

**THIS CIRCULAR AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.**

If you are in any doubt about the contents of this Circular, or as to what action you should take, you are recommended to immediately consult, if you are resident in Ireland, an independent organisation or firm authorised or exempted pursuant to the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) or the Investment Intermediaries Act 1995 or, if you are resident in the United Kingdom, a person authorised under the Financial Services and Markets Act 2000 of the United Kingdom, or another appropriately authorised independent professional adviser if you are in a territory outside Ireland or the United Kingdom.

If you sell or have sold or have otherwise transferred or disposed of your entire holding of Ordinary Shares, please forward, subject to the restrictions set out below, this Circular, together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee of such Ordinary Shares or to AIB, or the stockbroker or other agent through whom the sale, transfer or disposal was effected for onward delivery to the purchaser or transferee. If you sell or have sold or otherwise transferred or disposed of only part of your holding of Ordinary Shares, you should retain this Circular and accompanying Form of Proxy and consult the stockbroker or other agent through whom you made the sale, transfer or disposal.

**The distribution of this Circular into any jurisdiction outside Ireland and the United Kingdom is or may be restricted by law and therefore persons into whose possession this Circular and/or the accompanying Form of Proxy comes should inform themselves about and observe such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of such jurisdictions. In particular, any persons (including, without limitation, agents, custodians, nominees or trustees) who have a contractual or legal obligation to forward any documents issued by AIB should note that this Circular should not be forwarded to or transmitted in the United States.**

No application is intended to be made for the Warrants (should they be issued) to be admitted to trading on the ESM or any other market. It is intended that application will be made in due course for the New Ordinary Shares (in existence upon completion of the Ordinary Share Consolidation) and the Warrant Shares (upon exercise of the Warrants (if any)) to be admitted to the relevant market upon which AIB's Ordinary Shares are traded at the relevant time. Shortly before the admission of the New Ordinary Shares on such market, the admission of the Ordinary Shares to trading on the relevant market will be cancelled.

**THIS CIRCULAR IS NOT A PROSPECTUS AND DOES NOT CONSTITUTE OR FORM PART OF ANY OFFER OR INVITATION TO ANY PERSON TO SUBSCRIBE FOR, PURCHASE, ACQUIRE, SELL, OTHERWISE DISPOSE OF OR ISSUE ANY SECURITIES IN AIB OR IN ANY OTHER COMPANY IN THE GROUP.** This Circular is a shareholder circular and is being sent to you solely for your information in connection with the Resolutions to be proposed at the EGM. The contents of this Circular should not be construed as legal, business, financial, tax, investment or other professional advice. Each Shareholder should consult his, her or its own legal adviser, independent financial adviser, tax adviser, investment adviser or other appropriate professional adviser for legal, business, financial, tax, investment or other professional advice in connection with the Capital Reorganisation. Neither the Irish Stock Exchange, nor the Central Bank, has examined or approved the contents of this Circular. A copy of this Circular has not been, and will not be, delivered to the Registrar of Companies in Ireland.



**Allied Irish Banks, p.l.c.**

*(incorporated in Ireland and registered under the Companies Act 2014 with registered number 24173)*

## **Proposed Capital Reorganisation and related authorisations**

### **Circular and Notice of Extraordinary General Meeting**

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Your attention is drawn in particular to the letter from the Chairman, which is set out on pages 10 to 24 of this Circular and which contains the recommendations of the Directors to Shareholders to vote in favour of the Resolutions to be proposed at the EGM. You should read this Circular in its entirety and consider whether or not to vote in favour of the Resolutions in light of the information contained in this Circular.

Notice of an EGM of AIB to be held on 16 December 2015 at 10 a.m. at RDS Concert Hall, Merrion Road, Ballsbridge, Dublin 4 is set out at the end of this Circular. A Form of Proxy for use at the EGM is enclosed. To be valid, Forms of Proxy should be completed and signed in accordance with the instructions printed thereon and returned by no later than 10 a.m. on 14 December 2015 in accordance with the notes to the EGM Notice (at the end of this Circular) and the Form of Proxy itself. Completion and return of a Form of Proxy will not prevent a Shareholder from attending and voting in person at the EGM or any adjournment thereof, should a Shareholder wish to do so.

Electronic proxy appointment is available for the EGM. This facility enables a Shareholder to lodge its proxy appointment by electronic means by logging on to the website of the Registrar, Computershare Investor Services (Ireland) Limited, at [www.eproxyappointment.com](http://www.eproxyappointment.com). Additionally, for those who hold Ordinary Shares in CREST, a Shareholder may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Computershare Investor Services (Ireland) Limited (CREST participant

ID 3RA50) so that it is received by the Registrar by no later than 10 a.m. on 14 December 2015. The completion and return of either an electronic proxy appointment notification or a CREST Proxy Instruction (as the case may be) will not prevent a Shareholder from attending and voting in person at the EGM or any adjournment thereof, should a Shareholder wish to do so.

Morgan Stanley is acting in connection with the matters referred to in this Circular exclusively as ESM Advisor and financial advisor to AIB and no one else and will not regard any other person as its client and will not be responsible to anyone other than AIB for providing the protections afforded to its customers, or for providing advice, in respect of any matter referred to in this Circular. In particular, the advice from Morgan Stanley to AIB, as referred to in section 9 (*Recommendation*) of this Circular, was provided for the sole benefit of the Directors for the purposes of their obligations under rule 13 of the ESM Rules (*Related Party Transactions*). It was not made for the benefit of anyone else, including but not limited to any Shareholder, and should not be relied on by any person or entity for any purpose. Morgan Stanley: (i) makes no representation, express or implied, in respect of the contents of this Circular, including the accuracy, verification or completeness of any information contained in this Circular or in respect of any other statement made or purported to be made by AIB, or on AIB's behalf, or by it or on its behalf, and nothing in this Circular shall be relied upon as a promise or representation in this respect, whether as to the past or the future; and (ii) accepts no responsibility for the contents of this Circular or its publication and accordingly disclaims to the fullest extent permitted by law, all and any liability whatsoever whether arising out of tort, contract or otherwise which it might otherwise have to any person in respect of this Circular or any such statement.

Goodbody is acting exclusively in connection with the matters referred to in this Circular as financial advisor to AIB and no one else and will not regard any other person as its client and will not be responsible to anyone other than AIB for providing the protections afforded to its customers, or for providing advice, in respect of any matter referred to in this Circular. In particular, the advice from Goodbody to AIB, as referred to in section 9 (*Recommendation*) of this Circular, was provided for the sole benefit of the Directors. It was not made for the benefit of anyone else, including but not limited to any Shareholder, and should not be relied on by any person or entity for any purpose. Goodbody: (i) makes no representation, express or implied, in respect of the contents of this Circular, including the accuracy, verification or completeness of any information contained in this Circular or in respect of any other statement made or purported to be made by AIB, or on AIB's behalf, or by it or on its behalf, and nothing in this Circular shall be relied upon as a promise or representation in this respect, whether as to the past or the future; and (ii) accepts no responsibility for the contents of this Circular or its publication and accordingly disclaims to the fullest extent permitted by law, all and any liability whatsoever whether arising out of tort, contract or otherwise which it might otherwise have to any person in respect of this Circular or any such statement.

None of the Minister for Finance, the Department of Finance, the Irish Government, the NTMA or any person controlled by or controlling any such person, or any entity or agency of or related to the Irish State, or any director, officer, official, employee or adviser (including, without limitation, legal and financial advisers) of any such person (each such person, a "relevant person" for the purposes of this paragraph) accepts any responsibility whatsoever for, or makes any representation or warranty, express or implied, as to the accuracy, completeness or fairness of any information in, this Circular or any document referred to in this Circular or any supplement or amendment thereto (each a "relevant document" for the purposes of this paragraph) or for any other statement made or purported to be made by it, or on its behalf, in connection with AIB, or the Capital Reorganisation and nothing in this Circular will be relied upon as a promise or representation in this respect, whether or not to the past or future. To the fullest extent permitted by law, each relevant person expressly disclaims any liability whatsoever for any loss howsoever arising from, or in reliance upon, the whole or any part of the contents of any relevant document or any such statement. No relevant person has authorised or will authorise the contents of any relevant document, or has recommended or endorsed the merits of any course of action contemplated by any relevant document.

No person has been authorised to give any information or make any representations other than those contained in this Circular and, if given or made, such representations must not be relied on as having been so authorised. The delivery of this Circular shall not, under any circumstances, create any implication that there has been no change to the affairs of AIB or the Group since the date of this Circular or that the information is correct as of any subsequent date.

Capitalised terms used in this Circular will, unless the context otherwise requires, take their meaning from the definitions section set out in Part II (*Definitions*) of this Circular.

This Circular is dated 23 November 2015.

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## IMPORTANT INFORMATION

### WEBSITES

Neither the content of the Group's website, the content of any website accessible from hyperlinks on the Group's website nor any other website is incorporated into, or forms part of, this Circular.

### TIME

All references in this Circular to times are to Irish time.

### DEFINITIONS

Capitalised terms used in this Circular have the meanings ascribed to them in Part II (*Definitions*) of this Circular, unless the context otherwise requires.

### FORWARD-LOOKING STATEMENTS

This Circular contains certain forward-looking statements with respect to the business, financial condition, results of operations and prospects of AIB and certain of the plans and objectives of AIB. 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 "aim", "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", "may", "could", "will", "seek", "continue", "should", "assume", or other words of similar meaning. Examples of forward-looking statements include, among others, statements regarding AIB's future financial position, capital structure, the Minister for Finance's shareholding (through the ISIF) in AIB, income growth, loan losses, business strategy, projected costs, capital ratios and plans and objectives for future operations. Because such statements are inherently subject to risks and uncertainties, actual results may, and often do, differ materially from those expressed or implied by such forward-looking information. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements including, but not limited to:

- AIB's business may be adversely affected by deterioration of the Irish economy, the economy of the United Kingdom or the global economy;
- AIB faces risks associated with the level of, and changes in, interest rates, including the risk that a rise in interest rates will lead to an increase in customer defaults, as well as certain other market risks;
- AIB may be adversely affected by the budgetary and taxation policies of the Irish Government and the UK Government, including the bank levy introduced by the Irish Government in its Budget 2014 and extended to 2021 in Budget 2016;
- A decision by the United Kingdom to leave the EU could lead to a deterioration in market and economic conditions in the United Kingdom and Ireland, which could adversely affect AIB's business, financial condition, results of operations and prospects;
- AIB may be subject to the risk of having insufficient capital to meet increased minimum regulatory requirements;
- Constraints on AIB's access to funding, including a loss of confidence by depositors or curtailed access to wholesale funding markets, may result in AIB being required to seek alternative sources of funding. If AIB has difficulties in accessing alternative sources of funding or in meeting applicable liquidity ratios, its business, results of operations, financial condition and prospects could be materially adversely affected;
- Downgrades to AIB's credit ratings or outlook could impair AIB's access to private sector funding, trigger additional collateral requirements and weaken its financial position;
- AIB's deferred tax assets depend substantially on the generation of future profits over an extended number of years and AIB's ability to utilise these deferred tax assets could be affected by changes in tax legislation, the interpretation of such legislation or relevant practices. AIB is also required under new capital adequacy rules to deduct the value of most of its deferred tax assets in arriving at its CET1 Capital position, which may result in it being required to hold more regulatory capital;
- Irish Government restrictions on executive pay and a ban on performance-related compensation applicable to employees of Irish banks who have received financial support from the Irish Government, including AIB, as well as the imposition of a very high tax on bonuses paid to employees of such Irish banks, may compromise AIB's ability to recruit, retain and develop appropriate senior management and skilled personnel and may lead to employee dissatisfaction generally;
- AIB has a high level of criticised loans on its statement of financial position and there can be no assurance that it will continue to be successful in reducing the level of criticised loans. The management of these loans also gives rise to risks, including the vulnerability to challenge by customers and/or third parties, re-default, changes in the regulatory regime, costs and the diversion of management attention and other resources from AIB's business;
- AIB could face additional liabilities in relation to the assets it has transferred to NAMA under the NAMA Programme, including the risk that if NAMA's accounts show an aggregate loss in respect of the transferred assets, a surcharge on participating institutions, including AIB, may be imposed. In addition, AIB may be subject to the risk of non-payment of its NAMA senior and subordinated debt securities;

- AIB is subject to increasing regulation and supervision following the establishment of the SSM and the implementation of CRD IV and the BRRD, which may strain its resources;
- AIB is subject to substantial and changing prudential regulation, including requirements to maintain adequate capital resources and to satisfy specified capital ratios, and any perceived or actual shortage of regulatory capital could result in actions by regulatory authorities, including public censure and the imposition of sanctions;
- AIB is subject to conduct risk, allegations of mis-selling of financial products, overcharging, breach of contract and breach of regulation which may result in adverse regulatory action;
- The 2012 Relationship Framework as well as certain other agreements entered into between AIB and the Minister for Finance and other legislative powers permit the Irish Government to exercise significant influence over AIB and AIB's operations may be subject to intervention by the Irish Government;
- If AIB fails to comply with the conditions and restrictions set out in its EU Restructuring Plan, this could lead to further action by the European Commission;
- The interests of the Minister for Finance and the NTMA may conflict with the interests of other Shareholders and the Minister for Finance and the NTMA may exercise applicable voting rights in a manner that has the effect of delaying, deferring or preventing AIB from undertaking certain transactions; and
- Shareholders (other than the Minister for Finance (through the ISIF)) will experience dilution as a result of the 2009 Preference Share Conversion and the issue of the Warrant Shares on exercise of the Warrants (should the Warrants be issued and exercised) and such potential and actual dilution, together with the impact of the 2009 Preference Share Conversion Price as interpreted by the market, may adversely impact the market price of AIB's Ordinary Shares.

Any forward-looking statements made by or on behalf of AIB speak only as of the date they are made and where the context permits, extend to the Group. AIB cautions that the list of risk factors set out above is not exhaustive. Shareholders and others should carefully consider the foregoing factors and other uncertainties and events when making an investment or voting decision based on any forward-looking statement.

AIB undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to AIB or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Circular.

#### **SHAREHOLDER HELPLINE TELEPHONE NUMBER**

Any Shareholder requiring assistance in understanding the matters raised in this Circular may telephone the Shareholder helpline on 01 247 5411 (if calling from Ireland) or +353 (1) 247 5411 (if calling from outside Ireland), open from 9.00 a.m. to 5.00 p.m. on any Business Day. For legal reasons this helpline will only provide information in relation to the matters contained in this Circular and information relating to AIB's register of members and will not provide advice on the merits of the Resolutions, or give any personal, business, legal, financial, investment, taxation or other professional advice, for which you will need to consult your own legal, financial, taxation or other adviser (as relevant). Calls may be recorded and monitored for security and training purposes.

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

EVENT	TIME AND DATE
<b><u>General</u></b>	
Announcement of the Capital Reorganisation	23 November 2015
Despatch of this Circular and Form of Proxy	23 November 2015
Latest time and date for receipt of Forms of Proxy and CREST Proxy Instructions for the EGM	10 a.m. on 14 December 2015
Voting Record Date	Close of business on 14 December 2015
EGM Date	16 December 2015
Announcement of the results of the EGM	16 December 2015
Adoption of the Interim Memorandum and Articles of Association	With effect from the passing of all Resolutions at the EGM
Adoption of the Final Memorandum and Articles of Association	With effect from completion of the Ordinary Share Consolidation
Cessation of dealings in the Existing Ordinary Shares on the ESM	Close of business on such date as is notified by AIB by way of announcement issued via a Regulatory Information Service to the ISE
Admission and commencement of dealings in New Ordinary Shares on the ESM	8 a.m. on the first Business Day following completion of the Ordinary Share Consolidation
CREST accounts credited in respect of New Ordinary Shares in uncertificated form	By no later than one Business Day following the Ordinary Share Consolidation effective time
Issue of new share certificates (where applicable) in respect of New Ordinary Shares in certificated form	By no later than 14 Business Days following the Ordinary Share Consolidation effective time
<b><u>2009 Preference Share Conversion</u></b>	
Sub-division effective time	Such time on such date as is notified by AIB by way of announcement issued via a Regulatory Information Service to the ISE
2009 Preference Share Re-designation effective time	Immediately following the Sub-division effective time
2009 Preference Share Bonus Issue effective time	Immediately following the Sub-division effective time
2009 Preference Share Conversion effective time	Upon completion of the Sub-division and the 2009 Preference Share Bonus Issue
<b><u>2009 Preference Share Redemption</u></b>	
2009 Preference Share Redemption effective time	Such time (following the 2009 Preference Share Conversion effective time) on such date as is notified by AIB by way of announcement issued via a Regulatory Information Service to the ISE
<b><u>2009 Preference Share Cancellation</u></b>	
2009 Preference Share Cancellation effective time	Immediately following the 2009 Preference Share Redemption effective time
<b><u>EBS Promissory Note Redemption</u></b>	
EBS Promissory Note Redemption effective time	The 2009 Preference Share Redemption effective time
<b><u>Ordinary Share Consolidation</u></b>	
Ordinary Share Consolidation Record Time	Such time on such date as is notified by AIB by way of announcement issued via a Regulatory Information Service to the ISE
Consolidation of every 250 Existing Ordinary Shares into one New Ordinary Share effective time	Ordinary Share Consolidation Record Time
Ordinary Share Consolidation Bonus Issue effective time	Immediately following the consolidation of every 250 Existing Ordinary Shares into one New Ordinary Share
Ordinary Share Consolidation effective time	Immediately following the Ordinary Share Consolidation Bonus Issue effective time and the cancellation of the authorised but unissued Existing Ordinary Shares that follows

that time (and in any event no later than five (5) Business Days following the 2009 Preference Share Redemption)

**Payments**

Payment of the Conversion Dividend Payment	Immediately following the Sub-division effective time
Payment of the 2009 Preference Share Redemption Proceeds and the Redemption Dividend Payment	On redemption of the Redeeming 2009 Preference Shares and in conjunction with the EBS Promissory Note Redemption
Payment of the EBS Promissory Note Consideration	On redemption of the EBS Promissory Note and in conjunction with the redemption of the Redeeming 2009 Preference Shares

**Warrants**

Issue of Warrants to the Minister for Finance (or a State Entity nominated by the Minister for Finance) (if any)	Five (5) Business Days after a Regulated Market Event, such date to be notified to Shareholders by AIB by way of announcement issued via a Regulatory Information Service to the ISE
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**Notes:**

- (1) Each of the times and dates in the table above and mentioned in this Circular, the Form of Proxy and any other document issued by AIB in connection with the Resolutions and/or the EGM is indicative only and is subject to change by AIB, in which event details of the new times and dates will be notified to the Irish Stock Exchange and, where appropriate, to Shareholders by way of an announcement issued via a Regulatory Information Service.

