



Compliance with the European Union (Capital Requirements) Regulations 2014

The legal basis for implementing Basel III is the European Union (“EU”) adopted legislative package known as CRD IV, which came into force on 1 January 2014.

CRD IV package consists of the Capital Requirements Regulation (“CRR”) which is directly applicable across all firms in the EU, and the Capital Requirements Directive (2013/36/EU), which required implementation by member states of the European Economic Area through national law. The package was amended in 2020 through the introduction of CRD V and CRR II and further revisions are anticipated through the implementation of the Basel IV standards.

Ireland transposed the Capital Requirements Directive (2013/36/EU) into domestic law on 31 March 2014 by means of the European Union (Capital Requirements) Regulations 2014 (S.I. 158/2014) (“CRD”).

Regulation 84 of CRD requires institutions to explain, on their website, how they comply with the requirements of Regulations 76 to 83 of CRD, which relate primarily to governance, remuneration, and reporting and which are dealt with in dedicated sections below.

This document sets out how EBS d.a.c. (“EBS”) complies with Regulations 76 to 83.

1. Governance

Corporate Governance Arrangements and Practices

EBS is a wholly owned, separately licensed subsidiary of Allied Irish Banks, p.l.c. (“AIB Bank”), which operates as a specially licensed, branded mortgage and deposit distribution channel of AIB Group plc and AIB Bank (together “AIB Group”). EBS conducts its own corporate governance in line with the Central Bank of Ireland Corporate Governance Requirements for Credit Institutions 2015 (the “Requirements”) and the AIB Group Subsidiary Governance Framework. The governance framework of which encompasses the leadership, direction and control of AIB Group plc and its subsidiaries (collectively referred to as “AIB”, the “Group” or the “AIB Group”), reflects best practice standards, guidelines and statutory obligations and ensures that the organisation and control arrangements are appropriate to the governance of AIB Group’s strategy, operations and mitigation of related material risks.

The governance framework underpins effective decision making and accountability and is the basis on which we conduct our business and engage with our customers and other stakeholders.

The Group’s governance arrangements include:

- a Board of Directors of sufficient size and expertise, the majority of whom are Non-Executive Directors, to oversee the operations of the Group, led by a Chair who has the relevant qualifications, expertise and background to effectively conduct that role;
- a Chief Executive Officer (“CEO”) to whom the Board has delegated responsibility for the day-to-day running of the Group, ensuring an effective organisation structure, the selection, motivation and direction of senior executive management, and for the operational management, compliance and performance of all the Company’s businesses;
- a clear organisational structure with well defined, transparent and consistent lines of responsibility;

- a framework and policy architecture which comprises a comprehensive and coherent suite of frameworks, policies, procedures and standards covering business and financial planning, corporate governance and risk management; effective structures and processes to identify, manage, monitor and report the risks to which the Group is or might be exposed, including a three lines of defence risk governance model;
- adequate internal control mechanisms, including sound administrative and accounting procedures, IT systems and controls, people policies and practices, including remuneration that are consistent with and promote sound and effective risk management; and
- a strong and functionally independent internal audit function.

In the context of the AIB Operating Model, the Managing Director of EBS reports to the AIB Managing Director of Homes, who reports to the AIB Managing Director of Retail Banking. The AIB Managing Director of Retail Banking is a Member of AIB Group's Executive Committee and reports directly to AIB's CEO.

Separately licensed and regulated by the Central Bank of Ireland ("CBI"), EBS operates as a standalone, separately branded mortgage and savings business with its own branch network.

EBS has its own: (i) Board of Directors, which is comprised of Executive Directors, Independent and Group Non-Executive Directors; (ii) Managing Director to whom the Board has delegated responsibility for the day-to-day running of the Company; and (iii) a Senior Management Team comprising strong and diverse management capabilities.

Committees

The Board is assisted in the discharge of its duties by its Board Audit Committee which operates under Terms of Reference approved by the Board. Minutes of the EBS Audit Committee are considered by the AIB Group Board Audit Committee and EBS Board.

EBS operates in accordance with the AIB Group Subsidiary Governance and Risk Management Frameworks.

In accordance with the Requirements, as part of the wider AIB Group, EBS relies on the AIB Group Board Risk Committee, which has responsibility for oversight of the Group's current risk exposures and future risk strategy. It also relies upon the Group Nomination and Corporate Governance Committee and Remuneration Committee under the Requirements.

Notwithstanding the reliance on AIB Group, the EBS Board receive regular updates from the AIB Group Risk function and the EBS Strategy and Change Unit on risk and control matters. An update on the standard of services provided to EBS by AIB functions under a Managed Services Agreement is provided to the Board on a quarterly basis.

