THIS CIRCULAR AND THE ACCOMPANYING FORM OF PROXY ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action to be taken, you are recommended to immediately consult your stockbroker, solicitor, accountant, fund manager or other appropriate independent financial adviser (being, in the case of Shareholders in Ireland, an organisation or firm authorised or exempted pursuant to the European Communities (Markets in Financial Instruments) Regulations 2007 (as amended) or the Investment Intermediaries Act 1995 and, in the case of Shareholders in the United Kingdom, a firm authorised under the Financial Services and Markets Act 2000 or from another appropriately authorised independent financial adviser if you are in a territory outside Ireland and the United Kingdom).

If you have sold or otherwise transferred all of your Ordinary Shares, please pass this Circular and the accompanying Form of Proxy as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or the transferee. The distribution of this Circular and the Form of Proxy in jurisdictions other than Ireland and the United Kingdom may be restricted by law and therefore persons into whose possession such documents come should inform themselves about and observe such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No application has been, or is intended to be, made for the Preference Shares or the Warrants to be admitted to the Official Lists or to trading on the main markets for listed securities of the Irish Stock Exchange or the London Stock Exchange, or any other market. It is intended that application will be made in due course for the Warrant Shares and any Bonus Shares to be admitted to the Official Lists and to trading on the main markets for listed securities of the Irish Stock Exchange and the London Stock Exchange.

None of the Preference Shares, the Warrants, the Warrant Shares or any Bonus Shares has been or will be registered under the US Securities Act of 1933. This document is not a prospectus and does not contain any offer to the public to purchase or subscribe for securities within the meaning of the Prospectus (Directive 2003/71/EC) Regulations 2005. This Circular has not been approved by the Financial Regulator, the Irish Stock Exchange or the UK Listing Authority.

Allied Irish Banks, p.l.c.

(incorporated in Ireland under the Companies Act 1963 with registered number 24173)

Proposed Investment of €3.5 billion by the National Pensions Reserve Fund Commission

Issue of Preference Shares and Warrants

Notice of Extraordinary General Meeting

Your attention is drawn to the letter from the Chairman of Allied Irish Banks, p.l.c. ("AIB") which is set out on pages 4 to 18 of this Circular and which recommends that you vote in favour of the resolutions to be proposed at the Extraordinary General Meeting referred to below.

AIB Corporate Finance Limited ("**AIBCF**"), a subsidiary of AIB which is regulated in Ireland by the Financial Regulator, is acting exclusively for AIB and no one else in connection with the matters described in this Circular and will not regard any other person (whether or not a recipient of this Circular) as its customer or be responsible to anyone other than AIB for providing protections afforded to customers of AIBCF or for providing advice to any other person in relation to those matters or any other matter referred to in this Circular. AIBCF makes no representation, express or implied, with respect to the accuracy, verification or completeness of any information contained in this Circular and accepts no responsibility for, nor does it authorise, the contents of, this Circular or its issue, or any other statement made or purported to be made by AIB, or on its behalf, in connection with the NPRFC Investment, the Preference Shares, the Warrants or any other arrangements described in this Circular, and accordingly disclaims all and any liability whatsoever, whether arising out of tort, contract or otherwise which it might otherwise have in respect of this Circular or any other statement.

Notice of an Extraordinary General Meeting of AIB, to be held at 10:00 a.m. on 13 May 2009 at Bankcentre, Ballsbridge, Dublin 4, is set out at the end of this Circular. A Form of Proxy for use at the Extraordinary General Meeting is enclosed. **To be valid, Forms of Proxy should be completed, signed and received by Computershare Investor Services (Ireland) Limited, Heron House, P.O. Box 954, Corrig Road, Sandyford Industrial Estate, Dublin 18 by no later than 10:00 a.m. on 11 May 2009.**

This Circular has been issued by AIB. None of the National Treasury Management Agency (the "**NTMA**"), the National Pensions Reserve Fund Commission (the "**NPRFC**"), the Minister for Finance or the Department of Finance is responsible for the contents of this Circular or for any other statement made, or purported to be made, by any of them in connection with the matters referred to herein. Each of the NTMA, the NPRFC, the Minister for Finance and the Department of Finance accordingly disclaims any and all liabilities, whether arising in contract, tort or otherwise, which it might otherwise have in respect of this Circular or any such statement.

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FORWARD-LOOKING STATEMENTS

This Circular contains certain forward-looking statements, including within the meaning of the US Securities Act of 1933, with respect to certain of the Group's plans, its current goals and expectations relating to its future financial condition and performance and the markets in which it operates.

These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as "may", "could", "will", "expect", "intend", "estimate", "anticipate", "believe", "target", "goal", "should", "would", "plan", "seek", "continue" or such other words of similar meaning. Examples of forward-looking statements include, among others, statements regarding the Group's future financial position, income growth, business strategy, projected costs, estimates of capital expenditures, and plans and objectives for future operations.

Because such statements are inherently subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, but are not limited to:

- the performance of the Irish, UK and other economies in which the Group operates and the performance and volatility of international capital markets;

- the Group's ability to expand certain of its activities;

- the implementation by the Government of proposals for the management and reduction of risks within financial institutions and for the expansion of the Government Guarantee Scheme;

- the development and implementation of the Group's strategy;

- the effects of competition in the markets in which the Group operates; and

- the availability of funding sources.

The Directors can give no assurance that such expectations will prove to have been correct and therefore caution you not to place undue reliance on these forward-looking statements, which speak only as at the date of this Circular.

Except as required by the Financial Regulator, the Irish Stock Exchange, the UK Listing Authority, the London Stock Exchange, the New York Stock Exchange or applicable law, AIB does not have any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, further or future events or otherwise. Except as required by the Financial Regulator, the Irish Stock Exchange, the UK Listing Authority, the London Stock Exchange, the New York Stock Exchange or applicable law, AIB expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this Circular to reflect any change in AIB's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

NPRFC INVESTMENT STATISTICS

Subscription price of each Preference Share	€1.00
Number of Preference Shares to be issued to the NPRFC	3,500,000,000
Aggregate number of Warrants to be issued to the NPRFC*	294,251,819
Exercise price of each Warrant	155,780,375 Core Tranche Warrants at €0.975 per Ordinary Share 138,471,444 Secondary Tranche Warrants at €0.375 per Ordinary Share
Proceeds of the NPRFC Investment receivable by AIB (excluding expenses and the proceeds, if any, receivable by AIB on the exercise of the Warrants)	€3.5 billion

* Each Warrant entitles the holder to subscribe for one Ordinary Share (subject to adjustment in certain circumstances). The aggregate number of Warrants shown above assumes no issue of Ordinary Shares by AIB between the Latest Practicable Date and the Completion Date. If there is any such issue of Ordinary Shares, then the aggregate number of Warrants will be adjusted so that the number of Warrants issued to the NPRFC on the Completion Date will be in respect of a number of Ordinary Shares equal to 25 per cent. of the number of issued Ordinary Shares on the Completion Date computed as if the Warrants were exercisable and had been exercised in full on the Completion Date. If any such adjustment occurs, the number of Core Tranche Warrants and the number of Secondary Tranche Warrants will be adjusted proportionately. References in this Circular to the Warrants, the Core Tranche Warrants and the Secondary Tranche Warrants should be read accordingly. Further details of the Warrants are set out under the heading "*(ii) The Warrants*" on page 11.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS **

Date of this Circular	16 April 2009
Record date for voting at the EGM	11 May 2009
Latest time and date for receipt of Forms of Proxy	10:00 a.m. on 11 May 2009
Extraordinary General Meeting	10:00 a.m. on 13 May 2009
Annual General Meeting	2:00 p.m. on 13 May 2009 (or, one and a half hours after the conclusion of the EGM, if later)
Completion of the NPRFC Investment	13 May 2009

