b>3,001</b>	2,919
Administrative expenses	(1,694)	(1,462)
Impairment and amortisation of intangible assets	(83)	(70)
Impairment and depreciation of property, plant and equipment	(58)	(39)
<b>Total operating expenses</b>	<b>(1,835)</b>	(1,571)
<b>Operating profit before provisions</b>	<b>1,166</b>	1,348
Writeback of provisions for impairment on loans and receivables	113	294
Writeback of provisions for impairment on financial investments available for sale	-	2
Writeback of provisions for liabilities and commitments	8	2
<b>Operating profit</b>	<b>1,287</b>	1,646
Associated undertakings and joint venture	19	35
Profit on disposal of business	-	1
<b>Profit before taxation from continuing operations</b>	<b>1,306</b>	1,682
Income tax charge from continuing operations	(192)	(326)
<b>Profit after taxation from continuing operations attributable to owners of the parent</b>	<b>1,114</b>	1,356
<b>Basic earnings per share</b>		
Continuing operations	39.7c	48.6c
<b>Diluted earnings per share</b>		
Continuing operations	39.7c	47.9c

\* As reported in the 2016 consolidated financial statements of Allied Irish Banks, p.l.c.

## CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### Consolidated statement of comprehensive income for the financial year ended 31 December 2017

	2017 € m	2016* € m
<b>Profit for the year</b>	<b>1,114</b>	1,356
<b>Other comprehensive income – continuing operations</b>		
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Net change in property revaluation reserves	–	(1)
Net actuarial gains in retirement benefit schemes, net of tax	<b>24</b>	103
<b>Total items that will not be reclassified subsequently to profit or loss</b>	<b>24</b>	102
<b>Items that will be reclassified subsequently to profit or loss when specific conditions are met:</b>		
Net change in foreign currency translation reserves	<b>(53)</b>	(168)
Net change in cash flow hedges, net of tax	<b>(203)</b>	106
Net change in fair value of available for sale securities, net of tax	<b>(132)</b>	(359)
<b>Total items that will be reclassified subsequently to profit or loss when specific conditions are met</b>	<b>(388)</b>	(421)
<b>Other comprehensive income for the year, net of tax from continuing operations</b>	<b>(364)</b>	(319)
<b>Total comprehensive income for the year from continuing operations attributable to owners of the parent</b>	<b>750</b>	1,037

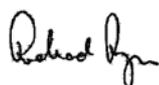
\* As reported in the 2016 consolidated financial statements of Allied Irish Banks, p.l.c.

# Consolidated statement of financial position

## as at 31 December 2017

	2017 € m	2016* €m
<b>Assets</b>		
Cash and balances at central banks	6,364	6,519
Items in course of collection	103	134
Disposal groups and non-current assets held for sale	8	11
Trading portfolio financial assets	33	1
Derivative financial instruments	1,156	1,814
Loans and receivables to banks	1,313	1,399
Loans and receivables to customers	59,993	60,639
NAMA senior bonds	–	1,799
Financial investments available for sale	16,321	15,437
Financial investments held to maturity	–	3,356
Interests in associated undertakings	80	65
Intangible assets	569	392
Property, plant and equipment	321	357
Other assets	418	248
Current taxation	5	13
Deferred tax assets	2,736	2,828
Prepayments and accrued income	459	444
Retirement benefit assets	183	166
<b>Total assets</b>	<b>90,062</b>	<b>95,622</b>
<b>Liabilities</b>		
Deposits by central banks and banks	3,640	7,732
Customer accounts	64,572	63,502
Trading portfolio financial liabilities	30	–
Derivative financial instruments	1,170	1,609
Debt securities in issue	4,590	6,880
Current taxation	68	18
Deferred tax liabilities	97	81
Retirement benefit liabilities	87	158
Other liabilities	824	973
Accruals and deferred income	348	484
Provisions for liabilities and commitments	231	246
Subordinated liabilities and other capital instruments	793	791
<b>Total liabilities</b>	<b>76,450</b>	<b>82,474</b>
<b>Equity</b>		
Share capital	1,697	1,696
Share premium	–	1,386
Reserves	11,421	9,572
<b>Total shareholders' equity</b>	<b>13,118</b>	<b>12,654</b>
Other equity interests	494	494
<b>Total equity</b>	<b>13,612</b>	<b>13,148</b>
<b>Total liabilities and equity</b>	<b>90,062</b>	<b>95,622</b>

\* As reported in the 2016 consolidated financial statements of Allied Irish Banks, p.l.c.



**Richard Pym**  
Chairman



**Bernard Byrne**  
Chief Executive Officer



**Mark Bourke**  
Chief Financial Officer



**Sarah McLaughlin**  
Group Company Secretary

28 February 2018

## AIB AT A GLANCE

# Customer-focused, strong capital base and well-positioned for growth

### Retail & Commercial Banking (RCB)

**69%**  
of net loans

RCB is the leading provider of financial products and services to personal and business customers in Ireland. Its key business lines include: mortgages, consumer lending, SME lending, asset-backed lending, wealth management, daily banking, and general insurance.

### Wholesale, Institutional & Corporate Banking (WIB)

**17%**  
of net loans

WIB provides customer-focused solutions in private and public markets to AIB's largest customers and customers requiring specific sector or product expertise.



**2.4m**  
customers

Leading retail banking franchise in Ireland with 2.4 million personal and SME customers



**297**  
locations

Number one physical distribution network in Ireland with 297 locations and a further c. 1,100 locations through An Post network



**1.3m**  
digital customers

Number one digital channel distribution in Ireland with 1.3 million active digital customers; over 60% of key products sold via digital channel

**€4.6bn**

New lending

**€41.4bn**

Net loans

**€1,199m**

Operating contribution<sup>1</sup>

#### Market offering

##### Leading mortgage provider

Number one mortgage provider in a growing market enabled via AIB's multi-brand strategy, incl. EBS and Haven.

##### Business banking

Sector-led strategy and local expertise delivering the leading market share across key SME products, incl. current account, deposits and loans (Source: IPSOS January 2018).

##### Personal banking

Leading provider of financial services to personal customers in the market, via digital innovation and relationship management expertise. Full suite of services, incl. daily banking, consumer credit, wealth management, savings and investments.



**relationship-driven model**

Well-established and diversified business with market-leading position in key sectors



**sector specialist teams**

Primary focus on senior debt origination through Corporate Banking, Real Estate Finance, Energy, Climate Action & Infrastructure



**product specialist teams**

Complementing traditional debt offering through Specialised Finance, Syndicated & International Finance, and advisory services in Corporate Finance

**€3.2bn**

New lending

**€10.3bn**

Net loans

**€225m**

Operating contribution<sup>1</sup>

#### Market offering

##### Corporate Banking

Leading domestic franchise and number one bank for foreign direct investment (FDI).

##### Real Estate Finance

Multi-disciplinary team with established market position.

##### Energy, Climate Action & Infrastructure

A centre of excellence with particular focus on supporting Ireland's decarbonisation.

##### Specialised Finance

Services such as mezzanine, equity and structured finance.

##### Syndicated and International Finance

Proven ability with strong track record and reputation.

##### Corporate Finance

Providing advisory services and solutions.

## AIB UK

**14%**  
of net loans

AIB UK operates in two distinct markets, providing corporate and commercial banking services in Great Britain, trading as Allied Irish Bank (GB), and retail and business banking services in Northern Ireland, trading as First Trust Bank.

## Group

Group comprises wholesale treasury activities, Group control and support functions.



**322k**  
customers

Over 322,000 retail, corporate and business customers across Great Britain and Northern Ireland



**30**  
locations

A distribution network of 30 locations throughout the United Kingdom: Great Britain (15 business centres), and Northern Ireland (15 branches, including six co-located business centres)



**119k**  
digital  
customers

Over 119,000 active digital customers



**Treasury**

Treasury manages the Group's liquidity and funding position and provides customer treasury services and economic research



**control and support**

The Group control and support functions include business and customer services, marketing, risk, compliance, audit, finance, legal, human resources, and corporate affairs

**£1.5bn**

New lending

**£7.3bn**

Net loans

**£154m**

Operating contribution<sup>1</sup>

### Market offering

#### Allied Irish Bank (GB)

Niche commercial and corporate bank with locations in key cities across Great Britain. Banking services include: lending, treasury, trade facilities, asset finance, invoice discounting, and day-to-day transactional banking.

#### First Trust Bank (FTB)

A long-established bank in Northern Ireland providing a full banking service, including mobile, online, post office and traditional banking to business and personal customers.

### Operating contribution<sup>1</sup> by segment



1. Pre-provision operating contribution.
2. Excludes the Group segment.

## CHAIRMAN'S STATEMENT

# 2017 was a significant year for AIB

Reflecting on a year in which the bank delivered an IPO, a new group holding company and a strong financial performance while taking steps to rebuild trust and confidence in a challenging environment.



I am delighted to report on a highly successful year for AIB. 2017 saw AIB deliver the largest Initial Public Offering (IPO) in Europe, the implementation of a new group holding company, our first payment of a dividend to shareholders in many years and the publication of our first Sustainability Report.

2017 was also a successful year financially, with a profit before tax of €1.3bn. The Board is pleased to propose a final dividend for the financial year ending 31 December 2017 of 12 cents per ordinary share, up from 9.21 cents at the previous year end. The strength of our financial performance underpinned the success of the IPO enabling the State to sell off 28.75% of their shareholding yielding a €3.4bn return to Ireland's taxpayers. It has always been the ambition of the bank to enable the State to achieve a full return on its investment in AIB and this is now achievable.

Our IPO took place against the backdrop of an improving Irish economy. We currently anticipate these conditions to continue across the Eurozone notwithstanding Brexit, for which we have sought to help our business and corporate customers plan for whatever eventuality might arise. Ireland's trade has diversified significantly since accession to the EEC in 1973 and it is fortunate that other overseas markets have been expanding significantly in 2017. However Brexit risk remains a major uncertainty.

“Our IPO took place against the backdrop of an improving Irish economy.”



For more information on board activities during the year see our 'Governance in action' section on page 27.