Role of the Chair and Managing Director

The role of the Chair is separate from the role of the Managing Director, with clearly-defined responsibilities attaching to each which are set out in writing and agreed by the Board. The Chair of the Board of EBS leads the Board, setting its agenda, ensuring Directors receive adequate, accurate and timely information, facilitating the effective contribution of Non-Executive Directors and in conjunction with the Company Secretary, the proper induction of new Directors, the on-going training and development of all Directors and reviewing the performance of individual Directors. The Managing Director is responsible for the day-to-day running of EBS.

Time Commitment, Induction and Professional Development, and Other Directorships

Directors' letters of appointment, as well as dealing with terms of appointment and appointees' responsibilities, stipulate that a specific time commitment is required from Directors. Before being appointed, Directors disclose details of their other significant commitments along with broad indication of the time absorbed by such commitments. The agreement of the Chair must be sought before accepting any additional commitments that might affect the time the Non-Executive Director is able to devote to his or her role at EBS.

Non-Executive Directors are required to devote such time as is necessary for the effective discharge of their duties. The estimated minimum time commitment set out in the terms of appointment is 14 days per annum including attendance at Board and Audit Committee meetings. EBS has a comprehensive induction process in place for new Directors, the contents of which varies for Executive and Non-Executive Directors. In respect of the latter, the induction is designed to provide familiarity with the EBS Group and its operations, and comprises the provision of relevant briefing materials, including details of the EBS and Group's strategic, business and financial plans, and a programme of meetings with the Managing Director and the Senior Management of various business areas and support and control functions. A programme of targeted and continuous professional development to refresh skills and knowledge is in place for Non-Executive Directors as part of the overall Group Board training programme.

EBS is not subject to the Directorship limitations established under Regulation 79 of CRD as it is not designated as significant under Regulation 64(5) of CRD. The Directors adhere to the limitations on the number of directorships permitted to be held by them under the Requirements.

Code of Conduct and Conflicts of Interest

Directors are required to operate to the highest ethical standards in compliance with all relevant laws, regulations and codes relevant to the conduct of EBS' business.

The AIB Group Board approved Code of Conduct and Conflicts of Interest Policy for Directors sets out how actual, potential or perceived conflicts of interest are to be evaluated, reported and managed to ensure that Directors act, at all times, in the best interests of the Group and its stakeholders. The AIB Group Conflicts of Interest Policy for Directors has been adopted by the EBS Board.

EBS Directors that are employees of AIB Group, are also subject to the Group's Code of Conduct and Conflicts of Interests Policy for employees.

Fitness & Probity

EBS complies with the continuing obligations under the Central Bank of Ireland's Fitness & Probity regime. An audit of Directors is carried out on an annual basis where Directors are asked to confirm whether they are aware of any material developments in relation to their compliance with the Fitness & Probity Standards of which AIB and EBS ought to be aware.

EBS Board Appointments

EBS is not subject to the requirement under Regulation 76 of CRD to establish and maintain a nomination committee as it is not designated as significant under Regulation 64(5) therein.

The AIB Group Nomination and Corporate Governance Committee ("NomCo") is the vehicle through which EBS Board composition is reviewed. NomCo is comprised of Non-Executive Directors and the Chair of AIB and operates as a committee of the AIB Board. NomCo's responsibilities include the consideration and, if thought fit, approval of proposals for the appointment of the Chair of the Board of EBS and the EBS Managing Director; the review of EBS board membership at least once every three years; the formal review of membership of the Board

of any person who is a member for nine years or more and documentation of its rationale for any continuance; and the evaluation of the suitability of persons identified for appointment to the EBS Board and recommendation of such appointments to the EBS Board for approval. The Terms of Reference of the NomCo are reviewed annually by the Committee and approved by the AIB Group Board. These are available on AIB's website at <https://aib.ie/investorrelations>.

Diversity and Inclusion

Employee diversity and inclusion across AIB Group is addressed through policy, practices and values which recognise that a productive workforce comprises of diverse backgrounds, cultures, experiences, characteristics and work styles. AIB Group opposes all forms of unlawful or unfair discrimination. The efficacy of related policy and practices and the embedding of Group values is overseen by the AIB Board.

In accordance with CRD Regulation 76(4)(a)(iv), the EBS Board has a Board Diversity Policy which reflects the Board's recognition of the benefits of diversity among its own Members, including diversity of skills, experience, background, gender, ethnicity and other qualities, and is committed to achieving the most appropriate blend and balance of diversity possible over time. The search for Board candidates will continue to be conducted, and nominations/appointments made, with due regard to the benefits of diversity on the Board. However, all appointments to the Board are ultimately based on merit, measured against objective criteria, and the skills and experience the individual can bring to the Board. Where external search firms are engaged to assist in a candidate search, they will be requested to aim for a fair representation of both genders to be included in the initial list of potential candidates so that NomCo has a fair list from which to select candidates for interview.