## STATISTICS RELATING TO THE CAPITAL REORGANISATION

### General

Number of Existing Ordinary Shares in issue as at the Latest Practicable Date<sup>(1)</sup> 523,474,125,551

Number of 2009 Preference Shares in issue as at the Latest Practicable Date 3,500,000,000

### 2009 Preference Share Conversion

2009 Preference Share Conversion Price €0.01724176

Value of the entire issued ordinary share capital of AIB calculated on the basis of the 2009 Preference Share Conversion Price €11.7 billion

Number of Converting 2009 Preference Shares 2,140,000,000

Number of Sub-divided 2009 Preference Shares in issue as a result of the first part of the 2009 Preference Share Conversion 8,560,000,000

Conversion Dividend Payment as at the Latest Practicable Date €87,977,778

Number of Existing Ordinary Shares to be issued for the purpose of the 2009 Preference Share Conversion comprising: 155,146,574,363

Number of new Existing Ordinary Shares in issue as a result of the re-designation of the Sub-divided 2009 Preference Shares into Existing Ordinary Shares 8,560,000,000

Number of new Existing Ordinary Shares to be issued pursuant to the 2009 Preference Share Bonus Issue 146,586,574,363

### 2009 Preference Share Redemption

Redemption Price €1.25 per Redeeming 2009 Preference Share

Number of Redeeming 2009 Preference Shares 1,360,000,000

2009 Preference Share Redemption Proceeds (excluding the Redemption Dividend Payment) €1,700,000,000

Redemption Dividend Payment as at the Latest Practicable Date €55,911,111

### EBS Promissory Note Redemption

Redemption value of the EBS Promissory Note as at the Latest Practicable Date (excluding any accrued but unpaid interest) €221,470,273

Accrued but unpaid interest on the EBS Promissory Note as at the Latest Practicable Date €4,304,746

### Ordinary Share Consolidation

Number of New Ordinary Shares arising from the initial consolidation of every 250 Existing Ordinary Shares into one New Ordinary Share as a result of the first part of the Ordinary Share Consolidation (if occurring on the Latest Practicable Date) 2,714,482,799

Number of new Existing Ordinary Shares to be issued pursuant to the Ordinary Share Consolidation Bonus Issue (if occurring on the Latest Practicable Date) 10,308,336

Number of New Ordinary Shares in issue on completion of the Ordinary Share Consolidation and the Capital Reorganisation (if occurring on the Latest Practicable Date)<sup>(2)</sup> 2,714,524,033

### Warrants

Warrant Exercise Price Not less than 200 % of the Initial Regulated Market Price<sup>(3)</sup>

Number of Warrants to be issued to the Minister for Finance (or a State Entity nominated by the Minister for Finance) Such number of Warrants as is exercisable for New Ordinary Shares<sup>(4)</sup> representing up to a maximum of 9.99 % of the issued ordinary share capital of AIB<sup>(5)</sup> upon a Regulated Market Event

Number of New Ordinary Shares to be issued on exercise of the Warrants

Up to a maximum of 9.99 % of the issued ordinary share capital of AIB <sup>(5)</sup> upon a Regulated Market Event

**Notes:**

- (1) Including 35,680,114 Treasury Shares.
- (2) This assumes that, other than pursuant to the Capital Reorganisation, no further Ordinary Shares will be issued by AIB between the posting of this Circular and the completion of the Capital Reorganisation. On the date of this Circular, no such additional share issues are anticipated.
- (3) The Warrant Exercise Price, following execution of the Warrant Instrument, may be adjusted from time to time in accordance with the terms of the Warrant Instrument.
- (4) The number of New Ordinary Shares, following execution of the Warrant Instrument, may (subject always to the 9.99% cap stated above) be adjusted from time to time in accordance with the terms of the Warrant Instrument.
- (5) Calculated on the basis that none of the Warrants have been exercised.

## PART I

### LETTER FROM THE CHAIRMAN OF ALLIED IRISH BANKS, P.L.C.



#### Directors:

Richard Pym \* Chairman  
Bernard Byrne Chief Executive Officer  
Mark Bourke Chief Financial Officer  
Simon Ball\*  
Tom Foley\*  
Peter Hagan\*  
Jim O'Hara\*  
Dr Michael Somers\* Deputy Chairman  
Catherine Woods\*

#### Head and Registered Office:

Allied Irish Banks, p.l.c.  
Bankcentre  
Ballsbridge  
Dublin 4  
Ireland

23 November 2015

\* Denotes Non-Executive Director

### Proposed Capital Reorganisation and related authorisations to enable its implementation Circular and Notice of Extraordinary General Meeting

Dear Shareholder,

#### 1. Introduction

Further to the announcements made by AIB on 6 November 2015, 17 November 2015 and earlier today, I am writing to you to provide you with details of the Board's proposed Capital Reorganisation which comprises (i) a conversion of 2.14 billion of the 2009 Preference Shares into Ordinary Shares (the "**Converting 2009 Preference Shares**"), (ii) a redemption of the remaining 1.36 billion of the 2009 Preference Shares (the "**Redeeming 2009 Preference Shares**"), (iii) a redemption of the EBS Promissory Note, (iv) a consolidation of Ordinary Shares, (v) a potential issue of Warrants and (vi) amendments to the Existing Memorandum and Articles of Association of AIB. Further details in relation to the Capital Reorganisation are set out below.

Implementation of the Capital Reorganisation requires Shareholder approval in respect of certain measures described below. Accordingly, AIB has today announced that an EGM of AIB will be held on 16 December 2015 (the "**EGM Date**") at 10 a.m. at RDS Concert Hall, Merrion Road, Ballsbridge, Dublin 4 to consider and, if thought fit, pass the Resolutions required to enable the implementation of the Capital Reorganisation. AIB has, save where otherwise stated in the Circular, received the necessary permission from its regulatory supervisor, where required, to implement the Capital Reorganisation.

Shareholders are being asked, pursuant to the Resolutions, to authorise a number of measures to facilitate implementation of the Capital Reorganisation. This primarily requires:

- an increase in the authorised share capital of AIB;
- the granting of authority to the Directors to allot new equity securities;
- a dis-application of statutory pre-emption rights on the allotment of new equity securities;
- a conversion of 2.14 billion of the 2009 Preference Shares (comprising a sub-division and re-designation into Existing Ordinary Shares of 2.14 billion of the 2009 Preference Shares and a bonus issue of Existing Ordinary Shares);
- an amendment of the rights attaching to the Converting 2009 Preference Shares on their sub-division in order to allow payment in cash to the NTMA of accrued but unpaid dividends on such shares;
- a consolidation of Ordinary Shares, including a related bonus issue of Existing Ordinary Shares to holders of Ordinary Shares to facilitate a rounding up exercise in certain circumstances;
- a potential issue of Warrants five (5) Business Days after a Regulated Market Event to the Minister for Finance (or a State Entity nominated by the Minister for Finance) to subscribe for such number of New Ordinary Shares not exceeding a maximum of 9.99 per cent. in aggregate of the issued ordinary share capital of AIB; and

- an amendment of the Existing Memorandum and Articles of Association in order to reflect, where relevant, the above actions and authorities and certain other amendments related mainly to the commencement of the Companies Act 2014 on 1 June 2015.

It is also proposed, as part of the Capital Reorganisation, to redeem all of the remaining 1.36 billion 2009 Preference Shares which are not subject to conversion and to redeem the EBS Promissory Note issued by the Minister for Finance to EBS, a wholly owned subsidiary of AIB. Separate from but related to the Capital Reorganisation, AIB has agreed (subject to completion) to issue €750 million of Tier 2 Capital Instruments and, in accordance with its recent announcements, plans to issue a minimum of €500 million of AT1 Capital Instruments (incorporating a temporary principal writedown mechanism and not a mechanism providing for conversion into Ordinary Shares) (collectively, the “**Debt Capital Instruments**”), for which AIB has sought the required permission of its regulatory supervisor. The issue of the Debt Capital Instruments does not form part of the Capital Reorganisation but it is a condition precedent to the implementation of the Capital Reorganisation. Shareholder approval is not required in order to issue the Debt Capital Instruments or to implement the 2009 Preference Share Redemption (except for the adoption of the Interim Articles of Association provided under Resolution 8) or the EBS Promissory Note Redemption.

The Capital Reorganisation is designed as a package of measures. Therefore, the Resolutions to be put to Shareholders at the EGM are inter-conditional and all of them must be passed to implement the Capital Reorganisation.

The purpose of this Circular is to provide you with information on, and to outline the reasons for, the Capital Reorganisation and to explain why the Directors consider it to be in the best interests of AIB and Shareholders as a whole, and why the Directors recommend in section 9 (*Recommendation*) that you vote in favour of the Resolutions proposed to give effect to the Capital Reorganisation. The Resolutions are described in further detail in section 6 (*Summary of the Resolutions*) and are set out in full in the EGM Notice at the end of this Circular.

The components of the Capital Reorganisation comprising the 2009 Preference Share Conversion, the EBS Promissory Note Redemption and the Warrant Issue together constitute a “related party transaction” for AIB for the purposes of the ESM Rules, being entered into between AIB and its substantial shareholder, the Minister for Finance (who, through the ISIF, currently holds approximately 99.8 per cent. of the total issued ordinary share capital of AIB). This Circular satisfies the related party disclosure and content requirements of the ESM Rules in this regard.

## **2. Background to and reasons for the Capital Reorganisation**

### **2.1 Overview**

AIB is a financial services group operating predominantly in Ireland and the United Kingdom. AIB provides a comprehensive range of services to retail, business and corporate customers in those geographic markets and has leading market shares in its core banking products within Ireland. AIB’s business has been restructured significantly in recent years with the aim of becoming a customer focused, profitable and lower-risk institution, which is well positioned to support economic recovery in Ireland while seeking to generate sustainable shareholder returns.

AIB’s operating performance has shown a strong improvement in recent periods. In 2014, AIB reported profit before tax of €1.1 billion, a €2.8 billion turnaround from 2013. For the six month period ended 30 June 2015, AIB reported profit before tax of €1.2 billion, an increase of €0.8 billion on the six month period ended 30 June 2014. As reported in the Bank’s recent third quarter 2015 interim management statement, the positive trend in the Bank’s performance continued in the third quarter of 2015. AIB’s return to profitability is an important step towards making AIB more attractive to private investors.

AIB is focused on ensuring that it has an appropriate capital structure in the context of regulatory requirements and market expectations. As previously announced in its 2014 Annual Report and its 2015 Half Yearly Financial Report, AIB has been engaged in on-going discussions with the Minister for Finance regarding the simplification and rationalisation of its capital structure. The outcome of those discussions has resulted in the proposed Capital Reorganisation described in this Circular, as reflected in the Resolutions set out in the EGM Notice.

The Capital Reorganisation is designed to enable AIB to initially return €1.7 billion of capital to the Irish Government in line with AIB’s obligations under its EU Restructuring Plan, to create a sound and sustainable capital base on which to grow AIB’s business, to meet regulatory requirements under CRD IV and the BRRD, to allow the future payment of dividends on Ordinary Shares as and when conditions permit, to more closely align the Group’s capital structure with market norms and investor expectations and to position AIB for a return to private ownership over time. Accordingly, the Board believes that the Capital Reorganisation is an important step for AIB.

The building blocks for the implementation of the Capital Reorganisation were approved by Shareholders at the 2014 EGM through the approval, and subsequent implementation, of the 2014 Preliminary Reorganisation Steps, which focused primarily on the creation by AIB of distributable reserves in order to allow AIB to redeem some or all of the 2009 Preference Shares, to provide capacity for distributions on AT1 Capital Instruments of AIB and to facilitate the possible future payment of dividends on Ordinary Shares. The Board believes that it is now an appropriate time to further develop AIB’s plans to simplify and rationalise its capital structure through the implementation of the Capital Reorganisation.

### **2.2 Regulatory Capital Requirements Considerations**

The 2009 Preference Shares on issue qualified for regulatory purposes as Core Tier 1 Capital, being non-cumulative redeemable preference shares of €0.01 each, paid up to €1.00. The concept of Core Tier 1 Capital has now been replaced by CET1 Capital under CRD IV. The 2009 Preference Shares are “grandfathered” under CRD IV for a transitional period so as to qualify as CET1 Capital. However, the 2009 Preference Shares will no longer qualify as CET1 Capital under CRD IV after 31 December 2017. Accordingly, the Board believes it is now an appropriate time to remove, and to the extent appropriate, replace the 2009 Preference Shares.

Bank resolution tools available to resolution authorities under the BRRD in the case of failing banks will, from January 2016, provide a basis for ‘bailing-in’ by converting certain debts (including those represented by Tier 2 Capital Instruments or AT1 Capital Instruments such as the Debt Capital Instruments) to equity or writing down the principal of certain debts or equity instruments. To enhance the effectiveness of the bail-in or other resolution tools, and to avoid the risk of contagion or a bank run, the BRRD will require that banks such as AIB meet at all times a robust minimum requirement for own funds and eligible liabilities (“MREL”). A bank’s MREL will be set on a case-by-case basis by resolution authorities, based on criteria set out in the BRRD. The Board believes that the implementation of the issue of the Debt Capital Instruments in particular will help strengthen AIB’s ability to meet MREL requirements for BRRD compliance purposes.

### ***2.3 Strengthening the Existing Capital Structure before Implementation of Certain Elements of the Capital Reorganisation through the issue of the Debt Capital Instruments***

AIB is required under CRD IV to maintain minimum levels of both Total Capital and Tier 1 Capital. AIB’s return to the debt funding markets (both secured and unsecured) has strengthened its liquidity position and demonstrates a capability to access wholesale debt capital markets. However, the Board believes it is also important for AIB to further strengthen its Total Capital position through the issue of the Debt Capital Instruments to ensure it will have a capital structure in place which achieves full compliance with EU regulatory requirements and is in line with market norms.

As regards the issue of the Debt Capital Instruments, AIB has agreed (subject to completion) to issue €750 million of Tier 2 Capital Instruments and, further to its recent announcements, plans to issue a minimum of €500 million of AT1 Capital Instruments. The precise timing of the issue of the AT1 Capital Instruments forming part of the Debt Capital Instruments will be determined by the Board based on a number of factors, including market conditions. The issue of the relevant Debt Capital Instruments will be announced via a Regulatory Information Service to the ISE at the appropriate time. Under the 2009 Preference Share Conversion and Redemption Agreement described below in section 3.1.1, the issue of the Debt Capital Instruments is a condition precedent to the 2009 Preference Share Conversion and the 2009 Preference Share Redemption and must occur by 15 December 2016 in order for the Capital Reorganisation to proceed.

### ***2.4 Key Reasons for the Capital Reorganisation***

The key reasons for the principal elements of the Capital Reorganisation are summarised below.

- ***The 2009 Preference Shares***

The 2009 Preference Shares were issued on 13 May 2009 to the NPRFC (which held the shares for the Minister for Finance through the NPRF) as part of the Irish Government’s recapitalisation of AIB. Pursuant to the NTMA Act 2014, the 2009 Preference Shares became assets of the ISIF. Under the NTMA Act 2014, the 2009 Preference Shares are controlled and managed by the NTMA pursuant to directions in writing given to it by the Minister for Finance from time to time. Ownership of the 2009 Preference Shares and the ISIF vests in the Minister for Finance under the NTMA Act 2014. References to the ISIF, the NTMA and the Minister for Finance should therefore be construed accordingly (where appropriate) in this Circular.

In order to maintain AIB’s compliance with its regulatory capital requirements after 31 December 2017 and in the context of AIB’s plans to achieve a sound and sustainable CRD IV-recognised capital structure on a CRD IV fully loaded basis, as part of its preparation for a return to private ownership over time, the Board believes that it is now an appropriate time to remove and, to the extent appropriate, replace the 2009 Preference Shares. Having considered the options available to it in relation to the 2009 Preference Shares, AIB proposes to issue the Debt Capital Instruments, convert 2.14 billion of the 2009 Preference Shares into Ordinary Shares (the “**Converting 2009 Preference Shares**”) and to redeem all of the remaining 1.36 billion 2009 Preference Shares (the “**Redeeming 2009 Preference Shares**”).