Dr. Michael Somers, our Deputy Chairman, retired on 31 December 2017 having served on the Board since 2010 as a State Nominated Director. We appreciate his contribution to the bank during that period. The Deputy Chair position is now taken by Catherine Woods, who also holds the role of Senior Independent Director. The State is entitled to appoint two Directors to the Board and we understand that the Minister for Finance has initiated a process in this regard.

The Board spent much of the first half of the year on the IPO process with a particular focus on ensuring the accuracy and completeness of the prospectus. Once the IPO was complete, our focus turned to the regulatory requirement to create a new holding company to satisfy the bank resolution directive, which involved another prospectus and shareholders' meeting in November. IFRS 9 was also a regular topic at Board meetings throughout the year in order to ensure that the bank was ready by the year end to apply this complex new accounting standard. Additionally, the Board continued to concentrate on resolving the problems of the past, including non-performing loans and the Tracker Mortgage Examination programme.

We commenced the tracker mortgage programme in 2015 conducting a review of c. 650,000 accounts in the process. Our review has been conducted in accordance with the Central Bank of Ireland's Framework. We believe we have conducted this review in a fair and transparent manner, most recently agreeing with the Central Bank to include within the Framework a grouping of

additional customers who never had a tracker mortgage. However, the scale of this issue has continued to erode trust and confidence in the banking industry as a whole. This is regrettable as we are fully cognisant of our obligations, and being a good corporate citizen is an important objective of the Group. With this in mind, we published our first Sustainability Report during the year, which we launched at a well-attended and stimulating conference at Croke Park. Our Board Sustainable Business Advisory Committee led the work in this area and it will now be an annual publication.

Since the IPO, I have visited most of the large institutional shareholders on the share register. They have been pleased with their investment in the firm and showed an appetite to acquire further shares in any subsequent State sell down. Consistent with the commitment we gave in the IPO prospectus, we are putting the group remuneration policy to the Annual General Meeting for a non-binding advisory vote, enabling us to seek to introduce a Deferred Annual Share Plan designed as a retention vehicle for key executives considered critical to the delivery of the Group's strategic objectives. Under current agreements with the State, ministerial permission will be required for the introduction of this scheme.

We undertook an external evaluation of the Board in 2017 and during the review, the evaluator commented on the notable commitment of Directors, whom I would like to thank for their dedication. I would also like to extend my appreciation to the Leadership Team and all colleagues for their exceptional

achievements during 2017. Our purpose is to back our customers to achieve their dreams and ambitions, a goal which we strive to meet on a daily basis.

We look forward to 2018 with confidence. We would like to see the political environment for banks and bankers to be normalised, and we realise that re-establishing trust and confidence is a complex objective. At the heart of this annual report I hope readers will see that AIB is a great bank, with fantastic employees, led by a top quality executive team with a relentless focus on our customers.

**Richard Pym**  
Chairman  
28 February 2018

## CHIEF EXECUTIVE'S REVIEW

# Customer First strategy continuing to deliver strong financial performance

2017 was a pivotal year for AIB, with the successful completion of the largest IPO in Europe, resulting in the relisting of the company on the Dublin and London stock exchanges.



### Introduction

2017 was a pivotal year for AIB, with the successful completion of the largest IPO in Europe, resulting in the relisting of the Group on the Dublin and London stock exchanges. We delivered another robust set of financial numbers, maintained strong positions in our core markets and continued to make good progress on our strategic priorities. All of this has taken place against the background of an improving domestic economy.

Our strategic pillars of Customer First, Simple & Efficient, Risk & Capital and Talent & Culture continue to be the foundations on which we build our business and measure our progress. Further details on the progress made in 2017 are contained in a later section of this report, and fundamentally they show momentum on our journey to become a bank that is all about efficiently and effectively anticipating and meeting our customers' financial needs over the course of their lives.

### Highlights

The IPO, which raised €3.4bn for the Government and resulted in their shareholding reducing to c. 71%, was a significant public validation of the great work completed to repair this business. Strong investor interest in the bank, and ultimately the remarkable Irish economic recovery story, resulted in high demand for the stock. This strong appetite remains evident with a listing that continues to be well supported. It is very encouraging that the combination of the cash returned to the State to date and the recent valuation of their current shareholding in the Group has put the Government in a position where the €20.8bn bailout, injected during the crisis, can be recovered. As this is our first set of annual results since the completion of the IPO, I am delighted they confirm we are delivering against the financial commitments made during that IPO process.

There were many other highlights in the year, including the successful implementation of our Group holding company structure and the payment of our first ordinary dividend in nearly a decade. I am pleased to confirm that we intend to pay a full year dividend, for 2017, of €326m, an increase of 30% on 2016.

In the latter part of the year, we began to more publicly progress our sustainability agenda, hosting our first conference on the topic and also publishing our first Sustainability Report. We know that we need to be a leader in developing truly sustainable practices to ensure that we develop a real social licence to operate. More detail on our Sustainability agenda is provided in later pages of this report.

Importantly, we also launched our Purpose statement: To back our customers to achieve their dreams and ambitions. We believe that this conveys our intent as a bank. It defines who we ultimately work for, how we can add value and what we seek to become. It is what the actions we take and decisions we make must be focused on. We know this is

“As this is our first set of annual results since the completion of the IPO, I am delighted they confirm we are delivering against the financial commitments made during that IPO process.”

ambitious; something that many may doubt and challenge. That, in part, is why we picked it. It sets a stretching goal that will not easily be achieved. That is what motivates an organisation to deliver. In 2018, we will bring our purpose to life throughout the bank, ensuring that all of our people can really connect, understand and contribute to our purpose in their daily roles.

We significantly transformed our UK business in 2017. It was a difficult programme for employees and for some customers but necessary to reposition this business. The changes made will ensure that we are well set up in the UK market to deliver against our strategy for the customers we serve. The uncertainties around Brexit continue to impact but our business in the UK is doing well.

We also made progress on our property strategy for the next phase of the bank's development, with the addition of two buildings at Molesworth Street and Central Park in Leopardstown. The building on Molesworth Street will be our new corporate HQ and Central Park will be the centre of excellence in digital innovation and enablement for our customers. This will be the new base for teams that design, deliver and support our digitally enabled products and services.

Diversity and inclusion are high on our agenda, and in 2017 we made good progress, leading to AIB becoming the first Irish company to be awarded the Investors in Diversity Ireland Standard. We are active supporters of the 30% Club. We set a gender diversity target for our management population of 40% female representation by the end of 2018, and at the end of 2017, we are just north of 38%. We also set a gender diversity target for our Leadership Team of 25% female representation, which we have met. Our agenda extends beyond gender, and following employee feedback we launched resource groups for Pride, Abilities, Women, Men, Families and Roots this year to ensure all employees can express views about improving AIB.

### Financial performance

We delivered another strong financial performance in the year. We achieved a profit before tax of c. €1.3bn. This comprises c. €1.57bn of profit excluding exceptional items compared to c. €1.48bn in 2016. Our net interest margin (NIM) at 2.58% has increased by 35bps on last year. Combined with the strengthening and simplification of our capital, we are well-positioned for the

future, with a robust fully loaded CET1 ratio of 17.5% (transitional 20.8%).

This sound capital base, comfortably above minimum regulatory requirements, gives us the ability to support our customers and to grow our business. We have a stable funding model and an improving credit profile, which enabled us, in 2017, to deliver good financial returns and a growing capital return to our shareholders. I am pleased that the Board is, today, proposing a dividend payment for the full year 2017. Including this dividend, the State will have received c. €10.5bn in capital, fees, dividends, coupons and levies to date.

We continue to work hard to reduce our impaired loan balances, which fell by €2.8bn year on year to €6.3bn. The impaired loan balances are €3.6bn net of specific provision cover of 43%. Since 2013, we have reduced the overall impaired loan balance by c. €23bn or 78%. We are making steady progress as we continue to move these balances to more normalised European peer levels. We have almost 1,500 employees working in our Financial Solutions Group who work with customers to deliver long-term sustainable solutions. In 2017, we agreed on average over 1,000 such solutions each month. In addition, our deleveraging strategy includes the sale of certain commercial portfolios where appropriate.

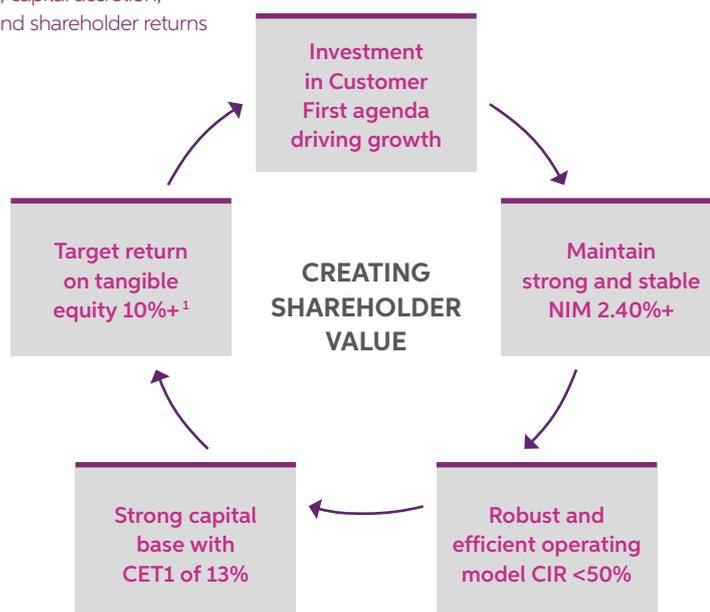
Total costs for the year, excluding exceptionals, at c. €1.4bn, are up c. €50m on 2016 and represent a c. €320m reduction on 2012 levels. Our year-end cost income ratio was 48%, down 4 percentage points on 2016. The €870m three-year investment programme which commenced in 2015 has been completed with some real successes achieved. You will see further details on these achievements in the 'Our strategy' section of this report.

In 2017 we saw growth in new lending in our core customer markets. There are a number of internal initiatives and external variables which have contributed to this, including, in particular, the ongoing recovery of the Irish economy. We approved €14.4bn in new lending during 2017, with actual customer drawdowns at €9.4bn, up from €8.4bn in 2016. In Ireland, personal lending was up 16%, business lending was up 15%, corporate lending was up 15% and mortgages were up 17%. Our market share of mortgage drawdowns for the year was 33%. We monitor this closely, tracking our share of applications, which grew in the final quarter of 2017 and we have made a good start to 2018. Wholesale and Institutional (including syndicate and international lending in the US and Europe) was up 21%. In our UK business, we saw new lending recover, up 12% from 2016 levels.

