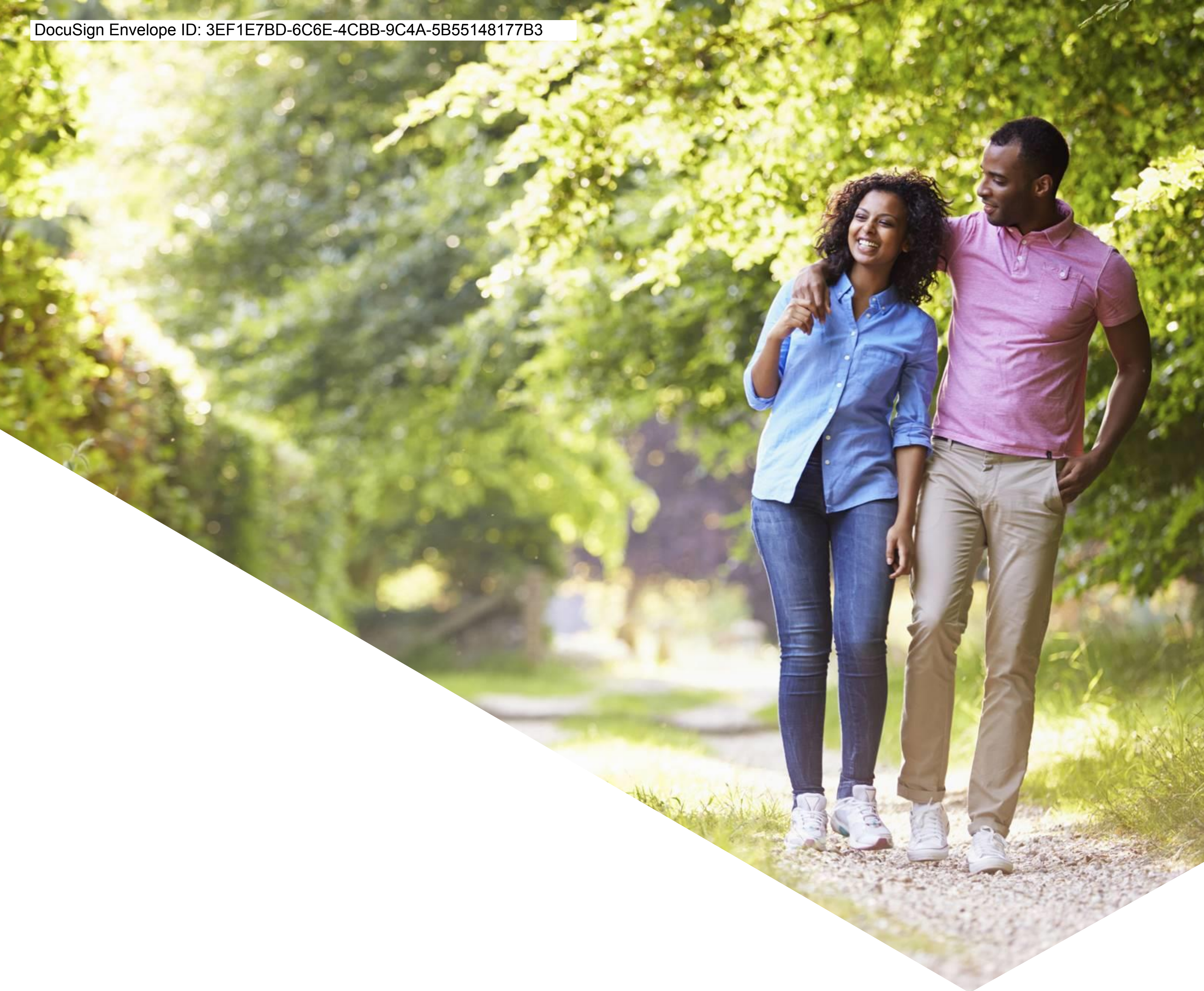

AIB Group Defined Contribution Scheme

Trustee Annual Report and Accounts for the year ended 31 December 2021

Contents

Part 1: Who's Who

1.1 Trustee and Sponsor

The Trustee

The AIB Group Defined Contribution Scheme ("**the Scheme**") is governed by a trustee company called AIB DC Pensions (Ireland) Limited ("**the Trustee**"). The six Directors listed below currently sit on the Board of the Trustee and they are responsible for the management of the Scheme and ensuring that it is run in the best interests of the beneficiaries. A seventh Director, Etain Ryan-Lyons, resigned from the Board on 10 January 2022. At the date of signing this Report, a replacement for Etain Ryan-Lyons was in the course of being appointed to the Trustee Board.

Norbert Bannon
Chairman

Appointed Nov. 2003.

The Trustee Board is chaired by Norbert Bannon. Norbert is an Independent Trustee Director and also chairs the Scheme's Investment Sub-Committee. He is a non-executive director of, and advisor to, a number of investment companies and chairs several investment and risk committees. He is also chairman of the AIB UK DB Pension Scheme. He was previously the Finance Director and Head of Risk Management of the investment banking arm of the AIB Group.

Mike Gogan
Director

Appointed Nov. 2015

Mike Gogan is an AIB nominated Trustee Director and is responsible for member communications. Mike also chairs the Scheme's Communications Sub-Committee. He is an employee of AIB, a writer and editor. As Head of Customer Language, he builds trust with customers by translating our communications into clear simple language.

Alan Hardie
Director

Appointed Jan. 2013

Alan Hardie is an Independent Trustee Director and also sits on the Scheme's Investment Sub-Committee. He is a qualified actuary and serves on the pensions committee of the Society of Actuaries in Ireland. Alan is also a member of several other trustee boards in Ireland and elsewhere. He was previously Director of Pensions for AIB Group having joined from a pensions consultancy role with pwc.

Ian Kelly
Director

Appointed Nov.2003

Ian Kelly is an AIB nominated Trustee Director and also sits on the Scheme's Investment Sub-Committee. He is a senior management executive within AIB Group with over 30 years' experience in the financial and professional services sector. He has broad experience across personal and business banking activities, investment banking and asset management with a particular focus on business governance and risk.

Anne Maher
Director

Appointed Nov.2007

Anne Maher is an Independent Trustee Director. She is a Fellow of the Irish Institute of Pension Managers and has a legal qualification. Anne has served on a number of private and public boards including the European Insurance and Occupational Pensions Authority, the UK Financial Reporting Council and several accountancy regulatory boards. She was previously Chief Executive of the Pensions Board and an Executive with Irish Life.

Paul O'Callaghan
Director

Appointed Jun. 2019

Paul O Callaghan is an FSU nominated Trustee Director. Paul also sits on the Scheme's Communications Sub-Committee. During a 31 year career in AIB, Paul worked in a number of roles across retail and business banking. Paul left AIB in December 2021 under the Voluntary Severance programme but is continuing in his role as a Trustee Director.

The Sponsor

Allied Irish Banks, p.l.c., ("**the Bank**") is the Sponsor of the Scheme and Principal Employer. This means that Allied Irish Banks, p.l.c. established the Scheme to provide retirement and death benefits for employees enrolled in the Scheme.

The registered address of Allied Irish Banks, p.l.c. is 10 Molesworth Street, Dublin 2, D02 R126.

1.2 Trustee Advisors

Registered Administrator

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

Scheme Administration

Aon Solutions Ireland Limited, Hibernian House, Building 5200, Cork Airport Business Park, Cork, T12 FDN3.

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

Trustee Secretary

Aon Solutions Ireland Limited, Block D, Iveagh Court, Harcourt Road, Dublin 2, D02 VH94.

Investment Advisor

Acuvest Limited
67 Merrion Square South,
Dublin 2.

