2011 Shareholders Report

Chairman's Statement

David Hodgkinson
Executive Chairman

AIB started 2011 by coming to terms with the massive shock that had overtaken the Irish economy. The year saw a continuing decline in property values and a flat business environment and this has made recovery challenging.

The early recognition by the Irish Government and the Central Bank of Ireland of a need for a substantial recapitalisation of the banking system provided an opportunity to focus on the recovery of AIB and the support and service of its customers.

Although the staff of the bank had worked hard to deal with the evolving impact of the crisis, the bank as an organisation was challenged to deal effectively with the increase in the numbers of customers in difficulty.

A significant amount of change had to be planned and implemented before a more effective focus on customers could be achieved. The impact of this new focus only began to be felt in the second half of 2011.

AIB has moved away from its old structure of entirely separate businesses and is moving towards a coordinated 'OneBank' model.

This new structure aims to put the customer at the heart of what we do, with simpler, more transparent products and more automated operational processes to improve access and speed of fulfilment.

The delivery of the standards to which we aspire may take a number of years to achieve but progressive and consistent improvement should be evident over time.

We have also listened to our staff across the country to redefine and establish the behaviours that will be critical to establishing a different, stable and successful AIB. A series of initiatives have been undertaken to help our staff deal with the past and to rebuild for the future.

We still have the difficult process to work through of reducing our staff numbers and our costs to better align them with the needs of the smaller bank AIB has become.

This is made more challenging by the fact that we require more people to deal with customers in difficulty. In 2011 resources have been progressively put in place to address this issue with extensive training programmes created and launched.

The changes now made in AIB will enable re-engagement with our customers, supporting them as far as is prudent through challenging times and doing what we can to help revitalise the national economy.

Other issues

The AIB Board addressed other issues in 2011. One such issue was the introduction of new governance and control standards which are part of a rapidly evolving regulatory environment. We are ensuring AIB has the structures, processes and people in place to meet these new demands. Another issue for us was overseeing the disposal and acquisition of a number of major businesses as well as capital raising exercises.

The AIB Board also had a role in overseeing the establishment and implementation of AIB's non-core strategy, the NAMA transfers, restitution projects and data remediation.

Board changes

I would like to thank Stephen Kingon, Anne Maher and David Pritchard – who stepped down from the AIB Board in July – for their contribution to the bank.

In June 2011, Bernard Byrne, Director of the Personal & Business Banking business, joined the AIB Board as an executive director.

During the year, a new Executive Committee ("ExCo") was established to run AIB, albeit with a number of interim appointments pending the arrival of the new Chief Executive.

All appointments to this committee were made after careful assessment of suitable candidates. This was part of a wider evaluation project which saw a series of new appointments and promotions at other levels made across the bank and significant change at senior levels.

I can report that these appointments and promotions were based on a very rigorous and objective selection process which placed a high priority on leadership values and behaviours.

We intend to continue selecting our people in a manner consistent with the standards defined by this process.

These standards also informed the identification and selection of candidates for the role of Chief Executive Officer and non-executive directors.

In October we welcomed Thomas Wacker and Simon Ball to AIB as non-executive directors and in December David Duffy was appointed as CEO.

David has held a number of senior roles in the international banking industry including, most recently, the position of CEO at Standard Bank International. He has a proven track record in successfully managing banks through challenging times and is ideally suited to the task of leading AIB's extensive restructuring and delivering the business performance that will best serve our customers and return the bank to sustainable viability.

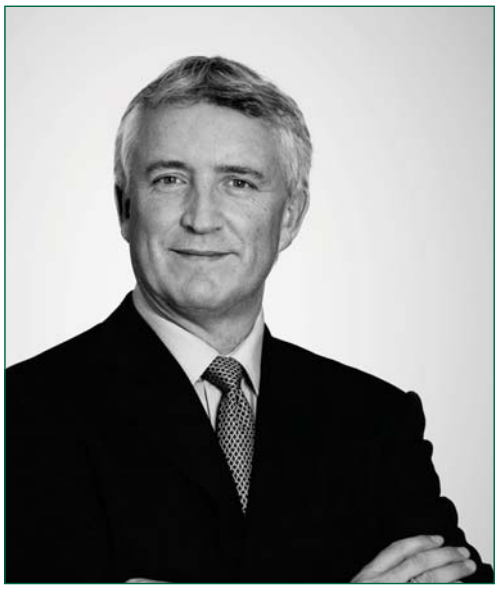
I welcome David to this organisation and I look forward to working with him and the rest of the AIB team as we continue the transformation of AIB.

I would like to thank the staff and customers of AIB for their patience and continued support as we work to regain trust.

David Hodgkinson
Chairman
29 March 2012

"The changes now made in AIB will enable re-engagement with our customers, supporting them as far as is prudent through challenging times. "

Chief Executive's Review



David Duffy
Chief Executive

2011 proved to be another difficult year for AIB - and one in which we continued to receive the strong support of our shareholders, customers and the Irish taxpayer.

We ended 2011 with a strong capital base, more stable funding and, above all, a clear focus on our corporate, commercial and retail customers.

We are well positioned to adapt to the challenging economic environment and to realise over time a sustainable return for our shareholders.

We have taken significant steps to reduce our costs. We expect our voluntary redundancy programme will generate a material reduction in our cost structure in future years.

Our plan to return to profitability by 2014 remains on target.

Achieving this target will be key to our ambition to provide an opportunity to attract private investment and return value to our principal shareholder.

Economic outlook

The Irish economy has remained weak and consumer and government spending continued to decline in 2011. Credit growth was limited and market conditions have not improved. These challenges have led to an increase in our provisions as consumers struggle to fund their commitments and businesses, large and small, limit their borrowings.

The combination of these factors and a low interest rate environment have served to compress our margins at a difficult time.

However, Ireland retains many of the fundamental factors that supported strong rates of economic growth in the past two decades. These positives include a young, highly educated labour force, a relatively competitive corporate tax regime, labour market flexibility, access to Europe and global markets and continued inward Foreign Direct Investment ("FDI").

We believe that we are positioning AIB to emerge strongly as the economy recovers.

Financial performance

AIB reported an after tax loss of € 2.3 billion in 2011 after recognising net total provisions of € 8.2 billion. This outcome includes income from exceptional items of € 3.0 billion relating to liability management exercises and loan disposals, and € 1.6 billion of profits relating to Polish discontinued operations. Excluding these items, operating profit before provisions was € 68 million, compared to € 658 million for 2010. The reduction in operating profit is due to lower levels of income - down by € 519 million or 22% - and a rise in costs of € 71 million or 4%.

Net interest income was € 1.4 billion, a decrease of € 494 million, or 27%, due to higher Eligible Liabilities Guarantee scheme costs, margin compression and reduced interest earning loan volumes. Reflecting the above, the net interest margin declined from 1.31% in 2010 to 1.03% in 2011.

Other income excluding exceptional items was € 438 million. This was € 25 million, or 5%, lower than in 2010, reflecting weaker economic conditions, challenging trading markets and lower volumes and revenues due to business disposals.

Operating expenses of € 1.7 billion were 4% higher than 2010, of which 2% was due to the inclusion of € 42 million of EBS costs from 1 July 2011. Excluding EBS, staff costs were in line with 2010. Significant external engagement including non-recurring professional fees and statutory costs associated with the restructuring and transformation of the bank increased the overall cost base of the bank.

The provision charge for impaired loans was € 7.9 billion. The main elements of this charge include € 1.7 billion for the land and development portfolio, € 2 billion for the property investment portfolio, € 1.6 billion for small and medium-sized enterprise loans, € 1.6 billion for mortgages, € 0.5 billion for corporate and € 0.5 billion for other personal sector loans.