## Focused on delivering sustainable performance

### Medium-term targets

Based on strong customer franchise, capital accretion, growth and shareholder returns



Source: Company information.

1. RoTE based on (PAT - AT1 coupon + DTA utilisation)/(CET1 @13% plus DTA).

# CHIEF EXECUTIVE'S REVIEW CONTINUED

In summary, we have a business that continues to achieve strong underlying profitability, maintains a robust capital base, has increased new lending and reduced impaired loan balances, while at the same time, maintaining cost discipline and investing in its future. All of this is being achieved by focusing on how best to back our customers while managing financial, operational and regulatory requirements. We still have more to do to achieve the operating platform we aim for but we are well positioned to do this.

## Our culture

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 and we know that we still have more to do. Our cultural ambition reflects the three key themes of Accountability, Collaboration and Trust (ACT). Our Code of Conduct has been updated to reflect this, and was relaunched to all employees in 2017.

We have enhanced our performance management tool for all employees across the organisation. In terms of assessing individual performance, we now give equal weighting to WHAT results we deliver and HOW we actually deliver them. This means that how employees go about their job, including their behaviours and interactions with customers, is just as important as what they actually get done.

## Our people

The success of AIB is built on the efforts and commitment of the people who work here. We are maintaining our focus on improving everyone's collective experience as employees. We are challenging ourselves to build a more collaborative and inclusive culture where everyone can be at their best. The momentum in our employee engagement journey continued in 2017 and I was particularly delighted to see another increase in our iConnect scores and a participation rate of 88%, which is our highest completion rate to date. Coming from the 5th percentile of the Gallup worldwide employee engagement database in 2013 to the 62nd percentile in 2017 is a great achievement and one that we will continue to strive to better year on year.

The Leadership Team is a diverse group of highly skilled senior executives. Some have long-standing experience of financial services, the banking industry and AIB, whilst others bring a depth and breadth of non-banking-related knowledge. This mix of skillsets complement each other and ensure that diverse views are aired and considered when decisions are being made. The role that this team played in 2017 in continuing to lead the change agenda within the bank and delivering many successes was huge, including the vastly time-consuming IPO process.

I would like to thank them, their teams and all of my colleagues in the bank for their ongoing commitment, dedication and enthusiasm in what was a critical year for the bank and all our stakeholders. Together, we will continue to focus on positioning AIB to respond to our customers' needs and in so doing, will evolve and improve this business.

## Our stakeholders

As a bank, we have many stakeholders. It is our job to know who our key stakeholders are and to understand what they expect of us. Our view is that our key stakeholders, first and foremost, are our customers. Others include our employees, regulators, shareholders and investors, and government representatives. We know that, on occasion, our stakeholders and the bank can have different and conflicting views, which we try to understand. We must balance, to the extent we can, if and how we can deliver for our stakeholders, knowing there will inevitably be conflict at times.

## Customer First

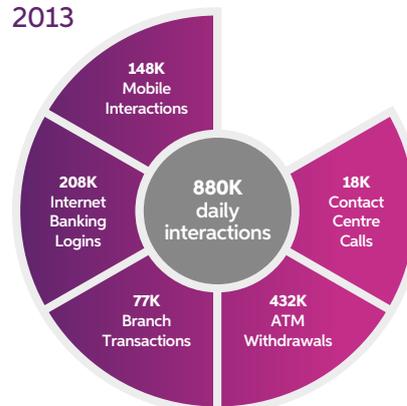
We've made all this progress across our business while focusing on putting our customers first. Our Personal Relationship Net Promoter Score (NPS) increased by 2 points in the last quarter of 2017. Our Customer Transactional NPS was +39 in Q4 2017, up 1 point since Q3 but when compared to this time last year, down 6 points. This highlights the ongoing challenge that we all face in continuing to deliver a great banking experience for our customers. They continue to expect more from us and how they interact with us on a daily basis has changed significantly over recent years. We must continue to strive to evolve our products and services to meet their needs and to enable them to engage with us how and when they wish. In 2018 we will continue to focus on driving change and customer experience improvements.

## Legacy customer challenges

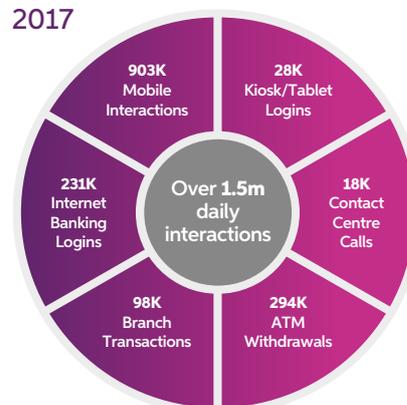
We continue to face challenges, some new and some, like the Tracker Mortgage Examination programme, are still work in progress. As they arise, we commit the required resources to deal with them in an open and fair way for our customers and stakeholders. That is what is expected of us and it is how we will continue to rebuild trust and public confidence in AIB. The Tracker Mortgage Examination programme has been a long programme, which started in 2015 and is now defined by the Central Bank of Ireland Framework. This includes a full independent third party review and an appeals process, which takes time to complete. Customers are assured that payments they receive under the redress and compensation scheme will not compromise their right to appeal so we can reasonably expect that activities might flow on from this for some time. We have made very material progress and expect to conclude the main customer elements by Q2 2018.

## Daily user interactions

2013



2017



Source: Company information.

## Our market position

We consider a number of factors when we think about how strong our market position is. These include how defined the market is, how many customers we have in that market and how active these customers are. We also take into account the size of our current lending to each sector in the market and our share of the flow of new business. We measure the level of approvals and drawdowns but focus on the movements in our balance sheet and the size of the overall commitment.

When it comes to Personal, Business and Corporate markets in Ireland we are the number one bank. This is because we have more customers and more balance sheet commitment in Ireland than any other provider in the marketplace.

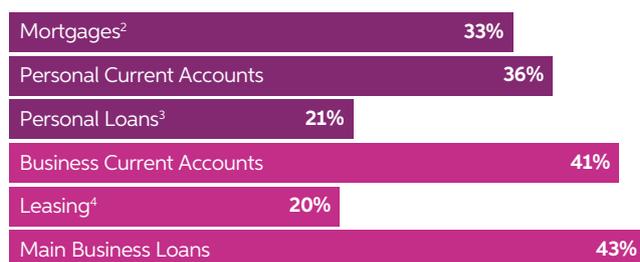
## Outlook and priorities for 2018

The past number of years have seen a stronger than expected recovery by the Irish economy and this was again evident in 2017 as the economy performed ahead of expectations with increased employment levels and exports maintaining their strong upward trend. The unemployment rate fell to 6.2% by the end of 2017 and consumer confidence was close to a 15-year high in H2 2017.

There was a further increase in housing completions in Ireland in 2017 and a corresponding growth in mortgage lending of 29%. Housing completions continue to be well below the required demand level but further growth is expected in 2018.

As a bank, we have a crucial role to play in ensuring that the housing supply increases, and we are working to implement a number of initiatives to achieve this. We are very

## Strong market share positions in retail and business banking – stock



#1 Mortgages

#1 Personal Main Current Accounts

#1 Personal Loans

#1 Personal Credit Cards

#1 Business Main Current Accounts<sup>1</sup>

#1 Business Main Loans

#1 Business Main Leasing<sup>1</sup>

#2 Business Credit Cards

Source: Ipsos MRBI AIB Personal Tracker 2017; AIB SME Financial Monitor 2017; BPF1 – 2017.

1. Joint No. 1 position.

2. New lending flow 2017.

3. Amongst banks; excluding car finance.

4. Main business leasing agreement.

active in not just providing real estate finance but increasingly facilitating social and affordable housing.

Brexit remains an area of concern but to date there has been little net impact on the Irish economy. The UK economy has been negatively impacted, however, and we will continue to monitor this in the context of the Irish economy, the bank and our customers. The successful completion of the IPO demonstrated strong market sentiment towards AIB and the Irish economy. The next step on that journey is a matter for the Government.

Our strategic priorities will continue to evolve into 2018 as we focus on how we can better and more efficiently serve our customers, how we organise ourselves to manage our risk, finance and regulatory agenda, and how we must think beyond 2018 and what

growth for this business looks like. All of these remain underpinned by our focus on the ongoing evolution of our operating model, cost discipline and continuing to digitally enable the bank to deliver for our customers.

We continue to focus on winning our social licence to operate, essentially to build a sustainable business and in doing so continue to rebuild trust in AIB. We want AIB to become a leader, both in thought and practice, in sustainability and we are working on setting clear targets for what we want to achieve as we build out our strategy in this space.

We will continue to face challenges and as noted earlier, as these issues arise, we will deal with them in a fair and transparent way for our customers and stakeholders.

## Summary

2017 has been another strong year for AIB. The momentum in our business continues and these strong set of results are the output of that. I am proud of what we delivered in the year and I look forward to what 2018 will bring.

I want to thank our Chairman, my fellow Board and Leadership Team members, and my many other colleagues across the Group for the ongoing support that I receive in fulfilling my role as CEO. Together we are confident that we are building a better bank and are focused on delivering for our customers, which centres on our purpose, backing our customers to achieve their dreams and ambitions.

**Bernard Byrne**  
Chief Executive Officer  
28 February 2018

## Our purpose



## OUR STRATEGY

# How we run our business and measure our progress

AIB, and the banking industry, has been on a difficult journey over the last decade. Having gone through significant change and emerged from the financial crisis, our sights are set on ensuring that we have learned our lessons from the past and that we are building a business that is focused on meeting the needs of our customers to enable them to prosper. Our purpose is to back our customers to achieve their dreams and ambitions. We know that this is a brave statement and we know that we have a road to travel yet, but it does convey our intent. It defines who we ultimately work for, how we add value and what we seek to become. There are four strategic pillars that determine our areas of focus and drive our investment. These pillars, and the progress made against them in 2017, are set out below.

### Customer First



#### What this means in AIB

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 the bank how and when they want.

