



AIB Group Defined Contribution Scheme

Trustee Annual Report for the year ended 31 December 2020

Prepared for AIB Group Defined Contribution Scheme

Prepared by Aon

Pension Authority
Number PB 78012

Aon Solutions Ireland Limited trading as Aon is regulated by the Central Bank of Ireland.
Registered in Ireland No. 356441
Registered office: Block D | Iveagh Court | Harcourt Road | Dublin 2 | Ireland.
Directors: David Hardern (British), Rachael Ingle, Ken Murphy, Paul Schultz (US), Patrick Wall.
aon.com

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Trustee, Scheme Advisors and Other Information

Participating Employers

Allied Irish Banks, p.l.c. (Principal Employer)

Trustee

AIB DC Pensions (Ireland) Limited

Directors during the year and at the date of signing:

Norbert Bannon Chairman

Mike Gogan

Alan Hardie

Ian Kelly

Etain Ryan Lyons

Anne Maher

Paul O'Callaghan

Trustee Secretary Aon Solutions Ireland Limited*

**Name changed from Aon Hewitt (Ireland) Limited with effect from 15 May 2020*

Registered Administrator

Allied Irish Banks, p.l.c.
10 Molesworth Street*
Dublin 2
D02 R126

**Registered address changed from Bankcentre, Ballsbridge, Dublin 4 with effect from 16 June 2020*

Scheme Administration

Allied Irish Banks, p.l.c.

Aon Solutions Ireland Limited*

AIB Staff Pensions has responsibility for Scheme administration and appointed Aon from 1st July 2011 to provide a number of core administrative services

**Name changed from Aon Hewitt (Ireland) Limited with effect from 15 May 2020*

Investment Manager of Pension Fund

State Street Global Advisors Ireland Limited
78 Sir John Rogerson's Quay
Dublin 2

Custodian

State Street Custodial Services (Ireland) Limited
78 Sir John Rogerson's Quay
Dublin 2

Investment Advisor Acuvest Limited
67 Merrion Square South
Dublin 2

Insurer of Death in Service Benefits Zurich Life Assurance plc.
Zurich House
Frascati Road
Blackrock
Co Dublin

Solicitor McCann FitzGerald
Riverside One
37-42 Sir John Rogerson's Quay
Dublin 2

Bank Allied Irish Banks, p.l.c.

Independent Auditor Deloitte Ireland LLP
Chartered Accountants & Statutory Audit Firm
Deloitte & Touche House
Charlotte Quay, Limerick

Pensions Authority Registration Number PB 78012

Pensions Authority Verschoyle House
28-30 Lower Mount Street
Dublin 2

Queries If you have any queries on this Annual Report or on any aspect of the Scheme you should refer them, in the first instance, to:

Trustee Secretary
AIB Group Defined Contribution Scheme
Aon Solutions Ireland Limited
Hibernian House, Building 5200
Cork Airport Business Park
Co. Cork

Freephone: 1800 806 133
Email: aibroipensions@aon.com

Trustee's Report

1. Introduction

In the Trustee Annual Report for the year ended 31 December 2020, the Trustee will provide an overview of the highlights and changes that occurred during the last year and update members on the Scheme finances at the year end.

2. Highlights for the Year

During the twelve months to 31 December 2020

- €93m. in total was collected in contributions, split as follows:
 - €66.9m. normal employer contributions
 - €16.7m. normal member contributions
 - €7.8m. members' additional voluntary contributions (AVCs)
- The Scheme's net assets increased in value during the year by €127m. from €989m. (2019) to €1,116m. (2020).
- 206 transfer out payments were made to other Schemes totalling €13m. 40 transfer in payments, totalling €6m., were received by the Scheme from other approved pension arrangements

As at 31 December 2020

- Active members of the Scheme totalled 8,607 (2019: 9,027)
- Deferred members of the Scheme totalled 9,634 (2019: 9,728)
- The value of invested assets in the Scheme totalled €1,107m., split as follows:
 - €584m. was invested in the Equity Fund
 - €451m. was invested in the Diversified Growth Fund
 - €20m. was invested in the Annuity Fund
 - €52m. was invested in the Cash Liquidity Fund

3. About the Scheme

The Scheme is a defined contribution pension scheme for the purposes of the Pensions Act 1990 as amended (the "Act") and all duties carried out by the Trustee are regulated by the Act in accordance with the governing documents of the Scheme which are the Trust Deed and Rules of the Scheme.

The Scheme is registered with the Pensions Authority, registration number PB 78012. The Scheme is set up in the Republic of Ireland under trust in order to qualify for 'exempt approved' status under Section 774 of the Taxes Consolidation Act 1997.

The assets are held under trust for the exclusive benefit of the members and other beneficiaries. The benefits available to members on retirement, or on leaving service (subject to a minimum of two years' Qualifying Service), will be based entirely on the assets which have been accumulated in a member's retirement account as a result of the Bank's contributions, the members own contributions and any transfers from other pension arrangements, together with any investment gains or losses

and less any levies, duties, taxes, withdrawals and investment expenses that may be payable. Benefits paid by way of lump sum are currently exempt from income tax (PAYE) and Universal Social Charge (USC) (up to a lifetime amount of €200,000). Any annuity (annual pension) purchased by a member is subject to income tax under PAYE and is liable to USC.

There have been no changes during the year to the Scheme information specified in Schedule C of the Occupational Pension Schemes (Disclosure of Information) Regulations, 2006.

In the event of a judicial separation or divorce, a Court application for a Pension Adjustment Order in respect of the retirement or contingent benefits payable to or in respect of a member may be made. Further information about the operation and impact of Pension Adjustment Orders may be obtained from the Pensions Authority or the Pension Administration Team.

The assets of the Scheme are directly invested by the Investment Manager on the Trustee's behalf.

The role of the Trustee is to protect the interests of the members and beneficiaries and the Trustee is independent of the Bank.

The Scheme Financial Statements are prepared and audited each year as at 31 December.

4. Trustee and Advisors

Stewardship of the Scheme assets is in the hands of its Trustee. The right of members to select, or approve the selection of the Trustee, to the Scheme is set out in the Occupational Pension Schemes (Member Participation in the Selection of Persons for Appointment as Trustees) (No.3) Regulations, 1996, (S.I. No. 376 of 1996).

The Trustee Directors of the Scheme as of the date of approval of these financial statements are detailed on page 1. Unless otherwise indicated, the Trustee Directors served for the entire period and are still serving at the date of approval of this Annual Report.

Section 59AA of the Pensions Act 1990, which requires trustees of pension schemes to undergo training, was brought into force on 1 February 2010 by virtue of the Social Welfare and Pensions Act 2008 (Section 28) (Commencement) Order 2009.

The Trustee has access to appropriate training on its duties and responsibilities as Trustee. The Trustee undertook training during the year in accordance with Section 59AA of the Pensions Act 1990 and no expenses were incurred by the Scheme for the provision of this training.

The Trustee and the Scheme Administrator have access at all times to the Trustee Handbook and DC Codes of Governance produced by the Pensions Authority.

5. Trustee Meetings

Four Trustee Board meetings were held during 2020. The Trustee Board also met separately with its Investment Advisor on six occasions in 2020 for special investment briefings in light of the COVID-19 pandemic. In addition, the Investment Sub-Committee (ISC) met on five occasions and

the Communications Sub-Committee (CSC) met on two occasions during 2020.

6. Scheme Membership

The following is a summary of the Membership Movements in respect of the Plan Year ended 31st December 2020.

	Active Members	Deferred Members
Membership @ 31/12/2019	9,027	9,728
Opening Adjustments	-	5
New Actives	216	-
Actives to Deferred	(572)	572
Leavers with Benefits	(64)	(671)
Membership @ 31/12/2020	8,607	9,634

7. Contribution Structure

A tiered contribution structure has been in place since 1 January 2014. The Bank will contribute 10% of basic salary together with an additional 1% for each 1% contributed by a member up to a maximum Bank contribution rate which is dependent on age. The table below sets out the contribution structure of the Scheme. Subject to Revenue limits, employees can opt to contribute a percentage of their salary greater than the matched contribution amount through AVCs (additional voluntary contributions). Members are strongly encouraged to make a contribution to the Scheme.