Capital

The Core Tier 1 ratio was 17.9% for December 2011 compared to 4% at the end of 2010. The bank's capital position is well above the minimum requirement of 10.5% as set by the Central Bank of Ireland in March 2011 and reflects a reduction in Risk Weighted Assets ("RWA") of € 14.5 billion and Core Tier 1 recapitalisation actions totalling € 14.7 billion.

The RWA reduction was primarily due to asset deleveraging and business disposals. Liability management exercises generated € 3.6 billion from the purchase by AIB of its subordinated liabilities and other capital instruments at prices within a range of 10% to 30% of their face value; an equity placing of € 5 billion subscribed to by the National Pension Reserve Fund Commission ("NPRFC"), and a capital contribution of € 6.1 billion from the Minister for Finance and the NPRFC.

Funding and liquidity

Customer deposits of € 61 billion at the end of 2011 are AIB's largest funding source at 47% of total funding requirements, up 2% from 2010. Deposits were stable from August onwards reflecting increased customer confidence following the recapitalisation of the bank in July 2011. Since year end deposits have grown by c. € 1.5 billion.

The bank reduced its exposure to wholesale funding by € 13 billion or 20% in the year. However access to wholesale markets over the course of the year continued to be restricted. The bank availed of the ECB operations open to the market and at December 2011 drawings amounted to € 31 billion, including € 3 billion from AIB's participation in the ECB 3 year Long Term Refinancing Operation ("LTRO"), which extended the bank's debt maturity.

AIB exited the Central Bank of Ireland's non-standard facilities in April 2011 and the level of Central Bank of Ireland funding reduced by € 6 billion during the year. The ongoing reduction in Central Bank of Ireland funding will continue to be a key objective for the bank.

The bank's loan to deposit ratio was 138% (136% excluding held for sale corporate loans) at 2011 year end compared to 165% at the end of 2010. This was lower than the 2011 target of 143%, primarily due to a combination of asset deleveraging ahead of plan, increased provisions and the acquisition of Anglo deposits of € 8.6 billion.

Business disposals

AIB has undertaken a range of business disposals to support capital generation, de-risking of the balance sheet and re-focusing of the bank's strategy on core domestic banking. In April 2011 the sale of AIB's Polish business was completed. The bank also announced the disposal of the following businesses: AIB Jerseytrust Limited, AIB International Financial Services, AIB Investment Managers and its interest in the Bulgarian American Credit Bank.

The sale of AIB's ordinary shares in the US M&T Bank Corporation was completed in 2010.

Loans and asset quality

AIB's loan book reduced on an underlying basis by € 11.5 billion during 2011 reflecting flowback and deleveraging mainly in our corporate and UK portfolios. Group total loans at the end of the year, including € 16.3 billion in loans within EBS, were € 99 billion.

Credit quality continued to deteriorate throughout the year across all our portfolios, most notably in the property and residential mortgage sectors, and is a key area of attention for the AIB Board and senior management.

With the acquisition of EBS on 1 July 2011, residential mortgages now account for 46% of total AIB loans. The credit quality of this book has deteriorated during the year evidenced by an increase in arrears levels and requests for forbearance. In line with other financial institutions, AIB has developed a Mortgage Arrears Resolution Strategy ("MARS") for dealing with customers in difficulty or likely to be in difficulty with the core objective being to ensure that sustainable arrears solutions are put in place for the long term which serve both the customer and the bank.

Property sector loans amounted to € 24.5 billion (including € 0.9 billion of EBS loans) or 25% of AIB loans at year-end.This is an underlying decrease in AIB's property portfolio of € 2.3 billion since December 2010. € 16.8 billion of the portfolio relates to property investment, just under 50% of which is located outside Ireland. Land and development loans account for € 6.6 billion or 27% of property loans and we hold total provisions to loans for this portfolio of 58%. Impaired land and development loans amounted to € 5.4 billion or 82% of the portfolio with specific provision cover of 69%.

Chief Executive's Review (continued)

We undertook comprehensive reviews of each of our loan portfolios in 2011 and at year-end we now hold specific provisions of € 12.3 billion against impaired loans of € 24.8 billion providing cover of 49%. Additionally, a further € 2.6 billion has been set aside for losses which we believe have been incurred but have not yet been identified within our loan book.

Supporting business customers

As a pillar bank we are committed to providing credit to all of our business customers who can demonstrate viability. We intend to meet our lending targets and to introduce a range of initiatives that support the growth of our economy. In mid-2011, a Commercial Banking unit was created to better serve the banking needs of business customers. This new structure, operating through a national network of AIB Commercial Centres, allows local relationship managers to serve their customers more effectively.

Commercial Banking is also expanding its Emerging Sectors team to provide supportive banking products and services to technology and software companies. The performance of these companies, and those in the medical, clean and green tech sectors, underpins growth in Irish exports and is creating new employment opportunities.

AIB has also engaged with industry groups and forums to highlight the availability of credit finance for SME customers. We want to encourage demand for new lending that will provide a net cash stimulus to the Irish economy. We have also launched national and provincial advertising campaigns and sponsored events such as the Business & Finance Enterprise of the Year awards to raise awareness of AIB's open for business message.

AIB exceeded the Irish Government's € 3 billion SME lending target by € 600 million in 2011. We approved 33,500 out of 37,000 applications for credit received from small businesses during the year – an approval rate of more than 90%.

In the latter part of 2011, we held more than 5,000 individual SME training sessions which aim to improve front line credit skills among our staff to help small businesses prepare their credit applications.

We in AIB accept we must do more to engage with customers to support an increase in the provision of credit and to ensure the bank meets the 2012 SME lending target of € 3.5 billion. We have a number of initiatives underway to ensure we meet this goal. These include our Big Drive for Small Business campaign, a € 100 million job creation fund, seminars with more than 15,000 SME customers plus SME coaching programmes for over 2,000 business customers.

In 2011, specialised units, called Enterprise Lending Services, were created to support customers in difficulty. Case managers in these units, based in more than 44 locations across Ireland, focus on an intensive and supportive engagement with customers and run specialised training courses to help restore firms to viability.

We increased the number of staff working in these units, from around 600 in June 2011 to approximately 1,000 by the year end – an increase of more than 60%.

Accessibility - convenience initiatives

In 2011, AIB launched initiatives to enable customers to access their banking services in a more convenient manner. In October, we launched the first of our mobile banking apps and to date over 20% of our online customers – around 165,000 people - actively use AIB apps on their mobile devices.

In August 2011 we launched our first self-service lobby in one of our Dublin branches. Customers have the ability to withdraw cash, lodge cheques and cash and complete bill payments or funds transfers through our internet kiosks from 8am to 9pm seven days a week. In 2011 we also launched a pilot programme in 12 branches which saw opening hours extended to provide greater convenience for our customers. We intend to expand these initiatives in 2012.

Mortgages – new business

A key objective of AIB is to contribute to market recovery by achieving an increased share of the mortgage market in line with our status as a pillar bank.

In 2011, AIB increased its market share of mortgage sanctions from 20% in February to 35% in December.

The bank approved more than 4,500 mortgage applications in the year to a total value of more than € 800 million.

In 2012, we have set a minimum target of € 1 billion in new mortgage sanctions for residential property transactions and 'top ups' on existing loans. We are committed to promoting our open for business agenda through ongoing communication with all mortgage customers.

Mortgages - customers in difficulty

AIB implemented the Code of Conduct on Mortgage Arrears on 1 January 2011 and a new Arrears Support Unit was created. This unit had an original staffing level of 26 which was increased to more than 200 by the year end. We plan to further increase resources in this area in 2012. More than 2,500 staff were trained in the Code of Conduct for Mortgage Arrears with over 750 staff trained in engagement skills for customers in difficulty.

