



Shareholders Report 2015

For the financial year ended 31 December 2015

AIB Description

AIB is a financial services group operating predominantly in the Republic of Ireland and the UK. We provide a comprehensive range of services to personal, business and corporate customers in our target markets and have leading market shares in banking products in the Republic of Ireland. AIB's business has been restructured in recent years with the aim of becoming a customer focused, profitable and lower risk institution, well positioned to support economic recovery in Ireland while seeking to generate sustainable shareholder returns.



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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 Risk and Uncertainties on pages 50 to 59 in the 2015 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 50 to 59 of the 2015 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.



2015 Financial Highlights

Operating performance

Profit before tax

€1,914m €803m ▲

Increased profitability from higher income, lower costs and higher net credit provision. Outturn for the year includes a net charge of €296 million from exceptional items and income of €163 million from other items.

Net interest margin ("NIM")⁽¹⁾

1.97% 28bps ▲

Continuing positive momentum in NIM mainly due to lower funding costs and reduction in low yielding assets. There was an exit NIM⁽²⁾ for 2015 of 2.02%.

Total income⁽³⁾

€2,623m €93m ▲

Increases in net interest income of €240 million (lower funding costs and ELG charge). Other income €147 million lower (reductions on gains on NAMA senior bonds and reduced profits on disposals of AFS securities partly offset by higher net trading and fee & commission income).

Pre-provision operating profit⁽³⁾⁽⁴⁾

€1,327m €200m ▲

Positive contribution from business segments with €1,133 million from AIB Ireland, €185 million from AIB UK and €9 million from Group & International.

Operating expenses⁽³⁾

€1,296m 8% ▼

Cost reductions in line with expectation. €107 million reduction with all major expense lines reducing, reflecting further improvement on prior year reductions. Cost income ratio⁽³⁾ for 2015 was 49% compared to 55% for 2014.

Credit provision writeback

€925m €740m ▲

Net writeback of €925 million compared to a net writeback of €185 million, an increase of €740 million, reflecting improved economic conditions and progress on debt restructuring.

Balance Sheet / Capital

CET I transitional capital ratio⁽⁵⁾

15.9% 0.5% ▼

CET I fully loaded capital ratio⁽⁵⁾

13.0% 7.1% ▲

Strong capital position with the positive effect of profits generated and capital reorganisation⁽⁶⁾ in the year.

New lending drawdowns⁽⁴⁾

€8.7bn 49% ▲

Strong growth in new lending drawdowns with increases across all segments. New lending from AIB Ireland of €5.0 billion up 41%, AIB UK of €2.6 billion up 60% and Group and International of €1.1 billion up 59% compared to 2014.

Customer deposits

€63.4bn €0.6bn ▼

Customer deposits remain stable at €63.4 billion with the average cost down from 130 bps to 97 bps.

Impaired loans

€13.1bn €9.1bn ▼

41% reduction reflecting the implementation of sustainable restructure solutions for customers and improved economic conditions. Impaired loans are 19% of total gross loans compared to 29% in 2014.

Provision coverage ratio⁽⁷⁾

47% 4% ▼

Continued progress on restructuring impaired loans. Coverage rate remains at robust levels.

Liquidity coverage ratio ("LCR")

113% 3% ▼

The LCR reflects the overall quality of the funding profile with high quality liquid assets and a strong retail deposit base that meets regulatory requirements.

⁽¹⁾Net interest margin excluding eligible liabilities guarantee ("ELG") charge.

⁽²⁾Exit NIM is the average net interest margin excluding ELG for Q4 2015.

⁽³⁾Before bank levies and exceptional items. Exceptional items are detailed on page 23.

⁽⁴⁾Segment descriptions are detailed on page 37.

⁽⁵⁾Common equity tier 1 ("CET 1").

⁽⁶⁾For detail on capital reorganisation see page 43.

⁽⁷⁾Specific provisions as a percentage of impaired loans.

⁽⁸⁾38bps excluding impact of provision writebacks.

Financial Targets Delivered

	Medium Term Targets	December 2015	
Franchise growth	No.1 Irish Bank	No. 1 market shares	✓
New lending approvals	€7bn - €10bn p.a.	€14.4bn	✓
Net interest margin ⁽¹⁾	>2%	1.97% - exit NIM ⁽²⁾ 2.02%	✓
Cost / income ratio	<50%	49% ⁽³⁾	✓
Credit impairment charge	<65bps	(126bps) / 38bps ⁽⁸⁾	✓
Loan / deposit ratio	100% - 120%	100%	✓
CET I fully loaded capital ratio ⁽⁵⁾	>10%	13.0%	✓

Consolidated Income Statement

for the financial year ended 31 December 2015

	2015 € m	2014 € m	2013 € m
Continuing operations			
Interest and similar income	2,955	3,090	3,321
Interest expense and similar charges	(1,028)	(1,403)	(1,973)
Net interest income	1,927	1,687	1,348
Dividend income	26	25	4
Fee and commission income	449	430	414
Fee and commission expense	(44)	(40)	(36)
Net trading income/(loss)	95	(1)	102
(Loss)/profit on disposal/transfer of loans and receivables	(22)	52	(226)
Other operating income	197	379	104
Other income	701	845	362
Total operating income	2,628	2,532	1,710
Administrative expenses	(1,604)	(1,527)	(1,359)
Impairment and amortisation of intangible assets	(39)	(65)	(73)
Impairment and depreciation of property, plant and equipment	(35)	(46)	(51)
Total operating expenses	(1,678)	(1,638)	(1,483)
Operating profit before provisions	950	894	227
Writeback/(provisions) for impairment on loans and receivables	925	185	(1,916)
Writeback/(provisions) for liabilities and commitments	11	4	(17)
(Provisions)/writeback for impairment on financial investments available for sale	–	(1)	9
Operating profit/(loss)	1,886	1,082	(1,697)
Associated undertakings	25	23	7
Profit on disposal of property	3	6	2
Profit on disposal of businesses	–	–	1
Profit/(loss) before taxation from continuing operations	1,914	1,111	(1,687)
Income tax (charge)/credit from continuing operations	(534)	(230)	90
Profit/(loss) after taxation from continuing operations	1,380	881	(1,597)
Discontinued operations			
Profit after taxation from discontinued operations	–	34	–
Profit/(loss) for the year	1,380	915	(1,597)
Attributable to:			
Owners of the parent:			
Profit/(loss) from continuing operations	1,380	881	(1,597)
Profit from discontinued operations	–	34	–
	1,380	915	(1,597)
Basic earnings/(loss) per share			
Continuing operations	44.0c	42.2c	(76.8c)
Discontinued operations	–	1.6c	–
	44.0c	43.8c	(76.8c)
Diluted earnings/(loss) per share			
Continuing operations	43.0c	40.9c	(76.8c)
Discontinued operations	–	1.2c	–
	43.0c	42.1c	(76.8c)