In accordance with the terms of the 2009 Preference Shares, where AIB seeks to redeem the 2009 Preference Shares after 13 May 2014, the 2009 Preference Shares must be redeemed at a price per share equal to 125 per cent. of the subscription price per share paid on its issue (including premium), reflecting a 25 per cent. step-up. This 25 per cent. step-up will be fully satisfied in respect of both the Converting 2009 Preference Shares and the Redeeming 2009 Preference Shares in the manner described below in sections 3.1 and 3.2.

The redemption of the Redeeming 2009 Preference Shares will facilitate the repayment to the Irish Government of €1.7 billion of capital, thus assisting AIB in meeting commitments made in its EU Restructuring Plan in relation to the repayment of State aid before 31 December 2017, the end of AIB’s restructuring period. The 2009 Preference Share Conversion includes the payment in cash of the accrued but unpaid dividends (i.e. the Conversion Dividend Payment) on the Converting 2009 Preference Shares (when sub-divided into the sub-divided 2009 Preference Shares) to the NTMA immediately before their conversion into Ordinary Shares.

The conversion and redemption of the 2009 Preference Shares will remove the annual preferential dividend cost to AIB of 8 per cent. per annum on the €3.5 billion paid up on the 2009 Preference Shares, amounting to €280 million per annum payable, at the discretion of AIB, in cash or by way of a bonus issue of Ordinary Shares in May each year. The annual dividend was paid in cash by AIB in May 2015.

- ***The EBS Promissory Note***

On 17 June 2010, in order to strengthen the capital position of EBS, the Minister for Finance issued the EBS Promissory Note to EBS (with an initial principal amount of €250 million). EBS was subsequently acquired by AIB on 1 July 2011 and is now a wholly-owned subsidiary of AIB.

The EBS Promissory Note is held as a financial asset on the balance sheet of EBS and the Group with a carrying value (which excludes accrued and unpaid interest) of approximately €221 million as at the Latest Practicable Date. The EBS Promissory Note carries a coupon of 5.4634 per cent. per annum payable annually and on each interest payment date the Minister for Finance may elect whether to pay the interest falling due in cash or instead increase the principal amount of the EBS Promissory Note accordingly.

The holder of the EBS Promissory Note may elect each year whether to demand a repayment of €25 million (or if less, the outstanding amount of the EBS Promissory Note). The current principal balance of the EBS Promissory Note is €187 million.

Under the terms of the EBS Promissory Note Termination Agreement, the EBS Promissory Note will be redeemed in conjunction with the 2009 Preference Share Redemption for an amount equal to its carrying value as at the Business Day prior to the issue of the 2009 Preference Share Conversion/Redemption Notice, plus accrued but unpaid interest. The terms of the EBS Promissory Note Termination Agreement also provide for the cancellation by the Minister for Finance of the EBS Promissory Note following its redemption.

The Board regards the EBS Promissory Note as a legacy State aid instrument, with non-standard terms, that was created in the context of Ireland's financial crisis and the support provided by the Irish Government to EBS at that time. The Board is satisfied that the EBS Promissory Note Redemption will be regulatory capital neutral on a CRD IV fully loaded basis.

- ***Ordinary Share Consolidation***

AIB currently has in excess of 523 billion Ordinary Shares in issue, which number will increase on conversion of the Converting 2009 Preference Shares. In having such a large number of Ordinary Shares in issue, small absolute movements in AIB's Ordinary Share price can cause relatively large fluctuations in the market valuation of AIB.

The Board believes that the Ordinary Share Consolidation may assist in reducing AIB's share price volatility, thereby facilitating a more stable and consistent market valuation of AIB.

The Ordinary Share Consolidation has been structured so that it will not result in the removal of any Shareholder from the register of members of AIB. All Shareholders on the register of members of AIB as at the Ordinary Share Consolidation Record Time will receive one New Ordinary Share for every 250 Existing Ordinary Shares held by them, and following the rounding up exercise described below in section 3.4 (b), one New Ordinary Share for any fractional holding of less than 250 Existing Ordinary Shares.

- ***The Warrants***

The Board is conscious of the significant financial support (in aggregate over €20.8 billion) which the Irish Government through the Minister for Finance has provided to AIB since 2008. As consideration for the Minister for Finance's support and participation in the Capital Reorganisation (including through directions given by the Minister for Finance to the NTMA) and the Minister for Finance's commitment to help AIB build a sound and sustainable capital base for the future, the Minister for Finance has requested that AIB enter into a Warrant Agreement (which AIB has done). Pursuant to the Warrant Agreement, and subject to approval of Resolution 3 which provides for the disapplication of statutory pre-emption rights that would otherwise apply, the Minister for Finance may require AIB to issue Warrants to the Minister for Finance (or another State Entity nominated by the Minister for Finance) to subscribe for such number of New Ordinary Shares (which number, following execution of the Warrant Instrument, may, subject as follows, be adjusted in accordance with the terms of the Warrant Instrument) representing up to a maximum of 9.99 per cent. in aggregate of the issued ordinary share capital of AIB (calculated on the basis that none of the Warrants have been exercised) upon a Regulated Market Event. No cash consideration will be payable by the Minister for Finance to AIB in respect of the Warrant Issue.

As the timing, circumstances and terms of any Regulated Market Event are not currently known, it is not possible at this time for AIB to inform Shareholders of the number, or precise terms, of such Warrants (if any) that it is proposed AIB issue to the Minister for Finance (or another State Entity nominated by the Minister for Finance) five (5) Business Days after a Regulated Market Event. Accordingly, AIB proposes to seek Shareholder approval under Resolution 3 to disapply statutory pre-emption rights that would otherwise arise on the issue of the Warrants to the Minister for Finance (or a State Entity nominated by the Minister for Finance). Under the terms of the Warrant Agreement, if Resolution 3 is approved by Shareholders, subject to satisfaction of the Warrant Conditions, the Minister for Finance will be entitled to issue a notice to AIB (a "**Warrant Notice**") specifying the number and terms of the Warrants to be issued by AIB to the Minister for Finance (or another State Entity nominated by the Minister for Finance), such number and terms of the Warrants not to exceed the maximum parameters prescribed by the Warrant Agreement.

The Warrants, including a description of the maximum parameters prescribed by the Warrant Agreement, their terms and the conditions precedent to their issue are described below in section 3.5.

- ***The Convertible Contingent Tier2 Capital Notes (CCNs)***

As part of the Board's consideration of an appropriate capital structure for AIB and related discussions with the Minister for Finance, the Board has considered AIB's options in relation to the €1.6 billion of CCNs issued by AIB to the Minister for Finance on 26 July 2011.

The CCNs are unsecured and subordinated debt obligations of AIB currently attracting interest at a fixed rate of 10 per cent. per annum on the nominal value of the CCNs and which are scheduled to mature on 28 July 2016. For so long as the CCNs are outstanding, if AIB's CET1 Capital ratio falls below a trigger ratio of 8.25 per cent. (a 'capital deficiency event') or if the Central Bank notifies AIB that it has determined that its financial and solvency condition is deteriorating in such a way that a capital deficiency event is likely to occur in the short term and/or if a 'non-viability event' arises for AIB where, for example, AIB becomes insolvent or unable to pay its debts as they fall due, the CCNs will immediately and mandatorily convert into Ordinary Shares at a conversion price of €0.01 per share (subject to adjustment for customary anti-dilution).

Given the short time remaining to the scheduled maturity of the CCNs in July 2016, the Board does not believe it is in the best interests of Shareholders to take any measures now in respect of the CCNs before their scheduled maturity. Accordingly, it is expected that the CCNs will continue to form part of AIB's capital structure in their current form until July 2016.

**In light of the above, the Board believes that the Capital Reorganisation is an important step for AIB that will provide greater flexibility for AIB in respect of the measures that it may take to simplify and strengthen the Group's capital structure on a CRD IV fully loaded basis, while also facilitating, subject to relevant Board and other approvals, the initial repayment of €1.7 billion of capital to the Minister for Finance.**

### 3. Principal Terms of the Capital Reorganisation

The Capital Reorganisation comprises six key steps, namely: (1) the 2009 Preference Share Conversion, (2) the 2009 Preference Share Redemption, (3) the EBS Promissory Note Redemption, (4) the Ordinary Share Consolidation, (5) a potential issue of Warrants and (6) the amendment of the Existing Memorandum and Articles of Association. These steps are described below in section 3.6.

The Minister for Finance and the NTMA have each given their consent to the Capital Reorganisation and its implementation as required under the Existing Articles of Association and the various agreements with AIB pursuant to which their consent is required.

Shareholders should note that in the event that any of the 2009 Preference Share Conversion/Redemption Conditions as outlined at section 3.1.1 below are not satisfied on or before 15 December 2016, the Capital Reorganisation will not proceed as contemplated and Resolutions 5, 6, 7, 9, 10, 11 and 12 will in turn be incapable of taking effect notwithstanding the approval of all of the Resolutions by Shareholders at the EGM.

#### 3.1 Conversion of 2.14 billion of the 2009 Preference Shares into Existing Ordinary Shares

As part of the Capital Reorganisation, AIB proposes to convert 2.14 billion of the 2009 Preference Shares into 8.56 billion new Existing Ordinary Shares (the “**2009 Preference Share Conversion**”).

In order to implement the 2009 Preference Share Conversion, AIB will need to take a number of technical steps described below which require Shareholder approval at the EGM. The 2009 Preference Share Conversion Resolutions are described in more detail in section 6 (*Summary of the Resolutions*). The 2009 Preference Share Conversion, the EBS Promissory Note Redemption and the Warrant Issue, together constitute a “related party transaction” for AIB for the purposes of the ESM Rules.

##### 3.1.1 2009 Preference Share Conversion and Redemption Agreement

In connection with the proposed Capital Reorganisation, the 2009 Preference Share Conversion and Redemption Agreement was entered into on 20 November 2015 between AIB, the Minister for Finance and the NTMA, in order, among other things, to provide for the delineation of the steps required in relation to the implementation of the 2009 Preference Share Conversion and the 2009 Preference Share Redemption.

Under the terms of the 2009 Preference Share Conversion and Redemption Agreement, the 2009 Preference Share Conversion and the 2009 Preference Share Redemption are conditional upon the satisfaction of the following conditions precedent on or before 15 December 2016 (the “**2009 Preference Share Conversion/Redemption Conditions**”):

- (a) the passing of the Resolutions;
- (b) the issue of the Debt Capital Instruments; and
- (c) the issue by AIB to the NTMA of a 2009 Preference Share Conversion/Redemption Notice.

Under the terms of the 2009 Preference Share Conversion and Redemption Agreement, AIB is required to issue the 2009 Preference Share Conversion/Redemption Notice specifying, among other things, the 2009 Preference Share Conversion/Redemption Date which date (i) may be the date of the 2009 Preference Share Conversion/Redemption Notice itself, (ii) is required to be a date falling not more than 10 Business Days after the date of the issue of the 2009 Preference Share Conversion Notice and (iii) must not fall later than 31 December 2016. (The 2009 Preference Share Redemption will become effective after the 2009 Preference Share Conversion becomes effective.)

Immediately before the 2009 Preference Share Conversion becomes effective, AIB is required under the terms of the 2009 Preference Share Conversion and Redemption Agreement to pay in cash the Conversion Dividend Payment to the NTMA on the Converting 2009 Preference Shares (then the Sub-divided 2009 Preference Shares).

##### 3.1.2 Calculation of the number of Existing Ordinary Shares to be issued for the purposes of the 2009 Preference Share Conversion

The 155,146,574,363 Existing Ordinary Shares to be issued for the purposes of the 2009 Preference Share Conversion is determined by dividing the Aggregate Converting Value of the Converting 2009 Preference Shares by the 2009 Preference Share Conversion Price, as follows:

- (a) **Aggregate Converting Value of the Converting 2009 Preference Shares, being €2,675,000,000:** This is calculated by multiplying the total number of Converting 2009 Preference Shares, 2.14 billion, by €1.25, which reflects the redemption price per share for such 2009 Preference Shares (excluding the Redemption Dividend Payment) were AIB to redeem them in accordance with their terms under the Existing Articles of Association (which price will remain unchanged under the Interim Articles of Association).
- (b) **2009 Preference Share Conversion Price, being €0.01724176:** This is the price in euro per Existing Ordinary Share agreed between AIB and the Minister for Finance to be used for the purposes of the 2009 Preference Share Conversion, taking into account factors that the Directors consider fair and reasonable to consider. This price values the entire issued ordinary share capital of AIB at approximately €11.7 billion.

### **3.1.3 Timing of the 2009 Preference Share Conversion**

The 2009 Preference Share Conversion will not become effective, even if the 2009 Preference Share Conversion Resolutions are passed at the EGM, until some time after the EGM following the satisfaction of the 2009 Preference Share Conversion/Redemption Conditions described above at section 3.1.1.

Assuming the 2009 Preference Share Conversion/Redemption Conditions are satisfied, as soon as reasonably practicable following the issue of the Debt Capital Instruments, AIB will be required to issue the 2009 Preference Share Conversion/Redemption Notice to the NTMA in order to implement the 2009 Preference Share Conversion and the 2009 Preference Share Redemption.

### **3.1.4 Steps required to implement the 2009 Preference Share Conversion**

The Resolutions to be put to Shareholders at the EGM that directly relate to the 2009 Preference Share Conversion are numbered 5, 6, 7 and 8. Other Resolutions proposed at the EGM will facilitate the implementation of the 2009 Preference Share Conversion. All of the Resolutions are described below in more detail in section 6 (*Summary of the Resolutions*).

In general terms, the technical steps required to implement the 2009 Preference Share Conversion are as follows:

- (a) the Converting 2009 Preference Shares will be sub-divided by four so that the par value of each Converting 2009 Preference Share is reduced from its existing €0.01 per share (paid up to €1.00, inclusive of premium paid upon issue) to €0.0025 per share (paid up to €0.25), reflecting the current par value of AIB's Existing Ordinary Shares (the Converting 2009 Preference Shares being, after the sub-division, the Sub-divided 2009 Preference Shares). Following this step, there will be 8,560,000,000 Sub-divided 2009 Preference Shares in issue. The sub-division of the Converting 2009 Preference Shares will have no impact on AIB's balance sheet or on its Shareholders' equity position;
- (b) the rights attaching to the Sub-divided 2009 Preference Shares set out in the Existing Articles of Association will be amended so that the Conversion Dividend Payment will be paid in cash to the NTMA immediately before the 2009 Preference Share Conversion is completed. This is proposed in order to allow payment to the NTMA of the dividend that the NTMA would, in the absence of the 2009 Preference Share Conversion, be entitled to on the 2009 Preference Share Conversion/Redemption Date if it were to redeem the relevant 2009 Preference Shares on the 2009 Preference Share Conversion/Redemption Date;
- (c) each Sub-divided 2009 Preference Share will then, and at the same time as the step referred to at sub-paragraph (d) below, be re-designated as one Existing Ordinary Share. This step will partially satisfy the number of Existing Ordinary Shares to be issued to the NTMA (or its nominee) as part of the 2009 Preference Share Conversion, with the issue of the remaining Existing Ordinary Shares to the NTMA (or its nominee) to be satisfied by way of bonus issue described in sub-paragraph (d) below. The remaining 2009 Preference Shares that will not be sub-divided or re-designated as Ordinary Shares will be retained with a par value of €0.01 (i.e. the Redeeming 2009 Preference Shares) and the Redeeming 2009 Preference Shares will be redeemed as part of the 2009 Preference Share Redemption (which is described below in more detail at section 3.2); and
- (d) at the same time as the step referred to at sub-paragraph (c) above, 146,586,574,363 new Existing Ordinary Shares will be issued to the NTMA (or its nominee) by way of bonus issue with a resultant deduction from AIB's undivided profits or any sum standing to the credit of AIB's share premium account or capital redemption reserve of the aggregate par value of such new Existing Ordinary Shares immediately following the sub-division exercise outlined at sub-paragraph (a) above (the "**2009 Preference Share Bonus Issue**"). This is because the sub-division and re-designation of the Sub-divided 2009 Preference Shares as Existing Ordinary Shares will not fully satisfy the number of Existing Ordinary Shares that will arise as a result of the 2009 Preference Share Conversion due to the fact that the sub-division and re-designation will only give rise to 8,560,000,000 Existing Ordinary Shares, while the total number of Existing Ordinary Shares that will arise under the 2009 Preference Share Conversion is 155,146,574,363, which requires the issue of a further 146,586,574,363 Existing Ordinary Shares in excess of the first mentioned number. This shortfall will be made up by the issuance of new Existing Ordinary Shares to the NTMA (or its nominee) as referred to in this sub-paragraph (d).

Under the terms of the 2009 Preference Share Conversion and Redemption Agreement, AIB is required to pay in cash the Conversion Dividend Payment on the Converting 2009 Preference Shares (in accordance with the rights attaching to the Sub-divided 2009 Preference Shares in the Interim Articles of Association) to the NTMA immediately before the 2009 Preference Share Conversion becomes effective.

All of the Existing Ordinary Shares issued as part of the 2009 Preference Share Conversion will subsequently be subject to the Ordinary Share Consolidation, which is described below in more detail at section 3.4.

### **3.1.5 Announcement to Shareholders in respect of the 2009 Preference Share Conversion and 2009 Preference Share Redemption**

As soon as reasonably practicable after the 2009 Preference Share Conversion/Redemption Notice has been issued by AIB to the NTMA (and in any event before the effective time of the 2009 Preference Share Conversion and the 2009 Preference Share Redemption), AIB will issue an announcement to Shareholders via a Regulatory Information Service to the Irish Stock Exchange in relation to Resolution 5:

- (a) confirming that AIB has issued the 2009 Preference Share Conversion/Redemption Notice to the NTMA in accordance with the terms of the 2009 Preference Share Conversion and Redemption Agreement; and
- (b) confirming the 2009 Preference Share Conversion/Redemption Date.