Corporate Banking

Corporate Banking Ireland provides a customer centric relationship banking model to its client base and continues to see growth across all sectors specifically FDI, food and agricultural services and information and communications technology.

FDI is seen as a critical sector for the export led recovery of Ireland and AIB continues to be the leading Irish bank to this sector.

EBS

On 31 March 2011 the Minister for Finance announced that EBS Building Society was to merge with AIB creating one of two pillar banks. The acquisition took place on 1 July, with EBS Building Society having become EBS Limited ("EBS"). This new entity now operates as a standalone, separately branded subsidiary of AIB with its own banking licence.

EBS currently offers residential mortgages and savings products, bancassurance and personal banking along with general insurance products on an agency basis to its customers.

Maintaining the EBS brand alongside the AIB brand will bring long term strength to AIB overall as the organisation operates a multi-brand strategy. Through the integration of back office operations, an optimum operating model for the EBS business will be achieved with operational and cost efficiencies targeted through the process.

Anglo deposit businesses

AIB acquired the deposit businesses of Anglo Irish Bank Corporation (now known as Irish Bank Resolution Corporation) on 24 February 2011. These retail and corporate deposits in the amount of € 8.3 billion were spread across businesses in the Republic of Ireland, Great Britain and Isle of Man.

The Anglo deposit businesses were acquired as part of an Irish Government mandated re-organisation of the Irish domestic banking sector and provided a valuable source of additional customer deposits to AIB.

AIB UK

AIB Group (UK) plc continued to operate in a challenging external environment in 2011. The business was significantly restructured during the year to lay the foundations for a return to viability. During 2011, the UK deposit book of Anglo Irish Bank was acquired providing a complementary direct channel.

AIB Group (UK) plc will now be managed as two distinct business segments, AIB (GB) in Britain and First Trust Bank in Northern Ireland, with an overarching governance and control structure.

Non-Core Unit

A condition of the bank's recapitalisation was the deleveraging of c. € 20.5 billion of our € 27.7 billion (including € 2.6 billion in EBS) of non-core assets by end of December 2013.

To achieve this AIB established a Non-Core Unit to formulate and implement AIB's non-core deleveraging strategy.

We have made good progress towards achieving the € 20.5 billion target with net loan reductions in the year of c. € 12.7 billion through a combination of disposals, restructurings, scheduled amortisation and additional provisioning. Disposals in the year totalled approximately € 6.5 billion at an average discount of 5%. Taking amortisations into account, the average discount for all of the non-core deleveraging amounts to approximately 4%.

At € 12.7 billion our non-core net loan reduction was € 3.3 billion ahead of the target for 2011 and c. 62% of our overall target.

Although we expect market conditions to remain difficult throughout 2012, we believe the bank is well positioned to meet its non-core deleveraging targets as set out in the Financial Measures Programme over the next two years and a strong start to disposals in early 2012 reinforces this view.

In addition to our robust performance in deleveraging of non-core assets, 2011 also saw our Non-Core Unit completing the transfer of c. € 20 billion of assets to NAMA pursuant to the NAMA Act 2009.

People

Earlier this month, we confirmed our voluntary redundancy programme and we will provide more details on this scheme in the second quarter of this year following consultations with the unions representing our employees.

This programme is necessary if we are to adjust the cost structure of the bank to reflect a new reality in terms of our current and projected business volume.

The staff in AIB have shown great commitment and loyalty in a period of considerable uncertainty. Our transformation agenda is complex and requires hard work and dedication across all areas of the bank.

I would like to thank staff for their continued support as we take further steps on the road to recovery and to a future as a standalone, independent bank.

While we continue to face challenges going forward, I am optimistic about our future and I am very grateful for all of the work completed by David Hodgkinson and the team before my arrival.

I expect that David, who is now our Chairman, and I will, as a team, be able to achieve continued progress towards our goals in 2012 and in the future.

David Duffy
Chief Executive
29 March 2012

Consolidated income statement

for the year ended 31 December 2011

	2011 € m	2010 € m	2009 € m
Continuing operations			
Interest and similar income	**4,429**	4,609	5,854
Interest expense and similar charges	**3,079**	2,765	2,982
Net interest income	**1,350**	1,844	2,872
Dividend income	**4**	1	4
Fee and commission income	**470**	585	636
Fee and commission expense	**(29)**	(88)	(184)
Net trading loss	**(113)**	(201)	(40)
Gain on redemption/remeasurement of subordinated liabilities and other capital instruments	**3,277**	372	623
Loss on transfer of financial instruments to NAMA	**(364)**	(5,969)	-
Other operating (loss)/income	**(255)**	99	195
Other income/(loss)	**2,990**	(5,201)	1,234
Total operating income/(loss)	**4,340**	(3,357)	4,106
Administrative expenses	**1,605**	1,469	1,395
Impairment and amortisation of intangible assets	**66**	126	69
Depreciation of property, plant and equipment	**49**	54	58
Total operating expenses	**1,720**	1,649	1,522
Operating profit/(loss) before provisions	**2,620**	(5,006)	2,584
Provisions for impairment of loans and receivables	**7,861**	6,015	5,242
(Writeback)/charge of provisions for liabilities and commitments	**(416)**	1,029	1
Provisions for impairment of financial investments available for sale	**283**	74	24
Operating loss	**(5,108)**	(12,124)	(2,683)
Associated undertakings	**(37)**	18	(3)
(Loss)/profit on disposal of property	**(1)**	46	23
Construction contract income	**-**	-	1
Profit/(loss) on disposal of businesses	**38**	(11)	-
Loss before taxation from continuing operations	**(5,108)**	(12,071)	(2,662)
Income tax income from continuing operations	**(1,188)**	(1,710)	(373)
Loss after taxation from continuing operations	**(3,920)**	(10,361)	(2,289)
Discontinued operations			
Profit/(loss) after taxation from discontinued operations	**1,628**	199	(45)
Loss for the year	**(2,292)**	(10,162)	(2,334)
Attributable to:			
Owners of the parent:			
Loss from continuing operations	**(3,920)**	(10,361)	(2,309)
Profit/(loss) from discontinued operations	**1,608**	129	(104)
Loss for the year attributable to owners of the parent	**(2,312)**	(10,232)	(2,413)
Non-controlling interests:			
Profit from continuing operations	**-**	-	20
Profit from discontinued operations	**20**	70	59
Profit for the year attributable to non-controlling interests	**20**	70	79
	(2,292)	(10,162)	(2,334)
Basic (loss)/earnings per share			
Continuing operations	**(1.6c)**	(571.1c)	(203.5c)
Discontinued operations	**0.7c**	7.1c	(11.7c)
	(0.9c)	(564.0c)	(215.2c)
Diluted (loss)/earnings per share			
Continuing operations	**(1.6c)**	(571.1c)	(203.5c)
Discontinued operations	**0.7c**	7.1c	(11.7c)
	(0.9c)	(564.0c)	(215.2c)

David Hodgkinson, Chairman; David Duffy, Chief Executive Officer; Catherine Woods, Director; David O'Callaghan, Company Secretary

