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**If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser who (if you are resident in Ireland) is duly authorised under the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) or the Investment Intermediaries Act 1995 (as amended) or (if you are resident in the United Kingdom) is duly authorised under the Financial Services and Markets Act 2000, or, if you are not so resident, from another appropriately authorised independent professional adviser.**

If you sell or have sold or otherwise transferred or disposed of all of your AIB Bank Shares, please forward this document, together with the accompanying Forms of Proxy, at once, to the purchaser or transferee or to the stockbroker, bank or other agent through which the sale, transfer or disposal was effected, for onward transmission to the purchaser or transferee. However, these documents should not be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws in such jurisdiction. If you sell or have sold or otherwise transferred or disposed of only part of your holding of AIB Bank Shares, you should retain these documents and consult the stockbroker, bank or other agent through which the sale, transfer or disposal was effected.

Definitions of certain words and expressions used in this document are set out in Part V (Definitions) of this document.

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

# **Recommended proposals to establish AIB Group plc as the new holding company of the AIB Group**

by means of a scheme of arrangement under Chapter 1 of Part 9, and a related reduction of capital under sections 84 to 86, of the Companies Act 2014

### **Notice of Court Meeting**

### **Notice of Extraordinary General Meeting**

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This document does not constitute a prospectus or prospectus equivalent document. This document does not constitute an offer or an invitation to any person to subscribe for or to purchase any securities in Allied Irish Banks, p.l.c. (“**AIB Bank**”) or AIB Group plc (“**AIB HoldCo**”). No AIB HoldCo Shares have been marketed to, nor are any AIB HoldCo Shares available for purchase by, the public in Ireland, the United Kingdom or elsewhere in connection with the Restructuring Proposals.

The distribution of this document and the availability of the AIB HoldCo Shares to persons in jurisdictions other than Ireland and the United Kingdom may be restricted by the laws of those jurisdictions and therefore any person into whose possession this document and/or the accompanying Forms of Proxy come, should inform themselves about, and observe, any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities law of any such jurisdiction.

This document should be read as a whole and in conjunction with the accompanying Forms of Proxy for the Court Meeting and the Extraordinary General Meeting (the “**Meetings**”). Your attention is drawn in particular to Part I of this document, which contains the unanimous recommendation of the AIB Bank Directors to Scheme Shareholders to vote in favour of the Scheme at the Court Meeting and to AIB Bank Shareholders to vote in favour of the Resolutions at the Extraordinary General Meeting. An explanatory statement on the effect of the Scheme appears in Part II of this document.

Notices of the Meetings, both of which will be held at the Ballsbridge Hotel, Pembroke Road, Dublin 4, Ireland on 3 November 2017, are set out at the end of this document. The Court Meeting will start at 10:00 a.m. and the Extraordinary General Meeting will start at 10:15 a.m. (or as soon thereafter as the Court Meeting, convened for the same date and place, has concluded or been adjourned).

The action to be taken by AIB Bank Shareholders in respect of the Meetings is set out on pages 14 to 16 of this document. It is very important that you use your vote so that the Court may be satisfied that there is a fair representation of the opinion of AIB Bank Shareholders entitled to vote (who are described in this document as Scheme Shareholders or holders of Scheme Shares) at the Court Meeting.

AIB Bank Shareholders will find enclosed with this document Forms of Proxy for the Meetings. Whether or not AIB Bank Shareholders wish to attend the Meetings, they are asked to complete the enclosed Forms of Proxy in accordance with the instructions printed on the forms and return them, together with any authority under which it is executed or a copy of such authority certified notarially or by a solicitor practicing in Ireland, either by post to the Registrars, Computershare Investor Services (Ireland) Limited, P.O. Box 954, Sandyford, Dublin 18, Ireland or (during normal business hours) by hand to the Registrars, Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland as soon as possible and, in any event, so as to be received no later than 48 hours before the relevant Meeting.

If the green Form of Proxy relating to the Court Meeting is not returned so as to be received by the time mentioned above for return of Forms of Proxy relating to the Court Meeting, it may be handed to the Registrars at the venue of the Court Meeting or to the Chairman at the Court Meeting before the taking of the poll. However, in the case of the Extraordinary General Meeting, if the purple Form of Proxy is not lodged so as to be received by the time mentioned above for return of the Forms of Proxy relating to the Extraordinary General Meeting, it will be invalid.

If you would like to submit your proxy via the Internet, you may do so by utilising the Registrars’ online proxy appointment service at [www.eproxyappointment.com](http://www.eproxyappointment.com) and following the instructions thereon. CREST members may also submit their proxy by utilising the CREST electronic proxy appointment service. For more information, see the section entitled “Action to be taken” at pages 14 to 16 of this document.

A prospectus relating to AIB HoldCo and Admission (the “**Prospectus**”), prepared in accordance with Chapter 1 of Part 23 of the Companies Act 2014, as amended, Part 5 of the Prospectus (Directive 2003/71/EC) Regulations 2005 (S.I. No. 324 of 2005), as amended (the “**Irish Prospectus Regulations**”) and Commission Regulation (EC) No. 809/2004, as amended, will be made available to the public in accordance with Part 8 of the Irish Prospectus Regulations in electronic form on AIB’s website [www.aib.ie/investorrelations](http://www.aib.ie/investorrelations) on or around the date of this document. A copy of the Prospectus will also be available, free of charge, until Admission at AIB HoldCo’s registered office at Bankcentre, Ballsbridge, Dublin 4, Ireland and at the AIB Group’s UK office at St. Helen’s, 1 Undershaft, London, EC3A 8AB.

Applications will be made (i) to the Irish Stock Exchange and to the FCA for all of the AIB HoldCo Shares to be admitted to listing on the primary listing segment of the Official List of the Irish Stock Exchange and to the premium listing segment of the Official List of the FCA; and (ii) to the Irish Stock Exchange and the

London Stock Exchange for all of the AIB HoldCo Shares to be admitted to trading on the Irish Stock Exchange's main securities market and the London Stock Exchange's main market for listed securities.

If the Scheme proceeds as currently envisaged, it is expected that the last day of trading in the AIB Bank Shares on the main markets of the Irish Stock Exchange and the London Stock Exchange will be 8 December 2017 and that the admission to trading of the AIB Bank Shares on the main markets of the Irish Stock Exchange and the London Stock Exchange and their listings on the Official Lists of the Irish Stock Exchange and the FCA will be cancelled at 8:00 a.m. on 11 December 2017. Admission is expected to become effective, and trading in AIB HoldCo Shares is expected to commence, on the main markets of the Irish Stock Exchange and the London Stock Exchange, at 8:00 a.m. on 11 December 2017.

Goodbody Stockbrokers UC ("**Goodbody**"), trading as Goodbody, which is authorised and regulated in Ireland by the Central Bank of Ireland and which in the UK is authorised and subject to limited regulation by the Financial Conduct Authority ("**FCA**"), is acting exclusively for AIB Bank and AIB HoldCo as joint Irish sponsor and joint UK sponsor, and no one else in connection with the matters referred to in this document. It will not regard any other person (whether or not a recipient of the Prospectus) as a client in relation to the matters referred to in this document and will not be responsible to anyone other than AIB Bank and AIB HoldCo for providing the protections afforded to its clients for the contents of this document or for providing any advice in relation to this document or the matters referred to in this document. Neither Goodbody, nor any of its directors, officers, employees, advisers, agents, affiliates nor any other person acting on its behalf accepts any responsibility or liability whatsoever for, or makes any representation or warranty, express or implied, in respect of, either the contents of this document including its truth, accuracy, fairness or completeness (or as to whether any information has been omitted) or any other information relating to AIB Bank or AIB HoldCo, or on behalf of either of them, in connection with either AIB Bank or AIB HoldCo, whether written, oral or in a visual or electronic form, and howsoever transmitted or made available or for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection therewith.

Morgan Stanley & Co. International plc ("**Morgan Stanley**"), which is authorised in the UK by the Prudential Regulation Authority ("**PRA**") and regulated in the UK by the PRA and FCA, is acting exclusively for AIB Bank and AIB HoldCo as joint Irish sponsor and joint UK sponsor, and no one else in connection with the matters referred to in this document. It will not regard any other person (whether or not a recipient of the Prospectus) as a client in relation to the matters referred to in this document and will not be responsible to anyone other than AIB Bank and AIB HoldCo for providing the protections afforded to its clients for the contents of this document or for providing any advice in relation to this document or the matters referred to in this document. Neither Morgan Stanley, nor any of its directors, officers, employees, advisers, agents, affiliates, nor any other person acting on its behalf accepts any responsibility or liability whatsoever for, or makes any representation or warranty, express or implied, in respect of, either the contents of this document including its truth, accuracy, fairness or completeness (or as to whether any information has been omitted), or any other information relating to AIB Bank or AIB HoldCo, whether written, oral or in a visual or electronic form, and howsoever transmitted or made available or for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection therewith.

None of the Minister for Finance, the Irish Department of Finance, the Irish Government, the National Treasury Management Agency (the "**NTMA**") or any person controlled by or controlling any such person, or any entity or agency of or related to the 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 document or any document referred to in this document or any supplement or amendment thereto (each a "transaction 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 HoldCo, the AIB HoldCo Shares, AIB Bank, AIB Bank Shares, Admission or the Restructuring Proposals and nothing in this document 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 transaction document or any such statement. No relevant person has authorised or will authorise the contents of any

transaction document, or has recommended or endorsed the merits of any course of action contemplated by any transaction document.

#### **NOTICE TO RECIPIENTS OUTSIDE IRELAND AND THE UNITED KINGDOM**

The release, publication or distribution of this document and the Prospectus in jurisdictions other than Ireland and the United Kingdom may be restricted by law and therefore persons into whose possession any of this document and the Prospectus come should inform themselves about, and observe, any applicable restrictions or requirements. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, AIB Bank and AIB HoldCo disclaim any responsibility or liability for the violation of such requirements by any person. This document has been prepared for the purposes of complying with Irish law and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws and regulations of any other jurisdiction.

**This document and the accompanying documents do not constitute an offer or form part of any offer or invitation to purchase, subscribe for, sell or issue, or a solicitation of an offer to purchase, subscribe for, sell or issue, any securities pursuant to this document or otherwise in any jurisdiction in which such offer or solicitation is unlawful. This document does not comprise a prospectus or a prospectus equivalent document.**

#### **NOTICE TO INVESTORS IN THE UNITED STATES**

The Scheme relates to the shares of an Irish incorporated company (a “foreign private issuer” as defined under Rule 3b-4 under the U.S. Securities Exchange Act of 1934 (the “**Exchange Act**”)) and is proposed to be made by means of a scheme of arrangement and related reduction of capital of AIB Bank provided for under, and governed by, Irish law. Neither the proxy solicitation rules nor the tender offer rules under the Exchange Act will apply to the Scheme. Accordingly, the AIB HoldCo Shares to be issued pursuant to the Scheme have not been and will not be registered under the U.S. Securities Act of 1933 (the “**Securities Act**”) or under the relevant securities laws of any State or territory or other jurisdiction of the United States, and are expected to be offered in the United States in reliance upon the exemption from the registration requirements of the Securities Act provided by section 3(a)(10) thereof and exemptions provided under the laws of the States of the United States in which eligible Scheme Shareholders may reside.

**For the purpose of qualifying for the exemption from the registration requirements of the Securities Act provided by section 3(a)(10) thereof with respect to the AIB HoldCo Shares issued pursuant to the Scheme, AIB Bank will advise the Court that its sanctioning of the Scheme will be relied upon by AIB HoldCo as an approval of the Scheme, following a hearing on its fairness to Scheme Shareholders at which hearing all Scheme Shareholders are entitled to attend in person or through counsel to support or oppose the sanctioning of the Scheme and with respect to which notification has been given to all such Scheme Shareholders.**

The Scheme is subject to the disclosure requirements and practices applicable in Ireland to schemes of arrangement and capital reductions, which differ from the disclosure and other requirements of U.S. securities laws.

The AIB HoldCo Shares to be issued under or in connection with the Scheme to a Scheme Shareholder who is neither an affiliate, for the purpose of the Securities Act, of AIB Bank or AIB HoldCo on or prior to the Scheme Effective Time nor an affiliate of AIB HoldCo at the Scheme Effective Time would not be “restricted securities” under the Securities Act. Scheme Shareholders who are affiliates of AIB Bank or AIB HoldCo on or prior to the Scheme Effective Time or affiliates of AIB HoldCo after the Scheme Effective Time may, under Rule 145(d) under the Securities Act, be subject to timing, manner of sale and volume restrictions on the sale of AIB HoldCo Shares received in connection with the Scheme. For the purpose of the Securities Act, an affiliate of either AIB Bank or AIB HoldCo is any person who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with AIB Bank or AIB HoldCo. Whether a person is an affiliate of either AIB Bank or AIB HoldCo for the purpose of the Securities Act depends on the circumstances. Persons who believe that they may be

affiliates of either AIB Bank or, after the Scheme Effective Time, AIB HoldCo should consult their own legal advisers prior to any sale of the AIB HoldCo Shares received upon the implementation of the Scheme.

AIB Bank and AIB HoldCo are both incorporated under the laws of Ireland. Some or all of the officers and directors of AIB Bank and AIB HoldCo may be residents of countries other than the United States. It may not be possible to sue AIB Bank and AIB HoldCo in a non-U.S. court for violations of U.S. securities laws. It may be difficult to compel AIB Bank, AIB HoldCo and their respective affiliates to subject themselves to the jurisdiction and judgment of a U.S. court. It may not be possible to enforce in Ireland a judgment of a U.S. court in respect of violations of U.S. securities law.

None of the securities referred to in this document have been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor have such authorities passed upon or determined the adequacy or accuracy of the information contained in this document. Any representation to the contrary is a criminal offence in the United States.

## **FORWARD-LOOKING STATEMENTS**

This document may contain certain forward-looking statements with respect to the financial condition, results of operations and business of the AIB Group and certain plans and objectives of the AIB Bank Board or the AIB HoldCo Board. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as “anticipate”, “target”, “expect”, “estimate”, “intend”, “plan”, “goal”, “believe”, “will”, “may”, “should”, “would”, “could”, their negative or other variations or other words of similar meaning. These statements are based on assumptions and assessments made by the AIB Bank Board or (as the case may be) the AIB HoldCo Board in light of their respective experiences and its perceptions of historical trends, current conditions, expected future developments and other factors they believe appropriate. By their nature, forward-looking statements involve risk and uncertainty and the factors described in the context of such forward-looking statements in this document could cause actual results or developments to differ materially from those expressed in, reflected or contemplated in, or implied by, such forward-looking statements. As a result, investors should not rely on such forward-looking statements in making their investment decisions. No representation or warranty is made as to the achievement or reasonableness of, and no reliance should be placed on, such forward-looking statements.

Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this document. None of AIB Bank, the AIB Bank Board, AIB HoldCo or the AIB HoldCo Board assume any obligation to update or correct the information contained in this document, whether as a result of new information, future events or otherwise, except to the extent legally required.

The statements contained in this document are made as at the date of this document, unless some other time is specified in relation to them, and publication of this document shall not give rise to any implication that there has been no change in the facts set out in this document since such date. Nothing contained in this document shall be deemed to be a forecast, projection or estimate of the future financial performance of the AIB Group except where expressly stated.

## CONTENTS

	<i>PAGE</i>
Expected Timetable of Events .....	7
Questions and Answers.....	8
Action to be Taken.....	14
Part I - Letter from the Chairman of Allied Irish Banks, p.l.c. ....	17
Part II - Explanatory Statement.....	23
Part III - The Scheme of Arrangement.....	33
Part IV - Additional Information .....	40
Part V - Definitions.....	52
Part VI - Notice of Court Meeting .....	64
Part VII - Notice of Extraordinary General Meeting .....	66

## EXPECTED TIMETABLE OF EVENTS

AIB Bank Shareholders should take note of the dates and times set forth in the timetable below in connection with the Scheme. Each of the times and dates are subject to change without notice.

<i>Event</i>	<i>Time and Date</i> <sup>(1) (2)</sup>
Date of this document and approval of the Prospectus by the Central Bank of Ireland	10 October 2017
Latest time for lodging completed green Forms of Proxy for the Court Meeting	10:00 a.m. on 1 November 2017 <sup>(3)</sup>
Latest time for lodging completed purple Forms of Proxy for the Extraordinary General Meeting	10:15 a.m. on 1 November 2017
Voting record time for the Meetings	6:00 p.m. on 1 November 2017
<b>Court Meeting</b>	10:00 a.m. on 3 November 2017
<b>Extraordinary General Meeting</b>	10:15 a.m. on 3 November 2017 <sup>(4)</sup>
Court Hearing to sanction the Scheme and to confirm the related AIB Bank reduction of capital	6 December 2017
Last day of trading on the main markets of the Irish Stock Exchange and the London Stock Exchange in respect of, and for registration of transfers of, AIB Bank Shares	8 December 2017
<b>Scheme Effective Date</b>	8 December 2017 <sup>(5)</sup>
Scheme Record Time	6:00 p.m. on 8 December 2017
Cancellation of admission of AIB Bank Shares to trading on the main markets of the Irish Stock Exchange and the London Stock Exchange	8:00 a.m. on 11 December 2017
Admission and listing of AIB HoldCo Shares and commencement of dealings in AIB HoldCo Shares on the main markets of the Irish Stock Exchange and the London Stock Exchange	8:00 a.m. on 11 December 2017
Credit of AIB HoldCo Shares in uncertificated form to CREST accounts	11 December 2017
Court hearing to confirm AIB HoldCo Reduction of Capital	13 December 2017
AIB HoldCo Reduction of Capital becomes effective	14 December 2017
Despatch of share certificates in respect of AIB HoldCo Shares in certificated form	No later than 2 months after the Scheme Effective Date
Long Stop Date	30 March 2018 <sup>(6)</sup>

Notes:

- (1) The references above to the times of the Meetings are to Dublin time.
- (2) These dates and times are indicative only and will depend, amongst other things, on the date upon which the Court sanctions the Scheme. If either of the expected dates of the Court hearings to sanction the Scheme and to confirm the AIB HoldCo Reduction of Capital change, AIB Bank or (as the case may be) AIB HoldCo will give notice of this change by issuing an appropriate announcement.
- (3) A green Form of Proxy not so lodged may be handed to the Registrar at the venue of the Court Meeting or the Chairman at the Court Meeting before the taking of the poll.
- (4) Or as soon thereafter as the Court Meeting, convened for the same time and place, shall have concluded or been adjourned.
- (5) Or as soon thereafter as a certificate of registration of the Court Order, together with the minute approved by the Court in respect of the AIB Bank reduction of capital, is issued by the Registrar of Companies.
- (6) Unless the Scheme shall have become effective on or before 30 March 2018 or such later date, if any, as AIB Bank and AIB HoldCo may agree and the Court may allow, this Scheme shall never become effective.

## QUESTIONS AND ANSWERS

### 1. WHAT IS BEING PROPOSED?

It is proposed that pursuant to the Scheme a new company be introduced as the holding company of the AIB Group. The new company, AIB Group plc (“**AIB HoldCo**”), is a recently incorporated public company registered in Ireland. Allied Irish Banks, p.l.c. (“**AIB Bank**”), the existing principal operating company and holding company of the AIB Group, and its operating subsidiaries will continue as the principal trading entities of the AIB Group. AIB HoldCo will carry on the usual activities of a group holding company and will also become the primary issuer of external capital securities and debt securities, issued to meet minimum requirement for own funds and eligible liabilities (“**MREL**”) requirements (see Question 5 below) on behalf of the AIB Group.

After the Scheme takes effect, it is also proposed that distributable reserves be created at the level of AIB HoldCo by way of a Court approved reduction of capital of AIB HoldCo (the “**AIB HoldCo Reduction of Capital**”).

### 2. WHAT ARE THE REASONS FOR THE RESTRUCTURING PROPOSALS?

The Restructuring Proposals comprise two key elements: the Scheme (which, if it becomes effective, will enable Admission to take place) and the AIB HoldCo Reduction of Capital. The purpose of the Scheme is to give effect to a regulatory decision taken by AIB’s Resolution Authorities (as defined in the answer to Question 4 below) under the EU Bank Recovery and Resolution Directive (“**BRRD**”) with respect to the structure of the AIB Group. Specifically, AIB’s Resolution Authorities determined that the Preferred Resolution Strategy (“**PRS**”) for the AIB Group is a “Single Point of Entry” (“**SPE**”) via a holding company. Implementation of the PRS would require the introduction of a new AIB Group holding company, AIB HoldCo, to sit at the top of the AIB Group, directly above AIB Bank, and mean that any future bail-in of instruments held by external creditors would be expected to take place in the first instance at the level of that holding company. On 3 February 2017, AIB Bank announced that it had been notified of this decision by its Group Level Resolution Authority, the Single Resolution Board (“**SRB**”).

The purpose of the AIB HoldCo Reduction of Capital is to create distributable reserves at the level of AIB HoldCo given that, as a new company, it will not initially have any distributable reserves which are required for a company to, amongst other things, pay dividends to its shareholders or (without the issue of new shares for the purpose) to effect share repurchases.

The purpose of Admission is to allow for the admission to trading of the AIB HoldCo Shares on the main markets of the Irish Stock Exchange and the London Stock Exchange and their listings on the Official Lists of the Irish Stock Exchange and the FCA.