The timing of the issue of the 2009 Preference Share Conversion/Redemption Notice to the NTMA and, accordingly the timing of, among other things, the 2009 Preference Share Conversion and the 2009 Preference Share Redemption, is dependent on the satisfaction of the 2009 Preference Share Conversion/Redemption Conditions outlined above at section 3.1.1.

### **3.1.6 Dilutive impact of the 2009 Preference Share Conversion**

The implementation of the 2009 Preference Share Conversion will result in a substantial increase in the total number of Ordinary Shares in issue and the total number of Ordinary Shares owned by the Minister for Finance (through the ISIF). Other than the Minister for Finance, Shareholders' ownership and voting interests in AIB and the percentage that such Shareholders' Existing Ordinary Shares represents of the total share capital of AIB, will be reduced accordingly.

### **3.2 Redemption of the Redeeming 2009 Preference Shares**

It is proposed that, following the 2009 Preference Share Conversion, the 1.36 billion 2009 Preference Shares that will not be subject to conversion (i.e. the Redeeming 2009 Preference Shares) will be redeemed out of AIB's profits available for distribution in accordance with the rights attaching to those shares in the Interim Articles of Association.

The terms of the 2009 Preference Shares in the Existing Articles of Association provide that the 2009 Preference Shares may be redeemed at the option of AIB by providing notice to the NTMA. Accordingly, Shareholder approval is not required in order to implement the 2009 Preference Share Redemption other than by their approval of Resolution 8 under which the Interim Articles of Association are proposed to be adopted, which among other things, propose to reduce the notice period required to effect a redemption of 2009 Preference Shares. Implementation of the 2009 Preference Share Redemption requires the permission of AIB's regulatory supervisor and that permission has been obtained.

Under the terms of the 2009 Preference Shares, where AIB seeks to redeem the 2009 Preference Shares after 13 May 2014, the 2009 Preference Shares are required to be redeemed at a price per share equal to €1.25 (i.e. 125 per cent. of the subscription price paid (including premium) per 2009 Preference Share on its issue). The Redemption Dividend Payment will be paid in cash to the NTMA immediately before the redemption of the Redeeming 2009 Preference Shares in accordance with the Existing Articles of Association and the Interim Articles of Association.

The 2009 Preference Share Redemption, together with the 2009 Preference Share Conversion will eliminate the 2009 Preference Shares from AIB's issued capital structure, which in turn will remove reliance on the 2009 Preference Shares as grandfathered CET1 Capital for CRD IV purposes, which grandfathering will, in any event, cease to apply after 31 December 2017. The redemption and conversion of the 2009 Preference Shares will also remove the annual preferential dividend cost to AIB of 8 per cent. per annum on the €3.5 billion paid up on the 2009 Preference Shares, amounting to €280 million per annum payable, at the discretion of AIB, in cash or by way of a bonus issue of Ordinary Shares in May each year.

One of the amendments to the Final Memorandum and Articles of Association proposed for adoption pursuant to Resolution 12 is the removal of the provisions relating to the 2009 Preference Shares as these provisions will be redundant following the 2009 Preference Share Conversion and the 2009 Preference Share Redemption.

### **3.3 Redemption of the EBS Promissory Note**

The EBS Promissory Note Termination Agreement was entered into on 20 November 2015 between the Minister for Finance, the NTMA, EBS and AIB to provide for the redemption of the EBS Promissory Note in conjunction with the 2009 Preference Share Redemption and the subsequent cancellation of the EBS Promissory Note. Under the terms of that agreement, the EBS Promissory Note will be redeemed (by EBS transferring the EBS Promissory Note to the Minister for Finance) at its carrying value as at the Business Day immediately before the date of issue of the 2009 Preference Share Conversion/Redemption Notice, plus accrued but unpaid interest up to the 2009 Preference Share Conversion/Redemption Date (the "**EBS Promissory Note Consideration**"). The EBS Promissory Note Redemption is to be effected so as to coincide with, and is subject to, the redemption of the Redeeming 2009 Preference Shares having a redemption value (i.e. the 2009 Preference Share Redemption Proceeds and the Redemption Dividend Payment) at least equal to the EBS Promissory Note Consideration.

The EBS Promissory Note Termination Agreement provides that on completion of the EBS Promissory Note Redemption and in conjunction with the 2009 Preference Share Conversion, the NTMA (under direction of the Minister for Finance) will instruct AIB, in order to meet the payment obligation of the Minister for Finance to EBS in respect of the EBS Promissory Note Consideration, to pay on behalf of the Minister for Finance to EBS the EBS Promissory Note Consideration out of the 2009 Preference Share Redemption Proceeds and the Redemption Dividend Payment due from AIB to the NTMA.

While Shareholder approval is not required in order to implement the redemption (by itself) of the EBS Promissory Note, the proposed EBS Promissory Note Redemption, is conditional on, among other things, redemption of the Redeeming 2009 Preference Shares (and therefore the 2009 Preference Share Conversion) taking effect. Accordingly, the EBS Promissory Note Redemption is conditional on the 2009 Preference Share Conversion and Redemption Agreement becoming unconditional and will be implemented subject to and in conjunction with the 2009 Preference Share Redemption.

The EBS Promissory Note Redemption, the 2009 Preference Share Conversion and the Warrant Issue, together constitute a "related party transaction" for AIB for the purposes of the ESM Rules being entered into between AIB and its substantial shareholder, the Minister for Finance.

### **3.4 Ordinary Share Consolidation**

Following completion of the 2009 Preference Share Redemption (and in any event, no later than five Business Days following the 2009 Preference Share Redemption), it is proposed that, pursuant to the Ordinary Share Consolidation, the Existing Ordinary Shares (which have a nominal value of €0.0025 each) in issue at the Ordinary Share Consolidation Record Time will be consolidated such that, for every 250 Existing Ordinary Shares held by a Shareholder at the Ordinary Share Consolidation Record Time, that Shareholder will hold one new Ordinary Share of €0.625 in the capital of AIB (i.e. a New Ordinary Share) following the Ordinary Share Consolidation.

The Consolidation Resolution which implements the Ordinary Share Consolidation has four parts:

*Initial consolidation*

- (a) the first part of the Ordinary Share Consolidation consolidates every 250 Existing Ordinary Shares that are in issue at the Ordinary Share Consolidation Record Time and held by the same Shareholder into one New Ordinary Share. This part of the resolution does not deal with any fractional holdings that remain as a result of this part of the Ordinary Share Consolidation (as to which see sub-paragraph (b) below);

*Ordinary Share Consolidation Bonus Issue and further consolidation*

- (b) the second and third parts of the Ordinary Share Consolidation deal with fractional holdings that remain after the first part of the Ordinary Share Consolidation. Unless a Shareholder's holding of Existing Ordinary Shares is exactly divisible by 250, a Shareholder will have a fractional holding following the first part of the Ordinary Share Consolidation outlined at (a) above. Accordingly, in order to address residual fractional holdings of less than 250 Existing Ordinary Shares that would otherwise result from the Ordinary Share Consolidation, a rounding up exercise is proposed to ensure that fractional entitlements do not arise as a result of the Ordinary Share Consolidation. The rounding up exercise will involve the allotment of Existing Ordinary Shares (funded by deducting the aggregate par value of such shares from existing reserves standing to the credit of AIB's undivided profits or any sum standing to the credit of AIB's share premium account or capital redemption reserve) to such Shareholders who would otherwise be left with a fractional residual holding of less than 250 Existing Ordinary Shares after the Ordinary Share Consolidation (i.e. the Ordinary Share Consolidation Bonus Issue). As a result, all fractional residual holdings of less than 250 Existing Ordinary Shares will be rounded up and then each converted into one New Ordinary Share; and

*Cancellation of Existing Ordinary Shares*

- (c) the fourth part of the Ordinary Share Consolidation deals with the authorised but unissued Existing Ordinary Shares in existence after the Ordinary Share Consolidation Bonus Issue. Every 250 of such unissued Existing Ordinary Shares will be consolidated into one New Ordinary Share. To the extent that after such consolidation, any number of authorised but unissued Existing Ordinary Shares remain which are not exactly divisible by 250, such shares will be cancelled pursuant to section 83(1)(f)(ii) of the Companies Act 2014, reducing the authorised share capital of AIB proportionately.

Based on the number of Ordinary Shares held by each registered Shareholder at the Latest Practicable Date, the amount of AIB's reserves that would be required to be capitalised, and the number of Existing Ordinary Shares required to be issued, in each case in order to facilitate the Ordinary Share Consolidation Bonus Issue (post the 2009 Preference Share Conversion) is €25,771 and 10,308,336, respectively. The Ordinary Share Consolidation will not affect the Group's net assets or regulatory capital position (save that AIB will require the permission of its regulatory supervisor in order to treat the Ordinary Share Consolidation Bonus Issue as CET1 Capital).

Aside from the change in nominal value, the rights attaching to the New Ordinary Shares (including voting and dividend rights and rights on a return of capital) will be identical in all respects to those of the Existing Ordinary Shares.

For purely illustrative purposes, an example of the effect of the Ordinary Share Consolidation for an individual Shareholder is set out below:

<b>Holding of Existing Ordinary Shares (with a nominal value of €0.0025) at the Ordinary Share Consolidation Record Time</b>	<b>Number of New Ordinary Shares resulting from the Ordinary Share Consolidation (ignoring fractional entitlements)</b>	<b>Remaining fractional holding</b>	<b>Number of additional Existing Ordinary Shares to be issued as part of the Ordinary Share Consolidation Bonus Issue</b>	<b>Total number of New Ordinary Shares resulting from the Ordinary Share Consolidation</b>
1	0	1/250	249	1
249	0	249/250	1	1
250	1	0	0	1
950	3	200/250	50	4
10,001	40	1/250	249	41

*New Ordinary Shares*

If the Consolidation Resolution is passed and the Ordinary Share Consolidation is effected, new share certificates representing New Ordinary Shares will be sent to Shareholders who hold Ordinary Shares in certificated form by no later than 14 Business Days following the Ordinary Share Consolidation. On receipt, all Ordinary Share certificates previously issued can be destroyed. If any Shareholder does not receive a new share certificate and believes that they (or it) are entitled to one, the relevant Shareholder should contact the Registrar on +353 (1) 247 5411. Shareholders who hold their (or its) entitlement to Existing Ordinary Shares in uncertificated form through CREST are expected to have their (or its) CREST accounts adjusted to reflect their entitlement to New Ordinary Shares by no later than one Business Day following the Ordinary Share Consolidation.

**3.5 Entry into Warrant Agreement to facilitate the potential issue of Warrants to the Minister for Finance**

The Board is conscious of the significant financial support (in aggregate over €20.8 billion) which the Irish Government through the Minister for Finance has provided to AIB since 2008. As consideration for the Minister for Finance's support and participation in the Capital Reorganisation (including through directions given by the Minister for Finance to the NTMA) and the Minister for Finance's commitment to help AIB build a sound and sustainable capital base for the future, the Minister for Finance has requested AIB to enter into a Warrant Agreement (which AIB has done) pursuant to which AIB may be required by the Minister for Finance, subject to Shareholder approval of Resolution 3 which provides for the disapplication of statutory pre-emption rights that would otherwise apply, to issue Warrants to the Minister for Finance (or another State Entity nominated by the Minister for Finance) on the Warrant Issue Date. The Warrants would entitle the Minister for Finance to subscribe for such number of New Ordinary Shares (which number, following execution of the Warrant Instrument, may, subject as follows, be adjusted in accordance with the terms of the Warrant Instrument) representing up to a maximum of 9.99 per cent. in aggregate of the issued ordinary share capital of AIB (calculated on the basis that none of the Warrants have been exercised) upon a Regulated Market Event. No cash consideration will be payable by the Minister for Finance to AIB in respect of the Warrant Issue.

As the timing, circumstances and terms of any Regulated Market Event are not currently known, it is not possible at this time for AIB to inform Shareholders of the number of Warrants (or the precise terms of such Warrants) that AIB may be required to issue to the Minister for Finance (or another State Entity nominated by the Minister for Finance) five (5) Business Days after a Regulated Market Event. Accordingly, AIB is seeking Shareholder approval under Resolution 3 for AIB to issue the Warrants (subject to satisfaction of the Warrant Conditions) to the Minister for Finance (or another State Entity nominated by the Minister for Finance) without the application of statutory pre-emption rights that would otherwise apply. The Warrants will be capable of being issued in such circumstances up to certain maximum parameters, as follows:

- (a) Warrants to subscribe for such number of New Ordinary Shares (which number may be adjusted from time to time in accordance with the terms of the Warrant Instrument) up to a maximum of 9.99 per cent. in aggregate of the issued ordinary share capital of AIB (calculated on the basis that none of the Warrants have been exercised) upon the occurrence of a Regulated Market Event;
- (b) a Warrant Exercise Price in euro equal to the Warrant Exercise Price Percentage (which may, subject as follows, be adjusted in accordance with the terms of the Warrant Instrument) which may not be less than 200 per cent. of the Initial Regulated Market Price;
- (c) a Warrant exercise commencement date being the first anniversary of a Regulated Market Event; and
- (d) the date by which the Warrants must be exercised which must not be more than ten years after the date of a Regulated Market Event.

The terms of the Warrants, together with the maximum parameters set out above, are set out in the Warrant Agreement entered into, between AIB and the Minister for Finance on 20 November 2015 and the Warrant Instrument proposed in certain circumstances to be entered into by AIB. Under the terms of the Warrant Agreement, subject to satisfaction of the other Warrant Conditions, the Minister for Finance will be entitled to issue a Warrant Notice specifying the number and terms of the Warrants to be issued by AIB to the Minister for Finance (or a State Entity nominated by the Minister for Finance) which may not exceed the maximum parameters prescribed in the Warrant Agreement and outlined at sub-paragraphs (a) to (d) above.

The Warrant Issue, the 2009 Preference Share Conversion and the EBS Promissory Note Redemption together constitute a "related party transaction" for AIB for the purposes of the ESM Rules being entered into between AIB and its substantial shareholder, the Minister for Finance.

#### ***Warrant Agreement***

Under the terms of the Warrant Agreement, the Warrant Issue is conditional upon the satisfaction of the following conditions precedent on or before 31 December 2016 (the "**Warrant Conditions**"):

- (a) completion of the 2009 Preference Share Conversion and the 2009 Preference Share Redemption; and
- (b) completion of the Ordinary Share Consolidation.

A Warrant Notice confirming the final terms of the potential Warrant Issue may be issued by the Minister for Finance, subject to the passing of the Resolutions and the satisfaction of the Warrant Conditions noted at sub-paragraphs (a) and (b) immediately above, at any time between the date of the Warrant Agreement and the date falling two (2) Business Days before the ITF Date. On issue, the Warrant Notice is required to set out the following key terms of the Warrants:

- (a) the State Entity to whom the Warrants are to be issued;
- (b) the number of Warrants to be issued to the Minister for Finance (or another State Entity nominated by the Minister for Finance) five (5) Business Days after a Regulated Market Event which may not exceed Warrants exercisable for such number of New Ordinary Shares (which number may be adjusted in accordance with the terms of the Warrant Instrument) up to a maximum of 9.99 per cent. in aggregate of the issued ordinary share capital of AIB (calculated on the basis that none of the Warrants have been exercised) upon a Regulated Market Event;
- (c) the Warrant Exercise Percentage which may not be less than 200 per cent.; and
- (d) the date by which the Warrants must be exercised which may not be more than ten years after the date of the occurrence of the Regulated Market Event.

The Warrant exercise commencement date (i.e. the date on which the Warrants may first be exercised) will be the first anniversary of a Regulated Market Event.

If the Minister for Finance issues a Warrant Notice to AIB in accordance with the terms of the Warrant Agreement, AIB will issue an announcement to Shareholders via a Regulatory Information Service to the Irish Stock Exchange confirming that the Warrant Notice has issued and confirming the final terms of the Warrants. AIB will then be required, on the Warrant Issue Date, to execute the Warrant Instrument, as amended by the final terms of the Warrants specified in the Warrant Notice, and to issue the Warrants to the Minister for Finance (or another State Entity nominated by the Minister for Finance).

#### ***Warrant Instrument***

The principal rights and conditions attached to the Warrants (should any Warrants be issued) will be contained in the Warrant Instrument which will be completed, before execution by AIB, in accordance with the terms specified in the Warrant Notice. The Warrant Instrument will contain customary terms and conditions including customary anti-dilution provisions in favour of the Warrant Holder. The Warrants will not be listed or quoted by AIB or the Minister for Finance on any stock exchange or other market.

#### ***Pre-emption rights and the Warrants***

Shareholders are being asked in Resolution 3 to grant authority to the Directors to issue the Warrants to the Minister for Finance (or another State Entity nominated by the Minister for Finance) as described in this section 3.5 of Part I of the Circular without application of statutory pre-emption rights. As noted above, the maximum number of New Ordinary Shares (which number may, subject as follows, be adjusted in accordance with the terms of the Warrant Instrument) to be issued upon exercise of the Warrants will not exceed 9.99 per cent. of the issued ordinary share capital of AIB (calculated on the basis that none of the Warrants have been exercised) upon the occurrence of a Regulated Market Event.