	Bank Contribution	Member Under Age 40 Total Cont.	Member Age 40-49 Total Cont.	Member Age 50+ Total Cont.	
Employee opts not to contribute (Default Position)	10%	10%	10%	10%	
Employee contributes 1%	11%	12%	12%	12%	
Employee contributes 2%	12%	14%	14%	14%	
Employee contributes 3%	13%	Maximum Matched Contribution 2%	16%	16%	
Employee contributes 4%	14%		18%	18%	
Employee contributes 5%	15%		20%	20%	
Employee contributes 6%	16%		Maximum Matched Contribution 5%	22%	22%
Employee contributes 7%	17%			24%	24%
Employee contributes 8%	18%	26%		26%	
				Maximum Matched Contribution 8%	

8. Tax Relief on Pension Contributions

There are income tax reliefs available to support saving for retirement. For a 20% income taxpayer, each €100 contribution will cost a net €80 and for a 40% income taxpayer, a €100 contribution will cost a net €60. There are, of course, some limits to how much income tax relief can be claimed, but they are unlikely to affect the majority of members. Income tax relief will be credited to members automatically through the Bank payroll system when contributions are paid through AIB payroll.

The current Revenue maximum tax relief on personal contributions are:

Your age (attained in that tax year)	Maximum percentage of your earnings (subject to an Earnings Cap, currently €115k.)
Under 30	15%
30 to 39	20%
40 to 49	25%
50 to 54	30%
55 to 59	35%
60 or over	40%

A member's retirement account is an extremely valuable asset and is likely to build up over time. The Trustee encourages all members to take an active interest in their retirement account, the amount of contributions made, the investment funds selected and the investment performance of those funds.

9. Retirement Benefits

The value of a member's retirement account at normal retirement date (NRD) will depend on the individual contributions made in respect of the member, the timing and investment return of those contributions, less any taxes and charges and including the cost of providing pension benefits at the date of retirement. It is important for members to make their own contributions to the Scheme, starting as early as possible. Members can enhance their pension savings by making AVCs and the Trustee encourages members to consider doing this.

10. Pension Increases

There are no provisions under the Scheme for pension increases, other than those at the sole option of a member at retirement from the proceeds of the member's retirement account. There were no increases paid during the Scheme year in respect of benefits payable following termination of a member's employment. There are no pensions or pension increases being paid by or at the request of the Trustee for which the Scheme would not have a liability should it wind up.

11. Member Communications

During the year, the Trustee issued communications to active members on the importance of making and maximising contributions to the Scheme, notifying members of the deadline date to make contributions for the prior tax year and advising all active members of the final dates for making a top up additional voluntary contribution (AVC) to the Scheme.

Retirement Support Services were also launched in 2020 in order to provide support to members through the retirement decision and settlement process.

Benefit Statements were issued to active members in October 2020. Benefit statements are available to deferred members on request to the Pension Administration Team. Leaving Service Option Statements were issued to members who left service during the year.

The Trustee Annual Report and Accounts for 31 December 2019 was made available to all members, participating employers and trade unions in July 2020.

All necessary steps have been undertaken by the Trustee to protect members' data in accordance with the General Data Protection Regulations (GDPR).

12. Member Website

All members have access to view their retirement account online and new members are invited to enrol on the website on joining the Scheme.

A new and improved pension website, "**MyAIBPension**", was launched to members in September 2019. The website address is www.myaibpension.ie. 46% of active members and 13% of deferred members had successfully enrolled on the website at 31 December 2020.

Information on the performance and asset allocation of the investment funds is available on the pension website and on the AIB Intranet. A pension planning calculator called "My Pension Planner" is available on the pension website and is designed to give an illustrative calculation of the monthly pension contribution a member may need to make in order to achieve their target monthly income in retirement. Through "My Pension Planner", members can also model different scenarios including any AIB DB Scheme benefit they may have and include external pension benefits to project what their income is expected to be at retirement.

Single sign on capability is enabled for active members.

13. Providing Support to Members

The Scheme has a dedicated Pension Administration Team to manage all queries from members in relation to their pension benefits. AIB Staff Pensions has responsibility for Scheme administration and appointed Aon from 1 July 2011 to provide a number of core administrative services.

The Trustee and Administrator have appropriate procedures in place to ensure that contributions are received in accordance with the timetable set out in Section 58A of the Act:

- contributions payable during the Scheme year have been received by the Trustee within 21 days of the month end in which they fall due.
- contributions payable have been paid in accordance with the Rules of the Scheme.

General questions about the Scheme should be directed to:

Phone:	1800 806 133
Fax:	021 435 7834
Email:	aibroipensions@aon.com
Write to:	Aon, Hibernian House, Building 5200, Cork Airport Business Park, Co. Cork

14. Investment Funds

The Trustee, having taken investment advice from the Investment Advisor, has selected a range of funds, which it considers to be appropriate investment vehicles for pension purposes. These range from 100% total equity funds to a 100% cash and money market instrument fund. These funds are regularly reviewed by the Trustee, with advice from the Investment Advisor, in order to ensure that they continue to be appropriate.

Default Fund – Lifestyle Strategy

In the event that a member does not actively select an investment fund, the contributions pertaining to that member are invested in the default option which is the Lifestyle Strategy.

The Lifestyle Strategy adopts an allocation to growth orientated funds (Equity and Diversified Growth Funds) during the member's younger years, with the aim of delivering real long-term growth ('front-end lifestyle phase'). As the member approaches retirement, the Lifestyle Strategy automatically increases the allocation to less-risky assets ('de-risking lifestyle phase'). The de-risking process moves the member from the more volatile return seeking assets in the front-end phase to an investment approach that reflects the way members are likely to take their pension benefits at retirement, a cash only option, cash and annuity option or cash and ARF option. These investment switches begin 7 years before the member's normal retirement date. These switches are made on a quarterly basis, which are intended to gradually reduce the volatility of the members account as they approach retirement. The three lifestyle options are:

- Cash Ready
- Cash and Annuity Ready
- Cash and ARF Ready

Freestyle Funds

If a member would like to choose their own investment options, four Freestyle Funds are also offered by the Trustee.

- Diversified Growth Fund
- Equity Fund
- Annuity Fund
- Cash Liquidity Fund

Members can switch funds online through the Pension website, "MyAIBPension" at www.myaibpension.ie.

A full description of the five investment fund choices available to members in 2020 is contained in the Investment Managers' Report on pages 25 to 29.

15. Fund Performance

The performance of the investment funds available to members is set out in the following table and represents the performance for the period from 1 January 2020 to 31 December 2020.

Fund Name	Performance 1 Jan. 2020 – 31 Dec. 2020
Lifestyle Fund	
Default Fund – Lifestyle Strategy	Varies according to member's age
Freestyle Funds	
Diversified Growth Fund	3.9%
Equity Fund	6.6%
Annuity Fund	12.5%
Cash Liquidity Fund	-0.5%

Note: Past performance is not a guide to future fund returns.

All of the investment funds have different risk profiles and depending on a member's investment strategy, time to retirement and attitude to investment risk, members can make their own investment decision. The Trustee encourages each member to actively select the funds best suited to their needs.

A member can choose to invest in the Default Fund or if a member makes no investment choice, contributions will be placed into the Default Fund.

State Street Global Advisors Ireland Limited (SSgA) is the appointed investment manager to the Scheme. SSgA are one of the world's leading providers of financial services and have provided the Scheme with access to their global investment solutions group (ISG) who support the Trustee when making decisions on the investment options available to members and on the asset allocation of the funds.

16. Discretion of the Investment Manager

The Investment Manager has been delegated discretion by the Trustee to manage these funds on a day to day basis within the framework determined by the Trustee. The Manager produces monthly reports on the composition and performance of the funds. These reports are monitored on a quarterly basis by the Trustee. The Trustee has agreed performance benchmarks and objectives with the investment manager and actual performance is regularly assessed against these benchmarks.

17. Employer Related Investments

There were no direct investments held in Allied Irish Banks, p.l.c. at the year end.

18. Expenses

The operational expenses, including administration, audit charges, investment management fees and investment advisors' fees were borne by the Bank. During 2020 a portion of these expenses (€882k.) were debited from the Reserve Account in the Scheme. In addition, Investment Manager fees of €2,303k. were borne by the Reserve Account in the Scheme. Commencing 1 January 2021, investment manager fees are paid by members by way of adjustment to the unit price of each fund.

19. Dispute Resolution

Issues that cannot be resolved by the Administrator are referred to the Trustee. Where a member is not satisfied with the response they receive, the Scheme has an Internal Dispute Resolution procedure. This procedure is designed to ensure that, if a dispute arises, it is properly investigated and, where possible, resolved to the satisfaction of all parties. Members, beneficiaries and prospective members of the Scheme can request a copy of the procedure from the Trustee at the above address.

