



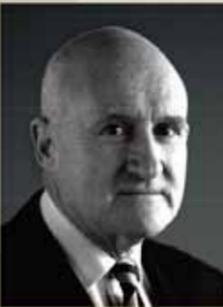
“The turbulence experienced in the global economy and financial markets in the second half of 2008 was without precedent in our lifetimes.”

Dermot Gleeson
Chairman



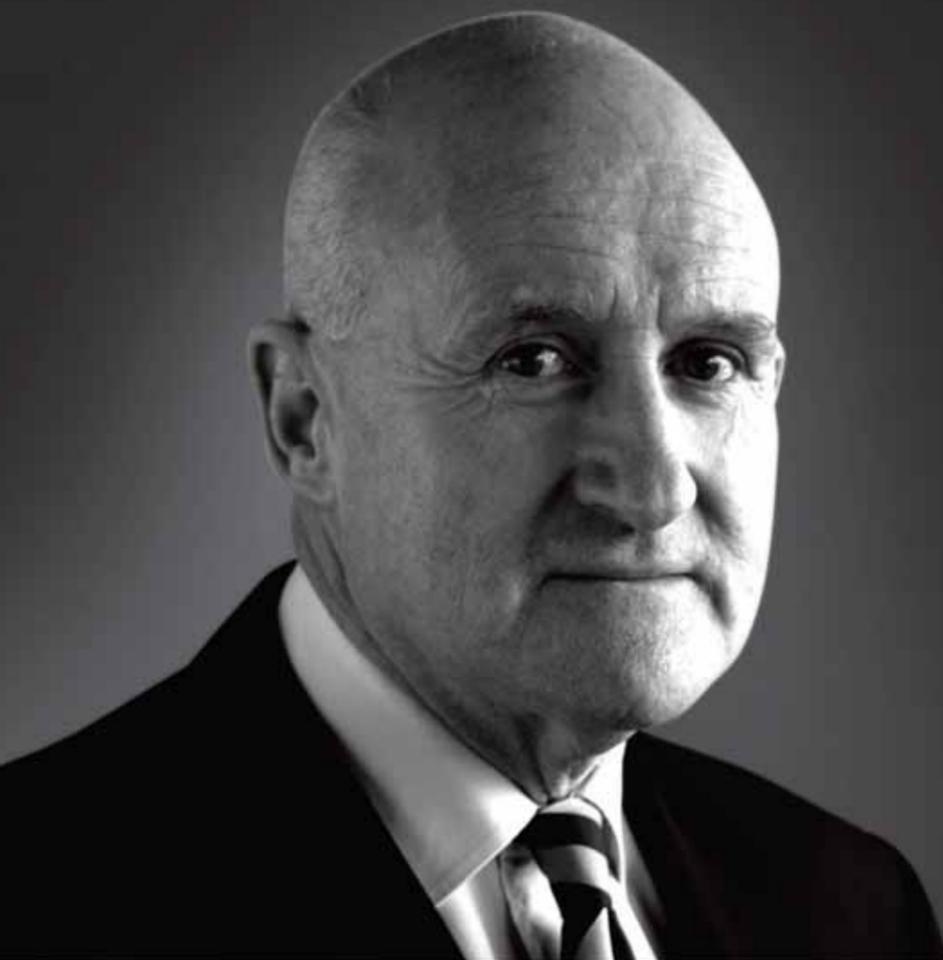
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‘AIB Group, in common with hundreds of financial institutions around the world, was not immune to the effects of a downturn that turned rapidly into a severe recession.’

Dermot Gleeson
Chairman



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 The turbulence experienced in the global economy and financial markets in the second half of 2008 was without precedent in our lifetimes. Its strength and ferocity took most people by surprise.

AIB Group, in common with hundreds of financial institutions around the world, was not immune to the effects of a downturn that turned rapidly into a severe recession.

I'm acutely conscious that the consequences of these events have greatly affected our shareholders and many of our customers and this is a matter of deep regret to me.

Let me try and update you on AIB's current position.

> Capital

AIB has always prided itself on being a well-capitalised bank. In recent months, it became clear that the markets were looking for a level of comfort that was higher than what was previously regarded as adequate.

On 11 February this year we accepted the Irish Government's offer of new capital on the same basis as Bank of Ireland.

This agreement, which has to be approved by you, our shareholders, the European Union and the regulators, will see the Government injecting total core Tier 1 capital of €3.5 billion into AIB in the form of preference shares giving certain rights to the Minister for Finance, including the right to subscribe to purchase 25% of the ordinary share capital of the enlarged equity of the bank.

Assuming completion of the transaction, the effect of this recapitalisation would have been to increase our core Tier 1 capital ratio at the end of December 2008 to approximately 8.4%, our Tier 1 ratio to approximately 10.0% and our total capital ratio to approximately 13.1%.

We believe this agreement with the Government strikes the right balance between the interests of shareholders, the need to provide a fair return to the Irish taxpayer and the provision of support for the Irish economy. The Government guarantee scheme was also a vital part of the moves made to increase stability in the Irish financial sector. AIB welcomes the Government's stated intention to look at ways of extending this scheme beyond 2010.

The significant signs of stress as a result of the adverse economic conditions at the end of 2008 generated a bad debt charge of €1.8 billion, equivalent to 1.37% of average loans.

The Government is to examine proposals for the management and reduction of risks connected with land and property in banks like AIB. This will be done as a matter of priority and in consultation with the European Central Bank and the relevant European Union authorities.

> Remuneration

AIB shares the view of the Government that pay restraint is important in the current economic conditions. The Government has also made it clear that significant changes in the remuneration structures of banks are needed.

In 2008, and again this year, the Group Chief Executive, the non-executive directors and myself voluntarily waived remuneration. For more details, see pages 14 - 15.

AIB is co-operating with the Covered Institution Remuneration Oversight Committee (CIROC), which was appointed by the Minister for Finance. AIB will consider the CIROC report on the remuneration plans of senior executives of the Irish banking institutions.

> Board Changes

There were changes in the composition of the AIB Board in 2008 and this year. Adrian Burke and Jim O'Leary retired as non-executive directors in April 2008 while Bernard Somers resigned from the board, also as a non-executive director, in December. Senior Independent Director Mike Sullivan is to retire from the board at the AIB AGM 2009. His successor as Senior Independent Director is David Pritchard. I wish to thank Adrian, Jim, Bernard and Mike for their valuable contribution over the years.

