



AIB Group Irish Pension Scheme (Defined Benefit Scheme)

MEMBERS' NEWSLETTER
JUNE 2024



Chairman's message



Welcome to the 2024 AIB Group Irish Pension Scheme (the Scheme) newsletter which updates you on the progress of the Scheme and other relevant matters.

We were very saddened by the death of Dave Keenan, our Trustee Director colleague, who passed away in August 2023 following a short illness.

Dave was a valued member of the Board, an active contributor, and always friendly and collegiate. This led to high-quality robust decisions for our 15,000+ Scheme members. We miss his experience, wisdom, style and friendship. My colleagues and I extend our deepest sympathy to Dave's family and wide circle of friends.

We have had other notable and important changes to the Board. Frank O'Riordan, John Feely and Dara Rowley, all expert, experienced and long-standing Trustee Directors, retired. I, along with my co-Trustee Directors, would like to thank Frank, John and Dara for their significant contributions, debate and vigilance in overseeing the Scheme. The Scheme and its members are better off thanks to the efforts of Frank, John and Dara over the years.

We also welcomed new members to the Board. I am glad to formally welcome Arlynejane Divilly, Ed Murray, Donal O'Flaherty and Brian Buggy as incoming Trustee Directors.

Arlynejane is an investment management professional with extensive international executive experience across corporate finance, capital markets, investment banking and private equity. Ed is a qualified pension trustee and investment manager with over 25 years of experience. Donal is an actuary with more than 16 years' pensions advisory and over 30 years' financial services experience. Brian is a solicitor by profession with an extensive track record in pensions and employee benefits.

Your Trustee Directors and I are looking forward to working with Arlynejane, Ed, Donal and Brian on important Scheme matters on behalf of our members.

High standards of governance are a key theme of the Board's work. Our diverse, skilled, capable and experienced Board continues to oversee the Scheme and its various operations.

The Trustee has an established track record of protecting the Scheme against investment volatility and interest rate and inflation risk. This year, the Trustee carried out a formal Own Risk Assessment, with the support of its Risk Management Key Function Holder, as required under the Pensions Act. This involved a periodic, structured and thorough assessment of the risks faced by the Scheme. Its overall purpose is to ensure member benefits stay well-protected and that the Scheme continues to deliver good member outcomes. A key finding in the assessment was that the Trustee has spent significant time and effort in ensuring that there are robust governance risk management structures in place for the Scheme. This implementation has led to reduced risk exposures in areas such as investment, sponsor covenant and scheme management.

In another important exercise, the Trustee's Internal Auditor, BDO, assessed the design of the Scheme's governance arrangements based on the requirements of the Pension Authority's Code of Practice. The Trustee was pleased to receive an overall 'Substantial' assurance rating from the Auditor following this review. This means that in the Auditor's view there is a sound system of internal control in place designed to achieve the Scheme's objectives.

The Trustee is currently working with the Scheme Actuary to carry out the 2024 formal triennial assessment of the Scheme's assets and liabilities, as well as reviewing the investment governance arrangements to ensure they continue to meet best practice standards, both in Ireland and internationally. Once this review is complete, the Trustee will start a full investment strategy review to ensure that the profile of the investments continues to appropriately reflect the Scheme's maturing membership and its objectives.

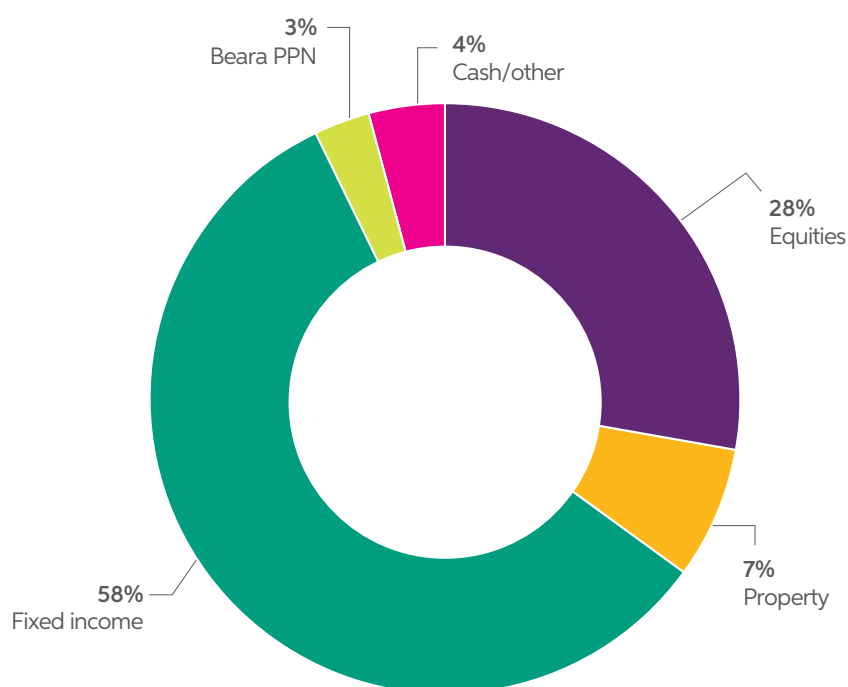
I trust you find this newsletter interesting and useful. The Trustee acknowledges, appreciates and values the continued support it receives from the Bank and its staff, as well as our advisors and service providers. I would also like to thank my Trustee colleagues, both current and past, for the effort, time and expertise they devote to member interests in the operation of the Scheme.