#### Progress in 2017

- Further reductions for mortgage customers in the Standard Variable Rate (SVR), the fifth rate reduction for existing customers in three years.
- Launched an enhanced Mortgage to Rent scheme in conjunction with iCare Housing and the Irish Mortgage Holders Organisation.
- Funded the acquisition of social housing by voluntary housing associations.
- Continued participation in the Strategic Banking Corporation of Ireland (SBCI) fund to provide competitively-priced cash flow support to the agri-food sector.
- Automated the credit application process for customers who take out a personal loan, resulting in quicker decision-making.
- Hosted our inaugural sustainability conference and produced our first Sustainability Report.

### 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.

- Completed the three-year €870m investment programme, focused on improving system resilience and delivering a better experience for customers.
- Delivered a further increase in digitally and device-enabled banking, resulting in 77% of personal loan applications online.
- Continued enhancements in our mobile platform, including the launch of Apple Pay.
- Significant progress in the digitisation of our back office functions, with 60% of activity now paperless.
- Ongoing deployment of robotic process automation resulting in faster fraud detection.

### 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.

- €3.4bn raised through a successful IPO, with the State reducing its shareholding to c. 71%.
- Payment of an ordinary dividend of €250m to shareholders – the first since 2008.
- Successfully transitioned the Group structure into a holding company ("HoldCo") legal corporate structure.
- Continued strong momentum in the reduction in impaired loans, with a 31% reduction year-on-year, from €9.1bn to €6.3bn.
- Continued work on legacy challenges, with the Tracker Mortgage Examination programme expected to be substantially completed by end Q2 2018.

### 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.

- Launched our purpose statement: To back our customers to achieve their dreams and ambitions.
- Continued improvement in employee engagement scores, with a grand mean of 4.08 out of 5 and in the 62nd percentile (Gallup worldwide data) versus 5th in 2013.
- Maintained our target of 25% representation of women on the Board, while the Leadership Team has 25% female representation and 38.7% of all management are women.
- Hosted internal Diversity and Inclusion week and Invest in You week, incorporating Group-wide events and significant employee engagement.
- Introduced paternity leave and paternity benefits.

“We run our business with the objective of achieving significant progress, every year, on each of our four strategic pillars – Customer First, Simple & Efficient, Risk & Capital and Talent & Culture. They continue to be the foundations on which we build our business and measure our success.”

Bernard Byrne, CEO

Measure	Description	Outcomes 2017	Financial and non-financial targets <sup>1</sup>
Relationship Net Promoter Score (NPS)	A measure of our customers' overall AIB relationship experience	Personal 21 SME 19	50+
Transaction Net Promoter Score (NPS)	Measured after customer transactions for key touch points	39	50+
Channel trends	% number of our active customers transacting digitally	53%	55%+
<b>Cost income ratio (CIR)<sup>2</sup></b>	<b>Financial benchmark of efficiency</b>	<b>48%<sup>4</sup></b>	<b>Robust and efficient operating model CIR &lt; 50%</b>
Cash paid to State	Cash paid to the Irish State, including value received through the IPO	€10.5bn <sup>3</sup>	Repay State investment of €20.8bn in full
<b>Return on tangible equity (ROTE)<sup>2</sup></b>	<b>A measure of how well the bank deploys capital to generate earnings growth</b>	<b>12.3%</b>	<b>Target returns of 10%+</b>
<b>CET1 ratio (fully loaded)<sup>2</sup></b>	<b>A measure of our ability to withstand financial stress and remain solvent</b>	<b>17.5%</b>	<b>Strong capital base with CET1 of 13%</b>
Non performing exposures (NPEs)	Measures the credit quality of our loan stock	16% of gross loans	In line with European banking norms
<b>Net interest margin (NIM)<sup>2</sup></b>	<b>A measure of the difference between the interest income generated and the amount of interest paid out relative to (interest-earning) assets</b>	<b>2.58%</b>	<b>Strong and stable NIM 2.40%+</b>
Diversity	Women as % of all management	38.7%	40%
Engagement	Employee engagement relative to Gallup client population	62nd percentile	Top quartile

1. All targets are long-term, with the exception of medium-term financial targets communicated to the market on 9 March 2017.  
2. Medium-term financial targets communicated to the market on 9 March 2017.  
3. Includes proposed dividend for full-year 2017.  
4. CIR excluding income from cured/restructured loans was 53%.

## STRATEGY IN ACTION

# Customer First

### Home and mortgage customers

AIB leads the mortgage market with a 33% share in the Republic of Ireland, extending c. €2.4bn in new mortgage loans in 2017. Our strategy has been to pass on variable rate reductions to both new and existing customers, which means existing SVR customers automatically benefit from new variable rates. In 2017 we reduced our SVR by 0.25%, the fifth rate reduction in three years, resulting in a 1.25% reduction during that period, and we also established a Homes Centre of Excellence in Airside, Dublin.

We know that customers want choice and that different propositions appeal to different customers, which drives our multi-brand mortgage strategy. For our EBS customers, we continue to provide a cashback offer.

We also provide finance in support of social housing in Ireland. For example, in 2017 we partnered with Túath Housing Association to fund the acquisition of c. 200 social homes.

In September 2017, we launched an enhanced Mortgage to Rent scheme to help customers in difficulty. This is a joint initiative with iCare Housing and the Irish Mortgage Holders Organisation and, to date, we have seen good levels of customer engagement.

### Personal loans and payments

We continue to enhance our service offering to enable customers to engage with us how and when they want. When making a personal loan application, for example, customers can now complete the process end-to-end on their mobile device, and receive a decision within three hours.

We continue to waive the transaction fee for contactless payments. Contactless is a convenient payment method which reduces the need for customers to carry cash.

### Backing business and farming customers

In 2017, we partnered with the Strategic Banking Corporation of Ireland (SBCI) and the Department of Agriculture to deliver the Agriculture Cash Flow Support Loan to the primary agriculture sector. This extends credit at a discounted rate to farmers and SMEs engaged in primary agriculture. In supporting start-up customers, we

offered MyBusinessToolkit, a tailored suite of business applications, free to these customers for a three-month trial period. MyBusinessToolkit is an innovative way for AIB SME customers to manage their business, allowing them to access a host of business applications such as business planning, data back-up, and accounts and payroll. In 2017, we launched a programme to support female business owners by providing financial support, mentoring masterclasses and enterprise growth academies.

### Corporate customers

AIB is Ireland's leading corporate bank and number one bank for foreign direct investment (FDI), with diversified portfolios and an end-to-end relationship model. We continue to back our larger corporate customers by providing them with different methods of funding and integrated solutions that meet their needs. For example, in 2017 AIB, along with the Ireland Strategic Investment Fund (ISIF), provided €76m of seed equity to Greencoat Renewables to fund the acquisition of wind farms in the south of Ireland. Greencoat Renewables completed a successful IPO later in the year. In 2017, AIB also made an equity investment in TransferMate, a global B2B fintech payments business whose products are primarily used by business customers to make and receive cross-border payments.

### Early stage seed capital

In partnership with Frontline Ventures, AIB continues to support the next generation of Irish technology entrepreneurs through the AIB Discovery Programme. This reflects AIB's 'backing brave' philosophy, with AIB supporting entrepreneurs in the early stages.

Máire O'Meara,  
Mortgage customer



Gareth Irvine, Copeland Gin,  
SME customer (First Trust Bank)



#### Automated customer transactions

95%

## STRATEGY IN ACTION Simple & Efficient

### Investment programme

The three-year investment programme of €870m, completed in 2017, is driving additional efficiencies, productivity enhancements, improved customer satisfaction and capacity for business growth.

The programme is delivering tangible outcomes, including more than 1.3 million active online users, and 700,000 mobile device users. 95% of customer transactions are now automated, with 77% of personal loans applied for online and 69% of transactional activity on digital channels.

### Digitally enabled banking

The use of digital channels is growing across locations and age profiles. AIB is the market leader in digitally enabled banking in Ireland. Over 60% of all key products are now purchased via online channels, while over the counter (OTC) transactions have reduced by 52% in four years.

### Digital centre of excellence

AIB is establishing a centre of excellence in digital innovation and enablement in Central park in Leopardstown, Dublin. This will be the new base for teams that design, deliver and support our digitally enabled products and services.

### Branch refresh

Our branch network completed a four-year Branch Refresh Programme, delivering a more relaxed environment to do business. The refresh upgraded the 'look and feel' while also incorporating self-banking technology and new digital signage. The designs are aligned to customer-specific needs, e.g. our student campus branches look very different to those on the high street.

Nichola Murtagh, Beef farmer,  
SME customer



#### Liquidity coverage ratio

**132%**

## STRATEGY IN ACTION

### Risk & Capital

#### Strengthened balance sheet

As a Group, we are generating capital and delivering strong ratios with a fully loaded CET1 ratio of 17.5% due to profit generation and a reduction in risk weighted assets. Our funding model is both stable and low cost. The net stable funding ratio was 123%, with a liquidity coverage ratio of 132% at year end. The loan to deposit ratio stands at c. 93%. Earning loans have increased due to growth in the quality of new-term lending and progress on case restructuring.

#### Strong risk management

Strong risk management continues to drive a reduction in impaired loans. This is underpinned by a full range of product solutions for customers in difficulty, coupled with significant

capability in arrears management. Risk Adjusted Return on Capital (RAROC) is the mechanism AIB uses to determine a risk-based return. RAROC metrics demonstrate that AIB is generating appropriate returns and allocating capital in an efficient manner. A RAROC rate comprises the margin and fee income arising from a loan, adjusted for expected loan losses, as a percentage of the capital that the Group is required to set aside against the loan. We have a consistent RAROC measure across the Group, which facilitates a meaningful comparison of returns across business units and product lines by adjusting for risk costs, enhancing the sustainability of our profitability over the long term.

#### AIB Group holding company

The establishment of a holding company in 2017 was a corporate restructure for AIB, giving effect to a regulatory decision taken by our

resolution authorities under the EU Bank Recovery and Resolution Directive (BRRD).

#### Rating agency upgrades

The three main rating agencies all upgraded AIB in 2017, and we are now rated Investment Grade (IG) for all three for Allied Irish Banks, p.l.c.. Fitch upgraded AIB to BBB- from BB+ and Moody's moved AIB from Baa3 to Baa2, while S&P upgraded AIB to BBB- in January 2017 and revised its outlook to Positive in December.