In January this year, as part of the agreement with the Government, Declan Collier and Dick Spring were appointed to the AIB Board as non-executive directors and I welcome them to the board.

> Outlook

We expect the operating environment to remain extremely difficult throughout 2009. It will be a time of global uncertainty with the Irish economy in a very challenging phase.

A prolonged economic downturn and dislocation of global credit markets will reduce the recoverability and value of AIB's assets and require an increase in the group's level of provision for impairment losses.

Markets worldwide are experiencing severe tightening in the availability and duration of unsecured liquidity and term funding. If these conditions continue, AIB's access to traditional sources of liquidity will be further constrained.

I realise that AIB's shareholders will want to know when the steep decline in our share price will be reversed. There is no easy answer to that question. The market view of AIB, as reflected in the share price, is outside our control.

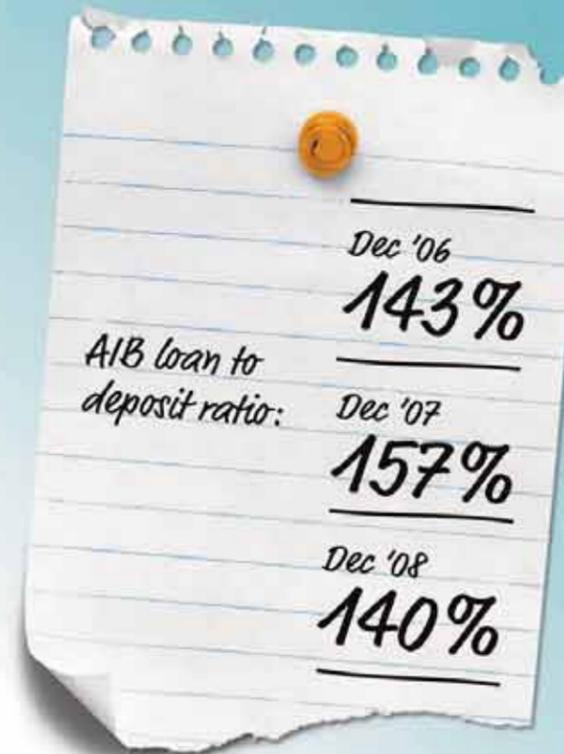
What we need to do is focus on the fundamentals. AIB is learning from the events of recent years.

We are working through the issues around our asset quality, focusing on our funding position after the strong growth in our deposit base last year and we are tightly managing our costs.

We are determined to ensure AIB remains a sustainable, responsible and profitable company.

The restoration of shareholder value is the goal of everyone who works at AIB.

Dermot Gleeson
Chairman



In 2008 AIB saw improvements in its efficiency - and in its strong core deposit base. Key figures show how the group's costs have fallen and how specialist teams across the group secured deposits from corporate and commercial customers across the world throughout the year.

Deposits are the lifeblood of AIB's funding position. In 2008 AIB launched a concerted effort to improve its already strong core deposit base.

Customer deposits increased as a percentage of total funding from 48% to 54% during the year and the group's loan-to-deposit ratio fell from 157% in 2007 to 140% in 2008.

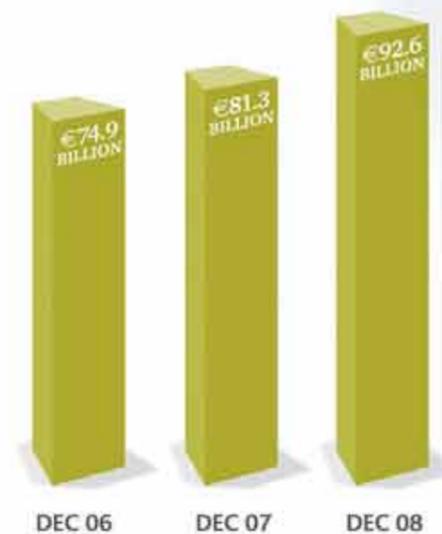
AIB continues to operate more efficiently. In 2008, costs declined by 5% and revenues increased by 6% with the cost income ratio falling from 51.8% in 2007 to 46.5% in 2008.

Investment in IT is one way cost savings can be delivered. To give an example, 75% of AIB's one million international payments are now automated - saving money and providing customers with an improved service.

AIB continues to focus its energies on asset quality and recognises the need to make increased provisions as the economic downturn continues. The group continues to generate strong operating profit from diverse sources across all its divisions in all its markets.

AIB today is well capitalised, well diversified and has a strong balance sheet. It is an organisation with millions of customers who do business on a regular basis, delivering repeatable earnings.

New focus, fresh priorities



> AIB Customer Deposits in Billions

> Summary Consolidated Balance Sheet	2008 € Million	2007 € Million
ASSETS		
Cash and balances at central banks	2,466	1,264
Loans to customers	129,489	127,603
Other financial assets	44,790	43,645
Interests in associated undertakings	1,968	1,682
Fixed and intangible assets	1,377	1,244
Other assets	2,053	2,424
TOTAL ASSETS	182,143	177,862
LIABILITIES		
Deposits by banks	25,578	30,389
Deposits by customers	92,604	81,308
Other financial liabilities	44,393	46,202
Retirement benefit liabilities	1,105	423
Subordinated liabilities	4,526	4,605
Other liabilities	3,655	3,757
TOTAL LIABILITIES	171,861	166,684
Shareholders' equity	8,938	9,827
Minority interests in subsidiaries	1,344	1,351
TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND MINORITY INTERESTS	182,143	177,862



2008 was a very disappointing year for AIB. We did see good growth in operating profit before provisions but net profit and earnings per share were significantly down on 2007 levels. There also was a decrease in our share price of close to 90% in 2008.

AIB, like other banks, was particularly affected by the contraction of the Irish commercial and residential property sectors. It was one of a number of factors contributing to the decline in shareholder value over the year – a situation which I regret.

Despite the turmoil and the recession, AIB staff continued to demonstrate real commitment to the organisation and I want to thank them for their contribution and hard work throughout a challenging year.

> Divisional Commentary

AIB Bank in the Republic of Ireland had a very difficult year. The Irish economy moved into recession with asset values dropping rapidly.