### 3. WHAT IS BANK RESOLUTION?

Bank resolution is the restructuring of a bank (including its group) which has failed, or is likely to fail, by a regulatory authority (referred to as a ‘resolution authority’) through the use of resolution tools to help stabilise the bank, ensure the continuity of its critical functions and restore it (or parts of it) to viability. A key objective of resolution is to mitigate the impact of a failing bank (or its group) on financial stability and minimise the use of taxpayers’ money in supporting failing banks or their groups. The BRRD (see the answer to Question 4 below) provides for a number of resolution tools and measures to be available to resolution authorities in respect of failing or failed banks or their groups, including the power to sell to or merge the bank’s or its group’s business with another bank, to set up a temporary bridge bank to operate critical functions, to separate good assets from bad assets, and a “bail-in” tool to impose losses on shareholders and creditors by means of a write-down of capital instruments and the conversion of unsecured debts into equity. Resolution of banks and their groups in the European Union is provided for under the BRRD as transposed into the laws of member states of the European Union (the BRRD was transposed into Irish law by the European Union (Bank Recovery and Resolution) Regulations 2015).



#### **4. WHAT IS THE BRRD?**

In the aftermath of the global financial crisis and the Eurozone banking crisis, there was a recognition by regulators that the pre-crisis regulatory framework was not capable of responding swiftly and robustly to a financial crisis. In response, a number of significant regulatory measures were introduced focused on the establishment of single centralised mechanisms for the supervision and restructuring of banks and their groups.

A central tenet of the post-crisis regulatory reform agenda was the BRRD, which establishes an EU framework dealing with pre-resolution and resolution mechanisms, tools and rules applicable to banks and certain investment firms and their groups. The BRRD is designed to provide the relevant resolution authorities and competent authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing bank or its group to ensure the continuity of its critical financial and economic functions, while minimising the impact of a bank's or its group's failure on the economy and financial system. The resolution authorities that determined the PRS for AIB are the SRB, as the Group Level Resolution Authority and the Bank of England, as the resolution authority for AIB Group (UK) p.l.c. ("AIB UK") (the "Resolution Authorities").

#### **5. WHAT IS MREL?**

In connection with the bail-in and other resolution tools under the BRRD, the BRRD requires banks (including through their holding companies) to issue securities which meet minimum requirement for own funds and eligible liabilities requirements. MREL is in effect a layer of bail-in-able debt which is intended to provide additional confidence that a bank has sufficient amounts of capital and liabilities that are capable of absorbing losses without recourse to public funds and in a manner that minimises the impact on financial stability. Under AIB's SPE resolution strategy with any future bail-in of instruments held by external creditors expected to take place in the first instance at the level of a new group holding company, AIB HoldCo would be the primary issuer of external MREL instruments on behalf of AIB. AIB's MREL requirements, on a group consolidated basis, are expected to be confirmed by way of a joint decision of the Resolution Authorities by the end of 2017 or early in 2018.

#### **6. WHAT IS AN SPE RESOLUTION STRATEGY AND WHY DID THE RESOLUTION AUTHORITIES DETERMINE THAT THIS IS APPROPRIATE FOR THE AIB GROUP?**

An SPE strategy via a holding company is a resolution strategy involving a holding company at the top of a banking group and with banking related financial services (such as deposit taking) being provided by regulated operating subsidiaries of that holding company. The holding company issues external equity and debt instruments that are structured to meet MREL requirements (see Question 5 above). If the banking group were subject to resolution measures, it is anticipated that, at least initially, these measures would be focused on shareholders and creditors at the holding company level thereby seeking to preserve the business of operating regulated subsidiaries such as those conducting a banking business. The Resolution Authorities have determined that an SPE strategy via a holding company is the PRS for the AIB Group. Implementation of the PRS would require the introduction of a new AIB Group holding company and mean that any future bail-in of instruments held by external creditors would be expected to take place in the first instance at the level of that holding company.

In reaching its decision, the Resolution Authorities determined that the current structure of the AIB Group, whereby AIB Bank acts as both AIB Group's holding company in addition to it being an authorised bank operating a banking business, presents a potential impediment to the speedy application of the bail-in and resolution tools available under the BRRD. A key consideration in the Resolution Authorities' assessment of the SPE resolution strategy for AIB Group is the ease and speed of effecting pre-resolution and resolution measures (including write-down of capital instruments and (as the case may be) bail-in debt instruments) in the event of regulatory intervention being deemed appropriate. From the perspective of the Resolution Authorities, taking such measures at the level of a new holding company (i.e. AIB HoldCo) could enable a speedier and simplified bail-in and resolution process with less risk of disruption to the financial system than if such measures were effected at the level of AIB Bank, which has significant operating activities, depositors and other creditors.

## **7. WHAT ARE THE BENEFITS OF THE RESTRUCTURING PROPOSALS?**

Establishing AIB HoldCo as the new group holding company will ensure that the AIB Group implements the PRS as determined by the Resolution Authorities and has available to it a platform for the issuance of capital and debt instruments that are expected to meet MREL requirements under the BRRD framework, and provides clarity to the market in relation to AIB's resolution strategy and the form of future MREL issuances.

The establishment of AIB HoldCo as the new holding company of AIB Group should also avoid or reduce the negative consequences referred to in Question 21 which may otherwise arise.

The AIB HoldCo Reduction of Capital, if approved, will create distributable reserves at AIB HoldCo level which will facilitate the future payment of dividends and other actions that are reliant upon the availability of distributable reserves. If such distributable reserves are not created in this manner, then AIB HoldCo (as a recently incorporated company, initially having no distributable reserves) would need to generate distributable reserves from realised profits earned by it after the Scheme Effective Date before it would be in a position to make distributions to AIB HoldCo Shareholders.

## **8. WILL THE RESTRUCTURING PROPOSALS HAVE AN IMPACT ON AIB GROUP'S REGULATORY CAPITAL POSITION?**

Under Regulation 575/2013 on prudential requirements for credit institutions and investment firms (the "CRR"), upon the establishment of AIB HoldCo as the new holding company of AIB, a portion of the regulatory capital instruments issued by an AIB subsidiary (including AIB Bank) to third party investors will not be recognised in full for AIB consolidated regulatory capital purposes. Upon the establishment of AIB HoldCo as the holding company of AIB Bank (the current principal operating company and holding company of the AIB Group), a portion of the regulatory capital reserves represented by the existing Additional Tier 1 ("AT1") and Tier 2 Capital instruments issued by AIB Bank will as a consequence not qualify as regulatory capital at consolidated AIB level.

Had a new holding company for the AIB Group been implemented as of 30 June 2017, it is estimated that the AIB's consolidated Tier 1 Capital Ratio (transitional basis) would reduce by approximately 0.4 per cent. and the consolidated Total Capital Ratio (transitional basis) would reduce by approximately 0.9 per cent., both of which are within capital planning capacity for the AIB Group. If, subject to regulatory approval at the relevant time, the principal existing non-equity capital instruments issued by AIB Bank were called at their first call dates, the impact of any reductions would be expected to be substantially eliminated by the end of December 2020. It should be noted that while the introduction of AIB HoldCo as a new holding company of AIB Group is expected to have a negative impact on the consolidated Tier 1 Capital and Total Capital positions of AIB, it is not expected to have an impact on the consolidated AIB CET1 capital position as, upon the Scheme becoming effective, all of AIB's external shareholders will be at the level of AIB HoldCo. See "*Part XVI: Unaudited Pro Forma Financial Information*" of the Prospectus for the unaudited pro forma financial information prepared to illustrate the effect (on both a transitional and fully loaded basis) of the Scheme as if it had become effective on 30 June 2017.

## **9. WHAT WILL I END UP WITH AFTER THE SCHEME COMES INTO EFFECT AND WILL MY RIGHTS AS A SHAREHOLDER BE AFFECTED?**

If the Scheme becomes effective, then instead of owning a given number of AIB Bank Shares, you will own an equal number of AIB HoldCo Shares, with no dilution or change in voting rights. If the Scheme becomes effective, then it is expected that the admission of the AIB Bank Shares to trading on each of the main markets of the Irish Stock Exchange and the London Stock Exchange will be cancelled and that the AIB HoldCo Shares will be admitted to trading on the main markets of the Irish Stock Exchange and the London Stock Exchange. Trading in the AIB HoldCo Shares is expected to commence on the main markets of the Irish Stock Exchange and the London Stock Exchange at 8:00 a.m. on 11 December 2017.

## **10. WILL THE RESTRUCTURING PROPOSALS INCREASE AIB GROUP'S COST BASE?**

The establishment of a new AIB Group holding company is not expected to have a material impact on AIB's business activities or on its operating costs.

## **11. HOW WILL THE RESTRUCTURING PROPOSALS AFFECT THE GOVERNANCE STRUCTURE OF AIB?**

AIB HoldCo has the same board of directors as AIB Bank. It is proposed that the existing standing board committees of AIB Bank will be replicated at AIB HoldCo level with the relevant board committees at both levels being composed of identical members. The directors of AIB Bank will not receive any additional compensation for membership of the board of AIB HoldCo or its board committees. It is also proposed that the remit of the responsibilities of certain senior executives employed by AIB Bank (including the Chief Executive Officer and the Chief Financial Officer) will be extended to AIB HoldCo.

## **12. WHY ARE TWO SHAREHOLDER MEETINGS REQUIRED?**

The two meetings, being the Court Meeting and the subsequent Extraordinary General Meeting, are being called for different purposes and will be held on 3 November 2017 at the same venue, one immediately after the other.

Under the Companies Act, a scheme of arrangement must be approved at a special meeting or meetings of shareholders convened by either the directors of the company or the Court for the specific purpose of approving the Scheme, which meeting is referred to in this document as the Court Meeting. The AIB Bank Shareholders who are entitled to attend and vote at the Court Meeting are described in this document as Scheme Shareholders or holders of Scheme Shares. The Scheme Shares are comprised of the Cancellation Shares and (if any) the Transfer Shares. AIB Bank does not intend to issue any AIB Bank Shares between the Cancellation Record Time and the Scheme Record Time and therefore, no Transfer Shares are expected to be in existence at or before the time the Scheme becomes effective. Accordingly, the AIB Bank Directors expect that the Scheme Shares will comprise Cancellation Shares only.

The Extraordinary General Meeting, which will be held immediately after the Court Meeting, is being called to authorise the AIB Bank Board to take such action as it considers necessary or appropriate to put the Scheme into effect, including to give effect to the related reduction of capital of AIB Bank under sections 84 to 86 of the Companies Act. It will also consider and, if thought fit, approve, an advisory and non-binding ordinary resolution to acknowledge, approve and confirm the AIB HoldCo Reduction of Capital. The implementation of the Scheme and the AIB HoldCo Reduction of Capital are each conditional upon confirmation by the Court. All AIB Bank Shareholders at the applicable record time are entitled to attend the Extraordinary General Meeting.

## **13. WHY DOES THIS DOCUMENT DISTINGUISH BETWEEN AIB BANK SHAREHOLDERS AND SCHEME SHAREHOLDERS?**

A scheme of arrangement is a formal procedure under the Companies Act. In proposing the Scheme, AIB Bank is required to clearly identify the AIB Bank Shares that will be subject to the Scheme (if approved) and also the AIB Bank Shareholders who are entitled to vote on the Scheme at the Court Meeting. In this document, the AIB Bank Shares that will be subject to the Scheme (if approved) are described as Scheme Shares (which in turn are comprised of Cancellation Shares and Transfer Shares) and the AIB Bank Shareholders who are entitled to vote on the Scheme at the Court Meeting are described as Scheme Shareholders.

For technical reasons under the Companies Act, AIB HoldCo has already acquired one AIB Bank Share (which is defined in this document as the "**Excluded Share**") and that AIB Bank Share is excluded from the operation of the Scheme. Accordingly, AIB HoldCo is not a Scheme Shareholder and it is not entitled to vote at the Court Meeting and, if the Scheme becomes effective, the Excluded Share will not be cancelled and AIB HoldCo will not be issued with a new AIB HoldCo Share in respect of the Excluded Share.

**14. WHAT IS A SCHEME OF ARRANGEMENT AND WHY IS AIB BANK USING THE SCHEME TO IMPLEMENT THE RESTRUCTURING PROPOSALS?**

A scheme of arrangement is a formal procedure under the Companies Act that is commonly used to carry out corporate reorganisations and is, in the view of the AIB Bank Board, the best way of achieving the proposed reorganisation of the AIB Group. The Scheme requires the approval of the Scheme Shareholders at the Court Meeting and approval of the Scheme Resolution by AIB Bank Shareholders at the Extraordinary General Meeting and the subsequent approval of the Court. If the relevant approvals are obtained, all AIB Bank Shareholders will be bound by the Scheme, regardless of whether or how they voted at the Meetings.

**15. DO I HAVE TO PAY ANYTHING UNDER THE SCHEME?**

No. The AIB HoldCo Shares arising as a result of the Scheme are being issued to Scheme Shareholders in return for the cancellation or transfer to AIB HoldCo of their existing AIB Bank Shares. No additional payment is required. In relation to taxes, see Question 24 below.

**16. DO I NEED TO VOTE?**

It is important that you vote at the Meetings, whether in person or by proxy. This applies both to the Court Meeting (for Scheme Shareholders) and the Extraordinary General Meeting (for AIB Bank Shareholders), so as to demonstrate to the Court that there is a fair representation of the opinion of AIB Bank Shareholders.

Scheme Shareholders or (as the case may be) AIB Bank Shareholders may appoint someone (known as a proxy) to act on his, her or its behalf, attend and vote at those Meetings. A proxy need not be an AIB Bank Shareholder but must attend the Meetings in order to vote on behalf of the relevant AIB Bank Shareholder.

**17. HOW ARE VOTES TAKEN?**

At the Court Meeting, voting will be by poll and not by a show of hands and each Scheme Shareholder present, either in person or by proxy, will be entitled to one vote for each Scheme Share held by that Scheme Shareholder. The approval required at the Court Meeting is a majority in number of those Scheme Shareholders, representing at least 75 per cent. in value of the Scheme Shares held by such holders at the Scheme Voting Record Time, present and voting either in person or by proxy.

At the Extraordinary General Meeting, voting will be by poll and not by a show of hands and each AIB Bank Shareholder present, either in person or by proxy, will be entitled to one vote for each AIB Bank Share held at the appropriate record time.

**18. HOW DO I APPOINT A PROXY?**

You may appoint your proxy by completing the green Form of Proxy (in relation to the Court Meeting) and the purple Form of Proxy (in relation to the Extraordinary General Meeting) and returning them (either physically or electronically) in accordance with the instructions set out on the relevant Form of Proxy.

**19. HOW CAN I VOTE?**

You can vote in person at the Meetings or you can complete, sign and return the Forms of Proxy. You can also vote online by going to [www.eproxyappointment.com](http://www.eproxyappointment.com).

**20. WHAT ACTION MUST BE TAKEN TO COMPLETE A FORM OF PROXY?**

Your attention is drawn to the information under the heading “Completing the Form of Proxy” in the section of this document entitled “Action to be taken”, commencing on page 14.

## **21. WHAT WILL HAPPEN TO AIB BANK IF THE SCHEME DOES NOT PROCEED?**

If the Scheme does not proceed, AIB Bank will remain the principal operating company and holding company of the AIB Group and the AIB Bank Shares will continue to be admitted to trading on the main markets of the Irish Stock Exchange and the London Stock Exchange. In this scenario, AIB will be unable to implement the Resolution Authorities' PRS for the AIB Group. This could have significant regulatory and financial consequences, including:

- an inability of AIB to meet MREL requirements applicable under the BRRD framework in a manner set out by the Resolution Authorities;
- the adoption by the Resolution Authorities of a different resolution strategy for AIB that could have adverse (including financial) consequences for AIB;
- the potential exercise by AIB's regulatory authorities of other regulatory powers (including the setting of capital requirements) which may have adverse (including financial) consequences for the AIB Group; and
- enforcement actions against AIB by the regulatory and/or resolution authorities.

## **22. WHAT DO I DO WITH MY OLD SHARE CERTIFICATES?**

When the Scheme becomes effective, your Scheme Share certificates will cease to be valid and binding in respect of such holdings and should be destroyed.

## **23. WHEN WILL I RECEIVE MY AIB HOLDCO SHARE CERTIFICATE**

Share certificates for AIB HoldCo Shares held in certificated form will be despatched to you by no later than the date that is two months after the Scheme Effective Date.

## **24. WILL I HAVE TO PAY ANY TAX AS A RESULT OF THE SCHEME?**

Your attention is drawn to paragraph 2 of Part IV of this document for a summary of certain Irish, United Kingdom and U.S. federal income taxation considerations. That summary is intended as a general guide only and if you are in any doubt about your tax position, you should consult a professional adviser.

## **25. WILL I BE ABLE TO TRADE MY AIB BANK SHARES WHILE THE RESTRUCTURING PROPOSALS ARE BEING CONSIDERED?**

Yes, you will be able to trade your AIB Bank Shares. The last day of trading in AIB Bank Shares on the main markets of the Irish Stock Exchange and the London Stock Exchange is expected to be 8 December 2017. The last time for registration of transfers of AIB Bank Shares is expected to be 6.00 p.m. on 8 December 2017. Trading in AIB HoldCo Shares is expected to commence at 8:00 a.m. on 11 December 2017.

## **26. WHAT IF I STILL HAVE QUESTIONS?**

If you have read this document and still have questions, please call the shareholder helpline on (01) 247 5411 or (if calling from outside Ireland) +353 1 247 5411.

For legal reasons this helpline will be able to provide practical information only and will not provide advice on the merits of any of the Restructuring Proposals or give any financial, legal or taxation advice. For financial, legal or taxation advice, you will need to consult an independent financial or legal adviser.

## **ACTION TO BE TAKEN**

**For the reasons set out in this document, the Board of AIB Bank unanimously considers the Scheme and its terms, as described in this document, to be fair and reasonable. The Board of AIB Bank unanimously recommends that Scheme Shareholders vote in favour of the Scheme at the Court Meeting and that AIB Bank Shareholders vote in favour of the Resolutions at the Extraordinary General Meeting, as the members of the AIB Bank Board intend to do so in respect of their own shareholdings, and that you take the action described below.**

AIB Bank Shareholders should read this document as a whole and in conjunction with the accompanying Forms of Proxy for the Meetings.

### **Voting at the Court Meeting and the Extraordinary General Meeting**

The Scheme will require approval at the meeting of Scheme Shareholders convened by order of the Court to be held at 10:00 a.m. at the Ballsbridge Hotel, Pembroke Road, Dublin 4, Ireland on 3 November 2017. Implementation of the Scheme also requires approval of the Scheme Resolution by AIB Bank Shareholders at the Extraordinary General Meeting to be held at the same venue at 10:15 a.m. on 3 November 2017 (or as soon thereafter as the Court Meeting has concluded or been adjourned). Notices of the Meetings are set out in Parts VI and VII of this document.

Please check you have received the following with this document:

- a green Form of Proxy for use in respect of the Court Meeting on 3 November 2017; and
- a purple Form of Proxy for use in respect of the Extraordinary General Meeting on 3 November 2017.

If you have not received all of these documents, please contact the Registrars at (01) 247 5411 or (if calling from outside Ireland) +353 1 247 5411.

It is important that, for the Court Meeting in particular, as many votes as possible are cast so that the Court may be satisfied that there is a fair representation of the opinions of Scheme Shareholders. You are therefore strongly urged, in the event that you do not propose to attend the Meetings in person, to complete, sign and return your Forms of Proxy as soon as possible.

If you wish to attend in person, detach and retain the Attendance Cards (attached to the Forms of Proxy) for attendance at the Meetings.

If you wish to appoint a representative to attend and vote on your behalf, or if you wish simply to direct how your vote be cast, you should follow the following procedures.

### **Completing the Form of Proxy**

You should complete the enclosed green Form of Proxy (for the Court Meeting) and the purple Form of Proxy (for the Extraordinary General Meeting) in accordance with the instructions on the form, and, where indicated:

- insert the name and address of the person you wish to nominate (if you wish your representative to attend and vote on your behalf); or
- retain the reference to the Chairman of the Meeting (if you wish the Chairman to cast your vote, as you may direct).

Forms of Proxy should be sent by post to Registrars, Computershare Investor Services (Ireland) Limited, P.O. Box 954, Sandyford, Dublin 18, Ireland or (during normal business hours) by hand to the Registrars, Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, so as to be received by the following times and dates:

- green Forms of Proxy for use in respect of the Court Meeting by 10:00 a.m. on 1 November 2017; and
- purple Forms of Proxy for use in respect of the Extraordinary General Meeting by 10:15 a.m. on 1 November 2017,

or, in the case of an adjourned Meeting, no later than 48 hours prior to the time and date set for the adjourned Meeting or, in the case of a poll taken otherwise than at or on the same day as the Meeting or adjourned Meeting, no later than 48 hours before the taking of the poll at which it is to be used. This will enable your votes to be counted at the Meetings in the event of your absence. If the green Form of Proxy relating to the Court Meeting is not returned so as to be received by the time mentioned above for return of Forms of Proxy relating to the Court Meeting, it may be handed to the Registrar at the venue of the Court Meeting or to the Chairman at the Court Meeting before the taking of the poll. However, in the case of the Extraordinary General Meeting, if the purple Form of Proxy is not lodged so as to be received by the time mentioned above for return of the Forms of Proxy relating to the Extraordinary General Meeting, it will be invalid.

Detach and retain the Attendance Cards (attached to the Forms of Proxy) for attendance at the Meetings. If you would like to submit your proxy via the Internet, you may do so by utilising the Registrars' online proxy appointment service at [www.eproxyappointment.com](http://www.eproxyappointment.com) and following the instructions thereon. To be valid, a Form of Proxy for the Court Meeting submitted via the Internet must be received by no later than 10:00 a.m. on 1 November 2017 or, if the Court Meeting is adjourned, no later than 48 hours before the time fixed for the holding of the adjourned Court Meeting or (in the case of a poll taken otherwise than at or on the same day as the Court Meeting or adjourned Court Meeting) no later than 48 hours before the taking of the poll at which it is to be used.