Solicitor / Legal Advisor

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

Statutory Auditor

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

Internal Audit Key Function Holder

This is a newly introduced requirement under the IORP II Directive.

The Trustee has selected a firm to fulfil this role and the appointment will be completed by 30 September 2022.

Risk Management Key Function Holder

This is a newly introduced requirement under the IORP II Directive.

The Trustee is in the process of selecting a firm to fulfil this role and the appointment will be completed by the end of 2022.

Investment Managers

Legal & General Investment Managers (Europe) Limited ("**LGIM**"),
33/34 Sir John Rogerson's Quay, Dublin, 2 – **appointed October 2021**

State Street Global Advisors Ireland Limited ("**SSgA**"),
78 Sir John Rogerson's Quay, Dublin 2 – **ceased October 2021**

Insurer of Death-in-Service Benefits

Zurich Life Assurance plc.,
Zurich House, Frascati Road,
Blackrock, Co Dublin

Custodian

Northern Trust Fiduciary Services (Ireland) Limited,
Georges Court, 54-62 Townsend Street, Dublin 2, D02 R156 – **appointed October 2021**

State Street Custodial Services (Ireland) Limited,
78 Sir John Rogerson's Quay, Dublin 2 – **ceased October 2021**

Trustee Bank Account

Allied Irish Banks, plc.,
66 South Mall, Cork, T12 Y822.

1.3 Member Support

PB78012

The Scheme is registered under this number with the Pensions Authority.

SF3461

The Scheme is registered under this number with the Revenue Commissioner.

10896

AIB DC Pensions (Ireland) Limited is registered under this number with the Companies Registration Office

Scheme Administrator

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:

By post

AIB Group Defined Contribution Scheme,
Aon Solutions Ireland Limited,
Hibernian House, Building 5200,Cork Airport Business Park,
Cork, T12 FDN3

By email

myaibpension@aon.ie

By telephone

1800 806 133

Please quote your full name, date of birth and employer when contacting the administrator.

Pensions Authority

The Pensions Authority is the regulator responsible for supervising and enforcing the laws governing occupational pension schemes.

If you have an unresolved complaint or dispute with the Scheme, which does not come under the remit of the Financial Services and Pensions Ombudsman, or a concern about how the Scheme is being run, the Pensions Authority can be contacted at:

By post

The Pensions Authority,
Verschoyle House, 28-30 Lower Mount Street, Dublin 2, D02 KX27

By email

info@pensionsauthority.ie

By telephone

1890 65 65 65

Ombudsman

The Financial Services and Pensions Ombudsman (**"the Ombudsman"**) investigates and determines complaints of maladministration and disputes of fact or law arising in relation to occupational pension schemes.

The Ombudsman will only consider cases which have already been through the Scheme's internal dispute resolution procedure.

The Ombudsman can be contacted at:

By post

Office of the Financial Services and Pensions Ombudsman, 4th Floor, Lincoln House, Lincoln Place, Dublin 2, D02 VH29

By email

info@fspo.ie

By telephone

01 567 7000

Part 2: Trustee Report

2.1 Year in Review

Introduction

The Trustee is pleased to present herewith the Annual Report and Accounts ("**the Report**") to members of the Scheme for the 12 months ended 31 December 2021. The content of this Report conforms to the Occupational Pension Schemes (Disclosure of Information) Regulations, 2006 - 2021, as prescribed by the Minister for Social Protection and Rural and Community Development under the Pensions Act, 1990. The Report outlines the constitution and structure of the Scheme together with details of financial movements for the year, investment matters and membership movements.

Highlights for the year

During the twelve months to 31 December 2021

- In 2021 the Trustee concluded an in-depth review of the pricing, investment range and investment structure of the Scheme. The outcome of the review was a decision to replace State Street Global Advisors Ireland Limited ("**SSgA**") with Legal & General Investment Managers (Europe) Limited ("**LGIM**") as the Scheme's Investment Manager.
- Commencing 1 January 2021, investment manager fees are paid by members by way of adjustment to the unit price of each fund.
- €98.4m. in total was collected in contributions, split as follows:
  - €70.7m. normal employer contributions
  - €17.7m. normal member contributions
  - €10.0m. members' additional voluntary contributions (AVCs)
- The Scheme's net assets increased in value during the year by €293m. from €1,116m. (2020) to €1,409m. (2021).
- 236 transfer out payments were made to other approved pension arrangements totalling €17.6m. 46 transfer in payments, totalling €9.3m., were received by the Scheme from other approved pension arrangements.

As at 31 December 2021

- Active members of the Scheme totalled 8,195 (2020: 8,607)
- Deferred members of the Scheme totalled 10,237 (2020: 9,634)
- The value of invested assets in the Scheme totalled €1,401m., split as follows:
  - €753m. was invested in the Equity Fund
  - €571m. was invested in the Diversified Growth Fund
  - €17m. was invested in the Annuity Fund
  - €60m. was invested in the Cash Liquidity Fund

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.

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.

Changes to the Scheme

There were no changes during the year to the information specified in Schedule C of the Occupational Pension Schemes (Disclosure of Information) Regulations (as amended).

Trustee and advisors

Stewardship of the Scheme's assets is in the hands of its Trustee. The right of members to select or approve the selection of trustees 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 pages 4 and 5. Unless otherwise indicated, the Trustee Directors served for the entire period and are still serving at the date of approval of this Report.

Section 59AA of the Pensions Act 1990, which requires trustees of pension plans 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 the Guidance Notes issued by the Pensions Authority from time to time.

Trustee meetings

Five Trustee Board meetings were held during 2021. In addition, the Investment Sub-Committee (ISC) met on six occasions and the Communications Sub-Committee (CSC) met on two occasions during 2021. A number of ad-hoc calls and meetings were also held throughout the year.

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.

<table>
<tr><th></th><th>Bank Contribution</th><th>Member Under Age 40 Total Contribution</th><th>Member Age 40-49 Total Contribution</th><th>Member Age 50+ Total Contribution</th></tr>
<tr><td>Employee opts not to contribute (Default Position)</td><td>10%</td><td>10%</td><td>10%</td><td>10%</td></tr>
<tr><td>Employee contributes 1%</td><td>11%</td><td>12%</td><td>12%</td><td>12%</td></tr>
<tr><td>Employee contributes 2%</td><td>12%</td><td>14%</td><td>14%</td><td>14%</td></tr>
<tr><td>Employee contributes 3%</td><td>13%</td><td rowspan="6">Max. matched contribution 2%</td><td>16%</td><td>16%</td></tr>
<tr><td>Employee contributes 4%</td><td>14%</td><td>18%</td><td>18%</td></tr>
<tr><td>Employee contributes 5%</td><td>15%</td><td>20%</td><td>20%</td></tr>
<tr><td>Employee contributes 6%</td><td>16%</td><td rowspan="3">Max. matched contribution 5%</td><td>22%</td></tr>
<tr><td>Employee contributes 7%</td><td>17%</td><td>24%</td></tr>
<tr><td>Employee contributes 8%</td><td>18%</td><td>26%</td></tr>
<tr><td></td><td></td><td></td><td></td><td>Max. matched contribution 8%</td></tr>
</table>

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.

Membership movement

The following is a summary of the Membership Movements in respect of the Scheme for the year ended 31 December 2021.

	Active Members	Deferred Members
Membership @ 31 December 2020	**8,607**	**9,634**
Opening Adjustment	(7)	8
New Actives	683	-
Actives to Deferred	(1,037)	1,037
Leavers Administered	(51)	(442)
Membership @ 31 December 2021	**8,195**	**10,237**

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.

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.

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.

Benefit Statements were issued to active members in March 2021. 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 Scheme's Retirement Support Service provider, Mercer, hosted a webinar in June about how the Lifestyle Strategies work. A short guide and animated video on the same topic were also produced and these are available for all members to access on the DC Scheme Website, www.planforlife.ie.