The charge for impaired loans rose significantly from 0.16% in 2007 to 1.74% of average loans for 2008. AIB Bank maintained its operating profit before provisions at 2007 levels and supported credit growth in the home mortgage, small and medium enterprise and personal lending markets. Loan balances were up by 5% overall and mortgage lending rose by 10%. AIB Bank's operating expenses were down by 7% through early identification of cost savings and strong management action which delivered efficiencies across the division.

AIB Capital Markets enjoyed a solid performance across all its franchises with its operating profit before provisions increasing by 52%. The division's impaired loan charge was 0.6% in 2008. In 2007, the division had net writebacks representing 0.08% of average loans.

Capital Markets' Global Treasury unit made profit before tax of €213 million in 2008, a strong performance when compared with 2007 when it broke even. Wholesale Treasury performed very strongly, particularly from cash management, interest rate and liquidity management activities. Corporate Banking's profit before taxation declined by 13% due to an increase in provisions for loan impairment. Investment Banking's pre-tax profit was down 72% with declining asset values resulting in lower trading and income.

AIB Bank UK's operating profit before provisions of £323 million was in line with 2007. In difficult market conditions, the division focused on deposit gathering, lending returns and cost management. Good growth was achieved in underlying net interest income as customer loan and deposit balances increased by 7% and 22% respectively, the majority of loan growth occurring in the first six months.

In the second half of 2008 the recession led to an increase in the number of customers experiencing cash flow difficulties and the impaired loans charge rose to 1.11% of average loans in 2008 from 0.08% in 2007.

Allied Irish Bank (GB) saw its net interest income grow by 2% in 2008 reflecting continued success at margin management and a strong increase in customer deposit balances, which have grown by 29% since December 2007. The operating performance was achieved through a combination of active management of interest income and successfully targeted reductions in the underlying cost base. First Trust Bank's customer loan balances were maintained at the same level as last year, with the continued focus on balance sheet management leading to an improvement in lending margins along with a 9% growth in customer deposit balances.

AIB's newest division Central & Eastern Europe (CEE) was formed in 2008. It brought together AIB's interests in BZ WBK in Poland along with those in Bulgaria and the Baltic region.

Our operations in Poland saw profit before tax drop 9% in 2008. This reflected trends in a Polish economy which slowed markedly, especially in the second half of 2008. Mortgage lending grew by 49% and other personal lending was up 55% while business lending rose by 37% with strong growth in the corporate and SME sectors. Customer deposits increased by 41% following a strong focused drive for resources throughout 2008. Business deposits grew strongly, particularly in the fourth quarter. The provision charge of 1.16% on average loans was up from 0.03% in 2007.

In February 2008, AIB acquired the AmCredit mortgage business in the Baltic states of Latvia, Lithuania and Estonia. In August, the group also acquired a 49.99% shareholding in BACB, a lender to small and medium sized businesses in Bulgaria. The acquisitions of AmCredit and BACB resulted in losses in AIB of €33 million and €56 million respectively including the write-off of goodwill of €15 million in AmCredit and €57 million in BACB.

AIB has a 24.2% share in US bank M&T. Its euro contribution to AIB was affected by the weakening of the US dollar rate relative to the euro in recent times. AIB's share of M&T's after-tax profit for 2008 was €94 million.

> Key Objectives

All banks are operating in a difficult business environment which looks set to continue.

The key objectives for AIB during this testing time include:

- Actively managing our risk to minimise bad debt charges.
- Maintaining our position in the markets and sectors in which we operate.
- Continuing to manage our cost base in the lower income growth environment to ensure productivity levels remain high relative to our peer banks across Europe.
- Maintaining our capital ratios at a level that continues to fully support our business.

The successful pursuit of these objectives will enable AIB to continue to support both its customers and economic activity in general.

> The Future

AIB is very much open for business in 2009. Everyone at AIB is determined to rebuild the organisation as a strong and independent institution.

We are grateful to the Irish Government for their recapitalisation package and we are committed to playing our part in meeting the needs of viable small and medium sized businesses and first time house buyers in Ireland. Across our other franchises in Central and Eastern Europe, Poland, the UK, and the US, we will do what we can to support economic revival.

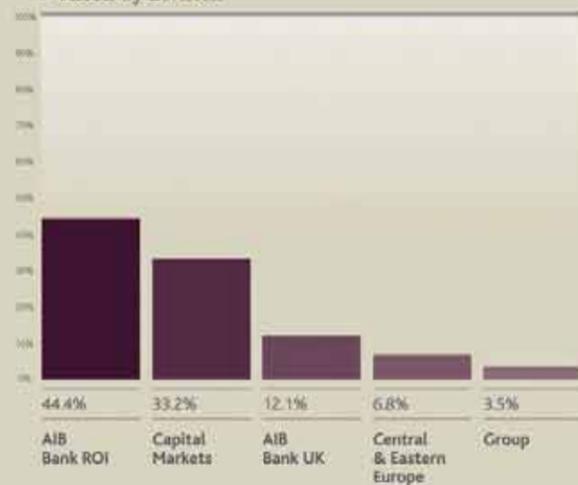
Assuming completion of the Government's proposed preference share investment in AIB, our capital position will improve significantly. Our well spread customer deposit base is an additional strength.

I continue to have a strong belief in the quality and resilience of the AIB Group and am confident that the depth and diversity of the customer franchises built by our people will stand us in good stead.

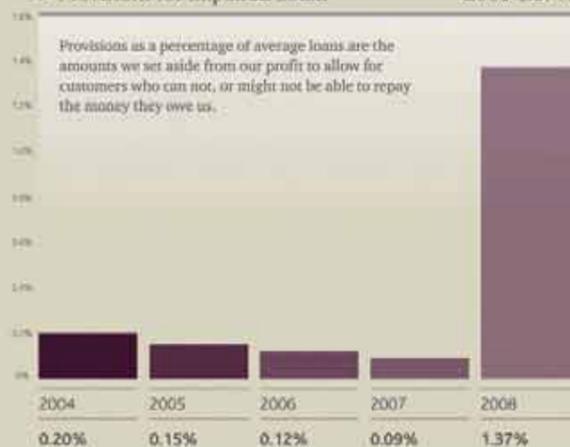
Eugene Sheehy
Group Chief Executive

AIB at a glance...