Detach and retain the Attendance Cards (attached to the Forms of Proxy) for attendance at the Meetings.

### **Voting through CREST**

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meetings and any adjournment(s) thereof by using 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. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST Proxy Instruction must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must, in order to be valid, be transmitted so as to be received by Computershare under participant ID 3RA50 at least 48 hours before the relevant 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, further details of which are contained in the CREST Manual) from which Computershare is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear 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 or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this regard, 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. AIB Bank may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the CREST Regulations.

### **Joint holders**

In the case of joint holders of AIB Bank Shares, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose, seniority will be determined by the order in which the names stand in the register of members of AIB Bank in respect of the joint holding.

### **Procedure at the Meetings**

The Court Meeting and Extraordinary General Meeting will be held at the Ballsbridge Hotel, Pembroke Road, Dublin 4, Ireland on 3 November 2017, commencing from 10:00 a.m.. You may attend and vote at the Meetings in person or by appointing a representative to attend by completing the Forms of Proxy in accordance with the procedures set out above. You or your representative will be required to register attendance with Computershare upon arrival. The completion and return of a Form of Proxy either for the Court Meeting or for the Extraordinary General Meeting will not prevent you from attending, speaking, asking questions and voting at either Meeting (or any adjournment thereof) in person if you wish to do so.

### **Overseas Shareholders**

The implications of the Scheme for Overseas Shareholders may be affected by the laws of the relevant overseas jurisdictions. Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of each Overseas Shareholder to satisfy himself or herself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction. Your attention is drawn to paragraph 15 of Part II of this document.



**PART I**  
**LETTER FROM THE CHAIRMAN OF ALLIED IRISH BANKS, P.L.C.**

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

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

*Directors:*

Simon Ball – *Non-Executive Director*  
Mark Bourke – *Chief Financial Officer*  
Bernard Byrne – *Chief Executive Officer*  
Thomas (Tom) Foley – *Non-Executive Director*  
Peter Hagan – *Non-Executive Director*  
Carolann Lennon – *Non-Executive Director*  
Brendan McDonagh – *Non-Executive Director*  
Helen Normoyle – *Non-Executive Director*  
James (Jim) O’Hara – *Non-Executive Director*  
Richard Pym – *Non-Executive Chairman*  
Dr Michael Somers – *Deputy Chairman*  
Catherine Woods – *Senior Independent Non-Executive Director*

*Registered Office:*

Bankcentre  
Ballsbridge  
Dublin 4

10 October 2017

Dear Shareholder

**RECOMMENDED RESTRUCTURING PROPOSALS TO ESTABLISH A NEW IRISH-  
INCORPORATED HOLDING COMPANY OF THE AIB GROUP BY MEANS OF A SCHEME  
OF ARRANGEMENT UNDER CHAPTER 1 OF PART 9 OF THE COMPANIES ACT 2014 OF  
IRELAND AND RELATED MATTERS**

**1. Introduction**

On 3 February 2017, Allied Irish Banks, p.l.c. (“**AIB Bank**”) announced that it had been notified by the Single Resolution Board that the preferred resolution strategy for the AIB Group consists of a single point of entry via a holding company. Implementation of the preferred resolution strategy would require the introduction of a new AIB Group holding company. The new company, AIB Group plc (“**AIB HoldCo**”), is a recently incorporated company registered in Ireland. It is intended that this new corporate structure will be implemented by means of a scheme of arrangement under Chapter 1 of Part 9 of the Companies Act (and a related reduction of capital of AIB Bank) (the “**Scheme**”). A subsequent reduction of capital of AIB HoldCo, which is expected to be concluded shortly after the Scheme has become effective, will, if approved by the Court, be used to create distributable reserves in AIB HoldCo.

We have prepared some summary information relating to the Scheme and its effects on pages 8 to 13 under the heading “Questions and Answers” to help you understand what is involved. You should nevertheless read the whole of this document and not rely solely on that “Questions and Answers” section.

The purpose of this letter is to explain why the AIB Bank Board considers the Scheme and its terms to be fair and reasonable and in the best interests of AIB Bank Shareholders as a whole. Your AIB Bank Board is unanimously recommending that you vote in favour of the Scheme at the Court Meeting and the Resolutions at the Extraordinary General Meeting.

**A summary of the action recommended to be taken is set out on pages 14 to 16 of this document and on the Forms of Proxy accompanying this document.**

## 2. Background to, reasons for and benefits of the Scheme and the Restructuring Proposals

AIB Bank has been engaging with the Resolution Authorities in relation to the preferred resolution strategy (“**PRS**”) for AIB Bank under the BRRD framework.

On 3 February 2017, AIB Bank announced that it had been notified by the SRB that the Resolution Authorities’ PRS for the AIB Group consists of a single point of entry via a holding company. Implementation of the PRS would require the introduction of a new AIB Group holding company and mean that any future bail-in of instruments held by external creditors would be expected to take place in the first instance at the level of that holding company.

Further information in relation to the BRRD and related requirements – including MREL, a single point of entry (“**SPE**”) resolution strategy and the reasons why the Resolution Authorities determined that an SPE resolution strategy via a holding company is the PRS for the AIB Group – is set out in the “Questions and Answers” section at the start of this document.

Accordingly, in order to comply with the Resolution Authorities’ requirements under the BRRD framework and ensure that AIB is in a position to issue instruments that meet MREL requirements, AIB Bank is proposing to undertake a group reorganisation which will involve the establishment of a new group holding company (AIB HoldCo) directly above AIB Bank. AIB HoldCo will carry on the usual activities of a holding company (including the overall stewardship and governance of the AIB Group) and will also become the primary issuer of AIB’s external MREL-eligible capital and debt instruments. AIB has received the necessary permissions from its financial service regulatory supervisors to establish AIB HoldCo where such permissions are required in advance of implementation. Any post-establishment notifications required to be made to such supervisors will be made by the relevant AIB Group member within the permitted periods.

Subject to the Scheme becoming effective, the Scheme Shares will be cancelled or (as the case may be) transferred to AIB HoldCo and the Scheme Shareholders at the Scheme Record Time will receive one AIB HoldCo Share for each Scheme Share cancelled or (as the case may be) transferred to AIB HoldCo under the Scheme. Application will be made to the Irish Stock Exchange and the London Stock Exchange for the AIB HoldCo Shares to be admitted to trading on the Irish Stock Exchange’s and the London Stock Exchange’s main markets for listed securities and dealings are expected to commence on 11 December 2017. The admission of the AIB Bank Shares to trading on the Irish Stock Exchange’s and the London Stock Exchange’s main markets for listed securities is expected to be cancelled immediately prior to Admission.

Following the implementation of the Scheme, AIB HoldCo will be the new holding company for the AIB Group. In that event, AIB’s principal activity will continue to be the provision of financial services in Ireland and the United Kingdom and AIB’s strategy will continue to be centred around its four key pillars: Customer First, Simple and Efficient, Risk and Capital Management, and Talent and Culture.

The proposed AIB HoldCo Reduction of Capital is related to, but is not a condition of, the Scheme. Under Irish company law, distributable reserves are required in order to, for example, pay dividends and to (without the issue of new shares for the purpose) effect share repurchases. If approved, the AIB HoldCo Reduction of Capital will have the effect of creating distributable reserves at AIB HoldCo level. If such reserves are not created in this manner, then AIB HoldCo (as a recently incorporated company, initially having no distributable reserves) would need to generate distributable reserves from realised profits earned by it after the Scheme Effective Date before it would be in a position to pay dividends to AIB HoldCo Shareholders or to effect share repurchases (in the case of the latter, without the issue of new shares for that purpose). The AIB Bank Board believes that having a sufficient pool of distributable reserves at the level of AIB HoldCo will provide greater flexibility, and strengthen investor confidence, in terms of any future actions that are reliant upon the availability of distributable reserves, including future dividend payments to the AIB HoldCo Shareholders or share repurchases, as and when conditions permit, and distributions on any AT1 instruments that AIB HoldCo may issue in the future.

### **3. Benefits of the Restructuring Proposals**

The Restructuring Proposals comprise two key elements: the Scheme (which, if it becomes effective, will enable Admission to take place) and the AIB HoldCo Reduction of Capital.

The AIB Bank Board believes that the implementation of the Scheme will have the following benefits:

- (a) it will enable AIB Bank to give effect to the decision of the Resolution Authorities under the BRRD as to the PRS for the AIB Group;
- (b) the establishment of AIB HoldCo will enhance AIB's ability to meet future MREL requirements; and
- (c) provide clarity to the market in relation to AIB's resolution strategy and the expected structural form of AIB's future MREL-eligible issuances.

If approved, the AIB HoldCo Reduction of Capital will have the effect of creating distributable reserves at AIB HoldCo level. Under Irish company law, distributable reserves are required in order to pay dividends and effect share repurchases (in the case of the latter, without the issue of new shares for that purpose) and therefore the AIB HoldCo Reduction of Capital will provide greater investor confidence in relation to the ability of AIB HoldCo to pay dividends, as and when conditions permit, and take other actions that require distributable reserves.

### **4. Effects of the Scheme**

The effects of the implementation of the Scheme will be as follows:

- (a) instead of having its ordinary share capital owned by the AIB Bank Shareholders, AIB Bank will become a wholly-owned subsidiary of AIB HoldCo, with its entire issued share capital owned by AIB HoldCo;
- (b) instead of owning a given number of AIB Bank Shares, Scheme Shareholders will own an equal number of AIB HoldCo Shares; and
- (c) AIB HoldCo will become the new holding company of the AIB Group.

Immediately following the Scheme becoming effective, AIB HoldCo will not own any material assets other than the issued ordinary share capital of AIB Bank.

### **5. Other impacts of the Scheme**

#### ***Cancellation of trading from the main markets of the Irish Stock Exchange and the London Stock Exchange***

If the Scheme proceeds as currently envisaged, it is expected that the last day of trading in the AIB Bank Shares on the main markets of the Irish Stock Exchange and the London Stock Exchange will be 8 December 2017 and that the admission to trading of the AIB Bank Shares on the main markets and their listing on the primary listing segment of the Official List of the Irish Stock Exchange and the premium listing segment of the Official List of the FCA will be cancelled at 8:00 a.m. on 11 December 2017.

Applications will be made (i) to the Irish Stock Exchange and to the FCA, for all of the AIB HoldCo Shares to be admitted to listing on the primary listing segment of the Official List of the Irish Stock Exchange and the premium listing segment of the Official List of the FCA; and (ii) to the Irish Stock Exchange and the London Stock Exchange for all of the AIB HoldCo Shares to be admitted to trading on the Irish Stock Exchange's main securities market and the London Stock Exchange's main market for listed securities.

Admission is expected to become effective, and trading in AIB HoldCo Shares is expected to commence, on the main markets of the Irish Stock Exchange and the London Stock Exchange, at 8:00 a.m. on 11 December 2017.

These dates may be deferred if it is necessary to adjourn any meeting required to approve the arrangements described in this document or if there is any delay in obtaining the Court's sanction of the Scheme. In the event of a delay, the applications for cancellation of trading from the main markets of the Irish Stock Exchange and the London Stock Exchange of the AIB Bank Shares will be deferred, so that the admission to trading will not be cancelled until immediately before Admission occurs.

With effect from (and including) the Scheme Effective Time, all share certificates representing the Scheme Shares will cease to be valid and binding in respect of such holdings and should be destroyed.

### ***Board of directors***

AIB HoldCo has the same board of directors as AIB Bank. From the Scheme Effective Time, AIB HoldCo will have the same standing board committees as AIB Bank. All directors of AIB HoldCo have been appointed on the basis that, with effect from the Scheme Effective Time, the terms of their appointment will be substantially the same as those that are currently in place with respect to their appointments to the AIB Bank Board. No additional remuneration will be paid to the directors of AIB Bank in respect of their appointment to the AIB HoldCo Board. With effect from the Scheme Effective Time, certain of the senior executives who are employed by AIB Bank (including the Chief Executive Officer and Chief Financial Officer) will perform senior executive functions in respect of AIB HoldCo.

### ***Changes to the rights and obligations of shareholders under the AIB HoldCo Memorandum and Articles***

From the Scheme Effective Time, Scheme Shareholders will no longer hold AIB Bank Shares and will no longer be subject to the AIB Bank Memorandum and Articles. Instead, they will become AIB HoldCo Shareholders and will be subject to the AIB HoldCo Memorandum and Articles. An AIB HoldCo Shareholder will have the same voting rights and the same proportionate interest in the profits, net assets and dividends of the AIB Group as he or she currently has as an AIB Bank Shareholder. The AIB HoldCo Memorandum and Articles will mirror substantially the AIB Bank Memorandum and Articles. The principal differences between the AIB HoldCo Memorandum and Articles and the AIB Bank Memorandum and Articles are described at paragraph 9 of Part II of this document.

### ***AIB's relationship with the Irish Government***

The governance and operations of AIB are subject to operational and behavioural restrictions arising from AIB's relationship with the Irish Government. The sources of these restrictions are contractual deriving from the State's majority shareholding in AIB Bank, as well as statutory and regulatory requirements.

The relationship between AIB and the Minister for Finance was governed by the 2012 Relationship Framework until AIB Bank Admission whereupon it was amended and restated by the AIB Bank Relationship Framework. The Minister for Finance has specified the AIB HoldCo Relationship Framework, in substitution for the AIB Bank Relationship Framework. The AIB HoldCo Relationship Framework will become effective at the Scheme Effective Time, at which time the AIB Bank Relationship Framework will terminate.

Furthermore, pursuant to a deed of covenant entered into on 10 October 2017 between AIB HoldCo, AIB Bank and the Minister for Finance (the "**Deed of Covenant**"), AIB HoldCo has undertaken, with effect from the date of the Deed of Covenant, to comply with contractual governance obligations currently applicable to AIB Bank under the 2010 Placing Agreement, the 2011 Placing Agreement and the Minister's Letter. The obligations repeat existing obligations in respect of AIB Bank contained in the 2010 Placing Agreement, 2011 Placing Agreement and the Minister's Letter and relate to: (a) restrictions on reduction of reserves; (b) restrictions on director and senior executive/employee remuneration and termination payments; (c) assisting in the placing, offer to the public or admission to trading of AIB HoldCo Shares owned by the Minister for Finance; and (d) rights to obtain information. The Deed of

Covenant also requires AIB HoldCo and AIB Bank to comply with the AIB HoldCo Relationship Framework and for AIB HoldCo to enter into a registration rights agreement with the Minister for Finance on terms not inconsistent with the AIB Bank Registration Rights Agreement in circumstances where the AIB HoldCo Shares are listed on a stock exchange that has registered with the US Securities and Exchange Commission. The Deed of Covenant requires AIB to obtain the consent of the Minister for Finance to amend the terms of the Scheme or the Resolutions (save for technical amendments which are required for the proper implementation of the Scheme and which do not have a substantive consequence on the terms or implementation of the Scheme). The Deed of Covenant will terminate if the Scheme has not become effective by 30 March 2018 or such later date, if any, agreed by AIB Bank and AIB HoldCo and the Court may allow.

Subject to, and conditional on, the Scheme becoming effective, the AIB Bank Warrant Instrument entered into by AIB Bank will be replaced by a new warrant instrument (the “**AIB HoldCo Warrant Instrument**”) pursuant to which the Minister for Finance will be issued warrants to subscribe for AIB HoldCo Shares (the “**AIB HoldCo Warrants**”). The AIB HoldCo Warrants will be issued on the same terms and conditions as the AIB Bank Warrants (including as concerns any adjustments, required in connection with such replacement under the AIB Bank Warrant Instrument, to the exercise price and/or the number of AIB HoldCo Shares to be issued per AIB HoldCo Warrant, if exercised) and the AIB Bank Warrants will be cancelled.

In addition to these contractual rights, the Irish Government also has certain statutory powers under the NAMA Act, the CIFS Scheme and the ELG Scheme. If AIB HoldCo becomes the new holding company of AIB under the Scheme, AIB HoldCo will not be a NAMA Participating Institution, an AIB CIFS Covered Institution, or an AIB ELG Participating Institution, meaning that AIB HoldCo will not itself be subject to the NAMA Programme, the CIFS Scheme or the ELG Scheme. However, in that event, AIB Bank will continue to be a NAMA Participating Institution, an AIB CIFS Covered Institution and an AIB ELG Participating Institution for the purposes of the NAMA Programme, CIFS Scheme and the ELG Scheme, respectively. As such, the NAMA Programme will in that event apply to AIB Bank and its subsidiaries, and the CIFS Scheme and ELG Scheme apply to the AIB CIFS Covered Institutions and the AIB ELG Covered Institutions, and their respective subsidiaries. For this reason, following AIB HoldCo becoming the holding company of AIB, the NAMA Programme, the CIFS Scheme and the ELG Scheme will, in all material respects, continue to apply to AIB in the same way that they do currently.

### ***Irish Takeover Rules***

The Irish Takeover Panel has, pursuant to its powers under the Irish Takeover Panel Act, provided a derogation from the application of the Irish Takeover Rules to the Scheme.

### ***Regulatory capital***

The establishment of AIB HoldCo as the holding company of AIB, if the Scheme becomes effective, will reduce AIB’s consolidated Tier 1 Capital Ratio and consolidated Total Capital Ratio due to technical requirements under the CRR, but these are within AIB’s capital planning capacity and are not expected to have any material impact on AIB’s ability to continue to meet its regulatory capital requirements. This point is considered in more detail at Question 8 of the “Questions and Answers” section.

## **6. The Prospectus**

The Prospectus, prepared in accordance with Chapter 1 of Part 23 of the Companies Act 2014, as amended, Part 5 of the Irish Prospectus Regulations and Commission Regulation (EC) No. 809/2004, as amended, will be made available to the public in accordance with Part 8 of the Irish Prospectus Regulations in electronic form on AIB’s website [www.aib.ie/investorrelations](http://www.aib.ie/investorrelations) on or around the date of this document. A copy of the Prospectus will also be available, free of charge, until Admission at AIB HoldCo’s registered office at Bankcentre, Ballsbridge, Dublin 4, Ireland and at the AIB Group’s UK office at St. Helen’s, 1 Undershaft, London, EC3A 8AB.

## 7. Taxation

Your attention is drawn to paragraph 2 of Part IV of this document for a summary of certain Irish, United Kingdom and U.S. federal income taxation considerations. If you are in any doubt as to your taxation position, or if you are subject to taxation in any jurisdiction other than Ireland, the United Kingdom or the United States, you are strongly recommended to consult your independent financial or tax adviser immediately.

## 8. Overseas Shareholders

Overseas Shareholders should refer to paragraph 15 of Part II of this document, which contains important information relevant to such holders.

## 9. Action to be taken

The Scheme is conditional upon a number of matters, which are set out in full in the Explanatory Statement at Part II of this document, including approval by the Scheme Shareholders of the Scheme at the Court Meeting and by AIB Bank Shareholders of the Scheme Resolution at the Extraordinary General Meeting. Further details of the Extraordinary General Meeting and the Court Meeting are contained in Part II of this document. Your attention is also drawn to the section of this document entitled “Action to be taken” commencing on page 14.

Notices of the Extraordinary General Meeting and the Court Meeting are set out in Parts VI and VII of this document. **In order that the Court can be satisfied that the votes cast fairly represent the opinions of Scheme Shareholders, it is important that as many votes as possible are cast at the Court Meeting. Scheme Shareholders are therefore urged to attend the Court Meeting in person or by proxy. Separate Forms of Proxy for use at the Extraordinary General Meeting and the Court Meeting are enclosed.**

## 10. Importance of the Scheme

The Scheme forms part of necessary steps which AIB Bank proposes to take in order to give effect to a decision, in respect of the resolution strategy for AIB, of the Resolution Authorities for the purposes of the BRRD and related EU bank resolution measures. If the Scheme does not proceed, there could be significant regulatory consequences, including the adoption by the Resolution Authorities of a different resolution strategy for AIB and AIB’s inability to meet MREL requirements in a manner set out by the Resolution Authorities, which may in turn have adverse financial or other consequences for AIB.

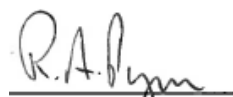
## 11. Recommendation

The AIB Bank Board considers the Scheme and its terms to be fair and reasonable and in the best interests of AIB Bank Shareholders as a whole.

**The AIB Bank Board unanimously recommends that Scheme Shareholders vote in favour of the Scheme at the Court Meeting and that AIB Bank Shareholders vote in favour of the Resolutions at the Extraordinary General Meeting, as the members of the AIB Bank Board intend to do in respect of their own shareholdings.**

**The Board urges you to complete, sign and return the enclosed Forms of Proxy as soon as possible and, in any event, no later than the relevant time on 1 November 2017. Please note you may vote online at [www.eproxyappointment.com](http://www.eproxyappointment.com).**

Yours faithfully



**Richard Pym**

Chairman

## **PART II**

### **EXPLANATORY STATEMENT**

*(in compliance with section 452 of the Companies Act)*

#### **1. Introduction**

On 3 February 2017, AIB Bank announced that it had been notified by the Single Resolution Board that the PRS for the AIB Group consists of a single point of entry via a holding company. Implementation of the PRS would require the introduction of a new AIB Group holding company. The new company, AIB HoldCo, is a company recently incorporated and registered in Ireland. It is intended that this new corporate structure will be implemented by means of a scheme of arrangement under Chapter 1 of Part 9 of the Companies Act (and a related reduction of capital of AIB Bank required to cancel the Cancellation Shares) (the “**Scheme**”), and that a subsequent reduction of company capital of AIB HoldCo will be used to create distributable reserves in AIB HoldCo.