The Trustee Annual Report and Accounts for 31 December 2020 was made available to all members, participating employers and trade unions in October 2021.

The Trustee also issued a newsletter in October 2021 which provided members with an investment performance update, the reasons behind the decision to appoint LGIM as the scheme's new investment manager, information on the Retirement Support Service and other news matters relating to the scheme.

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

Member website

All members have access to view their retirement account online and new members are invited to register on the secure area of the DC Scheme Website on joining the Scheme. The secure area is accessed by clicking the login button at the top of the www.planforlife.ie home page. Single sign on capability is enabled for active members.

At 31 December 2021, 56% of active members and 27% of deferred members had successfully enrolled on the DC Scheme Website.

Information on the performance and asset allocation of the investment funds is available on the DC Scheme Website. A pension planning calculator called "My Pension Planner" is available on the DC Scheme 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.

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

General questions about the Scheme should be directed to the Scheme Administrator, Aon, using the contact details set out on page 7 of this Report.

Investment funds

The Trustee, having taken investment advice from its Investment Advisor, has selected a range of funds, which it considers to be appropriate investment vehicles for pension purposes. These range from a 100% total equity fund to a 100% cash and money market instrument fund.

Default Fund – Lifestyle Strategy

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

The Lifestyle Strategy incorporates a process of automatic investment switches as the member approaches retirement ('de-risking'). This process moves the member from the more volatile return seeking assets 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 secure area of the DC Scheme Website.

Further information about the investment fund choices available to members is set out in the Scheme's "Investing your Retirement Account" booklet which can be accessed on the DC Scheme Website.

Investment Manager review

In 2021 the Trustee concluded an in-depth review of the pricing, investment range and investment structure of the Scheme with the assistance of its professional advisors. In doing so, the Trustee leveraged the scale of the Scheme and took advantage of the evolving and competitive DC landscape in Ireland. Following the review, members were advised that the range of investment options open to them would now be delivered through an investment platform operated by Legal & General Investment Managers (Europe) Limited ("**LGIM**"). With this move, investments will change much more dynamically and will be easier to manage on members' behalf.

The appointment of LGIM as the Scheme's new investment manager meant the transition of members' retirement savings from the previous investment manager, State Street Global Advisors Ireland Limited ("**SSgA**"), to LGIM's investment platform. The range of investment funds offered to members did not change and existing investment choices were mapped directly to the corresponding LGIM fund. The transition of members' retirement savings to LGIM was successfully concluded in October 2021.

Post year end, an exercise was completed to make it easier to differentiate between the funds used for Freestyle and Lifestyle investors in future and, if required, to change the underlying building blocks of these funds for Lifestyle investors without impacting the makeup of the funds for Freestyle investors. Consequently, in Quarter 1 2022, replicas of the Equity fund and the Diversified Growth fund were created for Lifestyle investors and these have been named the 'Early Years' fund and the 'Middle Years' fund respectively. No changes have been made to the names of the four funds available to Freestyle investors.

Investment Manager Fees

The Bank, as 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.

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.

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 2021 to 31 December 2021.

Fund Name	Performance
Lifestyle Fund	
Default Fund – Lifestyle Strategy	Varies according to member's age
Freestyle Funds	
Diversified Growth Fund	14.2%
Equity Fund	27.4%
Annuity Fund	-8.3%
Cash Liquidity Fund	-0.7%

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

The returns above are a combination of the SSgA and LGIM returns for the periods that they each managed funds. 2021 returns are net of investment fees.

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.

LGIM is the appointed investment manager to the Scheme. LGIM 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.

Employer related investments

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

Expenses

The operational expenses, including administration, audit charges and investment advisor fees are currently borne by the Bank. During 2021 a portion of these expenses, €923k. (2020: €882k.), was debited from the Reserve Account in the Scheme.

Internal Dispute Resolution Procedure (IDRP)

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.

IORP II Directive

The Directive (EU) 2016/2341 of the European Parliament and of the Council of 14 December 2016 on the activities and supervision of institutions for occupational retirement provision (IORPs) – **"IORP II"** – was transposed into Irish law on 22 April 2021 by way of the European Union (Occupational Pension Schemes) Regulations 2021 (Statutory Instrument No. 128/2021). This is the most significant regulation to impact occupational pension schemes since the Pensions Act 1990.

The primary purpose of the IORP II Directive and transposing Regulations is to raise governance standards with a view to improving member outcomes. The administrative deadline for full compliance, with a few exceptions, is 31 December 2022. The Trustee has met all deadlines set to date and is working with its professional advisors to achieve full compliance ahead of time.

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 Bank 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.

Events subsequent to the balance sheet date

In February 2022 Russia invaded Ukraine. This has resulted in tragic human loss and dislocation by those impacted by the violence. The invasion has contributed to higher energy prices, increased inflation and disruption to supply chains. The start of the Russia-Ukraine conflict also heralded sharp falls in markets in 2022 following a year of strong returns in 2021. The Scheme's investments had no direct exposure to Russia, Belarus or Ukraine at time of invasion and minimal indirect exposure through index funds' holdings. Russian debt and equity have since been removed from all index strategies used. Market uncertainty remains high at the date of signing this Report.

No other events occurred subsequent to the year-end that would affect the information contained in this Report.

Signed for and on behalf of the Trustee:

DocuSigned by:
[redacted]
6BBF67B5103445D...

Trustee Director – Chairman

[redacted]
4603FE25550046D...

Trustee Director

Sep 27, 2022

Date

2.2 Statement of Risks

Under the Occupational Pension Schemes (Disclosure of Information) Regulations, 2006 - 2021, the Trustee is required to describe the risks associated with the Scheme and disclose these to members.

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

> 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.

Risks	Steps being taken to minimise risks
The risk that the assets may not achieve the expected return	See the Statement of Investment Policy Principles at page 38 of this Report.
The risk that some of the assets may be misappropriated	Through the Investment Manager, the Trustee has put in place custodial agreements (see the Statement of Investment Policy Principles).
The risk that the employer may not pay contributions as they fall due	The Trustee monitors the receipt of contributions and pursues any shortfall. If this is not successful, the Trustee would report the matter to the Pensions Authority.
The risk that the employer may decide to terminate its 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.
The risk that the Scheme's administration records may not be correct or that the administration of the Scheme may fail to comply with the Pensions Act 1990 or the rules of the Revenue Commissioners	The Trustee has delegated the principal administration tasks to the Registered Administrator. The Trustee has entered into a service level agreement with the Registered Administrator which sets out the Registered Administrator's responsibilities. The Trustee receives regular administration reports from the Scheme Administrator. 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.

Signed for and on behalf of the Trustee:

DocuSigned by:
[redacted]
6BBF67B5103445D...
Trustee Director – Chairman

[redacted]
4603FE25550046D...
Trustee Director

Sep 27, 2022
Date

2.3 Statement of Trustee 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 auditor. Accordingly, the Trustee must ensure that in the preparation of the 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 end;
- and contributions payable are paid in accordance with the Rules of the Scheme.

The Trustee is responsible for making available certain other information about the Scheme in the form of an annual report. 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.

Further information

The financial statements are required to show a true and fair view, in accordance with The Financial Reporting Standard applicable in the UK and the Republic of Ireland ("FRS 102"), 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 whether the financial statements have been prepared in accordance with the Statement of Recommended Practice - Financial Reports of Pension Plans ("SORP"), (revised June 2018), subject to any material departures disclosed and explained in the financial statements.

The annual report must contain the information specified in regulation 7 of the Occupational Pension Schemes (Disclosure of Information) Regulations 2006 (as amended), 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 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:

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[redacted]
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Trustee Director – Chairman

[redacted]
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Trustee Director

Sep 27, 2022

Date

Deloitte.