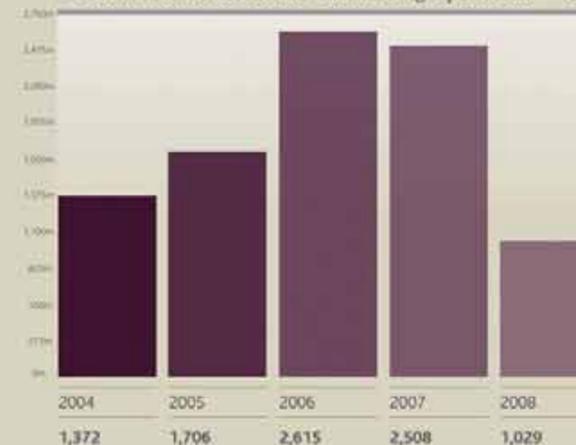
> Assets by Division



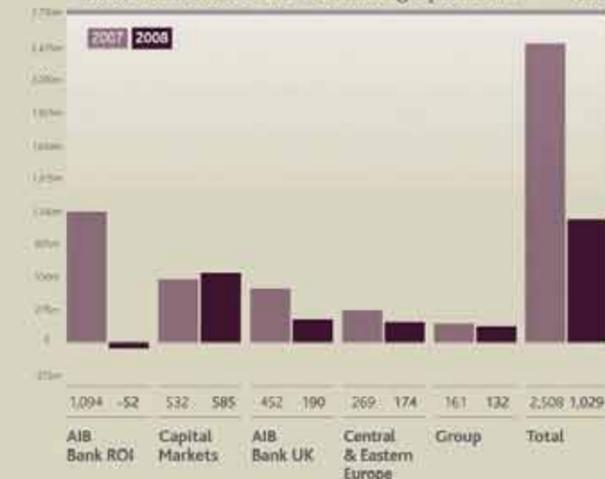
> Provisions for Impaired Loans 2008 1.37%



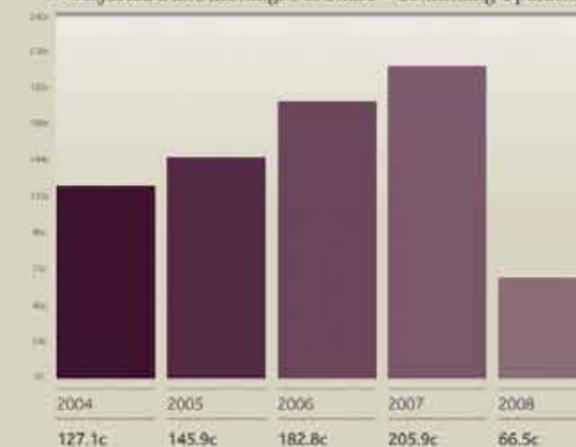
> Pretax Profit over 5 Years - Continuing Operations €M



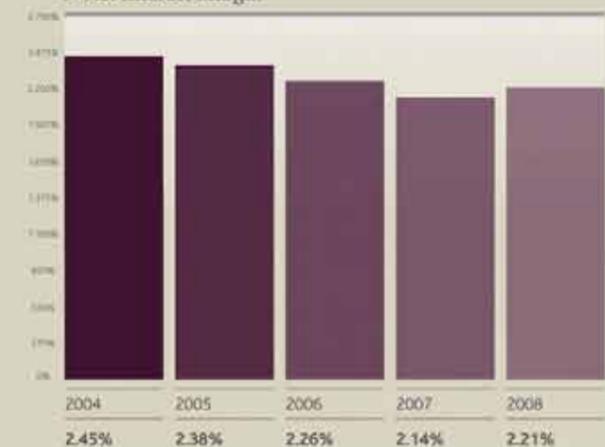
> Loss/Profit Before Tax - Continuing Operations €M



> Adjusted Basic Earnings Per Share - Continuing Operations



> Net Interest Margin



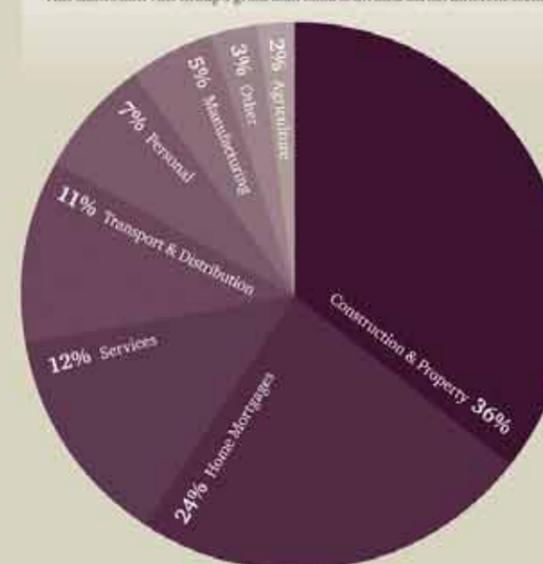
> Summary Income Statement

2008 / € Million 2007 / € Million

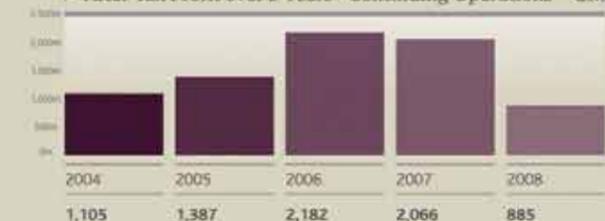
Net interest income	3,867	3,418
Other income	1,201	1,450
Total operating income	5,068	4,868
Personnel expenses	1,412	1,615
General and administrative expenses	775	761
Depreciation/amortisation	170	145
Total operating expenses	2,357	2,521
Operating profit before provisions	2,711	2,347
Provisions for impairment of loans and receivables	1,822	106
Provisions for liabilities and commitments	(2)	(8)
Amounts written off financial investments available for sale	29	1
Operating profit	862	2,248
Associated undertakings	37	128
Profit on disposal of property	12	76
Construction contract income	12	55
Profit on disposal of businesses	106	1
Profit before taxation	1,029	2,508
Basic earnings per share - continuing operations	82.9c	218.0c
Adjusted earnings per share - continuing operations	66.5c	205.9c

> How we spread our risk - loans to customers

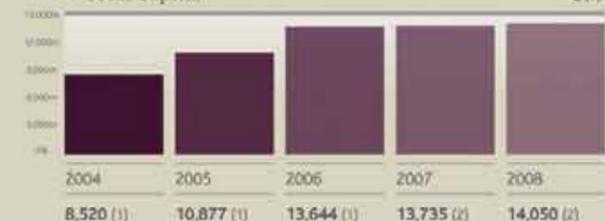
This shows how AIB Group's gross loan book is divided across different sectors.