The purpose of the Scheme is to give effect to the decision of the Resolution Authorities requiring the establishment of a new holding company, AIB HoldCo, to sit at the top of the AIB Group, directly above AIB Bank. A key consideration in the Resolution Authorities’ decision is the ease and speed of effecting pre-resolution and resolution measures (including any potential bail-in) in the event of regulatory intervention being deemed appropriate.

The Scheme will require approval by the Scheme Shareholders at the Court Meeting and the approval of the Court. If these approvals are obtained, if all other conditions to the Scheme are satisfied (including approval by AIB Bank Shareholders of the Scheme Resolution at the Extraordinary General Meeting) and the Scheme becomes effective, AIB HoldCo will become the new holding company of the AIB Group and own the entire issued share capital of AIB Bank.

Your attention is drawn to the letter from the Chairman of the Board of AIB Bank set out in Part I of this document, which forms part of this Explanatory Statement. That letter sets out the benefits of the Scheme and a recommendation from the AIB Bank Board to vote in favour of the Scheme and confirmation that the AIB Bank Board believes that its terms are fair and reasonable. The AIB Bank Board unanimously recommends that Scheme Shareholders vote in favour of the Scheme at the Court Meeting and that AIB Bank Shareholders vote in favour of the Resolutions at the Extraordinary General Meeting.

#### **2. Background to, reasons for and benefits of the Scheme and the Restructuring Proposals**

The background to, reasons for and benefits of the Scheme and the Restructuring Proposals are described in Part I of this document.

#### **3. Effects of the Scheme**

The effects of the Scheme are described in paragraphs 4 and 5 of Part I of this document.

#### **4. Summary of the Scheme**

The Scheme is to be effected by way of a scheme of arrangement between AIB Bank and the Scheme Shareholders under Chapter 1 of Part 9 of the Companies Act and a related reduction of capital of AIB Bank. The Scheme is set out in full in Part III of this document.

The Scheme will require approval by Scheme Shareholders at the Court Meeting and the sanction of the Court at the Court Hearing. In addition, in order for AIB Bank to give effect to the Scheme, AIB Bank Shareholders will need to approve the Scheme Resolution at the Extraordinary General Meeting.

The principal steps involved in the Scheme are as follows:

#### 4.1 Cancellation/transfer of Scheme Shares

The Scheme Shares are comprised of the Cancellation Shares and (if any) the Transfer Shares. Under the Scheme, all the Cancellation Shares will be cancelled, and any Transfer Shares will be transferred to AIB HoldCo, on the Scheme Effective Date (which is expected to be on 8 December 2017). AIB Bank does not intend to issue any AIB Bank Shares between the Cancellation Record Time and the Scheme Record Time and therefore, no Transfer Shares are expected to be in existence at or before the time the Scheme becomes effective. Accordingly, the AIB Bank Directors expect that the Scheme Shares will comprise Cancellation Shares only.

In consideration of the cancellation or (as the case may be) transfer to AIB HoldCo of the Scheme Shares, the Scheme Shareholders will receive, in respect of any Scheme Shares held as at the Scheme Record Time:

**one AIB HoldCo Share for every Scheme Share cancelled or (as the case may be) transferred.**

With effect from the Scheme Effective Time, the rights attaching to the AIB HoldCo Shares will be the same as those attaching to AIB Bank Shares (except as described at paragraph 9 below).

#### 4.2 Establishing AIB HoldCo as the new holding company of AIB

The cancellation or (as the case may be) transfer to AIB HoldCo of the Scheme Shares will be followed forthwith with the issue of AIB HoldCo Shares to Scheme Shareholders (in consideration for the cancellation or (as the case may be) transfer of their Scheme Shares) which will result in AIB HoldCo becoming the holding company of AIB Group. This process is explained in further detail below.

### 5. Conditions to the Scheme

The implementation of the Scheme is conditional upon the satisfaction of certain conditions, namely:

- the Scheme being approved by a majority in number of the Scheme Shareholders, representing at least 75 per cent. in value of the Scheme Shares held by such holders at the Scheme Voting Record Time, present and voting, either in person or by proxy, at the Court Meeting (or at any adjournment of such Meeting);
- the Scheme Resolution being approved by at least 75 per cent. of the votes cast by AIB Bank Shareholders (in person or by proxy) at the Extraordinary General Meeting (or at any adjournment of such Meeting);
- the sanction by the Court (with or without modification) of the Scheme pursuant to section 453 of the Companies Act and the confirmation by the Court of the related AIB Bank reduction of capital;
- copies of the Court Order and the minute required by section 86 of the Companies Act in respect of the AIB Bank reduction of capital being delivered for registration to the Registrar of Companies and being registered by the Registrar;
- all regulatory approvals necessary to implement the Scheme having been obtained; and
- the Irish Stock Exchange, the UK Listing Authority and the London Stock Exchange having acknowledged to AIB Bank or its agent (and such acknowledgements not having been withdrawn) that the applications for the admission of the AIB HoldCo Shares have been approved and (after satisfaction of any conditions to which such approvals are expressed to be subject) will become effective as soon as dealing notices have been issued by the Irish Stock Exchange, the UK Listing Authority and the London Stock Exchange acknowledging to AIB HoldCo or its agent (and such



acknowledgements not having been withdrawn) that the AIB HoldCo Shares will be admitted to (i) listing on the Official Lists; and (ii) trading on the Irish Stock Exchange's and the London Stock Exchange's main markets for listed securities.

The AIB Bank Board will not take the necessary steps to implement the Scheme unless the above conditions have been satisfied (or waived) and, at the relevant time, they consider that it continues to be in AIB Bank's best interests and that of AIB Bank Shareholders that the Scheme should be implemented.

## **6. The Court Meeting and the Extraordinary General Meeting**

The Court Meeting is being held at the direction of the Court to seek the approval by Scheme Shareholders of the Scheme. The Extraordinary General Meeting is being convened to seek the approval by AIB Bank Shareholders of elements of the Scheme and various matters in connection with the Scheme pursuant to the Scheme Resolution and of the Distributable Reserves Resolution.

Whether or not a Scheme Shareholder votes in favour of the Scheme at the Court Meeting and/or an AIB Bank Shareholder votes in favour of the Resolutions at the Extraordinary General Meeting, if the Scheme becomes effective, all Scheme Shares will be cancelled or (as the case may be) transferred to AIB HoldCo and the Scheme Shareholders will receive one AIB HoldCo Share for every Scheme Share held by them as at the Scheme Record Time.

Before the Court's approval for the Scheme can be sought, the Scheme will require approval by the Scheme Shareholders at the Court Meeting and the passing of the Scheme Resolution at the Extraordinary General Meeting. Notices of the Court Meeting and the Extraordinary General Meeting are set out at the end of this document.

Details of the actions to be taken by holders of AIB Bank Shares in relation to the Meetings are set out in the section of this document entitled "Action to be taken" commencing on page 14.

### ***The Court Meeting***

The Court Meeting, which has been convened for 10:00 a.m. on 3 November 2017, is being held at the direction of the Court to seek the approval of the Scheme Shareholders for the Scheme.

At the Court Meeting, voting will be by poll and not by a show of hands and each Scheme Shareholder present, either in person or by proxy, will be entitled to one vote for each Scheme Share held. The approval required at the Court Meeting is a majority in number of those Scheme Shareholders, representing at least 75 per cent. in value of the Scheme Shares held by such holders at the Scheme Voting Record Time, present and voting either in person or by proxy.

**It is important that, for the Court Meeting, as many votes as possible are cast so that the Court may be satisfied that there is a fair representation of opinion of the Scheme Shareholders. You are therefore strongly urged to complete and return your green Form of Proxy as soon as possible.**

### ***The Extraordinary General Meeting***

In addition to the Court Meeting, the Extraordinary General Meeting of AIB Bank has been convened for 10:15 a.m. on 3 November 2017, or as soon thereafter as the Court Meeting has concluded or been adjourned, to consider and, if thought fit, pass the Resolutions (being the Scheme Resolution and the Distributable Reserves Resolution).

In the event that the Scheme Resolution is not passed, the Scheme will not proceed. Passing of the Distributable Reserves Resolution or the taking effect of the AIB HoldCo Reduction of Capital is not a condition of the Scheme.

At the Extraordinary General Meeting, voting will be by poll and not by a show of hands and each AIB Bank Shareholder present, either in person or by proxy, will be entitled to one vote for each AIB Bank Share held at the appropriate record time.

### ***The Scheme Resolution***

The Scheme Resolution set out in the notice of Extraordinary General Meeting is a special resolution and therefore requires the approval of AIB Bank Shareholders, representing at least 75 per cent. of the votes cast by AIB Bank Shareholders, present and voting either in person or by proxy.

The Scheme Resolution is required in order to:

- authorise the AIB Bank Board to take such action as it considers necessary or appropriate to carry the Scheme into effect;
- approve the cancellation of the Cancellation Shares; and
- grant to the AIB Bank Board the authority to issue relevant securities pursuant to section 1021 of the Companies Act and to apply the reserve in the books of account of AIB Bank arising upon the cancellation described above in paying up in full and at par AIB Bank Shares, to be issued to AIB HoldCo.

### ***The Distributable Reserves Resolution***

The Distributable Reserves Resolution set out in the notice of the Extraordinary General Meeting will be proposed as an advisory and non-binding ordinary resolution. The resolution will acknowledge, approve and confirm the AIB HoldCo Reduction of Capital, which is described in more detail at paragraph 12 of this Part II.

## **7. The Court Hearing and sanction of the Scheme**

The Court Hearing (at which it is proposed that the Court sanction the Scheme) is expected to be held on or around 6 December 2017. Submissions and arguments to the Court are generally made orally, but any facts other than those expressed in AIB Bank's own documents that a person wishes to put forward must be put forward as evidence in the form of a sworn written statement (an affidavit being the standard form for this in Irish court practice). Any person proposing to make submissions or put forward evidence to the Court at the hearing will be requested to advise AIB Bank's Irish lawyers in advance and they in turn will advise the Court. Individuals may make these submissions personally or by a person entitled to appear in the Court (usually a solicitor or barrister in Irish practice).

The Court Hearing will take place on the advertised date or on adjourned dates then fixed by the Court. The Court will consider the submissions and evidence presented to it so as to establish whether the requirements of Irish law and AIB Bank's Articles of Association (the "**AIB Bank Articles**"), so far as these are applicable, have been complied with, whether the necessary majorities of Scheme Shareholders have voted in favour of approving the Scheme and whether the Scheme is fair and reasonable in all the circumstances. The Court may announce its decision immediately after the hearing or may defer this until a date to be announced later.

The Scheme contains a provision for AIB Bank and AIB HoldCo jointly to consent, on behalf of all persons concerned, to any modification of or addition to the Scheme, or to any condition that the Court may think fit to approve or impose. AIB Bank has been advised by its legal advisers that the Court would be unlikely to approve or impose any modification of, or addition or condition to, the Scheme that might be materially prejudicial to the interests of Scheme Shareholders unless Scheme Shareholders were informed of any such modification, addition or condition. It will be a matter for the Court to decide, in its discretion, whether or not further meetings of AIB Bank Shareholders should be held. If the Court does approve or impose a modification of, or addition or condition to, the Scheme that, in the opinion of the AIB Bank Board, is such as to require the consent of AIB Bank Shareholders, the AIB Bank Board will not take the necessary steps to enable the Scheme to become effective unless and until such consent is obtained. AIB Bank and AIB HoldCo have agreed that in certain circumstances the necessary actions to seek sanction of the Scheme may not be taken.

If the Scheme is sanctioned by the Court and the other conditions to the Scheme are satisfied (or waived), the Scheme is expected to become effective on 8 December 2017 and dealings in AIB HoldCo Shares to be issued pursuant to the Scheme are expected to commence on 11 December 2017.

If the Scheme has not become effective by 30 March 2018 (or such later date as AIB Bank and AIB HoldCo agree and the Court may allow), it will lapse, in which event the Scheme will not proceed, there will not be a new holding company of AIB Bank, the Scheme Shareholders will remain AIB Bank Shareholders and the AIB Bank Shares will continue to be admitted to trading on the main markets of the Irish Stock Exchange and the London Stock Exchange.

The Scheme will become effective as soon as a copy of the Court Order, together with the minute required by section 86 of the Companies Act confirming the related AIB Bank reduction of capital, have been duly delivered by AIB Bank to the Registrar of Companies for registration and have been registered by the Registrar of Companies.

If the Scheme becomes effective, it will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted in favour of the Scheme at the Court Meeting or in favour of the Resolutions to be proposed at the Extraordinary General Meeting.

The full text of the Scheme is set out at Part III of this document and the full text of the resolutions to be proposed at the Court Meeting and the Extraordinary General Meeting are set out in Parts VI and VII of this document.

#### **8. Admission to trading on the Irish Stock Exchange and the London Stock Exchange of the AIB HoldCo Shares and cancellation of the admission to trading on the Irish Stock Exchange and the London Stock Exchange of the AIB Bank Shares**

Applications will be made (i) to the Irish Stock Exchange and to the FCA for all of the AIB HoldCo Shares to be admitted to listing on the primary listing segment of the Official List of the Irish Stock Exchange and to the premium listing segment of the Official List of the FCA; and (ii) to the Irish Stock Exchange and the London Stock Exchange for all of the AIB HoldCo Shares to be admitted to trading on the Irish Stock Exchange's main securities market and the London Stock Exchange's main market for listed securities.

If the Scheme proceeds as currently envisaged, it is expected that the last day of trading in the AIB Bank Shares on the Irish Stock Exchange and the London Stock Exchange will be 8 December 2017 and that the admission to trading of the AIB Bank Shares on the main markets of the Irish Stock Exchange and the London Stock Exchange and their listing on the Official Lists of the Irish Stock Exchange and the FCA will be cancelled at 8:00 a.m. on 11 December 2017. Admission is expected to become effective, and trading in AIB HoldCo Shares is expected to commence, on the main markets of the Irish Stock Exchange and the London Stock Exchange, at 8:00 a.m. on 11 December 2017.

These dates may be deferred if it is necessary to adjourn any meeting required to approve the arrangements described in this document or if there is any delay in obtaining the Court's sanction of the Scheme. In the event of a delay, the applications for cancellation of trading from the main markets of the Irish Stock Exchange and of the London Stock Exchange of the AIB Bank Shares will be deferred, so that the admission to trading on the main markets of the Irish Stock Exchange and the London Stock Exchange will not be cancelled until immediately before Admission occurs.

With effect from (and including) the Scheme Effective Time, all share certificates representing the Scheme Shares held in certificated form will cease to be valid and binding in respect of such holdings and should be destroyed.

AIB HoldCo Shares can be held in certificated or uncertificated form. Share certificates for the AIB HoldCo Shares of Scheme Shareholders who held their Scheme Shares in certificated form will be despatched by no later than the date that is two months after the Scheme Effective Date. In the case of joint holders, share certificates will be despatched to the joint holder whose name appears first in the register of members. Pending the despatch of such certificates, transfers of AIB HoldCo Shares in certificated form

will be certified against the register of members of AIB HoldCo. Temporary documents of title have not been, and will not be, issued in respect of such shares.

Scheme Shares held in uncertificated form will be disabled in CREST on the Scheme Effective Date. For Scheme Shareholders who hold their AIB Bank Shares in a CREST account, AIB HoldCo Shares are expected to be credited to the relevant CREST member account on 11 December 2017. CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Articles of Association of AIB HoldCo (the “**AIB HoldCo Articles**”) will permit the holding of AIB HoldCo Shares under the CREST system. Application will be made for the AIB HoldCo Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in AIB HoldCo Shares following Admission may take place within the CREST system. CREST is a voluntary system and holders of AIB HoldCo Shares who wish to receive and retain share certificates will be able to remove their AIB HoldCo Shares from the CREST system following the Scheme becoming effective.

AIB HoldCo will have the right to issue AIB HoldCo Shares to all AIB HoldCo Shareholders in certificated form if, for any reason, it wishes to do so.

All instructions, mandates, elections and communication preferences of Scheme Shareholders then in force on the Scheme Effective Date relating to notices and other communications will, unless and until varied or revoked, be deemed from the Scheme Effective Date to be valid and effective mandates or instructions to AIB HoldCo in relation to the corresponding holding of AIB HoldCo Shares.

All documents, certificates, cheques or other communications sent by, to, from or on behalf of Scheme Shareholders, or as such persons shall direct, will be sent entirely at their own risk.

## **9. Changes to the AIB HoldCo Memorandum and Articles**

### **9.1 Overview**

The AIB HoldCo Articles will become effective at the Scheme Effective Time. They are available for inspection at AIB Bank’s registered office in Dublin and at its offices in London (the addresses of which are given in paragraph 6 of Part IV of this document) and in electronic form on AIB’s website [www.aib.ie/investorrelations](http://www.aib.ie/investorrelations).

The AIB HoldCo Memorandum and Articles mirror substantially the AIB Bank Memorandum and Articles. A redline version of the AIB HoldCo Memorandum and Articles as compared to the AIB Bank Memorandum and Articles, showing all changes made to the latter, is available for inspection at the above addresses and in electronic form on AIB’s website [www.aib.ie/investorrelations](http://www.aib.ie/investorrelations). The principal differences between the AIB Bank Memorandum and Articles and the AIB HoldCo Memorandum and Articles are summarised below.

### **9.2 Changes to objects clause in the AIB HoldCo Memorandum**

The objects in the AIB HoldCo Memorandum will be amended and updated (as against those in the AIB Bank Memorandum) so that they are appropriate for a holding company of its nature and also reflect the nature of business that will be carried on by AIB HoldCo. In particular, the amendments and updates to the AIB HoldCo Memorandum will include:

- the replacement of the main objects clause permitting the undertaking of banking and related activities with one which permits those of a holding company which is to acquire AIB Bank and to raise finance that will be used by AIB HoldCo for intra-group funding activities; and
- the deletion of objects or powers relating to the engagement in financial activities (or holding out as being entitled to engage in such activities) by AIB HoldCo which would require AIB HoldCo to be authorised by the Central Bank of Ireland or another regulator.

### 9.3 **Subscriber Shares**

In order to enable it to meet applicable requirements under the Companies Act as to its minimum allotted share capital by virtue of it being an Irish incorporated public limited company, AIB HoldCo has issued 40,000 ordinary shares of €0.625 each to MFSD Holdings Limited and MFSD Nominees Limited (companies owned and controlled by McCann FitzGerald, AIB Group's legal advisors in relation to the Restructuring Proposals). Subject to and conditional on the Scheme becoming effective, those shares will be converted into 40,000 Subscriber Shares, which will carry no voting or income rights and have only limited rights on a return of capital (being the right of the holders to be repaid, in priority to the holders of ordinary shares, the nominal value of the Subscriber Shares held by them). The 40,000 Subscriber Shares will be redeemed at par and cancelled at an appropriate time following the Scheme Effective Time. The AIB HoldCo Articles include provisions dealing with the Subscriber Shares.

### 9.4 **New provisions dealing with general meetings**

The AIB HoldCo Articles will include provisions, not currently contained in the AIB Bank Articles, that give the AIB HoldCo Board additional flexibility in the convening and conduct of general meetings. In particular, they include provisions that:

- allow AIB HoldCo to postpone a general meeting where the AIB HoldCo Board considers that it is impracticable or unreasonable to hold a general meeting on the date or at the time or place stated in the notice calling the meeting;
- give the Chairman of AIB HoldCo additional powers to interrupt or adjourn any general meeting if he is of the opinion that it has become necessary to do so in order to secure the proper and orderly conduct of the meeting or to give all persons entitled to do so a reasonable opportunity of attending, speaking and voting at the meeting or to ensure that the business of the meeting is properly disposed of;
- give the Chairman of AIB HoldCo and the AIB HoldCo Board additional powers to ensure the security of general meetings and the safety of the people attending those meetings and also, where necessary, facilitate use of appropriate over-flow rooms to accommodate additional attendees who cannot be seated in the main meeting room;
- require any proposed amendments to a resolution duly proposed as an ordinary resolution to be notified to AIB HoldCo at least 48 hours prior to the time appointed for holding the relevant general meeting and clarify that, in the case of a resolution duly proposed as a special resolution, no amendment to it (other than an amendment to correct a patent error) may in any event be considered or voted on; and
- give the Chairman of AIB HoldCo powers with respect to the conduct of polls at general meetings, including to appoint scrutineers.

### 9.5 **Payment of interim dividends**

The AIB Bank Articles currently contain a provision to the effect that a resolution of the AIB Bank Board declaring an interim dividend shall (once announced) be irrevocable. It is proposed that this provision not be replicated in the AIB HoldCo Articles to ensure maximum flexibility from an AIB Group regulatory capital perspective. This will have the effect that, from the Scheme Effective Time, an interim dividend declared by AIB HoldCo can be cancelled by AIB HoldCo at any time prior to the time at which it is paid.

### 9.6 **Communications with AIB HoldCo Shareholders**

The AIB HoldCo Articles will provide that, where an AIB HoldCo shareholder has previously consented to receipt of notices or documents by means of an electronic communication or using electronic means in respect of his or her or its holding of ordinary shares in AIB Bank, such consent shall be deemed to apply to AIB HoldCo for the purpose of the notice provisions in the AIB HoldCo Articles.