Consolidated statement of comprehensive income

for the financial year ended 31 December 2015

	2015 € m	2014 € m	2013 € m
Profit/(loss) for the year	1,380	915	(1,597)
Other comprehensive income – continuing operations			
<i>Items that will not be reclassified to profit or loss:</i>			
Net change in property revaluation reserves	–	(1)	(1)
Net actuarial gains /(losses) in retirement benefit schemes, net of tax	743	(939)	251
Total items that will not be reclassified to profit or loss	743	(940)	250
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Net change in foreign currency translation reserves	31	27	(9)
Net change in cash flow hedges, net of tax	(29)	348	(18)
Net change in fair value of available for sale securities, net of tax	103	728	513
Total items that are or may be reclassified subsequently to profit or loss	105	1,103	486
Other comprehensive income for the year, net of tax from continuing operations	848	163	736
Total comprehensive income for the year	2,228	1,078	(861)
Attributable to:			
Owners of the parent:			
Continuing operations	2,228	1,044	(861)
Discontinued operations	–	34	–
	2,228	1,078	(861)

Consolidated statement of financial position

as at 31 December 2015

	2015 € m	2014 € m
Assets		
Cash and balances at central banks	4,950	5,393
Items in course of collection	153	146
Disposal groups and non-current assets held for sale	8	14
Trading portfolio financial assets	1	1
Derivative financial instruments	1,698	2,038
Loans and receivables to banks	2,339	1,865
Loans and receivables to customers	63,240	63,362
NAMA senior bonds	5,616	9,423
Financial investments available for sale	16,489	20,185
Financial investments held to maturity	3,483	–
Interests in associated undertakings	70	69
Intangible assets	289	171
Property, plant and equipment	344	290
Other assets	785	211
Current taxation	35	10
Deferred taxation	2,897	3,576
Prepayments and accrued income	503	526
Retirement benefit assets	222	175
Total assets	103,122	107,455
Liabilities		
Deposits by central banks and banks	13,863	16,768
Customer accounts	63,383	64,018
Trading portfolio financial liabilities	86	–
Derivative financial instruments	1,781	2,334
Debt securities in issue	7,001	7,861
Current taxation	31	–
Other liabilities	1,108	1,225
Accruals and deferred income	653	729
Retirement benefit liabilities	368	1,239
Provisions for liabilities and commitments	382	258
Subordinated liabilities and other capital instruments	2,318	1,451
Total liabilities	90,974	95,883
Shareholders' equity		
Share capital	1,696	1,344
Share premium	1,386	1,752
Other equity interests	494	–
Reserves	8,572	8,476
Total shareholders' equity	12,148	11,572
Total liabilities and shareholders' equity	103,122	107,455



Richard Pym
Chairman



Bernard Byrne
Chief Executive Officer



Mark Bourke
Chief Financial Officer



David O'Callaghan
Company Secretary



"These very solid results reflect the scale of AIB's financial transformation to sustainable profitability over the past number of years. Our strengthened capital position and ongoing improving risk profile reinforces our progress and paves the way for the State to potentially sell part of its shareholding in AIB. The bank is working very hard to demonstrate to our personal and business customers that they can rely on us to operate to the highest level of professionalism, integrity and service. We remain focused on supporting them and Ireland's economy."



Chairman's Statement

Richard Pym
Chairman

In the context of AIB's recovery, 2015 proved to be a milestone year and a decisive turning point in the bank's recent history.

Having strengthened and simplified the capital structure, the bank returned €1.7 billion of capital to the State in December 2015 following the partial redemption of the 2009 Preference Shares. It was a hugely symbolic step and paves the way for the State to potentially sell part of its shareholding in AIB.

AIB's re-establishment as a stable, customer-focused institution, supporting Ireland's economic revival was achieved through huge State support. Returning in full the State's investment of €20.8 billion over time is a key ambition of the bank. In July 2016, the scheduled maturity of the Contingent Capital Notes will result in a further payment of €1.8 billion to the State.

I am particularly conscious that rebuilding customer trust is one of the most difficult challenges still facing the banking sector. Regaining customers' confidence can only be achieved if they experience a bank that operates to the highest level of professionalism, integrity and service. Only then will people be persuaded that AIB really is an institution they can trust and we are

working very hard indeed to demonstrate to our 2.6 million customers that they can rely on us to take care of their interests and respect their needs.

Meanwhile, assisting customers in financial difficulty remained a priority in 2015 and tangible results were achieved. AIB's impaired loan book has dropped to €13 billion, down from approximately €30 billion in early 2013.

Given the interdependent relationship between the national economy and AIB, Ireland's improved macro-economic environment has impacted very positively on the bank's performance. Growing GDP, falling unemployment and increased consumer spending all led to Ireland being the fastest-growing economy in Europe and, as a bank, we benefited from that momentum through 2015. In return, we will continue to play a central role in that national growth narrative.

In 2015, the bank achieved a profit before tax of €1.9 billion, a remarkable transformation from previous years.

Leadership

Bernard Byrne took over as CEO of AIB in May 2015, following the resignation of David Duffy. I thank David for his leadership and commitment to the bank during his three year tenure.

Bernard has been a very effective and energetic Chief Executive and has already made a marked impact on the bank. I look forward to his continued contribution over the coming years.

Board Changes

We are pleased to welcome Helen Normoyle to the Board – she joined at the end of the year and brings with her a depth of experience in marketing and consumer issues. She will be leading the Board's sustainability agenda.

A short biography and background of all our Directors is set out on pages 166 to 169.

We are also looking to add two additional directors in 2016 and to raise the female representation on the Board during the year.

Thanks

The support that we have received from our customers and stakeholders through very challenging times cannot be overstated and continues to be deeply appreciated by AIB. Without our customers and the Irish tax payer, we would not be here today and that is why we are working so diligently to ensure the State's investment is repaid in full.

Since I joined this organisation in 2014, I have been deeply impressed by the commitment shown by my colleagues in bringing the bank back to good financial health.

To the staff of the bank who have worked so hard through this unprecedented period of challenge and change, I say a big "thank you".

I also want to acknowledge, and express thanks for their assistance, to the officials at the Department of Finance, the Central Bank of Ireland and the European Central Bank during what was a particularly busy year. We look forward to continuing that work together to restore AIB to its full and positive potential.



Richard Pym

Chairman

2 March 2016



"There can be no doubt that the Group's financial performance has confirmed our transition from a work-in-progress to a fully functioning sustainable well-capitalised bank. This bank is now well-positioned to enable the State to recover its full investment of €20.8bn.

Our strong profitability, significant increased lending, material reductions in impaired loans, normalised capital structure and significant payments to the State made 2015 a milestone year for AIB."



Chief Executive's Review

Bernard Byrne
Chief Executive Officer

Introduction

As CEO reporting on my first full year's results for AIB, I am pleased to be able to present a very strong set of results and to highlight a number of significant achievements for AIB during 2015. There can be no doubt that the Group's financial performance confirms our transition from a work in progress to a fully functioning, customer-focused, sustainable and well capitalised bank.

Our financial performance

In the year, our total operating income is up 4%, our costs are down 8% and our profit before tax, at €1.9 billion, is up 72%. This €1.9 billion comprises c. €1 billion of underlying profitability and c. €900 million of net additional credits, arising, in the main, from provision writebacks as we continue to resolve the significant legacy impaired loan portfolios. This strong profitability combined with the strengthening and simplification of our capital has positioned us well, with a robust fully loaded CET I ratio of 13.0% (transitional 15.9%). We now have a sound capital base, comfortably above minimum regulatory requirements, from which to grow our business, leaving us well-positioned for the future.

