AIB Statement

12th March 2013

AIB has reviewed the Mercer Remuneration Review of Covered Institutions conducted on behalf of the Department of Finance.

- Total remuneration costs at AIB have reduced by c.31% since 2008
- On the conclusion of the AIB severance programme in 2014, total remuneration costs across the organisation, including business disposals, are expected to have decreased by c.50% from 2008 levels
- Total remuneration has fallen c.76% for the Chief Executive and c.64% for Senior Executives since 2008

AIB has reviewed the Mercer Remuneration Review of Covered Institutions conducted on behalf of the Department of Finance. AIB fully supports the Government's stated policy in the Report that the cost base of the bank should reduce to sustainable levels. As part of AIB's strategy for a return to long term viability, the bank has been working to reduce, by 2014, its cost base to more sustainable levels. A key component of this will continue to be the requirement to reduce staff costs. This includes a decrease in total staff remuneration and, more pertinently from a cost perspective, ongoing plans to significantly reduce the number of people working at the bank through a severance programme. This programme is expected on completion to achieve in excess of c.€200m in annual cost savings.

AIB's ongoing efforts to reduce staff costs are highlighted in the Review as follows:

•A reduction of 31% in total remuneration costs had occurred since 2008

•This included the abolition of incentive based compensation

•On the conclusion of the voluntary severance programme, total remuneration costs across the organisation, including business disposals, are expected to have decreased by c.50% from 2008 levels

• Total remuneration for the Chief Executive had fallen c.76% since 2008 including a c.53% reduction in base salary

• Total remuneration for AIB senior executives had fallen c.64% since 2008 including an average 33% reduction in base salary

• Total remuneration had decreased for all employees who have been continuously employed by the bank since 2008:

• Executives - down c.35%. The total number of executives employed at AIB had decreased by c.47% decline in terms of numbers and a reduction in costs of c.48%

• Senior Manager/Managers - down c.18%

• Assistant Manager/Senior Specialist – down 6%

• Senior Clerical/Specialist roles – down 9%

• Clerical roles – down 4%

• In addition to the severance program, in 2012, AIB progressed the implementation of changes to its pay and benefits structure, which are expected to generate savings of c.€40m in 2013 and a further c.€125m between 2014 and 2018. These included:

Cuts of up to 15% in salary and pay related allowances at Leadership Team level (including the Chief Executive)

A reduction of up to 10% in salary and pay related allowances to Executives and a reduction of up to 7.5% in salary for Senior Managers.

The elimination or reduction of a series of long standing benefits across the organisation.

AIB management is focused on reducing remuneration costs across the Bank while also maintaining its commercially competitive position in the market for attracting and retaining experienced professionals and skill-sets, from diverse industries and geographical locations. AIB will continue to seek to build a streamlined, stable and efficient banking model. This will include a reduced cost base driven by a greater emphasis on technology and reduced staff levels. As part of the emphasis on reducing staff remuneration, the Bank will continue to work collaboratively with the Department of Finance with reference to the March 2012 Relationship Framework Document.

Commenting on the review, AIB's Chairman, David Hodgkinson said on behalf of the Board of Directors that: "It is evident from the report, that there has been a significant reduction in remuneration at the bank since 2008. The Board believes that this is absolutely appropriate given the financial position of the bank and the level of State support received. However, the Board also fully agrees that further work is required to reduce overall staff costs to a level more reflective of the bank's current and long term operating position".