Gary Byrne
Chairman, AIB Group Irish Pension Scheme

Investment update

The Trustee holds the Scheme's assets under trust in a fund which is separate from the Bank. The assets, which are held exclusively for the benefit of members and their dependants, are used to provide income in retirement, on death or on leaving the Scheme. To ensure their safekeeping, the Trustee has appointed a custodian, BNY SA/NV Dublin Branch, to administer and mind the majority of the assets. The balance of the assets are secured on a separate or individual basis given the nature of the asset(s) concerned.

Asset breakdown at 31 December 2023



Over the course of 2023, the Trustee sold equities and increased its holdings in interest rate and inflation-protecting assets. This will continue to help protect the Scheme against future investment market volatility and unexpected inflation.

The Trustee's investment objective is to generate real rates of return over time in a risk-adjusted manner, after allowing for inflation.

The Scheme enjoyed a positive year from a financial perspective. The assets increased from €4.55 billion to €4.75 billion over the 12 months to 31 December 2023. This takes account of benefit payments and transfers out of the Scheme, which totalled €175 million. No contributions were due or received from the Bank during the year.

The going-concern funding level improved from 110% to 117% over the same period, while the Scheme continued to meet its statutory liabilities. As at 1 January 2024, the Scheme had a net Funding Standard surplus of €1.18 billion, equivalent to a Funding Standard level of 133%.

The assets are invested across a diversified portfolio of investments, the value of which can go up as well as down in line with changes in investment markets. Over the course of 2023, and in a similar manner to 2022, the Trustee took advantage of high equity market valuations to sell €150 million of equities, lock in associated investment gains, and increase its holdings in interest rate and inflation-protecting assets. This will continue to help protect against future investment market volatility and unfavourable inflation and interest rate movements.

The Trustee also carried out a significant project to develop and implement a 'cashflow-aware' portfolio of assets. This portfolio recognises that an important Scheme objective is to have sufficient cash to pay benefits

as they fall due. The portfolio restructured certain elements of the fixed income assets into income-generating assets which more appropriately reflect the Scheme's expected liability requirements. This increases the likelihood that the Scheme will have sufficient income to pay pension benefits when due without the need to liquidate assets.

In 2024, the Trustee commenced a significant project to review its investment governance structure. This will ensure that the Scheme continues to operate on a best-practice basis. This project is due to conclude later this year. Once complete, the Trustee plans to undertake an investment strategy review with the support of its investment advisors.

The Trustee awarded a discretionary pension increase for eligible pensions. This increase was in line with the CPI to February 2024, which was 3.4%. The Bank approved a pension increase of 2.25% for the small number of pensions subject to Bank consent, while all other pensions increased in line with the Trust Deed and Rules. All increases were payable from 1 April 2024. The accrued benefits for members who have not yet retired were increased by 4%, reflecting statutory revaluation.

2024 pension increases

The Trustee reviewed pensions in payment for all eligible pensioners in March this year, as required under the Trust Deed and Rules.

The review took account of a range of factors, including the advice of the Scheme Actuary and the Risk Management Key Function Holder, updated financial and investment circumstances, the financial health of the Scheme, its long-term objectives and future projections, and the cost of pension increases.

The Trustee also considered the increase in the Consumer Price Index (CPI) over the 12-month period to the end of February 2024, the interests of all members, past practice, sustainability and risk (in particular, investment risk), as well as the Bank's determination that discretionary pension increase funding was not appropriate for 2024.

Following this review, the Trustee approved a pension increase in line with the CPI to February 2024 which was 3.4%. This was payable from 1 April 2024 for eligible pensioners.

In addition, the benefits for members who have not yet retired were increased by 4%, reflecting the statutory revaluation as published by the Minister for Social Protection in early 2024.

Some members are eligible for non-discretionary pension increases (a minority of members). These pensioners receive pension increases in line with the Scheme Rules. The Bank approved an increase of 2.25% for a small number of pensions that require Bank consent.

Membership

Benefits of €175 million were paid to pensioners and other beneficiaries during 2023. A breakdown of the membership and how it changed during 2023 is set out in the following table.

	31 December 2022	31 December 2023	Change
Deferred members (currently in service with AIB)	3,950	3,767	-183
Deferred members (former employees of AIB)	7,244	7,507	+263
Pensioners	4,349	4,491	+142
Total	15,543	15,765	+222*

*The membership statistics were reviewed in 2023. Following this review, some adjustments were made to the way membership was recorded, largely relating to deferred members.