2. Remuneration

Remuneration policy and governance

EBS places reliance on the AIB Group Remuneration Policy, which sets the framework for all remuneration policies, procedures and practices for all employee and Directors of AIB Group. The Group's remuneration practices have operated under a number of constraints arising from State ownership, principally under the terms of Placing and Subscription Agreements entered between the Group and the State and through commitments provided by the Group to the Minister for Finance in respect of remuneration practices. These constraints, which were eased by the Government in November 2022, cover the remuneration of Directors, employees and service providers across the Group. Further details in respect of the operation of the Group's remuneration policies and practices are outlined in AIB's Annual Financial Report.

The Remuneration Policy is governed by the AIB Group Remuneration Committee ("RemCo") on behalf of the Board. RemCo is responsible for determining the Remuneration Policy and for overseeing its implementation. RemCo oversees the operation and effectiveness of the Remuneration Policy, including the process for the identification of Material Risk Takers. RemCo's governance role in this respect is outlined in its Terms of Reference. The Group's remuneration philosophy aims to ensure that remuneration is aligned with performance and that employees are rewarded fairly and competitively for their contribution to the Group's future success and growth. The Group is committed to a simple, transparent and affordable reward structure which is fair, performance based, externally aligned and risk aligned. The scope of the Remuneration Policy includes all financial benefits available to all employees and Directors of AIB Group and extends to all areas, including all individual subsidiaries, entities, branches and to all employees of the Group, including at consolidated and sub-consolidated levels.

RemCo further ensures that the Remuneration Policy and practices, are subject to a review at least annually, taking into account the alignment of remuneration to the Bank's culture for all employees and Directors. The annual review is informed by appropriate input from the Group's

risk, compliance and internal audit functions to ensure that remuneration policies and practices are operating as intended, are consistently applied across the Group and are compliant with regulatory requirements. Taking into account the constraints on variable remuneration in place, the Group has historically complied and continues to comply with the UK Corporate Governance Code where such matters are within the Group's control. The Code is used to inform the Group's decision-making and disclosures. The Group complies with the relevant remuneration requirements of S.I No. 81/2020 – European Union (Shareholder's Rights) Regulation 2020.

Remuneration policies, procedures and practices reflect the provisions, where applicable, of national and EU legislation, State Agreements and commitments provided to the Irish Government, the Capital Requirements Directive (CRD V), the Investment Firms Directive (IFD) and relevant guidelines issued by the European Banking Authority (EBA) and other regulatory authorities. In the general absence of variable incentive schemes, there was little scope in practice to apply the provisions of the EBA Guidelines pertaining to variable remuneration. The Remuneration Policy incorporates the provisions of the EBA Guidelines in relation to the ongoing design, implementation and governance of remuneration.

The Group publishes additional remuneration disclosures in the annual Group Pillar 3 Report. These disclosures provide further detail in relation to the Group's decision-making process and governance of remuneration, the link between pay and performance, the remuneration of those employees whose professional activities are considered to have a material impact on the Group's risk profile and the key components of the Group's remuneration structure. The Group's Pillar 3 Report is available on the Group website.

The Group is required to maintain a list of employees whose professional activities are considered to have a material impact on the Group's risk profile (i.e. Material Risk Takers). The list of Material Risk Takers is prepared using a combination of qualitative and quantitative criteria in accordance with the relevant EU regulations and guidelines together with additional criteria specific to AIB's structure, business activities and risk profile. Further details in relation to the composition and remuneration of Material Risk Takers are set out in the remuneration disclosures of the Group's Pillar 3 Report.

Group Risk provide an assessment of the risks impacting the Group and performance against the Group's Risk Appetite Statement to ensure that the Remuneration Policy is aligned with the Bank's risk profile. The Group Chief Risk Officer reviews the list of Material Risk Takers in conjunction with Group Reward and provides RemCo with an annual assessment of the risks facing the bank to ensure that policies and practices are consistent with and promote sound and effective risk management.

RemCo is supported in its work by the Group Reward team and by PricewaterhouseCoopers LLP (PwC UK). PwC UK was appointed as independent remuneration adviser by RemCo in 2019. Following a review of potential advisers and the services provided, Korn Ferry were appointed as the external remuneration consultants, effective October 2022, replacing PwC UK, whose appointment ended at that time. Both Korn Ferry and PwC UK are signatories to the voluntary code of conduct in relation to remuneration consulting in the UK.

3. Reporting

Regulation 77: Country-by-Country Reporting

Disclosures are prepared for AIB and its subsidiaries on a Group consolidated basis in order to comply with Article 77 of CRD. AIB will meet its reporting obligations in accordance with this Regulation. Details of AIB's country-by-country report for the financial year ended 31 December 2022 can be found in the Results Centre under Financial Information on AIB's website at <https://aib.ie/investorrelations>.

Regulation 78: Public Disclosure of return on assets

Disclosures are prepared for AIB and its subsidiaries on a Group consolidated basis in order to comply with Article 78 of CRD. Details of the return on average total assets can be found on page 74 of the AIB Group plc Annual Financial Report 2022, which is available on AIB's website at <https://aib.ie/investorrelations>.