> After Tax Profit over 5 Years - Continuing Operations €M



> Total Capital €M



(1) Under Capital Adequacy Directive
(2) Under Capital Requirements Directive

Horse Whispering

Working with horses is central to Festina Lente's approach to building the self-confidence and communications skills of young people.



The Festina Lente Foundation, based in Bray, Co. Wicklow, provides a range of equestrian, horticultural and community-based learning and employment services to those whose needs have not been met by mainstream services.

In 2008, the foundation developed a new service, Equine Assisted Learning (EAL), which is one of the flagship projects funded by the AIB Better Ireland Programme.

This programme involves talking to and generally interacting with a horse. Horses are able to read the most subtle cues and reflect back the emotional state of the participant. The children learn that if they change their behaviour, the horse will respond differently.

Sessions last between six and eight weeks and, as well as programmes in Bray, Festina Lente runs the EAL service on a quarterly basis elsewhere in Ireland. Most of the horses with Festina Lente are rescue horses.

AIB also supports three other flagship projects – the Lava Javas Youth Café in Limerick;

an animal-assisted therapy programme and sensory garden for the St. Joseph's School and Services for the Visually Impaired, Drumcondra, Dublin; and the Best Buddies Programme with Ability West, Galway. Together, these four projects help more than 950 children.

Many more children also benefited from donations to community groups by their local AIB branch in 2008 as part of the Better Ireland Programme. The local communities had the final say, through a text vote, in choosing the 185 most deserving children's projects who each received €10,000.

Applications for the money came from a wide variety of groups including homework clubs, teen clubs, autistic services, community creches, schools and colleges as well as drug and alcohol support services for youth.

For more information on all of AIB's CSR activities please see www.aibgroup.com/csr

Corporate Governance Statement

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

Corporate governance is concerned with how companies are managed and controlled. The Board is committed to the highest standards in that regard and it is Board policy to comply with the provisions of the Combined Code on Corporate Governance ("the Code").

> The Board

Role

The Board is responsible for the leadership, direction and control of the Company and the Group 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 Group Chief Executive 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.

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

The Board held 11 scheduled meetings during 2008, twelve additional out-of-course meetings or briefings, and a full-day seminar focussing on strategic issues. Details of the Directors' attendance at Board and Board Committee Meetings, which was at an extremely high level, are included in the Annual Financial Report which can be accessed on www.aibgroup.com.

Membership

It is the policy of the Board that a significant majority of the Directors should be Non-Executive. At 31 December 2008, there were 11 Non-Executive Directors and 4 Executive Directors. 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 control of the Group.

Mr. Bernard Somers resigned as a Non-Executive Director on 31 December, 2008 in order to avoid conflicts of interest arising between his fiduciary duty as a Director and his private business as Principal of a corporate restructuring consultancy firm.

The names of the Directors, with brief biographical notes, appear on pages 16 and 17. 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. Mr. Robert G Wilmers serves as a Director of the Company as the designee of M&T Bank Corporation, in which AIB held a 24.2% interest at 31 December 2008. In these circumstances, Mr. Wilmers is not determined to be independent for the purposes of the Code. The Board has determined that all other Non-Executive Directors in office in December, 2008 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.

Mr. Declan Collier and Mr. Dick Spring were appointed Non-Executive Directors on 22 January 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).

On 12 February 2009, AIB announced that, subject to shareholder and regulatory approval, it had agreed to accept an offer from the Irish Government to subscribe for €3.5bn of New Preference Shares. The issuance of, and the conditions attaching to, the New Preference Shares will be placed before shareholders for approval at a General Meeting of shareholders on 13 May 2009. Subject to shareholder approval, the New Preference Shares will give the Minister for Finance the right, while any New Preference Shares are outstanding, to directly appoint 25% of the Directors (including the two Directors appointed under the Scheme referred to in the previous paragraph), and 25% of total ordinary voting rights in respect of change of control transactions over 50% and Board appointments.

Mr. Michael J. Sullivan will retire from the Board at the 2009 Annual General Meeting after seven years of service.

Chairman

Mr. Dermot Gleeson has been Chairman of the Board since 2003. His 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, and reviewing the performance of individual Directors. Mr. Gleeson's term as Chairman will expire in April 2011.

Group Chief Executive

The day-to-day management of the Group has been delegated to the Group Chief Executive, Mr. Eugene Sheehy, who took up that position on 1 July 2005. His responsibilities include the formulation of strategy and related plans, and, subject to Board approval, their execution. He is also responsible for ensuring an effective organisation structure, for the appointment, motivation and direction of the senior executive management, and for the operational management of all the Group's businesses.

Senior Independent Non-Executive Director

The Senior Independent Non-Executive Director is available to shareholders if they have concerns which contact through the normal channels of Chairman or Group Chief Executive have failed to resolve, or for which such contact is considered by the shareholder(s) concerned to be inappropriate. Mr. David Pritchard will replace Mr. Michael J. Sullivan as the Senior Independent Non-Executive Director, upon Mr. Sullivan's retirement from the Board at the 2009 Annual General Meeting.

Company Secretary

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

Performance Evaluation

Evaluations of the performances of the Board and Board Committees were conducted during the year by Mr. Michael J. Sullivan, the Senior Independent Non-Executive Director, who held discussions with each of the Directors. The results were presented to the Board. The evaluation of the performance of the individual Directors was conducted by the Chairman. An evaluation of the performance of the Chairman was conducted in his absence by the Non-Executive Directors, under the Chairmanship of Mr. Sullivan, who had also consulted the Executive Directors.

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. Since 2005, all the Directors retire from office at the AGM and offer themselves for reappointment. It is intended that this measure of strengthened corporate governance practice will apply again at the 2009 AGM.

Board Committees

The Board is assisted in the discharge of its duties by a number of Board Committees, whose purpose 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 AIB's website at www.aibgroup.com.