Any Warrant Shares issued upon the exercise of the Warrants will be issued to the Minister for Finance (or another State Entity nominated by the Minister for Finance) or if the Warrants have otherwise been transferred in accordance with the terms of the Warrant Agreement and the Warrant Instrument, such other Warrant Holder(s) as are relevant at the relevant time. Assuming the Resolutions are approved at the EGM, Shareholders will not have pre-emption rights or the opportunity to subscribe for any Warrant Shares to be issued pursuant to the Warrants.

#### ***Dilutive impact of the exercise of the Warrants and regulatory requirements***

The issue of the Warrant Shares upon the exercise of the Warrants will result in a proportionate dilution of Shareholders' (other than the Warrant holder(s)') ownership and voting interests in AIB held at the time of such issue of Warrant Shares and the percentage that such a Shareholder's Ordinary Shares will represent of the total Ordinary Share capital of AIB at that time will be reduced accordingly.

In the event that the Warrants are exercised, AIB will require the permission of its regulatory supervisor to treat the Warrant Shares as CET1 Capital.

### **3.6 Amendments to the Existing Memorandum and Articles of Association**

The Resolutions to be proposed at the EGM include resolutions to amend the Existing Memorandum and Articles of Association effected through the adoption of the Interim Memorandum and Articles of Association and the Final Memorandum and Articles of Association. Provided that all Resolutions are passed at the EGM, Resolution 8 adopting the Interim Memorandum and Articles of Association will take effect upon the conclusion of the EGM, and Resolution 12 adopting the Final Memorandum and Articles of Association will take effect upon completion of the 2009 Preference Share Cancellation.

The Interim Memorandum and Articles of Association incorporate amendments which include, among other things:

- (a) amendments necessary to facilitate the 2009 Preference Share Conversion, including:
  - changes consequent upon the proposed increase in AIB's authorised share capital pursuant to Resolution 1;
  - the creation of the Sub-divided 2009 Preference Shares as a separate class of shares in the capital of AIB carrying the right to payment of the Conversion Dividend Payment on such shares immediately before their conversion into Ordinary Shares; and
  - amendments authorising AIB, by notice in writing to the holders of the Sub-divided 2009 Preference Shares, to convert, by way of re-designation and a bonus issue of shares (approved in each case by special resolution), any Sub-divided 2009 Preference Share into a specified number of Ordinary Shares;
- (b) amendments necessary to facilitate the Warrant Issue;
- (c) amendments necessary to facilitate the 2009 Preference Share Redemption, including the reduction from 30-60 days' to 0-10 Business Days' of the notice period required to be given to the NTMA in advance of the proposed redemption of the Redeeming 2009 Preference Shares; and
- (d) certain amendments related to the commencement of the Companies Act 2014 on 1 June 2015 and certain other customary provisions.

The Final Memorandum and Articles of Association incorporate amendments which include, among other things AIB's amendments to the share capital clause to reflect the completion of the Ordinary Share Consolidation and the 2009 Preference Share Cancellation, the increase in authorised share capital proposed pursuant to Resolution 11 required in order to round up the authorised share capital of AIB resulting from the 2009 Preference Share Cancellation and the removal of the provisions in the articles relating to the 2009 Preference Shares and the Sub-divided 2009 Preference Shares.

A copy of the (i) Interim Memorandum and Articles of Association proposed for adoption at the EGM pursuant to Resolution 8 (together with a comparison of them against the Existing Memorandum and Articles of Association) and (ii) Final Memorandum and

Articles of Association proposed for adoption at the EGM pursuant to Resolution 12 (together with a comparison of them against the Interim Memorandum and Articles of Association), are available for inspection at the registered office of AIB at Bankcentre, Ballsbridge, Dublin 4, and at the offices of McCann FitzGerald, Riverside One, Sir John Rogerson's Quay, Dublin 2 during usual business hours on any day (save for Saturdays, Sundays and public holidays) from the date of publication of this Circular until the EGM Date and at the EGM for at least 15 minutes before and during the meeting.

#### **4. Key Benefits of the Capital Reorganisation**

In designing the Capital Reorganisation, AIB has adopted a holistic approach which aims to achieve a number of key objectives, including:

- strengthening AIB's CET1 Capital position (on a fully-loaded CRD IV basis) by means of the 2009 Preference Share Conversion and, having regard to the proposed issue of the Debt Capital Instruments, establishing a more robust Total Capital structure;
- removing what the Board considers to be legacy State aid non-standard instruments where appropriate (namely, the 2009 Preference Shares and the EBS Promissory Note) and, in the case of the legacy capital instruments (namely, the 2009 Preference Shares), replacing them with appropriate CRD IV recognised capital instruments on a CRD IV fully loaded basis (i.e. Ordinary Shares, AT1 Capital Instruments and Tier 2 Capital Instruments); and
- consolidating the number of AIB's Ordinary Shares in issue to assist in reducing AIB's share price volatility, thereby facilitating a more stable and consistent market valuation of AIB.

The Board believes that implementation of the Capital Reorganisation should facilitate the achievement of these key objectives and help establish a sound and sustainable capital base which will underpin AIB's business growth plans and position AIB for a transition over time from State ownership to private sector ownership. In particular, the Board believes that approval by Shareholders of the Resolutions and implementation of the Capital Reorganisation should have the following key benefits for the Group:

- having a pre-approved authority from Shareholders to enable implementation of the 2009 Preference Share Conversion and the 2009 Preference Share Redemption will provide AIB with flexibility to complete the Capital Reorganisation in a timely manner when it is in a position to do so without having to convene a further extraordinary general meeting seeking additional Shareholder approvals;
- the 2009 Preference Share Conversion will enhance the quality of AIB's capital, and reduce uncertainty with respect to AIB's future regulatory capital position under CRD IV;
- the 2009 Preference Share Redemption will enable the repayment of State aid and the 2009 Preference Share Conversion, by strengthening the CET1 capital position on a CRD IV fully loaded basis, will increase the potential for further State aid repayments by AIB through the payment of dividends on Ordinary Shares over time, thereby assisting AIB to meet its repayment obligations under its EU Restructuring Plan;
- the Capital Reorganisation, combined with the proposed issue of Debt Capital Instruments, will significantly improve AIB's CET1 Capital, Tier 1 Capital and Total Capital positions (on a CRD IV fully loaded basis) which should reduce AIB's risk profile for all stakeholders, be positive from a credit ratings, funding and investment perspective, provide greater certainty for investors in the proposed Debt Capital Instruments and support the future stability of AIB; and
- the removal of the 2009 Preference Shares will also remove the annual preferential dividend cost to AIB of 8 per cent. per annum on the €3.5 billion paid up on the 2009 Preference Shares, amounting to €280 million per annum payable, at the discretion of AIB, in cash or by way of a bonus issue of Ordinary Shares in May each year.

In addition to the key benefits of the Capital Reorganisation, the Board believes that the proposed issue of the Debt Capital Instruments before implementation of the Capital Reorganisation are important steps in ensuring that AIB has appropriate levels of capital in place in order to meet its legal and regulatory obligations before implementation of the Capital Reorganisation. In particular, the proposed issue of the Debt Capital Instruments should offer a number of additional benefits to the Group:

- AT1 Capital Instruments should be a cheaper form of capital than issuing and maintaining additional CET1 Capital (e.g. Ordinary Shares) to satisfy Tier 1 Capital requirements;
- such issuances should improve possible future dividend returns to Shareholders whilst maintaining AIB's capital strength in line with its regulatory capital requirements and targets;
- Tier 2 Instruments and AT1 Capital Instruments should provide AIB with access to a different class of institutional investor than those investors who wish only to acquire Ordinary Shares; and
- the issue of the Debt Capital Instruments should help to strengthen AIB's ability to comply with MREL requirements on a more sustainable basis under the BRRD.

The indicative effect of implementing the Capital Reorganisation and issuing the Debt Capital Instruments on the Group's regulatory capital position had each element been completed on 30 June 2015, excluding the impact of any accrued dividend on the 2009 Preference Shares to that date, would be to increase AIB's CET1 Capital ratio on a CRD IV fully loaded basis from 8.3 per cent. (excluding the 2009 Preference Shares) to 11.3 per cent. and to increase AIB's Total Capital ratio on a CRD IV fully loaded basis from 9.2 per cent. (excluding the 2009 Preference Shares) to 14.2 per cent. As reported in the Bank's recent third quarter 2015 interim management statement, the corresponding capital ratios (including the impact of third quarter 2015 unaudited profits) as at 30 September 2015 would be 12.2 per cent. and 15.1 per cent., respectively.

## 5. Extraordinary General Meeting

A notice convening an EGM of AIB, to be held at RDS Concert Hall, Merrion Road, Ballsbridge, Dublin 4 at 10 a.m. on 16 December 2015 at which the Resolutions will be proposed is set out at the end of this Circular. The purpose of the EGM is for Shareholders to consider and, if thought fit, pass 12 resolutions, of which Resolutions 1, 2, 5, 10 and 11 will be proposed as ordinary resolutions and resolutions 3, 4, 6, 7, 8, 9 and 12 will be proposed as special resolutions.

Ordinary resolutions require the approval of a simple majority of the votes cast by Shareholders (voting in person or by proxy) at the EGM in order to be passed. Special resolutions require the approval of not less than 75 per cent. of the votes cast by Shareholders (voting in person or by proxy) at the EGM in order to be passed. However, 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 intended to call a poll on each Resolution proposed at the EGM. Shareholders who attend the EGM in person will be able to ask questions relevant to the business of the EGM before voting on the Resolutions.

## 6. Summary of the Resolutions

The Resolutions are summarised as follows:

### **Resolution 1: Increase in Existing Authorised Share Capital**

Resolution 1, which is an ordinary resolution, proposes an increase in AIB's authorised share capital from €1,790,000,000 to €2,535,000,000 by the creation of 298,000,000 new Ordinary Shares of €0.0025 each which will create the additional unissued authorised share capital necessary to facilitate the 2009 Preference Share Conversion and which will also provide sufficient headroom to allow for the 2009 Preference Share Bonus Issue, the Ordinary Share Consolidation Bonus Issue, the potential issue of the Warrant Shares on exercise of the Warrants (if any), to allow for the conversion of any existing convertible securities issued by AIB into Ordinary Shares and to provide some headroom for additional issues of Ordinary Shares if the Board believes it is appropriate to issue further shares. This Resolution will become effective at the conclusion of the EGM provided that all Resolutions are passed.

### **Resolution 2: Directors' Authority to Allot Relevant Securities**

Resolution 2, which is an ordinary resolution, proposes to authorise the Directors generally (in substitution for the authority conferred on the Directors at the extraordinary general meeting held on 26 July 2011) to allot relevant securities pursuant to and in accordance with section 1021 of the Companies Act 2014, up to the aggregate nominal amount of €1,191,314,686. This general authority to allot relevant securities will, among other things, facilitate the 2009 Preference Share Bonus Issue, the Ordinary Share Consolidation Bonus Issue, the allotment of the Warrant Shares on exercise of the Warrants (if any) and the allotment of Ordinary Shares upon a conversion of any existing convertible securities issued by AIB into Ordinary Shares. This authority will remain in full force and effect until it expires on 15 December 2020, unless before such expiry, AIB seeks to allot relevant securities in excess of €1,191,314,686 in which case further Shareholder approval will be required. Furthermore, if before such expiry AIB makes an offer or agreement which would or might require the relevant securities to be allotted after such expiry, then the Directors may allot relevant securities in pursuance of such offer or agreement notwithstanding the authority conferred under Resolution 2 has expired. This Resolution will become effective at the conclusion of the EGM, provided that all Resolutions are passed.

### **Resolution 3: Disapplication of Pre-emption Rights pursuant to the Warrant Issue**

Resolution 3, which is a special resolution, proposes to empower the Directors pursuant to section 1023(3) of the Companies Act 2014 to issue equity securities to facilitate the issue of the Warrants on the Warrant Issue Date which, on exercise, require the issue of such number of New Ordinary Shares (which number may, subject as follows, be adjusted in accordance with the terms of the Warrant Instrument) representing up to 9.99 per cent. of the issued ordinary share capital of AIB (calculated on the basis that none of the Warrants have been exercised) upon a Regulated Market Event, without being required to first offer those Warrant Shares to Shareholders holding New Ordinary Shares pursuant to any applicable statutory rights of pre-emption.

Unless previously renewed, revoked or varied, the authority granted pursuant to Resolution 3 will expire six (6) Business Days after the date of a Regulated Market Event, unless before such expiry, AIB makes an offer or agreement which would or might require the equity securities to be allotted after such expiry, in which case the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding the authority conferred under Resolution 3 has expired. This Resolution will become effective at the conclusion of the EGM, provided that all Resolutions are passed.

For the purposes of section 1023(7) of the 2014 Act, the Directors state that (i) their reasons for recommending that they be authorised to issue the Warrants to the Minister for Finance (or another State Entity nominated by the Minister for Finance) in accordance with the Resolutions are as stated in this Circular; (ii) the amount to be paid to AIB in respect of the allotment of the Warrants pursuant to Resolution 3 is stated in this Circular and (iii) their justification of that amount is described in this Circular.

### **Resolution 4: Disapplication of Pre-emption Rights (General)**

Resolution 4, which is a special resolution, proposes to renew the general authority conferred on the Directors pursuant to Article 10 of the Interim Articles of Association of AIB to allot, grant options over or otherwise dispose of unissued shares up to an aggregate amount of €84,800,000 (which represents approximately 5 per cent. of the issued ordinary share capital of AIB following completion of the Capital Reorganisation but, for the avoidance of doubt, excludes any issue of Warrant Shares or any issue of Ordinary Shares on any exchange of the CCNs) without being required to first allot, grant options over or otherwise dispose of such shares to relevant Shareholders pursuant to applicable statutory rights of pre-emption. This authority will expire on the date of the annual general meeting of AIB in 2016 or, if earlier, 15 March 2017. This Resolution will become effective at the conclusion of the EGM, provided that all Resolutions are passed.

#### **Resolution 5: Sub-division of 2.14 billion of the 2009 Preference Shares**

Resolution 5, which is an ordinary resolution, effects the sub-division of each of the Converting 2009 Preference Shares of €0.01 each into four Sub-divided 2009 Preference Shares of €0.0025 each. Resolution 5 provides that the Sub-divided 2009 Preference Shares will carry the rights and obligations set out in the Interim Articles of Association. Those rights are largely the same as the rights attaching to the 2009 Preference Shares that are not being sub-divided or re-designated, save as to nominal value and the requirement to pay any accrued but unpaid dividends on such Sub-divided 2009 Preference Shares immediately before their conversion into Existing Ordinary Shares. This Resolution will become effective, provided that the 2009 Preference Share Conversion and Redemption Agreement becomes unconditional in all respects and all Resolutions are passed, at such time and date as is specified by AIB in the 2009 Preference Share Conversion/Redemption Notice to be issued by AIB to the NTMA as described above in section 3.1.1 of this Circular.

#### **Resolution 6: Re-designation of 8.56 billion Sub-divided 2009 Preference Shares**

Upon Resolution 5 taking effect, Resolution 6, which is a special resolution, re-designates each of the Sub-divided 2009 Preference Shares into one Ordinary Share, having such rights and obligations as set out in the Interim Articles of Association.

#### **Resolution 7: 2009 Preference Share Bonus Issue**

At the same time as Resolution 6 taking effect, Resolution 7, which is a special resolution, authorises the Directors to apply part of AIB's undivided profits, share premium account or capital redemption reserve fund in allotting, free of charge, the 2009 Preference Share Bonus Shares to the NTMA in connection with the 2009 Preference Share Conversion and in accordance with the terms of the 2009 Preference Share Conversion and Redemption Agreement.

#### **Resolution 8: Amendment of the Existing Memorandum and Articles of Association**

Resolution 8, which is a special resolution, proposes certain amendments to the Existing Memorandum and Articles of Association which will be effected by adopting the Interim Memorandum and Articles of Association. The amendments proposed pursuant to the adoption of the Interim Memorandum and Articles of Association incorporate among other things, the consequential amendments required to reflect the proposed increase in AIB's authorised share capital, amendments authorising payment by AIB of any dividend accrued on Sub-divided 2009 Preference Shares which are converting into Ordinary Shares immediately before their conversion, amendments necessary in order to facilitate the 2009 Preference Share Conversion, amendments to reduce the notice period required for a redemption of the Redeeming 2009 Preference Shares, amendments related to the commencement on 1 June 2015 of the Companies Act 2014 and certain other customary administrative amendments. This Resolution will become effective, provided that all Resolutions are passed, upon the conclusion of the EGM.

The Interim Memorandum and Articles of Association are available for inspection by Shareholders as specified in section 3.6 of this Circular.

#### **Resolution 9: Ordinary Share Consolidation and Ordinary Share Consolidation Bonus Issue**

Resolution 9, which is a special resolution, contains four parts:

- (a) the first part of Resolution 9 proposes the consolidation of every 250 Existing Ordinary Shares that are in issue at the Ordinary Share Consolidation Record Time and held by the same Shareholder into one New Ordinary Share;
- (b) the second and third parts of Resolution 9 propose to empower the Directors to apply part of AIB's undivided profits or any sum standing to the credit of AIB's share premium account or capital redemption reserve in allotting, free of charge, Ordinary Shares to Shareholders with a fractional residual holding of less than 250 Existing Ordinary Shares after the first step of the Ordinary Share Consolidation (i.e. the Ordinary Share Consolidation Bonus Issue) and the subsequent consolidation of every 250 Ordinary Shares that are in issue as a result of the Ordinary Share Consolidation Bonus Issue and held by the same Shareholder into one New Ordinary Share; and
- (c) the fourth part of Resolution 9 deals with the authorised but unissued Existing Ordinary Shares immediately after the Ordinary Share Consolidation Bonus Issue. Every 250 of such unissued Existing Ordinary Shares which are exactly divisible by 250, will be consolidated into one New Ordinary Share. The remaining unissued Existing Ordinary Shares which are not exactly divisible by 250, will be cancelled pursuant to section 83(1)(f)(ii) of the Companies Act 2014, reducing the authorised share capital of AIB proportionately.

