



EGM 2010 - Executive Chairman David Hodgkinson's speech

1st November 2010

Proposed disposal by the Company of its shareholding in M&T Bank Corporation

("AIB") (NYSE: AIB) AIB EGM in AIB Group, Bankcentre, Ballsbridge, Dublin 4, Ireland

Check against delivery

Good morning ladies and gentlemen, and welcome to the meeting.

My name is David Hodgkinson, and I am the recently appointed Executive Chairman of AIB. It is a pleasure to be in Dublin, one of my favourite cities.

We have a quorum, so I now formally open the EGM.

The Notice of the Meeting was posted to Shareholders on 11 October, 2010, and so I will dispense with its formal reading.

I'm joined on the platform on my right by Bernard Byrne, our new Group Chief Financial Officer, to my immediate left by David O'Callaghan, our Company Secretary, and on my far left by Bryan Sheridan, our Group Law Agent.

In my capacity as your new Chairman, I want to state very clearly that my colleagues on the AIB Board, and I, wish to express our deep regret to all our shareholders for the events which have led us to the position we are in today.

We are acutely conscious of the enormous erosion in shareholder value which has occurred and the real hardship for many shareholders brought about as a result.

I wish to put on record our acknowledgement of, and gratitude for, the support of the Irish Government and taxpayers and the key role they have played in helping us deal with the unprecedented events which the Company faces.

The Company is undergoing significant change, and I can assure you that myself, our new Chief Executive, when appointed, and the rest of my colleagues on the Board, together with everyone throughout AIB are, and will continue to be, fully focussed on taking the actions needed to secure a better future for this organisation, our shareholders, customers, and the Irish economy.

As you may know, following the recent announcements by the Government, the Financial Regulator and the Company regarding additional capital requirements, Dan O'Connor, resigned as Chairman and Director on 13 October last, and Colm Doherty resigned as a Director following my appointment – his resignation was announced this morning. Colm will leave the Company at the end of this month.

Also during October, Bob Wilmers and Kieran Crowley resigned from the Board, and, apart from my own appointment, we appointed two new Directors, Ms. Catherine Woods and Mr. Jim O'Hara.

The Board now comprises nine Directors, all of whom are present and are at the front of the room on my left, with the exceptions of Dr. Somers and Mr. O'Hara who send their apologies.

We have significant business to conduct today and I know that many shareholders will wish to speak.

We have one resolution to consider, which seeks approval for the disposal by the Company of its shareholding in M&T Bank Corporation.

I will elaborate on the resolution in due course.

But first please allow me to introduce myself and how I see my new role in a little more detail. Staff members here today as shareholders will be familiar with some of what I am about to say and I hope they will be patient with me.

By way of background, I was Group Chief Operating Officer for HSBC Holdings plc from May 2006 until my retirement from the company in December 2008. During my career with HSBC, I 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.

I have also been Chairman and Director of a number of HSBC's companies in those and other regions and, since retiring from HSBC in 2008 have undertaken a wide range of advisory work on financial matters.

So, as I hope that shows, I have worked in banking for many years in many different parts of the world and have experienced many different challenges. Therefore, while I know that AIB's problems are difficult, I also know they can be overcome.

AIB has an extremely strong franchise. It plays a vital part in this country's infrastructure through its support for business and personal customers. It is evident that it also has loyal customers and a highly committed, professional and capable workforce.

But the future is challenging and the bank will change. The sales of the Group's Polish interests and its stake in M&T, which is the focus of today's EGM, have already been announced and more work needs to be done on reshaping and rebuilding the business to ensure stability.

My task therefore, along with my colleagues, is to formulate and implement a plan of action which will build on AIB's strengths and repair its weaknesses – a plan which will restore AIB to being a leading force both as a business and an employer.

As you may be aware, the Financial Regulator undertook a prudential capital assessment review in March 2010, which identified a requirement for AIB to generate €7.4 billion in additional capital by the end of 2010.

At that time, AIB announced that we would generate that capital through the disposal of assets and the raising of equity capital.