> Directors' Remuneration

A summary of the Directors' Remuneration and Interests is included on page 15 of this Report.

> Website

The website, www.aibgroup.com, contains, for the previous five years, the Annual Report and Accounts, the Interim Report/Half-yearly Financial Report, the Annual Report on Form 20-F, and slides from annual and interim results presentations to financial analysts, brokers and investors. The Company's presentations of annual and interim results are broadcast live on the internet, and may be accessed on www.aibgroup.com/webcast

> Annual General Meeting

All shareholders are invited to attend the AGM and to participate in the proceedings. Shareholders are invited to submit written questions in advance of the AGM, to which the Chairman responds in writing following the meeting. 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. The Company's 2009 AGM is scheduled to be held on 13 May, 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 on 9 April.

> Institutional Shareholders

The Company held over 300 meetings with its principal institutional shareholders and with financial analysts and brokers during 2008.

> Compliance Statement

The Company has complied, throughout 2008, with the provisions of the Combined Code on Corporate Governance.

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 Annual Financial Report which can be accessed on www.aibgroup.com.

> The Remuneration Policy and Commentary

The Company's policy in respect of the remuneration of the executive directors and Group Executive Committee ("GEC") members aims to support and enhance business performance, and to underpin and reinforce a high-performance and ethical culture.

Remuneration packages and structures are such as to attract, retain, motivate and reward the executives concerned and, by ensuring strong links between performance and reward, align individual and company success. In considering such packages, cognisance is taken of: the levels of remuneration for comparable positions, as advised by external consultants (Kepler Associates, who report to the Remuneration Committee); the responsibilities and complexity of the roles of the individuals concerned; their individual performances measured against specific and challenging objectives; and the Group's overall performance.

AIB's remuneration practices, formulated against this policy background under the guidance of the Remuneration Committee, seek to encourage and promote the profitable and sustainable growth and development of the business and to ensure its financial stability.

Consistent with policy: (a) no salary increases were granted to the executive directors or the GEC members at the annual review date of 1 April 2008; (b) no bonuses were paid to the executive directors or the GEC members in respect of 2008; and (c) there will be no salary increases for either at the 1 April 2009 review date; there had been one contractual commitment, but the person concerned has waived the increase for 2009, amounting to €75,000. More generally, no awards will be made in 2009 under the Performance Share Plan, the Share Option Scheme, or the Employees' Profit Sharing Scheme.

During the year ended 31 December 2008, the Chairman, the Group Chief Executive and the Non-Executive Directors voluntarily waived remuneration, as follows:

Mr. Dermot Gleeson, Chairman, waived 8.7% of his annual fee with effect from 1 January 2008; this amounted to €45,000 in 2008. He increased this waiver to 10% from 1 January 2009, and to 25% from 9 February 2009; this is an overall per annum reduction of €130,000; Mr. Eugene Sheehy, Group Chief Executive,

waived 10% of his salary with effect from 1 October 2008. This amounted to €23,210 in 2008. He increased this waiver to 25%, representing a per annum salary reduction of €232,100 from 1 January 2009.

Mr. Sean O'Driscoll, Chairman of the Remuneration Committee, waived 10% of his fees with effect from 14 October, 2008; he increased this waiver to 25% from 9 February 2009;

All the other non-executive directors waived 10% of their fees with effect from 1 December, 2008, and increased the waiver to 25% from 9 February 2009.

The Remuneration Committee is co-operating with the Covered Institution Remuneration Oversight Committee ("CIROC") appointed by the Minister for Finance under the Credit Institutions (Financial Support) Scheme 2008 (S.I. No. 411 of 2008) ("the Scheme") "to oversee all remuneration plans of senior executives of the covered institutions." A report has been submitted to the CIROC demonstrating how the remuneration policies of AIB for 2009 comply with paragraph 47 of the Scheme, which requires that remuneration packages take account of the need for financial stability, and which provides that bonuses must be measurably linked to reductions in guarantee charges, reduction in excessive risk-taking and encouraging long-term sustainability.

> Directors' Remuneration (Table A)

The table opposite details the total remuneration of the Directors during 2008 and 2007.

> Interests in Shares (Table B)

The beneficial interests of the Directors and the Secretary in office at 31 December 2008, and of their spouses and minor children, in the Company's ordinary shares are as shown opposite.

TABLE A. DIRECTORS' REMUNERATION					2008	2007
REMUNERATION	Fees (1)	Salary	Taxable Benefits (2)	Pension Contributions (3)	Total	Total
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
<i>Executive Directors</i>						
Colm Doherty	-	633	48	141	822	1,663
Donal Forde	-	600	42	134	776	1,394
John O'Donnell	-	500	46	112	658	1,273
Eugene Sheehy	-	905	40	207	1,152	2,105
	-	2,638	176	594	3,408	6,435
<i>Non-executive Directors</i>						
Adrian Burke (retired 22 April 2008)	31	-	-	-	31	141
Kieran Crowley	170	-	-	-	170	153
Padraic M Fallon (retired 9 May 2007)	-	-	-	-	-	17
Dermot Gleeson	475	-	-	-	475	475
Don Godson (retired 31 December 2007)	-	-	-	-	-	70
Stephen L. Kingon (appointed 6 September 2007)	140	-	-	-	140	31
Anne Maher (appointed 11 January 2007)	128	-	-	-	128	71
John B McGuckian (retired 9 May 2007)	-	-	-	-	-	45
Dan O'Connor (appointed 11 January 2007)	114	-	-	-	114	64
Sean O'Driscoll	67	-	-	-	67	57
Jim O'Leary (retired 22 April 2008)	58	-	-	-	58	109
David Pritchard (appointed 21 June 2007)	169	-	-	-	169	86
Bernard Somers	50	-	-	-	50	50
Michael J Sullivan	56	-	-	-	56	70
Robert G Wilmers	-	-	-	-	-	-
Jennifer Winter	78	-	-	-	78	85
	1,536	-	-	-	1,536	1,524
<i>Former Directors</i>						
Pensions (4)	-	-	-	-	117	113
	-	-	-	-	117	113
TOTAL					5,061	8,072

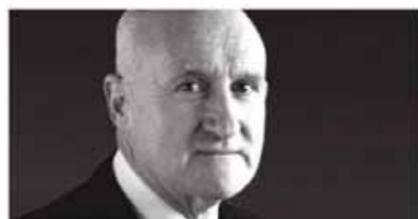
(1) Fees paid to the non-executive directors, other than the Chairman who receives a flat fee, comprise a basic fee, payable at a rate of €36,500 per annum (reduced to €32,850 per annum from 1 December 2008 and to €27,375 per annum from 9 February 2009), in respect of service as a director, and additional remuneration paid to any non-executive director who: is the Chairman of the Audit Committee, Remuneration Committee, or Corporate Social Responsibility Committee; is the Senior Independent Director; or performs additional services, such as through membership of Board Committees or the board of a subsidiary company. A fee of €36,196 was paid to M&T Bank Corporation ("M&T") in the year ended 31 December 2008 (2007: €36,500), in respect of Mr. Robert G. Wilmers's directorship of the Company as the designee of M&T.