The AIB HoldCo Articles will also include updated provisions setting out the basis on which AIB HoldCo may give notices in electronic form and/ or by means of a website. In addition, they will provide that AIB HoldCo may cease sending notices by post to members where notices have been returned undelivered twice on two consecutive occasions from such members and, following such second occasion, reasonable enquiries have failed to establish any new address of the registered holder of the shares. These provisions are described in detail in the Prospectus.

#### **10. AIB Bank Warrants**

The effects of the Scheme on the AIB Bank Warrants to subscribe for AIB Bank Shares issued by AIB Bank are described in paragraph 5 of Part I of this document.

#### **11. Directors' and other interests**

Details of the current interests of the AIB Bank Directors in AIB Bank Shares and, if the Scheme becomes effective, AIB HoldCo Shares are set out in paragraph 3 of Part IV of this document.

The effects of the Scheme on the service contracts of the executive directors of AIB Bank and the terms of appointments of the non-executive directors of AIB Bank and of AIB HoldCo, are described at paragraph 5 of Part I of this document. The total emoluments receivable by each AIB Bank Director will not be varied as a result of the Scheme or the implementation of the Restructuring Proposals.

Save as described above, the effect of the Scheme on the interests of the AIB Bank Directors does not differ from its effect on the interests of any other holder of Scheme Shares.

#### **12. AIB HoldCo Reduction of Capital**

Since AIB HoldCo is a recently incorporated company, it will not initially have distributable reserves. Therefore, the directors of AIB HoldCo will seek the approval of the Court for the AIB HoldCo Reduction of Capital, which (if approved) will create distributable reserves in the accounts of AIB HoldCo. This will involve the nominal value of each AIB HoldCo Share being reduced from €2.47 (its nominal value at the Scheme Effective Time) to €0.625, thereby replicating the nominal value per share of the existing AIB Bank Shares.

This is a legal and accounting adjustment and will, if approved, create a new distributable reserve on the balance sheet of AIB HoldCo of approximately €5 billion (assuming no further shares of AIB Bank are issued after 6 October 2017 (being the Latest Practicable Date)). The AIB HoldCo Reduction of Capital will not, of itself, result in the return of any capital to AIB HoldCo Shareholders and should not have any impact on the market value of the AIB HoldCo Shares.

The implementation of the AIB HoldCo Reduction of Capital is conditional upon:

- confirmation by the Court; and
- the registration by the Companies Registration Office of a copy of the Court order confirming the AIB HoldCo Reduction of Capital.

At the Extraordinary General Meeting, AIB Bank Shareholders will vote on the creation of distributable reserves by AIB HoldCo (on an advisory and non-binding basis) as set out in the Distributable Reserves Resolution.

#### **13. Taxation**

A summary of certain Irish, UK and U.S. federal income tax consequences of the Scheme is set out in paragraph 2 of Part IV of this document. The summary is intended as a general guide only and, if you are in any doubt as to your tax position, you should consult an appropriate independent professional adviser.

## **14. Other Considerations**

The AIB Bank Directors also considered that the AIB Group is party to a variety of arrangements that could potentially terminate upon a change of control of the AIB Group, including a change of control as a result of the Scheme. The AIB Group has undertaken a review of its material agreements in that regard and it is not expected that any change of control provisions contained in such agreements would give rise to the exercise of the termination rights on the implementation of the Scheme that would have a material impact on AIB.

## **15. Overseas Shareholders**

### ***General***

- 15.1 The distribution of this document, the Prospectus and the allotment and issue of the AIB HoldCo Shares in jurisdictions other than Ireland and the United Kingdom may be restricted by law. No action has been taken by AIB HoldCo or AIB Bank to obtain any approval, authorisation or exemption to permit the allotment or issue of the AIB HoldCo Shares or the possession or distribution of this document and the Prospectus (or any other publicity material relating to the AIB HoldCo Shares) in any jurisdiction, other than Ireland and the United Kingdom.
- 15.2 The Scheme may have implications for Overseas Shareholders under the laws of the relevant overseas jurisdictions. Overseas Shareholders should inform themselves about, and observe, any applicable legal requirements. It is the responsibility of each Overseas Shareholder to satisfy himself as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes or duties or payments due in such jurisdiction. Any failure to comply with such restrictions or requirements may constitute a violation of the securities laws of any such jurisdiction.
- 15.3 No AIB HoldCo Shares or any other securities of AIB HoldCo have been marketed to, nor are any available for purchase by, in whole or in part, the public in Ireland, the United Kingdom or elsewhere in connection with the Restructuring Proposals. This document does not constitute an offer or form part of an offer to purchase, sell, subscribe for or exchange or the solicitation of an offer to purchase, sell, subscribe for or exchange any securities or the solicitation of any vote or approval in any jurisdiction in which such offer or solicitation would be unlawful.
- 15.4 This document has been prepared for the purposes of complying with Irish law and the Listing Rules and information disclosed herein may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of any other jurisdiction.
- 15.5 AIB Bank Shareholders who are citizens or residents of the United States or other jurisdictions outside Ireland or the United Kingdom should consult their own legal and tax advisers with respect to the legal and tax consequences of the Scheme in their particular circumstances.

### ***Restricted Jurisdictions***

- 15.6 The AIB Bank Board may determine that the Scheme Circular and other Scheme documentation shall not be distributed into Restricted Jurisdictions.

### ***Restricted Shareholders***

- 15.7 If, in respect of any Overseas Shareholders, the AIB HoldCo Board considers that the allotment and issue of AIB HoldCo Shares may infringe the laws of any jurisdiction outside Ireland or the United Kingdom or that to seek legal advice in relation to same would be unduly onerous having regard (without limitation) to the cost and inconvenience of obtaining such advice and complying with any requirements that might be contained in such advice, or if such allotment and issue of AIB HoldCo Shares in any such jurisdiction might require AIB HoldCo to observe any

governmental or other consent or effect any registration, filing or other formality with which, in the opinion of AIB HoldCo, it would be unable to comply with or which it regards as unduly onerous (as aforesaid), then the Scheme provides that the AIB HoldCo Board may in its sole discretion:

- (a) determine that no AIB HoldCo Shares shall be allotted and issued to such shareholders (“**Restricted Shareholders**”) but instead that those AIB HoldCo Shares shall be allotted and issued to a nominee appointed by AIB HoldCo as trustee for such Restricted Shareholder, on terms that they shall be sold on behalf of such shareholder as soon as reasonably practicable after the Scheme becomes effective at the best price that can be reasonably obtained at the time of sale (after the deduction of all expenses and commissions, including any amount in respect of tax payable thereon), with the net proceeds of sale being remitted to the Overseas Shareholder concerned at the risk of such shareholder; or
- (b) determine that the AIB HoldCo Shares shall be issued to that shareholder and sold, on behalf of that shareholder, as soon as reasonably practicable after the Scheme becomes effective at the best price that can be reasonably obtained at the time of sale (after the deduction of all expenses and commissions, including any amount in respect of tax payable thereon), with the net proceeds of sale being remitted to the Overseas Shareholder at that person’s risk.

#### **16. Action to be taken**

Your attention is drawn to the section of this document entitled “Action to be taken” commencing on page 14.

#### **17. Further information**

The terms of the Scheme are set out in full in Part III of this document. Documents available for inspection are listed in paragraph 6 of Part IV of this document. The remainder of this document shall be deemed to form part of this Explanatory Statement.

#### **18. Importance of the Scheme**

The Scheme forms part of necessary steps which AIB Bank proposes to take in order to give effect to a decision, in respect of the resolution strategy for AIB, of the Resolution Authorities for the purposes of the BRRD and related EU bank resolution measures. If the Scheme does not proceed, there could be significant regulatory consequences, including the adoption by the Resolution Authorities of a different resolution strategy for AIB and AIB’s inability to meet MREL requirements in a manner set out by the Resolution Authorities, which may in turn have adverse financial or other consequences for AIB.

#### **19. Recommendation**

The AIB Bank Board considers the Scheme and its terms to be fair and reasonable and in the best interests of AIB Bank Shareholders as a whole.

**The AIB Bank Board unanimously recommends that Scheme Shareholders vote in favour of the Scheme at the Court Meeting and that AIB Bank Shareholders vote in favour of the Resolutions at the Extraordinary General Meeting, as the members of the AIB Bank Board intend to do in respect of their own shareholdings.**

**The Board urges you to complete, sign and return the enclosed Forms of Proxy as soon as possible and, in any event, no later than 1 November 2017.**



**PART III  
THE SCHEME OF ARRANGEMENT**

**THE HIGH COURT**

**COMMERCIAL**

**IN THE MATTER OF ALLIED IRISH BANKS, P.L.C.  
AND IN THE MATTER OF THE COMPANIES ACT 2014**

**SCHEME OF ARRANGEMENT  
(UNDER CHAPTER 1 OF PART 9 OF THE COMPANIES ACT 2014)**

**BETWEEN**

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

**AND**

**THE HOLDERS OF THE SCHEME SHARES  
(AS HEREINAFTER DEFINED)**

**PRELIMINARY**

(A) In this Scheme, unless inconsistent with the subject or context, the following expressions bear the following meanings:

<b>“AIB Bank”</b>	Allied Irish Banks, p.l.c., a company incorporated and registered in Ireland with registered number 24173, whose registered office is at Bankcentre, Ballsbridge, Dublin 4, Ireland;
<b>“AIB Bank Shareholder”</b>	a holder of AIB Bank Shares from time to time;
<b>“AIB Bank Shares”</b>	the ordinary shares with a nominal value of €0.625 each in the capital of AIB Bank;
<b>“AIB HoldCo”</b>	AIB Group plc, a company incorporated and registered in Ireland with registered number 594283, whose registered office is at Bankcentre, Ballsbridge, Dublin 4, Ireland;
<b>“AIB HoldCo Board”</b>	the board of directors of AIB HoldCo from time to time;
<b>“AIB HoldCo Shares”</b>	ordinary shares of nominal value €2.47 each in the capital of AIB HoldCo;
<b>“Business Day”</b>	a day (excluding Saturdays, Sundays and public holidays) on which banks are generally open for business in Dublin and/or London;
<b>“Cancellation Record Time”</b>	6:00 p.m. on the last Business Day before the Court Hearing;
<b>“Cancellation Shares”</b>	(i) the AIB Bank Shares in issue at the date of the Scheme Circular;  (ii) any AIB Bank Shares issued after the date of the Scheme Circular and before the Scheme Voting Record Time; and

	(iii) any AIB Bank Shares issued at or after the Scheme Voting Record Time and before the Cancellation Record Time, either on terms that the original or any subsequent holders of such shares shall be bound by the Scheme, or in respect of which the original or any subsequent holders of such shares have agreed in writing to be bound by the Scheme,
	but excluding the Excluded Share and the Transfer Shares;
<b>“certificated” or “in certificated form”</b>	a share which is not in uncertificated form;
<b>“Companies Act”</b>	the Companies Act 2014, as amended;
<b>“Court”</b>	the High Court of Ireland;
<b>“Court Hearing”</b>	the hearing by the Court to sanction the Scheme (including the related AIB Bank reduction of capital);
<b>“Court Meeting”</b>	the meeting of the Scheme Shareholders convened by the Court under section 450 of the Companies Act for the purpose of considering and, if thought fit, approving the Scheme with or without any modification (including any adjournment thereof);
<b>“Court Order”</b>	the order or orders of the Court sanctioning the Scheme under section 453 of the Companies Act and confirming the related AIB Bank reduction of capital under sections 84 to 86 of the Companies Act, which forms part of it or, where the context may require, either of them;
<b>“CREST”</b>	the system of paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the CREST Regulations;
<b>“CREST Regulations”</b>	the Companies Act 1990 (Uncertificated Securities) Regulations 1996 (S.I. No. 68 of 1996) of Ireland (as amended);
<b>“Euroclear”</b>	Euroclear UK & Ireland Limited, the operator of CREST;
<b>“Excluded Share”</b>	the AIB Bank Share held by, and registered in the register of members of AIB Bank in the name of, AIB HoldCo as at the date of the Scheme Circular and that will continue to be so held until the Scheme Effective Time;
<b>“Extraordinary General Meeting”</b>	the extraordinary general meeting of AIB Bank Shareholders to be held at the Ballsbridge Hotel, Pembroke Road, Dublin 4, Ireland on 3 November 2017 at 10:15 a.m. (or as soon thereafter as the Court Meeting, convened for the same date and place, has concluded or been adjourned), or such adjournment thereof;
<b>“Overseas Shareholder”</b>	means a Scheme Shareholder that has a registered address or that is resident in a jurisdiction other than Ireland or the United Kingdom;
<b>“Registrar of Companies”</b>	has the meaning given by the Companies Act;
<b>“Scheme”</b>	means the scheme of arrangement proposed to be made under Part 9 of Chapter 1 of the Companies Act between AIB Bank and the

- holders of the Scheme Shares and the related AIB Bank reduction of capital under sections 84 to 86 of the Companies Act, with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by AIB Bank and AIB HoldCo;
- “Scheme Circular”** the document that is to be sent to AIB Bank Shareholders setting out, amongst other things, the Scheme and notices of the Court Meeting and the Extraordinary General Meeting;
- “Scheme Effective Date”** the date on which the Scheme becomes effective in accordance with clause 6 of the Scheme, expected to be 8 December 2017;
- “Scheme Effective Time”** the time on the Scheme Effective Date at which the Court Order and a copy of the minute required by section 86 of the Companies Act are registered by the Registrar of Companies;
- “Scheme Record Time”** 6:00 p.m. on the Scheme Effective Date;
- “Scheme Shareholder”** a registered holder of Scheme Shares;
- “Scheme Shares”** the Cancellation Shares and (if any) the Transfer Shares;
- “Scheme Voting Record Time”** 6:00 p.m. on the day which is two days before the date of the Court Meeting or, if the Court Meeting is adjourned, 6:00 p.m. on the day which is two days before the date of such adjourned Court Meeting;
- “Transfer Shares”** any AIB Bank Shares issued at or after the Cancellation Record Time and at or before the Scheme Record Time, excluding for the avoidance of doubt the Excluded Share and the Cancellation Shares; and
- “uncertificated” or “in uncertificated form”** a share which is for the time being recorded on the register of members of the relevant company as being held in uncertificated form.
- (B) The authorised share capital of AIB Bank at the date of this Scheme is €2,500,000,000 divided into 4,000,000,000 Ordinary Shares of €0.625 each. As at the date hereof, 2,714,381,238 AIB Bank Shares have been issued and are credited as fully paid and the remainder of AIB Bank’s share capital is unissued. AIB Bank does not have any treasury shares.
- (C) The authorised share capital of AIB HoldCo at the date of this Scheme is €9,880,025,000 divided into 4,000,000,000 ordinary shares of €2.47 each (being AIB HoldCo Shares) and 40,000 ordinary shares of €0.625 each, of which, as at the date hereof, 40,000 ordinary shares of €0.625 each have been issued and are credited as having been fully paid and the remainder of AIB HoldCo’s share capital is unissued. It is proposed that, conditional on (and effective on) the Scheme becoming effective, all of the ordinary shares of €0.625 each in the capital of AIB HoldCo in issue immediately prior to the Scheme Effective Date will be converted into non-voting redeemable shares and redeemed at par by AIB HoldCo and cancelled at an appropriate time following the Scheme Effective Time.
- (D) AIB HoldCo has agreed to appear at the hearing to sanction the Scheme and to undertake to the Court to be bound thereby and to execute or do, or procure to be executed or done, all such documents, acts or things as may be necessary or desirable to be executed or done by AIB HoldCo or on its behalf for the purpose of giving effect to this Scheme.

## **THE SCHEME**

### **1. CANCELLATION OF THE CANCELLATION SHARES**

- 1.1 The issued share capital (but not the authorised share capital) of AIB Bank shall be reduced by cancelling all of the Cancellation Shares.
- 1.2 Forthwith and contingently upon the reduction of capital taking effect:
- (a) the issued share capital of AIB Bank shall be increased to its former amount by the creation of such number of AIB Bank Shares as shall be equal to the number of Cancellation Shares, with each such AIB Bank Share having the same rights as the Cancellation Shares so cancelled; and
  - (b) the reserve arising in the books of account of AIB Bank as a result of the said reduction of capital shall be appropriated and applied in paying up in full at par the AIB Bank Shares created pursuant to Clause 1.2(a), which shall be allotted and issued credited as fully paid to AIB HoldCo.

### **2. CONSIDERATION FOR THE SCHEME SHARES**

- 2.1 In consideration for the cancellation of the Cancellation Shares pursuant to Clause 1.1, the transfer of the Transfer Shares pursuant to Clause 3 and the allotment and issue of the AIB Bank Shares to AIB HoldCo as provided in Clause 1.2(b), AIB HoldCo shall (subject to, and in accordance with, the remaining provisions of this Scheme) allot and issue AIB HoldCo Shares to the Scheme Shareholders (as appearing in the register of members of AIB Bank at the Scheme Record Time) on the basis of one AIB HoldCo Share for each Scheme Share held at the Scheme Record Time.
- 2.2 Each AIB HoldCo Share shall be issued and credited as fully paid, shall rank equally in all respects with all other fully paid AIB HoldCo Shares and shall be entitled to all dividends and other distributions declared, paid or made by AIB HoldCo by reference to a record date on or after the Scheme Effective Date.
- 2.3 The provisions of this Clause 2 shall be subject to any prohibition or condition imposed by law. Without prejudice to the generality of the foregoing, if, in respect of any Overseas Shareholder, the AIB HoldCo Board considers that the allotment and issue of AIB HoldCo Shares may infringe the laws of any jurisdiction outside Ireland or the UK or that to seek legal advice in relation to same would be unduly onerous having regard (without limitation) to the cost and inconvenience of obtaining such advice and complying with any requirements that might be contained in such advice, or if such allotment and issue of AIB HoldCo Shares in any such jurisdiction might require AIB HoldCo to observe any governmental or other consent or effect any registration, filing or other formality with which, in the opinion of AIB HoldCo, it would be unable to comply or which it regards as unduly onerous (as aforesaid), then the AIB HoldCo Board may in its sole discretion:
- (a) determine that such AIB HoldCo Shares shall be sold, in which event the AIB HoldCo Shares shall be issued to such Overseas Shareholder and AIB HoldCo shall appoint a person to act pursuant to this sub-Clause 2.3(a) and such person shall be authorised on behalf of such Overseas Shareholder to procure that any shares in respect of which AIB HoldCo has made such a determination shall, as soon as practicable following the Scheme Effective Date, be sold at the best price which can reasonably be obtained at the time of sale and the net proceeds of such sale shall (after the deduction of all expenses and commissions, including any amount in respect of tax payable thereon) be paid to such Overseas Shareholder by sending a cheque to such Overseas Shareholder in accordance with the provisions of Clause 4 below. To give effect to any such sale, the person so appointed shall be authorised on behalf of such Overseas Shareholder to execute and deliver a form of transfer and to give such instructions and do all such things which he may consider necessary or expedient in connection with such sale. In the absence of bad faith or wilful default, none of AIB Bank, AIB HoldCo, any appointee referred to in this

sub-Clause 2.3(a) or any broker or agent of any of them shall have any liability for any loss arising as a result of the timing or terms of any such sale; or

- (b) determine that no such AIB HoldCo Shares shall be allotted and issued to such Overseas Shareholder under this Clause, but instead such AIB HoldCo Shares shall be allotted and issued to a nominee appointed by AIB HoldCo as trustee for such Overseas Shareholder, on terms that they shall, as soon as reasonably practicable following the Scheme Effective Date, be sold on behalf of such Overseas Shareholder at the best price which can reasonably be obtained at the time of sale and the net proceeds of such sale shall (after the deduction of all expenses and commissions, including any amount in respect of tax payable thereon) be paid to such Overseas Shareholder by sending a cheque to such Overseas Shareholder in accordance with the provisions of Clause 4 below. In the absence of bad faith or wilful default, none of AIB Bank, AIB HoldCo, any nominee referred to in this sub-Clause 2.3(b) or any broker or agent of any of them shall have any liability for any loss arising as a result of the timing or terms of any such sale.

### **3. TRANSFER OF THE TRANSFER SHARES**

Contingently upon and immediately following the cancellation of the Cancellation Shares becoming effective in accordance with the terms of this Scheme, the allotment and issue of the AIB Bank Shares referred to in Clause 1.2(b) of this Scheme and the registration of such AIB Bank Shares in the name of AIB HoldCo, AIB HoldCo shall automatically, and without any further action required, acquire the Transfer Shares (including the legal and beneficial interest therein) of each person appearing on the register of members of AIB Bank at the Scheme Record Time as the holder of Transfer Shares fully paid, free from all liens, equities, charges, encumbrances and other interests and together with all and any rights at the date of this Scheme or thereafter attached thereto including voting rights and the right to receive and retain in full all dividends and other distributions declared, paid or made thereon, on the Scheme Effective Date.