In 2015, we saw significant growth in new lending. There are a number of internal initiatives and external variables which have contributed to this, including the ongoing recovery of the Irish economy. We approved €14.4 billion in new lending during 2015 across ROI and the UK, with actual customer drawdowns, at €8.7 billion, 49% higher than 2014 levels and encouragingly, increasing across all business segments. In Ireland, mortgages were up 32%, personal lending was up 40%, business lending was up 28%, corporate lending was up 63% and in our UK business, drawdowns were up 60%.

Adopting a fair and equitable approach to customers in difficulty is fundamental to maintaining sustainable working relationships. Our impaired loan balances of €13.1 billion have been reduced by €9.1 billion since 2014 and by €15.8 billion since 2013. The impaired loan balances are €6.9 billion net of specific provision cover of 47%. We maintain significant momentum in the resolution of these difficult cases and are working hard to achieve satisfactory outcomes for our customers and the bank at an impressive run rate. We expect to maintain this momentum for the year ahead by which time the quantum of impaired loans will reduce to more normalised levels.

Our total costs for the year, at €1.296 billion, represent a €107 million reduction on 2014 levels and €450 million reduction on 2012. We are focused on simplifying our business by concentrating our efforts on true customer needs and eliminating complexity and related cost. We continue to invest heavily in new technology and we are in the middle of a 3 year, €870 million investment programme which is delivering resilience, agility and a simple and efficient operating model focused on improving customer experience.

Our net interest margin at 1.97% and cost income ratio at 49% are 28bps and 6 percentage points, respectively, favourable on 2014.

In summary, we have a business that is well capitalised, growing its profitability within agreed risk appetite parameters, managing its costs efficiently, investing in its future and successfully addressing significant legacy issues. All of this is being achieved by putting the customer at the heart of what we do whilst managing financial and regulatory requirements. We have a lot more to do but we are on the right path to deliver a bank that everyone can believe in.

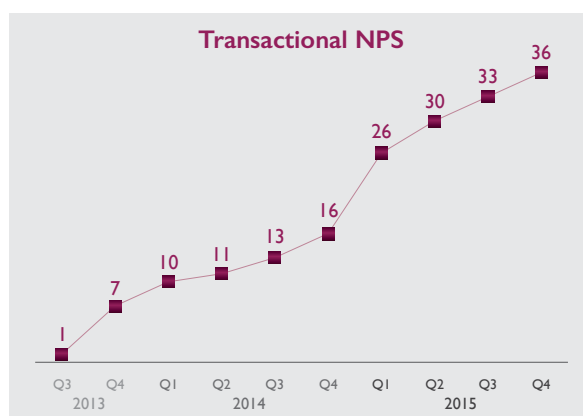
Our customers

Putting our customers first is at the heart of our business. Over the long term, the most successful companies are those that have earned the trust, respect and loyalty of their customers. In AIB, we have, over the past number of years gone about rebuilding our business and organising ourselves with this long term truth at the heart of our plans. To do this, we are and must continue to focus on understanding our customers' needs, ensuring we deliver what they need, when and how they need it. In essence we must be useful to our customers, and if we are, we will be at the heart of their financial lives.

We know we have a long way to travel and on occasion, we may disappoint our customers with our delivery. We are cognisant that legacy issues still have the potential to affect our reputation and we remain active in competently managing any issues that arise. I would like to thank our customers for their business and loyalty to AIB over the past number of years.



The good news is that we are making real progress and we are delivering better and more convenient services to our customers all the time. Our Transactional Net Promoter Score⁽¹⁾ (NPS) increased by 20 points, to 36, since quarter 4 2014. Within this overall NPS score, we continually track specific customer engagement journeys. Examples where we have made good progress are Complaint Resolution, Card Replacement, Mobile Banking and Personal New Current Account. The results from these engagement journeys are really encouraging because we can see a definitive correlation between them and specific initiatives we have delivered during the year. Our NPS scores also tell us where we need to do better and this is something we are continually focused on.



Personal customers

It's not just about better service or better understanding of customer needs, it's also about being fair. As we have reduced our funding and operating costs we have sought to pass these benefits on to all customers, both new and existing. We believe that our existing customers should know they, along with new customers, will get the best value. We also think they should not have to work hard to get it. To that end we reduced our Standard Variable Rates (SVRs) for all mortgage customers across AIB, EBS and Haven by up to 75bps over the past 15 months. This benefited c. 155,000 customers. No other bank in Ireland has come close to matching this. No other bank in Ireland has sought to share these benefits, automatically, with its customers. With our EBS brand we launched our 'anytime anywhere' mortgage proposition, meaning that our customers can meet a mortgage advisor at a time and place that suits them seven days a week.

To reward our customers' loyalty, we have also introduced fee-free banking for our AIB Mortgage customers, again both new and existing. This is our way of acknowledging their commitment to the bank. Our mortgage approvals now last for 12 months reflecting the time needed to find a new home. Customers can also apply for their mortgage online and enjoy a full end-to-end online decision process. We also have a multi-brand approach, offering choice to customers and allowing us to tailor products to their needs.

The benefits of focusing on the real needs of customers are clear. During 2015, we enhanced our overall personal lending proposition and streamlined underlying processes. Our personal lending drawdowns increased by 40% on 2014 levels and as at quarter 4 2015, we have achieved NPS scores of 68 for 'personal loans successful' and 69 for 'personal new current account' journeys.

During the year, we also launched a new personal loan proposition called 'first loan' for customers who have started in their first full-time job. In every branch, we now have a dedicated personal loan advisor. Online, we have aided customers by making a personal loan affordability calculator available.

Business & corporate customers

We continue to support our business customers by providing a large range of business products and our sector specialist approach resulted in growth in key sectors in 2015 including agriculture, tourism, retail and manufacturing. In addition, our 48 hour decision for SME loans less than €30,000 and extended opening hours also benefited business customers during the year. In February, we partnered with the Strategic Banking Corporation of Ireland (SBCI), launching a €200 million fund to SMEs at a market leading rate of 4.5%. This represents a 2% reduction on the standard business loan rate, the reduction being shared between AIB and the SBCI. Following the success of the first tranche, we were very pleased to announce, in November, a further fund of €200 million at the same rate. Our business lending drawdowns increased by 28% in 2015.

⁽¹⁾The Net Promoter Score or NPS is a measurement program that tracks customers' loyalty and advocacy and ranges from -100 to 100.

Our Corporate Banking team provides tailored solutions and sector expertise to premium customers. The performance in 2015 is reflective of increased business activity in an improving Irish economy, resulting in lending growth of 63% to €2.8 billion in the year. We remain the number one bank for Foreign Direct Investment (FDI) in Ireland.

AIB UK customers

In AIB UK, our differentiated service model provides specialist industry and sectoral expertise to Owner Managed Businesses (OMBs) and the Corporate sector. We launched the Owner Managed Business Outlook, a bi-annual survey that details the concerns and views of OMBs on the wider marketplace. We want to enhance our understanding of our customers' businesses and operating environments and continue to develop services to meet their needs. In First Trust Bank (FTB), we serve our customers through our focused challenger bank strategy, lending to niche SME sectors, providing sectoral expertise and offering a full banking service, in branch, online and through mobile to our customers.