Deloitte Ireland LLP
Chartered Accountants &
Statutory Audit Firm

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 2021 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 2.

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.

Continued on next page

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Independent auditor's report to the trustee of the
AIB Group Irish Pension Scheme

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.

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. A further description of our responsibilities for the audit of the financial statements is located on IAASA's website at: http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdfr.
This description forms part of our auditor's report.

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Deloitte.

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Independent auditor's report to the trustee of the AIB Group Irish Pension Scheme

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 2021 have been received by the trustee 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.

[redacted]

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

Date: 27th September 2022

Part 3: Financial Statements

3.1 Fund Account

For the year ended 31 December 2021

	Note	2021 €'000	2020 €'000
Contributions and Benefits			
Employer contributions	3	70,708	70,353
Member contributions	3	27,766	24,457
		98,474	94,810
Transfers in	4	9,309	5,964
Other receipts	5	2,471	4,928
		110,254	105,702
Benefits payable	6	(21,318)	(17,505)
Payment to and on behalf of leavers	7	(17,611)	(13,122)
Other payments	8	(2,493)	(2,593)
Administrative expenses	9	(923)	(882)
		(42,345)	(34,102)
Net additions from dealings with members		**67,909**	**71,600**
Return on investments			
Investment Manager fees		(744)	(2,303)
Interest charges		-	(40)
Change in market value of investments	10	226,478	57,179
Net return on investments		**225,734**	**54,836**
Net increase in the Fund		293,643	126,436
Net assets as at 1 January 2021		1,115,686	989,250
Net assets as at 31 December 2021		**1,409,329**	**1,115,686**

The notes on pages 28 to 36 form part of these financial statements.

Signed for and on behalf of the Trustee:

[redacted]

Trustee Director – Chairman

[redacted]

Trustee Director

Sep 27, 2022

Date

3.2 Statement of Net Assets (available for benefits)

For the year ended 31 December 2021

	Note	2021 €'000	2020 €'000
Investments			
Pooled Investment Vehicles	10	1,400,781	1,107,308
Current Assets	11	13,499	11,356
Current Liabilities	11	(4,951)	(2,978)
Net assets as at 31 December 2021		**1,409,329**	**1,115,686**

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 28 to 36 form part of these financial statements.

Signed for and on behalf of the Trustee:

[redacted]
Trustee Director – Chairman

[redacted]
Trustee Director

Sep 27, 2022
Date

3.3 Valuation Report

In accordance with Section 56(2A) of the Pensions Act 1990 (as amended), the Trustee of the Scheme has caused this Valuation Report to be prepared setting out the liabilities of the Scheme as at the last day of the Scheme year.

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 2021 can be summarised as follows:

	Member Designated	Not Member Designated	Total
	€'000	€'000	€'000
Current Liabilities	4,938	13	4,951
Future Liabilities	1,401,666	7,663	1,409,329
Total Liabilities as at 31 December 2021	**1,406,604**	**7,676**	**1,414,280**

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:

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[redacted]
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Trustee Director – Chairman

[redacted]
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Trustee Director

Sep 27, 2022

Date

3.4 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:

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.

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.

Transfers to and from other plans

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

Administrative and Investment Manager expenses

Administration and Investment Manager expenses are accounted for on an accruals basis.

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.

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.

3. Contributions

	2021	2020
Employer Contributions	€'000	€'000
Normal	67,282	66,861
Group Life	2,493	2,593
Other	933	899
Total Employer contributions	**70,708**	**70,353**
Member Contributions		
Normal	17,720	16,667
Additional Voluntary Contributions	10,046	7,790
Total Member contributions	**27,766**	**24,457**
Total	**98,474**	**94,810**

4. Transfers in

	2021	2020
	€'000	€'000
Transfers in - individual	9,309	5,964
Total	**9,309**	**5,964**

5. Other income

	2021	2020
	€	€
Claims on life assurance policies	2,471	4,928
Total	**2,471**	**4,928**

6. Benefits payable

	2021	2020
	€'000	€'000
Retirement lump sums	6,934	7,234
Death benefits	1,428	1,785
Purchase of annuities	2,434	3,662
Purchase of ARFs	10,522	4,824
Total	**21,318**	**17,505**

7. Payments to and on behalf of leavers

	2021	2020
	€'000	€'000
Transfers out - individual	17,552	13,044
Refunds to members leaving service	59	78
Total	**17,611**	**13,122**

8. Other payments

	2021	2020
	€'000	€'000
Premium on life insurance policies	2,493	2,593
Total	**2,493**	**2,593**

Life insurance is secured by a policy underwritten by Zurich Life Assurance plc.

9. Administrative expenses

	2021	2020
	€'000	€'000
Fees and charges paid from the Employer Reserve Account	923	882
Total	**923**	**882**

Except as noted above, administrative expenses of the Scheme are borne by Allied Irish Banks, p.l.c.

10. Investments

(a) Summary of movements in investments during the year

	Opening value 31 December 2020	Purchases at cost	Sale proceeds	Change in market value	Transferred to LGIM October 2021
	€'000	€'000	€'000	€'000	€'000
SSgA Funds					
Diversified Growth Fund	451,366	67,822	(27,426)	57,920	(549,682)
Equity Fund	584,577	52,926	(43,833)	129,758	(723,428)
Annuity Fund	19,697	24,722	(25,965)	(1,554)	(16,900)
Cash Liquidity Fund	51,668	74,864	(66,866)	(304)	(59,362)
Sub-total	**1,107,308**	**220,334**	**(164,090)**	**185,820**	**(1,349,372)**

10. Investments (continued)

(a) Summary of movements in investments during the year (contd.)

	Transferred from SSgA October 2021	Purchases at cost	Sale proceeds	Change in market value	Closing value 31 December 2021
	€'000	€'000	€'000	€'000	€'000
LGIM Funds					
Diversified Growth Fund	549,682	18,741	(6,306)	8,643	570,760
Equity Fund	723,428	10,825	(13,138)	32,063	753,178
Annuity Fund	16,900	736	(409)	35	17,262
Cash Liquidity Fund	59,362	4,142	(3,840)	(83)	59,581
Sub-total	**1,349,372**	**34,444**	**(23,693)**	**40,658**	**1,400,781**

	Opening value 31 December 2020	Purchases at cost	Sale proceeds	Change in market value	Closing value 31 December 2021
Total	**1,107,308**	**1,604,150**	**(1,537,155)**	**226,478**	**1,400,781**
Allocated to members	*1,102,453*				*1,393,105*
Not allocated to members	*4,855*				*7,676*
Total	***1,107,308***				***1,400,781***

(b) Summary of investments as a percentage of net assets

	2021 €'000	Net Assets %	2020 €'000	Net Assets %
SSgA Funds				
Diversified Growth Fund	-	-	451,366	40.5%
Equity Fund	-	-	584,577	52.4%
Annuity Fund	-	-	19,697	1.8%
Cash Liquidity Fund	-	-	51,668	4.6%
LGIM Funds				
Diversified Growth Fund	570,760	40.5%	-	-
Equity Fund	753,178	53.4%	-	-
Annuity Fund	17,262	1.2%	-	-
Cash Liquidity Fund	59,581	4.2%	-	-
Total	**1,400,781**		**1,107,308**	

The change in the 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 €7,676m. (2020: €4,855m.) and held in the Reserve Account.

(c) Concentration of investments

Excluding investments in unit linked funds as outlined above there is no investment / security that accounts for more than 5% of the Scheme's net assets as at 31 December 2021.