### **4. SETTLEMENT AND CERTIFICATES**

- 4.1 Not later than the date that is two months after the Scheme Effective Date, AIB HoldCo shall send by post to the allottees of the allotted and issued AIB HoldCo Shares certificates in respect of such shares, save that where Scheme Shares are held in uncertificated form, AIB HoldCo shall procure that Euroclear is instructed to cancel the entitlement to Scheme Shares of each of the Scheme Shareholders concerned and to credit to the appropriate stock accounts in CREST of the Scheme Shareholders concerned their due entitlements to AIB HoldCo Shares. AIB HoldCo share certificates will not be sent to any Scheme Shareholder who, at the Scheme Effective Time, is deemed by AIB Bank's registrars as requiring outgoing mail to be suppressed. Such share certificates can be obtained from AIB HoldCo's registrar, Computershare Investor Services (Ireland) Limited, on request.
- 4.2 Not later than 14 days following the sale of any relevant AIB HoldCo Shares pursuant to Clause 2.3, AIB HoldCo shall procure that the nominee appointed under Clause 2.3(a) or the person appointed under Clause 2.3(b) shall account for the cash payable by despatching to the persons respectively entitled thereto, cheque by post or by any direct, bank or other funds transfer or, in the case of an uncertificated share, by the relevant system.
- 4.3 All certificates required to be sent by AIB HoldCo pursuant to Clause 4.1 and all cheques required to be sent pursuant to Clause 4.2 shall be sent by post in pre-paid envelopes addressed to the persons respectively entitled thereto at their respective addresses appearing in the register of members of AIB Bank at the Scheme Record Time (or, in the case of joint holders, to the address of that one of the joint holders whose name stands first in the register of members in respect of the joint holding) or in accordance with any special instructions regarding communications received at the registered office of AIB Bank prior to the Scheme Record Time.
- 4.4 If the AIB HoldCo Shares are consolidated or subdivided or if the nominal value of the AIB HoldCo Shares is reduced prior to the despatch of any certificates or the giving of any instructions

in accordance with this Clause 4, the certificates or instructions shall relate to such AIB HoldCo Shares as so consolidated, subdivided and/or reduced.

- 4.5 None of AIB Bank, AIB HoldCo, any nominee referred to in sub-Clause 2.3(a), such person appointed to act under sub-Clause 2.3(b) or any agent of any of them shall be responsible for any loss or delay in transmission of certificates or cheques sent in accordance with this Clause 4.
- 4.6 All cheques shall be made payable to the Scheme Shareholder or, in the case of joint holders, to all named holders of the Scheme Shares concerned, in euro, and the encashment of any such cheque shall be a complete discharge to AIB HoldCo for the monies represented thereby. With respect to Scheme Shareholders who hold their Scheme Shares in uncertificated form, all assured payment obligations created by Euroclear in favour of the payment bank of the persons entitled thereto for any sums payable to them respectively pursuant to Clause 2 above, shall be a complete discharge of AIB HoldCo for the monies represented thereby.
- 4.7 All instructions, mandates, elections and communication preferences of Scheme Shareholders then in force on the Scheme Effective Date relating to notices and other communications will, unless and until varied or revoked, be deemed from the Scheme Effective Date to be valid and effective mandates or instructions to AIB HoldCo in relation to the corresponding holding of AIB HoldCo Shares.
- 4.8 This Clause 4 shall take effect subject to any prohibition or condition imposed by law.

## **5. CERTIFICATES REPRESENTING SCHEME SHARES**

- 5.1 With effect from and including the Scheme Effective Time, all certificates representing holdings of Scheme Shares shall cease to have effect as documents of title to the Scheme Shares comprised therein and every holder of Scheme Shares should destroy such certificates upon receipt of their share certificate for AIB HoldCo Shares.
- 5.2 Euroclear shall be instructed to cancel the entitlements to Scheme Shares of holders of Scheme Shares in uncertificated form and appropriate entries shall be made in AIB Bank's register of members, with effect from the Scheme Effective Date, to reflect their cancellation. As regards certificated Scheme Shares, appropriate entries shall be made in AIB Bank's register of members, with effect from the Scheme Effective Date, to reflect their cancellation.

## **6. THE EFFECTIVE DATE**

- 6.1 This Scheme shall become effective as soon as a copy of the Court Order and a copy of the minute required by section 86 of the Companies Act shall have been duly delivered by AIB Bank to, and registered by, the Registrar of Companies (being the Scheme Effective Time).
- 6.2 Unless the Scheme shall have become effective on or before 30 March 2018 or such later date, if any, as AIB Bank and AIB HoldCo may agree and the Court may allow, this Scheme shall never become effective.
- 6.3 AIB Bank and AIB HoldCo have agreed that in certain circumstances the necessary actions to seek sanction of the Scheme may not be taken.

## **7. MODIFICATION**

AIB Bank and AIB HoldCo may jointly consent on behalf of all persons concerned to any modification of or addition to this Scheme or any condition that the Court may approve or impose.

## **8. COSTS**

AIB Bank is authorised and permitted to pay all the costs and expenses relating to the negotiation, preparation, approval and implementation of this Scheme.

## **9. GOVERNING LAW**

The Scheme shall be governed by, and construed in accordance with, the laws of Ireland and AIB Bank, AIB HoldCo and the Scheme Shareholders hereby agree that the Court shall have exclusive jurisdiction to hear and determine any suit, action or proceeding or to settle any dispute which may arise in relation thereto.

Dated: 10 October 2017

## **PART IV ADDITIONAL INFORMATION**

### **1. Responsibility**

The AIB Bank Directors accept responsibility for the information contained in this document. To the best of the knowledge and belief of the AIB Bank Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they respectively accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

### **2. Taxation in Ireland, the United Kingdom and the United States**

#### **Introduction**

*The following is a summary of certain Irish, United Kingdom and U.S. federal income tax considerations relating to the cancellation or transfer pursuant to the Scheme of the Scheme Shares and the acquisition and ownership of AIB HoldCo Shares issued pursuant to the Scheme and is based on the laws and practices in these jurisdictions as of the date of this document. The comments in paragraph 2 of this Part IV are of a general nature and are not intended to be exhaustive and should be treated with appropriate caution. Particular rules may apply to certain classes of Scheme Shareholder, and upon the cancellation or transfer pursuant to the Scheme of the Scheme Shares, the AIB HoldCo Shareholders. The summary does not constitute tax or legal advice. Any shareholders who are in any doubt as to their tax position should consult their professional advisers on the tax implications of the Scheme under the laws of their country of tax residence, citizenship and/or domicile, or the jurisdiction in which they are otherwise subject to taxation.*

#### **2.1 Irish Taxation**

The following is a general summary of certain Irish tax consequences of the cancellation or transfer pursuant to the Scheme of the Scheme Shares and the acquisition and ownership of the AIB HoldCo Shares issued pursuant to the Scheme. This summary is based on Irish taxation law and the published practices of the Revenue Commissioners in force at the date of this document, each of which is subject to change, possibly with retrospective effect.

It does not constitute tax or legal advice, and it does not purport to be, and is not, a complete description of all of the Irish tax considerations that may be relevant to the cancellation or transfer pursuant to the Scheme of the Scheme Shares and the acquisition and ownership of the AIB HoldCo Shares issued pursuant to the Scheme.

For the purposes of the following summary, the terms “Scheme Shareholder” and “AIB HoldCo Shareholder” are used to refer only to a person who is the beneficial owner of Scheme Shares and AIB HoldCo Shares respectively and who holds, and will hold, them as investments (and not as securities to be realised in the course of a trade).

Separately, particular rules not referred to below may apply to certain classes of taxpayers holding shares, such as dealers in securities, investment funds, trustees, insurance companies and shareholders who have, or who are deemed to have Scheme Shares or AIB HoldCo Shares by virtue of an Irish office or employment (performed or carried on in Ireland). This summary does not necessarily apply where the income is deemed for tax purposes to be the income of any other person.

Prospective investors should consult their own professional advisers on the implications of the cancellation or transfer pursuant to the Scheme of the Scheme Shares and the acquisition and ownership of the AIB HoldCo Shares issued pursuant to the Scheme under the laws of any jurisdiction in which they may be liable to taxation.



## **Irish tax consequences of the cancellation or transfer pursuant to the Scheme of the Scheme Shares and the issue of the AIB HoldCo Shares**

### ***Capital Gains Tax***

For the purposes of Irish capital gains tax (or in the case of a body corporate, corporation tax on chargeable gains) (“**Irish CGT**”), the receipt by the relevant Scheme Shareholder of the AIB HoldCo Shares as consideration for the cancellation or transfer pursuant to the Scheme of the Scheme Shares should not be treated as a disposal of the Scheme Shares. Instead, the AIB HoldCo Shares should be treated as the same asset as those Scheme Shares, acquired at the same time and for the same consideration as the Scheme Shares from which they are derived. This treatment is on the basis that the Scheme is being effected for bona fide commercial reasons and does not form part of an arrangement or scheme of which the main purpose, or one of the main purposes, is avoidance of liability to Irish tax.

### ***Stamp Duty***

No stamp duty should be payable on the cancellation of Cancellation Shares pursuant to the Scheme or on the issue of the AIB HoldCo Shares pursuant to the Scheme. AIB Bank does not intend to issue any AIB Bank Shares between the Cancellation Record Time and the Scheme Record Time and therefore no Transfer Shares are expected to be in existence at or before the time the Scheme becomes effective. Accordingly, no guidance is given on the implications of the Scheme for holders of Transfer Shares with respect to Irish stamp duty.

### **Liability to Irish Capital Gains Tax generally**

#### ***Subsequent disposal of AIB HoldCo Shares***

An AIB HoldCo Shareholder may be liable to Irish CGT on any gain arising on a subsequent disposal of AIB HoldCo Shares.

#### ***Calculation of the capital gain or loss arising on a disposal***

Where applicable, a gain on the disposal of AIB HoldCo Shares will generally be calculated as the excess of the proceeds realised on a sale of the AIB HoldCo Shares after deducting the costs of disposal, over the cost of acquisition of the AIB HoldCo Shares and any incidental costs of acquiring those AIB HoldCo Shares.

A loss on the disposal of AIB HoldCo Shares will generally be calculated as the excess of the cost of acquisition of the AIB HoldCo Shares and any incidental costs of acquiring those AIB HoldCo Shares, over the proceeds realised on a sale of the AIB HoldCo Shares after deducting the costs of disposal.

The rate of Irish CGT is currently 33 per cent.

#### ***AIB HoldCo Shareholders who are not resident or ordinarily resident in Ireland***

For as long as the AIB HoldCo Shares are listed on a stock exchange (e.g., the Irish Stock Exchange), an AIB HoldCo Shareholder will not be subject to Irish CGT on any gain arising on a disposal of AIB HoldCo Shares, provided that AIB HoldCo Shareholder is neither resident in Ireland for the purposes of Irish tax (“**Irish Resident**”) nor ordinarily resident in Ireland for the purposes of Irish tax (“**Ordinarily Resident in Ireland**”), and does not or did not carry on a trade in Ireland through a branch or agency in respect of which the AIB HoldCo Shares are used or were used, or were held or acquired for use by or for the purposes of the branch or agency. To the extent that the AIB HoldCo Shares are not listed, a charge to Irish CGT will arise where the shares derive the greater part of their value from Irish land or Irish minerals or certain rights, interests or other assets in relation to mining or minerals or the search for minerals.

### ***AIB HoldCo Shareholders who are individuals and who are Irish Resident or Ordinarily Resident in Ireland***

Individual AIB HoldCo Shareholders who are Irish Resident and/or Ordinarily Resident in Ireland will generally (subject to the availability of exemptions or reliefs) be liable to Irish CGT on a disposal of AIB HoldCo Shares.

Individual AIB HoldCo Shareholders who are not Irish Resident for a period of five years or less may (subject to the availability of exemptions or reliefs) be liable to Irish CGT on a disposal of AIB HoldCo Shares.

An individual is generally exempted from Irish CGT if, for the year of assessment, the amount on which the individual is chargeable does not exceed €1,270. If the amount on which the individual is chargeable exceeds €1,270, generally, only the excess of that amount over €1,270 is charged.

### ***AIB HoldCo Shareholders who are corporates and who are Irish Resident***

Irish CGT will generally apply to chargeable gains arising on the disposal of AIB HoldCo Shares by an Irish Resident corporate AIB HoldCo Shareholder.

### ***Irish tax-exempt AIB HoldCo Shareholders***

Certain Irish tax-exempt AIB HoldCo Shareholders will not be subject to Irish CGT on a gain arising on a disposal of AIB HoldCo Shares.

### **Payment of Dividends generally**

#### ***Withholding tax***

AIB HoldCo is required to operate dividend withholding tax in Ireland (“DWT”) at source on any “relevant distribution” made on AIB HoldCo Shares at the standard rate of Irish income tax (20 per cent.) unless an exemption applies and the relevant shareholder has submitted on time a properly completed declaration providing for exemption to the share registrar. A distribution of cash, assets or other property would be a “relevant distribution” for this purpose unless paid to certain specified Irish persons.

Certain categories of AIB HoldCo Shareholder are entitled to an exemption from DWT if, prior to payment of the dividend, AIB HoldCo or a “qualifying intermediary” from whom the dividend is received by that AIB HoldCo Shareholder, as the case may be, has received all documentation required by law in order for that exemption to apply, and in the case of AIB HoldCo Shareholders that are not Irish Resident, that documentation is current at the date of payment of the dividend.

Individual AIB HoldCo Shareholders who are Irish Resident and/or Ordinarily Resident in Ireland are generally not entitled to an exemption from DWT.

Categories of AIB HoldCo Shareholder that are entitled to exemption as outlined above include (but are not limited to):

- (a) companies that are Irish Resident;
- (b) Irish established pension schemes;
- (c) Irish authorised collective investment undertakings;
- (d) AIB HoldCo Shareholders that are not companies, that are neither Irish Resident nor Ordinarily Resident in Ireland and are resident for tax purposes in a member state of the European Union other than Ireland or a territory that has signed a double taxation agreement with Ireland (a “**Relevant Territory**”) under the laws of that Relevant Territory;

- (e) AIB HoldCo Shareholders that are companies that are not Irish Resident and:
- (i) are resident for tax purposes in a Relevant Territory under the laws of that Relevant Territory, provided that company is not under the control, whether directly or indirectly, of a person or persons who is or are Irish Resident;
  - (ii) are ultimately under the control, directly or indirectly, of a person or persons resident in a Relevant Territory under the laws of that Relevant Territory; or
  - (iii) the principal class of shares of which, or where the company is a 75 per cent. subsidiary of another company, of that other company, or where the company is wholly owned, directly or indirectly, by two or more companies, where the principal class of shares of each of those companies, is substantially and regularly traded on a recognised stock exchange in a Relevant Territory or Relevant Territories, or in Ireland or on such other stock exchange approved by the Minister for Finance for that purpose.

AIB HoldCo Shareholders should note that DWT will be deducted in cases where a properly completed DWT exemption form has not been received before the next dividend is declared and paid on the AIB HoldCo Shares. Where a non-Irish Resident person suffers DWT on a distribution which would not have been deducted had a properly completed DWT declaration been received from that person, then that person should be entitled to receive a refund of the full amount of DWT deducted on application to the Irish Revenue Commissioners.

### ***Taxation of Dividends***

- (a) *Irish taxation of individual AIB HoldCo Shareholders who are Irish Resident and/or Ordinarily Resident in Ireland*

AIB HoldCo Shareholders that are individuals and are Irish Resident are subject to Irish income tax at their marginal rate of Irish income tax, the USC and Pay Related Social Insurance, if applicable, on the gross amount of any dividend to which they are beneficially entitled. The gross dividend amount is the amount of the distribution before deduction of DWT, if applicable. Such AIB HoldCo Shareholders are entitled to a credit for any DWT deducted against their income tax liability in the relevant tax year, and any amount by which such DWT exceeds such income tax liability may be refunded to them, provided that they furnish a statement of DWT suffered to the Revenue Commissioners.

- (b) *Irish taxation of AIB HoldCo Shareholders who are Irish Resident companies*

Companies that are Irish Resident are generally exempt from Irish tax on dividends received from a company that is Irish Resident, such as AIB HoldCo.

However, Irish Resident AIB HoldCo Shareholders that are close companies, as defined in Irish tax legislation, may be subject to a corporation tax surcharge on dividend income to the extent that it is not re-distributed by that company within the appropriate time frame.

- (c) *Irish taxation of AIB HoldCo Shareholders who are not Irish Resident and/or Ordinarily Resident in Ireland*

AIB HoldCo Shareholders that are not Irish Resident or Ordinarily Resident in Ireland are liable to Irish income tax on dividends received, unless an exemption applies. An AIB HoldCo Shareholder that is not Irish Resident or Ordinarily Resident in Ireland is entitled to exemption from Irish income tax on dividends received if that AIB HoldCo Shareholder is exempt from DWT on that dividend or would have been entitled to be so exempt if that AIB HoldCo Shareholder had provided to AIB HoldCo or a “qualifying

intermediary” from whom the dividend is received by that AIB HoldCo Shareholder, as the case may be, the documentation required by law in order for that exemption from DWT to apply, and that documentation had been current at the date of payment of the dividend.

If an AIB HoldCo Shareholder is either an individual that is not Irish Resident or Ordinarily Resident in Ireland or a body corporate that is not Irish Resident and has, in any such case, suffered DWT or ought to have suffered DWT on dividends paid in respect of the AIB HoldCo Shares, then such AIB HoldCo Shareholder may be liable to income tax (plus USC and PRSI, if applicable) in Ireland on those dividends, with a credit given for the DWT withheld. Where the liability is less than the DWT withheld, the AIB HoldCo Shareholder may be entitled to a refund of the excess over the actual liability to Irish tax.

### **Stamp Duty generally**

Any instrument that gives effect to a transfer on sale or a voluntary disposition of AIB HoldCo Shares will be liable to Irish stamp duty at a rate of 1 per cent. of the consideration passing or the market value of the AIB HoldCo Shares transferring, if greater. Generally, the person accountable for such stamp duty is the transferee, except in the case of a voluntary disposition, in which case the transferor and the transferee are jointly accountable. Stamp duty is generally payable within 30 days of the date of execution of the relevant instrument.

### **Capital Acquisitions Tax generally**

If AIB HoldCo Shares are comprised in a gift or inheritance taken from a disponent that is Irish Resident or ordinarily resident in Ireland for the purposes of capital acquisitions tax (or, in the case of certain settlements, an Irish domiciled disponent) or if the recipient is Irish Resident or ordinarily resident in Ireland for the purposes of capital acquisitions tax, or if the AIB HoldCo Shares are regarded as property situate in Ireland, the recipient (or, in certain cases, the disponent) may be liable for Irish capital acquisitions tax.

The AIB HoldCo Shares, which are issued in registered form, will be regarded as property situate in Ireland because the principal register of the AIB HoldCo Shares is maintained in Ireland. At the date of this document, the principal register of the AIB HoldCo Shares must be maintained in Ireland.

The rate of Irish capital acquisitions tax is currently 33 per cent.

## **2.2 United Kingdom Taxation**

The comments set out below are based on current United Kingdom tax law and published HM Revenue & Customs practice (which may not be binding on HM Revenue & Customs) as at the date of this document, both of which are subject to change, possibly with retrospective effect. They are intended as a general guide and apply only to AIB Bank Shareholders or (as the case may be) AIB HoldCo Shareholders that are resident and in the case of an individual, domiciled, in the United Kingdom for tax purposes and to whom “split year” treatment does not apply (except insofar as express reference is made to the treatment of non-United Kingdom tax residents), who hold shares in AIB Bank or (as the case may be) AIB HoldCo as an investment and who are the absolute beneficial owners thereof. In particular, AIB Bank Shareholders or (as the case may be) AIB HoldCo Shareholders holding their shares via a depositary receipt system or clearance service should note that they may not always be the absolute beneficial owners thereof. The discussion does not constitute tax or legal advice nor does it address all possible United Kingdom tax consequences relating to an investment in the shares. Certain categories of AIB Bank Shareholders or (as the case may be) AIB HoldCo Shareholders, including those carrying on certain financial activities, those subject to specific tax regimes or benefitting from certain reliefs or exemptions, those connected with AIB Bank, AIB HoldCo or AIB Group and those for whom the shares are employment related securities, may be subject to special rules and this summary does not apply to such shareholders. This summary also does not apply to any AIB Bank Shareholder or (as the case may be) AIB HoldCo Shareholder who, alone, or with certain associated persons, is (or has been) interested or treated as interested in, 5 per cent. or more of

the ordinary share capital of AIB Bank or (as the case may be) AIB HoldCo or any AIB Bank Shareholder or (as the case may be) AIB HoldCo Shareholder that owns (or is deemed to own) 5 per cent. or more of the shares and/or voting power of AIB Bank or (as the case may be) AIB HoldCo (either alone or together with connected persons).

The comments set out below do not address the implications of the Scheme for the purposes of United Kingdom capital gains tax (“CGT”) and corporation tax on chargeable gains for holders of Transfer Shares on the basis that AIB Bank does not intend to issue any AIB Bank Shares between the Cancellation Record Time and the Scheme Record Time and therefore no Transfer Shares are expected to be in existence at or before the time the Scheme becomes effective. The comments for holders of Cancellation Shares are also given on this basis.

AIB Bank Shareholders or (as the case may be) AIB HoldCo Shareholders and prospective shareholders who are in any doubt about their tax position, or who are tax resident or otherwise subject to taxation in a jurisdiction outside the United Kingdom, should consult their own professional advisers immediately.

### ***UK tax consequences of the cancellation of the Cancellation Shares and the issue of the AIB HoldCo Shares***

AIB has been advised that, for the purposes of UK CGT and corporation tax on chargeable gains, the cancellation of the Cancellation Shares and the issue of AIB HoldCo Shares should be treated as a scheme of reconstruction. A Scheme Shareholder should obtain reconstruction relief in respect of the cancellation of his Cancellation Shares and the issue to him of AIB HoldCo Shares, and for the purposes of CGT and corporation tax on chargeable gains, he should not be treated as having made a disposal of his Cancellation Shares. Instead, the AIB HoldCo Shares should be treated as the same asset as those Scheme Shares in respect of which he received the AIB HoldCo Shares, acquired at the same time and for the same consideration as those shares.