Consolidated statement of comprehensive income

for the year ended 31 December 2011

	2011 €m	2010 €m	2009 €m
Loss for the year	**(2,292)**	(10,162)	(2,334)
Other comprehensive income			
Continuing operations			
Net change in foreign currency translation reserves	**(11)**	89	127
Net change in cash flow hedges, net of tax	**(209)**	(41)	(65)
Net change in fair value of available for sale securities, net of tax	**112**	(813)	219
Net actuarial (losses)/gains in retirement benefit schemes, net of tax	**(464)**	1	174
Share of other comprehensive income of associates, net of tax	**4**	(13)	-
Other comprehensive income for the year, net of tax, from continuing operations	**(568)**	(777)	455
Discontinued operations			
Net change in foreign currency translation reserves	**(134)**	50	31
Net change in cash flow hedges, net of tax	**1**	-	4
Net change in fair value of available for sale securities, net of tax	**(74)**	3	19
Share of other comprehensive income of associates, net of tax	**-**	218	(40)
Other comprehensive income for the year, net of tax, from discontinued operations	**(207)**	271	14
Total other comprehensive income for the year, net of tax	**(775)**	(506)	469
Total comprehensive income for the year	**(3,067)**	(10,668)	(1,865)
Attributable to:			
Owners of the parent:			
Continuing operations	**(4,488)**	(11,138)	(1,854)
Discontinued operations	**1,409**	385	(113)
	(3,079)	(10,753)	(1,967)
Non-controlling interests:			
Continuing operations	**-**	-	20
Discontinued operations	**12**	85	82
	12	85	102
Total comprehensive income for the year	**(3,067)**	(10,668)	(1,865)

David Hodgkinson, Chairman; David Duffy, Chief Executive Officer; Catherine Woods, Director; David O'Callaghan, Company Secretary

Consolidated statement of financial position

as at 31 December 2011

	2011 € m	2010 € m
Assets		
Cash and balances at central banks	**2,934**	3,686
Items in course of collection	**202**	273
Financial assets held for sale to NAMA	**-**	1,937
Disposal groups and non-current assets held for sale	**1,422**	13,911
Trading portfolio financial assets	**56**	33
Derivative financial instruments	**3,046**	3,315
Loans and receivables to banks	**5,718**	2,943
Loans and receivables to customers	**82,540**	86,350
NAMA senior bonds	**19,856**	7,869
Financial investments available for sale	**15,389**	20,825
Interests in associated undertakings	**50**	283
Intangible assets and goodwill	**176**	193
Property, plant and equipment	**360**	348
Other assets	**491**	264
Current taxation	**49**	30
Deferred taxation	**3,692**	2,384
Prepayments and accrued income	**670**	578
Total assets	**136,651**	145,222
Liabilities		
Deposits by central banks and banks[1]	**36,890**	49,869
Customer accounts	**60,674**	52,389
Disposal groups held for sale	**3**	11,548
Derivative financial instruments	**3,843**	3,020
Debt securities in issue	**15,654**	15,664
Current taxation	**1**	21
Other liabilities	**1,534**	1,499
Accruals and deferred income	**1,103**	991
Retirement benefit liabilities	**763**	400
Provisions for liabilities and commitments	**514**	1,141
Subordinated liabilities and other capital instruments	**1,209**	4,331
Total liabilities	**122,188**	140,873
Shareholders' equity		
Share capital	**5,170**	3,965
Share premium	**4,926**	5,089
Other equity interests	**-**	239
Reserves	**4,367**	(5,634)
Shareholders' equity	**14,463**	3,659
Non-controlling interests in subsidiaries	**-**	690
Total shareholders' equity including non-controlling interests	**14,463**	4,349
Total liabilities, shareholders' equity and non-controlling interests	**136,651**	145,222

[1]This includes €31,133 million of Central Banks borrowings (2010: €38,616 million).

David Hodgkinson, Chairman; David Duffy, Chief Executive Officer; Catherine Woods, Director; David O'Callaghan, Company Secretary

Corporate Governance statement

This is an abridged version of the Corporate Governance Statement. The complete statement is available in the 2011 Annual Financial Report which can be accessed on www.aibgroup.com.

Corporate Governance Practices

AIB is subject to the provisions of the Central Bank of Ireland's Corporate Governance Code for Credit Institutions and Insurance Undertakings ("the Central Bank Code"), including compliance with requirements which specifically relate to 'major institutions', which came into effect on 1 January 2011 and imposes minimum core standards upon all credit institutions and insurance undertakings licensed or authorised by the Central Bank of Ireland. The Company's corporate governance practices also reflect Irish company law and, in relation to the UK businesses, UK company law, the Listing Rules of the Enterprise Securities Market of the Irish Stock Exchange, and certain provisions of the US Sarbanes Oxley Act of 2002.

Stock Exchange Listings

In 2011, in response to a Direction Order issued by the High Court under the Credit Institutions (Stabilisation) Act 2010, directing AIB to issue new equity capital to the National Pensions Reserve Fund Commission as the agent of the Irish Minister for Finance, AIB (1) cancelled its listing of ordinary shares on the Main Securities Market of the Irish Stock Exchange ("ISE") and applied to trade on the Enterprise Securities Market ("ESM") of the ISE, and (2) cancelled the admission of its ordinary shares to the Official List maintained by the UK Financial Services Authority and cancelled trading on the main market of the London Stock Exchange ("LSE"). AIB's shares continued to trade on the ISE and LSE up to and including 25 January 2011, following which, with effect from 26 January 2011, AIB's shares have traded on the ESM of the ISE. AIB continued to trade its American Depository Shares ("ADRs") on the New York Stock Exchange up to and including 25 August 2011, following which, with effect from 26 August 2011, the ADRs were delisted. The ADS Depository Agreement, between AIB and Bank of New York Mellon, was subsequently terminated.

The Board of Directors

The Board is responsible for the leadership, direction and control of the Company and its subsidiaries and is accountable to shareholders for financial performance. There is a comprehensive range of matters specifically reserved for decision by the Board. At a high level this includes:

- determining the Company's strategic objectives and policies;
- appointing the Chairman and the Chief Executive Officer, and Senior Management, and addressing succession planning;
- monitoring progress towards achievement of the Company's objectives and compliance with its policies;
- approving annual operating and capital budgets, major acquisitions and disposals, and risk management policies and limits; and
- monitoring and reviewing financial performance, risk management activities and controls.

AIB has received significant support from the Irish State (the "State") in the context of the financial crisis because of its systemic importance to the Irish financial system. This support has taken various forms including capital injections, asset relief and various guarantees. As a result of the State support measures, the State holds circa 99.8% of the ordinary shares of the Group. The Board has recently endorsed the parameters of a relationship framework specified by the Minister for Finance ("the Minister") in respect of the relationship between the Minister and AIB ("the Framework"). The purpose of the Framework is to provide the basis on which the relationship between the Minister, on behalf of the State, and the Group shall be governed. Within the Framework, the Board retains full responsibility and authority for all of the operations and business of the Group in accordance with its legal and fiduciary duties and retains responsibility and authority for ensuring compliance with the regulatory and legal obligations of the Group.

Chairman

The Chairman's responsibilities include the leadership of the Board, ensuring its effectiveness, setting its agenda, ensuring that the Directors receive adequate, accurate and timely information, facilitating the effective contribution of the Non-Executive Directors, ensuring the proper induction of new Directors, the ongoing training and development of all Directors, and reviewing the performance of individual Directors. Mr. David Hodgkinson was appointed Executive Chairman on 27 October 2010 and Non-Executive Chairman with effect from 12 December 2011, following the appointment of Mr. David Duffy as Chief Executive Officer.

The role of the Chairman is traditionally separate from the role of the Chief Executive Officer, with clearly-defined responsibilities attaching to each; these are set out in writing and agreed by the Board.

Chief Executive Officer

The Chief Executive Officer is responsible for the day-to-day running of the Group, ensuring an effective organisation structure, the appointment, motivation and direction of senior executive management, and for the operational management of all the Group's businesses. Mr. David Duffy was appointed Chief Executive Officer on 12 December 2011 and was co-opted to the Board on 15 December 2011.

During 2011, prior to Mr. Duffy's appointment, the day-to-day management of the Group was the responsibility of the then Executive Chairman, Mr. David Hodgkinson, which role included, inter alia, oversight of the extensive work on the restructuring of the organisation, including Board and Senior Management renewal, capital raising, and management of the process for the appointment of a full-time Chief Executive Officer.