Legacy customer challenges

We acknowledge that challenges will continue to arise as a result of legacy issues. As and when they emerge, we are committed to dealing with and resolving these challenges in a fair and equitable way for our customers. In December 2015, the Central Bank of Ireland (CBI) launched an industry wide examination of tracker mortgage related issues. We had already mobilised to address this issue before the examination was launched. We are committed to meeting all requirements of the CBI examination on a complete and timely basis. Where we have identified areas where redress is relevant, we will work through the various steps associated with this review to ensure we deliver the right customer outcomes. Further details are available on page 23.

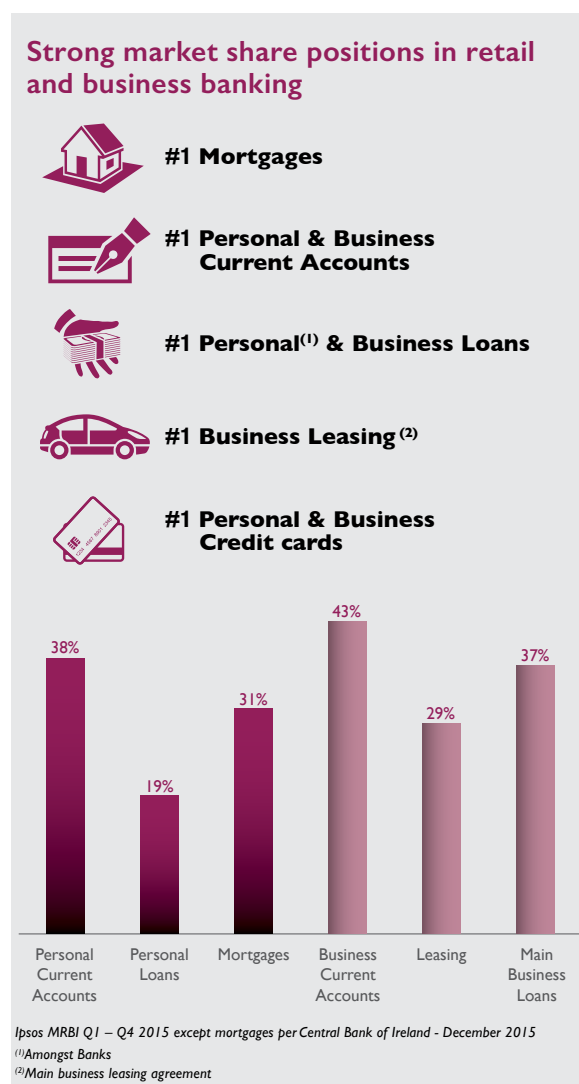
Our market position

When we think about how strong our market position is, we consider a significant number of factors. For example, how clearly defined is the market, how many

customers do we have in that market and how active are these customers? When it comes to considering credit we think about 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 balance sheet and the size of the overall commitment.

This gives us real comfort that when it comes to Personal, Business and Corporate markets in Ireland, in all key respects 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.

We hold key leading market shares across personal and business lines as follows:





Digital and distribution

Our market leading digital offerings enable our customers to bank with us how and when they wish. We now have over one million active digital customers, with 530,000 customers active on mobile banking. 60% of our personal loans are now applied for online and 50% of key products are now purchased via online channels. In 2015, we asked our customers how we could improve our mobile banking app and we used their feedback to enhance this proposition. The customer response to this initiative has exceeded expectations, with average monthly customer logins on mobile rising from 13 to 27. Our innovative digital offerings will be an area of continued focus and investment into the future.

We were excited to open new branches during 2015, ensuring that our branch footprint throughout the country remains strong. We opened three branches at centres in Dublin and Cork, which will continue to strengthen our community presence.

Our people

In AIB, our people and our values are the cornerstones on which our culture and ongoing success are built. Collectively, we are all working hard to get the right culture in the bank. I was delighted that our employee engagement scores continued on a significant upward trajectory this year.

The dedication of our staff has been of paramount importance to AIB's survival and transformation over the last number of years. After the unprecedented crisis of 2008, the bank's workforce has more than halved and those who remained on and have joined since, were charged with turning AIB into a stable, profitable bank, positively contributing to the recovery of the Irish economy. This demanded a deep-seated commitment with personal and professional investment of significant time, effort and emotional resilience. That level of dedication continues to pay off as is evidenced in these financial results and our improving brand positions. It is important that I acknowledge and thank our staff for their ongoing hard work and commitment.

Our shareholders

There were a number of very important actions during 2015 that materially impacted on our shareholders and established an investable capital structure for the bank.

Firstly, the capital reorganisation in December resulted in the normalisation of our capital structure. This entailed the conversion of Government owned preference shares into equity capital and the repayment of €1.7 billion of capital to the Irish Government. A cash payment of accrued dividends on the preference shares of €166 million was also made. The EBS Promissory Note was also cancelled as part of this process.

Secondly, there was a share consolidation process which resulted in a significant reduction in the number of ordinary shares in issue to 2.7 billion from 523.4 billion.

At the same time we executed two market transactions totalling €1.25 billion. We issued €750 million Tier 2 notes and €500 million of AT1 capital. Encouragingly, both issuances, which were executed within days of each other, were heavily oversubscribed by an internationally diverse investor base.

These events have addressed the remaining legacy capital instruments in the bank and ensure we have a capital structure that is not only fit for purpose in the current regulatory environment but allowed us to start the process of repaying the State. We remain deeply conscious of the State's support in recent years and we were very pleased to make significant repayments in 2015. This will continue into 2016 when we will make a further material repayment of c. €1.8 billion upon the maturity of our Contingent Capital Note. This will bring the total payments to the State to c. €6.5 billion by mid-2016.

Outlook and priorities for 2016

Ireland's projected economic growth of 5% for next year will continue to provide a positive domestic environment for the bank. However, there are a number of macro uncertainties which we still face. The prospect of an exit by Britain from the EU is fraught with economic uncertainty and the full impact cannot be predicted. Global economic uncertainty and geopolitical risk may also increase volatility. On the domestic front, the subdued yet very competitive mortgage market presents a challenge to us, as does the prevailing low interest rate environment.

For our part, we will continue to play a critical role in supporting economic growth, protecting employment and fuelling job creation. Our long term success will be based on the strength of our culture. A robust, risk aware, commercial and customer focused culture will win out in the long term. That is what we are building.

Our ambition is to be at the heart of our customers' financial lives by always being useful, always informing and always providing an exceptional customer experience. We will deliver a bank with compelling, sustainable capital returns and a considered, transparent and controlled risk profile.

To help us achieve this we have worked hard to enhance our strategy and prioritise the key areas of focus where we will differentiate ourselves. These areas of focus will determine the initiatives we pursue and deliver.

Our four key areas of focus and our aspirations for each are set out in more detail below. We will measure our success against key metrics, ensuring we are focused on what we need to achieve.