If a member has followed the Scheme's Internal Dispute Resolution procedure and is still not satisfied or has a complaint, they can contact the Financial Services and Pensions Ombudsman (the Ombudsman). The Ombudsman can determine disputes of fact and law or maladministration relating to occupational pension schemes.

20. Covid-19

In early 2020, Covid-19, an illness caused by a new coronavirus, impacted a significant number of countries globally. Covid-19 has caused disruption to economic activity which has been reflected in fluctuations in global stock markets. The Trustee is monitoring the effect on the valuation of the Scheme's investments. The Trustee is working with its advisers to ensure the continued smooth running of the Scheme with minimal disruption.

The financial statements have been prepared on the going concern basis. In making this assessment, the Trustee has assessed the ability of the Scheme to meet its future obligations to pay member benefits as they fall due and the ability of the Employer to continue to meet its obligations to the Scheme. The Trustee believes that the Scheme remains well positioned to manage its risks successfully and expects that the Scheme will continue in operational existence for the foreseeable future.

21. Subsequent Events IORP II Directive

The European Union (Occupational Pension Schemes) Regulations 2021 transposed Directive (EU) 2016/2341 (the "IORP II Directive") into Irish law on 22 April 2021. The IORP II Directive provides for EU wide governance standards for pension schemes and it is the most significant pensions legislation published in Ireland in nearly 30 years. The AIB Group Defined Contribution Scheme has always been operated to the highest possible governance standards and, accordingly, the Trustee has already taken steps to ensure the implementation of the new IORP II requirements within the prescribed deadlines.

Investment Manager Fees

The Principal Employer notified the Trustee that it would cease to pay investment manager fees with effect from 31 December 2020. Commencing 1 January 2021, investment manager fees are paid by members by way of adjustment to the unit price of each fund.

There were no other events subsequent to the year-end that would materially affect the information contained in this report

Signed for and on behalf of the Trustee:

Director:

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Director:

DocuSigned by:

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Date:

30-Aug-2021

Statement of Trustee's Responsibilities

The Financial Statements are the responsibility of the Trustee. Irish pension legislation requires the Trustee to make available for each Scheme year the Annual Report of the Scheme, including audited Financial Statements and the report of the auditors, to the Scheme members, beneficiaries and certain other parties. The financial statements are required to show a true and fair view, in accordance with FRS 102 "The Financial Reporting Standards applicable in the UK and the Republic of Ireland" issued by the Financial Reporting Council, of the financial transactions for the Scheme year and the assets and liabilities (other than liabilities to pay benefits in the future) at the end of the Scheme year and include a statement as to whether the financial statements have been prepared in accordance with Statement of Recommended Practice - Financial Reports of Pension Schemes ("SORP"), (revised June 2018), subject to any material departures disclosed and explained in the financial statements.

Accordingly, the Trustee must ensure that in the preparation of Scheme Financial Statements:

- Suitable accounting policies are selected and then applied consistently;
- Reasonable and prudent judgements and estimates are made
- The financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up; and
- The SORP is followed, or particulars of any material departures have been disclosed and explained.

The Trustee is required by law to have appropriate procedures in place throughout the year under review, to ensure that:

- Contributions payable during the Scheme year are receivable by the Trustee in accordance with the timetable set out in Section 58A of the Act where applicable to the contributions and otherwise within 30 days of the Scheme year; and
- Contributions payable are paid in accordance with the rules of the Scheme.

The Trustee is responsible for ensuring that proper membership and financial records are kept on a timely basis sufficient to enable an Annual Report to be prepared for the Scheme containing the information specified in Regulation 7 of the Occupational Pension Schemes (Disclosure of Information) Regulations 2006, including Financial Statements which show a true and fair view of the financial transactions of the Scheme in the year under review and of the assets and liabilities at the year end, other than liabilities for pensions and other benefits payable after the year end. The Trustee is also responsible for safeguarding the assets of the pension Scheme and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities, including the maintenance of appropriate internal controls.

Signed for and on behalf of the Trustee:

Director:

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Director:

DocuSigned by:

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Date:

30-Aug-2021

Independent auditor's report to the trustee of the
AIB Group Defined Contribution Scheme

Report on the audit of the financial statements

Opinion on financial statements of the **AIB Group Defined Contribution Scheme ("the scheme")**

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the scheme during the financial year ended 31 December 2020 and of the amount and disposition of the assets and liabilities (other than liabilities to pay pensions and other benefits in the future) at that date;
- have been properly prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Ireland' **issued by the Financial Reporting Council; and**
- include the information specified in Schedule A to the Occupational Pension Schemes (Disclosure of Information) Regulations 2006 which is applicable and material to the scheme.

The financial statements we have audited comprise:

- the fund account
- statement of net assets available for benefits; and
- the related notes 1 to 16 including a summary of significant accounting policies as set out in note 1.

The financial reporting framework that has been applied in their preparation is Irish pension law, the Statement of Recommended Practice - **"Financial Reports of Pension Schemes"** and FRS 102 'The Financial Reporting Standard applicable in the UK and Ireland' **issued by the Financial Reporting Council ("financial reporting framework")**

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable **law. Our responsibilities under those standards are described below in the "Auditor's responsibilities for the audit of the financial statements"** section of our report.

We are independent of the scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded **that the trustee's use of the going concern basis of accounting** in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the schemes ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustee's with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Trustee Annual Report, other than the **financial statements and our auditor's report thereon. The trustee is responsible for the other information contained within the Trustee Annual Report**

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are expected to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are expected to report that fact.

We have nothing to report in this regard.

Responsibilities of trustee

As explained more fully in the Statement of Trustee's Responsibilities the trustee is responsible for the preparation of the financial statements giving a true and fair view, for ensuring that contributions are made to the scheme in accordance with the scheme's rules and for such internal control as the trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustee **is responsible for assessing the scheme's ability to continue as a going concern**, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee either intends to liquidate the scheme or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the **scheme's internal control**.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustee.
- Conclude on the appropriateness of the trustee use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant **doubt on the scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures** in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to **the date of the auditor's report. However, future events or conditions may cause the scheme to cease to continue** as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

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Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Occupational Pension Scheme (Disclosure of Information) Regulations 2006

In our opinion:

- the contributions payable to the scheme during the financial year ended 31 December 2020 have been received by the trustees within thirty days of the end of the scheme financial year; and
- the contributions have been paid in accordance with the scheme rules.

Use of our Report

This report is made **solely to the scheme's trustee, as a body, in accordance with Section 56 of the Pensions Act, 1990.** Our audit work has been undertaken so that we might state to the scheme trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept **or assume responsibility to anyone other than the scheme's trustee as a body, for our audit work, for this report, or for the opinions we have formed.**



Cathal Treacy
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, Charlotte Quay, Limerick

02 September 2021

Fund Account for the year ended 31 December 2020

	Note	2020 € '000	2019 € '000
Contributions & Benefits			
Contributions Employer	3	70,353	73,030
Contributions Employee	3	<u>24,457</u>	<u>24,284</u>
Total Contributions		94,810	97,314
Transfers in	4	5,964	2,649
Other income	5	<u>4,928</u>	<u>2,850</u>
		<u>105,702</u>	<u>102,813</u>
Benefits payable	6	(17,505)	(11,091)
Payments to and on behalf of leavers	7	(13,122)	(5,782)
Other payments	8	(2,593)	(3,132)
Administrative expenses	9	<u>(882)</u>	<u>(242)</u>
		<u>(34,102)</u>	<u>(20,247)</u>
Net additions from dealings with members		<u>71,600</u>	<u>82,566</u>
Returns on Investments			
Investment Manager Fees		(2,303)	(2,129)
Interest Charges		(40)	(55)
Change in market value of investments	10	<u>57,179</u>	<u>164,907</u>
Net Returns on Investments		<u>54,836</u>	<u>162,723</u>
Net increase in the Fund		126,436	245,289
Net Assets as at 1 January		<u>989,250</u>	<u>743,961</u>
Net Assets as at 31 December		<u>1,115,686</u>	<u>989,250</u>

The notes on pages 17 to 24 form part of these Financial Statements.

These Financial Statements were approved by the Trustee and were signed on its behalf by:

Director:

DocuSigned by:

 6BBF67B5103445D...

Director:

DocuSigned by:

 42917FDE0D454AE...