(d) 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:

As at 31 December 2021	Level 1	Level 2	Level 3	Total
	€	€	€	€
Pooled Investment Vehicles	-	1,400,781	-	1,400,781
Total	**-**	**1,400,781**	**-**	**1,400,781**

As at 31 December 2020	Level 1	Level 2	Level 3	Total
	€	€	€	€
Pooled Investment Vehicles	-	1,107,308	-	1,107,308
Total	**-**	**1,107,308**	**-**	**1,107,308**

(e) Investment risk

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 Legal & General Investment Management ('LGIM'). The day to day management of the underlying investments for the funds is the responsibility of LGIM including the direct management of credit and market risks.

The Trustee monitors the investments on a quarterly basis.

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 LGIM. 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.

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 LGIM.

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 equites 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 2021.

	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.

11. Current Assets and Liabilities

	2021	2020
Current Assets	€'000	€'000
Designated to members		
Bank balances	13,047	10,953
Death benefit receivable	452	-
Total designated to members	**13,499**	**10,953**
Not designated to members		
Risk premium paid in advance	-	403
Total not designated to members	**-**	**403**
Total Current Assets	**13,499**	**11,356**
Current Liabilities		
Designated to members		
Accrued benefits	4,938	2,575
Total designated to members	**4,938**	**2,575**
Not designated to members		
Risk premium received in advance	-	403
Sundry	13	-
Total not designated to members	**13**	**403**
Total Current Liabilities	**4,951**	**2,978**

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 €1,401m. as at 31 December 2021 (2020: €Nil).

13. Subsequent events

In February 2022 Russia invaded Ukraine. This has resulted in tragic human loss and dislocation by those impacted by the violence. The invasion has contributed to higher energy prices, increased inflation and disruption to supply chains. The start of the Russia-Ukraine conflict also heralded sharp falls in markets in 2022 following a year of strong returns in 2021. The Scheme's investments had no direct exposure to Russia, Belarus or Ukraine at time of invasion and minimal indirect exposure through index funds' holdings. Russian debt and equity have since been removed from all index strategies used. Market uncertainty remains high at the date of signing this Report.

There were no other events subsequent to the year-end that would require amendment or disclosure in these Financial Statements.

14. Related party transactions

(a) Trustee

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

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

(b) Principal Employer

Details of the Principal Employer are set out in Section 1.1 of this Report. There are no other associated employers participating in the Scheme at the date of this Report. Contributions are made in accordance with the Trust Deed and Rules. The operating expenses of the Scheme, including administration fees and audit fees are borne by Allied Irish Banks, p.l.c.

(c) Registered Administrator

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

(d) Investment Manager

LGIM is the Scheme's Investment Manager. Investments are in unitised funds which are registered in the Republic of Ireland.

The Investment Managers is remunerated on a fee basis calculated as a percentage of the assets under management.

15. Contingent liabilities

In the opinion of the Trustee, the Scheme had no contingent liabilities as at 31 December 2021.

16. Approval of the Financial Statements

The Financial Statements were approved by the Trustee on the following date:

Sep 27, 2022

Date

Part 4: Further Information

4.1 Statement of Investment Policy Principles

AIB Group Defined Contribution Scheme

Statement of Investment Policy Principles

1. Introduction

1.1 The Board of Directors of AIB DC Pensions (Ireland) Limited (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, the 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;
- Sustainable Investment/ Environmental, Social & Governance (ESG);
- Shareholder’s Rights Regulation 2020;
- Sustainable Finance Disclosure Regulations; 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 Sep 27, 2022 ________________________.

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 Strategy**") 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 lie 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 lists the Scheme's current investment adviser 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 recognises the importance of receiving independent professional advice when formally reviewing the Scheme's investment objectives, strategy and investment managers. As such, the Trustee appointed a professional investment adviser. The investment adviser's 's role is to assist the Trustee in relation to setting their investment objectives, implementing the decisions of the Trustee, deriving a strategy capable of achieving said objective; and the selection of appropriate investment managers who can implement the strategy. On an ongoing basis, the investment adviser assists the Trustee by monitoring the investment performance of the fund and the performance of the appointed investment managers and advises the Trustee on strategic asset allocation.

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 pension 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 Strategy) 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** O**ptions**").

For Members Managing Their Own Funds (Freestyle Options)

4.4 There is the risk that in managing their own funds members might make sub optimal 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 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 ensures 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 Strategy)

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')

4.8 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 to some degree whilst maintaining an acceptable level of liquidity for the portfolio as a whole.

4.9 As part of their compliance with the requirements set out in the Institutions for Occupational Retirement Provision (IORP) II directive, the Trustee have asked their Investment Managers to take environmental, social and governance (ESG) factors including the risks arising from climate change into consideration as part of their investment management process, in as far as this is practicable within their investment mandates, given the size, nature and complexity of the investments of the AIB Group Defined Contribution Scheme.

4.10 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 Early Years Fund, the Middle Years Fund and the derisking process as members approach retirement. It takes account of the investment beliefs used to guide the Trustee in all Scheme decision-making. The Strategic Asset Allocation (and the ranges around the SAA) may only change with agreement from the Trustee.

5. Fund options and Fund objectives

5.1 The Scheme offers members four **Freestyle Fund Options**, namely:

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

5.2 Members also have the option of entering into the Default Strategy. The L**ifestyle Strategy is the Default Strategy.** The Default Strategy invests in the "Early Years Fund" (which is currently largely passively invested in global equities) until members are within 22 years of their normal retirement age, moving gradually into the "Middle Years Fund" (which is currently mainly intended to invest in the Diversified Growth Fund and unquoted investments) between 22 and seven years to normal retirement age (together the 'Growth Phase'). Finally, over the remaining seven years to normal retirement age (the 'Pre-Retirement Phase'), members are de-risked further into one of three 'Lifestyle Options' which assets most closely match the member's likely use of their retirement account at normal retirement age

- 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**

- This Fund is intended to be suitable for those members of the Scheme with a medium risk tolerance, during the period where achieving growth in members' retirement accounts is the main objective. It is unlikely to be suitable for members closer to retirement unless they plan to continue investing post retirement in an Approved Retirement Fund.
- The Fund aims to deliver long term capital growth through investment in other investment funds and direct securities. The Fund aims to outperform the euro short term rate (€STR) (the "Cash Benchmark") by 3.75% per annum. The Fund is actively managed, and the Investment Manager has full discretion over the composition of the Fund's portfolio.
- The Fund has exposure to a diversified mix of assets including, but not limited to, equities, government bonds, corporate bonds, alternatives, and cash.
-

5.4 **The Equity Fund**

- The Equity Fund passively invests in global equities. This utilises an index-tracking Fund, which aims to replicate the performance of the MSCI ACWI Index.
- The MSCI ACWI Index is made up of shares of companies from countries in both developed markets (such as the USA, Europe and Japan) and emerging markets (such as China, Brazil and India).
- The Fund is most suitable for those who are targeting equity returns and can withstand the capital risk associated with a volatile investment.
- The Early Years Fund which is a key component of the Default Strategy currently is 100% invested in the Equity Fund.

5.5 **The Annuity Fund**

- This Fund holds long dated, high quality European bonds that seeks to aim to track annuity prices over time.
- This Fund is intended to be used by those approaching retirement targeting an annuity purchase, as the prices of these particular bonds have a close correlation with the price of annuities from life assurance companies.

5.6 **The Cash Liquidity Fund**

- This Fund is invested in short-term, euro-based assets issued by governments, high quality banks and companies.

- This Fund is intended to be used by those approaching retirement targeting a cash lump sum and those who want to be disinvested from other asset classes for a period of time.