(2) 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.
 (3) "Pension contributions" represent payments to defined benefit pension schemes, in accordance with actuarial advice, to provide post retirement pensions from normal retirement date. The contribution rate in 2008 in respect of the Executive Directors, as a percentage of pensionable emoluments, is 22.3% (2007: 28.6%). The fees of the non-executive directors are not pensionable.
 (4) "Pensions" represents the payment of pensions to former directors or their dependants granted on an ex-gratia basis and fully provided for in the Balance Sheet.

TABLE B. INTERESTS IN SHARES		
Ordinary Shares	31 December 2008	1 January 2008
<i>Directors:</i>		
Kieran Crowley	12,520	12,520
Colm Doherty	72,612	71,677
Donal Forde	54,941	54,006
Dermot Gleeson	350,000	100,000
Stephen L.Kingon	4,500	-
Ann Maher	1,600	1,600
Dan O'Connor	14,000	14,000
John O'Donnell	37,987	37,052
Sean O'Driscoll	138,503	138,503
David Pritchard	3,500	3,500
Eugene Sheehy	256,780	255,845
Bernard Somers	1,000	1,000
Michael J Sullivan	5,400	5,400
Robert G Wilmers	440,059	430,059
Jennifer Winter	480	480
<i>Secretary:</i>		
W M Kinsella	42,132	41,258

The Executive Directors' and the Secretary's interests in share options and conditional grants of awards of shares under the Performance Share Plan are included in the 2008 Annual Financial Report. There were no changes in the Directors' and the Secretary's interests between 31 December 2008 and 27 February 2009.

The AIB Board



> **Dermot Gleeson BA, LLM**
Chairman



> **Eugene Sheehy* MSc**
Group Chief Executive



> **Declan Collier**



> **Kieran Crowley BA, FCA**
Corporate Social Responsibility
Committee Chairman



> **Colm Doherty* B Comm**



> **Donal Forde* MSc**



> **Stephen Kingon CBE BA, DBA, FCA, FCIM**



> **Anne Maher FIIPM, BCL**



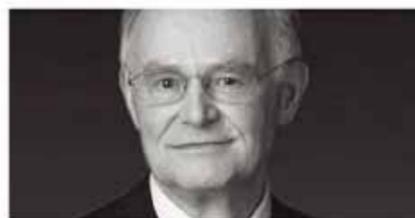
> **Dan O'Connor B Comm, FCA**
Audit Committee Chairman



> **John O'Donnell* FCMA, FCCA**
Group Finance Director



> **Sean O'Driscoll B Comm, FCA**
Remuneration Committee Chairman



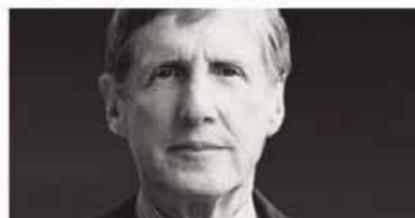
> **David Pritchard BSC (Eng)**
Senior Independent Non-Executive Director
from 2009 Annual General Meeting



> **Dick Spring**



> **Michael J Sullivan JD**
Senior Independent Non-Executive Director



> **Robert G Wilmers**



> **Jennifer Winter B Sc**

> **Dermot Gleeson BA, LLM**
Chairman

Barrister, and member of the Adjunct Law Faculty of University College Dublin. Chairman of University College Cork's Governing Body and a member of the Royal Irish Academy. He has held the following positions and offices in the recent past: Attorney General of Ireland, member of the Council of State, Chairman of the Review Body on Higher Remuneration in the Public Sector, Chairman of the Irish Council for Bioethics, and Director of the Gate Theatre. Joined the Board in 2000, and appointed Chairman in 2003. (Age 60)

> **Eugene Sheehy* MSc**
Group Chief Executive

Joined AIB in 1971. Appointed General Manager, Retail Operations in 1999, and Managing Director, AIB Bank, Republic of Ireland in 2001. Appointed Chief Executive Officer of AIB's USA Division and Executive Chairman of Allfirst Financial Inc. in 2002. Appointed Chairman and CEO, Mid Atlantic Division, M&T Bank, and a member of the Executive Management Committee and Board of M&T Bank Corporation ("M&T") in April 2003, following the acquisition by AIB of a strategic stake in M&T. Appointed AIB Group Chief Executive-Designate in March 2005, co-opted to the Board on 12 May 2005, and assumed responsibility as Group Chief Executive with effect from 1 July 2005. Fellow and past President of the Institute of Bankers in Ireland. (Age 54)

> **Declan Collier**

Chief Executive of the Dublin Airport Authority. Director of Dublin Airport Authority plc. Chairman of Aer Rianta International opt and DAA Finance plc. Joined the Board in January 2009 as a nominee of the Minister for Finance under the Irish Government's Credit Institutions (Financial Support) Scheme 2008. (Age 54)

> **Kieran Crowley BA, FCA**
Corporate Social Responsibility Committee Chairman

Consultant. Founder of Crowley Services Dublin Ltd., which operates the Dyno-Rod franchise in Ireland. Director of AIB Group (UK) p.l.c., and former Director of BZWBK, AIB's Polish subsidiary. A member of the Government appointed Advisory Forum on Financial Legislation. Former Chairman of the Small Firms Association and member of the Irish Business and Employers' Confederation (IBEC) National Executive Council. Joined the Board in 2004. (Age 57)