Senior Independent Non-Executive Director

Mr. David Pritchard was the Senior Independent Non-Executive Director until his resignation from the Board on 26 July 2011. Appointment of a Senior Independent Non-Executive Director will be made in due course as part of the Board renewal programme.

Company Secretary

The Directors have access to the advice and services of the Company Secretary, Mr. David O'Callaghan, who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Board Meetings

The Board held 11 scheduled meetings during 2011, and 23 additional out-of-course meetings or briefings. Details of Directors' attendance at Board meetings and meetings of Committees of the Board are included in the Annual Financial Report 2011 which can be accessed at www.aibgroup.com.

Board Membership

It is the policy of the Board that a majority of the Directors should be Non-Executive. At 31 December 2011, there were 8 Non-Executive Directors and 2 Executive Directors. The Board deems the appropriate number of Directors to meet the requirements of the business to be between 10 and 14; efforts to recruit additional Directors are currently underway. Non-Executive Directors are appointed so as to maintain an appropriate balance on the Board, and to ensure a sufficiently wide and relevant mix of backgrounds, skills and experience to provide strong and effective leadership and appropriate challenge to executive management.

The names of the Directors, with brief biographical notes, appear on pages 17 to 18 of this report. In the performance of their functions, the Directors have a duty to have regard to the matters mentioned in section 4 of the Credit Institutions (Stabilisation) Act 2010 ('the Act'). The duty imposed by the Act is owed by the Directors to the Minister for Finance on behalf of the Irish State, and takes priority over any other duty of the Directors to the extent of any inconsistency. Thereafter, all Directors are required to act in the best interests of the Company, and to bring independent judgement to bear in discharging their duties as Directors.

There is a procedure in place to enable the Directors to take independent professional advice, at the Company's expense. The Company holds insurance cover to protect Directors and Officers against liability arising from legal actions brought against them in the course of their duties.

Performance Evaluation

The Board has a formal annual process in place for reviewing the effectiveness of the Board, its Committees and individual Directors. This process incorporates, in accordance with corporate governance provisions, the retention of an external evaluator to undertake the effectiveness review at least every three years, and in years subsequent to the previous external review where the review findings have raised matters which require Board attention.

During 2010, an evaluation of the performance of the Board and Board Committees was conducted by Promontory Financial Group (UK) Ltd and Mazars LLP as part of their review of the effectiveness of the Board and of the Group's Risk Framework, and the results were presented to the Board and to the Central Bank of Ireland. During 2011, the Board retained Mazars LLP to conduct a further review of Board and Committee effectiveness and the results were presented to the Board and the Central Bank during March 2012.

The Chairman meets annually with each Director individually to review their performance. These reviews include discussion of, inter alia, the Directors' individual contributions and performance at the Board and relevant Board Committees, the conduct of Board meetings, the performance of the Board as a whole and its committees, compliance with the Director-specific provisions of the Central Bank Code, the requirements of the Central Bank's Fitness & Probity Regulations, and other specific matters which the Chairman and/or Directors may wish to raise.

Terms of Appointment

Non-Executive Directors are generally appointed for a three-year term, with the possibility of renewal for a further three years; the term may be further extended, in exceptional circumstances, on the recommendation of the Nomination and Corporate Governance Committee.

Mr. Declan Collier and Mr. Dick Spring were appointed Non-Executive Directors, in 2009, as nominees of the Minister for Finance under the Irish Government's Credit Institutions (Financial support) Scheme 2008 (S.I. No. 411 of 2008). Dr. Michael Somers was appointed

Non-Executive Director, in 2010, as a nominee of the Minister for Finance under the Irish Government's National Pensions Reserve Fund Act 2000 (as amended).

Following appointment, in accordance with the requirements of the Articles of Association, Directors are required to retire at the next Annual General Meeting ("AGM"), and may go forward for reappointment, and are subsequently required to make themselves available for re-appointment at intervals of not more than three years. Under the terms of the Government's preference share investment, Messrs. Collier, Somers and Spring are not required to stand for election or regular re-election by shareholders.

Since 2005, all Directors, excluding Messrs. Collier, Spring and Somers, have retired from office at the AGM and have offered themselves for reappointment. Since the 2011 AGM, the Central Bank has confirmed that Messrs. Collier, Spring and Somers should be considered independent for the purposes of the Central Bank Code and will, therefore, stand for re-election by shareholders with the other Directors at the 2012 AGM. Letters of appointment, as well as dealing with appointees' responsibilities, stipulate that a specific time commitment is required from Directors. A copy of the standard terms of the letter of appointment of Non-Executive Directors is available on request from the Company Secretary.

The Board has determined that all Non-Executive Directors in office in December 2011, namely Mr. Simon Ball, Mr. Declan Collier, Mr. David Hodgkinson, Mr. Jim O'Hara, Dr. Michael Somers, Mr. Dick Spring, Mr. Tom Wacker and Ms. Catherine Woods are independent in character and judgement and free from any business or other relationship with the Company or the Group that could affect their judgement.

Induction and Professional Development

There is an induction process for new Directors. Its content varies between Executive and Non-Executive Directors. In respect of the latter, the induction is designed to familiarise Non-Executive Directors with the Group and its operations, and comprises the provision of relevant briefing material, including details of the Company's strategic and operational plans, and a programme of meetings with the Chief Executive Officer, the Senior Executive team and the Senior Management of businesses and support functions. A programme of targeted and continuous professional development for Non-Executive Directors is scheduled for implementation during 2012.

Board Committees

The Board is assisted in the discharge of its duties by a number of Board Committees, whose purpose it is to consider, in greater depth than would be practicable at Board meetings, matters for which the Board retains responsibility. The composition of such Committees is reviewed annually by the Board. A description of these Committees, and their Terms of Reference are available on www.aibgroup.com

Directors' Remuneration and Interests

A summary of the Directors' Remuneration and Interests is included on pages 11 to 14 of this report.

Website

The Company's website, www.aibgroup.com, contains, for the previous five years, the Annual Financial Report, the Interim Report/Half-yearly Financial Report, and the Annual Financial Report on Form 20-F. The Company's presentations to fund managers and analysts of annual and interim financial results are available on the internet, and may be accessed on the Company's website. Since 2009, the Annual Financial Report and the Annual Report on Form 20-F have been combined in the form of the Annual Financial Report. None of the information on the website is incorporated in, or otherwise forms part of, the Annual Financial Report.

Annual General Meeting ("AGM")

All shareholders are invited to attend the AGM and to participate in the proceedings. At the AGM, it is practice to give a brief update on the Group's performance and developments of interest for the year to date. Separate resolutions are proposed on each separate issue and voting is conducted by way of poll. The votes for, against, and withheld, on each resolution, including proxies lodged, are subsequently published on AIB's website. Proxy forms provide the option for shareholders to direct their proxies to withhold their vote. It is usual for all Directors to attend the AGM and to be available to meet shareholders before and after the meeting. The Chairmen of the Board's Committees are available to answer questions about the Committees' activities. A help desk facility is available to shareholders attending. The Company's 2012 AGM is scheduled to be held on 28 June 2012, at the Company's Head Office at Bankcentre, Ballsbridge, Dublin 4, and it is intended that the Notice of the Meeting will be posted to shareholders at least 21 clear days before the meeting, in line with the requirements of Irish Company law.

Report on directors' remuneration and interests

This is an abridged version of the Report on Directors' Remuneration and Interests. The complete report is available in the 2011 Annual Financial Report which can be accessed on www.aibgroup.com.