5.7 **The Early Years Fund**

- This Fund is a key component of the Default Strategy. Members in the Default Strategy are 100% invested in the Early Years Fund until they reach 22 years from retirement at which time they are gradually switched, using quarterly adjustments, from having 100% in the Early Years fund to having 100% in the Middle Years Fund over a period of 15 years.
- The Fund is currently 100% invested in the Equity Fund (see 5.4).
- The Trustee is responsible for the Strategic Asset Allocation of the fund.
- The Fund's current investment objective is to provide long-term investment growth through exposure to global equity markets.

5.8 **The Middle Years Fund**

- The Fund is a key component of the Default Strategy. Members in the Default strategy are gradually switched into the Middle Years Fund over a period of 15 years.
- The Fund's core investment is in the Diversified Growth Fund (see 5.3), but the Middle Years Fund can also invest in other areas including unquoted assets.
- The Trustee is responsible for the Strategic Asset Allocation of the Fund.
- The Fund's investment objective is to provide long-term capital growth through investment in a multi-asset portfolio. The Fund aims to outperform the euro short term rate (€STR) (the "Cash Benchmark") by 3.75% per annum.

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 principal investment manager is Legal & General Investment Managers (Europe) Limited with additional sub investment managers appointed to manage specific asset classes from time to time within the Early Years and Middle Years Funds.

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 monthly performance reports from the principal investment manager;
- meets with investment managers other than the principal investment manager from time to time; and
- 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 Sustainable Investment / Environmental, Social & Governance (ESG)

7.1 The Trustee believes that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

7.2 By using a pooled investment vehicle for its equity investments, the Trustee accepts that the day-today application of voting rights will be carried out by the investment managers in accordance with their own corporate governance policy. These managers have in place clear policies of normally voting on all issues on behalf of its investors' best financial interests. The Trustee, in conjunction with its advisers, engages with its investment managers to obtain a statement detailing their voting policy and practice and the extent of ESG integration, consistent with such policy statements.

7.3 The Trustee has given its appointed investment managers full discretion in evaluating ESG factors, including climate change considerations and not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in future.

8 Shareholder's Rights Regulation 2020

8.1 With respect to the European Union (Shareholders' Rights) Regulations 2020, the Trustee has not developed a standalone engagement policy. The Scheme invests in units in various pooled funds that may from time to time invest in companies which are listed on EU regulated markets. However, in each case, the Scheme is one investor among others so has no direct voting rights or other means of engagement with any companies in which the pooled fund may have invested.

8.2 The Trustee, in conjunction with its advisers, engages with the managers seeking confirmation that the managers are in compliance with the Regulations. The investment horizon of the Scheme's equity investments is medium to long term in nature, and the Trustee expects the managers to use their engagement activity to drive improved performance over those periods.

8.3 The Trustee also expects investment manager appointments to be long-term in nature and assesses the performance over longer-term periods. Short term performance issues would not be expected to result in a manager termination, although other factors may necessitate change over relatively short timeframes.

9 Sustainable Finance Disclosure Regulations

9.1 Asset managers are required to publish information on how they consider the principal adverse impacts of investment decisions on sustainability factors. To the extent that information is publicly available, such information as to how the Trustee's investment managers consider sustainability risks when making investment decisions is available on their website.

9.2 A review of remuneration policies (for example their long-term nature and how they incentivise key asset management personnel) is included in the investment adviser's independent research and review of appointed investment managers.

10 Communications

10.1 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 DC Scheme Website "www.planforlife.ie" 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 the DC Scheme Website or through 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: [redacted] 6BBF67B5103445D... ______________ Date: Sep 27, 2022 ___________________________________

Name (Printed): Norbert Bannon Capacity: Trustee Chairman

Signed[redacted] 4603FE25550046D... ___________________ Date: Sep 27, 2022 ___________________________________

Name (Printed): Ian Kelly Capacity: Trustee Director

Appendix I – Current Advisers and Investment Managers

Date approved: Sep 27, 2022

Trustee Board

Norbert Bannon (Chairman)

Alan Hardie

Ian Kelly

Mike Gogan

Anne Maher

Paul O'Callaghan

Scheme Investment Adviser

Acuvest Limited
The Greenway, Ardilaun Court, 112-114, St. Stephen's Green, Dublin 2

Registered Administrator

Allied Irish Banks plc
10 Molesworth Street, Dublin 2

Scheme Administration

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

Current Scheme Investment Manager

Legal & General Investment Managers (Europe) Limited
33/34 Sir John Rogerson's Quay, Dublin, 2

Custodian

Northern Trust Fiduciary Services (Ireland) Limited
Georges Court, 54-62 Townsend Street, Dublin 2, D02 R156

Appendix II – Current Freestyle Options

Date approved: Sep 27, 2022

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 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

4.2 Investment Manager Reports

Legal & General Investment Management

Trustee Annual Report – 31 Dec 2021

AIB Group Defined Contribution Scheme

Scheme Valuation 31 Dec 2021

Fund	Total Units	Unit Price EUR (mid)	Mid Value EUR (mid)	Distribution (%)
AIB DC Equity Fund	250,958,908	3.0012	753,177,876	53.77%
AIB DC Diversified Growth Fund	323,486,456	1.7644	570,759,503	40.75%
AIB DC Annuity Fund	9,071,680	1.9029	17,262,499	1.23%
AIB DC Cash Liquidity Fund	59,664,855	0.9986	59,581,324	4.25%
Total			**1,400,781,204**	**100%**

Scheme Performance from Inception to 31 Dec 2021

Name	Launch Date	ISIN	Inception to 31/12/2021
AIB DC Equity Fund	20/10/2021	IE000XO8GLO1	4.44
MSCI ACWI Index (EUR Net)			4.42
Relative			**0.02**

Name	Launch Date	ISIN	Inception to 31/12/2021
AIB DC Diversified Growth Fund	19/10/2021	IE0001OK4JC8	1.55
ESTR+3.75%			0.77
Relative			**0.78**

Name	Launch Date	ISIN	Inception to 31/12/2021
AIB DC Annuity Fund	18/10/2021	IE000DD229B5	1.08
FTSE EMU Gov Bond Germany, Fra & Netherlands Over 15 Yr Index			0.81
Relative			**0.27**

Name	Launch Date	ISIN	Inception to 31/12/2021
AIB DC Cash Liquidity Fund	18/10/2021	IE000OA5BGE6	-0.14
Euro Short Term Rate			-0.12
Relative			**-0.02**

AIB DC Equity Fund

The **AIB DC Equity Fund** returned 4.44% from inception date 20th October 2021 to 31st December 2021.

Global equity markets delivered a broadly positive performance in the final quarter of 2021. Developed markets made healthy gains over the first half of the period before selling off amid the emergence of the Omicron variant of Covid-19, before largely recovering in the closing weeks of the year amid encouraging signs that Omicron may be milder than its predecessors, and that existing vaccines continue to offer a reasonable level of protection. Emerging markets ended the quarter in negative territory, having sold off heavily during November's rout.

US equities once again set the pace during the quarter, supported by strong economic data and healthy corporate earnings. November heralded the long-awaited start of asset purchase tapering, and despite Omicron clouding the inflation and jobs outlook this hawkish shift was redoubled in December, with the pace of tapering accelerated, suggesting scope for three interest rate rises in 2022. Growth stocks outperformed value for most of the quarter, though higher Treasury yields saw this trend reverse in December. Information technology was the leading sector in the S&P 500 index over the period, helped by a very strong showing from Apple and Microsoft. Meanwhile, fellow Big Tech giant Meta Platforms (formerly Facebook)'s decline in the wake of September's leak of internal documents apparently showing questionable business practices was a factor in the communication services sector being the weakest performer.

UK equities couldn't match the pace of their US or European counterparts, but they still delivered a positive return during the quarter. Having wrongfooted markets by failing to implement a widely expected interest rate rise in November amid rapidly rising inflation, the bank then confounded market watchers again in December by lifting rates just as fear over the Omicron variant was peaking.