** References to times in this Circular are to Dublin times unless otherwise stated.

Letter from the Chairman of Allied Irish Banks, p.l.c

Directors:		*Group Headquarters and Registered Office*
Dermot Gleeson*	*Chairman*	Bankcentre
Eugene Sheehy	*Group Chief Executive*	Ballsbridge
John O'Donnell	*Group Finance Director*	Dublin 4
Colm Doherty	*Managing Director, AIB Capital Markets p.l.c.*	Ireland
Donal Forde	*Managing Director, AIB Bank, Ireland*	
Declan Collier*		
Kieran Crowley*		
Stephen L. Kingon*		
Anne Maher*		
Daniel O'Connor*		
Sean O'Driscoll*		
David Pritchard*		
Dick Spring*		
Michael J. Sullivan*		
Robert G. Wilmers*		
Jennifer Winter*		

16 April 2009

*denotes Non-Executive Director

Proposed Investment of €3.5 billion by the National Pensions Reserve Fund Commission
Issue of Preference Shares and Warrants
Notice of Extraordinary General Meeting

Dear Shareholder,

1. Introduction

On 11 February 2009, the Minister for Finance announced that the Government had agreed the recapitalisation terms proposed to be offered to AIB. On 12 February 2009, AIB announced its approval of those recapitalisation terms, subject to obtaining Shareholder, regulatory and EU state aid consents. To implement the recapitalisation of AIB, the Minister intends, pursuant to section 19A of the National Pensions Reserve Fund Act 2000 (as amended), to direct the NPRFC to subscribe in cash for 3,500,000,000 Preference Shares and to subscribe for the Warrants at an aggregate subscription price of €3.5 billion. The Financial Regulator has confirmed that the Preference Shares will constitute Core Tier 1 Capital. As part of the NPRFC Investment, the NPRFC will subscribe for Warrants in respect of Ordinary Shares equal to 25 per cent. of the number of issued Ordinary Shares (excluding treasury shares) on the Completion Date computed as if the Warrants were exercisable and had been exercised in full on the Completion Date.

Capitalised words used in this Circular have the meanings given to them in the Definitions section on pages 19 to 23 of this Circular.

The Board has carefully considered a wide range of factors, including the continuing volatility in financial markets, the challenging economic outlook in Ireland and abroad, the negative market sentiment following developments in the UK banking sector and the nationalisation of Anglo Irish Bank Corporation p.l.c., which, taken together, have limited the availability of new equity capital at the present time. The Board believes that the NPRFC Investment is in the best interests of AIB and its Shareholders as a whole for the following reasons:

- it enhances the resilience of the Group's balance sheet; if the Preference Share Issue had been completed on 31 December 2008, the Group's Core Tier 1 Capital ratio would have increased from 5.8 per cent. to 8.4 per cent. on that date and its Tier 1 Capital ratio would have increased from 7.4 per cent. to 10.0 per cent. on that date; and

- it provides support to the Group's business, helping to preserve AIB's viability as an independent financial institution.

Details of the NPRFC Investment are set out in section 3 below ("*Principal Terms of the NPRFC Investment*").

2. Background to and reasons for the NPRFC Investment

For more than 12 months, the banking industry throughout the world has endured a series of acute, systemic shocks following the US sub-prime mortgage market crisis which began in 2007. The cumulative effect of those difficulties has resulted in persistent, reduced access to funding for financial institutions and a considerable loss of confidence in the global financial sector.

The pace of decline in financial markets and, in particular, in the quoted value of shares in financial institutions has accelerated following the collapse of Lehman Brothers in September 2008 and the complete or partial nationalisation of a number of financial institutions in different countries. That decline has been exacerbated by worsening global economic conditions, which have further weakened the banking sector, resulting in increasing loan losses in a very challenging economic cycle.

Governments, including the Government of Ireland, have responded to the rapid decline in financial markets by reassuring the markets of the banking industry's stability through the introduction of deposit, liquidity and/or credit schemes and, in many cases, through the direct injection of capital to support balance sheets. The Board has previously publicly acknowledged an increased expectation in the markets for banks generally to have higher capital ratios, as economic conditions have deteriorated and asset quality has declined.

In September 2008, the Government Guarantee Scheme was announced. Pursuant to the Government Guarantee Scheme, the Minister for Finance agreed to guarantee until 29 September 2010 specified liabilities of certain credit institutions (and of certain subsidiaries of those credit institutions) operating in Ireland. AIB and its subsidiaries, AIB Group (UK) p.l.c., AIB Mortgage Bank, AIB Bank (CI) Limited and Allied Irish Banks North America Inc., each executed a guarantee acceptance deed on 24 October 2008 in accordance with the terms of the Government Guarantee Scheme, and were each specified as covered institutions in the Credit Institutions (Financial Support) (Specification of Institutions) Order 2008 (S.I. No. 416 of 2008).

On 21 December 2008, the Minister announced specific decisions in relation to three Irish financial institutions, including AIB. The announcement envisaged the Minister investing €2 billion in AIB through a subscription for non-cumulative preference shares which would have been treated as Core Tier 1 Capital by the Financial Regulator on issue and would have reinforced AIB's capital position at that time. In addition, the Minister indicated at that time that the Government would have been prepared to underwrite an issue of Core Tier 1 Capital by AIB.

Following that announcement, AIB explored the possibility of raising approximately €1 billion of equity share capital from its Shareholders and a series of meetings were held with institutional

Shareholders. While these meetings were broadly positive and constructive, they were superseded by a number of events, including developments in the UK banking sector and the nationalisation of Anglo Irish Bank Corporation p.l.c., as well as further sustained declines in the share prices of global financial stocks. In the Board's view, the impact of those events would likely have resulted in a significant level of Government ownership of AIB if it were to have sought to raise Government-underwritten equity share capital in the market at that time. The Board believes that this outcome would not have been in the best interests of AIB or its Shareholders and accordingly it concluded that a Government-underwritten equity issue was not appropriate at that time.

2008 was a very challenging year for AIB. Market and economic conditions globally were volatile and unprecedented in the pace and scale of decline. It was a year in which Shareholder value was significantly diminished. There was a significant deterioration in asset quality, most notably in AIB's property portfolios. Loan growth was slower, with reduced customer demand and there was an increased focus on maintaining a strong funding and liquidity position and reducing the loan to deposit ratio. The Board expects the operating environment to remain extremely difficult through 2009, with deteriorating economic conditions clearly evident in the markets in which AIB operates. Significant uncertainty remains in the markets generally, with the Irish economy in a very challenging phase.

The proposed recapitalisation of AIB in the amount of €3.5 billion announced by the Government on 11 February 2009 represents an increase of €1.5 billion over the proposed investment of €2 billion previously announced by the Government on 21 December 2008. As part of the NPRFC Investment, the NPRFC will receive Warrants to subscribe for Ordinary Shares equal to 25 per cent. of the number of issued Ordinary Shares (excluding treasury shares) on the Completion Date computed as if the Warrants were exercisable and had been exercised in full on the Completion Date.

The Board believes that the NPRFC Investment represents a positive and pragmatic approach to raising capital in the current market, while aiming to protect as much as possible the rights and interests of AIB Shareholders. The NPRFC Investment will also enhance the resilience of the Group's balance sheet and provide support to the Group's business, helping to preserve its viability as an independent financial institution.

3. Principal Terms of the NPRFC Investment

(i) The Preference Shares

The terms of the Preference Shares will be contained in the Articles of Association and their principal provisions are summarised as follows:

General

- The Preference Shares will be perpetual securities. Each Preference Share will have a nominal value of €0.01 and will be issued at a subscription price of €1.00.

Income

- The Preference Shares will entitle the holder to receive a non-cumulative cash dividend at a fixed rate of 8 per cent. of the subscription price per annum, payable annually at the discretion of AIB. If the Directors resolve to pay the dividend, it will be paid in arrears on each anniversary of the date of issue of the Preference Shares. The Company's intention is to pay the dividend in cash on each anniversary of the issue of the Preference Shares. If the dividend on the Preference Shares is not so paid in any year, then the holder(s) of the Preference Shares will have a right to receive a bonus issue of Ordinary Shares (described under the heading "*Bonus issue of Ordinary Shares*" below) but will have no right to the cash dividend on the Preference Shares in respect of that particular year.