Date:

30-Aug-2021

Statement of Net Assets (available for benefits) at 31 December 2020

	Note	2020 € '000	2019 € '000
Investments			
Pooled Investment Vehicles	10	1,107,308	980,192
Current Assets	11	11,356	11,485
Current Liabilities	11	<u>(2,978)</u>	<u>(2,427)</u>
Net Assets		<u>1,115,686</u>	<u>989,250</u>

The Financial Statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year.

The notes on pages 17 to 24 form part of these Financial Statements.

These Financial Statements were approved by the Trustee and were signed on its behalf by:

Director: 
6BBF67B5103445D...

Director: 
42917FDE0D454AE...

Date: 30-Aug-2021

Notes to the Financial Statements

1. Basis of Preparation The Financial Statements have been prepared in accordance with Financial Reporting Standard 102 – the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with the guidance set out in the Statement of Recommended Practice (SORP) (revised June 2018).

2. Accounting Policies The following principal accounting policies have been adopted in the preparation of the Financial Statements:

2.1 Accruals concept

The Financial Statements have been prepared on an accruals basis with the exception of individual transfers which are recognised when received or paid.

2.2 Contributions and benefits

Contributions and additional voluntary contributions are accounted for in the period in which they fall due in the month the employees contributions are deducted from the payroll.

Additional Voluntary Contributions from members are accounted for on a receipts basis.

Benefits to members are accounted for in the period in which they fall due, whenever the members' wishes are known.

2.3 Transfers to and from other schemes

Individual transfer values to and from other pension schemes are included in the Financial Statements at the date on which the transfer occurs.

2.4 Administrative and investment manager expenses

Administration and investment manager expenses are accounted for on an accruals basis.

2.5 Investment income

Investment income on cash deposits is accounted for on an accruals basis.

Gains or losses made on foreign currency holdings are accounted for as interest on cash deposits.

2.6 Valuation of investments

Pooled investment vehicles are stated at bid price or single price where there is no bid/offer spread as provided by the investment managers at the year end.

Additional Voluntary Contributions are invested with Employer and Employee contributions and form part of the Pooled Investment Vehicles.

Notes to the Financial Statements (contd.)

3. Contributions

	2020	2019
	€'000	€'000
Employer Contributions:		
Normal	66,861	69,123
Group Life	2,593	3,132
Other	899	775
Total Employer Contributions	<u>70,353</u>	<u>73,030</u>
Employee Contributions:		
Normal	16,667	16,534
Additional Voluntary Contribution	7,790	7,750
Total Employee Contributions	<u>24,457</u>	<u>24,284</u>
Total Contributions for the Year	<u><u>94,810</u></u>	<u><u>97,314</u></u>

4. Transfers in

	2020	2019
	€'000	€'000
Transfers in - individual	<u>5,964</u>	<u>2,649</u>

5. Other income

	2020	2019
	€'000	€'000
Claims on life insurance policies	<u>4,928</u>	<u>2,850</u>

6. Benefits payable

	2020	2019
	€'000	€'000
Retirement lump sums	7,234	5,523
Death benefits	1,785	1,334
Purchase of annuities	3,662	1,747
Purchase of approved retirement funds	4,824	2,487
Total	<u><u>17,505</u></u>	<u><u>11,091</u></u>

7. Payments to and on behalf of leavers

	2020	2019
	€'000	€'000
Transfers out – individual	13,044	5,695
Refunds to members leaving service	78	87
Total	<u><u>13,122</u></u>	<u><u>5,782</u></u>

Notes to the Financial Statements (contd.)

8. Other payments

	2020	2019
	€'000	€'000
Premiums on life insurance policies	<u>2,593</u>	<u>3,132</u>

Life insurance policies are secured by a policy underwritten by Zurich Life Assurance plc.

9. Administrative expenses

	2020	2019
	€'000	€'000
Fees and charges paid from the Employer Reserve Account	<u>882</u>	<u>242</u>

Except as noted above, administrative expenses of the Scheme were borne by Allied Irish Bank p.l.c. during the period under review. Commencing 1 January 2021, investment manager fees are paid by members by way of adjustment to the unit price of each fund.

10. Investments

10.1 Summary of movement in investments during the year

	Value at 31-Dec-19 €'000	Purchases at Cost €'000	Sales Proceeds €'000	Change in Market Value €'000	Value at 31-Dec-20 €'000
SSgA Funds					
Diversified Growth Fund	403,674	63,779	(33,844)	17,757	451,366
Equity Fund	518,706	65,574	(37,478)	37,775	584,577
Annuity Fund	15,109	8,009	(5,311)	1,890	19,697
Cash Liquidity Fund	42,703	32,178	(22,970)	(243)	51,668
	<u>980,192</u>	<u>169,540</u>	<u>(99,603)</u>	<u>57,179</u>	<u>1,107,308</u>
Allocated to members	976,159				1,102,453
Not Allocated to members	4,033				4,855
Total	<u>980,192</u>				<u>1,107,308</u>

10.2 Summary of % of Net Assets

	Value at 31-Dec-20 €'000	Net Assets %	Value at 31-Dec-19 €'000	Net Assets %
SSgA				
Diversified Growth Fund	451,366	40%	403,674	41%
Equity Fund	584,577	52%	518,706	53%
Annuity Fund	19,697	2%	15,109	2%
Cash Liquidity Fund	51,668	5%	42,703	4%
	<u>1,107,308</u>		<u>980,192</u>	

Notes to the Financial Statements (contd.)

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Investments are quoted at a single price and direct transaction costs are included in the cost of purchases and sales.

Indirect transaction costs are incurred through bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Scheme.

Included in investments are units held in the name of the Trustee which are valued at €4.855m. (2019 €4.033m.) and held in the Reserve Account.

10.3 Concentration of Investments

Excluding investments in unit linked funds as outlined in Note 10.1 there is no investment/security that accounts for more than 5% of the Scheme's net assets as at 31 December 2020.

10.4 Investment Fair Value Hierarchy

For investments held at fair value in the statement of net assets available for benefits, a retirement benefit plan shall disclose for each class of financial instrument, an analysis of the level in the following fair value hierarchy into which the fair value measurements are categorised. A fair value measurement is categorised in its entirety on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability.

Level 3: Inputs are unobservable (i.e. for which the market data is unavailable) for the asset or liability.

The Scheme's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
At 31 December 2020				
Pooled investment vehicles	-	1,107,308	-	1,107,308
	-	1,107,308	-	1,107,308
At 31 December 2019				
Pooled investment vehicles	-	980,192	-	980,192
	-	980,192	-	980,192

Notes to the Financial Statements (contd.)

10.5 Investment Risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

- **Credit risk:** This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- **Market risk:** This is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables.

The maximum risk resulting from financial instruments, except for written options and securities sold short, equals their value.

Market risk comprises currency risk, interest rate risk and other price risk:

- **Currency risk:** This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk:** This is the risk that the fair value or future cash flows of a financial asset – primarily bonds, interest rate swaps and pooled investment vehicles held mainly in bonds – will fluctuate because of changes in market interest rates.
- **Other price risk:** This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk – primarily equity prices), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee has a contractual agreement in place with State Street Global Advisors Ireland Limited ('SSgA'). The day to day management of the underlying investments for the funds is the responsibility of SSgA including the direct management of credit and market risks.

The Trustee monitors the investments and underlying external managers on a quarterly basis.

The risks disclosed here relate to the Scheme's investments as a whole. Members are able to choose their own investments from the range of funds offered by the Trustee and therefore may face a different profile of risks from their individual choices compared with the Scheme as a whole.

Credit risk

At present the Scheme does not offer life policy investment options to members and as a result it has no direct credit risk with appointed investment managers.

The Scheme is subject to indirect credit risk arising from the underlying funds managed by SSgA. Credit risk from the investment in pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled fund manager, the regulatory environments in which the pooled managers operate and diversification across a number of pooled arrangements. Credit risk also exists from the individual securities held in the funds due to the indirect investment in government and corporate bonds.

Notes to the Financial Statements (contd.)

The objective of taking on credit exposure within corporate bonds is to obtain a higher expected return than would be obtained from investing solely in government bonds or secured overnight borrowing.

Member level risk exposures will be dependent on the funds invested in by members.

Market risk

The Scheme is subject to indirect foreign exchange, interest rate and other price risk arising from the underlying financial instruments held in the funds managed by SSgA and other underlying external investment managers.

The Scheme is exposed to currency risk due to indirect investments in unhedged overseas equities and bonds.

Investment in overseas equities and bonds is designed to increase the number of equities/bonds that can be considered for inclusion in the portfolio and thereby improve the risk/reward and diversification characteristics of this investment. The Trustee is satisfied that the expected benefits from allowing the Scheme to invest in overseas equities and bonds compensate for the acceptance of the associated currency risk.