Customer first

- Transforming the customer experience to deliver advocacy and mutual value as measured over the lifetime of our customers
- Differentiating through customer-led innovation enabled by deep customer insight
- Focusing first on our core customer segments with whom we will have the ability to develop deep relationships
- Addressing legacy customer challenges

Simple and efficient

- Focus process and technology improvements on the elements that have most impact on our customers' experience and deliver value for the bank
- Deliver standardised, repeatable, de-risked, straight-through processes and procedures
- Deliver simplicity and uniformity in systems and our process architecture enabling resilient, intuitive, transparent customer processes and outcomes whilst minimising complexity
- Appropriately utilise customer data to generate insights.

Risk and Capital Management

- Effective and dynamic Risk Appetite Statement that will drive and inform business strategy and risk-taking
- In the context of ICAAP* and risk appetite, allocate capital consistently across the Group to optimise sustainable risk-adjusted returns
- Individual lending, pricing and investment decisions taken based on consistent Group-wide standards and models

Talent and culture

- A vibrant, risk-aware, diverse and progressive culture that consistently puts the customer first, aligned to our AIB Brand Values
- An employee experience, that creates and retains a highly engaged, inspired, talented workforce, to deliver an exceptional customer experience

Acknowledgments

It has been a successful year. Our business has performed well and we have the leading position in all key markets that matter to us in Ireland, with clear niche positions in Northern Ireland and Great Britain. I am proud of what we have delivered and the significant progress we have made. I am also thankful to the Board, Leadership Team and my colleagues for the support I have received since I took up the role of CEO in May. Together, we are confident that we can deliver a better bank - a bank that our colleagues, customers and stakeholders can truly believe in.



Bernard Byrne

Chief Executive Officer

2 March 2016

*Internal Capital Adequacy Assessment Process



Governance at a glance

Our Governance Framework

AIB's Governance Framework reflects best practice standards, guidelines and statutory obligations and ensures our organisation and control arrangements provide appropriate governance of the Group's strategy, operations and mitigation of related material risks.



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.

The Board and its Committees

Supported by the Governance Framework, the Board oversees:

- Strategic and operational planning;
- Risk management and compliance;
- Financial management and external reporting; and
- Succession planning and culture.

The Board is supported in its endeavours by a number of Board Committees which consider, in greater depth than would be practicable at Board meetings, matters within the Board's responsibilities.



The Chief Executive Officer

The Board delegates to the Chief Executive Officer (CEO) responsibility for strategy formulation and execution, and the day-to-day running of the business ensuring an effective organisation structure, the appointment, motivation and direction of Senior Executive Management and the operational management of the Group's businesses.

The Leadership Team

The Leadership Team is the most senior executive committee of the Bank. The Leadership Team, under the stewardship of the CEO, has responsibility for the day-to-day management of the Group's operations. It assists and advises the CEO in reaching decisions on and delivery of the Group's strategy, governance, internal controls, performance and risk management.



The Board

Board of Directors

Non-Executive Chairman

Richard Pym, CBE



Age: 66

Appointed: 13/10/2014 (Chairman Designate)
01/12/2014 (Chairman)

Background and experience:

Mr Pym was co-opted to the Board on 13 October 2014 as Chairman Designate and Non-Executive Director and was appointed Chairman with effect from 1 December 2014. Mr Pym is a Chartered Accountant with extensive experience in financial services having held a number of senior roles including Group Chief Executive Officer of Alliance & Leicester plc. He is Chairman of UK Asset Resolution Limited, the entity which manages, on behalf of the UK Government, the run off of the Government owned closed mortgage books of Bradford & Bingley plc and NRAM plc. Mr Pym is a Director and former Chairman of Nordax Bank AB (publ). He was also previously Chairman of the Boards of The Co-operative Bank plc, BrightHouse Group plc, Halfords Group plc and a former Non-Executive Director of The British Land Company plc, Old Mutual plc and Selfridges plc.

Committee memberships:

Chairman of the Nomination and Corporate Governance Committee
Remuneration Committee

Non-Executive Directors

Dr Michael Somers, B.Comm, M.Econ.Sc, Ph.D – Deputy Chairman



Age: 73

Appointed: 14/10/2010 as a Nominee of the Minister for Finance under the Government's National Pensions Reserve Fund Act 2000 (as amended)

Background and experience:

Dr Somers is former Chief Executive Officer of the National Treasury Management Agency. He is Chairman of Goodbody Stockbrokers, a Non-Executive Director of Fexco Holdings Limited, Hewlett-Packard International Bank plc, the Institute of Directors, and President of the Ireland Chapter of the Ireland-US Council. He has previously held the posts of Secretary, National Debt Management, in the Department of Finance, and Secretary, Department of Defence. He is a former Chairman of the Audit Committee of the European Investment Bank and Director of the European Investment Bank and former Member of the EC Monetary Committee.

Dr Somers was Chairman of the group that drafted the National Development Plan 1989-1993 and of the European Community group that established the European Bank for Reconstruction and Development. He was formerly a member of the Council of the Dublin Chamber of Commerce and a Non-Executive Director of St. Vincent's Healthcare Group Limited and Willis Group Holdings plc.

Committee memberships:

Board Risk Committee
Nomination and Corporate Governance Committee

Non-Executive Directors

Catherine Woods, BA, Mod (Econ) – Senior Independent Non-Executive Director



Age: 53

Appointed: 13/10/2010

Background and experience:

Ms Woods is a Non-Executive Director of AIB Mortgage Bank, and EBS Limited. She has been a Director of Beazley Re DAC since July 2015 and became a Director of Beazley plc in January 2016. She is the Finance Expert on the adjudication panel established by the Government to oversee the rollout of the National Broadband scheme and 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. Ms Woods is a former Chairman of EBS, former director of An Post, and a former member of the Electronic Communications Appeals Panel. She was appointed Senior Independent Non-Executive Director in January 2015.

Committee memberships:

Chairman of the Board Audit Committee
Board Risk Committee

Simon Ball, B.Sc (Econ), FCA



Age: 55

Appointed: 13/10/2011

Background and experience:

Mr Ball has previously held roles as 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. 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. He is Chairman of Anchura Group Limited and a member of the Board of Commonwealth Games England. Mr Ball was appointed Chairman of the Nomination and Corporate Governance Committee in June 2013 to oversee the process to appoint a new Non-Executive Chairman and stood down from that role in December 2014 following the Chairman's appointment.

Committee memberships:

Board Risk Committee
Remuneration Committee

Tom Foley, B.Comm, FCA



Age: 62

Appointed: 13/09/2012

Background and experience:

Mr Foley 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 Corporate, Treasury and Personal Banking in Ireland and the UK. He was a member of the Nyberg Commission of Investigation into the Banking Sector during 2010 and 2011 and the Department of Finance Expert Group on Mortgage Arrears and Personal Debt during 2010. He qualified as a Chartered Accountant with PricewaterhouseCoopers (PwC) and is a former senior executive with Ulster Investment Bank. He is a Non-Executive Director of AIB Group (UK) p.l.c. since April 2015 and of Intesa SanPaolo Life Limited, and he is a former Non-Executive Director of BPV Finance (International) plc. He was appointed Non-Executive Director of EBS Limited in November 2012.