- The dividend ranking of the Preference Shares will be as follows: (a) *pari passu* with other shares (excluding Ordinary Shares) constituting Core Tier 1 Capital; (b) junior to the Preferred Securities; and (c) in priority to the Ordinary Shares.

- If the annual cash dividend on the Preference Shares is not paid on any anniversary of the date of issue of such shares, then AIB will be precluded from paying any dividend on the Ordinary Shares until it resumes the payment of dividends on the Preference Shares. AIB will also be precluded from paying any dividend on the Ordinary Shares where the payment of such dividend would reduce the distributable reserves of the Company to such an extent that it would, in the Board's view, be unable to pay the next dividend due for payment on the Preference Shares and any other preference shares in issue.

Bonus issue of Ordinary Shares

- If the annual cash dividend on the Preference Shares is not paid, AIB must issue Bonus Shares to the holders of the Preference Shares by capitalising its reserves, unless it is prohibited by law from doing so. The Bonus Shares will be issued credited as fully paid at an amount equal to the nominal value of the shares. (Shareholders should note that any issue of Bonus Shares will result in the dilution of their proportionate ownership and voting rights in AIB.)

- The number of Bonus Shares to be issued will be calculated by dividing the unpaid dividend amount on the Preference Shares by the average price of an Ordinary Share over the period of 30 trading days immediately preceding the annual dividend payment date.

- AIB may defer the issue of Bonus Shares beyond the annual dividend payment date but may not defer it beyond the date on which AIB next: (a) pays a cash dividend on the Preference Shares, on any other share capital of AIB constituting Core Tier 1 Capital or on the Ordinary Shares or makes a cash distribution on the Perpetual Preferred Securities 1 (or on any replacement securities issued by AIB to fund the redemption of the Perpetual Preferred Securities 1); or (b) redeems or purchases any of the Preference Shares, Core Tier 1 Capital, Ordinary Shares or the Perpetual Preferred Securities 1.

- If AIB defers the issue of Bonus Shares beyond the annual dividend payment date, the number of Bonus Shares to be issued will be increased and will be equal to the unpaid dividend amount on the Preference Shares divided by 95 per cent. of the average price of an Ordinary Share over the period of 30 trading days immediately preceding the annual dividend payment date.

- If AIB defers the issue of Bonus Shares beyond the annual dividend payment date, the holders of Preference Shares will acquire, pending their issue, voting rights at general meetings of AIB equivalent to the voting rights that would have attached to the Bonus Shares if they had been issued on the relevant dividend payment date. These voting rights, known as "Provisional Voting Rights", will be exercisable from the relevant dividend payment date until the Bonus Shares are issued.

- If AIB's authorised share capital is insufficient to enable AIB to issue the Bonus Shares or if the Board does not have sufficient authority to issue shares under section 20 of the 1983 Act, the Board will convene a shareholders' meeting to consider a resolution or resolutions to increase AIB's authorised share capital and/or to provide the Board with the necessary authority to issue the Bonus Shares. Holders of Preference Shares will be entitled to cast sufficient votes at that meeting to ensure that the resolution or resolutions is/are passed.

Return of Capital

- On a winding-up of AIB or a return of capital by AIB (other than a redemption or purchase of shares), the holders of Preference Shares will be entitled to receive a repayment of the capital (including premium) paid up on the Preference Shares. The holders of Preference Shares will not be entitled to any further participation rights in the profits or assets of AIB, except in respect of any entitlement to receive Bonus Shares and any entitlement to receive a proportion of their annual dividend (which may, in a solvent winding-up, be paid in the form of Bonus Shares) for the period from the last dividend payment date to the date of winding-up or return of capital. The entitlements of the holders of Preference Shares on a winding-up of AIB or a return of capital (other than a redemption or purchase of shares) by AIB, which are described above, will rank as follows: (a) *pari passu* with the repayment of the paid up nominal value on Ordinary Shares; (b) in priority to the payment of any further amount to holders of Ordinary Shares; and (c) junior to the repayment of capital on all other classes of shares that rank ahead of the Ordinary Shares.

Redemption/Purchase

- The Preference Shares will not be redeemable at the option of the holder.

- AIB may redeem the Preference Shares, in whole or in part, at any time provided that the consent of the Financial Regulator is obtained and that the redemption is made from distributable profits and/or the proceeds of an issue of shares constituting Core Tier 1 Capital. AIB may, as an alternative to redeeming Preference Shares, purchase Preference Shares out of distributable profits or the proceeds of an issue of shares constituting Core Tier 1 Capital, provided that the consent of the Financial Regulator is obtained.

- For the first five years after the date of issue of the Preference Shares, the redemption or purchase price (as the case may be) of each Preference Share will be €1.00, being the subscription price of each Preference Share. Thereafter, the redemption or purchase price (as the case may be) of each Preference Share will be €1.25, being 125 per cent. of the subscription price.

- AIB will, subject to the prior approval of the Financial Regulator, be required to redeem all of the Preference Shares if there are less than 35,000,000 Preference Shares in issue (being 1 per cent. of the Preference Shares to be issued to the NPRFC on the Completion Date).

- AIB may redeem or purchase any Preference Shares which are held by a Government Entity without being required to redeem or purchase any Preference Shares held by any other person. If AIB proposes to redeem or purchase Preference Shares on or prior to 31 December 2009, it will select for redemption or purchase some or all of those Preference Shares which are numbered 1 to 1,500,000,000 and, upon redemption or purchase, a proportionate number of the Secondary Tranche Warrants will be cancelled (further details are contained under the heading "*(ii) The Warrants*" below).

- On the redemption or purchase of Preference Shares, AIB will be required to issue any outstanding Bonus Shares. In addition, it will be required to pay to the holders of the Preference Shares to be redeemed or purchased a proportion of the annual dividend in respect of the Preference Shares to be redeemed or purchased equal to the proportion of the annual dividend for the period commencing on the last dividend payment date to the date of redemption or purchase of those shares or, at AIB's election, it may issue Bonus Shares.

Voting Rights

- For so long as a Government Entity owns any Preference Shares, the Government Preference Shareholder will be entitled to exercise the following voting rights:

  (a) *On a resolution seeking approval for a change of control of the Company or a sale of all or substantially all of its business*

  If the Shareholders are asked to vote on a proposed transaction which, if completed, would result in a change of control of the Company or a sale of all or substantially all of its business, the Government Preference Shareholder will be entitled to cast the following votes:

  - a number of votes equal to 25 per cent. of all votes capable of being cast by shareholders (including the Government Preference Shareholder) on a poll at a general meeting of the Company;

  - 50 per cent. of the votes attached to any Warrant Shares held by it; and

  - any votes it holds arising from its entitlement to exercise Provisional Voting Rights or from its holding of Ordinary Shares;

  (b) *On a resolution to appoint, re-appoint or remove directors*

  Separately from its right to appoint directors set out below (under the heading "*(iv) Board of Directors*"), the Government Preference Shareholder will be entitled to cast the number of votes equal to 25 per cent. of all votes capable of being cast by shareholders (including the Government Preference Shareholder) on a poll at a general meeting of AIB on any resolution to appoint, re-appoint or remove directors.

  This entitlement is inclusive of any other voting rights held by a Government Entity or any of its concert parties arising from its holding of any Ordinary Shares, Warrant Shares or Bonus Shares or from its entitlement to exercise Provisional Voting Rights.

  (c) *On a resolution varying the class rights of the Preference Shares*

  No amendment may be made to the Articles of Association which would vary the class rights of the Preference Shares unless the holders of at least 66.66 per cent. in nominal value of the Preference Shares consent in writing to the amendment or vote in favour of it by a resolution passed at a class meeting.