European equity markets performed well over the quarter despite economic data showing a softening of the recovery in December amid renewed lockdowns in some counties and ongoing supply chain constraints. Despite the annual rate of inflation hitting 4.9% in November, Europe's central bank indicated there would be no interest rate rises during 2022.

Emerging market equities fell over the period having been hit hard by November's flight to safety. Despite showing tentative signs of recovery in December, economic data from China remained generally anaemic, leading to expectations of central bank stimulus (and a possible easing of regulatory pressures) in the new year.

Market conditions

Despite the emergence of the latest COVID-19 variant, Omicron, the fourth quarter proved to be a pretty good one for risk assets. The quarter started amid a slight pullback in equities after news broke of the variant, but it ended strongly with hospitalisations and deaths from the virus lagging previous peaks. The quarter saw policy makers grow increasingly worried about inflation, previously believed to be transitory. Accordingly, the UK joined the list of countries who have recently hiked interest rates, and the US now has 3 interest rate rises priced in for 2022.

Global REITs were the strongest performers over the quarter, benefitting from the increased rents that come with higher inflation. Elsewhere, developed market equities performed well for the most part, with US equities in local currency topping the chart. The asset class benefitted from strong returns from tech stocks in October and resilient returns from the sector in November when fears over Omicron mounted. Developed market government bonds were mostly flat on the quarter as Omicron concerns were offset by worries over rising inflation.

AIB DC Diversified Growth Fund

The **AIB DC Diversified Growth** fund returned 1.55% over the period from inception 19th Oct 2021 to 31st December 2021 against the benchmark (ETSR+3.75%) of 0.77%.

Contributions to Fund Return

Listed infrastructure, listed real estate and Europe (ex UK) equities were the main contributors to performance over the quarter. Global High Yield bonds, Japan equities and Emerging Market debt (local currency) were the main detractors from performance.

Fund Positioning

We added exposure to Indian sovereign (local currency) bonds over the quarter to enhance diversification within the Fund. India is currently not part of Emerging Market Debt local indices and the allocation complements our existing EMD local exposure. The Indian bonds offer attractive nominal and rates (similar to other EM bond markets) as well as low currency volatility given the managed currency. The bonds are also relatively uncorrelated with other EM bond markets and equities given low foreign ownership.

Furthermore, we are gradually adjusting the way we implement infrastructure as part of our listed alternatives allocation. Utilities are a significant part of the infrastructure asset base. Within these, electric utilities are increasingly challenged by a requirement to decarbonise the way they generate energy. In an investment portfolio, they tend to be responsible for a large share of the carbon emissions. We have now started to allocate a percentage of our infrastructure allocation to an ESG Infrastructure basket of stocks, derived by our team's specialists, to expose the portfolio to less carbon intensive infrastructure exposures.

* The Cash Benchmark of the Fund transitioned on 1 January 2020 as a result of the recommendation made by the working group on euro risk-free rates. Until this date performance is shown against the EONIA +3.75%. From 1 January 2020, performance is shown against €STR +3.75%

Yields on global government bonds ended the fourth quarter little changed, though the headline numbers belie significant shifts in sentiment. In the closing weeks of the quarter yields were on the rise as investors prepared for monetary tightening given persistent inflation and hawkish messaging from most policymakers, with the notable exception of the European Central Bank (ECB) and the Bank of Japan (BoJ).

AIB DC Annuity Fund

The **AIB DC Annuity fund** returned 1.08% over the period from inception 18th October 2021 to 31st December 2021.

Despite Europe facing inflationary pressures, with annual inflation rising to 4.9% in November, the ECB continued to reassure that it would remain highly accommodative. ECB President Christine Lagarde said in early December that the bank was 'very unlikely' to raise rates in 2022, and although the €1.85 trillion Pandemic Emergency Purchase Programme will be gradually wound down, this will be offset by the older Asset Purchase Programme being expanded. European government bond yields nonetheless rose in December given the inflation backdrop.

AIB DC Cash Liquidity Fund

The **AIB DC Cash Liquidity fund** returned -0.14% over the period from inception 18th October 2021 to 31st December 2021.

Euro money market rates declined over the fourth quarter, as the European Central Bank (ECB) continued to reassure markets that ultra-loose monetary policy remains the right course of action, in marked contrast to an increasingly hawkish US Federal Reserve and Bank of England.

Economic data over the quarter was generally resilient, though by December the recovery appeared to be slowing amid a surge in Delta variant cases as well as mounting fears over the inevitable rise in Omicron cases in the weeks ahead. The IHS Markit Eurozone Composite PMI came in at 53.3 in December, down from 55.4 in November. The manufacturing measure fell

to its lowest level since February as a result of subdued demand and ongoing supply shortages. The services measure hit its lowest level since April.

The annual rate of inflation, meanwhile, rose to 4.9% in November from 4.1% in October, the highest reading since July of 1991 and well ahead of the 2% target. Core inflation rose from 2% to 2.6% over the same period.

Speaking at the start of December ECB President Christine Lagarde said the bank was 'very unlikely' to raise interest rates in 2022. Beyond this, Lagarde offered market watchers little in the way of direction, stating that the bank stood ready to act in 'both directions' in reference to either higher inflation (indicative of a need for higher rates) or further economic fallout from new strains of Covid-19 (suggesting looser policy). While some observers have noted that further lockdowns as a result of

Omicron could further entrench inflation by increasing demand for goods (putting further pressure on supply chains) over services, Lagarde countered that soaring energy prices were the dominant factor in recent inflation rises, giving her confidence that pressures would ease by the end of 2022.

The ECB's meeting later in the month again suggested no imminent change of policy direction. Although the bank said it would gradually scale back the €1.85 trillion Pandemic Emergency Purchase Programme, leading to the scheme being wound down by March, it simultaneously opted to expand its older Asset Purchase Programme, with purchases continuing for 'as long as necessary'.

Jens Weidmann, Germany's outgoing head of the Bundesbank, was again among the dissenting voices, arguing that maintaining ultra-loose policy for too long risked a damaging inflation overshoot.

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STATE STREET GLOBAL ADVISORS

Annual Investment Commentary - AIBDC

State Street IUT Total Equity Fund

The total return for the Fund during 1 January 2021 to October 20, 2021 was 22.11% and the benchmark, FTSE All World (Net Lux), was 22.00%. 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.

Over the period 1 January 2021 to 31 December 2021, global equity markets experienced positive returns as measured by FTSE All World Index (27.39%, in EUR). Developed market equities, as measured by FTSE All World Developed Index (30.60%, in EUR), significantly outperformed emerging market equities, as measured by FTSE All World Emerging Markets Index (7.68%, in EUR). While the year started off by overcoming concerns regarding potential virus-driven restrictions as a successful roll out of vaccinations and the promise of a fiscal and monetary stimuli lifted investor sentiments. However, the subsequent slow pace of vaccine distribution and concerns around a longer-than-anticipated timeline for economic recovery led to global markets stumbling for a short period. Nevertheless, with majority of adults receiving at least one dose of the vaccine and the number of people being hospitalized with COVID-19 being much lower than at the start of the year, the continued rally was a signal of investors looking ahead to a sustainable reopening of economies. Incoming economic data in the second half of 2Q21 pointed to continued robust global recovery cycle despite persistent headwinds, including supply chain disruptions, new variants of coronavirus and potential central bank tightening on inflationary concerns. Equities continued to rally throughout the first half of 2021, aided by the strong economic recovery across key developed markets, with cyclical and value assets outperforming growth in the first quarter.