In the case of a person who holds (either alone or together with persons connected with him) more than 5 per cent. of, or of any class of, shares or debentures in AIB Bank, the treatment in the preceding paragraph is subject to the cancellation of his Cancellation Shares and the issue to him of AIB HoldCo Shares being carried out for bona fide commercial reasons and not forming part of a scheme or arrangements of which the main purpose, or one of the main purposes, is avoidance of the liability to capital gains tax or corporation tax. Provided that this is the case, any such shareholder will be treated in the manner described in the preceding paragraph.

### **Taxation of Dividends**

AIB HoldCo will not be required to withhold amounts on account of United Kingdom tax at source when paying a dividend. Please refer to *Part IV – Additional Information - Taxation in Ireland and the United Kingdom - Irish Taxation of Dividends on AIB HoldCo Shares – Withholding tax* above for information regarding the entitlement of a non-Irish tax resident shareholder to claim exemption from Irish withholding tax on dividends.

With effect from the tax year beginning 6 April 2016, a United Kingdom resident individual AIB HoldCo Shareholder will not be subject to income tax on a dividend such individual AIB HoldCo Shareholder receives from AIB HoldCo if the total amount of dividend income received by the individual in the tax year (including the dividend from AIB HoldCo) does not exceed a dividend allowance of £5,000, which will be taxed at a nil rate (the “**Dividend Allowance**”). The amount of the Dividend Allowance is expected to reduce to an allowance of £2,000 from 6 April 2018.

In determining the income tax rate or rates applicable to a United Kingdom resident individual shareholder’s taxable income, dividend income is treated as the highest part of such individual shareholder’s income. Dividend income that falls within the Dividend Allowance will count towards the basic or higher rate limits (as applicable) which may affect the rate of tax due on any dividend income in excess of the Dividend Allowance.

To the extent that a United Kingdom resident individual shareholder's dividend income for the tax year exceeds the Dividend Allowance and, when treated as the top slice of such individual shareholder's income, falls above such individual shareholder's personal allowance but below the basic rate limit, such an individual shareholder will be subject to tax on that dividend income at the dividend basic rate of 7.5 per cent. To the extent that such dividend income falls above the basic rate limit but below the higher rate limit, such an individual shareholder will be subject to tax on that dividend income at the dividend upper rate of 32.5 per cent. To the extent that such dividend income falls above the higher rate limit, such an individual shareholder will be subject to tax on that dividend income at the dividend additional rate of 38.1 per cent.

UK tax resident individual AIB HoldCo Shareholders who hold their shares in an individual savings account are exempt from tax on dividends paid by AIB HoldCo.

Irish withholding tax withheld from the payment of a dividend may be available as a credit against the United Kingdom income tax payable by an individual shareholder in respect of the dividend.

AIB HoldCo Shareholders who are within the charge to United Kingdom corporation tax in respect of shares in AIB HoldCo will be subject to United Kingdom corporation tax on the gross amount of any dividends paid by AIB HoldCo, subject to any applicable credit for Irish withholding tax, unless (and subject to special rules for such AIB HoldCo Shareholders that are small companies) the dividends fall within an exempt class and certain other conditions are met. Each such AIB HoldCo Shareholder's position will depend on its own particular circumstances, although in the majority of cases it would be expected that the dividends paid by AIB HoldCo would fall within an exempt class.

A shareholder that is tax resident or otherwise subject to tax outside the United Kingdom (whether an individual or a body corporate) may be subject to foreign taxation on dividend income under local law. AIB HoldCo Shareholders to whom this may apply should obtain their own tax advice concerning tax liabilities on dividends received from AIB HoldCo.

### **Taxation of Capital Gains**

AIB HoldCo Shareholders who are tax resident in the United Kingdom, or, in the case of individuals, who cease to be tax resident in the United Kingdom for a period of five years or less, may depending on their circumstances (including the availability of exemptions or reliefs), be liable to United Kingdom taxation on chargeable gains in respect of gains arising from a sale or other disposal of shares in AIB HoldCo.

For AIB HoldCo Shareholders who are tax resident in the United Kingdom subject to the charge to corporation tax on chargeable gains (notwithstanding any additional reliefs or exemptions that may be due) indexation allowance should be available to reduce the amount of chargeable gain realised on a disposal of AIB HoldCo Shares (but not to create or increase any loss).

For UK tax resident AIB HoldCo Shareholders who are individuals and who are subject to CGT, an annual exemption is available, such that CGT is chargeable only on gains arising from all sources during the tax year in excess of this figure. The annual exemption is £11,300 for the tax year 2017-2018. CGT chargeable in respect of disposals of shares in AIB HoldCo, on or after 6 April 2016, will be at the current rate of 10 per cent. (for basic rate taxpayers) and 20 per cent. (for higher and additional rate taxpayers).

### **Inheritance Tax**

AIB HoldCo Shares will be assets situated outside the United Kingdom for the purposes of United Kingdom inheritance tax provided that the shares are not registered in any register kept in the United Kingdom. A gift of such assets by, or the death of, an individual AIB HoldCo Shareholder of such assets who is domiciled or is deemed to be domiciled in the United Kingdom may (subject to certain exemptions and reliefs) give rise to a liability to United Kingdom inheritance tax. Generally, United Kingdom inheritance tax is not chargeable on gifts to individuals if the transfer is made more than seven complete years prior to the death of the donor. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit. Where a holder is neither domiciled nor deemed domiciled (under certain rules relating to

long residence or previous domicile) in the United Kingdom, neither a gift of such assets by the holder nor the death of such holder will give rise to a liability to United Kingdom inheritance tax.

### **Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)**

No United Kingdom stamp duty will be payable on the cancellation or extinguishment of the Cancellation Shares, or on the issue in registered form of AIB HoldCo Shares and no United Kingdom stamp duty should be required to be paid on the transfer of AIB HoldCo Shares provided that any instrument of transfer is not executed in the United Kingdom, and does not relate to any property situate or to any matter or thing done or to be done, in the United Kingdom. No United Kingdom SDRT will be payable on the issue or transfer of the AIB HoldCo Shares provided that the shares are not registered in any register kept in the United Kingdom.

### **2.3 Certain U.S. Federal Income Tax Considerations**

The following is a summary of certain U.S. federal income tax consequences of the receipt of AIB HoldCo Shares and cancellation or transfer of AIB Bank Shares by a U.S. Holder (as defined below) pursuant to the Scheme. This summary deals only with U.S. Holders that receive AIB HoldCo Shares pursuant to the Scheme and that hold the AIB Bank Shares and will hold the AIB HoldCo Shares as capital assets. The discussion does not constitute tax or legal advice nor does it cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the receipt of AIB HoldCo Shares pursuant to the Scheme by particular investors (including consequences under the alternative minimum tax or net investment income tax), and does not address state, local, non-U.S. or other tax laws. This summary also does not address tax considerations applicable to investors that own (directly, indirectly or by attribution) 5 per cent. or more of the voting stock of AIB Bank or AIB HoldCo, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, individual retirement accounts and other tax deferred accounts, tax exempt organizations, dealers in securities or currencies, investors that hold the AIB Bank Shares or will hold the AIB HoldCo Shares as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, investors holding AIB Bank Shares or AIB HoldCo Shares in connection with a trade or business conducted outside of the United States, U.S. citizens or lawful permanent residents living abroad or investors whose functional currency is not the U.S. dollar). Please see “*Part XIX—Taxation—3 Certain U.S. Federal Income Tax Considerations*” of the Prospectus for a summary of certain U.S. federal income tax consequences of the ownership and disposition of AIB HoldCo Shares by a U.S. Holder.

As used herein, the term “U.S. Holder” means a beneficial owner of AIB Bank Shares or AIB HoldCo Shares that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organized under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds AIB Bank Shares or AIB HoldCo Shares will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes should consult their tax advisers concerning the U.S. federal income tax consequences to them and their partners of participating in the Scheme.

This summary assumes that AIB Bank will not, and AIB Bank expects that it will not, announce, declare, make or pay any dividend or other distribution with respect to the AIB Bank Shares prior to the Scheme Effective Date. If a dividend or other distribution were to be announced, declared, made or paid, then the consequences of the Scheme could be different than as described below.

Except as otherwise noted, the summary assumes that AIB Bank is not and has never been a passive foreign investment company (a “**PFIC**”) for U.S. federal income tax purposes. If AIB Bank is or has been a PFIC in any year, materially adverse consequences could result for U.S. Holders. See “*Passive Foreign Investment Company Considerations*” below.

This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended (the “**Code**”), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL SHAREHOLDERS OR PROSPECTIVE SHAREHOLDERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF PARTICIPATING IN THE SCHEME, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

### ***Treatment of the Scheme***

AIB HoldCo believes that the receipt of AIB HoldCo Shares and cancellation or transfer of AIB Bank Shares pursuant to the Scheme should be treated as an exchange by each U.S. Holder of its AIB Bank Shares for AIB HoldCo Shares for U.S. federal income tax purposes. The deemed exchange of AIB Bank Shares for AIB HoldCo Shares may qualify for tax-free treatment for U.S. federal income tax purposes, in which case (i) U.S. Holders should not recognize gain or loss on such deemed exchange, (ii) the aggregate tax basis of the AIB HoldCo Shares received by U.S. Holders should equal the aggregate basis of the AIB Bank Shares deemed exchanged therefor, and (iii) the holding period of the AIB HoldCo Shares received by U.S. Holders should include the holding period of the AIB Bank Shares deemed exchanged therefor.

However, tax-free treatment of the deemed exchange is not free from doubt. Neither AIB Bank nor AIB HoldCo has requested or received an opinion of U.S. tax counsel that the deemed exchange of AIB Bank Shares for AIB HoldCo Shares should be tax-free, and no ruling has been sought or obtained from the U.S. Internal Revenue Service (the “**IRS**”) with respect to this matter. Accordingly, there can be no assurance that the IRS will not take a contrary position, or that such position would not be sustained if asserted.

If the deemed exchange of AIB Bank Shares for AIB HoldCo Shares does not qualify for tax-free treatment for U.S. federal income tax purposes as described above, a U.S. Holder would recognize gain, and perhaps loss, to the extent of the difference between the U.S. Holder’s aggregate basis in the AIB Bank Shares and the fair market value of the AIB HoldCo Shares received. Any such recognized gain or loss will be capital gain or loss and will be long-term capital gain or loss if the AIB Bank Shares deemed exchanged for the AIB HoldCo Shares were held for more than one year on the Scheme Effective Date. In addition, a U.S. Holder’s tax basis in the AIB HoldCo Shares would equal their fair market value and a U.S. Holder’s holding period for the AIB HoldCo Shares would begin on the day after the deemed exchange.

### ***Passive Foreign Investment Company Considerations***

A foreign corporation will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable “look through rules,” either (i) at least 75 per cent. of its gross income is “passive income” or (ii) at least 50 per cent. of the average value of its assets is attributable to assets which produce passive income or are held for the production of passive income. Although interest income generally is passive income, special rules generally allow banks to treat their banking business income as non-passive in certain circumstances. To qualify for these rules, a bank must satisfy certain requirements regarding its licensing and activities. AIB Bank believes that it currently meets these requirements and met these requirements from 2013 to 2016. AIB Bank does not expect to be treated as a PFIC for the current taxable year and believes that it should not have been treated as a PFIC for its taxable years ending in 2013 through 2016. However, no assurances can be provided that AIB Bank was not a PFIC in any other prior year. If AIB Bank had been treated as a PFIC for any year in a U.S. Holder’s holding period, materially adverse tax consequences could arise for such U.S. Holder.



Prospective purchasers should consult their tax advisers regarding the potential application of the PFIC regime.

**Backup Withholding and Information Reporting**

The Scheme and payments of proceeds with respect to AIB Bank Shares or AIB HoldCo Shares by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers about these rules and any other reporting obligations that may apply to the Scheme or the receipt of AIB HoldCo Shares, including requirements related to the holding of certain “specified foreign financial assets”.

**Transfer Reporting Requirements**

A U.S. Holder who receives AIB HoldCo Shares may be required to file Form 926 (or similar form) with the IRS in certain circumstances. A U.S. Holder who fails to file any such required form could be required to pay a penalty equal to 10 per cent. of the fair market value of the AIB Bank Shares at the time of the deemed exchange (subject to a maximum penalty of US\$100,000, except in cases of intentional disregard). U.S. Holders should consult their tax advisers with respect to this or any other reporting requirement that may apply to the receipt of the AIB HoldCo Shares.

**3. Directors’ interests**

3.1 As at the Latest Practicable Date, the interests (all of which are beneficial unless otherwise stated) of the AIB Bank Directors, as well as their spouses and minor children, in the share capital of AIB Bank, are as follows:

<b>AIB Bank Director</b>	<b>As at at the Latest Practicable Date</b>	
	<b>Number of AIB Bank Shares</b>	<b>Percentage of issued share capital</b>
Simon Ball.....	5,000	0.00000184%
Mark Bourke.....	2,000	0.00000074%
Bernard Byrne .....	2,000	0.00000074%
Thomas (Tom) Foley.....	2,501	0.00000092%
Peter Hagan .....	8,000	0.00000295%
Carolan Lennon .....	2,000	0.00000074%
Brendan McDonagh .....	—	—
Helen Normoyle .....	2,000	0.00000074%
James (Jim) O’Hara.....	—	—
Richard Pym.....	2,000	0.00000074%
Dr Michael Somers.....	—	—
Catherine Woods.....	24,000	0.00000884%

3.2 The interests of the AIB Bank Directors together represent approximately 0.00001825% of the issued AIB Bank Shares as at the Latest Practicable Date.

3.3 As at the Latest Practicable Date, no AIB Bank Director holds any options or awards over AIB Bank Shares.

- 3.4 As at the Latest Practicable Date, no AIB Bank Director, or any of their respective spouses or minor children, held any interests in the share capital of AIB HoldCo or, save as disclosed immediately above, AIB Bank or any member of the AIB Group.
- 3.5 Assuming there is no change in the interests of the AIB Bank Directors in AIB Bank Shares between the Latest Practicable Date and the Scheme Record Time, immediately following the Scheme Effective Time, the AIB Bank Directors will hold the same number of AIB HoldCo Shares, and approximately the same percentage of the total issued ordinary share capital of AIB HoldCo, as is set out in paragraph 3.1 above.
- 3.6 No AIB Bank Director has or has had any interest in any transaction which is or was unusual in its nature or conditions, or which is or was significant to the business of the AIB Group and which was effected by the AIB Group during the current or immediately preceding financial year or during any further financial year and which remains in any respect outstanding or unperformed.
- 3.7 There are no outstanding loans granted by any member of the AIB Group to any of the AIB Bank Directors (except for loans in the ordinary course of business), nor has any guarantee been provided by any member of the AIB Group for their benefit, save that each of the AIB Bank Directors has the benefit of an indemnity from AIB Bank pursuant to which it agrees to indemnify them against liabilities that they may incur as a result of their lawful actions in connection with the discharge of their duties as officers of AIB Bank. The AIB Bank Directors also have the benefit of indemnity insurance in accordance with the provisions of the AIB Bank Articles. These protections have been replicated by AIB HoldCo.

#### 4. Interests of major shareholders

- 4.1 As at the Latest Practicable Date, AIB Bank had been notified of or was otherwise aware of the following AIB Bank Shareholder who was directly or indirectly interested in 3 per cent. or more of the issued AIB Bank Shares:

	<u>As at the Latest Practicable Date</u>	
	<u>AIB Bank Shares</u>	<u>Percentage of issued share capital</u>
Minister for Finance <sup>(1)</sup>	1,930,436,543	71.1188%

Notes:

- (1) The AIB Bank Shares owned by the Minister for Finance comprise assets of the ISIF. Under the NTMA 2014 Act, these AIB Bank 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 ISIF vests in the Minister for Finance under the NTMA 2014 Act. The AIB Bank Shares owned by the Minister for Finance are registered in the name of a professional nominee for the benefit of the Minister for Finance.
- 4.2 As at the Latest Practicable Date, the Minister for Finance beneficially owns circa 71.1188 per cent. of the issued share capital of AIB Bank and has circa 71.1188 per cent. of the voting rights of AIB Bank. In addition, on 4 July 2017, AIB Bank issued 271,166,685 AIB Bank Warrants to the Minister for Finance to subscribe for AIB Bank Shares, representing 9.99 per cent. of the issued share capital of AIB Bank at AIB Bank Admission. Subject to, and conditional on, the Scheme becoming effective, the AIB Bank Warrant Instrument entered into by AIB Bank will be replaced by the AIB HoldCo Warrant Instrument, pursuant to which the Minister for Finance will be issued warrants to subscribe for AIB HoldCo Shares. The AIB HoldCo Warrants will be issued on the same terms and conditions as the AIB Bank Warrants (including as concerns any adjustments, required in connection with such replacement under the AIB Bank Warrant Instrument, to the exercise price and/or the number of AIB HoldCo Shares to be issued per AIB HoldCo Warrant, if exercised), and the AIB Bank Warrants which will be cancelled.
- 4.3 Save as disclosed at paragraph 4.1, AIB Bank is not aware of any other person who as at the Latest Practicable Date, directly or indirectly, has a holding which equals or exceeds 3 per cent. or more of the total voting rights attaching to its issued ordinary share capital.

4.4 Assuming there is no change in the shareholding of AIB Bank's major shareholder referred to above between the Latest Practicable Date and the Scheme Record Time, immediately following the Scheme Effective Time, the person set out at paragraph 4.1 above, who notified AIB Bank that they hold more than 3 per cent. of the total issued share capital of AIB Bank as at the Latest Practicable Date, will hold the same number of AIB HoldCo Shares, and approximately the same percentage of the total issued ordinary share capital of AIB HoldCo, as is set out in paragraph 4.1 above. It is not expected that any other persons or groups will hold more than 3 per cent. of the total share capital of AIB HoldCo immediately following the Scheme Effective Time as a result of the Scheme.

## **5. Basis for calculation of percentage shareholdings in AIB Bank and AIB HoldCo**

In this document, the calculations in respect of percentage shareholdings in:

- (a) AIB Bank have been calculated on the basis of the issued share capital of AIB Bank as at the Latest Practicable Date, which is 2,714,381,238 AIB Bank Shares.
- (b) AIB HoldCo have been calculated on the basis that, on the Scheme becoming effective, AIB HoldCo will issue 2,714,381,237 AIB HoldCo Shares (i.e. a number of shares equal to the aggregate number of Scheme Shares in issue as at the Latest Practicable Date).

## **6. Documents available for inspection**

Copies of the following documents are available for inspection in physical form during normal business hours or any weekday (Saturdays, Sundays and public holidays excluded) from the date of this document until Admission (or the date that AIB Bank announces that the Scheme has lapsed or been withdrawn) at AIB Bank's registered office at Bankcentre, Ballsbridge, Dublin 4, Ireland, at the AIB Group's UK office at St. Helen's, 1 Undershaft, London, EC3A 8AB and in electronic form on AIB's website [www.aib.ie/investorrelations](http://www.aib.ie/investorrelations):

- (a) the AIB Bank Memorandum and Articles;
- (b) the AIB HoldCo Memorandum and Articles;
- (c) a redline comparison of the AIB Bank Memorandum and Articles and the AIB HoldCo Memorandum and Articles;
- (d) the AIB Bank IPO Prospectus, for the avoidance of doubt, includes the financial statements of AIB for 2016, 2015 and 2014 which are set out in "*Part XVI: Consolidated Historical Financial Information*" of the AIB Bank IPO Prospectus;
- (e) the AIB Bank 2017 Half Yearly Accounts;
- (f) the Forms of Proxy;
- (g) the Prospectus;
- (h) the consent letters referred to under "*Part XX—Additional Information—Consents*" of the Prospectus; and
- (i) this document.