  (d) *On other resolutions*

  The Government Preference Shareholder will also be entitled to exercise on any other resolution:

  - 50 per cent. of the voting rights attached to any Warrant Shares held by it; and

  - the voting rights attached to any Ordinary Shares held by it and any Provisional Voting Rights held by it.

- The Provisional Voting Rights may be assigned or transferred by a Government Entity to a person to whom it transfers both its entitlement to receive the Bonus Shares and at least 50,000 Preference Shares. The Provisional Voting Rights will remain exercisable notwithstanding that the weighted voting rights of the Preference Shares may cease to be exercisable on a purchase of the Preference Shares. Provisional Voting Rights may not be exercised to vote against any resolution proposed by the Board providing for any issue by AIB of shares constituting Core Tier 1 Capital for the purpose of redeeming or purchasing all or any of the Preference Shares or against any resolution relating to anything required to be done by the Company in relation to distributions, dividends or coupon payments pursuant to the terms and conditions of the Preferred Securities.

- The Government Preference Shareholder will be entitled to requisition a general meeting of AIB for the purpose of exercising any of the voting rights exercisable by the holder of the Preference Shares or for the purpose of exercising its Provisional Voting Rights (provided its Provisional Voting Rights, together with any Ordinary Shares it holds at that time, amount to at least 10 per cent. of the voting rights of the issued Ordinary Shares).

- A Government Preference Shareholder will not be entitled to exercise any voting rights on its Preference Shares or any Bonus Shares or Warrant Shares held by it or any of its Provisional Voting Rights on any resolution having the purpose or effect of authorising or restricting: (i) the declaration of dividends or the redemption or purchase of any shares in AIB; or (ii) the capitalisation of reserves or the issue of Bonus Shares if, in any such case, it would oblige AIB to pay a dividend on the Preference Shares or to issue on a particular date any Bonus Shares.

- For so long as a Government Entity holds Preference Shares or (if later) until the Warrants are exercised in full or lapse, subject to certain exceptions, the prior written consent of the Minister for Finance will be required for the passing of certain share capital resolutions of AIB, being resolutions relating to: (i) an increase in the authorised share capital; (ii) a re-issue of treasury shares; (iii) the issue of any shares; or (iv) the redemption, consolidation, conversion or sub-division of the share capital, or the exercise of any shareholder authority granted on or prior to 31 May 2009 for AIB to do any of the preceding matters. The exceptions referred to above include any issue of shares made for the purpose of redeeming or purchasing the Preference Shares. In addition, the consent of the Minister for Finance is not required in respect of any matter that would require an adjustment to be made to the number of Ordinary Shares that are the subject of Warrants in favour of the holder of Warrants in accordance with the Warrant Instrument (described under the heading "*(ii) The Warrants*" below). The Preference Shares do not entitle holders to attend or vote at any general meeting of the Company, save as summarised above.

Transfer

- The Preference Shares will be transferable in minimum lots of 50,000 shares.

Director Appointment Rights

- The Government Preference Shareholder will have the right to appoint directly 25 per cent. of the directors of AIB. This appointment right is explained in more detail under the heading "*(iv) Board of Directors*" below.

Reserves

- For so long as a Government Entity holds Preference Shares, AIB has agreed not to reduce its share premium account and any capital reserve fund (excluding any property revaluation reserves) without the approval of the Government Preference Shareholder, subject to certain exceptions. In addition, for so long as a Government Entity holds any Warrants, if the subscription price payable per Warrant Share would be less than the nominal value of a Warrant Share (the difference being the "deficit"), AIB has agreed to maintain sufficient of its undistributable reserves and share premium account as is equal to the deficit in respect of each Warrant then outstanding in respect of which there is such a deficit.

(ii) The Warrants

On the Completion Date, AIB will issue to the NPRFC warrants to subscribe for a number of Ordinary Shares equal to 25 per cent. of the number of issued Ordinary Shares (excluding treasury shares) on the Completion Date computed as if the Warrants were exercisable and had been exercised in full on the Completion Date. The Warrants, which will be subject to the terms and conditions of the Warrant Instrument, will comprise 155,780,375 Core Tranche Warrants and 138,471,444 Secondary Tranche Warrants, which are identical in all respects, save in respect of the exercise price and the terms of their cancellation[1]. The Warrants will be issued to the NPRFC as an integral part of the NPRFC's proposed investment in the Company by way of the Preference Share Issue and no further consideration will be payable by the NPRFC in respect of the issue to it of the Warrants.

The rights attached to the Warrants will be contained in the Warrant Instrument and are summarised as follows:

- Each of the Core Tranche Warrants entitle the holder to subscribe for one Ordinary Share at a subscription price of €0.975 per share and each of the Secondary Tranche Warrants entitle the holder to subscribe for one Ordinary Share at a subscription price of €0.375 per share.

- The Warrants are exercisable in the period between the fifth and tenth anniversary of the date of issue of the Preference Shares (or earlier if a third party proposes to acquire control of the Company or ownership of all or substantially all of the Company's business and assets).

- If, on or prior to 31 December 2009, AIB redeems or purchases 1,500,000,000 Preference Shares out of the proceeds of an issue of shares which are treated, or will upon issue be treated, as Core Tier 1 Capital by the Financial Regulator, all Secondary Tranche Warrants will be cancelled, leaving the NPRFC with Core Tranche Warrants over 15 per cent. of the issued Ordinary Shares (excluding treasury shares) on the Completion Date computed as if the Core Tranche Warrants were exercisable and had been exercised in full on the Completion Date. A redemption or purchase by AIB on or prior to 31 December 2009 of less than 1,500,000,000 Preference Shares will result in a proportionate cancellation of the number of Secondary Tranche Warrants (which would reduce the aggregate number of Warrants on a scale from 25 per cent to 15 per cent.).

- While the Government Preference Shareholder holds Warrant Shares, the voting rights on those shares will be restricted to 50 per cent. of the voting rights attaching to such shares. If those Warrant Shares are transferred to any person other than a Government Entity, full voting rights will attach to those Warrant Shares.

- On issue, each Warrant will entitle the holder to subscribe for one Ordinary Share. This ratio will be adjusted upon the occurrence of certain share capital-related events. If an anti-

1 Each Warrant entitles the holder to subscribe for one Ordinary Share (subject to adjustment in certain circumstances). The aggregate number of Warrants assumes no issue of Ordinary Shares by AIB between the Latest Practicable Date and the Completion Date. If there is any such issue of Ordinary Shares, the number of Core Tranche Warrants and the number of Secondary Tranche Warrants will be adjusted proportionately.

dilution adjustment would otherwise result in the issue of Ordinary Shares under the Warrant Instrument at a discount to their nominal value, the shortfall between the exercise price and the nominal value of Ordinary Shares will be paid up from AIB's undistributable reserves (including the share premium account) or, subject to there being no contravention of the rights of other Shareholders, from AIB's distributable reserves.

- The Warrants are not transferable, except to a Government Entity, without the prior written consent of the Company and will not be listed or quoted on any stock exchange.

It is expected that the final form of the Warrant Instrument will be agreed with the NPRFC prior to the date of the EGM.

(iii) The Subscription Agreement

Pursuant to the terms of the Subscription Agreement to be agreed among AIB, the Minister for Finance and the NPRFC and to be entered into on the Completion Date, AIB will agree to issue the Preference Shares and the Warrants to the NPRFC at an aggregate subscription price of €3.5 billion.

AIB will also give to the NPRFC and the Minister certain warranties relating to the business and operations of the Group (the final form of which will be agreed with the NPRFC following completion of the due diligence investigation, commissioned by the NPRFC, and which is currently being undertaken in relation to the Group) and will provide various undertakings to the NPRFC and the Minister, including an undertaking to comply with the commitments relating to the Banks' Customer Package given by AIB which are contained in the Government's announcement of 11 February 2009 (further details of these commitments are set out below). AIB will also give certain commitments to the Minister and to the NPRFC as regards the remuneration of senior executives and the payment of fees to non-executive directors.