Committee memberships:

Board Audit Committee
Remuneration Committee



Non-Executive Directors

Peter Hagan, B.Sc, Dip BA



Age: 67

Appointed: 26/07/2012

Background and experience:

Mr Hagan 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 & The Thomas Edison State College Foundation. Over a period of 35 years he has held senior positions in the international banking industry, including as Vice Chairman and Representative Director of the Aozora Bank (Tokyo, Japan). During 2011 and until September 2012, he was a director of each of the US subsidiaries of IBRC. He is at present a consultant in the fields of financial service litigation and regulatory change. He is currently a Director and Treasurer of 179 East 70th Corp.

Committee memberships:

Chairman of the Board Risk Committee
Board Audit Committee

Helen Normoyle, BBS



Age: 48

Appointed: 17/12/2015

Background and experience:

Ms Normoyle is the Chief Marketing Officer of Countrywide, the UK's largest estate agency group. She previously held the role of Chief Marketing Officer at DFS, Britain's leading upholstered furniture retailer, responsible for all aspects of the company's marketing communications and PR. Prior to joining DFS, she was Director of Marketing & Audiences at the BBC, responsible for the corporation's marketing, research, planning and audience services. In 2003, she joined Ofcom, the UK's telecoms and communications regulator as Director of Market Research where she established and led Ofcom's market research and intelligence team and, latterly, the Media Literacy team. Before joining Ofcom, she held a range of posts over an eight year period at Motorola, including Director of Marketing and Director of Global Consumer Insights and Product Marketing. She started her career working for one of Europe's leading market research agencies, Infratest+GfK, based in Germany.

Committee memberships:

None

Jim O'Hara



Age: 65

Appointed: 13/10/2010

Background and experience:

Mr O'Hara 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 Non-Executive Director of Fyffes plc and Chairman of a number of indigenous technology start-up companies. He is a past President of the American Chamber of Commerce in Ireland and former board member of Enterprise Ireland. Mr O'Hara joined the Board in October 2010 and has been a member of the Audit Committee, Remuneration Committee and Nomination and Corporate Governance Committee since January 2011, and was appointed Chairman of the Remuneration Committee in July 2012. He was appointed Non-Executive Director of EBS Limited in June 2012.

Committee memberships:

Chairman of the Remuneration Committee
Board Audit Committee
Nomination and Corporate Governance Committee

Executive Directors

Bernard Byrne, FCA – Chief Executive Officer



Age: 47

Appointed: 24/06/2011

Background and experience:

Mr Byrne was appointed Chief Executive Officer in May 2015. He joined AIB in May 2010 as Group Chief Financial Officer and member of the Bank's Leadership Team and was co-opted to the Board on 24 June 2011. Since then he has held a number of leading director roles including Director of Personal, Business & Corporate Banking and more recently Director of Retail & Business Banking. Mr Byrne was appointed to the Board of EBS Limited in July 2011. In January 2015, he was appointed President of Banking & Payments Federation Ireland (BPF). A Chartered Accountant by profession, Mr Byrne joined PricewaterhouseCoopers (PwC) in 1988 and moved to ESB International in 1994, where he worked as Commercial Director for International Investments. He later became Group Finance Director and Commercial Director with parent company, ESB, until he left to join AIB. Prior to that, he was Finance Director, and later the Deputy CEO of IWP International plc.

Committee memberships:

None

Mark Bourke, B.E., ACA, AITI – Chief Financial Officer



Age: 49

Appointed: 29/05/2014

Background and experience:

Mr Bourke joined AIB in April 2014 as Chief Financial Officer and member of the Leadership Team and was co-opted to the Board on 29 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. Mr Bourke began his career at PricewaterhouseCoopers (PwC) 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.

Committee memberships:

None



Directors' remuneration

The following table details the total remuneration of the Directors in office during 2015 and 2014:

					2015	2014
	Directors' Fees Parent & Irish Subsidiary Companies ⁽¹⁾	Directors' Fees AIB Group (UK) plc ⁽²⁾	Salary	Annual Taxable Benefits ⁽³⁾	Pension Contribution ⁽⁴⁾	
	€000	€000	€000	€000	€000	€000
Executive Directors						
Mark Bourke <i>(appointed 29 May 2014)</i>			450	30	90	337
Bernard Byrne			479	12	96	570
David Duffy <i>(resigned 29 May 2015)</i>			177	3	27	489
			1,106	45	213	1,364
Non-Executive Directors						
Simon Ball	80					85
Tom Foley ⁽²⁾	90	31				90
Peter Hagan	95					88
Helen Normoyle <i>(appointed 17 December 2015)</i>	3					-
Jim O'Hara	100					100
Richard Pym ^{(1(a))} <i>(appointed 13 October 2014)</i>	365					80
Dr Michael Somers ^{(1(b))} <i>(Deputy Chairman)</i>	120					120
Catherine Woods	143					115
	996	31				678
Former Directors						
Declan Collier ⁽²⁾		61				56
Stephen L. Kingon ⁽²⁾		63				64
Anne Maher ⁽⁵⁾	39					41
David Pritchard ⁽²⁾		110				108
Other ⁽⁶⁾						26
Total						2,369

(1) Fees paid to Non-Executive Directors in 2015 were as follows:

- Mr. Richard Pym, Chairman, was paid a non-pensionable flat fee of €365,000, which includes remuneration for all services as a director of Allied Irish Banks, p.l.c.;
- Dr. Michael Somers, Deputy Chairman and former Chairman of the Board Risk Committee, was paid a non-pensionable flat fee of €120,000 which includes remuneration for all services as a director of Allied Irish Banks, p.l.c. (Note – Dr. Somers resigned as Board Risk Committee Chairman in January 2016 and was replaced by Mr. Peter Hagan);
- 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 senior independent non-executive director;

(2) Current or former Non-Executive Directors of Allied Irish Banks, p.l.c. 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, Collier, Kingon and Pritchard earned fees as quoted;

(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;

(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;

Interests in shares

Following consolidation of the Company's ordinary shares on 21 December 2015, on foot of shareholder approval, the beneficial interests of the Directors and the Secretary in office at 31 December 2015, and of their spouses and minor children, in the Company's ordinary shares are as follows:

Ordinary shares	31 December, 2015	1 January, 2015*
Directors:		
Simon Ball	-	-
Mark Bourke	-	-
Bernard Byrne	-	-
Tom Foley	1	100
Peter Hagan	-	-
Helen Normoyle	-	-
Jim O'Hara	-	-
Richard Pym	-	-
Dr Michael Somers	55	13,437
Catherine Woods	-	-
Secretary:		
David O'Callaghan	31	7,490

* or date of appointment, if later



Sustainable Banking

Introduction

For AIB, sustainable banking means working through our business to bring about positive and lasting change in the markets we operate in.

We create value in our business by providing products and services that are useful for our customers, and that they can trust.

The long-term success of our business depends on our long-term relationship with our stakeholders, and in particular our customers. In turn, their long-term wellbeing depends on the society and environment they live in. As a pillar bank in Ireland, with 2.3 million customers, and over 300,000 customers across Northern Ireland and Great Britain, we have the opportunity to shape that long-term future through our core business activities, contributing not only to the financial wellbeing of our customers, but also making choices that contribute to a thriving society, and a sustainable environment.