Other updates for members

2024 Pension Benefit Statements

Annual Pension Benefit Statements were issued to all members still in service with the Bank in April of this year. Pension Benefit Statements will be issued later this year to members who have left the Bank's service.

These statements set out your individual deferred pension benefits in accordance with regulatory requirements. You are encouraged to check your information and contact the Pension Administration Team if any corrections are needed.

2023 Annual accounts and Trustee Annual Report

The full set of audited accounts and a Trustee Annual Report for the year ending 31 December 2023 will be available shortly on www.planforlife.ie.

Information for your family

In the event of your death, the Scheme offers valuable benefits for your family, including pensions for eligible spouses and children. In such circumstances, it is important that your family contacts the Scheme directly and without delay by email to pensions@aib.ie and/or phone [01-7726640](tel:01-7726640). Written notification should also be sent to AIB Pensions Team, 2nd Floor, Central Park, Sandyford, Dublin 18. The Team will then be able to tell your family members what information is required to, for example, set up new benefits and/or cease existing benefits.

Transfer values

The Scheme is a defined benefit pension scheme. This means that when you retire you are eligible for a pension which is payable for the remainder of your life.

Some members may be considering taking a transfer value. This is a cash lump sum which is available to transfer to another Revenue-approved retirement arrangement if you have left the Bank's service. You are entitled to a transfer value if you take it within two years of leaving service. If you left more than two years ago, it is payable at the discretion of the Trustee. The Trustee policy on transfer values (including how often you can request an up-to-date transfer value) is reviewed from time to time and a copy is available from the Administrator on request.

It is important to be aware that if you take a transfer value, you give up your entitlement to the pension payable for life to you and your spouse (if applicable). This is a significant decision that cannot be reversed.

As the Trustee does not provide financial advice, it is therefore extremely important to seek your own independent financial advice to ensure that you understand the implications of this significant decision. A list of authorised advisors can be found at www.CentralBank.ie.

Certificate of existence

The Administrator periodically carries out an exercise to ensure the continuing eligibility of all pensions in payment. If you are a pensioner and are asked to participate in this exercise, please respond as requested in the letter. This is important to ensure your pension benefits continue to be paid uninterrupted.

Trustee Board

Gary Byrne (Chair)	Brian Buggy	Arlynejane Divilly	Jessie Doherty
Lar Fant	Ed Murray	Donal O'Flaherty	Claire Walsh

Scheme Secretary

Roma Burke, Lane Clark & Peacock Ireland Limited

Board committees

The subcommittees that report into the Trustee Board comprise:

Audit and Risk: Donal O'Flaherty (Chair), Gary Byrne and Jessie Doherty. This committee was formed following the merger of the Risk and Audit Subcommittees earlier this year.

Investment: Arlynejane Divilly (Chair), Gary Byrne, Lar Fant, Ed Murray and Donal O'Flaherty.

Member Matters (including ill health): Gary Byrne (Chair), Lar Fant and Claire Walsh.

Principal service providers to the Scheme

Administrator

Allied Irish Banks, p.l.c., Manager Orla D'Arcy

Sub-Administrator

Aon Solutions Ireland Ltd, Director Frank Keating

Scheme Actuary

Liam Quigley FSAI, Mercer Ireland Limited

Risk Management Key Function Holder

Deirdre Coyle, Willis Towers Watson

Internal Audit Key Function Holder

Brían Gartlan, BDO Ireland

Legal Advisors

Arthur Cox, Sacker & Partners

External Auditor

Deloitte Ireland LLP, Chartered Accountants and Statutory Audit Firm

Custodian

BNY SA/NV Dublin Branch

Bank

Allied Irish Banks, p.l.c., Allied Irish Bank (GB)

Principal Investment Managers

Amundi Asset Management

Allied Irish Banks, p.l.c. (as Servicer of the Beara DAC Profit Participating Note)

Legal & General Investment Management Limited

Barclays Bank p.l.c.

Irish Life Investment Managers Limited

Goldman Sachs Asset Management International

PIMCO Europe Limited

Irish Property Unit Trust

If you have a question about the Scheme or your benefits, please contact the Pension Administration Team.

Email: myaibpension@aon.ie **Phone:** 1800 806 133.

Key contacts

Frank Keating

Manager

Pension Administration Team

AIB Group Irish Pension Scheme

Aon, Hibernian House, Building 5200

Cork Airport Business Park, Cork

Roma Burke

Scheme Secretary

AIB Group Irish Pension Scheme

Allied Irish Banks Pensions Limited

c/o Lane Clark & Peacock Ireland Limited, Office 2

Grand Canal Wharf, South Dock Road, Dublin 4

Errors and omissions excepted

This newsletter does not form part of your terms and conditions of employment. All figures quoted in this newsletter are provisional and are subject to audit. The Scheme is governed by a Trust Deed and Rules (as amended). To the extent that there is any contradictory information in this newsletter, the terms of the Scheme shall prevail.