#### Value creation

AIB has consistently delivered strong organic capital generation over the last three years. This has enabled substantial repayments to the State, including an ordinary dividend payment in 2017. The Group is now working towards an annual pay-out ratio in line with normalised European banks, with the capacity for excess capital to be returned to the shareholders.

## STRATEGY IN ACTION

# Talent & Culture

“We have moved from the 5th percentile of the worldwide Gallup database in 2013, to the 62nd percentile in 2017.”

### A purpose-led organisation

AIB aims to be a purpose-led organisation. In 2017, we launched our purpose statement: To back our customers to achieve their dreams and ambitions. We know that our future success is inextricably linked to that of our customers, and we want to help them to succeed.

### Employee engagement

Since 2013, AIB has partnered with Gallup, international employee engagement experts. In that period we have seen improved levels of employee engagement as measured in the iConnect workplace survey.

The annual iConnect survey allows us to assess engagement levels of our people and to identify and address engagement issues, both at local team levels and across the organisation. We have moved from the 5th percentile of the worldwide Gallup database in 2013 to the 62nd percentile in 2017, and reached our highest participation rate of 88%. Our engaged employees compared to actively disengaged employees is now 8.4:1, compared to 0.3:1 in 2013.

### Diversity and inclusion

Diversity and Inclusion are important aspects of our Talent & Culture agenda. As an organisation, AIB is committed to a more diverse workforce where employees can be at their best.

We launched our first Diversity and Inclusion week in 2017 aimed at raising employee awareness of the ambition to become a more diverse and inclusive place to work.

We set a gender diversity target of 25% female representation for our Leadership Team, which we have met. We also set a similar target of 40% for our management population by the end of 2018. At the end of 2017, we were at 38.7%.

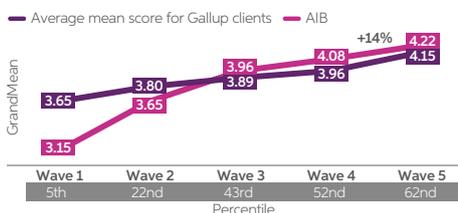
### Attracting talent

The graduate hiring programme which has been recently reintroduced saw over 80 talented graduates join the AIB team in 2017. Graduates joined departments across multiple areas of the bank including Technology, Finance, Treasury, Retail and Commercial Banking (RCB) and Wholesale, Institutional and Corporate Banking (WIB).

At AIB, we believe our employees work best when they are afforded flexibility and can work in a way that suits them. We advocate an Agile Working Policy which aims to provide a modern and supportive work environment.

## Our engagement journey

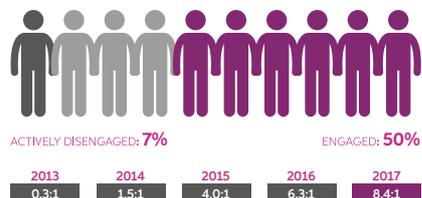
AIB outpaces other Gallup clients at similar stages of the journey



Strong participation



Engaged outnumber actively disengaged



## GOVERNANCE AT A GLANCE

High corporate governance standards are critical to creating and sustaining value for shareholders and in ensuring a well-managed and transparent business.



**Richard Pym**  
Chairman

“Our governance framework underpins effective decision-making and accountability, and is the basis on which we conduct our business.”

### Corporate Structure

During 2017, at the direction of the European Single Resolution Board, and following shareholder approval, Allied Irish Banks, p.l.c. established a new parent holding company, AIB Group plc. The holding company is an Irish Registered Company which has securities listed on the main markets of the Irish and London stock exchanges. Allied Irish Banks, p.l.c. continues to be the principal operating and regulated financial services company, and the only direct subsidiary of the holding company.

### Corporate governance

A key component of any corporate governance regime is an effective board, whose primary role is to promote the overall success of the organisation and to ensure a clear and transparent corporate governance and organisational structure.

The Board is committed to promoting effective corporate governance, and has ensured AIB Group's governance framework reflects the corporate governance provisions required by law, regulation and best practice guidance. The framework underpins effective decision-making and accountability, and is the basis on which we conduct our business and engage with our customers and stakeholders.

As a listed company, AIB Group plc is subject to the listing rules of the Exchanges, including the Irish Corporate Governance Annex to the Irish Stock Exchange Rules, the Disclosure & Transparency Rules of the London Stock Exchange, the Central Bank of Ireland's Transparency Rules, and the provisions of the UK Corporate Governance Code.

Allied Irish Banks, p.l.c., its sole subsidiary, as a credit institution licensed and regulated by the Central Bank of Ireland, is subject to the provisions of the Central Bank of Ireland's Corporate Governance Requirements for Credit Institutions 2015 and the European Capital Requirements Directive.

“The Board has established a number of Board Committees to facilitate in discharging its responsibilities for monitoring key activities.”

### Our Board

The Board has 11 Directors, with a majority of Independent Non-Executive Directors. The Board currently comprises a Chairman, who was independent on appointment, two executive Directors, and eight independent Non-Executive Directors, one of whom is the Senior Independent Director. Biographies for each Director can be found on pages 22 and 23.

### Our Board Committees

The Board has established a number of Board Committees to facilitate in discharging its responsibilities for monitoring key activities.

The Board Committees are generally composed of Non-Executive Directors and operate under Board-approved Terms of Reference.

### Leadership Team

The Leadership Team is responsible for developing and delivering the Group’s strategy and monitoring and managing financial performance, capital allocation, risk strategy and policy, risk management and internal control, and operational and customer issues.



# BOARD OF DIRECTORS



**Richard Pym**  
Non-Executive  
Chairman (68)

**Catherine Woods**  
Senior Independent  
Non-Executive  
Director, Deputy  
Chairman (55)

**Simon Ball**  
Non-Executive Director  
(57)

**Tom Foley**  
Non-Executive Director  
(64)

**Peter Hagan**  
Non-Executive Director  
(69)

**Carolan Lennon**  
Non-Executive  
Director (51)

## Nationality

British

Irish

British

Irish

American

Irish

## Date of appointment

13 October 2014 Chairman  
Designate

13 October 2010

13 October 2011

13 September 2012

26 July 2012

26 October 2016

1 December 2014 Chairman

## Committee membership

R N

A R N

R R N

A R

A R

R S

## Expertise

Richard is a Chartered Accountant with extensive experience in financial services. He is a former Chairman of UK Asset Resolution Limited, the entity which manages the run-off of the UK Government owned closed mortgage books of Bradford & Bingley plc and NRAM Limited. Richard is a former Chairman of Nordax Bank AB (publ), The Co-operative Bank plc, Brighthouse Group plc and Halfords Group plc. He is a former Non-Executive Director of The British Land Company plc, Old Mutual plc and Selfridges plc.

Appointed Deputy Chairman of the Board on 1 January, 2018, Catherine was appointed Senior Independent Non-Executive Director in January 2015. She is a former Vice President and Head of the JPMorgan European Banks Equity Research Team, where her mandates included the recapitalisation of Lloyds of London and the re-privatisation of Scandinavian banks. Catherine is a former director of An Post, a former member of the Electronic Communications Appeals Panel, and a former Finance Expert on the government adjudication panel overseeing the rollout of the National Broadband Scheme.

Simon has previously held roles as Chairman of Anchura Group Limited and Non-Executive Deputy Chairman and Senior Independent Director of Cable & Wireless Communications plc, and has served as Group Finance Director of 3i Group plc and the Robert Fleming Group. A Chartered Accountant, he has held a series of senior finance and operational roles at Dresdner Kleinwort Benson, and was Director General, Finance, for HMG Department for Constitutional Affairs.

Tom qualified as a Chartered Accountant with PricewaterhouseCoopers and has extensive experience within financial services. He is a former Executive Director of KBC Bank Ireland, former CEO of KBC Homeloans, and has held a variety of senior management and board positions with KBC in Ireland and the UK. During the financial crisis, Tom was a member of the Nyberg Commission of Investigation into the Banking Sector and the Department of Finance Expert Group on Mortgage Arrears and Personal Debt.

Peter is former Chairman and CEO of Merrill Lynch's US commercial banking subsidiaries and was also a Director of Merrill Lynch International Bank (London), Merrill Lynch Bank (Swiss), ML Business Financial Services, FDS Inc and The Thomas Edison State College Foundation. Peter has held various executive positions across the international banking industry, including Vice Chairman and Representative Director of the Aozora Bank (Tokyo) and a Director of each US subsidiaries of IBRC. He is at present a consultant in the fields of financial service litigation and regulatory change.

Prior to her current role of Managing Director, Carolan held a variety of executive roles in Eir Limited, including Acting Managing Director Consumer and Chief Commercial Officer. Prior to joining Eir, she held a number of senior roles in Vodafone Ireland, including Consumer Director and Marketing Director. Carolan is a former Non-Executive Director of the DIT Foundation, Idiro Analytics Limited and the Irish Management Institute.

## Key external appointments

None

Chairman, Beazley Insurance d.a.c.  
Non-Executive Director, Beazley plc

Board member, Commonwealth Games England

Non-Executive Director, Intesa SanPaolo Life d.a.c.