Our world is changing. Being useful to our customers means we have to be ready to anticipate change, and help them, too, to meet the challenges ahead with confidence. In 2016, AIB will be developing its sustainable banking strategy, and reporting on our progress.

As a large employer with a significant reach into the markets and the communities we serve, our business has the potential to make a significant impact on our stakeholders. Our approach to sustainable banking looks at how we can make a positive impact for our customers, our communities, our people, our environment and our suppliers.

How we do business

Our approach to sustainable banking is not just about what we do, but how we do it.

AIB has a robust corporate governance structure, which is detailed on pages 12 and 13 of this report. However, responsibility for how we conduct our business is shared among every member of our staff. Everyone who works for AIB is bound by our Code of Conduct, which sets out what it means for us as individuals, and as an organisation, to do business responsibly and ethically.

Tackling financial fraud and corruption

Our Code of Conduct is supported by a range of policies and procedures to ensure that our staff and Directors adhere to best practice in avoiding potential conflicts of interest, corrupt practices or the facilitation of criminal behaviour such as money laundering or terrorist financing. These policies and procedures establish the norms that AIB expects from all its staff and Directors. They are supplemented with a confidential reporting (“Speak-Up”) process that allows issues to be escalated by individual staff members, independently of line management if necessary, to ensure that the bank’s operations are conducted compliantly and transparently. These policies are reviewed annually, and training and awareness of their operation is provided for all staff. Our Board receives an annual report on the effectiveness of AIB’s anti-money laundering and terrorist financing controls.

Managing risk

Managing risk effectively is critical to AIB being a sustainable business. Our approach to risk is set out extensively in the risk management section of this report.

Our customers

Fair products

Our policy means that all new products being designed by AIB have to meet the test of having fair outcomes for the customers who avail of them – a process which is overseen by our Products and Conduct Committee.

Dealing with complaints

Following a period of profound difficulty for the bank and many of our customers, AIB is working hard to improve our customers’ experience. In 2015, we received 50,063 complaints; this compares to 66,577 in 2014, a 25% reduction. In response to feedback from our customers, 2015 saw the introduction of dedicated complaint resolver roles across our branch network. These dedicated ‘Resolvers’ are empowered to resolve a customer complaint on the spot, subject to certain limits.

Helping customers in difficulty

As a bank, we know that for some customers in difficulty, finding a workable solution to their situation can be difficult. That is why, as part of our efforts to find solutions for as many of our customers as possible, we have partnered with the voluntary organisation, the Irish Mortgage Holders Organisation (IMHO), to provide another channel for them to engage with AIB. To year end 2015, c.2,370 customers have achieved a resolution with AIB via the IMHO, with 779 achieved during 2015.

Supporting our business customers

We understand that supporting business networks is important. During 2015, AIB has been an active sponsor of women’s business and entrepreneurial networks, including the Network Ireland Partnership, the Female Founders Programme at the National Digital Research Centre, and the Illuminate Female Entrepreneurship Programme at the Drogheda Enterprise Centre.

As a community bank, we are active in local business networks through our representation on the councils of 22 of the 31 Local Enterprise Offices, through regional chambers of commerce, and through our engagement with our farming customers. In 2015, AIB supported the Teagasc Farm Business Plan of the Year Awards, the Teagasc Greenfield Open Day, Macra na Feirme’s Young Farmer’s Positive Forum, the AIB National Livestock Show and the Irish Grassland Association Dairy Summer Tour.

Supporting start-ups

AIB is the largest bank seed fund investor in Ireland, and a significant provider of venture and growth capital funding, with commitments currently totalling €105 million across seven funds. These funds have invested in 138 companies to date, creating 1,775 Irish jobs. In 2015, more than €12.7 million was contributed to seed funds for onward investment in Irish SMEs.



In August 2015, AIB announced a five-year partnership with Galway City Innovation District – a new initiative supporting start-ups and business innovation in Galway city and the west of Ireland. AIB is proud to sponsor PorterShed – the first accommodation to open as part of this new initiative. PorterShed will house an accelerator programme, high potential start-ups and entrepreneurs, as well as providing co-working space and an open area for workshops and seminars.

Our communities

Supporting social investment

AIB has a dedicated nonprofits sector team to support customers operating in the nonprofit sector since January 2014. This team is actively providing support to organisations operating within this diverse sector which includes social housing and community development, charities, health and education, sports, arts and culture, religious orders and professional associations.

During 2015, AIB co-financed the €80 million construction and operation of four new Irish schools. These post-primary schools and sports pitches will accommodate c. 3,000 students, and are located in Louth, Clare, Tipperary and Cork.

In the UK market, AIB GB has over twenty-five years' experience of lending for social and voluntary housing, managing c. £200 million worth of lending to the sector. In Ireland, AIB is currently actively supporting Approved Housing Bodies (AHBs) to build and renovate social housing.

Supporting sustainable communities

AIB sponsors the Sustainable Energy Authority of Ireland 'One Good Idea' competition for primary and secondary schools. Last year, 888 primary and secondary school pupils entered the competition with their campaigns to raise awareness in their school or community about climate change and energy efficiency. 2015 was also the third year of our partnership with "Grow it Yourself" to fund their "Get Ireland Growing Campaign", an initiative to support food growing projects by schools, local communities and nonprofit groups.

"The Sustainable Energy Authority of Ireland (SEAI) is delighted to be working with AIB on the One Good Idea Schools Project, which educates students on climate change by encouraging them to run energy awareness campaigns. Due to the generous support of AIB, SEAI was able to expand this annual competition from post-primary schools to include all primary schools in the country. With AIB's support, SEAI launched a nationwide campaign which comprised of the four winning teams developing posters for display on bus shelters and in public transport around the country, as well as digital displays in all AIB branches."

Emer Barry, Education Executive, SEAI

Supporting education

2015 is the second year of a seven-year partnership with UCD to support research and educational initiatives that will contribute to Ireland's social and economic well-being. The flagship of this partnership is the establishment of a Chair in Behavioural Economics at UCD, together with a PhD scholarship programme, an MSc programme in Behavioural Economics and the creation of a new UCD-AIB Behavioural Economics Lab at the UCD Geary Institute.

In keeping with our commitment to support new and emerging sciences, AIB also partnered with Dublin City University to establish the AIB Chair in Data Analytics.

In January 2015, AIB signed a three-year partnership agreement with the DCU Centre for Family Business, together with leading accountancy and law firms, PwC and William Fry. As a bank with a deep commitment to family-owned businesses, we will be working with DCU to develop a centre for excellence for Irish family businesses, providing education and advice on best practice in management of family firms, for this generation and the next.

First Trust Bank was also proud to partner with the William J Clinton Leadership Institute at Queen's University Belfast to establish a bespoke corporate leadership programme, which will support the development of the next generation of business leaders in Northern Ireland.

Financial literacy is critically important to social inclusion. In 2015, AIB together with a panel of teachers developed a non-partisan financial education programme to develop practical financial literacy skills among primary and secondary school pupils. Last year, the 'Future Me' programme ran in 373 primary schools and 111 secondary schools, supported by local AIB branches.

AIB is also a long-standing partner of the Junior Achievement programme, where our staff volunteer their time to encourage young people in their career development, and a founding sponsor of College Awareness Week, which aims to inspire, encourage and inform students on the importance of having a post-secondary education plan.