Changes in market interest rates will directly affect the fair value of the holdings in bonds and instruments used to help manage the interest rate and inflation exposures of the Scheme. The objective of holding these instruments is to help member's better match interest rate and inflation exposures.

All investments are subject to idiosyncratic price risks that arise from factors peculiar to that asset class or individual investment in addition to credit risk, currency risk and interest rate risk.

Before offering any asset class or fund to members, or entrusting the Scheme's assets to a particular manager, the Trustee takes advice on the risks involved both on a quantitative and qualitative basis from their investment consultant.

The decision as to whether to invest in a particular security is delegated to the manager.

The purpose of accepting these risks is to ensure that, when considered as a whole, the members of the Scheme have a suitably diversified range of funds to choose from in terms of the type of risk taken and the sources of expected future returns.

The table below summarises the indirect risk exposures by fund at 31 December 2020.

	Credit risk	Foreign exchange risk	Interest rate risk	Other price risk
Total Equity Fund	-	✓	-	✓
Diversified Growth Fund	✓	✓	✓	✓
Annuity Fund	✓	✓	✓	-
Cash Fund	✓	-	✓	-

The analysis of these risks set out above is at the Scheme level. Member level risk exposures will depend on the funds invested in by members.

Notes to the Financial Statements (contd.)

11. Current Assets and Liabilities

	2020	2019
	€'000	€'000
Current Assets		
Designated to Members		
Bank balances	<u>10,953</u>	<u>11,081</u>
	<u>10,953</u>	<u>11,081</u>
Not designated to Members		
Risk Premium paid in Advance	403	-
Bank balances	<u>-</u>	<u>404</u>
	<u>403</u>	<u>404</u>
Total Current Assets	<u><u>11,356</u></u>	<u><u>11,485</u></u>
Current Liabilities		
Designated to Members		
Accrued benefits	<u>2,575</u>	<u>2,423</u>
	<u>2,575</u>	<u>2,423</u>
Not designated to Members		
Risk Contribution received in Advance	403	-
Accrued Interest	<u>-</u>	<u>4</u>
	<u>403</u>	<u>4</u>
Total Current Liabilities	<u><u>2,978</u></u>	<u><u>2,427</u></u>

12. Employer Related Investments

There were no instances of employer related investments during the year in relation to payment of contributions.

The value of shares in Allied Irish Banks, p.l.c. held in the various unit funds amounted to €Nil or Nil% of the total fund of €1,107m. as at 31 December 2020 (2019: €Nil).

13. Subsequent Events

IORP II Directive

The European Union (Occupational Pension Schemes) Regulations 2021 transposed Directive (EU) 2016/2341 (the "IORP II Directive") into Irish law on 22 April 2021. The IORP II Directive provides for EU wide governance standards for pension schemes and it is the most significant pensions legislation published in Ireland in nearly 30 years. The AIB Group Defined Contribution Scheme has always been operated to the highest possible governance standards and, accordingly, the Trustee has already taken steps to ensure the implementation of the new IORP II requirements within the prescribed deadlines.

Investment Manager Fees

The Principal Employer notified the Trustee that it would cease to pay investment manager fees with effect from 31 December 2020. Commencing 1 January 2021, investment manager fees are paid by members by way of adjustment to the unit price of each fund.

Notes to the Financial Statements (contd.)

13. Subsequent Events (contd.)

There were no other events subsequent to the year-end that would materially affect the information contained in this report.

14. Related Party Transactions

14.1 Trustee

The Trustee is AIB DC Pensions (Ireland) Limited. Four of the Directors of the Trustee are members of the Scheme.

Norbert Bannon (Independent Trustee Chairman), Anne Maher (Independent Trustee) and Alan Hardie are paid a fee by the Bank in their capacities as Trustee Company Directors.

14.2 Principal and Participating Employers

The participating employers are set out in the Trustee Scheme, Advisors and Other Information section of this report. Contributions are made in accordance with the Trust Deed and Rules. The operating expenses of the Scheme, including investment manager fees, administration fees and audit fees are borne by Allied Irish Bank p.l.c.

14.3 Registered Administrators

Allied Irish Bank p.l.c. is the Registered Administrator. Aon provides Allied Irish Bank p.l.c. with core administration services.

14.4 Investment Managers

State Street Global Advisors Ireland Limited are the principal investment manager. With the exception of the Diversified Growth Fund, investments are in unitised funds which are registered in the Republic of Ireland. The Diversified Growth Fund is a segregated fund investing in unitised funds registered within the EU.

The investment managers are remunerated on a fee basis calculated as a percentage of the assets under management. The investment manager fees were paid by the Principal Employer until the end of 2020.

15. Contingent Liabilities

In the opinion of the Trustee, the Scheme had no contingent liabilities as at 31 December 2020.

16. Approval of the Financial Statements

These Financial Statements were approved by the Trustee on 30-Aug-2021

Annual Investment Commentary - AIBDC

For the fiscal year ended 31 Dec 2020

AIB Group

AIB GROUP DEFINED CONTRIBUTION SCHEME

Mandate Official Market Value (expressed in EUR)	1,107,898,930	Asset Distribution for the Mandate	Cash	4.66%
Mandate Bid Market Value (expressed in EUR)	1,107,308,010		Equity	52.82%
Weighted Return for the Period	5.16%		Fixed Interest	1.78%
			Unit Trusts	40.74%
			Total Portfolio	100%

The AIB Group Defined Contributions Scheme (the “Portfolio”) seeks to generate capital growth over a rolling 5 year period. For performance reporting purposes, the returns of the Portfolio will be compared to the Irish Consumer Price Index (“Irish CPI”) +4%.

The Portfolio incorporates a number of underlying investment strategies to meet its investment objective:

Tactical Asset Allocation

The manager will apply an overall tactical asset allocation (“TAA”), to the Portfolio (excluding that portion of the Portfolio invested in third party funds). In applying TAA, the Manager shall exercise its investment discretion to allocate the portfolio on a tactical basis between equities, bonds, cash, commodities and property.

Cash +1% Strategy

The manager will invest a portion of the portfolio to a strategy that aims, over time, to generate returns in excess of money market rates through exposure to investment grade bonds, high yield bonds and money market instruments

Customer Funds Strategy

The Portfolio shall invest in certain third party funds which are not managed by the manager or an affiliate, in accordance with the target weights and permitted ranges set out within the IMA (Investment Management Agreement).

For the 12-month period ended 31 December 2020 (the “Reporting Period”), the total return for the Portfolio was 3.88%, and the Irish CPI +4% was 3.00%. The Fund’s performance is provided on a gross of fees basis and does not reflect the deduction of advisory or other fees which could reduce the return.

2020 was an extraordinary year for financial markets, marked by heightened volatility and strained liquidity. Remarkably, capital markets persisted, despite challenges posed by the global pandemic and geopolitical tensions.

For all 2020’s tumult, the year began with a truce; the Phase One trade deal ended a long, hard-fought US-China trade war. Markets, which were coming off a solid 2019, were building momentum in the first couple of months of 2020 and reached fresh new highs. But by March, COVID-19 and its aftershocks exposed fragile cracks in our health, social, political and economic structures. In response, politicians and central bankers acted quickly and aggressively to address the economic and capital market challenges. Substantially expanding the playbook created in the aftermath of the Global Financial Crisis, policymakers may have prevented a repeat of the Great Depression. Their bold actions also bought valuable time for health experts to work toward a solution to the COVID-19 crisis, while markets and the economy began the long road to recovery. Economic growth across the globe rebounded strongly in the third quarter amid relaxation in COVID-19 related lockdowns, fiscal and monetary policy support and pent up demand release which commenced in the later part of second quarter. Global financial markets experienced a precipitous drop followed by a swift recovery and then a steady, albeit uneven march higher to finish the year.

Overall, the buy-everything reflation trade that took hold lifted both equities and bonds with commodities, mainly due to energy, and REITs being the notable underperformers. To close out the year, many of the equity universes soared to positive double-digit returns. The equity market drawdowns of around -30% were followed by subsequent rallies of over 50%, whipsawing investors. Fixed income performed solidly in 2020, with rates and spread sectors in both the US and Europe seeing positive total returns. US Treasuries had their strongest year since 2011. Rate movements in Europe were similar, albeit at lower levels. For the period, the MSCI All Country World Index (ACWI) advanced 7.18%, whereas the FTSE World Government Bond Index (WGBI) returned by 1.01%.