This Resolution will become effective, provided that the 2009 Preference Share Conversion and Redemption Agreement becomes unconditional in all respects and all Resolutions are passed, immediately following completion of the 2009 Preference Share Conversion.

Details of the Ordinary Share Consolidation are set out in section 3.4 of this Circular.

#### **Resolution 10: Cancellation of the 2009 Preference Shares and the Sub-divided 2009 Preference Shares**

Resolution 10, which is an ordinary resolution, deals with the authorised but unissued 2009 Preference Shares and the authorised but unissued Sub-divided 2009 Preference Shares which remain in existence after the issue of the 2009 Preference Share Bonus Shares and after the 2009 Preference Share Conversion and the 2009 Preference Share Redemption has occurred. This resolution proposes to cancel such authorised but unissued shares from the capital of AIB pursuant to section 83(1)(f)(ii) of the Companies Act 2014. This Resolution will become effective, provided that the 2009 Preference Share Conversion and Redemption Agreement becomes unconditional in all respects and all Resolutions are passed, immediately following the completion of the Ordinary Share Consolidation.

### **Resolution 11: Increase in Authorised Share Capital**

Resolution 11, which is an ordinary resolution, proposes a further increase in AIB's authorised share capital in order to round up the authorised share capital of AIB resulting from the Ordinary Share Consolidation pursuant to Resolution 9. This is a house-keeping matter as without Resolution 11, the monetary amount of AIB's authorised share capital would be an uneven amount following the completion of the cancellation of the authorised but unissued Existing Ordinary Shares which are not exactly divisible by 250 as referred to at part (c) of Resolution 9 above. This Resolution will become effective, provided that the 2009 Preference Share Conversion and Redemption Agreement becomes unconditional in all respects and all Resolutions are passed, with effect from completion of the Ordinary Share Consolidation.

### **Resolution 12: Adoption of the Final Memorandum and Articles of Association**

Resolution 12, which is a special resolution, proposes certain amendments to the Existing Memorandum and Articles of Association that will be effected by adopting the Final Memorandum and Articles of Association. These amendments incorporate among other things, the consequential changes required as a result of the Ordinary Share Consolidation and the 2009 Preference Share Cancellation (including the removal from the Interim Articles of Association of provisions relating to the Sub-divided 2009 Preference Shares and the 2009 Preference Shares) and the increase in the authorised share capital pursuant to Resolution 11. This Resolution will become effective, provided that the 2009 Preference Share Conversion and the 2009 Preference Share Redemption become unconditional in all respects and all Resolutions are passed, with effect from completion of the Ordinary Share Consolidation.

The Final Memorandum and Articles of Association are available for inspection as specified on page 20 of this Circular.

**All of the proposed resolutions are inter-conditional and all of them must be passed in order for the Capital Reorganisation to be capable of implementation. In addition, the Resolutions 5, 6, 7, 9, 10, 11 and 12 are only capable of taking effect once the 2009 Preference Share Conversion and Redemption Agreement becomes unconditional.**

The text of the Resolutions proposed to be passed at the EGM are set out in the EGM Notice on pages 33 to 35 of this Circular.

#### **7. Action to be taken in respect of the EGM**

You will find enclosed with this Circular a Form of Proxy for use at the EGM. Whether or not you intend to be present at the EGM, you are requested to complete the Form of Proxy in accordance with the instructions printed thereon and to return it as soon as possible and, in any event, so as to be received by the Registrars, Computershare Investor Services (Ireland) Limited, at Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland (if delivered by post or by hand) by not later than 10 a.m. on 14 December 2015 (being 48 hours before the EGM). Completion and return of the Form of Proxy will not preclude you from attending and voting at the EGM in person if you so wish.

Electronic proxy appointment is available for the EGM. The procedure for appointing (or removing) a proxy electronically is set out in the notes to the EGM Notice.

Voting at the EGM in respect of the Resolutions will be conducted by way of a poll. That means that Shareholders who attend the meeting, as well as those who are not able to attend but have returned a Form of Proxy by 10 a.m. on 14 December 2015 (being 48 hours before the EGM), may have their votes taken into account according to the number of shares they hold.

#### **8. Importance of, and the implications of not voting in favour of, the Resolutions**

Approval of the Resolutions is necessary to enable implementation of the Capital Reorganisation pursuant to which AIB proposes to meet certain of its future regulatory capital requirements under CRD IV and the BRRD, to enable the partial repayment of State aid in accordance with AIB's obligations under the EU Restructuring Plan, and to establish a sound and sustainable capital base which will underpin AIB's business growth plans and position AIB for a transition from State ownership to private sector ownership over time. All of the proposed Resolutions are inter-conditional and all of them must be passed in order for the Resolutions to be capable of becoming effective and for the Capital Reorganisation to be capable of implementation.

As outlined below, failure to secure the necessary Shareholder approval of the Resolutions at the EGM is likely to result in significant negative consequences and uncertainty for the Group and its Shareholders as a whole.

If the Resolutions are not approved by Shareholders at the EGM, AIB would be unable to proceed with the Capital Reorganisation. In those circumstances, AIB would need to assess its strategic and operational position and would be required to find alternative methods for achieving compliance with its future regulatory capital requirements under CRD IV. There is no certainty that AIB would be successful in identifying and implementing any alternative methods to achieve this or that the terms upon which such alternative methods are required to be implemented would be acceptable to Shareholders.

Where alternative methods are not achievable, there is a risk that AIB could be subject to censure, sanction or fine by the ECB, its ability to access funding could be reduced and its cost of funding would increase and, in an extreme scenario, it could lead to a suspension or revocation of its banking authorisation. The occurrence of any or all such events would be highly likely to have extremely adverse consequences for Shareholders and the Group's business, results of operations and financial condition would likely suffer.

Where Shareholder approval of the Resolutions is not obtained and AIB is unable to implement the Capital Reorganisation, AIB would be required to find alternative measures to satisfy its obligations to repay State aid under the EU Restructuring Plan. There is no certainty that AIB would be successful in identifying and implementing any alternative methods to achieve this.

The Board believes that a failure to implement the Capital Reorganisation may also have a negative impact on AIB's ability and timing to execute a Regulated Market Event and a return to private sector ownership and, if the Resolutions are not approved by Shareholders, there is no guarantee as to when the Minister for Finance would subsequently agree to an alternative capital

reorganisation, if at all, or as to the terms of any such alternative capital reorganisation. A failure to implement the Capital Reorganisation may also negatively impact AIB's ability to reinstate an appropriate dividend policy for Shareholders in the future.

Having regard to these factors, the reasons for the Capital Reorganisation as set out in section 2 (*Background to and reasons for the Capital Reorganisation*), and the key benefits of the Capital Reorganisation as set out in section 4 (*Key Benefits of the Capital Reorganisation*), the Directors provide the recommendations set out in section 9 (*Recommendation*) to Shareholders.

Shareholders should note that the Minister for Finance has irrevocably committed to direct (i) the NTMA (which, through the ISIF, manages and controls approximately 99.8 per cent. of AIB's ordinary share capital), to vote in favour of the Resolutions in respect of the Ordinary Shares held by it at the EGM and (ii) then effect the Capital Reorganisation.

## 9. Recommendation

The components of the Capital Reorganisation comprising the 2009 Preference Share Conversion, the EBS Promissory Note Redemption and the Warrant Issue (together, the "**Related Party Transaction**") together constitute a "related party transaction" for AIB for the purposes of the ESM Rules, being entered into between AIB and its substantial shareholder, the Minister for Finance (through the ISIF, which currently holds 99.8 per cent. of the total issued ordinary share capital of AIB).

Dr Michael Somers was appointed to the Board by the Minister for Finance under the NPRF Act (and, who, as a result, constitutes a "related party" of the Minister for Finance for the purposes of the ESM Rules). Accordingly, Dr Somers has abstained from the consideration and recommendation by the Board of the Related Party Transaction.

The Directors (with the exception of Dr Somers), consider, having consulted with Morgan Stanley, AIB's ESM Advisor, and Goodbody, that the terms of the Related Party Transaction are fair and reasonable insofar as the Shareholders are concerned. The directors of EBS have also approved the EBS Promissory Note Termination Agreement.

In providing their advice to the Directors, Morgan Stanley and Goodbody have taken into account the Board's commercial assessment of the Related Party Transaction. As noted above, Dr Somers did not take part in the Board's consideration of the Related Party Transaction nor was his commercial assessment on it taken into account by Morgan Stanley or Goodbody. Dr Somers is also a director of Goodbody.

The Directors (other than Dr Somers) consider the Related Party Transaction to be in the best interests of AIB and the Shareholders as a whole. The Directors consider the remaining elements of the Capital Reorganisation, namely, the 2009 Preference Share Redemption, the Ordinary Share Consolidation and amendments to the Existing Memorandum and Articles of Association as described above in section 3.6 of this Circular, to be in the best interests of AIB and the Shareholders as a whole.

Accordingly, the Directors (other than Dr Somers) unanimously recommend that Shareholders vote in favour of the 2009 Preference Share Conversion Resolutions and the Share Issue Resolutions. In addition, the Directors unanimously recommend that Shareholders vote in favour of the Resolutions (other than the 2009 Preference Share Conversion Resolutions and the Share Issue Resolutions).

Yours faithfully,



**Richard Pym**  
**Chairman**

23 November 2015

## **PART II DEFINITIONS**

<b>“2009 Preference Shares”</b>	the 3,500,000,000 non-cumulative preference shares of €0.01 each in the share capital of AIB numbered 1 to 3,500,000,000 issued on 13 May 2009 to the NPRFC (to hold for the Minister for Finance through the NPRF) pursuant to the NPRFC Subscription Agreement and which, on 22 December 2014, became assets of the ISIF pursuant to the NTMA Act 2014;
<b>“2009 Preference Share Bonus Issue”</b>	the allotment and issue, by way of capitalisation from AIB’s undivided profits or any sum standing to the credit of AIB’s share premium account or capital redemption reserve, of Existing Ordinary Shares of €0.0025 to the holders of the Sub-divided 2009 Preference Shares immediately before their re-designation pursuant to Resolution 6 by way of bonus issue authorised by Resolution 7 and as described in Part I of this Circular;
<b>“2009 Preference Share Bonus Shares”</b>	a number of Existing Ordinary Shares equal to $(X/Y) - Z$ where:  $X = €2,675,000,000$ , being the number of euro equal to 125 per cent. of the aggregate amount paid up on the Converting 2009 Preference Shares, including premium;  $Y = €0.01724176$ , being the price in euro per Existing Ordinary Share agreed between AIB and the Minister for Finance for the purposes of the 2009 Preference Share Conversion taking into account factors that the Board consider fair and reasonable to consider;  $Z = 8,560,000,000$ , being the number of Existing Ordinary Shares into which the Converting 2009 Preference Shares will be re-designated pursuant to the 2009 Preference Share Conversion Resolutions, if they are passed and become effective.
<b>“2009 Preference Share Cancellation”</b>	the cancellation of all authorised but unissued 2009 Preference Shares and all authorised but unissued Sub-divided 2009 Preference Shares in accordance with Resolution 10;
<b>“2009 Preference Share Conversion”</b>	the conversion of the Converting 2009 Preference Shares and the issue of the 2009 Preference Share Bonus Shares in accordance with the 2009 Preference Share Conversion Resolutions;
<b>“2009 Preference Share Conversion and Redemption Agreement”</b>	the 2009 Preference Share Conversion and Redemption Agreement entered into between the Minister for Finance, the NTMA and AIB dated 20 November 2015;
<b>“2009 Preference Share Conversion /Redemption Conditions”</b>	has the meaning given to it in section 3.1.1 of Part I of this Circular;
<b>“2009 Preference Share Conversion Price”</b>	has the meaning given to it in section 3.1.2(b) of Part I of this Circular;
<b>“2009 Preference Share Conversion/ Redemption Date”</b>	(i) the effective date of the 2009 Preference Share Conversion Resolutions; (ii) the date on which the Converting 2009 Preference Shares convert into Existing Ordinary Shares pursuant to the 2009 Preference Shares Conversion Resolutions and the 2009 Preference Share Conversion and Redemption Agreement; and (iii) the date on which the 2009 Redeeming Preference Shares are redeemed in accordance with the rights attached to such shares under the Existing Articles of Association (and the Interim Articles of Association) and certain of the redemption monies therefor are paid in accordance with the 2009 Preference Share Conversion and Redemption Agreement and the EBS Promissory Note Termination Agreement;
<b>“2009 Preference Share Conversion/ Redemption Notice”</b>	the written confirmation to be provided by AIB to the NTMA and the Minister for Finance specifying, among other things, the 2009 Preference Share Conversion/Redemption Date pursuant to and in accordance with the terms of the 2009 Preference Share Conversion and Redemption Agreement;
<b>“2009 Preference Share Conversion</b>	Resolutions 5, 6, 7 and 8;

## Resolutions”

“2009 Preference Share Redemption”	the redemption of the Redeeming 2009 Preference Shares by AIB out of AIB’s profits available for distribution in accordance with the rights attached to the 2009 Preference Shares in the Interim Articles of Association;
“2009 Preference Share Redemption Proceeds”	the amount payable to the NTMA by AIB as the proceeds of the 2009 Preference Share Redemption under the 2009 Preference Share Conversion and Redemption Agreement and the Articles of Association;
“2009 Preference Share Re-designation”	the re-designation of the Sub-divided 2009 Preference Shares into Ordinary Shares which will occur pursuant to Resolution 6 as part of the 2009 Preference Share Conversion, as described in Part I of this Circular;
“2012 Relationship Framework”	the relationship framework agreed between AIB and the Minister for Finance dated 29 March 2012;
“2014 Annual Report”	AIB’s annual report and accounts for the year ended 31 December 2014;
“2014 EGM”	the extraordinary general meeting of AIB held on 19 June 2014;
“2014 Preliminary Reorganisation Steps”	the subdivision of AIB’s then existing ordinary shares and related capital reduction as outlined in the circular published by AIB on 7 May 2014;
“2015 Half Yearly Financial Report”	AIB’s half yearly financial report for the six month period ended 30 June 2015;
“Aggregate Converting Value of the Converting 2009 Preference Shares”	has the meaning given to it in section 3.1.2(a) of Part I of this Circular;
“AIB”	Allied Irish Banks, p.l.c.;
“AT1 Capital”	all items that constitute additional tier 1 capital (as that term is used in the CRR), and where applicable, less deductions from and after any other adjustments to additional tier 1 capital, in each case, calculated in accordance with CRD IV;
“AT1 Capital Instruments”	debt instruments pursuant to which AIB may raise AT1 Capital from time to time;
“Board”	the board of directors of AIB as at the date of this Circular;
“BRRD”	means EU Directive (2014/59/EU) of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms;
“Business Day”	any day on which banks are open for business in Ireland;
“Capital Reorganisation”	together, the 2009 Preference Share Conversion, the 2009 Preference Share Redemption, the EBS Promissory Note Redemption, the Ordinary Share Consolidation, the Warrant Issue and the amendments to the Existing Memorandum and Articles of Association as described in section 3.6 of Part I of this Circular;
“Capital Reorganisation Agreements”	means the 2009 Preference Share Conversion and Redemption Agreement, the EBS Promissory Note Termination Agreement and the Warrant Agreement;
“CCNs”	the €1.6 billion of convertible contingent tier 2 capital notes (carrying a 10 per cent. coupon) issued by AIB to the Minister for Finance on 26 July 2011 pursuant to a note purchase agreement between AIB and the Minister for Finance on 26 July 2011 and which are scheduled to mature on 28 July 2016;
“Central Bank”	the Central Bank of Ireland;
“CET1 Capital”	all items that constitute common equity tier 1 capital (as that term is used in the CRR), being the highest quality form of regulatory capital under CRD IV, and where applicable, less any deductions from and any other adjustments to common equity tier 1 capital, in each case, calculated in accordance with CRD IV;
“Chairman”	the chairman of AIB as appointed from time to time;