On the Completion Date, which is expected to be 13 May 2009, the NPRFC will pay to AIB €3.5 billion (less an arrangement fee of €30 million payable by AIB to the NPRFC) in respect of the issue to it of the Preference Shares and the Warrants.

AIB will undertake in the Subscription Agreement that application will be made in due course for the Warrant Shares and any Bonus Shares to be admitted to the Official Lists and to trading on the main markets for listed securities of the Irish Stock Exchange and the London Stock Exchange.

In addition to agreeing to allow the Government Entities to make use of any public offer prospectus issued by the Company for the purposes of placing such Ordinary Shares with investors, the Company will also undertake to co-operate in the preparation and issue, from time to time (but not more than once in each year), of a public offer prospectus where this is required for the purposes of an offering to the public, a placing or listing of the Preference Shares or any Ordinary Shares acquired as a result of holding Preference Shares or Warrants.

Completion of the NPRFC Investment is conditional upon the receipt of all necessary regulatory clearances and consents to enable the NPRFC Investment to proceed, the passing (without amendment) of the EGM Resolutions, the approval by the EU Commission as to the compatibility of the NPRFC Investment with rules governing state aid and the Minister being satisfied with the outcome of a due diligence investigation, commissioned by the NPRFC, which is currently being undertaken in relation to the Group.

In addition, the Government is currently in the process of liaising with the EU Commission to ascertain whether or not a merger control filing under the EC Merger Regulation would be required in respect of the NPRFC Investment. If it is, it will not be possible to implement the NPRFC Investment until approval of the EU Commission is obtained. If the EU Commission confirms that no merger control filing is necessary under the EC Merger Regulation, it is possible that national merger control regimes could apply to the NPRFC Investment. It is also possible that national merger control regimes outside of the EU could apply to the NPRFC Investment. AIB is not aware of any mandatory merger control notification requirements applying in any jurisdiction in which AIB has a permanent presence and turnover. This, however, is subject to ongoing review and, if a merger control notification is required in any such jurisdiction, it may not be possible to implement the NPRFC Investment until approval is obtained from the relevant authorities.

It is intended that completion of the NPRFC Investment will take place on 13 May 2009 immediately following the EGM and that the weighted voting rights attaching to the Preference Shares (as described under the heading "*Voting Rights*" above) will be exercisable by the NPRFC in respect of resolutions concerning the appointment or re-appointment of directors at the Annual General Meeting, which will be held following the conclusion of the EGM on 13 May 2009 at Bankcentre, Ballsbridge, Dublin 4.

(iv) Board of Directors

In accordance with the terms of the NPRFC Investment, the Government Preference Shareholder will have the following rights relating to the appointment of directors to AIB's board:

- For so long as a Government Entity is the beneficial holder of any Preference Shares, it will have the right to appoint the following number of directors to the Board and to maintain the appointment of, and to remove such directors:
  - four directors, where the total number of directors on the Board (including any directors appointed by the Government) is 16, 17 or 18; and
  - 25 per cent. of the directors (including any directors appointed by the Government), rounded up or down to the nearest whole number (with 0.5 rounded up to 1), where the total number of directors on the Board is 15 or less.
- The appointment and removal rights of the Government Preference Shareholder described above includes the two nominees of the Minister appointed to the Board pursuant to the terms of the Government Guarantee Scheme. On 22 January 2009, Mr. Declan Collier and Mr. Dick Spring were appointed as such nominees to the Board.
- Any increase in the number of directors to more than 18 will require the prior written consent of the Government Preference Shareholder.
- No director appointed by the Government Preference Shareholder will be required to retire by rotation. Directors appointed by the Government Preference Shareholder may not serve for more than nine years.
- The director appointment rights of the Government Preference Shareholder will cease if no Government Entity holds any Preference Shares.

(v) Commitments given in connection with the NPRFC Investment

The Board believes that the NPRFC Investment is part of an essential package to ensure the long-term stability of both the Irish banking industry and the economy.

AIB welcomes the Government's commitments which were announced on 11 February 2009 as part of the recapitalisation of AIB to:

- consider the revision of the Government Guarantee Scheme (which includes AIB and certain of its subsidiaries) to facilitate longer-term bond issuance beyond 29 September 2010, subject to European Commission approval and consistency with EU state aid requirements; and

- examine proposals for the management and reduction of risks associated with the property and development land portfolios of Irish credit institutions.

On 7 April 2009, the Minister announced the Government's intention, subject to approval by the European Commission, to establish the National Asset Management Agency ("**NAMA**"). The Government has proposed that certain assets would be transferred from the participating financial institutions to NAMA with the purpose of further strengthening their balance sheets and reducing uncertainty regarding future loan loss provisions. AIB is awaiting the detailed terms of the Government's proposal regarding the establishment and operation of NAMA. On the same day, the Government also announced its intention in line with its previous indication to put a Government guarantee in place for the future issuance of debt securities with a maturity of up to five years.

In addition to the Government's commitments described above, AIB has also committed to support the Government-announced Banks' Customer Package (details of which were annexed to the Government announcement of 11 February 2009), which includes a series of initiatives which are consistent with the Board's plans for the Group and its business and which the Board believes are positive for the Irish economy. These include:

- a commitment to increase lending to small-to-medium enterprises by at least 10 per cent. (subject to demand from viable enterprises);

- a commitment to provide an additional 30 per cent. capacity for lending to first-time buyers in 2009 (subject to demand);

- the establishment of a €100 million environmental and clean energy innovation fund; and

- an agreement to comply with codes of practice with regard to business lending and mortgage arrears published by the Financial Regulator on 13 February 2009.

4. The NPRFC, the NPRF and the National Pensions Reserve Fund Act 2000

The NPRF was established in April 2001 under the NPRF Act for the purposes of pre-funding part of the Government's obligations to pay public service and social security pensions from 2025 onwards.

The NPRF is controlled and managed by the NPRFC, whose statutory functions include controlling, managing and investing the assets of the NPRF in accordance with the NPRF Act. The NPRFC performs its functions through a Manager. The current Manager is the NTMA.

The NPRF Act has been amended by the Investment of the National Pensions Reserve Fund and Miscellaneous Provisions Act 2009. The amendments were made to permit the NPRFC to make certain investments, on the direction of the Minister for Finance, and to permit the Minister to give directions as to the holding, management and voting of such investments.

To implement the recapitalisation of AIB, the Minister intends, pursuant to section 19A of the NPRF Act, to direct the NPRFC to subscribe for the Preference Shares and to subscribe for the Warrants.

The amended NPRF Act provides that neither the NPRFC Investment nor the acquisition of any shares or securities in connection with it will constitute: (i) an offer for the Company, a takeover of the Company, an acquisition of control of the Company or any other takeover transaction in relation to the Company for the purposes of the Irish Takeover Panel Act 1997 or any rules made under that Act; or (ii) a takeover bid or bid for the purposes of the Takeover Bids Regulations. Accordingly, the NPRFC would not be obliged to make an offer to AIB Shareholders to acquire their shares in the event that it acquired 30 per cent. or more of the share capital of AIB carrying voting rights pursuant to any directions made by the Minister to the NPRFC to acquire shares in AIB.

5. Extraordinary General Meeting

A notice convening the Extraordinary General Meeting is set out at the end of this Circular, and the terms of the resolutions proposed to be passed at the EGM are set out in the notice. The EGM will take place at 10:00 a.m. on 13 May 2009 at Bankcentre, Ballsbridge, Dublin 4. It is being held for the purpose of considering and, if thought fit, passing eight resolutions, of which resolutions 1, 2, 3 and 4 will be proposed as ordinary resolutions and resolutions 5, 6, 7 and 8 will be proposed as special resolutions. The EGM Resolutions (being the resolutions numbered 1 to 7) are interconditional and all of them must be passed in order to permit the NPRFC Investment to proceed.