Remuneration Policy and Governance

AIB'S remuneration policies are set and governed by the Remuneration Committee whose purpose, duties and membership are set by its Terms of Reference which may be viewed on the Company's website www.aibgroup.com.

The Remuneration Committee's responsibilities include recommending to the Board: Group remuneration policies and practices; the remuneration of the Chairman of the Board (which matter is considered in his absence); and,performance-related and share-based incentive schemes when appropriate.

The Committee also determines the remuneration of the Chief Executive Officer, and, in consultation with the Chief Executive Officer, the remuneration of other Executive Directors, when in office, and the other members of the Executive Committee, under advice to the Board. Details of the total remuneration of the Directors in office during 2011 and 2010 are shown on page 15.

The Remuneration Committee is also required to review the remuneration components of Identified Staff who are individuals classified as 'material risk takers' by AIB in accordance with the Remuneration Guidelines of the European Banking Authority ("EBA"). Remuneration matters of a significant nature are also considered by the Board.

The Terms of Reference of the Remuneration Committee were reviewed in 2011 by the Committee and its independent advisors Kepler Associates following which, changes were made, with Board approval, to reflect regulatory guidance and changing market practice on governance and risk management. The governance and scope of AIB's remuneration policies and practices were extended to include all financial benefits for employees while confirming the company wide coverage of all remuneration policies.

The adoption of remuneration policies and practices, which are both fair and competitive and that support sustainable performance over the long-term, is a key responsibility of the Board. The Board recognises the need to take account of appropriate input from AIB's control functions in its decision making, and to ensure that remuneration policies and practices are consistent with and promote effective risk management, and that they do not encourage excessive risk taking but support the maintenance of a sound capital base and the required liquidity levels. Striking this balance involves detailed consideration of remuneration matters by the Remuneration Committee whose members have no personal interest in the outcome.

AIB reviewed and adapted its remuneration policies in 2011 to take account of the remuneration requirements of the Capital Requirements Directive CRD III and the related EBA Guidelines, which came into force in January 2011, to ensure that its remuneration policies and practices are fully consistent with, and promote, effective risk management.

AIB's revised pay policy contains a range of important design features which together will ensure that the remuneration of Identified Staff, and of any other employee at the discretion of the Remuneration Committee, is fully compliant with the EBA Guidelines. These requirements principally relate to:

- Quantitative and qualitative risk-adjusted performance measurement;
- Deferral structures which will ensure performance is measured over both the short and medium term; and
- The inclusion of forfeiture, claw back and discretionary provisions in remuneration schemes.

In December 2011, AIB published a Remuneration Disclosure Report 2010 in accordance with the EBA Guidelines which summarised AIB's principal remuneration policies and practices and which provided aggregated remuneration data for Identified Staff. The list of Identified Staff was compiled in consultation with the relevant business areas and control functions while taking account of the extent of individuals' reporting lines, and the degree to which individuals' decision making was subject to control and approval through credit committees or trading limits. The Remuneration Disclosure Report for 2011 will be included in AIB's CRD III Disclosures 2011.

While the design features required by the EBA are now included in AIB's remuneration policy there was little scope in practice to implement the design requirements of the remuneration schemes because of the financial position of the Group, and the constraints on remuneration arising from AIB's commitments under the Subscription and Placing Agreements between AIB and the National Pensions Reserve Fund Commission (NPRFC) and the National Treasury Management Agency (NTMA) and the Minister for Finance. There were no bonus schemes or share schemes in operation in 2011. Any incentive schemes that are implemented in the future will be structured in line with the new regulatory requirements and AIB's revised remuneration policy.

Remuneration policy in general is strongly influenced by the Group's significant reliance on State support and the requirements and constraints arising from the Subscription and Placing Agreements. The Group is in dialogue on an ongoing basis with the State authorities on remuneration matters.

Central Bank Review

The Central Bank of Ireland completed a review of AIB's remuneration policies and practices in September 2011 with the primary objective of assessing the level of AIB's compliance with the provisions of the remuneration guidelines issued by the EBA. The review covered:

- Remuneration policy;
- The Terms of Reference of the Remuneration Committee;
- Changes made by AIB to ensure it is in compliance with the EBA Remuneration Guidelines;
- A review of Identified Staff including their remuneration components; and
- Other selected remuneration data.

The findings of the review and required actions are included in AIB's Risk Mitigation Programme. While no material issues were identified by the review, the Central Bank requested that a number of the EBA requirements be more clearly expressed in AIB's remuneration policy to ensure AIB was fully compliant with all aspects of the Guidelines. These relate to:

- Ensuring that incentive awards are restricted to maintain an adequate capital base and also when in receipt of State support; and
- The adjustment of incentive pools for current and future risk.

Remuneration Review

The salary of the Chief Executive Officer was set at € 500,000. The base salaries of the members of the Executive Committee were managed in accordance with AIB's obligations under the Subscription and Placing agreements by the Remuneration Committee and are in a range of € 225,000 to € 400,000 in accordance with the recommendations of the Covered Institutions Remuneration Oversight Committee (CIROC).

AIB's remuneration spend continued to be closely managed in 2011 against a background of increasing competition for key skills and higher levels of staff turnover particularly in credit, IT and other financial services control functions. In summary:

- There were no general salary increases or increments paid;
- There were no bonus schemes or share based incentives operating;
- Payments made to retain staff in key roles or where staff stepped up to expanded roles with increased responsibilities were notified in advance to the Remuneration Committee and managed within agreed budgetary parameters; and
- Quarterly reports were submitted to the Department of Finance including details of any payments or salary increases in excess of € 1,000.

	Directors' Fees - Parent & Irish Subsidiary Companies (1)	Directors' Fees - Non-Irish Subsidiary Companies (2)	Remuneration for other activities on behalf of the Company (7)	Salary	Annual Taxable Benefits (3)	Pension Contribution (4)	2011 Total	2010 Total
	€000	€000	€000	€000	€000	€000	€000	€000
Executive Directors								
Bernard Byrne *(appointed 24 June 2011)*				213	29	38	280	-
Colm Doherty *(resigned as Executive Director on 1 November 2010 and retired from AIB on 10 November 2010)*							-	2,700
David Duffy *(appointed 15 December 2011)*				23		3	26	-
David Hodgkinson (1(a)) *(remuneration as Executive Chairman from 1 January to 11 December 2011)*				473	108		581	101
Dan O'Connor *(resigned as Executive Chairman on 13 October 2010)*							-	216
				709	**137**	**41**	**887**	**3,017**
Non-Executive Directors								
Simon Ball *(appointed 13 October 2011)*	6						6	-
Declan Collier	71						71	40
Kieran Crowley *(resigned as Director on 13 October 2010)*							-	139
David Hodgkinson (1(a)) *(remuneration as Non-Executive Chairman from 12 to 31 December 2011)*	15						15	-
Stephen L. Kingon (5) *(resigned as Director on 26 July 2011)*	76	37					113	140
Anne Maher (6) *(resigned as Director on 26 July 2011)*	85	11					96	133
Sean O'Driscoll *(resigned as Director on 28 April 2010)*							-	-
Jim O'Hara	65						65	6
David Pritchard (5) *(resigned as Director on 26 July 2011)*	47	92					139	150
Dr Michael Somers (1(b)) *Deputy Chairman*	150						150	98
Dick Spring	59						59	47
Tom Wacker *(appointed 13 October 2011)*	12						12	-
Robert G. Wilmers *(Resigned as Director 4 October 2010)*							-	-
Jennifer Winter *(Resigned as Director on 28 April 2010)*							-	19
Catherine Woods (7)	138		138				276	6
	724	**140**	**138**				**1,002**	**778**
Former Directors								
Kieran Crowley (8)	24	47					71	-
Donal Forde (9)							-	420
Other							110	110
Total							**2,070**	**4,325**