The Tactical portfolio entered the year favouring risky assets, given our expectations for improving growth and supportive risk appetite with a benign MRI reading. This overweight was increased further in the early part of the year. However, as the potential impacts from COVID mitigation measures were becoming more evident, the risky asset exposure was reduced in March. Nonetheless, our focus on the intermediate-term, driven by unprecedented and coordinated monetary and fiscal policy, led us to maintain a modest overweight to equities. As COVID trends turned positive, economic activity picked up and markets started to recover, we increased allocation to credit bonds. This reflected our preference to take risk in the credit space, which appeared well supported as compared to our concerns about near-term risks for equities. We

started to add back to global equities in September, by reducing defensive assets exposure. Global Equities became attractive from a broad asset class perspective driven by strong price momentum, improving earnings and sales sentiment, and positive macro support. We continued to add to growth assets through most of fourth quarter by extending the overweight to equities and initiating an overweight to broad commodities. Positive vaccine news and improved fiscal stimulus optimism lifted risk appetite as our MRI moved into Low Risk in November and triggered a sizable rotation from defensive assets and credit bonds into global equities. Real estate underweight position was also reduced towards the end of the year. The portfolio finished the year with a meaningful allocation to global equities, but did trim the overweight near the end of December. Rising COVID cases and the increased potential for further lockdowns coupled with uncertainty from the upcoming Georgia elections increased the downside risks in our view and were the main catalyst for the de-risk.

For the reporting period, the total return for the tactical portfolio was 3.22%, and the custom index was 3.45%. The portfolio underperformance was primarily driven by positioning in 1Q2020 which offset beneficial performance in all other quarters. The main detractors were credit bonds, gold and real estate. Preference for credit over equities during the summer, while benefiting absolute returns, dented relative performance as credit trailed equities. Overweight to gold also detracted as positive COVID-19 trends and upward revisions to economic growth have weighed on the precious metal. On the other side, along with currency hedging, overweight to large cap stocks and underweights to defensive assets had a positive contribution to the relative performance.

State Street IUT Total Equity Fund

For the 12-month period ended December 31, 2020 (the “Reporting Period”), the total return for the Fund was 6.61% and the benchmark, FTSE All World (Net Lux) was 6.43%. The Fund’s performance is provided on a gross of fees basis and does not reflect the deduction of advisory or other fees which could reduce the return.

Over the period 1 January 2020 to 31 December 2020 (the “Reporting Period”), the MSCI All Country World Index was up by 16.8%. The MSCI World Index (16.5%) lagged behind the MSCI Emerging Markets Index (18.7%). Global markets were able to build on their late-2019 momentum at the beginning of the year and reached new highs in mid-February but the spread of Coronavirus Disease 2019 (COVID-19) wreaked havoc. The measures of social distancing, temporary lock-downs, quarantines and mobility restriction worldwide to prevent further spread of pandemic inflicted significant harm to the global economy and financial markets. The breakdown in OPEC negotiations resulted in lowest levels of Oil prices since 1999 which catalysed the COVID-19 led elevated market volatility sending VIX index to highest ever reading.

The equity markets received the news of fiscal and monetary stimulus support positively and re-opening plans helped in economic recovery starting May. Economic growth

across the globe rebounded strongly in the third quarter amid relaxation in COVID-19 related lockdowns, fiscal and monetary policy support and pent up demand release which commenced in the later part of second quarter. Equity markets rallied in July and August on the back of positive economic and earnings data but lost their momentum in September amidst resurgence in COVID-19 cases and concerns around high valuations. The economic momentum slowed towards the end of the year amid rising infection rates, emergence of a new strain of the coronavirus and re-imposition of stricter lockdowns in some countries. However, equity markets still finished the year strongly over a positive outlook as vaccine approvals, progress on fiscal stimulus deals and continued monetary support are expected to boost growth momentum in 2021.

State Street IUT Euro Liquidity Fund

Returns on cash instruments continued to be challenged against the backdrop of ultra-low interest rates, a situation that was exacerbated by the actions of central banks in the weeks after the scale and seriousness of the COVID-19 outbreak became clear. Market rates had risen for a period as international money markets grew volatile in March amid liquidity concerns and high demand for cash assets at the peak of COVID anxiety. As the US Federal Reserve cut its federal funds target rate by 150bps to 0.0-0.25% and made a liquidity pledge that had a calming effect on markets, three-month US LIBOR then fell sharply to end the review period at 0.24% (from 1.91% a year ago). In Europe, three-month EURIBOR rose through March/April amid cash-hoarding by companies before new ECB liquidity programs helped the rate fall to a record low of -0.55% (from -0.38% a year earlier). Unlike the ECB, the Bank of England had some scope to cut its bank rate in response to the COVID crisis, rapidly reducing the rate from 0.75% to 0.10%. Three-month UK LIBOR ended the 12-month review period 76bps lower at 0.03%.

State Street IUT Euro Core Treasury Long Bond Index Fund

For the 12-month period ended December 31, 2020 (the "Reporting Period"), the total return for the fund was 12.48% and the benchmark, a custom Bloomberg Barclays Global Treasury Bond Index was 12.47%. The Fund's performance is provided on a gross of fees basis and does not reflect the deduction of advisory or other fees which could reduce the return.

2020 was a year of two tales where the outbreak of Covid-19 in the western world during the last week of February 2020 caused a rapid sell-off in risky assets and a sharp deterioration of liquidity conditions. However, the prompt and large response from central banks helped alleviate market stress and supported the broad-based market recovery seen since Q1 2020.

During the first half of the year , There was extreme volatility in the Fixed Income markets as investors reacted to the spread of the Coronavirus Disease 2019 (COVID-19)

and the consequent constrain measures in the form of social distancing, temporary lock-downs and quarantines that inflicted significant harm to the global economy and financial markets. With risk-aversion building, demand for the safety of government bonds sent interest rates lower supporting the performance of Euro Core Government Bonds. In addition, the continued support from the ECB, including the the announcement of PEPP programme further buoyed rates markets with 10-year German Bund Yields reaching historical low levels at -0.856%.

Towards the end of last year, the speed in developing a Covid-19 vaccine generated enthusiasm in markets and added momentum to market favoured US election results, supporting a Q4 rally in risky assets. However, economies remained divided as bifurcation of manufacturing and services remained a prominent trend as manufacturers remained more resilient in the face of heightened lockdowns and Euro Core Government Bond Yields ended the year marginally higher but still deeply in negative territory.

Entity Disclaimer:

EMEA (Europe, Middle East and Africa):

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AIB Group Defined Contribution Scheme

Statement of Investment Policy Principles

1. Introduction

- 1.1 The Trustee Board for the AIB Group Defined Contribution Scheme (The "Trustee") is responsible for overseeing the investment of the assets of the AIB Group Defined Contribution Scheme (the "Scheme").
- 1.2 The Trustee is also responsible for preparing this Statement of Investment Policy Principles (the "SIPP") which provides an overview of how the assets are invested and managed and forms part of the Trustee's overall governance plan.
- 1.3 This SIPP is a statement of intent and it is made in order that:
- There is a clear understanding on the part of the Trustee, members, relevant AIB plc staff, investment adviser, investment managers and others as to the objectives and policies of the Trustee;
 - There are clear principles governing the guidelines and restrictions to be presented to the investment managers regarding their investment of the Scheme's assets;
 - The Trustee has a meaningful basis for the evaluation of the investment performance of the individual investment managers, investment performance of the Scheme as a whole and the success of the overall investment strategy through achievement of defined investment objectives; and
 - The Trustee fulfils the requirements of the Occupational Pension Schemes (Investment) Regulations, 2006 (as amended), which stipulate that a SIPP must be put in place and cover at least the following areas:
 - Investment objective;
 - Investment risk measurement methods;
 - Risk management processes; and
 - Strategic asset allocation
- 1.4 It is intended that this SIPP will be sufficiently specific to be meaningful but adequately flexible as to be practical. The intention is not to outline detailed guidelines for the Scheme's investment managers – this should be done within the specific legal agreements with those parties – but rather to state the general philosophy, risk appetite and policies of the Trustee that will shape the governance of the Scheme as a whole.
- 1.5 This Statement is organised under the following headings:
- Description of the Scheme;
 - Governance of the Scheme;
 - Scheme Investment Objective, Investment Risks and Risk Management;
 - Fund options and Fund objectives;

- Fund Manager Structure; and
- Communications

1.6 Whilst the preparation of a SIPP is mandatory, the Trustee also considers the preparation and maintenance of the SIPP to be good practice.