Ordinary resolutions require the approval of the majority of those Shareholders present and voting (in person or by proxy) at the EGM. Special resolutions require the approval of not less than 75 per cent. of those Shareholders present and voting (in person or by proxy) at the EGM. The Board believes it is important that the intentions of all Shareholders who register a vote are fully taken into account. The Board's view is that voting on a poll is more transparent and equitable and it reflects evolving best practice. Accordingly, it is the Chairman's intention to call a poll on each resolution proposed at the EGM.

- ***Resolution 1 (to increase the Company's authorised share capital)***

  This resolution increases the authorised share capital of the Company by €259 million by the creation of 700,000,000 Ordinary Shares of €0.32 each and 3,500,000,000 Preference Shares of €0.01 each in order to facilitate the Preference Share Issue, the issue of Warrant Shares, the possibility of issuing Bonus Shares to the NPRFC and to ensure that AIB has sufficient capital in order to facilitate any further issue of Ordinary Shares that is determined to be appropriate by the Company in the future. This would represent an increase of approximately 41 per cent. of the Company's authorised euro-denominated share capital on the date of this Circular.

- ***Resolution 2 (to grant the Directors' authority to allot relevant securities)***

  This resolution (the "**New Section 20 Authority**") replaces the section 20 authority conferred at the Company's 2007 annual general meeting for the purpose of authorising the Directors to allot relevant securities pursuant to and in accordance with section 20 of the 1983 Act. The New Section 20 Authority is necessary: (i) to authorise the Directors to allot the Preference Shares to the NPRFC; (ii) to authorise the Directors to allot Bonus Shares if required to do so by the terms of the Preference Shares; (iii) to authorise the Directors to issue the Warrants to the NPRFC; and (iv) to ensure that AIB has sufficient capital in order to facilitate any further issue of Ordinary Shares that is determined to be appropriate by the Company in the future. The maximum amount of securities which the Directors will have power to allot under this authority is shown in relation to resolution 1 above. Unless renewed or revoked, the New Section 20 Authority will remain in full force and effect until it expires on 12 May 2014.

  In the case of Ordinary Shares, the proposed authorisation shown represents approximately 77 per cent. of the total Ordinary Share capital in issue, excluding treasury shares, at the

Latest Practicable Date. The Company holds 35,680,114 treasury shares, which represent approximately 4 per cent. of the total Ordinary Shares in issue at that date. If this resolution becomes effective and the NPRFC Investment is completed, the Company will not be entitled to issue any shares without the consent of the Minister for Finance, except in the circumstances referred to in section 3 above under the heading *"Voting Rights"* and subject to certain other exceptions contained in the Articles of Association.

- ***Resolution 3 (to approve the issue of Ordinary Shares on the exercise of Warrants at a discount of more than 10 per cent.)***

  Under rule 6.5.10 of the listing rules of the Irish Stock Exchange and rule 9.5.10 of the listing rules of the UK Listing Authority, any placing of equity shares at a price which represents a discount of more than 10 per cent. to the middle market price of those shares at the time of agreeing the placing must be approved by shareholders. Depending on the middle market price of an Ordinary Share on the Completion Date, the exercise prices of the Warrants could be at a discount of more than 10 per cent. to that middle market price. The purpose of this resolution is to approve the issue of Warrant Shares notwithstanding such discount.

- ***Resolution 4 (to authorise the capitalisation of reserves)***

  The purpose of this resolution is to approve the capitalisation of reserves of the Company in order to facilitate the issue of Warrant Shares in certain circumstances and, if required, the issue of Bonus Shares to the holders of Preference Shares.

- ***Resolution 5 (to dis-apply statutory pre-emption rights for the granting of the Warrants)***

  This resolution empowers the Directors to issue 294,251,819 Warrants to the NPRFC without being required to offer such Warrants first to the existing Shareholders pursuant to the applicable statutory rights of pre-emption.

- ***Resolution 6 (to authorise the purchase of Preference Shares)***

  The Articles of Association to be adopted pursuant to resolution 7 below provide that the Company may, in certain circumstances, purchase some or all of the Preference Shares. The purpose of this resolution is to approve the purchase by AIB of some or all of the Preference Shares.

- ***Resolution 7 (to adopt new articles of association of the Company)***

  This resolution proposes certain amendments to the current articles of association of the Company, which will be effected by adopting the Articles of Association. The amendments relate to the rights conferred on the Preference Shares and consequential changes to other parts of the current articles of association of the Company.

  A copy of the Articles of Association (showing all changes from the Company's existing articles of association) will be available for inspection at the registered office of the Company located at Bankcentre, Ballsbridge, Dublin 4 and also at Allied Irish Bank (GB), 9/10 Angel Court, London EC2R 7AB during normal business hours from the date of this Circular up to and including 13 May 2009 and at the place of the Extraordinary General Meeting for at least 15 minutes before and during the Extraordinary General Meeting.

- ***Resolution 8 (to renew the Director's authority to allot shares for cash on a non pre-emptive basis)***

  This resolution renews the Directors' power to allot shares for cash without being required to offer such shares first to the existing Shareholders. This power will remain in force until the Company's annual general meeting in 2010 or, if earlier, 12 August 2010. If this resolution is passed, then the power to be conferred by this resolution would relate to approximately 45,921,778 Ordinary Shares, which would constitute approximately 5 per cent. of the issued Ordinary Shares in the Company at the Latest Practicable Date. This limit accords with the Guidelines of the Irish Association of Investment Managers. If the EGM Resolutions are passed and the NPRFC Investment is completed, the Company would not be entitled to issue any shares without the consent of the Minister for Finance, except as described under resolution 2 above.

7. Action to be Taken

A Form of Proxy for use at the Extraordinary General Meeting is enclosed. To be effective, Forms of Proxy must be completed by Shareholders and received by the Company's Registrars, Computershare Investor Services (Ireland) Limited, Heron House, PO Box 954, Corrig Road, Sandyford Industrial Estate, Dublin 18, by no later than 10:00 a.m. on 11 May 2009. Alternatively, you may appoint a proxy and submit your votes via the internet; instructions on how to do so are shown on the reverse of the Form of Proxy.

The completion and lodgement of the Form of Proxy will not prevent you from attending and voting in person at the meeting should you so wish.

If you would like to submit a question in advance of the Extraordinary General Meeting, you will find instructions on the reverse of the Form of Proxy. Submitting a question will not preclude you from asking that question, or another question at the meeting.

8. Importance of the EGM Resolutions

2008 was a disappointing year for AIB, during which it suffered a steep decline in its share price. The Board expects the operating environment to remain extremely challenging throughout 2009. Notwithstanding this, the Board is committed to addressing the difficulties that AIB faces and to taking the necessary actions to restore shareholder value. The Board believes that the NPRFC Investment is an appropriate measure towards achieving this goal.

In order for the NPRFC Investment to proceed, each of the EGM Resolutions must be passed without amendment by the Shareholders at the Extraordinary General Meeting to be held at 10:00 a.m. on 13 May 2009 at Bankcentre, Ballsbridge, Dublin 4.

If the EGM Resolutions are not approved by Shareholders, AIB would be unable to proceed with the NPRFC Investment. In those circumstances, AIB would need to assess its strategic and operational position and would be required to find alternative methods for achieving targeted capital ratios. There can be no assurance that AIB would be successful in identifying and implementing any alternative methods for increasing the Group's capital ratios. The inability of AIB to complete the NPRFC Investment and increase its capital ratios sufficiently could have material adverse consequences for the Group's business, operating results, financial condition and prospects.

9. Recommendation

The Board considers that the terms of the NPRFC Investment are in the best interests of AIB and its Shareholders as a whole. The Directors unanimously recommend that you vote in favour of all of the EGM Resolutions and resolution 8, as the Directors intend to do in respect of their own beneficial shareholdings, amounting to approximately 1,490,469 Ordinary Shares, representing approximately 0.16 per cent. of the Ordinary Shares in issue as at the Latest Practicable Date.