None

Managing Director of Eir  
Sits on the Council of Patrons for Special Olympics Ireland

## Nationality



Irish (8)  
British (2)  
American (1)

## Board diversity, by tenure



				
<b>Helen Normoyle</b> Non-Executive Director (50)	<b>Jim O'Hara</b> Non-Executive Director (67)	<b>Brendan McDonagh</b> Non-Executive Director (59)	<b>Bernard Byrne</b> Chief Executive Officer, Executive Director (49)	<b>Mark Bourke</b> Chief Financial Officer, Executive Director (51)
<b>Nationality</b>				
Irish	Irish	Irish	Irish	Irish
<b>Date of appointment</b>				
17 December 2015	13 October 2010	27 October 2016	24 June 2011	29 May 2014
<b>Committee membership</b>				
S	A R N S	R	None	None
<b>Expertise</b>				
Helen is currently Marketing Director of Boots UK and Ireland. She started her career working for one of Europe's leading market research agencies, Infratest+GfK, based in Germany. Helen moved to Motorola, where she held senior positions of Director of Marketing and Director of Global Consumer Insights and Product Marketing. In 2003, Helen moved to Ofcom, the UK's Telecoms and Communications Regulator as Director of Market Research. Helen also held the roles of Chief Marketing Officer at Countrywide, Chief Marketing Officer at DFS and Director of Marketing and Audiences at the BBC.	Jim is currently Chairman of a number of indigenous technology start-up companies. Jim is a former Vice President of Intel Corporation and General Manager of Intel Ireland, where he was responsible for Intel's technology and manufacturing group in Ireland. He is a past President of the American Chamber of Commerce in Ireland and former board member of Enterprise Ireland and Fyffes plc.	Brendan started his banking career with HSBC in 1979, working across Asia, Europe and North America, where he held various roles such as Group Managing Director for HSBC Holdings Inc, membership of the HSBC Group management Board, and CEO of HSBC North America Holdings Inc. Brendan is a former Director of Ireland's National Treasury Management Agency. He was previously the Executive Chairman of Bank of N.T. Butterfield & Son Limited.	Bernard started his career in 1988 in PricewaterhouseCoopers before moving in 1994 to ESB International as Commercial Director for International Investments. In 1998 he joined IWP International plc as Finance Director, and later Deputy CEO. In 2003, Bernard joined ESB as Group Finance Director. Before his appointment as Chief Executive Officer of AIB in May 2015, Bernard was an Executive Director of the AIB Board, and held various executive positions such as Chief Financial Officer and Director of Personal, Business and Corporate Banking. Bernard was President of Banking and Payments Federation Ireland until December 2016.	Mark joined AIB in April 2014 as Chief Financial Officer and Leadership Team member, and was co-opted to the Board in May 2014. He joined AIB from IFG Group plc where he held a number of senior roles, including Group Chief Executive Officer, Deputy Chief Executive Officer and Finance Director. Mark began his career at PricewaterhouseCoopers in 1989 and is a former partner in international tax services with PwC US in California. He is a member of Chartered Accountants Ireland and the Irish Taxation Institute.
<b>Key external appointments</b>				
Marketing Director, Boots UK and Ireland	Chairman, Decawave Limited Non-Executive Director, Wisetek	Non-Executive Director, Audit Committee Chairman and member of the Risk and Nomination Committees of UK Asset Resolution Limited  Serves on the Advisory Board of the Trinity College Dublin Business School, and on the Board of The Ireland Funds, Ireland Chapter	President of the Institute of Banking Ireland (until 5 March 2018)	None

## Executive vs Non-Executive Directors



■ Non-Executive Directors (9)  
■ Executive Directors (2)

## Key to Committee membership

- A** Board Audit Committee
- R** Board Risk Committee
- R** Remuneration Committee
- N** Nomination and Corporate Governance Committee
- S** Sustainability Business Advisory Committee

# DIRECTORS' REMUNERATION

## Corporate Governance Remuneration statement

### Directors' remuneration

The following tables detail the total remuneration of the Directors in office during 2017 and 2016:

Remuneration	2017					Total € 000
	Directors' fees Parent and Irish subsidiary companies <sup>1</sup> € 000	Directors' fees AIB Group (UK) p.l.c. <sup>2</sup> € 000	Salary € 000	Annual taxable benefits <sup>3</sup> € 000	Pension contribution <sup>4</sup> € 000	
<b>Executive Directors</b>						
Mark Bourke			470	30	94	594
Bernard Byrne			500	–	100	600
			<b>970</b>	<b>30</b>	<b>194</b>	<b>1,194</b>
<b>Non-Executive Directors</b>						
Simon Ball	93					93
Tom Foley <sup>2</sup>	90	38				128
Peter Hagan	95					95
Carolan Lennon	74					74
Brendan McDonagh	76					76
Helen Normoyle	75					75
Jim O'Hara	106					106
Richard Pym <sup>1(a)</sup> (Chairman)	365					365
Dr Michael Somers (Deputy Chairman resigned 31 December 2017)	110					110
Catherine Woods	150					150
	<b>1,234</b>	<b>38</b>				<b>1,272</b>
<b>Former Directors</b>						
Declan Collier <sup>2</sup>		49				49
Anne Maher <sup>5</sup>	45					45
Other <sup>6</sup>						11
<b>Total</b>						<b>1,377</b>

1 Fees paid to Non-Executive Directors in 2017 were as follows:

(a) Mr. Richard Pym, Chairman, was paid a non-pensionable flat fee of € 365,000, which includes remuneration for all services as a Director.;

(b) All other Non-Executive Directors were paid a basic, non-pensionable fee in respect of service as a Director of € 65,000 and additional non-pensionable remuneration in respect of other responsibilities, such as through the chairmanship or membership of Board Committees or the board of a subsidiary company or performing the role of Deputy Chairman, Senior Independent Non-Executive Director;

2 Current or former Non-Executive Directors of AIB Group plc and Allied Irish Banks, p.l.c., as applicable, who also serve as Directors of AIB Group (UK) plc ("AIB UK") are separately paid a non-pensionable flat fee, which is independently agreed and paid by AIB UK, in respect of their service as a Director of that company. In that regard, Messrs Foley and Collier earned fees as quoted during 2017;

3 'Annual Taxable Benefits' represents a non-pensionable cash allowance in lieu of company car, medical insurance and other contractual benefits;

4 'Pension Contribution' represents agreed payments to a defined contribution scheme to provide post-retirement pension benefits for Executive Directors from normal retirement date. The fees of the Chairman, Deputy Chairman and Non-Executive Directors are non-pensionable;

5 Ms. Anne Maher is a former Non-Executive Director of Allied Irish Banks, p.l.c. who has, since her resignation, continued as a Director of the Corporate Trustee of the AIB Irish Pension Scheme and of the AIB Defined Contribution Scheme, in respect of which she earned fees as quoted; and

6 'Other' represents the payment of pensions to former Directors or their dependants granted on an ex-gratia basis and are fully provided for in the Statement of Financial Position.

2016

Remuneration	Directors' fees Parent and Irish subsidiary companies € 000	Directors' fees AIB Group (UK) p.l.c. € 000	Salary € 000	Annual taxable benefits € 000	Pension contribution € 000	Total € 000
<b>Executive Directors</b>						
Mark Bourke			467	30	93	590
Bernard Byrne			500	–	100	600
			967	30	193	1,190
<b>Non-Executive Directors</b>						
Simon Ball	85					85
Tom Foley	90	40				130
Peter Hagan	95					95
Carolan Lennon <i>(Appointed 27 October 2016)</i>	13					13
Brendan McDonagh <i>(Appointed 27 October 2016)</i>	15					15
Helen Normoyle	73					73
Jim O'Hara	103					103
Richard Pym <i>(Chairman)</i>	365					365
Dr Michael Somers <i>(Deputy Chairman)</i>	111					111
Catherine Woods	146					146
	1,096	40				1,136
<b>Former Directors</b>						
Declan Collier		56				56
Stephen L Kingon <i>(Resigned 31 October 2016)</i>		47				47
Anne Maher	39					39
David Pritchard <i>(Resigned 29 February 2016)</i>		16				16
Other						13
Total						2,497

## INTERESTS IN SHARES

The beneficial interests of the Directors and the Joint Company Secretaries in office at 31 December 2017, and of their spouses and minor children, in the Company's ordinary shares are as follows:

<b>Ordinary shares</b>	<b>31 December 2017</b>	1 January 2017**
<b>Directors:</b>		
Simon Ball	5,000	–
Mark Bourke	2,000	–
Bernard Byrne	2,000	–
Tom Foley	2,501	1
Peter Hagan	8,000	–
Carolan Lennon	2,000	–
Brendan McDonagh	10,000	–
Helen Normoyle	2,000	–
Jim O'Hara	–	–
Richard Pym	2,000	–
Dr Michael Somers <i>(Resigned 31 December 2017)</i>	–	–
Catherine Woods	24,000	–
<b>Group Company Secretaries:</b>		
Sarah McLaughlin	2	2
Robert Bergin <i>(to 8 December 2017)</i>	–	–

\*\*or date of appointment, if later.

# GOVERNANCE IN ACTION

**Effective Board practice is the foundation to ensuring sound corporate governance standards. The Board is fully aware of the importance of its role and is committed to upholding high standards. This section provides a high level account of how the Group has applied a number of the key principles of the UK Corporate Governance Code.**

## Composition

There was one change to the Board during 2017. Deputy Chairman Dr. Michael Somers retired on 31 December 2017, and was succeeded on 1 January 2018 by Ms Catherine Woods.

The Nomination & Corporate Governance Committee is tasked with monitoring the Board succession plan so we are well positioned to ensure timely and suitable replacements for Directors reaching the end of their terms. In doing this, the Committee considers the performance, current skills and experience mix and diversity profile of the Board as a collective.

To that end, we have commenced the search for a successor to Ms Catherine Woods whose nine-year term concludes in late 2019. The search process commences early to ensure a rigorous assessment process to identify a suitable candidate with the necessary skills and experience to succeed Ms Woods, specifically in her role as Chairman of the Board Audit Committee.

Under the Relationship Framework governing the relationship between our majority shareholder, the Minister for Finance, and AIB Group plc, the Irish State may appoint two Directors to the Board.

The Board recognises and embraces the benefits of diversity among its own members, including diversity of skills, experience, background, gender and other qualities. We are committed to reflecting diversity in its broadest sense, while ensuring that we maintain the necessary skills and experience required to oversee the significant financial service activities and related requirements of the Group.

In reviewing the Board composition and appointments, candidates are considered on merit against objective criteria and with due regard for the benefits of diversity. The Board has a Board Diversity Policy, the aim of which is to ensure that the percentage of women on the Board remains at or exceeds 25%. The percentage is currently 27%.

All Directors are subject to re-election by shareholders at this year's Annual General Meeting and will be subject to annual re-election thereafter. The Board's composition will remain under continuous review.

## Leadership

There is a clear division of responsibilities between the Chairman, responsible for leading the Board and ensuring its effectiveness, and the Chief Executive Officer, responsible for running the business.

Non-Executive Directors constructively challenge and assist the Leadership Team in developing proposals on strategy and other material matters. Meetings are held by the Non-Executive Directors without the executives being present, at least annually, and ad hoc as required.