<b>“Circular”</b>	this document;
<b>“Computershare”</b>	Computershare Investor Services (Ireland) Limited, Registrar and Receiving Agent for AIB;
<b>“Consolidation Resolution”</b>	Resolution 9;
<b>“Conversion Dividend Payment”</b>	an amount equal to the accrued but unpaid fixed non-cumulative cash dividend of 8 per cent. per annum on the amount paid up on the Sub-dividend 2009 Preference Shares (including premium) in relation to the period from the last dividend payment date up to the date of the 2009 Preference Share Conversion;
<b>“Converting 2009 Preference Shares”</b>	the 2.14 billion 2009 Preference Shares numbered 1 to 2,140,000,000 in AIB’s register of members to be converted into Existing Ordinary Shares pursuant to the 2009 Preference Share Conversion Resolutions;
<b>“Core Tier 1 Capital”</b>	called-up share capital, share premium and eligible reserves plus equity non-controlling interests, less goodwill, intangible assets and supervisory deductions as specified by the Central Bank (this concept has been replaced by CET1 Capital under CRD IV);
<b>“CRD IV”</b>	the (fourth) Capital Requirements Directive (2013/36/EU), provisions of which commenced from 1 January 2014 and the related CRR, (which together prescribe financial service regulatory requirements for banks (including, capital adequacy and liquidity requirements)) as implemented in Ireland by the European Union (Capital Requirements) Regulations 2014 and the European Union (Capital Requirements) (No.2) Regulations 2014;
<b>“CRD IV fully loaded basis”</b>	when a measure or figure is presented or described as being on a “CRD IV fully loaded basis”, it is calculated for CRD IV purposes without applying the transitional provisions set out in CRD IV;
<b>“CREST”</b>	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in the CREST Regulations);
<b>“CREST Manual”</b>	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrar Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996 and as amended since that date);
<b>“CREST Member”</b>	a person who has been admitted to Euroclear as a system-member (as defined in the CREST Regulations);
<b>“CREST Participant”</b>	a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations);
<b>“CREST Proxy Instruction”</b>	the appropriate CREST message for a proxy appointment or instruction made by means of CREST, properly authenticated in accordance with Euroclear’s specifications, containing the information required for such instructions as described in the CREST Manual, and to be transmitted so as to be received by the Registrars as issuer’s agent (CREST Participant ID 3RA50) by the latest time(s) for receipt of proxy appointments as specified in the EGM Notice;
<b>“CREST Regulations”</b>	the Companies Act 1990 (Uncertificated Securities) Regulations 1996 including a modification thereof or any regulations in substitution thereof or in addition thereto made under section 1086 of the Companies Act 2014 or otherwise for the time being in force or other legislative provisions dealing with the transfer of shares in dematerialised or electronic form and title to shares transferred in such manner;
<b>“CREST Sponsor”</b>	a CREST Participant admitted to CREST as a CREST Sponsor;
<b>“CREST Sponsored Member”</b>	a CREST Member admitted to CREST as a sponsored member;
<b>“CRR”</b>	Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms;

<b>“Debt Capital Instruments”</b>	€750 million of Tier 2 Capital Instruments agreed to be issued by AIB (subject to completion) and not less than €500 million of AT1 Capital Instruments (incorporating temporary principal writedown mechanisms) proposed to be issued by AIB, in each case, in connection with the Capital Reorganisation;
<b>“direction”</b>	a direction given by the Minister for Finance to the NTMA under section 43 or 47 of the NTMA Act 2014 and <b>“directed”</b> shall be construed accordingly;
<b>“Directors”</b>	the directors of AIB at the date of the Circular, whose names appear in the letter from the Chairman of AIB contained in Part I of this Circular and <b>“Director”</b> means any one of the Directors;
<b>“EBS”</b>	EBS Limited (formerly EBS Building Society) a company incorporated under the laws of Ireland (registered number 500748) and a wholly-owned subsidiary of AIB;
<b>“EBS Promissory Note”</b>	the promissory note with an initial principal amount of €250 million provided by the Minister for Finance to EBS Building Society on 17 June 2010 and now held by EBS;
<b>“EBS Promissory Note Consideration”</b>	an amount equal to the carrying value of the EBS Promissory Note as at the Business Day immediately before the date of issue of the 2009 Preference Share Conversion/Redemption Notice plus accrued but unpaid interest under the terms of the EBS Promissory Note up to (but excluding) the 2009 Preference Share Conversion/Redemption Date;
<b>“EBS Promissory Note Redemption”</b>	the transaction which is the subject of the EBS Promissory Note Termination Agreement as described in Part 1 of this Circular;
<b>“EBS Promissory Note Termination Agreement”</b>	the EBS Promissory Note Termination Agreement entered into between the Minister for Finance, the NTMA, EBS and AIB on 20 November 2015 as referred to in Part I of this Circular;
<b>“ECB”</b>	the European Central Bank;
<b>“EGM”</b>	the extraordinary general meeting of AIB to be held at RDS Concert Hall, Merrion Road, Ballsbridge, Dublin 4 on 16 December 2015 at 10 a.m. to consider and, if thought fit, to approve and pass the Resolutions;
<b>“EGM Date”</b>	16 December 2015;
<b>“EGM Notice”</b>	the notice of extraordinary general meeting of AIB that accompanies this Circular;
<b>“ESM”</b>	the Enterprise Securities Market operated and regulated by the Irish Stock Exchange;
<b>“ESM Advisor”</b>	an ESM advisor as approved by the Irish Stock Exchange;
<b>“ESM Rules”</b>	the Rules of the Enterprise Securities Market for Companies published by the Irish Stock Exchange;
<b>“EU”</b>	the European Union;
<b>“EU Regulated Market”</b>	a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the European Council of 21 April 2004 on markets in financial instruments;
<b>“EU Restructuring Plan”</b>	the restructuring plan of AIB approved by the European Commission, the subject of an announcement by AIB on 7 May 2014;
<b>“Euro” or “€”</b>	the single currency of the EU member states that adopt or have adopted the Euro as their lawful currency under the legislation of the EU or European Monetary Union;
<b>“Euroclear”</b>	Euroclear UK & Ireland Limited (formerly named CRESTCo Limited), the operator of CREST;
<b>“European Commission”</b>	the Commission of the EU (provided for under the provision of Title III of the Treaty on European Union), which operates as the executive body of the EU;

<b>“Existing Articles of Association”</b>	the articles of association of AIB in force as at the date of this Circular;
<b>“Existing Memorandum and Articles of Association”</b>	the memorandum of association and the articles of association of AIB in force as at the date of this Circular;
<b>“Existing Ordinary Shares”</b>	the ordinary shares (whether issued or unissued) with a nominal value of €0.0025 each in the capital of AIB before the Ordinary Share Consolidation;
<b>“Final Memorandum and Articles of Association”</b>	the memorandum and articles of association of AIB proposed for adoption pursuant to Resolution 12;
<b>“Form of Proxy”</b>	the form of proxy which (where relevant) accompanies this Circular for use by Shareholders for the purposes of the EGM;
<b>“Goodbody”</b>	Goodbody Stockbrokers;
<b>“Group”</b>	AIB and its consolidated subsidiaries from time to time;
<b>“Initial Regulated Market Price”</b>	the price in euro per New Ordinary Share payable under the first public, institutional, retail and/or intermediary offering and/or placing of New Ordinary Shares made by the Minister for Finance and/or the NTMA in conjunction with a Regulated Market Event;
<b>“Interim Articles of Association”</b>	the articles of association of AIB proposed for adoption pursuant to Resolution 8;
<b>“Interim Memorandum and Articles of Association”</b>	the memorandum and articles of association of AIB proposed for adoption pursuant to Resolution 8;
<b>“Ireland”</b>	the Republic of Ireland, and the word “ <b>Irish</b> ” is to be construed accordingly;
<b>“Irish Government”</b>	the Government of Ireland;
<b>“Irish Stock Exchange” or “ISE”</b>	the Irish Stock Exchange plc;
<b>“ISIF”</b>	the fund known as the Ireland Strategic Investment Fund (as controlled and managed by the NTMA) established under the NTMA Act 2014 and references to any matter or thing done or an asset held by, on behalf of or for the ISIF, shall encompass a reference to that matter or thing being done by the NTMA, as applicable, or such asset being held for the Minister for Finance;
<b>“ITF Date”</b>	the date of publication by AIB of an announcement through a regulatory information service approved by the ISE of its intention to undertake a Regulated Market Event;
<b>“Latest Practicable Date”</b>	the latest practicable date before the publication of this Circular, being the close of business on 18 November 2015;
<b>“Minister for Finance”</b>	the Minister for Finance of Ireland;
<b>“Morgan Stanley”</b>	Morgan Stanley & Co International plc;
<b>“MREL”</b>	means the minimum requirement for own funds and eligible liabilities under the BRRD;
<b>“NAMA”</b>	the National Asset Management Agency and, where the context permits, other members of NAMA’s group, including subsidiaries and associated companies;
<b>“NAMA Act”</b>	the National Asset Management Agency Act 2009;
<b>“NAMA Assets”</b>	such classes of assets, including, but not limited to, land and property development loans and certain associated loans, as shall have been prescribed by the Minister for Finance as necessary for the purposes of the NAMA Act for inclusion in the NAMA Programme;
<b>“NAMA Participating Institution”</b>	a credit institution that has been designated by the Minister for Finance under section 67 of the National Asset Management Agency Act 2009 as being a participating institution for the purposes of the NAMA Act and, unless otherwise stated or the context otherwise requires, includes (a) every subsidiary of that institution that is not expressly excluded by the Minister for Finance, and (b) AIB and every subsidiary of AIB that is not

	expressly excluded by the Minister for Finance;
<b>“NAMA Programme”</b>	the programme through which NAMA has acquired NAMA Assets from NAMA Participating Institutions on the terms specified in or pursuant to the NAMA Act;
<b>“New Ordinary Shares”</b>	the ordinary shares in the capital of AIB, which, immediately following the Ordinary Share Consolidation, will have a nominal value of €0.625;
<b>“NPRF”</b>	the National Pensions Reserve Fund, a fund established under the NPRF Act;
<b>“NPRF Act”</b>	the National Pensions Reserve Fund Act 2000;
<b>“NPRFC”</b>	the National Pensions Reserve Fund Commission, as established by the NPRF Act to, inter alia, control, manage and invest the assets of the NPRF;
<b>“NPRFC Subscription Agreement”</b>	the subscription agreement entered into on 13 May 2009 between AIB, the Minister for Finance and the NPRFC pursuant to which, among other things, the NPRFC subscribed for the 2009 Preference Shares;
<b>“NTMA”</b>	the National Treasury Management Agency, a body corporate established under the National Management Agency Acts 1990 to 2014 and all references to the NTMA are to be read as it acting as controller and manager of the ISIF under the functions conferred on it in respect of the ISIF, and pursuant to directions in writing given to it by the Minister for Finance, under the NTMA Act 2014;
<b>“NTMA Act 2014”</b>	the National Treasury Management Agency (Amendment) Act 2014;
<b>“Ordinary Shares”</b>	the Existing Ordinary Shares or, as the context may require, the New Ordinary Shares;
<b>“Ordinary Share Bonus Shares”</b>	the Existing Ordinary Shares to be issued pursuant to the Ordinary Share Consolidation Bonus Issue;
<b>“Ordinary Share Consolidation”</b>	the consolidation of ordinary shares of €0.0025 each into New Ordinary Shares in accordance with the Consolidation Resolution, such consolidation to be effective no later than five Business Days following the 2009 Preference Share Redemption;
<b>“Ordinary Share Consolidation Bonus Issue”</b>	the allotment and issue, by way of capitalisation of AIB’s undivided profits or any sum standing to the credit of AIB’s share premium account or capital redemption reserve, of Existing Ordinary Shares to such Shareholders who would otherwise be left with a residual holding of less than 250 Existing Ordinary Shares after the Ordinary Share Consolidation, as described in section 3.4 of Part I of this Circular;
<b>“Ordinary Share Consolidation Record Time”</b>	such time on such date to be notified by AIB by way of announcement issued via a Regulatory Information Service to the ISE being a point in time following the 2009 Preference Share Redemption at when the register of members of AIB will reflect the consequential share movements arising from the completion of the 2009 Preference Share Conversion and the 2009 Preference Share Redemption;
<b>“Redemption Dividend Payment”</b>	an amount equal to the accrued but unpaid fixed non-cumulative cash dividend of 8 per cent. per annum on the amount paid up on the Redeeming 2009 Preference Shares (including premium) in relation to the period from the last dividend payment date up to the date of the 2009 Preference Share Redemption;
<b>“Redeeming 2009 Preference Shares”</b>	the 1.36 billion 2009 Preference Shares numbered 2,140,000,001 to 3,500,000,000 in AIB’s register of members which will not be sub-divided or re-designated (as Ordinary Shares) under the 2009 Preference Share Conversion;
<b>“Redemption Price”</b>	the redemption price per Redeeming 2009 Preference Share equal to 125 per cent. of the subscription price paid per 2009 Preference Share on issue (including premium) in accordance with the rights attached to such shares in the Existing Articles of Association and, if adopted, the Interim Articles of Association;
<b>“Registrar” or “Receiving Agent”</b>	Computershare Investor Services (Ireland) Limited, or such other share registrar as AIB may appoint from time to time;
<b>“Regulated Market Event”</b>	the event (if any) whereby the New Ordinary Shares are after the date of this Circular

	first admitted to trading on an EU Regulated Market;
<b>“Regulatory Information Service”</b>	one of the regulatory information services approved for use by the Irish Stock Exchange to receive, process and disseminate regulated information from listed companies;
<b>“Resolutions”</b>	the resolutions to be proposed at the EGM, as set out in the EGM Notice and <b>“Resolution”</b> means the relevant one of those resolutions;
<b>“Shareholders”</b>	a holder of Ordinary Shares and <b>“Shareholder”</b> means any of the Shareholders;
<b>“Share Issue Resolutions”</b>	Resolutions numbered 1, 2, 3, 4, 5, 6, 7 and 8 (i.e. the share capital resolutions required, among other things, to effect the 2009 Preference Share Conversion and the Warrant Issue);
<b>“Single Supervisory Mechanism”</b>	the single supervisory mechanism which took effect on 4 November 2014 in connection with the conferral on the ECB of functions in relation to the supervision of certain credit institutions within certain member states of the EU;
<b>“SSM”</b>	the ECB (with the assistance and co-operation of the Central Bank) acting under its functions with respect to the Single Supervisory Mechanism under the SSM Regulation and the SSM Framework Regulation;
<b>“SSM Framework Regulation”</b>	Regulation (EU) No. 468 / 2014 of the European Central Bank of 16 April 2014 establishing the framework for co-operation within the Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities;
<b>“SSM Regulation”</b>	Council Regulation (EU) No. 1024 / 2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions;
<b>“State Entity”</b>	any of the Minister for Finance, the NTMA, any Minister or Department of the Government of Ireland or any other entity or agency of or related to the Irish Government;
<b>“Sub-divided 2009 Preference Shares”</b>	the non-cumulative preference shares of €0.0025 each in the capital of AIB paid up to €0.25 each resulting from the Sub-division;
<b>“Sub-division”</b>	the sub-division of the Converting 2009 Preference Shares that will occur pursuant to Resolution 5 and which will occur as part of the 2009 Preference Share Conversion, as described in Part I of this Circular;
<b>“Tier 1 Capital”</b>	all items that constitute tier 1 capital (as that term is used in the CRR) being AT1 Capital and CET1 Capital, and where applicable, less deductions from and after adjustments to tier 1 capital, in each case, calculated in accordance with CRD IV;
<b>“Tier 2 Capital”</b>	all items that constitute tier 2 capital (as that term is used in the CRR), and where applicable, less deductions from and after adjustments to tier 2 capital, in each case, calculated in accordance with CRD IV;
<b>“Tier 2 Capital Instruments”</b>	debt instruments pursuant to which AIB may raise Tier 2 Capital from time to time;
<b>“Total Capital”</b>	Tier 1 Capital and Tier 2 Capital;
<b>“Treasury Shares”</b>	the 35,680,114 Existing Ordinary Shares repurchased by AIB, but not then cancelled;
<b>“United Kingdom” or “UK”</b>	the United Kingdom of Great Britain and Northern Ireland;
<b>“US” or “United States”</b>	the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
<b>“Voting Record Date”</b>	the date on which the entitlement of Shareholders to vote at the EGM will be determined by reference to the register of members of AIB, being at close of business on 14 December 2015;
<b>“Warrant Agreement”</b>	the Warrant Agreement entered into between AIB and the Minister for Finance on 20

November 2015 in respect of the Warrants;

<b>“Warrant Conditions”</b>	has the meaning given to it in section 3.5 of Part I of this Circular;
<b>“Warrant Exercise Price”</b>	the exercise price expressed in euro for each Warrant being the Warrant Exercise Price Percentage of the Initial Regulated Market Price, and which price, following execution of the Warrant Instrument, may be adjusted from time to time in accordance with the terms of the Warrant Instrument;
<b>“Warrant Exercise Price Percentage”</b>	means a percentage not less than 200 per cent. as may be specified in the Warrant Notice;
<b>“Warrant Holder”</b>	the legal holder(s) of the Warrants as permitted by and in accordance with, the terms of the Warrant Agreement and the Warrant Instrument;
<b>“Warrant Notice”</b>	the notice (if any) to be issued by the Minister for Finance to AIB between the date of the Warrant Agreement and the date falling two (2) Business days before the ITF Date following satisfaction of the Warrant Conditions pursuant to, and in accordance with, the Warrant Agreement in order to finalise the terms of the Warrants and the Warrant Instrument;
<b>“Warrants”</b>	the warrants (if any) to be issued by AIB to the Minister for Finance (or another State Entity nominated by the Minister for Finance) to subscribe for such number of New Ordinary Shares (which number may, subject as follows, be adjusted from time to time in accordance with the terms of the Warrant Instrument) representing up to 9.99 per cent. of the issued ordinary share capital of AIB (calculated on the basis that none of the Warrants have been exercised) upon a Regulated Market Event, subject to and with the benefit of the terms and conditions to be set out in the Warrant Instrument;
<b>“Warrant Instrument”</b>	the warrant instrument that it is proposed may (as amended in accordance with the terms of the Warrant Notice if issued), subject to satisfaction of the Warrant Conditions, be entered into by AIB by way of deed poll on the Warrant Issue Date in order to constitute the Warrants and provide for the terms of the Warrants;
<b>“Warrant Issue”</b>	the potential issue of the Warrants to the Minister for Finance (or a State Entity nominated by the Minister for Finance) in accordance with the terms of the Warrant Agreement, the Warrant Notice and the Warrant Instrument;
<b>“Warrant Issue Date”</b>	the date five (5) Business Days after the date of a Regulated Market Event; and
<b>“Warrant Shares”</b>	the New Ordinary Shares to be issued by AIB to the relevant Warrant Holder upon exercise of the Warrants pursuant to the Warrant Instrument.