Yours sincerely

Dermot Gleeson
Chairman

DEFINITIONS

In this Circular and the EGM Notice the following expressions have the following meaning unless the context otherwise requires:

the 1983 Act	the Companies (Amendment) Act 1983.
Act	the Companies Act 1963.
AIB or **Company**	Allied Irish Banks, p.l.c., a company incorporated under the laws of Ireland (registered under number 24173), with its registered office at Bankcentre, Ballsbridge, Dublin 4.
AIB Group or **the Group**	the Company and each of its subsidiaries and subsidiary undertakings from time to time.
Annual General Meeting	the annual general meeting of AIB to be held on 13 May 2009 at 2:00 p.m. (or, if later, one and half hours after the conclusion of the EGM).
Articles of Association	the articles of association of the Company, as proposed to be amended at the Extraordinary General Meeting.
Bonus Shares	the Ordinary Shares to be issued to the holders of Preference Shares in the event of non-payment of dividends on the Preference Shares, in accordance with the Articles of Association.
Board	the board of Directors of AIB.
Circular	this document, including the EGM Notice.
Companies Acts	the Companies Acts 1963 to 2006.
Completion Date	the date on which the Preference Shares and the Warrants are subscribed by and issued to the NPRFC pursuant to the Subscription Agreement, expected to be 13 May 2009.
control of the Company	the holding, whether directly or indirectly, of securities of the Company that confer, in aggregate, more than 50 per cent. of the voting rights in the Company.
Core Tier 1 Capital	securities that constitute, under the regulatory framework then applicable to the Company, core tier 1 capital (within the meaning of the Financial Regulator's requirements at such time or equivalent).
Core Tranche Warrants	warrants to subscribe for 155,780,375 Ordinary Shares (or such greater number of Ordinary Shares as is equal to 15 per cent. in number of the issued Ordinary Shares (excluding treasury shares) on the Completion Date computed as if the Warrants were exercisable and had been exercised in full on the Completion Date) at a subscription price of €0.975 per Ordinary Share,

	subject to and with the benefit of the terms and conditions set out in the Warrant Instrument.
Directors	the directors of AIB, whose names appear on page 4 of this Circular.
EC Merger Regulation	Council Regulation (EC) No 139/2004 of 20 January 2004 on the control of concentrations between undertakings.
EGM Notice	the notice of the Extraordinary General Meeting set out at the end of this Circular.
EGM Resolutions	the resolutions numbered 1 to 7 to be proposed at the Extraordinary General Meeting, as set out in the EGM Notice.
EU	the European Union.
Euro, EUR or **€**	the lawful currency of the members of the Eurozone.
Extraordinary General Meeting or **EGM**	the extraordinary general meeting of AIB to be held at 10:00 a.m. on 13 May 2009, notice of which is set out at the end of this Circular.
Financial Regulator	the Irish Financial Services Regulatory Authority, as part of the Central Bank and Financial Services Authority of Ireland.
Form of Proxy	the form of proxy which (where relevant) accompanies this Circular for use by Shareholders at the Extraordinary General Meeting.
FSA	the Financial Services Authority of the United Kingdom.
FSMA	the UK Financial Services and Markets Act 2000, as amended.
Government	the Government of Ireland.
Government Entity	(a) any of the NTMA, the NPRFC, the Minister for Finance and any Minister or Department of the Government; and (b) any custodian or nominee holding Preference Shares on behalf of the NTMA, the NPRFC (in its capacity as controller and manager of the NPRF), the Minister for Finance or any Minister or Department of the Government, and "**Government Entities**" shall be construed accordingly.
Government Guarantee Scheme	the Credit Institutions (Financial Support) Scheme 2008 (S.I. No. 411 of 2008) pursuant to which the Minister agreed to provide financial support to certain credit institutions (and certain subsidiaries of those credit institutions) operating in Ireland.

Government Preference Shareholder	a Government Entity holding Preference Shares.
Irish Stock Exchange or ISE	The Irish Stock Exchange Limited.
Latest Practicable Date	15 April 2009, being the latest practicable date before the issue of this Circular.
London Stock Exchange	the London Stock Exchange p.l.c.
Manager	the person appointed as manager of the NPRF under section 21 of the NPRF Act.
Minister for Finance or **Minister**	the Minister for Finance of Ireland.
NPRF	the National Pensions Reserve Fund, a fund established under the NPRF Act.
NPRF Act	the National Pensions Reserve Fund Act 2000 (as amended by the Investment of the National Pensions Reserve Fund and Miscellaneous Provisions Act 2009).
NPRFC	the National Pensions Reserve Fund Commission, as established by the NPRF Act to, *inter alia*, control, manage and invest the assets of the NPRF (or any replacement or successor agency or authority). References in this Circular to the NPRFC are to the NPRFC acting in its capacity as controller and manager of the NPRF.
NPRFC Investment	the proposed issue of 3,500,000,000 Preference Shares and the Warrants to the NPRFC.
NTMA	the National Treasury Management Agency as established by the National Treasury Management Agency Act 1990 and appointed, inter alia, Manager of the NPRF and to act as agent of the NPRFC.
Official Lists	the official list of the Irish Stock Exchange and/or, as appropriate, the official list maintained by the UK Listing Authority.
Ordinary Shares	ordinary shares of €0.32 each in the share capital of the Company.
pounds sterling or **£**	the lawful currency of the United Kingdom.
Perpetual Preferred Securities 1	the €1,000,000,000 Fixed Rate/Floating Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities, having the benefit of a subordinated guarantee of the Company, issued by AIB UK 1 LP on 17 December 2004.
Preference Share Issue	the issue of 3,500,000,000 Preference Shares by AIB to the NPRFC pursuant to the Subscription Agreement.

Preference Shares	the 2009 non-cumulative preference shares of €0.01 each in the share capital of the Company proposed to be issued to the NPRFC pursuant to the Subscription Agreement.
Preferred Securities	together: (1) the €500,000,000 7.5 per cent. Step-Up Callable Perpetual Reserve Capital Instruments, issued by the Company on 5 February 2001; (2) the Perpetual Preferred Securities 1; (3) the €500,000,000 Fixed Rate/Floating Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities, having the benefit of a subordinated guarantee of the Company, issued by AIB UK 2 LP on 16 June 2006; (4) the £350,000,000 Fixed Rate/Floating Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities, having the benefit of a subordinated guarantee of the Company, issued by AIB UK 3 LP on 14 June 2006; (5) any replacement securities issued by the Company in accordance with the terms and conditions of any of the securities referred to at paragraphs (2) to (4) above; (6) the 200,000,000 non-cumulative preference shares of €1.27 each, the 20,000,000 non-cumulative preference shares of US$25.00 each, the 200,000,000 non-cumulative preference shares of £1.00 each and the 200,000,000 non-cumulative preference shares of Yen 175 each, comprising part of the authorised but unissued share capital of the Company as at the date of this Circular (but only to the extent that such shares do not, upon issue, constitute, under the regulatory framework then applicable to the Company, Core Tier 1 Capital); and (7) any other preference shares, preferred securities, reserve capital instruments or other securities issued after the Completion Date: (i) directly by the Company and ranking *pari passu* with any of the securities referred to in paragraphs (1) to (6) above; or (ii) by any subsidiary of the Company or other entity (including, without limitation, a partnership) and entitled to the benefit of a guarantee or support agreement from the Company or from any subsidiary of the Company ranking *pari passu* with any of the securities referred to in paragraphs (1) to (6) above.
Secondary Tranche Warrants	warrants to subscribe for 138,471,444 Ordinary Shares (or such greater number of Ordinary Shares as is equal to 10 per cent. in number of the issued Ordinary Shares (excluding treasury shares) on the Completion Date computed as if the Warrants were exercisable and had been exercised in full on the Completion Date) at a subscription price of €0.375 per Ordinary Share,