Global equities experienced poor performance during the third quarter of 2021, with the Chinese equity markets dragging the overall emerging market (EM) equities down and the developed market equities having a flat quarter after a moderate decline in September erased the quarter's prior gains. Globally, the vaccine rollout made decent progress and reopening continued during the quarter, with a number of developed markets further lifting restrictions. Economic data remained strong; however, much of the developed markets appeared to be at or just past the peak rate of growth. There were also concerns regarding a peak in the rate of economic growth, supply disruptions and rising inflation. Equity markets recovered in the last quarter of the year, after a weak start that continued from the previous quarter, amid strong earnings growth. The emergence of the highly infectious Omicron variant led to a spike in equity market volatility at the end of November and markets stumbled globally as rising hospitalizations in parts of Europe and concerns about the new variant dominated sentiment across regions. However, the recovery was quick as data from South Africa and the UK indicated a lower risk of severe disease and the equity markets continued with its momentum through the quarter with many stocks reaching new highs. Small caps lagged behind large caps over the quarter as growth prospects of small caps remained doubtful. Global economic activity continued to expand in the fourth quarter, albeit at a measurably moderate pace, with several factors contributing to multiple headwinds. Supply chain bottlenecks continued to persist and sapped growth momentum during the quarter. Rising COVID-19 cases toward the end of the quarter triggered disruption to services and created further bottlenecks related to labor, transportation and goods. Key central banks across regions pivoted to a hawkish stance amid persistent high inflation, thereby increasing the risk to growth momentum in early 2022. While the Chicago Board Options Exchange's CBOE Volatility Index (VIX) posted negative returns in both 1Q and 2Q, indicating reduced market volatility, the index rose by 46.17% (in USD terms) over the third quarter, indicating a reasonable increase in the market volatility. However, the index fell by 18.5% over the fourth quarter, indicating a decline in market volatility towards the end of the year.

State Street IUT Euro Core Treasury Long Bond Index Fund

For the 12 months ended December 31, 2021 (the "Reporting Period"), the total return for the fund was -8.33% and the benchmark, a custom Bloomberg Barclays Global Treasury Bond Index, was -8.29%. 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.

2021 was a tumultuous year; on the one hand, the world pushed forth vaccination against COVID-19. On the other hand, witnessed multiple waves of variants of the virus, rising inflation, and health safety disruptions caused volatility. Throughout the year, nations announced stimulus packages to support fighting the pandemic and sustaining economies. Global central banks too turned hawkish in light of rising inflation though they called it "transitionary" for a large part of the year.

During the first quarter of the year, Reflation became a recognized theme. Forecasts of inflation rose significantly following fiscal and central bank stimulus and the improving global growth momentum. Yields across the Euro bloc rose substantially, German 10y bund rose from -0.52% as at end of 2020 to -0.32% by March, hitting levels last seen during the pandemic peak in 2020. Periphery nations followed core nations in this trend, Spanish and Greek 10y yields increasing by 27 and 25bps, respectively. As vaccine rollouts gained steam and the pandemic seemed to have reigned in, sovereign bond markets stabilised mid-year, with yields dropping slightly between March and June and remaining stable till September. Countries slowly began easing Covid restrictions but the growth prospects halted with the arrival of the Delta variant and countries re-introduced restrictions. Supply chain bottlenecks stretched capacities

Towards the end of the year, inflation dominated headlines, with hawkish central bank tilts becoming more prominent. Though the year ended with yields closer to the Q3 levels, volatility widened yield spreads. Further, the appearance of a new Covid variant called "Omicron" halted markets as the number of new daily Covid cases in the euro-zone reached its highest level since the Pandemic started back in March 2020. The spread of the Omicron variant had a stronger impact on the services sectors as restriction on activity and renewed hesitancy among customers dented demand. During their MPC in December, the ECB announced a reduction of PEPP net purchases in 1Q22 and the end of net PEPP purchases in March 2022 but underlined its commitment to policy flexibility in the context of stressed conditions. The story of fixed income in 2021 echoed the term "volatile" with inflation and COVID raising yields in the first quarter and last quarter of the year, while sporadic lifting of restrictions mid-year gave some relief to investors.

State Street IUT Euro Liquidity Fund

The Governing Council of the European Central Bank (ECB) kept rates unchanged in Q3 as expected; the deposit rate thus remains at -0.50%, the main refinancing rate at 0%, and the marginal lending rate at 0.25%. In September, the ECB announced a "recalibration", deciding to "moderately" lower the pace of bond purchases in Q4. The Pandemic Emergency Purchase Program (PEPP) remains at €1.850 trillion until at least March 2022, with ECB President Lagarde making it clear that the future of the emergency program and the APP program would not be decided until the December meeting. The ECB also announced that the Council will decide in December on the future of the liquidity operations (the last scheduled TLTRO III transaction will take place in December). The Council mentioned that it remains comfortable with current market expectations that the interest rate lift-off is still several years away.

President Lagarde did recognise that the risks to the inflation outlook may be shifting to the upside and put focus on the current round of wage negotiations. Headline inflation remains elevated, energy prices have increased, and staff shortages and supply chain bottlenecks remain issues, all fuelling inflation fears. At the end of September, the futures markets were pricing in a 4% probability that the overnight rate will be around one basis points (bps) higher by September next year. After the latest inflation data, the market is pricing the first interest rate move in mid-2023, which seems optimistic given the ECB has stated its preference to avoid premature tightening that would be detrimental to the economy. The ECB has communicated that the December meeting will be the timeframe for further policy updates.

The eurozone economy grew faster than expected in the second quarter, with GDP expanding 2.2% quarter-on-quarter (q/q), following two quarters of contraction. On a year-on-year (y/y) basis, GDP expanded by 14.3%. Amongst the major economies, Spain grew by 1.1% q/q; Italy grew 2.7% q/q; Germany grew 1.6% q/q and France's growth was revised higher to 1.1% q/q. On the back of a stronger second quarter number, the ECB revised their GDP growth projection for this year to 5% (from 4.7% in June). For 2022 and 2023, the ECB expects eurozone GDP growth to come in at 4.6% (from 4.7%) and 2.1% (unchanged), respectively.

The eurozone's headline inflation rate continued to trend higher to 3.4% in September up from 3% in August, leaving it higher than the ECB's forecast of 3.1% for Q4, Market expectations indicate it may rise to 4% by the end of the year and fall back more slowly than previously expected. Food inflation was little changed in the latest month, but energy inflation rose from 15.4% to 17.4% due to the combined impact of rising oil, electric and gas prices. Core inflation (which excludes energy, food, alcohol and tobacco) rose to 1.9% in September, up from 1.6% in August, to stand at its highest level since November 2008. The ECB revised their projections for inflation upwards across the time horizon to: 2.2% in 2021, 1.7% in 2022 and 1.5% in 2023, from 1.9%, 1.5% and 1.4%, respectively.

Fixed income markets weakened in the final month of the quarter, with benchmark 10-year US and German yields ultimately ending unchanged for the period. UK bonds were weaker as the Bank of England adopted a more hawkish tone and markets began pricing a possible rate hike in early 2022. In eurozone money markets, short-dated rates remained anchored by the ECB's commitment to current low policy rates. The EURIBOR curve was barely changed with the three-month rate remaining at -0.55%. In the US, three-month USD LIBOR edged lower to 0.13% from 0.15%. In the UK, the three-month GBP LIBOR was ultimately flat at 0.08%.

We continue to selectively target high-quality credit issuers. Asset-backed paper remains in good supply, offering flexible duration and attractive returns compared to vanilla paper. September's quarter-end was challenging as collateral givers and bank cash deposit takers reduced their requirements, as balance sheet contractions and regulatory requirements kicked in. As always, liquidity and capital preservation remained the key drivers for the portfolio, with yield a distant third.

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