Directors' Remuneration

The table on page 15 details the total remuneration of the Directors in office during 2011 and 2010:

(1) Fees paid to Non-Executive Directors:

(a) Mr. David Hodgkinson was appointed Non-Executive Chairman with effect from 12 December 2011, having been Executive Chairman from 27 October 2010. His non-pensionable annual flat fee as Non-Executive Chairman is € 275,000 and he was paid a pro-rata equivalent amount for the period from 12 December to 31 December 2011. His annual non-pensionable flat fee as Executive Chairman was € 500,000 and he was paid a pro-rata equivalent amount for the period from 1 January to 11 December 2011. Mr. Hodgkinson was also entitled to payment of accommodation and related utility expenses during his tenure as Executive Chairman, plus compensation for any personal tax liability arising from this benefit;

(b) Dr. Michael Somers is Deputy Chairman and Chairman of the Board Risk Committee and is paid a non-pensionable flat fee of € 150,000 per annum which includes remuneration for other services as a director of Allied Irish Banks, p.l.c.; and;

(c) All other Non-Executive Directors are paid a basic, non-pensionable fee in respect of service as a Director, payable at a rate of € 27,375 per annum (voluntarily reduced from € 36,500 between December 2008 and February 2009), and additional non-pensionable remuneration (subject also to an equivalent reduction) paid to any Non-Executive Director who: is the Chairman of the Audit Committee or the Remuneration Committee; is the Senior Independent Director, or; performs additional services, such as through membership of Board Committees or the board of a subsidiary company.

(2) Non-Executive Directors of the Parent Company who also serve as Directors of non-Irish subsidiaries are separately paid a non-pensionable flat fee, which is independently agreed and paid by the subsidiaries, in respect of their service as a Director of those companies;

(3) Annual taxable benefits include the use of a company car or the payment of a car allowance, and benefit arising from loans made at preferential interest rates;

(4) Pension contributions' represents agreed payments to the AIB Defined Contribution Scheme to provide post-retirement pension benefits for Executive Directors from normal retirement date. The fees of the Chairman and Non-Executive Directors are non-pensionable;

(5) Mr. David Pritchard & Mr. Stephen L. Kingon resigned as Non-Executive Directors of Allied Irish Banks, p.l.c. on 26 July 2011. Following their resignations, Messrs. Pritchard and Kingon remained as Non-Executive Directors of AIB Group (UK) plc, of which Mr. Pritchard is Chairman, in relation to which they continue to earn fees as outlined at (2) above; the fees paid by AIB Group (UK) plc since 26 July 2011 were € 39,897 in respect of Mr. Pritchard and € 17,265 in respect of Mr. Kingon; both amounts are included in the remuneration outlined on page 15.

(6) Ms. Anne Maher resigned as a Non-Executive Director of Allied Irish Banks, p.l.c. on 26 July 2011. Since her resignation, Ms. Maher has continued as a Director of the Corporate Trustee of the AIB Irish Pension Scheme and of the AIB Defined Contribution Scheme, in respect of which she earned fees of € 15,000 since 26 July 2011; this amount is included in the remuneration outlined on page 15. She was also a Member of the Supervisory Board of BZWBK, in respect of which she earned fees as outlined at (2) above, up to the date of her resignation from that position on 20 April 2011;

(7) Ms. Catherine Woods is (i) a Non-Executive Director, Chairman of the Audit Committee and Member of the Board Risk Committee of Allied Irish Banks, p.l.c., (ii) a Non-Executive Director and Audit Committee Member of AIB Mortgage Bank since 29 March 2011, and (iii) a Non-Executive Director and Board Risk Committee Member of EBS Limited since 1 July 2011, in respect of which she earned fees as outlined at 1(c) above. During 2011, Ms. Woods was also extensively engaged over a number of months fulfilling an independent role in the interview, assessment and evaluation of a significant number of candidates for senior management positions in the new organisation structure. Ms. Woods participated in the interview, assessment and/or evaluation of over 140 candidates, for which she was paid accordingly, and the related fees are set out in the table on page 15. This activity was particular to 2011 and will not be repeated;

(8) Mr. Kieran Crowley resigned as a Non-Executive Director of Allied Irish Banks, p.l.c. on 13 October 2010. Following his resignation Mr. Crowley remained as a Non-Executive Director of two subsidiary companies of Allied Irish Banks, p.l.c., namely, (i) AIB Mortgage Bank, from which he resigned on 21 December 2011 and in relation to which he continued to earn fees on the basis outlined at (1)(c) above up to that date; and (ii) AIB Group (UK) plc, in relation to which he continues to earn fees on the basis outlined at (2) above;

(9) 'Other' represents the payment of pensions to former Directors or their dependants granted on an ex-gratia basis and are fully provided for in the Statement of Financial Position.

Interests in shares

The beneficial interests of the Directors and the Secretary in office at 31 December 2011, and of their spouses and minor children, in the Company's ordinary shares are as follows:

Ordinary shares	**31 December, 2011**	1 January, 2011*
Directors:		
Simon Ball	**-**	-
Bernard Byrne	**-**	-
Declan Collier	**-**	-
David Duffy	**-**	-
David Hodgkinson	**-**	-
Jim O'Hara	**-**	-
Dr Michael Somers	**13,437**	13,437
Dick Spring	**-**	-
Tom Wacker	**-**	-
Catherine Woods	**-**	-
Secretary:		
David O'Callaghan	**8,120**	8,120

** or date of appointment, if later*

Throughout 2011, the Directors were again prohibited from trading in the Company's shares due to significant ongoing corporate activity and close periods in advance of public disclosures.

AIB Board

David Hodgkinson
Chairman (Non-Executive Director) and Nomination & Corporate Governance Committee Chairman

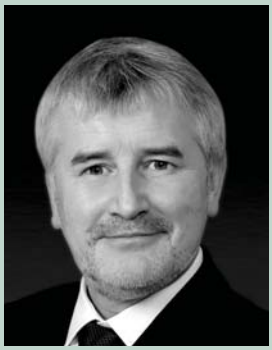
Mr Hodgkinson was Group Chief Operating Officer for HSBC Holdings plc from May 2006 until his retirement from the company in December 2008. During his career with HSBC, he held a number of senior management positions in the Middle and Far East, and Europe, including as Managing Director of The Saudi British Bank, and CEO of HSBC Bank Middle East. Mr Hodgkinson, who joined HSBC in 1969, has also served as Chairman of HSBC Bank Middle East Limited, HSBC Bank A S Turkey, Arabian Gulf Investments (Far East) Limited and HSBC Global Resourcing (UK) Ltd. He was a Director of HSBC Bank Egypt SAE, The Saudi British Bank, Bank of Bermuda Limited, HSBC Trinkaus Burkhardt and British Arab Commercial Bank. Mr Hodgkinson joined the Board as Executive Chairman on 27 October 2010 and became Non-Executive Chairman with effect from 12 December 2011. He has been Chairman of the Nomination and Corporate Governance Committee and a member of the Remuneration Committee since January 2011. (Age 61)

Simon Ball *FCA, BSc (Economics)*
Non-Executive Director

Mr Ball is currently the Non-Executive Deputy Chairman and Senior Independent Director of Cable & Wireless Communications plc, and a Non-Executive Director of Tribal Group plc. Prior to this, Mr. Ball has served as Group Finance Director of 3i Group plc and the Robert Fleming Group, held a series of senior finance and operational roles at Dresdner Kleinwort Benson, and was Director General, Finance for the UK Department for Constitutional Affairs. Mr Ball joined the Board in October 2011 and has been a member of the Board Risk Committee since November 2011. (Age 51)