	subject to and with the benefit of the terms and conditions set out in the Warrant Instrument.
Shareholder or **AIB Shareholder**	a holder of Ordinary Shares.
Subscription Agreement	the subscription agreement to be entered into on the Completion Date between the Company, the Minister and the NPRFC in connection with the NPRFC Investment.
subsidiary undertaking	has the meaning given in the European Communities (Companies: Group Accounts) Regulations 1992.
Takeover Bids Regulations	the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006 (S.I. No. 255 of 2006)).
Tier 1 Capital	securities that constitute, under the regulatory framework then applicable to the Company, tier 1 capital (within the meaning of the Financial Regulator's requirements at such time or equivalent).
UK Listing Authority	the FSA in its capacity as the competent authority for the purposes of Part VI of FSMA and in the exercise of functions in respect of the admission to the Official List of the London Stock Exchange other than in accordance with Part VI of FSMA.
United Kingdom or **UK**	the United Kingdom of Great Britain and Northern Ireland.
United States or **US**	the United States of America, its territories and possessions, any state of the United States and the District of Columbia.
US dollar or **US$**	the lawful currency of the United States.
Warrant Instrument	the warrant instrument relating to the Warrants, to be entered into by AIB and the NPRFC on the Completion Date.
Warrant Shares	the Ordinary Shares to be issued on the exercise of the Warrants.
Warrants	together, the Core Tranche Warrants and the Secondary Tranche Warrants constituted by the Warrant Instrument.
Yen	the lawful currency of Japan.

NOTICE OF EXTRAORDINARY GENERAL MEETING

An Extraordinary General Meeting of Allied Irish Banks, p.l.c. (the "**Company**") will be held at Bankcentre, Ballsbridge, Dublin 4, on 13 May 2009 at 10:00 a.m. to consider and, if thought fit, pass the following resolutions, of which resolutions 1, 2, 3 and 4 will be proposed as ordinary resolutions and resolutions 5, 6, 7 and 8 will be proposed as special resolutions. The EGM Resolutions (being resolutions numbered 1 to 7) are interconditional and all of them must be passed to permit the NPRFC Investment to proceed:

ORDINARY RESOLUTIONS

1. **THAT**, subject to and conditional upon Resolutions 2, 3, 4, 5, 6 and 7 being passed, the authorised share capital of the Company be increased from €625,200,000, US$500,000,000, Stg£200,000,000 and Yen 35,000,000,000 to €884,200,000, US$500,000,000, Stg£200,000,000 and Yen 35,000,000,000 by the creation of:

(a) 700,000,000 new ordinary shares of €0.32 each, such shares forming one class with the existing ordinary shares; and

(b) 3,500,000,000 2009 non-cumulative preference shares of €0.01 each,

such ordinary shares and 2009 non-cumulative preference shares having attached thereto the respective rights and privileges and being subject to the respective limitations and restrictions set out in the articles of association of the Company to be adopted pursuant to Resolution 7 below.

2. **THAT**, subject to and conditional upon Resolutions 1, 3, 4, 5, 6 and 7 being passed, the directors of the Company be and are hereby generally and unconditionally authorised pursuant to and in accordance with section 20 of the 1983 Act (in substitution for the authority conferred on the directors of the Company at the annual general meeting held on 9 May 2007) to exercise for the period of five years from the date of the passing of this Resolution all the powers of the Company to allot relevant securities (as defined in the 1983 Act) up to the following nominal amounts: (a) €218,557,672 for ordinary shares of €0.32 each, (b) €35,000,000 for 2009 non-cumulative preference shares of €0.01 each, (c) €254,000,000 for euro non-cumulative preference shares of €1.27 each, (d) US$500,000,000 for dollar non-cumulative preference shares of US$25.00 each, (e) Stg£200,000,000 for sterling non-cumulative preference shares of Stg£1.00 each, (f) Yen 35,000,000,000 for Yen non-cumulative preference shares of Yen 175 each and (g) €94,160,582.08 (or, if higher, the aggregate nominal value of the number of Ordinary Shares the subject of the Warrants to be issued to the NPRFC on the Completion Date, as varied from time to time in accordance with the anti-dilution adjustment provisions in the Warrant Instrument (the "**Warrant Shares**")), such amounts being "the Section 20 Amount" (as defined in article 8 of the articles of association of the Company), and that by such authority the directors of the Company may make offers or agreements which would or might require the allotment of such securities after the expiry of such period.

3. **THAT**, subject to and conditional upon Resolutions 1, 2, 4, 5, 6 and 7 being passed, the proposed issue by the Company of the Warrant Shares, upon exercise of the Warrants in accordance with the terms of the Warrant Instrument, be and is hereby approved for the purposes of the listing rules of the Irish Stock Exchange and of the UK Listing Authority notwithstanding that the issue prices of the Warrant Shares may be at a discount of more than 10 per cent. to the middle market price of the Ordinary Shares (as derived from the daily official list of the Irish Stock Exchange) on the Completion Date.

4. **THAT**, subject to and conditional upon Resolutions 1, 2, 3, 5, 6 and 7 being passed, the directors of the Company be and are hereby generally empowered and authorised to appropriate and apply any sum standing to the credit of the Company's undistributable reserves (including any share premium account) or, subject to there being no contravention of the rights of other shareholders of the Company, the Company's distributable reserves for the purposes of capitalising new issues of ordinary shares of €0.32 each in the capital of the Company in accordance with article 135 of the articles of association of the Company to be adopted pursuant to Resolution 7 below.

SPECIAL RESOLUTIONS

5. **THAT**, subject to and conditional upon Resolutions 1, 2, 3, 4, 6 and 7 being passed, the directors of the Company be and are hereby empowered, in accordance with section 24 of the 1983 Act, to issue the Warrants to the NPRFC on the Completion Date pursuant to the authority conferred by Resolution 2 above as if section 23(1) of the 1983 Act did not apply to that issue.

6. **THAT**, subject to and conditional upon Resolutions 1, 2, 3, 4, 5 and 7 being passed, the Company be and is hereby authorised, for the purposes of sections 213 and 214 of the Companies Act 1990, to purchase some or all of the 3,500,000,000 2009 non-cumulative preference shares of €0.01 each, in accordance with the terms of article 52 of the articles of association of the Company to be adopted pursuant to Resolution 7, provided that such articles of association of the Company are adopted on or prior to 31 December 2009.

7. **THAT**, subject to and conditional upon Resolutions 1, 2, 3, 4, 5 and 6 being passed, the regulations produced to the meeting (a copy of which regulations are initialled for identification by the chairman of the meeting) be and are hereby adopted as the new articles of association of the Company in substitution for and to the exclusion of the existing articles of association of the Company.

8. **THAT**, the power conferred on the directors of the Company by article 8 of the articles of association of the Company be and is hereby renewed for the period ending on the date of the annual general meeting of the Company in 2010 or, if earlier, 12 August 2010, and for such period the Section 23 Amount (as defined in paragraph (d)(iv) of article 8 of the articles of association of the Company) shall be €14,694,969.12.

By order of the Board
W.M. Kinsella
Secretary

Bankcentre,
Ballsbridge,
Dublin 4.

16 April 2009

NOTES

1. A member of the Company entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint a proxy to attend, speak and vote instead of the member. A proxy need not be a member of the Company.

2. To be entitled to attend and vote at the Extraordinary General Meeting (and for the purpose of determining the number of votes that may be cast) members must be entered on the Register of Members at close of business on 11 May 2009.

3. Notwithstanding the appointment of a proxy, a member may attend and vote at the Extraordinary General Meeting and such attendance will have the effect of cancelling the appointment.

4. CREST members may appoint one or more proxies through the CREST electronic proxy appointment service in accordance with the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. Further information on CREST procedures and requirements is contained in the CREST Manual. The message appointing a proxy(ies) must be received by the Registrar (3RA50) not later than 10:00 a.m. on 11 May 2009. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a proxy instruction in the circumstances set out in Regulation 35(5) (a) of the Companies Act 1990 (Uncertified Securities) Regulations 1996.