Led by the Senior Independent Director, the Non-Executive Directors meet without the Chairman present at least annually to appraise the Chairman's performance, and on such other occasions as are deemed appropriate.

To ensure clarity, and that no single individual has unfettered powers of decision, roles and responsibilities, including a formal schedule of matters specifically reserved for Board decisions, are formally documented and communicated to key stakeholders.

It is expected that in order to discharge their responsibilities effectively, Directors will each allocate sufficient time to their role on the Board. A minimum annual time commitment is agreed with each Non-Executive Director, and each is required to operate within certain limitations on other directorships held by them, and to seek prior approval should they wish to take on any additional external roles.

Given the nature of the Group, the role of Director is demanding, and Directors are expected to attend and to be well-prepared for all Board and

“The Board conducts an annual evaluation of its effectiveness, and is required to have an external evaluation conducted once every three years.”

Committee meetings, and to make time to continue to ensure they understand the business, engage with executives and regulators, and complete relevant training.

If, due to exceptional circumstances, a Director is unable to attend a meeting, they ensure that their views are made known to the Chairman in advance of the meeting.

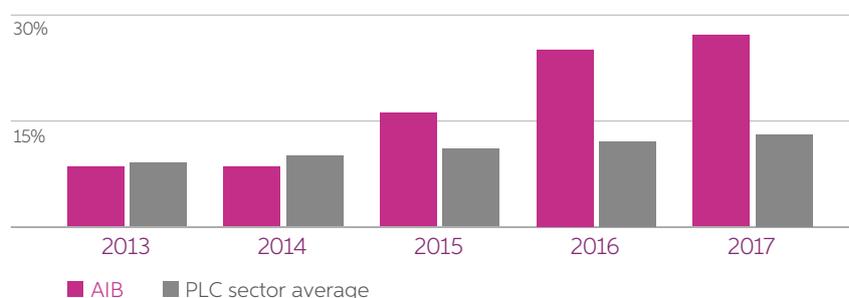
### Effectiveness

The Board conducts an annual evaluation of its effectiveness, and is required to have an external evaluation conducted once every three years. An external evaluation was conducted in 2017.

In addition to the external evaluation, the Chairman held meetings with individual Directors to discuss their individual effectiveness in their role. A review of the Chairman’s effectiveness, and that of the Chief Executive Officer, was formally conducted during 2017 through a combination of external and internal evaluations.

We consider the independence of our Non-Executive Directors annually, using the independence criteria set out in the UK Corporate Governance Code and, having regard for the co-terminus appointments of the Directors to the Board of Allied Irish Banks, p.l.c. and the holding company, the Central Bank of Ireland’s Corporate Governance Requirements for Credit Institutions

### Board gender diversity over the last 5 years (%)



2015. Any actual, potential or perceived conflicts of interest and certain behaviours that are essential in order to be considered independent, assessed as part of the Board and Director evaluations referred to above, are also continually monitored.

We currently exceed the necessary minimum ratio of independent Directors on the Board as determined by the UK Corporate Governance Code. Excluding the Chairman, 80% of the Board is deemed independent, the other 20% being the two Executive Directors who are deemed non-independent by virtue of their executive roles.

### Accountability

The Board is required to present a fair, balanced and understandable assessment of the Group’s position and prospects. Through a combination of the

Board Audit Committee and the Board Risk Committee, a detailed review of the Group’s risk management and internal control systems and financial record and reporting systems is conducted. In addition, as part of the recent process to re-list on the main markets of the Irish and London stock exchanges, the Board was required to conduct a Financial Position and Prospects Procedures (FPPP) process. This required a full review of the Group’s control environment to ensure the necessary procedures were in place to provide a reasonable basis for the Board to make proper judgements on an on-going basis as to the financial position and prospects of the Group. This review is now required to be conducted on an annual basis, and will provide further assurance to the Board as to the robustness of the procedures in place across the Group.

## Remuneration

The Board is cognisant of its obligation to ensure that remuneration, in particular that of Executive Directors' remuneration, is designed to promote the long-term success of the company and that any performance-related elements should be transparent, stretching and rigorously applied. As you will see later in the report, the Group's Remuneration Policy continues to be governed by restrictions contained in the Subscription and Placing Agreements in place with the Irish State. In light of these restrictions, as reported in previous years, the Group is unable to implement a competitive, market-aligned compensation and benefit structure to retain and incentivise key executives. This remains a key risk for the future stability and performance of the Group and is of utmost concern to the Committee and the Board as a whole.

The Board explains later in the Corporate Governance Report that it is unable to comply with remuneration-related provisions of the UK Code due to the fact that neither the Board nor the Remuneration Committee have autonomy over remuneration, as they are restricted in their ability to set remuneration for all Executive Directors and the Chairman, including pension rights and any compensation payments, and, to design Executive Directors' remuneration packages to promote the long-term success of the Group.

The lack of autonomy with regard to remuneration is of ongoing concern to the Board.

You will also see in the Corporate Governance Remuneration Report that the Remuneration Committee and the Board have been working on designing a short-term retention tool to somewhat mitigate the heightened retention risk that currently exists arising from these restrictions until such time as the Group is able to return to normalised remuneration practices.

In designing this tool, the Remuneration Committee and the Board have ensured that the performance elements underpinning the plan reflect the strategic objectives of the Group are consistent with the medium term targets and commitments previously communicated to the market, and are appropriately stretching to reflect the quantum of remuneration potential, in line with the UK Code requirements.

## Engagement

The Chairman and other Board representatives, including the Chief Executive Officer and Chief Financial Officer, regularly engage in investor relations activities to ensure that the Group's strategy and performance is being communicated effectively, and to receive a better understanding of investor views.

**“The Board is required to present a fair, balanced and understandable assessment of the Group's position and prospects.”**

Reports on investor relations activity, along with regular reports of changes in the holdings of substantial shareholders and reports on share price movements, are provided to the Board. It is intended that a number of events will be held throughout the coming year to maintain an open dialogue with investors. The Annual General Meeting (AGM) provides a good opportunity for the Board to engage with a broader group of shareholders.

# SUSTAINABLE BANKING

## Backing a sustainable future

**Having a sustainable and responsible approach to how we do business – now and in the future – is integral to everything AIB does. We want to create long-term value in our business, the economy and the communities where we work: shared value. We are acutely conscious of the need to rebuild our social licence to operate, in particular having received the support of the State when we needed it most. By framing our approach in this way, we are fully embedding a sustainable culture at every level of our business.**

### The AIB approach

We aim to be a sustainable bank. A sustainable bank puts its customers first, aiming to be profitable, offering products and services to both new and existing customers that are relevant, simple to access and consistently priced. A sustainable bank is technologically well-developed and organised, 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, as a result, has the societal support needed to both survive and thrive.

The Office of Sustainable Business (OSB) was established in January 2016 to advise and support AIB's Leadership Team on sustainability issues. The Sustainable Business Advisory Committee (SBAC) was then established in April 2016 to advise the Board of Directors further and to provide focus to the efforts being made.

In December 2016 an extensive materiality exercise was completed, which identified and validated 32 key sustainability issues that mattered most to our stakeholders and formed the basis for our sustainability approach in 2017. This exercise is currently being refreshed in Q1 2018.

The SBAC is supported by the Sustainable Business Executive Council (SBEC), which was set up in April 2017. Both the SBEC and OSB support on-going projects and developments while also influencing decision-making and strategic direction.

### Progress in 2017

2017 was a significant year for AIB, the key event being the completion of a successful IPO in June. Notwithstanding this, as a business, we have more to do to ensure our long-term success. We are still managing issues from the past where we failed to put the customer at the centre of our decision making. We are learning from these mistakes, so we never again lose sight of our role in the economy and our responsibility to society. Rebuilding trust and public confidence in our business will be done through actions, not just words.

Specific examples of how we are changing our culture towards more Customer First decision-making include:

1. Rebuilding our complaint management process, enabling swift and efficient local decision-making in addition to a centralised team of excellence for more complicated issues.
2. Improving our root cause analysis: where there are trends emerging in complaints, these can be managed quickly and appropriately.
3. Continued strong momentum in the reduction of impaired loans, with a 31% reduction year-on-year, from €9.1bn to €6.3bn, together with appropriate support and assistance for customers in difficulty.
4. Internal promotion of our confidential Speak Up policy, promoting the ability of our people to call out when they see any activity that goes against our culture of being customer-led.

In 2017 we set and achieved the following goals under the banner 'Backing a sustainable future':

1. To align the 2016 materiality research with our four pillar business strategy, understanding what matters and how we can respond.
2. To create an understanding of what sustainability means to AIB: the need to create shared value, for our business and for society.
3. To host our inaugural conference on sustainability, facilitating a conversation with customers, colleagues and other stakeholders, enabling us all to listen and learn from Irish and international experts.
4. To publish our first Sustainability Report, clearly articulating our approach, highlighting both what we already do well, and where we have more to do.

These were key milestones for AIB, setting us up well for continued progress in 2018.

# Sustainability, governance & risk

## Governance

The SBAC advises the Board of Directors on our sustainability strategy and agenda, which is aligned to AIB's strategic and financial plan. Chaired by Helen Normoyle, an independent Non-Executive AIB Director, the committee comprises two Non-Executive Directors as well as our Chief Marketing Officer, Chief People Officer and Director of Corporate Affairs. The SBAC supervises the development and execution of the bank's sustainable business strategy. Developing this strategy includes enhancing and safeguarding the bank's social licence to operate.

The SBAC is supported by the SBEC, comprising members of the leadership team and senior managers representing a cross-section of all the bank's functions. Our sustainability strategy and programme of activity originates, and is managed out of, the Office of Sustainable Business.

## Sustainability and risk

Managing the sustainability of our organisation involves identifying and managing all risks that relate to both day-to-day and future operations. It also means planning for and anticipating potential future risk across the business (e.g. environmental risk). We recognise the need to align our operational and lending risk frameworks, policies and practices to environmental, social and governance (ESG) principles of sustainability. This piece of work commenced in Q4 2017 and will be a key area of focus for completion in H1 2018.