1.7 In preparing this SIPP, the Trustee has sought advice from the Scheme's investment adviser.

1.8 The Trustee will monitor compliance with this SIPP annually and will also review this SIPP at least every three years, or following any substantive change to its investment policy that impacts on the SIPP.

1.9 The SIPP was endorsed by the Trustee as having effect from _____.

2. Description of the Scheme

2.1 The Scheme is a 'Defined Contribution Scheme' ("DC scheme") and all the benefits it provides are based on the balances in members' individual retirement accounts, without any guarantees of performance.

2.2 As a DC scheme, the investment performance of the Scheme's assets is a risk solely borne by the member. The Trustee has provided a range of Investment Options with different risk and return objectives so that members can choose to invest in a manner that reflects their own risk and return objectives. The Trustee has also provided a Default Strategy ("the Lifestyle options") for members who do not make their own investment decisions.

2.3 The main investment risk for members is that the returns in their retirement accounts will be insufficient, consequently contributing to inadequate retirement provisions. Good investment returns by themselves are not enough. Other factors such as beginning to contribute early, the level of contributions paid and the benefit options availed of at retirement are also influential. These are recognised by the Trustee but outside the scope of this SIPP.

3. Governance of the Scheme

3.1 The Trustee is responsible for the investment of the Scheme's assets.

3.2 Strategic decisions affecting Scheme investments are taken by the Trustee after drawing on the skills and experience of external advisers including investment managers and the investment adviser. Appendix I is a list of the Scheme's current advisers and investment managers.

3.3 Trustee's responsibilities include:

- Focusing on member outcomes and ensuring that at all times, all decisions are taken with member objectives, as assessed by the Trustee, in mind.
- Identifying the investment and risk objectives of the Scheme's investments, taking into account the needs of different groups of members, formulating an appropriate default strategy and keeping said objectives and strategy under regular review;
- Providing a suitable range of investment options for members;
- Appointment and subsequent performance monitoring, supported by the Investment Sub Committee, of the investment managers used to express the investment strategy;
- Making any necessary changes in the strategy, investments, investment managers, advisers or other services that relate to the investment of assets; and
- Communicating investment risk and providing information to members, as well as regularly reviewing this SIPP and updating it as required

3.4 The Trustee sets the overall investment strategy. The Trustee has appointed an investment adviser to provide advice to the Trustee in relation to the formulation and implementation of investment strategy.

3.5 The Trustee has also established a Sub-Committee of the Trustee Board, the Investment Sub Committee ("the **Sub Committee**"), in order to enhance its oversight of the Scheme's investment strategy and the implementation of that strategy.

3.6 The Sub Committee meets regularly, typically four times per year, and keeps the Trustee Board updated on investment issues. The Sub Committee is advised by the Scheme's investment adviser and focuses on the following key items:

- Monitoring the overall performance of the investment strategy and investment managers and its implications for member outcomes;
- Overseeing the management of the Scheme's asset mix within agreed ranges;
- Regularly challenging the strategy in light of changing market conditions and innovations in the pensions investment environment;
- Ensuring there is a good process for managing "member outcome" risk and that it is operating effectively; and
- Evaluating new investment ideas and opportunities

3.7 The Sub Committee brings forward recommendations to the Trustee Board for ratification.

4. Scheme Investment Objective, Investment Risks and Risk Management

4.1 With respect to individual members' investment strategies, the Trustee recognises that members need to make their own investment decisions based on their individual circumstances,

and that these may change during the course of members' working lives. The Trustee also recognises that members have different attitudes to risk.

4.2 The Trustee's overall objective with respect to investments is to:

- Provide a Scheme that is appropriate for all Scheme members taking into account their expected retirement date
- Provide a Scheme that will, in the long term, deliver a satisfactory return in real terms on the contributions invested

4.3 The Trustee has designed, with the input of its investment adviser, a Default Strategy (Lifestyle options) for members who prefer that the Trustee makes investment decisions on their behalf or for members who don't make a fund choice. The Trustee has also provided a range of fund options for members who wish to manage their own asset allocation ("the **Freestyle options**").

For Members Managing Their Own Funds (Freestyle options)

4.4 There is the risk that in managing their own funds members make sub optimal or investment choices and to mitigate this risk the Trustee has:

- Provided an appropriate range of Freestyle options ;
- Set clear fund objectives and encourages members to focus on the fund objectives and risks through the use of purposeful, jargon free fund names (referred to in this document as 'white labelled' funds);
- Understood the importance of clear communications with members; and
- Understood that individual financial advice in the years before retirement is beneficial to members

4.5 The Trustee will ensure that within the Freestyle options that are available to each member:

- Investments are, for the most part, limited to marketable securities traded on recognised/regulated markets;
- Investment in derivative instruments is made only in so far as it either contributes to a reduction of investment risks or facilitates efficient portfolio management. Any such derivative investment must avoid excessive risk exposure to a single counterparty and to other derivative operations; and
- The funds are properly diversified in such a way as to avoid excessive reliance on any particular asset (unless in a single asset fund or a fund used to match annuity pricing), issuer or group of undertakings. Investments in assets issued by the same issuer or by issuers belonging to the same group should not expose the member to excessive risk concentration.

4.6 The Trustee aims to have leading investment managers managing each of the white labelled Freestyle options.

The Trustee can change the investment manager of any or all of the Freestyle options as a result of an ongoing monitoring process, without impacting the core objective of the Freestyle option.

For Members in the Default Strategy (Lifestyle options)

4.7 The risk that members within the Default Strategy will not achieve good outcomes due to investment performance is mitigated as follows:

- The Default Strategy aims to invest members' assets with risk and return objectives that are appropriate for their stage of the retirement savings journey, which is largely determined by age (or years to normal retirement age). Members who are far from normal retirement age are assumed to have higher risk tolerances due to their longer time horizon and, as such, the Trustee will invest in assets with higher risk and return characteristics. As members move closer to normal retirement age, their mix of assets will change, increasing diversification and downside protection as members' risk tolerance reduces.
- In the years before normal retirement age, there is the risk that the value of a member's individual retirement account falls significantly due to a downturn in markets. This is specifically catered for through a lifestyling programme in the seven years before normal retirement age. The intention is to de-risk members into assets that are appropriate to the likely use of their retirement accounts at normal retirement age (subject to prevailing Revenue rules):
 - Members who will likely want to maximise their cash lump sum ('Cash Ready Lifestyle Option');
 - Members with projected retirement accounts at normal retirement age of greater than six times salary, or who have significant DB benefits due from the AIB DB scheme, are assumed to be most likely to use the balance of their retirement accounts to purchase an Approved Retirement Fund (ARF) at normal retirement age ('Cash and ARF Ready Lifestyle Option');
 - Other members are assumed to use any balance remaining, after maximising their cash lump sum, to purchase an annuity ('Cash and Annuity Ready Lifestyle Option')
- The Diversified Growth Fund is a major component of the Default Strategy designed by the Trustee to achieve real growth for members in a risk-controlled manner. See further information on the Diversified Growth Fund below.

5. Fund options and Fund objectives

5.1 The Scheme offers members the following options:

- (1) **Default Strategy (Lifestyle options)**
- (2) **A range of Freestyle options, namely:**
 - The Diversified Growth Fund
 - The Cash Liquidity fund
 - The Equity Fund
 - The Annuity Fund

A table showing information on the current Freestyle options is included in Appendix II

5.2 The Lifestyle options are the Default Strategy. The Default Strategy invests in passive equities until members are within 22 years of their normal retirement age, moving gradually into the Diversified Growth Fund between 22 and seven years to normal retirement age, and finally de-risking further into assets that most closely match the member's likely use of their retirement account at normal retirement age. As such, there are three Lifestyle Options.

- Lifestyle Option 1: **Cash Ready**
- Lifestyle Option 2: **Cash and Annuity Ready**
- Lifestyle Option 3: **Cash and ARF Ready**

5.3 The Diversified Growth Fund is a key component of the Default Strategy but can also be selected by members as a Freestyle option. The target return is Irish Inflation in a range of plus 2%-4% per annum over a rolling three-year period. The fund has exposure to a diversified mix of assets including, but not limited to, equities, bonds, alternatives, absolute return funds and cash.