> **Colm Doherty* B Comm**

Managing Director, AIB Capital Markets plc. Director of M&T Bank Corporation. Joined AIB International Financial Services in 1988, and became its Managing Director in 1991. Appointed Head of Investment Banking in 1994, and assumed his present position in 1999. Joined the Board in 2003. (Age 50)

> **Donal Forde* MSc**

Managing Director, AIB Bank, Republic of Ireland. Joined AIB in 1978. Appointed Head of Treasury Services in 1998 and General Manager, Strategic Development Unit, AIB Bank in 1999; assumed his current position in 2002. Director of Hibernian Group PLC. Fellow and past President of the Institute of Bankers in Ireland and past President of the Irish Banking Federation. Joined the Board in 2007. (Age 48)

> **Stephen Kingon CBE BA, DBA, FCA, FCIM**

Chairman of Invest Northern Ireland and of the Northern Ireland Centre for Competitiveness. Member of the Economic Development Forum, and co-chair of the North/South Roundtable Group. Director of AIB Group (UK) p.l.c., Mivan (UK) Limited, the Baird Group Limited and Anderson Spratt Group (Holdings) Limited. Member of the BT Ireland Advisory Board. He has held the following positions and offices in the recent past: Managing Partner of PricewaterhouseCoopers in Northern Ireland; President of the Northern Ireland Chamber of Commerce and Industry; Chairman of Business in the Community in Northern Ireland, the Ulster Society of Chartered Accountants, and the Institute of Management Consultancy in Northern Ireland; and Joint Secretary for the Institute of Chartered Accountants in Ireland. Joined the Board in 2007. (Age 61)

> **Anne Maher FIIPM, BCL**

Chairman of the Medical Professional Competence Steering Committee. Member of the Professional Oversight Board (UK), (an operating body of the UK Financial Reporting Council); the FTSE Policy Group; the Actuarial Stakeholder Interests Working Group (UK); and a Governor of the Pensions Policy Institute (UK). Board member of the Retirement Planning Council of Ireland. She has held the following positions and offices in the recent past: Chief Executive of The Pensions Board for Ireland, Chairman of the Irish Association of Pension Funds, and Board Member of the Irish Accounting and Auditing Supervisory Authority. Joined the Board in 2007. (Age 63)

> **Dan O'Connor B Comm, FCA**
Audit Committee Chairman

Director of CRH plc, former President and Chief Executive Officer, GE Consumer Finance Europe, and former Senior Vice-President of General Electric Company. Joined the Board in 2007. (Age 49)

> **John O'Donnell* FCMA, FCCA**
Group Finance Director

Joined AIB in 1989 as Associate Director, AIB International Financial Services, becoming Managing Director in 1995. Appointed Managing Director, AIB Corporate Finance in 1996, Head of Investment Banking, AIB Capital Markets in 2001, and Group Finance Director-Designate in July 2005. Joined the Board in 2006. (Age 54)

> **Sean O'Driscoll B Comm, FCA**
Remuneration Committee Chairman

Group Chief Executive, Glen Dimplex. Member of the University College Cork President's Consultative Board. Appointed by the Irish Government to the high-level group overseeing Ireland's Asia strategy. Awarded an Honorary OBE for his contribution to British industry. Joined the Board in 2006. (Age 51)

> **David Pritchard BSC (Eng)**
Chairman, AIB Group (UK) p.l.c.;
Senior Independent Non-Executive Director

Former Group Treasurer, Executive Director, and Non-Executive Deputy Chairman of Lloyds TSB Group plc; spent two years as seconded at the Financial Services Authority while employed at Lloyds TSB. Former Managing Director Citicorp Investment Bank, London, and former General Manager Royal Bank of Canada Group. Non-Executive Chairman of Songbird Estates plc, Non-Executive Director of Euromoney Institutional Investor PLC, The Motability Tenth Anniversary Trust, and former Non-Executive Director of LCH Clearnet Group. Joined the Board in 2007. Assumes the role of Senior Independent Non-Executive Director from the date of the 2009 Annual General Meeting. (Age 64)

> **Dick Spring**

Former Tanaiste (Deputy Prime Minister) of the Republic of Ireland, Minister for Foreign Affairs, and leader of the Labour Party. Executive Vice Chairman, Fexco Holdings Ltd., Chairman of International Development Ireland Ltd., Altobridge Ltd., and Alder Capital Ltd.. Director of Repak Ltd. and The Realta Global Aids Foundation Ltd. Joined the Board in January 2009 as a nominee of the Minister for Finance under the Irish Government's Credit Institutions (Financial Support) Scheme 2008. (Age 59)

> **Michael J Sullivan JD**

Senior Independent Non-Executive Director

Served as US Ambassador to Ireland from January 1999 to June 2001 and as Governor of the State of Wyoming, USA, between 1987 and 1995. Director of Kerry Group plc, Sletten Construction Inc., Cimarex Energy, Inc., First Interstate BancSystem, Inc., and a Trustee of the Catholic Diocese of Wyoming. Member of the Bar, State of Wyoming, and Partner, Rothgerber, Johnson & Lyons, LLC. Joined the Board in 2001. Retires from the Board at the 2009 Annual General Meeting. (Age 69)

> **Robert G Wilmers**

Chairman and Chief Executive Officer of M&T Bank Corporation ("M&T"), Buffalo, New York State. Serves as Chairman of the Empire State Development Corporation. Director of The Business Council of New York State, Inc. Served as Chairman of the New York State Bankers' Association in 2002, and as a Director of the Federal Reserve Bank of New York from 1993 to 1998. Joined the Board in 2003, as the designee of M&T, on the acquisition by AIB of a strategic stake in M&T. (Age 74)

> **Jennifer Winter B Sc**

Vice-President, Corporate Reputation and Government Affairs, AstraZeneca plc. Former positions and offices held include Chief Executive, the Barretstown Gang Camp Limited, Director of Project Management Holdings Ltd., and Managing Director of SmithKline Beecham, Ireland. Joined the Board in 2004. (Age 49)

AIB Board Committees

Information concerning membership of the Board's Audit, Corporate Social Responsibility, Nomination & Corporate Governance, and Remuneration Committees is given in the Corporate Governance statement on pages 111 to 117 of the Annual Financial Report.

*Executive Directors

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This is AIB's Shareholders Report.
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about the AIB Group.

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