## Materiality Index – stakeholder engagement

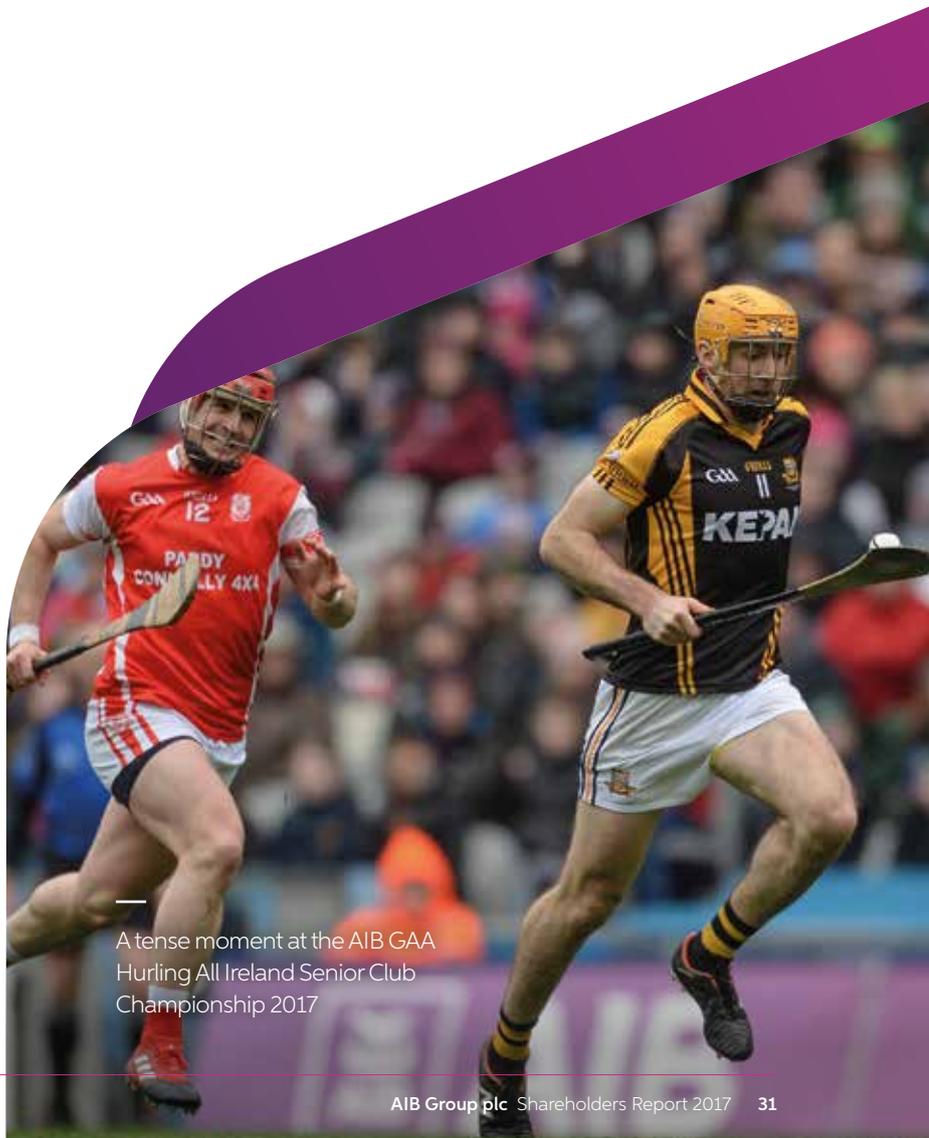
In late 2016, we developed an evaluation of the key sustainability issues that mattered to our stakeholders. This was a comprehensive process involving a representative group of c. 1,150 individuals, from which 32 material

issues were identified and validated.

These are the issues that mattered most to our stakeholders, which we reported against in 2017. Full details on this, along with the report, are available on [www.aib.ie/sustainability](http://www.aib.ie/sustainability)

In 2018, we commenced work to update our materiality index. We want to actively listen, understand and respond to the issues that matter to our customers, stakeholders and society. In doing this, we will deliver a more robust, pan-bank approach to our sustainability programme, anchored in our purpose, with clear targets and KPIs.

This work will be undertaken for us by KPMG, and also follows a recommendation from Deloitte, who assured our 2017 Sustainability Report.



A tense moment at the AIB GAA Hurling All Ireland Senior Club Championship 2017

## SUSTAINABLE BANKING CONTINUED

### Where we are on our sustainability journey...

#### Jan 2016

The Office of Sustainable Business (OSB) was established to advise and support AIB's Leadership Team on sustainability issues.

#### Dec 2016

Extensive materiality exercise undertaken with input from over 1,150 stakeholders identified 32 key materiality issues.

#### Oct 2017

We hosted a conversation between Irish and international experts along with our customers and colleagues on how business can be truly sustainable. Over 300 people attended this event.



Iseult Ward (FoodCloud) and Geoff McDonald (ex-Unilever) at our conference in October 2017.

"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."

**Bernard Byrne**  
Chief Executive Officer

#### Apr 2016

Formation of the Sustainable Business Advisory Committee (SBAC).

#### Apr 2017

Formation of the Sustainable Business Executive Council (SBEC), establishing AIB's sustainability governance structures.

#### Oct 2017

Published our first Sustainability Report

[aib.ie/sustainability](http://aib.ie/sustainability)



"We want to be a positive contributor to society. In that way, our business will last."

**Richard Pym**  
Chairman



#### What's next

In 2018, we will refresh our materiality exercise, build out our ESG credentials, publish our second report, and host a further conversation in October on sustainability matters.





Two participants in the Time to Read programme

## Our community

**As a pillar bank in Ireland, AIB can play an important role in supporting local communities.**

We recognise our role and obligations in all of the communities where we do business. Prior to the financial crash, AIB was one of the biggest contributors to charitable initiatives and local volunteering in Ireland. While this was curtailed at a corporate level, there has remained a large number of local initiatives that were supported by various teams and individuals at AIB in recent years.

In 2017, we made a strategic decision to rebuild our community programme, focusing on two core themes in a more considered way, with both financial and volunteer support. A comprehensive Group-wide programme encompassing Youth & Education and Social Entrepreneurship in local communities will be launched in early 2018. This strategic approach to supporting impactful social programmes also includes a new initiative for our people to have two days' annual volunteering leave, enabling and supporting them to get involved with the project of their choice.

AIB's employees are already very active in volunteering, holding regular fundraising events and collections. Together with our customers, they are

making a big difference to a wide range of worthy local causes. We hope that by enabling dedicated volunteer days as part of this programme, we can have even more impact at both local and national levels.

### **AIB and education – building on existing relationships**

We already have a long-standing relationship with Junior Achievement Ireland (JAI), which helps children of all ages understand the benefits of staying in education. We have supported this organisation since its inception in 1996, and over 1,000 of our colleagues have been involved during the past 20 years, benefitting more than 27,000 students in Ireland.

We also enjoy partnerships with a variety of third-level institutions. In Dublin City University (DCU) AIB's support has established a Chair in Data Analytics, while 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. And in Northern Ireland, First Trust Bank

supports Graduate and Student of the Year awards in both the Ulster University and Queen's University Belfast.

### **GAA – Backing club and county**

AIB's partnership with the GAA dates back more than 30 years and is one of the most enduring 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.

This partnership allows us to engage at the grassroots level of the GAA, with 1,700 GAA clubs and communities right across Ireland all year round. During 2017, AIB launched a bespoke Home Insurance offer for GAA clubs, contributing €50 per new Home Insurance policy to a GAA club of a new customer's choice. So far, over 800 GAA clubs have registered for this offer and over €100,000 is being distributed.

## SUSTAINABLE BANKING CONTINUED

### Our physical environment

Our ongoing actions to reduce carbon emissions, develop the low-carbon economy and mitigate our climate change risks, have resulted in AIB being recognised as a global leader for corporate action on climate change.

#### A leader tackling climate change

AIB has proudly earned a place on the CDP's Climate A List as of 2017, one of only two Irish companies to achieve this accolade. We have worked hard to attain accreditation of both ISO 50001 (energy management) and ISO 14001 (environmental management) across office locations.

In 2017 this certification was also achieved for all branches in all locations across Ireland and the UK.

Other 2017 highlights include:

- Winner of the Large Green Organisation of the year at the 2017 Green Awards.

- Digitisation of documentation with remote scanning and DocuSign eSignatures reducing paper and increasing efficiencies.
- Datahack, facilitated by AIB's Digital department with the theme of 'Smart Cities', saw 200 students competing in our Head Office to create innovative solutions for sustainable cities.
- With the introduction of AIB Bikes, a bike-sharing scheme, sustainable transport options have been bolstered and also include Go Car, a car-sharing programme and a shuttle bus service between central office locations, alongside the national Bike to Work and Tax Saver transport initiatives.
- For the first time, AIB purchased 100% renewable energy for all its power requirements for the full year. Energy reduction remains a continued focus with a 22% reduction on primary energy achieved since 2009.

AIB Group's target is to reduce its carbon emissions by **33%** before 2020



Carbon reduction target achieved since 2009

**28%**

Expected carbon savings

**7,182 tCO<sub>2</sub>e\***

\*1 tCO<sub>2</sub>e is equal to one tonne of carbon dioxide

Equivalent to a year of electricity use in

**1,061 homes**

Cathal & Richard King, The Kings of Connemara, SME Customer



Robert Gallagher, Willsborough Ltd,  
SME customer (First Trust Bank)

## Our virtual environment

**We design and operate our systems to remain secure while providing fit-for-purpose products and services. We actively manage cyber threats to ensure that no unauthorised party may access, manipulate or acquire private information.**

### Data security and protection

While we recognise the many benefits of data analysis and data science in developing improved experiences, we acknowledge the importance of maintaining standards of confidentiality in the safeguarding of information about our customers, as well as our employees.

Our Data Protection Policy aims to protect an individual's right to freedom from unnecessary intrusion into their financial and personal privacy, while at the same time complying with our legal and regulatory obligations.

Our 8 Key Principles of Data Protection are:

1. Obtain and process information fairly.
2. Keep it only for specified lawful purposes.
3. Process it only in ways compatible with the purpose for which it was obtained.
4. Keep it safe and secure.
5. Keep it accurate, complete and up to date.
6. Ensure it is adequate, relevant, and not excessive.
7. Retain for no longer than necessary.
8. Give all personal information to a person on their request.

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