5.4 Risks are managed within the Diversified Growth Fund in a number of ways including:

- Strategic asset allocation ranges and periodic rebalancing;
- Limits on exposures to any one asset class or investment;
- Flexibility;
- Simplicity
- Liquidity management; and
- Fund manager selection and monitoring (see section six below)

5.5 Strategic Asset Allocation ("SAA") is the process by which the Trustee establishes, and then implements (via the appointed investment manager(s)) the mix of investments within agreed ranges for the Diversified Growth Fund. It takes account of the investment beliefs used to guide the Trustee in all Scheme decision-making and ensures an appropriate mix of assets that target a return of Irish Inflation plus 2% to 4% on a rolling three-year basis. The Strategic Asset Allocation (and the ranges around the SAA) may only change with agreement from the Trustee.

5.6 The Trustee considers it prudent to adopt **limits on certain exposures** within the Diversified Growth Fund to ensure it remains diversified and suitable for members of the Scheme at all times. These limits are not intended to be restrictive and they largely mirror the limits imposed on regulated fund structures in Ireland:

- Max 25% in Emerging Markets
- Max 20% in Unregulated Funds
- Max 20% in the security of a Single Issuer
- Max 30% in any one regulated fund
- Diversification of money market instruments

Monitoring of the foregoing exposure limits will be conducted as part of the performance evaluation provisions detailed under paragraph 6.4 on page 7 of this document.

5.7 Investment in derivative instruments is made only in so far as it either contributes to a reduction of investment risks or facilitates efficient portfolio management. Any such derivative investment must avoid excessive risk exposure to a single counterparty and to other derivative operations. A

flexible fund structure allows for the introduction of new investment opportunities, strategies and managers over time where those are judged likely to improve member outcomes.

5.8 The Trustee has set the investment policy to provide for sufficient liquidity to meet unexpected cash flow requirements in the majority of foreseeable circumstances. The Trustee recognises, however, that there is **scope for the Scheme to invest in illiquid assets** whilst maintaining an acceptable level of liquidity for the portfolio as a whole.

5.9 The Trustee employs a principal investment manager to provide **Tactical Asset Allocation** for the Diversified Growth Fund with the aim of adding some returns above the returns of the Strategic Asset Allocation that has been set by the Trustee, in consultation with its investment adviser.

6 Fund Manager Structure

6.1 The Trustee can employ a number of different **specialist investment managers** in order to implement the chosen strategy for the Scheme. In certain asset classes or sub-asset classes, investment managers are employed simply to replicate market performance. In other asset classes investment managers are employed with a mandate to seek to outperform market indices.

6.2 Where investment managers are targeted with outperforming market indices, it is expected that there will be a greater divergence between the return achieved by the investment manager and the return achieved in the market. One of the risks to which the Scheme is exposed is the extent to which investment manager returns may underperform market returns in the relevant asset class.

6.3 The Trustee has appointed a principal investment manager with additional sub investment managers appointed to manage specific asset classes from time to time within the Diversified Growth Fund.

6.4 Investment manager performance is evaluated against objectives on at least an annual basis. In this regard, the Trustee or the Investment Sub-Committee :

- meets the principal investment manager of the Scheme quarterly to review the investment manager's actions together with the reasons for, and the background behind, the investment performance;
- receives written quarterly performance reports from all the investment managers;
- meets with investment managers other than the principal investment manager from time to time;
- receives input and opinion from an investment adviser who meets with and monitors the principal investment manager and the other sub investment managers on at least a quarterly basis.

6.5 It is the Trustee's intention to undertake a full review of the principal investment manager and sub investment managers, the fund options, the performance benchmarks and the performance targets on a regular basis and at least on a triennial basis.

7. Communications

7.1 Information is provided in a number of ways:


- Fund descriptions in the Scheme Booklet & Information in the investment booklet "Investing your Retirement Account".
- Annual Benefit Statements
- Presentations to members on the choice of funds

Information is available to members on the AIB Intranet and on the Aon Pensions Online Website "MyPension" on enrolment

- Fund Factsheets
- Performance Details

The opportunity to switch between fund options is also offered on an ongoing basis. A member can avail of this opportunity to switch fund options either online on "MyPension" or a manual process by completing the appropriate Switch Form. The Trustee reserves the discretion to charge an administration fee for switches.

Signed for and on behalf of the Trustee of the AIB Group Defined Contribution Scheme:

Signed:  Date: 23rd May 2018

Name (Printed): NORBERT BRANNON Capacity: DIRECTOR - CHAIRMAN

Signed:  Date: 23rd May 2018

Name (Printed): ANNE MAHER Capacity: DIRECTOR

Appendix I – Current Advisers and Investment Managers

Effective May 2018

Trustee Board:

Norbert Bannon (Chairman)

Alan Hardie

Ian Kelly

Etain Ryan Lyons

Mike Gogan

Anne Maher

John O’Gorman

Scheme Investment Adviser

Acuvest Limited

67 Merrion Square South

Dublin 2

Ph: +353 1 634 4510

Fax: +353 1 696 8843

Email: info@acuvest.ie

Registered Administrator

Allied Irish Banks plc

Bankcentre

Ballsbridge

Dublin 4

Scheme Administration

AIB Staff Pensions and Aon Hewitt (Ireland) Limited (the latter is appointed to provide a number of core administration services)

Current Scheme Investment Managers

State Street Global Advisors Ireland Limited (SSgA) – Principal Investment Manager

Ruffer LLP

BNY Mellon Investment Management EMEA Limited

GMO LLC

Aberdeen Standard Investments

Payden & Rygel Investment Management

Custodian

State Street Custodial Services (Ireland) Limited

Appendix II – Current Freestyle Options

Effective May 2018

Investment Fund Choices	
The Equity Fund	Invested 100% in Global Equities, including Emerging Markets
The Diversified Growth Fund	Invested in a diversified mix of assets, including, but not limited to, Equities, Bonds, Alternatives, Absolute Return Funds, and Cash.
The Cash Liquidity Fund	Invested 100% in Cash and Money Market Instruments.
The Annuity Fund	Invested in long dated core investment grade Euro Sovereign Bonds with a maturity duration that seeks to match the cost of purchasing an Annuity on your retirement

Statement of Risks

The Trustee's primary responsibility is to ensure that members receive the benefits to which they are entitled under the rules of the Scheme. In order to provide for these future benefit payments, the Trustee invests the assets of the Scheme in a range of investments chosen by the member.

Trustees are required to provide a statement of the risks associated with the Scheme to Scheme members.

In a defined contribution plan the main types of risks and the steps being taken by the Trustee to minimise these risks are as follows:

Risks	Steps being taken to minimise risk
The assets may not achieve the expected return	See Statement of Investment Policy Principles as set out on pages 30 to 40 of this report.
Some of the assets may be misappropriated	The Trustee has put in place custodial agreements etc. (see Statement of Investment Policy Principles). The annual accounts of the Scheme are subject to independent audit.
The employer may not pay contributions as they fall due	The Trustee monitors the receipt of contributions and pursues any shortfall. If this was not successful, the Trustee would report the matter to the Pensions Authority.
The employer may decide to terminate his liability to contribute to the Scheme	In this event, the Trustee is required to wind up the Scheme and provide benefits for members in accordance with the Rules and the Pensions Act. Future benefit accrual will also cease in these circumstances.

In addition to the shortfall risks outlined above, there is also the risk that the records relating to Scheme members may not be correct.

The Scheme administration records may not be correct and may fail to comply with the Pensions Act	The Trustee has entered into a service level agreement with the administrator which sets out the administrator's responsibilities. The annual report is subject to review by independent auditors. The Pensions Authority has powers to pursue breaches of the Act and the Financial Services and Pensions Ombudsman may investigate any complaints of financial loss caused by maladministration.
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Signed for and on behalf of the Trustee:

Director:

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[Redacted Signature]
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Director:

DocuSigned by:
[Redacted Signature]
42917FDE0D454AE...

Date:

30-Aug-2021

Valuation Report

As a defined contribution Scheme all assets are held in respect of the liabilities for members' benefits expected to arise in the future with the exception of those assets that are not designated to members which are ultimately due back to the employers.

The liabilities have been valued using the applicable market value of the corresponding assets at the year-end date. The current and future liabilities of the Scheme as at 31 December 2020 can be summarised as follows:

	Designated to Members	Not Designated to Members	Total
	€ '000	€ '000	€ '000
Current liabilities	2,575	403	2,978
Future liabilities	1,110,831	4,855	1,115,686

Note 1: Current liabilities are liabilities that have been identified as payable at the year-end date.

Note 2: Future liabilities are all other liabilities.

Signed for and on behalf of the Trustee:

Director:

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Director:

DocuSigned by:

 42917FDE0D454AE...

Date:

30-Aug-2021