

Allied Irish Banks, p.l.c.



Group Remuneration Policy

1. Introduction

The AIB Group Remuneration Policy sets the framework for all remuneration related policies, procedures and practices for all employees of AIB Group. The principal aim of the Remuneration Policy is to support AIB in becoming a bank to believe in, recognised for outstanding customer experience and superior financial performance. The Remuneration Policy is designed to foster a truly customer focussed culture; to create long term sustainable value for our customers and shareholders; to attract, develop and retain the best people and to safeguard the bank's capital, liquidity and risk positions.

2. Regulatory Compliance

Remuneration policies, procedures and practices reflect the provisions, where applicable, of national and EU legislation, State Agreements and commitments provided to the Irish Government, the Capital Requirements Directive (CRD IV) and relevant guidelines issued by the European Banking Authority (EBA) and other Regulatory Authorities.

3. Remuneration Principles

AIB is committed to a simple and transparent reward structure incorporating the following key principles:-

- i. **Fair:** AIB aims to reward employees fairly and competitively in order to attract, motivate and retain the right calibre of individuals to grow and sustain the bank's business. Remuneration in AIB is set, without exception, independently of gender, age, religion, disability, sexual orientation, political affiliation or ethnic background.
- ii. **Performance Based:** Performance management plays a critical role in aligning individual objectives with AIB's overall strategy, financial & non-financial goals and brand values. Performance outcomes, using a combination of "What" objectives and "How" behaviours, informs individual remuneration and provide a clear link between performance and remuneration.
- iii. **Externally Aligned:** AIB aims to align remuneration with industry peers and competitors for talent in each of AIB's principal geographical locations, assessed against market benchmarks from recognised providers of benchmarking data.
- iv. **Risk Aligned:** Remuneration is designed to promote high performance, a strong risk management culture and risk-taking which is aligned to AIB's Risk Appetite Statement. All employees are required to have a risk objective in their performance management plan. Increases in remuneration and the potential awarding of variable remuneration will at all times be predicated on maintaining strong capital and liquidity levels.

The application of market aligned remuneration policies and practices are significantly constrained by the terms of Subscription and Placing Agreements entered into between AIB and the Irish Government. In particular, AIB is precluded from introducing any new bonus or incentive schemes, allowances or other fringe benefits without prior agreement with the State. Consequently, the absence of performance based variable pay, combined with the requirement to operate within an overall cap on individual salaries and allowances of €500k, precludes AIB from aligning the remuneration of key executives and other key staff members with the achievement of longer term customer, financial and strategic targets.

4. Individual Remuneration

Individual remuneration consists of all forms of fixed and variable payments, including base salary, allowances, employer pension contributions and non-financial benefits. The combination of all reward

elements comprises the total remuneration to the individual. Each individual is paid a base salary which reflects their role, skills and responsibilities.

Increases in remuneration are entirely performance based, determined by performance against objectives which, in turn, reflect AIB's strategy, goals and values. Increases in base salary may arise following the annual pay review process, through promotion and, in exceptional cases only, through out-of-course salary increases to ensure that business critical staff and key skills are competitively aligned.

It is the bank's policy to engage in ongoing dialogue and negotiations with staff representatives, notably the FS Union, and to comply with agreed pay outcomes and the recommendations of State bodies such as the Labour Court and the Workplace Relations Committee.

5. Remuneration Structure

5.1 Fixed Remuneration

Base Salary & Allowances

AIB's current remuneration structure predominantly consists of fixed pay elements, i.e. base salary, allowances and employer pension contributions. Base salary is the principal component of fixed remuneration and is designed to be fair and competitive and set according to appropriate salary ranges which reflect the size and level of responsibilities attached to each role.

Allowances mainly consist of non-pensionable cash allowances which are payable to eligible managers and business leaders which recognise equivalent benefits and allowances available in the market. Other key allowances include large town and central London allowances payable in the UK to employees below management level.

Pension

AIB places considerable emphasis on the need for employees to plan for an appropriate standard of living in retirement. In Ireland and the UK, AIB offers employees a highly competitive defined contribution pension benefit. Employees are enrolled in the Group and UK schemes which provide a standard employer contribution rate of 10% of base salary plus an additional matching employer contribution depending on the age of the employee. In the US, a similarly competitive defined contribution benefit is offered to employees. Death-in-service cover is also provided under the schemes.

Benefits and Wellbeing

AIB provides affordable benefits in accordance with local market practice, including medical insurance, income protection and free banking services. The bank operates a functional car scheme where employees require a car to carry out their duties and responsibilities effectively. AIB does not provide perk company cars or preferential interest rates on new employee borrowings or deposits.

AIB takes the wellbeing of employees very seriously and provides access to a variety of health and wellbeing initiatives.

5.2 Variable Remuneration

Group-Wide Variable Remuneration

AIB does not currently operate any Group-wide short or long term variable incentive schemes or share incentive schemes.

Business Specific Commission Schemes

AIB currently operates three variable commission schemes applicable to:-

- i. Financial Planning Advisors;
- ii. EBS Tied Agents; and,

iii. Finance & Leasing

These schemes are designed to ensure that the rights and interests of customers are protected at all times via robust customer centric performance criteria, the prevention of conflicts of interest and the assessment and mitigation of risks to the customer.

Future Variable Schemes

It is the intention of AIB to introduce variable remuneration at an appropriate future date. Future variable incentive schemes will be designed to reward superior customer outcomes, high performance and long term value creation. Variable remuneration will be assessed against a combination of risk-adjusted financial measures, non-financial measures, employee performance, business unit performance and the overall Group performance.