Many businesses and governments already incorporate the insights of behavioural economics into their activities. The AIB Chair in Behavioural Economics will locate UCD at the cutting edge of the field in advancing behavioural economics theory and evaluating real-world applications. AIB's foresight in supporting this initiative at UCD will ensure extensive benefits to business, government and society through both research and education."

**Professor Colin Scott, Principal UCD
College of Social Sciences and Law**



Supporting young people

In 2015, AIB entered into a three-year partnership with Soar, a social enterprise which creates and delivers early intervention mental and emotional wellbeing programmes for young people aged 12 to 18. That partnership will cover the period 2016-2018.

Supporting art in the community

AIB has an extensive art lending programme, with artworks constantly on loan to public institutions. During 2015, 286 artworks went on loan to 15 public venues nationwide.

As an Irish bank, we are proud to have supported Irish artists over several decades, and to bring their works to a wider audience. In May 2015, works from the AIB and Crawford Art Gallery Collections made up the 'Art of a Nation' exhibition in London. This was the first major exhibition of Irish art in London for over 30 years, featuring over 70 artworks, and attracting an estimated 15,000 visitors.

In September 2015, over 2,500 people viewed 30 artworks from the AIB collection on display during the annual Clifden Arts Festival, while in November 42 artworks from the AIB collection went on display in our branch at 66 South Mall, Cork, as part of its centenary celebrations. AIB also participated in Culture Night 2015, opening its doors in Bankcentre to provide art tours to the public.

AIB is a supporter and patron of Business to Arts, through our Private Banking unit.



Supporting club and county

2015 was the 24th year of AIB's sponsorship of the GAA Senior Club Championships, which includes Junior, Intermediate and Senior grades in hurling, football and camogie. In February 2015, AIB announced a new sponsorship of the Football All-Ireland Senior Championship, cementing our support of the GAA in both club and county.

As part of that support in 2015, we engaged with over 1,600 GAA clubs in Ireland and provided training equipment to over 150 clubs who were successful in winning county titles in hurling, football and camogie.

Our people

Engaging our staff

At AIB, employee engagement is about our people feeling listened to, involved, valued and energised about their work and the part they play in delivering our strategy. In recent years we have invested a significant level of time and resources in raising employee engagement as a core element of our overall people strategy. Since 2013, we have worked closely with Gallup, using their proven approach to help us drive engagement, particularly at local team level. In 2015, 86% of our employees took part in our engagement survey – up 6% from last year. Based on Gallup's Q12 engagement survey, we have made significant strides in increasing employee engagement across the bank. When compared to Gallup's worldwide database, AIB has made more than eight years' worth of significant increases in just two years, the biggest two year increase that Gallup has ever seen among its European clients.

Employee relations

AIB has positive working relations with all three of its employee representative unions IBOA, SIPTU and Unite. An initiative is underway with IBOA, the largest union, focused on enhancing working relations between management and union representatives at all levels across the organisation and promoting more effective processes of local engagement.

Diversity and Equal Opportunities

In 2015, AIB put in place a Diversity and Inclusion Code, which sets out our approach to embedding diversity across our organisation. In February 2015, the Board also adopted a Board diversity policy, which includes the objective of achieving a minimum of 25% female representation on the Board by the end of 2016 and thereafter.

Over the last year, we have launched an internal networking programme for women under our Diversity and Inclusion programme, simplified our flexible working policies, and started to roll out 'unconscious bias' training for 120 top leaders in the bank.

Training and development

On average, our staff completed approximately 25 hours of accredited training during the year via our iLearn Learning Service.

Work-life balance

We actively support diversity within our organisation and as such we recognise that our people may need flexibility in their work patterns at certain times in their career when balancing priorities between their personal and work life. AIB provides a wide variety of flexible working options, including reduced hours, specific options for parents, career breaks, special absence breaks and agile working policies.

Environment

Supporting sustainability through business lending

AIB has a dedicated fund of €100 million for energy efficiency investment in SMEs. We understand the benefits to the bottom line for businesses who introduce energy saving measures, and we factor those benefits into our credit decision process.

Projects sanctioned by our business banking team during 2015 will generate 32.1MW of energy, or 95,790,000 kWh per annum, which is enough to provide clean electricity for c.19,000 Irish households every year.

To support future champions, AIB has also pledged €5 million in equity funding for start-up companies in the sustainable technologies sector.

AIB is committed to being a leader in the solar energy sector in Ireland, but we know that it is important for businesses to see the demonstration effect of investing in energy efficiency. That is why, in 2015, we announced our intention to construct our own rooftop Solar PV plant at our Dublin headquarters, one of the largest projects of its kind in Ireland.

Supporting sustainable investment by homeowners

In 2015, we launched a new initiative for customers taking out Home Improvement Loans, where they can benefit from a free Building Energy Rating certificate and a personalised advisory report, to encourage investment in home energy efficiency.

Reducing our own environmental footprint

AIB made good progress in 2015 in reducing its overall environmental footprint, winning 'Large Green Organisation of the Year 2015', a 'Pakman Professional Services Award' and the 'Overall Pakman award for environmental performance'. We were also finalists in the SEAI Energy Leadership awards and the Envirocom water and waste reduction awards.

We successfully rolled out our ISO50001 international energy management system to four of our head office sites in the Republic of Ireland. AIB also became one of the first organisations in Ireland to operate to the newest version of the Environmental Management Standard (ISO14001:2015).

AIB maintained its purchase of electricity in the Republic of Ireland and Northern Ireland from 100% renewable resources in 2015. Investment in strategic projects reduced overall energy consumption in the Republic of Ireland by 9% in 2015.

All waste generated at AIB head offices is diverted from landfill, with 65% being recycled, with our focus for 2016 to be on an overall reduction in waste being generated at source.

As a large employer, we can make a difference by making our staff more aware of their own environmental impact. In 2015, we developed a bespoke online interactive energy awareness course. So far, over 10,000 AIB staff have undertaken this training, and we have licensed it to the ISI Centre and Skillnets for distribution to the wider corporate community.





Our environmental reporting

AIB reports annually to the Carbon Disclosure Project (CDP). AIB exceeded its target score for its annual carbon footprint submission in 2015, achieving an excellent score of 98% disclosure and a 'Band B' position for performance, retaining its position as a 'Carbon Leader'. Based on 2014 data, AIB's total reported carbon footprint was 25,853 tCO₂eq, a drop of 1.2% from the previous year.

Our Suppliers

As a large Irish company, AIB has a wide and diverse supplier base of approximately 2,600 suppliers. Our relationship with our suppliers is governed by our Group Sourcing and Supplier Relationship Management Policy.

Last year, we implemented a Supplier Relationship Management programme, which governs engagement between AIB and its suppliers. This governance and oversight extends from the Board to individual Supplier Relationship Managers and business owners. During 2016, we will be extending our capacity to allow our suppliers to provide 360 degree feedback on their experience and to rate AIB's performance.

We understand the importance to SMEs of prompt payment. In 2015, our average time of payment was 28 days. Looking ahead to 2016, we will be implementing e-invoicing for all suppliers to improve our payment process times and make it easier for our suppliers to work with AIB.



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