Bernard Byrne* *FCA*
Director of Personal & Business Banking

Mr Byrne joined AIB in May 2010 as Group Chief Financial Officer and member of the Executive Committee and took up his current post in May 2011. He began his career as a Chartered Accountant with PricewaterhouseCoopers (PwC) in 1988 and joined ESB International in 1994. In 1998 he took up the post of Finance Director with IWP International Plc before moving to ESB in 2004 where he held the post of Group Finance and Commercial Director until he left to join AIB. Mr Byrne was co-opted to the Board on 24 June 2011. He was appointed Non-Executive Director of EBS Limited in July 2011. (Age 43)



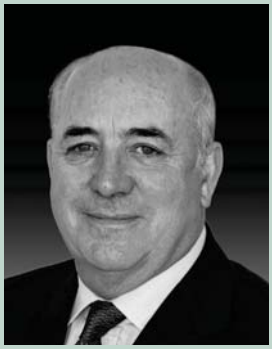
Declan Collier *BA Mod (Econ), MSc (Econ)*
Non-Executive Director and Remuneration Committee Chairman

Mr Collier is Chief Executive of the Dublin Airport Authority (DAA) and is President of Airports Council International (Europe) and a member of World boards of Airports Council International, the representative association of airports internationally. He is a Director of Dublin Airport Authority p.l.c., and is Chairman of Aer Rianta International cpt and of DAA Finance p.l.c. Prior to joining the DAA he held a number of senior management positions with the global energy company, Exxonmobil. Mr Collier joined the Board in January 2009 as a nominee of the Minister for Finance under the CIFS Scheme. He has been a member of the Remuneration Committee since April 2009 and of the Audit Committee since October 2010. He was appointed Chairman of the Remuneration Committee with effect from 5 April 2012. (Age 56)

David Duffy* *B.B.S., MA*
Chief Executive Officer

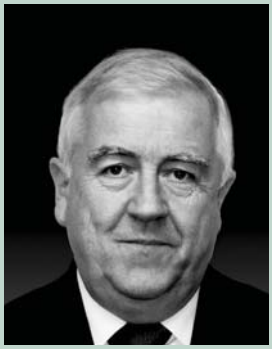
Mr Duffy joined AIB in December 2011 as Chief Executive Officer. He has held a number of senior roles in the international banking industry including, most recently, the position of Chief Executive Officer at Standard Bank International covering Asia, Latin America, the UK and Europe. He was previously Head of Global Wholesale Banking Network of ING Group and President and Chief Executive Officer of the ING franchises in the US and Latin America. Mr. Duffy was co-opted to the Board on 15 December 2011. (Age 50)

*Executive Director



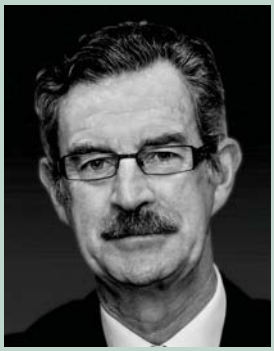
Jim O'Hara
Non-Executive Director

Mr O'Hara is a former Vice President of Intel Corporation and General Manager of Intel Ireland, where he was responsible for Intel's technology and manufacturing group in Ireland. He is a Non-Executive Director of Fyffes plc, a board member of Enterprise Ireland, the Association for European Nanoelectronic Activities (AENEAS), which represents the European electronics industry, and of Business in the Community Ireland. He is a past President of the American Chamber of Commerce in Ireland. Mr O'Hara joined the Board in October 2010 and has been a member of the Audit Committee, the Remuneration Committee and the Nomination and Corporate Governance Committee since January 2011. (Age 61)



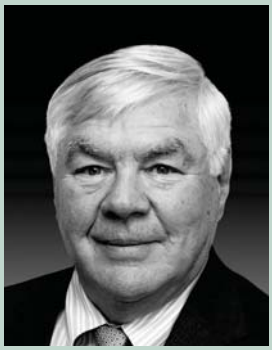
Dr Michael Somers *B Comm, M.Econ.Sc Ph.D*
Non-Executive Director, Deputy Chairman and Board Risk Committee Chairman

Dr Somers is former Chief Executive of the National Treasury Management Agency. He is Chairman of Goodbody Stockbrokers, a Non-Executive Director of Fexco Holdings Limited, Willis Group Holdings plc, Hewlett-Packard International Bank plc, the Institute of Directors, the European Investment Bank, St. Vincent's Healthcare Group Ltd, and President of the Ireland Chapter of the Ireland-US Council. He has previously held the posts of Secretary, National Debt Management, in the Department of Finance, and Secretary, Department of Defence. He is a former Chairman of the Audit Committee of the European Investment Bank and former Member of the EC Monetary Committee. Dr Somers was Chairman of the group that drafted the National Development Plan 1989-1993 and of the European Community group that established the European Bank for Reconstruction and Development (EBRD). He was formerly a member of the Council of the Dublin Chamber of Commerce. He joined the Board in January 2010 as a nominee of the Minister for Finance under the Government's National Pensions Reserve Fund Act 2000 (as amended) and has been Chairman of the Board Risk Committee since November 2010. (Age 69)



Dick Spring *BA, BL*
Non-Executive Director

Mr Spring is a former Tánaiste (Deputy Prime Minister) of the Republic of Ireland, Minister for Foreign Affairs and leader of the Labour Party. He is a Non-Executive Director of Fexco Holdings Ltd., Repak Ltd, The Realta Global Aids Foundation Ltd and Diversification Strategy Fund p.l.c. He is Chairman of International Development Ireland Ltd., Altobridge Ltd. and Alder Capital Ltd. Mr Spring joined the Board in January 2009 as a nominee of the Minister for Finance under the CIFS Scheme. He has been a member of the Nomination & Corporate Governance Committee since April 2009 and of the Board Risk Committee since November 2010. (Age 61)



Thomas Wacker *MBA (International Business & Finance)*
Non-Executive Director

Mr Wacker is a Non-Executive Director of AIB Group (UK) plc. He is a Non-Executive Director and former Chief Executive Officer of Belmont Advisors (UK) Limited. Mr Wacker is a former Chief Executive of IFG Group plc's offshore business and Non-Executive Director of the parent company. He is a Non-Executive Director of the USA Rugby Board and is the former Chief Executive Officer of the International Rugby Board. Prior to this, Mr Wacker held senior management roles with Royal Trust Company of Canada, Bank of Montreal, Citibank, and Citigroup Investment Banking Group. Mr Wacker joined the Board in October 2011 and has been a member of the Audit Committee since November 2011. (Age 68)

Catherine Woods *BA Mod (Econ)*
Non-Executive Director and Audit Committee Chairman

Ms Woods is a Non-Executive Director of An Post, AIB Mortgage Bank and EBS Limited. She is the Finance Expert on the adjudication panel established by the Government to oversee the rollout of the National Broadband scheme and is a former Vice President and Head of the European Banks Equity Research Team, JP Morgan, where her mandates included the recapitalisation of Lloyds' of London and the re-privatisation of Scandinavian banks. Ms Woods is a former member of the Electronic Communications Appeals Panel. She joined the Board in October 2010, has been a member of the Audit Committee and of the Board Risk Committee since January 2011 and was appointed Chairman of the Audit Committee in August 2011. (Age 49)

This is AIB's Shareholders Report.
It is available on the AIB website at: www.aibgroup.com/investorrelations.
The site and www.aibgroup.com/pressoffice is regularly updated with
news and information about the AIB Group.

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Designed by Custodian, 33 Lower Leeson Street, Dublin 2, Ireland. **Printed by** Colorman, Broombridge Industrial Estate, Dublin 11, Ireland.
Print Managed by Communisis Ireland Ltd,1 Earlsfort Centre, Earlsfort Terrace, Dublin 2, Ireland.