Today, to conclude the first step in our asset disposal programme, we are seeking shareholder approval to dispose of our shareholding in M&T Bank. This disposal is expected to raise just short of €900 million towards our capital requirements.

We also recently announced the disposal of our Polish Bank, BZWBK, to Banco Santander, which is expected to raise €2.5 billion towards those requirements. A separate EGM will be scheduled to seek your approval of that disposal in due course.

Each of the disposals requires shareholder approval under the Listing Rules of the Irish and London Stock Exchanges because of the value relative to AIB's value on the Exchanges. Unfortunately, it has not been possible to combine the EGMs into one because of timing and regulatory considerations.

Following a further assessment of our capital by the Financial Regulator in September this year, which was the result of higher discounts applied to loans originally transferring to NAMA, AIB's capital generation requirement rose from €7.4 billion to €10.4 billion.

To meet the revised capital requirement, we are obliged to continue with our programme of asset disposals, and we will launch a €5.4 billion equity capital raising later this month, which we expect will be completed before the end of the year.

This equity capital raising will be fully underwritten by the National Pensions Reserve Fund Commission and will be structured as a placing and open offer which would include existing shareholders being invited to subscribe for all or part of their pro rata entitlements. New institutional shareholders may also be permitted to subscribe for new shares under the offer.

On completion of the equity capital raising it is highly likely that the Government, through the NPRFC, will own a significant majority stake in AIB.

It is intended to structure the transaction in a manner which optimises the ability of AIB to retain its existing stock exchange listings even in circumstances where the NPRFC purchases all or substantially all of the underwritten new ordinary shares.

The capital raising will be the subject of further communication from the Company, and a shareholder meeting, in due course.

(Recommendation)

Back to the business for today's meeting, and, on the basis of the capital requirements which I've just outlined, the Board considers that the disposal of the shareholding in M&T Bank Corporation is in the best interest of the Company.

The Board has been through a detailed process and has carefully considered a number of ways in which to optimise the value from our M&T stake, as outlined in the Circular, and this transaction represents a good deal and the best way of achieving our objective by obtaining a good price in the current uncertain market conditions, as well as being a core part of our overall capital raising objectives, where it will generate c. €900 million towards our capital target, and a €1.5 billion funding benefit.

If the disposal is not completed, then it is likely that the NPRFC will take a greater stake in the Company, further diluting existing shareholders.

Accordingly, the Board recommends that Shareholders vote in favour of the Resolution.

We will now hear questions and comments from the floor, and then consider and vote upon the resolution.

We are not updating the market today on business performance trends. In that regard, our Interim Management Statement will issue later this month.

My intention is to allow as many people as possible to speak and to try and respond to your questions and comments as clearly as I possibly can.

So before I go to questions, I will now propose the resolution, which seeks approval for the disposal by the Company of its shareholding in M&T Bank Corporation.

It's quite a long resolution and so, with your indulgence, I do not propose to read it all out. The text is in the Notice convening today's Meeting, on page 94 of the Circular, which is before you, and I now formally propose it.

The motion has now been proposed.

We will be voting on this motion by poll at the end of the meeting.

We believe it allows the intentions of all shareholders who register a vote to be taken into account.

Voting by poll also reflects evolving best practice. Accordingly, I am calling a poll on the Resolution.

Now, while I will try and answer as many questions as possible, I would ask that questions be relevant to the business of the meeting.

If you wish to make a comment, or ask a question, please raise your hand and we'll get a microphone to you in sequence.

Please state your name before asking your question. First question please.

When no further questions or comments are forthcoming...

The Resolution has been proposed.

And I am asking you now to please vote by completing the poll card which you received on the way in to the meeting.

You should indicate your voting preference, sign the poll card and deposit it in one of the Ballot boxes which are positioned throughout the room.

The result will be made available by 5.00 p.m. this evening at our main reception desk at the Merrion Entrance here in Bankcentre, and on our website.

This concludes the EGM and it only remains for me now to thank you for your participation, and to invite you to avail of some refreshments. Thank you.

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