6. Remuneration of Key Employee Groups

6.1 Non-Executive Directors

Non-Executive Directors are paid a competitive, non-pensionable fee in respect of their services as directors and additional non-pensionable fees in respect of other responsibilities, such as the chairmanship or membership of board committees or the board of a subsidiary company or in performing the role of senior independent non-executive director. The remuneration of Non-Executive Directors is reviewed as appropriate by a group comprising the Chairman, Chief Executive Officer, Chief People Officer and Group Company Secretary, and is determined by the Company in General Meeting. Non-Executive Directors are not entitled to variable remuneration.

6.2 Senior Executives

Senior Executives consist of the Chief Executive Officer, Executive Directors of the Board of Allied Irish Banks, p.l.c., Leadership Team Members and Senior Business Leaders.

The remuneration of Senior Executives is determined on appointment by reference to external benchmarks in order to provide an appropriate level of competitive remuneration commensurate with the size and functional responsibilities attaching to their roles.

The remuneration of the Chief Executive Officer, Executive Directors and Leadership Team Members is determined and approved by the Group Remuneration Committee on behalf of the Board of Directors. The Remuneration Committee will undertake a review every three years of Senior Executives remuneration based on an external benchmarking exercise undertaken by AIB's external remuneration consultants. Individual fixed and total remuneration will be assessed against median, lower quartile and upper quartile benchmarks across an appropriate peer group in the Republic of Ireland, United Kingdom, United States and Europe.

In addition to base salary, non-pensionable cash allowances are paid to Senior Executives. Employer pension contributions of up to 20% are awarded to Senior Executives.

6.3 Material Risk Takers

AIB is required to maintain a list of employees whose professional activities have a material impact on the bank's risk profile ("Identified Staff"). The list of Identified Staff is prepared using a combination of qualitative and quantitative criteria in accordance with the relevant EU regulations and guidelines together with additional criteria specific to AIB's structure, business activities and risk profile. The list is prepared at Group, parent and subsidiary levels for the Republic of Ireland and the United Kingdom. This follows an annual assessment carried out by Group Reward, in conjunction with the Chief Risk Officer and each business area, in accordance with a documented Identification Process for Identified Staff.

Due to their potential impact on the bank's risk profile, there are more stringent rules governing the remuneration of Identified Staff, principally in relation to variable remuneration, to ensure that it does not encourage excessive risk taking. These include the application of a maximum ratio of variable to fixed remuneration, the application of deferral, malus and clawback arrangements and the payment of variable remuneration in shares or equivalent instruments. These rules, as applicable, will be incorporated by Group Reward in the design elements of future variable remuneration schemes in conjunction with Group Risk and Group Compliance. The variable remuneration of Identified Staff will not exceed 100% of fixed remuneration unless approved by shareholders.

The Identification Process for Identified Staff is prepared and maintained by Group Reward and forms an addendum to this policy.

6.4 All Other Employees

AIB aims to provide all employees with fair and competitive remuneration in order to facilitate long term commitment of employees at all levels within the Group. Remuneration will principally consist of fixed remuneration, comprising base salary, allowances, benefits and pension contributions. Base salary will be set according to market related salary ranges which reflect the size, skills and level of responsibilities attaching to each role. Salary ranges are determined for each grade of employee within the principal geographic locations of Republic of Ireland, United States, Great Britain, Central London and Northern Ireland.

To ensure ongoing market alignment of salary ranges, Group Reward will carry out periodic benchmarking exercises using a combination of at least two external benchmarking surveys in each of the principal locations in which AIB operates. On completion, Group Reward will advise the Remuneration Committee of the findings, including key remuneration issues, trends and market pressures, and make recommendations of changes to existing salary ranges as appropriate.

7. Employees in Control Functions

The remuneration of employees in Audit, Risk and Compliance functions is determined independently of the businesses that they oversee. Remuneration is weighted in favour of fixed remuneration commensurate with their role in AIB and based on performance against objectives linked to their specific functional roles.

8. Sign-On Payments & Guaranteed Variable Remuneration

Remuneration packages to compensate employees for loss of income from previous employments are made in exceptional cases only to attract and retain highly specialised key staff. Such awards are limited to the first year of employment but payment of the award may be deferred (or staggered) over a number of years. The awards will comply with the design features of AIB's remuneration schemes, including retention, deferral, performance and clawback provisions.

AIB does not offer guaranteed variable remuneration to new or existing employees.

9. Severance Payments

Severance payments are made solely in accordance with the terms of AIB's approved Voluntary Severance Scheme and will not reward failure or misconduct. Under the terms of the current scheme, a maximum of four weeks' salary per year of service is paid up to a maximum of €225,000 or £190,000 for UK employees.

10. Governance

The Remuneration Committee is responsible for approving the Remuneration Policy and for overseeing its implementation. The Remuneration Committee further ensures that the Remuneration Policy and practices are subject to a central and independent internal review at least annually.

Human Resources, in conjunction with Group Risk and Compliance, is responsible for the design, implementation and evaluation of the Remuneration Policy. Group Reward will monitor compliance with relevant EU and national legislation and guidelines and advise the Remuneration Committee on new and upstream regulatory issues.

Group Risk will advise of risk related issues and performance against the Risk Appetite Statement to ensure that such risks are considered in applying the Remuneration Policy and in making remuneration decisions. The Chief Risk Officer will review the list of Identified Staff in conjunction with Group Reward and will present an annual report to the Remuneration Committee on AIB's risk exposure.

Group Compliance will analyse how the Remuneration Policy affects AIB's compliance with legislation, regulations, internal policies and culture.

Group Internal Audit will carry out an independent review of the design, implementation and effects of AIB's remuneration policies on the bank's risk profile and the way that these effects are managed.