**Notes:**

- (1) Unless otherwise stated in this Circular, all reference to statutes or other forms of legislation refer to statutes or forms of legislation of Ireland. Any reference to any provision of any legislation (whether Irish, EU or otherwise) include any amendment, modification, re-enactment or extension thereof.
- (2) Words importing the singular include the plural and *vice versa* and words importing the masculine gender include the feminine or neuter gender.
- (3) Expressions defined in the manual published by Euroclear from time to time in connection with the operation of CREST bear the same meaning when used in this Circular.

## ALLIED IRISH BANKS, P.L.C.

(incorporated in Ireland and registered under the Companies Act 2014 with registered number 24173)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

An Extraordinary General Meeting (the “**EGM**”) of AIB (the “**Company**”) will be held at RDS Concert Hall, Merrion Road, Ballsbridge, Dublin 4, Ireland on 16 December 2015 at 10 a.m. to consider and, if thought fit, pass the following resolutions, of which resolutions 1, 2, 5, 10 and 11 will be proposed as ordinary resolutions and resolutions 3, 4, 6, 7, 8, 9 and 12 will be proposed as special resolutions (together the “**Resolutions**”). All of the proposed resolutions are inter-conditional and all of them must be passed in order for the resolutions to be capable of becoming effective. In addition, Resolutions 5, 6, 7, 9, 10, 11 and 12 are only capable of taking effect once the 2009 Preference Share Conversion and the 2009 Preference Share Redemption (as each term is defined in the circular issued to shareholders by the Company dated 23 November 2015 (the “**Circular**”)) becomes unconditional.

#### Resolution 1 – Ordinary Resolution

1. **THAT**, subject to and conditional upon all of the other Resolutions being duly passed and with effect from conclusion of the EGM, the authorised share capital of the Company be increased from €1,790,000,000 to €2,535,000,000 by the creation of 298,000,000 new ordinary shares of €0.0025 each, such new ordinary shares having attached thereto the rights and privileges and being subject to the limitations and restrictions set out in the articles of association of the Company in place immediately after conclusion of the EGM.

#### Resolution 2 – Ordinary Resolution

2. **THAT**, subject to and conditional upon all of the other Resolutions being duly passed and with effect from conclusion of the EGM, the directors of the Company (“**Directors**”) be and are generally and unconditionally authorised pursuant to and in accordance with section 1021 of the Companies Act 2014 (the “**2014 Act**”) (in substitution for the authority conferred on the Directors at the extraordinary general meeting of the Company held on 26 July 2011) to exercise for the period of five years from the date of the passing of this Resolution unless previously renewed, varied or revoked by the Company in general meeting all the powers of the Company to allot relevant securities (as defined in the 2014 Act) up to the aggregate nominal amount of €1,191,314,686, such amount being, if Resolution 8 is duly passed and becomes effective, the “**Section 1021 Amount**” (as defined in Article 10 of the articles of association of the Company in place immediately after conclusion of the EGM), save that the Company may make an offer or agreement before the expiry of this authority which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant thereto as if the authority hereby had not expired.

#### Resolution 3 – Special Resolution

3. **THAT**, subject to and conditional upon all of the other Resolutions being duly passed and with effect from conclusion of the EGM, the Directors be and are hereby generally empowered pursuant to section 1023(3) of the 2014 Act to allot equity securities (as defined in section 1023(3) of the 2014 Act) pursuant to the authority conferred by the passing of Resolution 2 as if section 1022(1) of the 2014 Act did not apply to such allotment provided that:
  - (a) this power shall be limited to the issue of the Warrants (as defined and as described in the Circular); and
  - (b) this power shall expire six (6) Business Days (as defined in the Circular) after the date of the Regulated Market Event (as defined in the Circular), unless previously renewed, varied or revoked by the Company in general meeting, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors of the Company may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired.

#### Resolution 4 – Special Resolution

4. **THAT**, subject to and conditional upon all of the other Resolutions being duly passed and with effect from conclusion of the EGM, the power conferred on the Directors by article 10 of the articles of association of the Company in place immediately after conclusion of the EGM, be and is hereby renewed for the period ending on the date of the annual general meeting of the Company in 2016 or, if earlier, 15 March 2017, and for such period the section 1022 Amount (as defined in paragraph (d)(iv) of article 10 of the articles of association of the Company proposed for adoption pursuant to Resolution 8 below) shall be €84,800,000.

#### Resolution 5 – Ordinary Resolution

5. **THAT**, subject to and conditional upon the 2009 Preference Share Conversion and the 2009 Preference Share Redemption (as each term is defined in the Circular) becoming unconditional in all respects in accordance with the terms of the 2009 Preference Share Conversion and Redemption Agreement (as defined in the Circular) and all of the other Resolutions being duly passed and with effect from such time and date as is specified by the Company in the 2009 Preference Share Conversion/Redemption Notice (as defined in the Circular) (the “**Effective Time**”), in connection with the proposed conversion of non-cumulative preference shares of €0.01 each in the capital of the Company (the “**2009 Preference Shares**”) in accordance with the provisions of the 2009 Preference Share Conversion and Redemption Agreement (as defined in the Circular), 2.14 billion 2009 Preference Shares numbered 1 to 2,140,000,000 in the Company’s register of members (the “**Converting 2009 Preference Shares**”) each of which are paid up (inclusive of premium paid upon issue thereof) to €1.00, be sub-divided into four non-cumulative preference shares of €0.0025 each in the capital of the Company

paid up to €0.25 each (the “**Sub-divided 2009 Preference Shares**”), each carrying the rights and obligations set out in the articles of association of the Company in place immediately after conclusion of the EGM.

#### **Resolution 6 – Special Resolution**

6. **THAT**, subject to and conditional upon the 2009 Preference Share Conversion and the 2009 Preference Share Redemption (as each term is defined in the Circular) becoming unconditional in all respects in accordance with the terms of the 2009 Preference Share Conversion and Redemption Agreement (as defined in the Circular) and all of the other Resolutions being duly passed and with effect from immediately following the Sub-division (as defined in the Circular), in accordance with the provisions of the 2009 Preference Share Conversion and Redemption Agreement (as defined in the Circular), each of the Sub-divided 2009 Preference Shares be re-designated as one ordinary share of €0.0025 each in the capital of the Company, each such share having attached thereto the rights and privileges and being subject to the limitations and restrictions set out in the articles of association of the Company in place immediately after conclusion of the EGM and such re-designation to take effect at the same time as the allotment of the 2009 Preference Share Bonus Shares pursuant to Resolution 7.

#### **Resolution 7 – Special Resolution**

7. **THAT**, subject to and conditional upon the 2009 Preference Share Conversion and the 2009 Preference Share Redemption (as each term is defined in the Circular) becoming unconditional in all respects in accordance with the terms of the 2009 Preference Share Conversion and Redemption Agreement (as defined in the Circular) and all of the other Resolutions being duly passed and with effect from immediately following the Sub-division (as defined in the Circular), in addition to the authority contained in the articles of association of the Company in place immediately after conclusion of the EGM, the Directors be authorised to apply such amount as the Directors in their discretion may determine of the undivided profits of the Company or any sum standing to the credit of the Company’s share premium account or capital redemption reserve in accordance with the articles of association of the Company in place immediately after conclusion of the EGM for the purposes of allotting to the holders of the Sub-divided 2009 Preference Shares immediately before their re-designation pursuant to Resolution 6, by way of bonus issue, the 2009 Preference Share Bonus Shares (as defined in the Circular), credited as fully paid, in connection with the proposed conversion of the Converting 2009 Preference Shares into ordinary shares of €0.0025 each in the capital of the Company in accordance with the provisions of the 2009 Preference Share Conversion and Redemption Agreement (as defined in the Circular) and that the Directors be authorised to allot the 2009 Preference Share Bonus Shares, credited as fully paid, to the holders of the Sub-divided 2009 Preference Shares at the same time as the re-designation of the Sub-divided 2009 Preference Shares pursuant to Resolution 6, with authority to take all such other steps as they may deem necessary or desirable to implement such capitalisation and allotment.

#### **Resolution 8 – Special Resolution**

8. **THAT**, subject to all of the other Resolutions being duly passed and with effect from conclusion of the EGM, the regulations contained in the document produced to the EGM marked “A” and signed by the chairman of the EGM for identification be and are hereby approved and adopted as the memorandum and articles of association of the Company in substitution for the existing memorandum and articles of association of the Company.

#### **Resolution 9 – Special Resolution**

9. **THAT**, subject to and conditional upon the 2009 Preference Share Conversion and the 2009 Preference Share Redemption (as each term is defined in the Circular) becoming unconditional in all respects in accordance with the terms of the 2009 Preference Share Conversion and Redemption Agreement (as defined in the Circular) and all of the other Resolutions being duly passed and with effect from immediately following the 2009 Preference Share Redemption (as defined in the Circular):
  - (a) in accordance with article 53(a) of the articles of association of the Company in place immediately after conclusion of the EGM, every 250 ordinary shares of €0.0025 in the capital of the Company that are in issue and held by the same member of the Company at the Ordinary Share Consolidation Record Time (as defined in the Circular) be consolidated into one new ordinary share of €0.625 in the capital of the Company (each a “**New Ordinary Share**”), with all fractional holdings remaining after such consolidation (including those arising by reason of there being less than 250 ordinary shares of €0.0025 each, or less than 250 such shares remaining, in any holding to consolidate) being dealt with under paragraph (b) and (c) of this Resolution;
  - (b) in addition to the authority contained in the articles of association of the Company in place immediately after conclusion of the EGM, the Directors be and they are hereby authorised to apply such amount as the Directors, in their discretion may determine of the undivided profits of the Company or any sum standing to the credit of the Company’s share premium account or capital redemption reserve in accordance with the articles of association of the Company in place immediately after conclusion of the EGM, for the purposes of allotting to members of the Company, ordinary shares of €0.0025, credited as fully paid, in order to effect the Ordinary Share Consolidation Bonus Issue (as defined in the Circular) and that the Directors be hereby authorised to allot such shares, credited as fully paid, to such of the members of the Company and in such proportions as they think fit, and to take all such other steps as they may deem necessary or desirable to implement such capitalisation and allotments;
  - (c) immediately following the completion of the Ordinary Share Consolidation Bonus Issue (as defined in the Circular), every 250 ordinary shares of €0.0025 in the capital of the Company that are in issue and held by the same member of the Company be consolidated into one New Ordinary Share; and
  - (d) every 250 authorised ordinary shares of €0.0025 in the capital of the Company that are shown in the books of the Company as unissued immediately following completion of the Ordinary Share Consolidation Bonus Issue (as defined in the Circular) shall be consolidated into one New Ordinary Share, provided that where such consolidation would

otherwise result in a fraction of an unissued New Ordinary Share, the number of ordinary shares of €0.0025 that would otherwise constitute such fraction shall be cancelled pursuant to section 83(1)(f)(ii) of the Companies Act 2014 and the amount of the Company's authorised but unissued share capital shall be diminished accordingly.

#### **Resolution 10 – Ordinary Resolution**

10. **THAT**, subject to and conditional upon the 2009 Preference Share Conversion and the 2009 Preference Share Redemption (as each term is defined in the Circular) becoming unconditional in all respects in accordance with the terms of the 2009 Preference Share Conversion and Redemption Agreement (as defined in the Circular) and all of the other Resolutions being duly passed and with effect from immediately following the 2009 Preference Share Redemption (as defined in the Circular), the authorised share capital of the Company be reduced by €35,000,000 by the cancellation, in accordance with section 83(1)(f)(ii) of the Companies Act 2014, of all unissued non-cumulative preference shares of €0.01 each and all unissued non-cumulative preference shares of €0.0025 each and the amount of the Company's authorised but unissued share capital shall be diminished accordingly.

#### **Resolution 11 – Ordinary Resolution**

11. **THAT**, subject to and conditional upon the 2009 Preference Share Conversion and the 2009 Preference Share Redemption (as each term is defined in the Circular) becoming unconditional in all respects in accordance with the terms of the 2009 Preference Share Conversion and Redemption Agreement (as defined in the Circular) and all of the other Resolutions being duly passed and with effect from completion of the Ordinary Share Consolidation (as defined in the Circular), the authorised share capital of the Company be increased by the creation of such number of new ordinary shares of €0.625 each as is necessary to result in the authorised share capital of the Company being €2,500,000,000 divided into ordinary shares of €0.625 each, such shares having attached thereto the rights and privileges and being subject to the limitations and restrictions set out in the articles of association of the Company proposed for adoption pursuant to Resolution 12.

#### **Resolution 12 – Special Resolution**

12. **THAT**, subject to and conditional upon the 2009 Preference Share Conversion and the 2009 Preference Share Redemption (as each term is defined in the Circular) becoming unconditional in all respects in accordance with the terms of the 2009 Preference Share Conversion and Redemption Agreement (as defined in the Circular) and all of the other Resolutions being duly passed and with effect from completion of the Ordinary Share Consolidation (as defined in the Circular), the regulations contained in the document produced to the EGM marked "B" and signed by the chairman of the EGM for identification be and are hereby approved and adopted as the memorandum and articles of association of the Company in substitution for the memorandum and articles of association of the Company then existing memorandum and articles of association of the Company.

By order of the Board

**David O'Callaghan**  
Company Secretary

Bankcentre  
Ballsbridge  
Dublin 4  
Ireland

23 November 2015

#### **Notes:**

##### **Entitlement to attend and vote**

- (1) Pursuant to Regulation 14 of the Companies Act 1990 (Uncertificated Securities) Regulations 1996, only those Shareholders registered on the Company's register of members: (i) at the close of business on the day two days before the EGM; or (ii) if the EGM is adjourned, at the close of business on the day two days before the adjourned Extraordinary General Meeting, will be entitled to attend and vote at the EGM or, if relevant, any adjournment thereof. Changes to entries on the Company's register of members after that time will be disregarded in determining the rights of any person to attend and vote at the EGM.

##### **Attending in person**

- (2) The EGM will be held at RDS Concert Hall, Merrion Road, Ballsbridge, Dublin 4 on 16 December 2015 at 10 a.m. If you wish to attend the EGM in person, you are recommended to attend at least 15 minutes before the time appointed for holding of the EGM to allow time for registration. Please bring the attendance card attached to your Form of Proxy and present it at the shareholder registration desk before the commencement of the EGM.

##### **Appointment of proxies**

- (3) A Shareholder who is entitled to attend and vote at the EGM is entitled to appoint a proxy or more than one proxy as alternates to attend, speak and vote instead of the Shareholder. A proxy need not be a Shareholder.

- (4) A Form of Proxy for use by Shareholders is enclosed with this Notice of Extraordinary General Meeting (or is otherwise being delivered to Shareholders). Completion of a Form of Proxy (or submission of proxy instructions electronically) will not prevent a Shareholder from attending the EGM and voting in person should the Shareholder wish to do so.
- (5) To be valid, a Form of Proxy and any power of attorney or other authority under which it is signed (or a notorially certified copy of any such power of attorney or other authority) must be lodged with the Company's Registrar, Computershare Investor Services (Ireland) Limited, of Heron House, P.O. Box 954, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland, not later than 48 hours before the EGM or adjourned EGM or (in the case of a poll taken otherwise than at or on the same day as the EGM or adjourned EGM) at least 48 hours before the taking of the poll at which it is to be used.
- (6) To appoint (or remove) a proxy electronically, log on to the website of the Registrar, Computershare Investor Services (Ireland) Limited at [www.eproxyappointment.com](http://www.eproxyappointment.com). To log in, you will require your unique PIN (which will expire at the end of the voting period), and your Shareholder Reference Number (SRN) and the Control Number, all of which are printed on the face of the accompanying Form of Proxy.
- (7) CREST members may appoint 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 and those CREST 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.
- (8) In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message (whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy) must be transmitted so as to be received by the Company's Registrars, Computershare Investor Services (Ireland) Limited, as issuer's agent (CREST Participant ID 3RA50) by the latest times(s) for receipt of proxy appointments specified in this Notice of Extraordinary General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Computershare Investor Services (Ireland) Limited is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
- (9) CREST members and, where applicable, their CREST Sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST Personal Member or Sponsored Member or has appointed a voting service provider(s), to procure that his CREST Sponsor or voting service provider(s) take(s)) such action as will be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST Sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- (10) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Companies Act 1990 (Uncertificated Securities) Regulations 1996.

#### **Issued shares and total voting rights**

- (11) The total number of issued ordinary shares in the Company on the date of this Notice of Extraordinary General Meeting is 523,474,125,551 (including 35,680,114 Treasury Shares).
- (12) Voting on each of the resolutions will be decided on a poll. This means that shareholders who attend the EGM, as well as those who are not able to attend but have sent proxy forms, may have their votes taken into account according to the number of shares they hold.
- (13) Resolutions 1, 2, 5, 10 and 11 are ordinary resolutions and require a simple majority of votes cast at the meeting to be passed. Resolutions 3, 4, 6, 7, 8, 9 and 12 are special resolutions and require at least 75 per cent. of votes cast at the meeting to be passed.