## **PART V DEFINITIONS**

<b>“£” or “Sterling” or “pounds”</b>	the lawful currency of the United Kingdom;
<b>“€” or “EUR” or “Euro”</b>	the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community as amended;
<b>“2010 Placing Agreement”</b>	the placing agreement dated 23 December 2010 between AIB Bank, the Minister for Finance, the NPRFC and the NTMA;
<b>“2011 Placing Agreement”</b>	the placing agreement dated 1 July 2011 between AIB Bank, the Minister for Finance, the NPRFC and the NTMA;
<b>“2012 Relationship Framework”</b>	the relationship framework specified by the Minister for Finance in relation to AIB Bank on 29 March 2012;
<b>“Admission”</b>	the admission of the AIB HoldCo Shares to the Official Lists and to trading on the main markets for listed securities of the Irish Stock Exchange and the London Stock Exchange becoming effective in accordance with the Listing Rules;
<b>“AIB ” or the “AIB Group”</b>	<ul style="list-style-type: none"><li>(i) with respect to the period prior to the Scheme Effective Time, AIB Bank and its subsidiaries; and</li><li>(ii) with respect to the period after the Scheme Effective Time, AIB HoldCo and its subsidiaries (including AIB Bank),</li></ul> as the context so requires;
<b>“AIB Bank 2017 Half Yearly Accounts”</b>	the condensed consolidated interim financial statements for AIB for the six months ended 30 June 2017;
<b>“AIB Bank”</b>	Allied Irish Banks, p.l.c., a company incorporated and registered in Ireland with registered number 24173, whose registered office is at Bankcentre, Ballsbridge, Dublin 4, Ireland;
<b>“AIB Bank Admission”</b>	the admission on 27 June 2017 of the AIB Bank Shares to the Official Lists and to trading on the main markets for listed securities of the Irish Stock Exchange and the London Stock Exchange;
<b>“AIB Bank Articles”</b>	the articles of association of AIB Bank in effect as at the date of this document;

<b>“AIB Bank Board” or “Board”</b>	the board of directors of AIB Bank from time to time;
<b>“AIB Bank Directors”</b>	the directors of AIB Bank;
<b>“AIB Bank Memorandum”</b>	the memorandum of association of AIB Bank in effect as at the date of this document;
<b>“AIB Bank Memorandum and Articles”</b>	the AIB Bank Articles and the AIB Bank Memorandum;
<b>“AIB Bank Relationship Framework”</b>	the relationship framework specified by the Minister for Finance in relation to AIB Bank on 12 June 2017 amending and restating the 2012 Relationship Framework with effect from AIB Bank Admission on 27 June 2017;
<b>“AIB Bank Registration Rights Agreement”</b>	the amended and restated registration rights agreement entered into between AIB Bank, the Minister for Finance and the NPRFC dated 1 July 2011;
<b>“AIB Bank Shareholder”</b>	a holder of AIB Bank Shares from time to time;
<b>“AIB Bank Shares”</b>	the ordinary shares with a nominal value of €0.625 each in the capital of AIB Bank;
<b>“AIB Bank Warrant Instrument”</b>	the warrant instrument entered into by AIB Bank on 4 July 2017 constituting the AIB Bank Warrants and providing for the terms of the AIB Bank Warrants;
<b>“AIB Bank Warrants”</b>	the 271,166,685 warrants issued by AIB Bank to the Minister for Finance on 4 July 2017 to subscribe for AIB Bank Shares (in respect of which the exercise price and the number of AIB Bank Shares per warrant may be adjusted from time to time in accordance with the terms of the AIB Bank Warrant Instrument) representing 9.99 per cent. of the issued ordinary share capital of AIB Bank at AIB Bank Admission;
<b>“AIB CIFS Covered Institutions”</b>	members of the AIB Group participating in the CIFS Scheme, being AIB Bank, AIB Group (UK) p.l.c., EBS, EBS Mortgage Bank, AIB Mortgage Bank, AIB Bank (CI) Limited and AIB North America Inc.;
<b>“AIB ELG Participating Institutions”</b>	members of the AIB Group participating in the ELG Scheme, being AIB Bank, AIB Group (UK) p.l.c., EBS, AIB North America Inc, and formerly AIB Bank (CI) Limited and AIB International Savings Limited;

<b>“AIB HoldCo”</b>	AIB Group plc, a company incorporated and registered in Ireland with registered number 594283, whose registered office is at Bankcentre, Ballsbridge, Dublin 4, Ireland;
<b>“AIB HoldCo Articles”</b>	the articles of association of AIB HoldCo that will become effective at the Scheme Effective Time;
<b>“AIB HoldCo Board”</b>	the board of directors of AIB HoldCo from time to time;
<b>“AIB HoldCo Directors”</b>	the directors of AIB HoldCo;
<b>“AIB HoldCo Memorandum”</b>	the memorandum of association of AIB HoldCo that will become effective at the Scheme Effective Time;
<b>“AIB HoldCo Memorandum and Articles”</b>	the AIB HoldCo Articles and the AIB HoldCo Memorandum;
<b>“AIB HoldCo Reduction of Capital”</b>	the proposed reduction of the capital of AIB HoldCo to create distributable reserves under sections 84 to 86 of the Companies Act, to become effective as soon as a certificate of registration of the Court order, together with the minute approved by the Court in respect of the reduction of capital, is issued by the Registrar of Companies, which, subject to the receipt of Court approval, will occur after the Scheme becomes effective;
<b>“AIB HoldCo Relationship Framework”</b>	the relationship framework specified by the Minister for Finance in relation to AIB HoldCo on 10 October 2017 to take effect at the Scheme Effective Time;
<b>“AIB HoldCo Shareholders”</b>	the holders of AIB HoldCo Shares from time to time;
<b>“AIB HoldCo Shares”</b>	ordinary shares in the capital of AIB HoldCo having a nominal value of (i) prior to the AIB HoldCo Reduction of Capital becoming effective, €2.47 each and (ii) on and following the AIB HoldCo Reduction of Capital becoming effective, €0.625 each;
<b>“AIB HoldCo Warrant Instrument”</b>	the warrant instrument to be entered into by AIB HoldCo which is to be delivered and to become effective at the Scheme Effective Time by way of deed poll in order to constitute the AIB HoldCo Warrants and provide for the terms of the AIB HoldCo Warrants;
<b>“AIB HoldCo Warrants”</b>	the 271,166,685 warrants to be issued by AIB HoldCo to the Minister for Finance to subscribe for AIB HoldCo Shares (in respect of which the exercise price and the number of AIB HoldCo Shares per warrant may be adjusted from time to time in accordance with the terms of the AIB HoldCo Warrant Instrument) subject to, and with the benefit of, the terms and conditions set out in the AIB HoldCo Warrant Instrument;

<b>“AIB UK”</b>	AIB Group (UK) p.l.c.;
<b>“AT1”</b>	regulatory capital which qualifies as additional tier 1 for the purposes of the CRR;
<b>“Attendance Card”</b>	either the Attendance Card attached to the green Form of Proxy or to the purple Form of Proxy to facilitate entry to the Court Meeting or the Extraordinary General Meeting respectively;
<b>“BRRD” or “The EU Bank Recovery and Resolution Directive”</b>	Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014;
<b>“Business Day”</b>	a day (excluding Saturdays, Sundays and public holidays) on which banks are generally open for business in Dublin and/or London;
<b>“Cancellation Record Time”</b>	6:00 p.m. on the last Business Day before the Court Hearing;
<b>“Cancellation Shares”</b>	<ul style="list-style-type: none"> <li>(i) the AIB Bank Shares in issue at the date of the Scheme Circular;</li> <li>(ii) any AIB Bank Shares issued after the date of the Scheme Circular and before the Scheme Voting Record Time; and</li> <li>(iii) any AIB Bank Shares issued at or after the Scheme Voting Record Time and before the Cancellation Record Time, either on terms that the original or any subsequent holders of such shares shall be bound by the Scheme, or in respect of which the original or any subsequent holders of such shares have agreed in writing to be bound by the Scheme,</li> </ul> <p>but excluding the Excluded Share and the Transfer Shares;</p>
<b>“certificated” or “in certificated form”</b>	a share which is not in uncertificated form;
<b>“CET1”</b>	common equity tier 1 for the purposes of the CRR;
<b>“CIFS Scheme”</b>	the credit institutions financial support scheme introduced by the Government on 30 September 2008 pursuant to the Credit Institutions (Financial Support) Scheme 2008 (S.I. No. 411 of 2008), the guarantee under which expired on 29 September 2010;
<b>“Companies Act”</b>	the Companies Act 2014, as amended;
<b>“Computershare” or “Registrars”</b>	Computershare Investor Services (Ireland) Limited;

<b>“Conditions”</b>	the conditions of the Scheme set out in paragraph 5 of Part II of this document;
<b>“Court”</b>	the High Court of Ireland;
<b>“Court Hearing”</b>	the hearing by the Court to sanction the Scheme (including the related AIB Bank reduction of capital);
<b>“Court Meeting”</b>	the meeting of the Scheme Shareholders convened by the Court under section 450 of the Companies Act for the purpose of considering and, if thought fit, approving the Scheme with or without any modification (including any adjournment thereof);
<b>“Court Order”</b>	the order or orders of the Court sanctioning the Scheme under section 453 of the Companies Act and confirming the related AIB Bank reduction of capital under sections 84 to 86 of the Companies Act, which forms part of it or, where the context may require, either of them;
<b>“CREST”</b>	the system of paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the CREST Regulations;
<b>“CREST Manual”</b>	the CREST Reference Manual;
<b>“CREST member”</b>	a person who has been admitted by 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 personal member”</b>	a CREST member admitted to CREST as a personal member;
<b>“CREST Proxy Instruction”</b>	the appropriate CREST message required for a proxy appointment;
<b>“CREST Regulations”</b>	the Companies Act 1990 (Uncertificated Securities) Regulations 1996 (S.I. No. 68 of 1996) of Ireland (as amended);
<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 on prudential requirements for credit institutions and investment firms;



<b>“Deed of Covenant”</b>	the deed of covenant entered into on 10 October 2017 between AIB HoldCo, AIB Bank and the Minister for Finance;
<b>“Distributable Reserves Resolution”</b>	Resolution 2 to be proposed at the Extraordinary General Meeting;
<b>“EBS”</b>	EBS d.a.c. (formerly EBS Limited and prior to that EBS Building Society), a company incorporated under the laws of Ireland (registered number 500748) and a wholly-owned subsidiary of AIB Bank;
<b>“ECB”</b>	the European Central Bank;
<b>“EEA”</b>	the European Economic Area, which consists of the member states of the European Union, Iceland, Liechtenstein and Norway;
<b>“ELG Scheme”</b>	the Eligible Liabilities Guarantee Scheme established under the Financial Support Act and by the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009, which expired for new liabilities on 28 March 2013;
<b>“EU”</b>	the European Union;
<b>“Euroclear”</b>	Euroclear UK & Ireland Limited, the operator of CREST;
<b>“EU Single Resolution Mechanism Regulation”</b>	Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014;
<b>“Excluded Share”</b>	the AIB Bank Share held by, and registered in the register of members of AIB Bank in the name of, AIB HoldCo as at the date of this document and that will continue to be so held until the Scheme Effective Time;
<b>“Extraordinary General Meeting” or “EGM”</b>	the extraordinary general meeting of AIB Bank Shareholders to be held at the Ballsbridge Hotel, Pembroke Road, Dublin 4, Ireland on 3 November 2017 at 10:15 a.m. (or as soon thereafter as the Court Meeting, convened for the same date and place, has concluded or been adjourned) or such adjournment thereof;
<b>“FCA”</b>	the Financial Conduct Authority acting in its capacity as the competent authority for listing in the UK for the purposes of part VI of FSMA;
<b>“Forms of Proxy”</b>	either or both of the green and purple forms of proxy for use at the Court Meeting and the Extraordinary General Meeting respectively, sent to AIB Bank Shareholders together with this document;

<b>“FSMA”</b>	the UK Financial Services and Markets Act 2000 (as amended);
<b>“Goodbody”</b>	Goodbody Stockbrokers UC, trading as Goodbody, of Ballsbridge Park, Dublin 4, Ireland; including its affiliates or any of its subsidiaries;
<b>“Group Level Resolution Authority”</b>	the SRB, as AIB’s group level resolution authority for the purposes of the BRRD and the EU Single Resolution Mechanism Regulation;
<b>“HMRC”</b>	HM Revenue & Customs of the UK;
<b>“Ireland”</b>	the Republic of Ireland, and the word “Irish” shall be construed accordingly;
<b>“Irish Government”</b>	the Government of Ireland;
<b>“Irish Listing Rules”</b>	the rules of the Irish Stock Exchange;
<b>“Irish Prospectus Regulations”</b>	the Prospectus (Directive 2003/71 EC) Regulations 2005 which give effect in Irish law to Directive 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading;
<b>“Irish Stock Exchange”</b>	The Irish Stock Exchange plc;
<b>“Irish Takeover Panel”</b>	the Irish Takeover Panel, established under the Irish Takeover Panel Act 1997 (as amended);
<b>“Irish Takeover Panel Act”</b>	the Irish Takeover Panel Act 1997, as amended;
<b>“Irish Takeover Rules”</b>	the Irish Takeover Panel Act 1997, Takeover Rules 2013;
<b>“IRS”</b>	U.S. Internal Revenue Service;
<b>“ISIF”</b>	the fund known as the Ireland Strategic Investment Fund (as controlled and managed by the NTMA) established under the NTMA 2014 Act 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>“Latest Practicable Date”</b>	the latest practicable date prior to the publication of this document, being 6 October 2017, unless otherwise stated herein;

<b>“Listing Rules”</b>	the Irish Listing Rules and the UK Listing Rules;
<b>“London Stock Exchange”</b>	the London Stock Exchange plc;
<b>“Meetings”</b>	the Court Meeting and the Extraordinary General Meeting, and “ <b>Meeting</b> ” means either of them as the context requires;
<b>“Minister for Finance”</b>	the Minister for Finance, a corporation sole having its address at Department of Finance, Government Buildings, Upper Merrion Street, Dublin 2, Ireland;
<b>“Minister’s Letter”</b>	the letter from the Minister for Finance to the board of AIB Bank dated 25 July 2011;
<b>“Morgan Stanley”</b>	Morgan Stanley & Co. International plc of 25 Cabot Square, Canary Wharf, London, E14 4QA, United Kingdom; including its affiliates or any of its subsidiaries;
<b>“MREL”</b>	minimum requirement for own funds and eligible liabilities for the purposes of 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 “participating institution” within the meaning of the NAMA Act;
<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>“NPRF”</b>	the National Pensions Reserve Fund, a fund owned by the Minister for Finance which was 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, <i>inter alia</i> , control, manage and invest the assets of the NPRF (or any replacement successor agency or authority), where references in this document to the NPRFC are to the NPRFC acting in its capacity as controller and manager of the NPRF;
<b>“NTMA”</b>	the National Treasury Management Agency;
<b>“NTMA 2014 Act”</b>	the National Treasury Management Agency (Amendment) Act 2014;
<b>“Official Lists”</b>	the official list maintained by the Irish Stock Exchange and/ or (as the context requires) the official list of the FCA;
<b>“Overseas Shareholder”</b>	a Scheme Shareholder that has a registered address or that is resident in a jurisdiction other than Ireland or the United Kingdom;
<b>“participant ID”</b>	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant;
<b>“PFIC”</b>	a passive foreign investment company for U.S. federal income tax purposes;
<b>“PRA”</b>	UK Prudential Regulation Authority;
<b>“Prospectus”</b>	the prospectus relating to AIB HoldCo and Admission, prepared in accordance with Chapter 1 of Part 23 of the Companies Act 2014, Part 5 of the Irish Prospectus Regulations and Commission Regulation (EC) No. 809/2004, as amended;
<b>“Registrar of Companies”</b>	has the meaning given by the Companies Act;
<b>“Regulatory Information Service” or “RIS”</b>	a regulatory information service authorised by the Irish Stock Exchange or the FCA to receive, process and disseminate regulatory information from listed companies;
<b>“Resolutions”</b>	the Scheme Resolution and the Distributable Reserves Resolution;
<b>“Resolution Authorities”</b>	the SRB, as the Group Level Resolution Authority, and the Bank of England, as the regulatory supervisor of AIB Group (UK) plc;

<b>“Restricted Jurisdiction”</b>	in the context of the Scheme, jurisdictions outside Ireland and the United Kingdom in respect of which the AIB Bank Board considers that the distribution of the Scheme Circular or other Scheme documentation into such jurisdictions may infringe the laws of such jurisdiction or that to seek legal advice in relation thereto would be unduly onerous having regard (without limitation) to the cost and inconvenience of obtaining such advice and complying with any requirements that might be contained in such advice, or that the distribution of the Scheme Circular or Scheme documentation into any such jurisdiction might require the AIB Group to observe any governmental or other consent or effect any registration, filing or other formality with which, in the opinion of the AIB Bank Board, it would be unable to comply or which it regards as unduly onerous having regard (without limitation) to the cost and inconvenience of observing such consent or effecting such registration, filing or other formality;
<b>“Restricted Shareholders”</b>	Scheme Shareholders who do not receive AIB HoldCo Shares on the Scheme becoming effective but are dealt with in accordance with the provisions of the Scheme;
<b>“Restructuring Proposals”</b>	collectively, the Scheme, Admission and the AIB HoldCo Reduction of Capital;
<b>“Revenue Commissioners”</b>	the office of the Revenue Commissioners of Ireland;
<b>“Scheme”</b>	the scheme of arrangement proposed to be made under Part 1 of Chapter 9 of the Companies Act between AIB Bank and the holders of the Scheme Shares, as set out in Part III of this document, and the related AIB Bank reduction of capital under sections 84 to 86 of the Companies Act, with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by AIB Bank and AIB HoldCo;
<b>“Scheme Circular” or “this document”</b>	this document, which is to be sent to AIB Bank Shareholders setting out, amongst other things, the Scheme and notices of the Court Meeting and the Extraordinary General Meeting;
<b>“Scheme Effective Date”</b>	the date on which the Scheme becomes effective in accordance with clause 6 of the Scheme, expected to be 8 December 2017;
<b>“Scheme Effective Time”</b>	the time on the Scheme Effective Date at which the Court Order and a copy of the minute required by section 86 of the Companies Act are registered by the Registrar of Companies;
<b>“Scheme Record Time”</b>	6:00 p.m. on the Scheme Effective Date;
<b>“Scheme Resolution”</b>	Resolution 1 to be proposed at the Extraordinary General Meeting;

<b>“Scheme Shares”</b>	the Cancellation Shares and (if any) the Transfer Shares;
<b>“Scheme Shareholder”</b>	a registered holder of Scheme Shares;
<b>“Scheme Voting Record Time”</b>	6:00 p.m. on the day which is two days before the date of the Court Meeting or, if the Court Meeting is adjourned, 6:00 p.m. on the day which is two days before the date of such adjourned Court Meeting;
<b>“SDRT”</b>	United Kingdom Stamp Duty Reserve Tax;
<b>“SRB”</b>	a Single Resolution Board, the EU resolution authority which, together with the national resolution authorities, forms the Single Resolution Mechanism under the EU Single Resolution Mechanism Regulation;
<b>“State”</b>	the Republic of Ireland;
<b>“State Agreements”</b>	the agreements and arrangements entered into between AIB Bank and/or AIB HoldCo and the Minister for Finance and/or any other State agency or entity, including without limitation the Deed of Covenant, the 2010 Placing Agreement, the 2011 Placing Agreement and the Minister’s Letter (and any amendments of those agreements or arrangements made in accordance with their terms);
<b>“Subscriber Shares”</b>	shares of €0.625 each in the capital of AIB HoldCo, that from the Scheme Effective Time will have the rights set out in the AIB HoldCo Articles, as described at paragraph 9 of Part II of this document;
<b>“Tier 1 Capital”</b>	regulatory capital which qualifies as tier 1 capital for the purposes of and as determined in accordance with the CRR;
<b>“Tier 2 Capital”</b>	regulatory capital which qualifies as tier 2 capital for the purposes of and as determined in accordance with the CRR;
<b>“Total Capital”</b>	Tier 1 Capital plus Tier 2 Capital;
<b>“Tier 1 Capital Ratio”</b>	the ratio of Tier 1 Capital to risk weighted assets, each as determined in accordance with CRR, expressed as a percentage;
<b>“Total Capital Ratio”</b>	the ratio of Total Capital to risk weighted assets, each as determined in accordance with CRR, expressed as a percentage;

<b>“Transfer Shares”</b>	any AIB Bank Shares issued at or after the Cancellation Record Time and at or before the Scheme Record Time, excluding for the avoidance of doubt the Excluded Share and the Cancellation Shares;
<b>“UK Listing Rules”</b>	the listing rules of the London Stock Exchange made by the FCA;
<b>“uncertificated” or “in uncertificated form”</b>	a share which is for the time being recorded on the register of members of the relevant company as being held in uncertificated form;
<b>“United Kingdom” or “UK”</b>	the United Kingdom of Great Britain and Northern Ireland;
<b>“United States” or “U.S.”</b>	the United States of America, its territories and possessions, any state in the United States of America, the District of Columbia and all other areas subject to the jurisdiction of the United States of America; and
<b>“U.S. Holder”</b>	a beneficial owner of AIB Bank Shares or AIB HoldCo Shares that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

All references to time in this document are to Dublin time.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

Any reference to “**subsidiary**” or “**holding company**” has the meaning given by sections 7 and 8 of the Companies Act.

Any references to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof. Any reference to any legislation is to Irish legislation unless specified otherwise.

**PART VI**  
**NOTICE OF COURT MEETING**

**THE HIGH COURT**  
**COMMERCIAL**

**2017 No. 330 COS**

**IN THE MATTER OF ALLIED IRISH BANKS, P.L.C.**  
**and**  
**IN THE MATTER OF THE COMPANIES ACT 2014**

**NOTICE IS HEREBY GIVEN** that by an Order dated 4 October 2017 made in the above matter the High Court has directed a meeting to be convened of the holders of Scheme Shares (as defined in the proposed Scheme of Arrangement referred to below) for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement pursuant to Chapter 1 of Part 9 of the Companies Act 2014 proposed to be made between Allied Irish Banks, p.l.c. (“**AIB Bank**”) and the holders of Scheme Shares (the “**Scheme of Arrangement**”) and that such meeting will be held at the Ballsbridge Hotel, Pembroke Road, Dublin 4, Ireland on 3 November 2017 at 10:00 a.m., at which place and time all holders of the said shares are invited to attend.

A copy of the said Scheme of Arrangement and a copy of the Explanatory Statement required to be furnished pursuant to Section 452 of the Companies Act 2014 are incorporated in the document of which this Notice forms part.

Each shareholder of AIB Bank who is entitled to attend the meeting may vote in person at the said meeting or he or she may appoint one or more other persons, whether members of AIB Bank or not, as his or her proxy or proxies to attend, speak and vote on his or her behalf. A green Form of Proxy for use at the said meeting is enclosed with this Notice. Completion and return of a Form of Proxy will not preclude a shareholder from attending and voting in person at the said meeting, or any adjournment thereof, if that shareholder wishes to do so.

It is requested that Forms of Proxy, together with any authority under which it is executed or a copy of such authority certified notarially or by a solicitor practicing in Ireland, be lodged by post to Computershare Investor Services (Ireland) Limited, P.O. Box 954, Sandyford, Dublin 18, Ireland or (during normal business hours) by hand to Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland, no later than 10:00 a.m. on 1 November 2017 or, if the Court Meeting is adjourned, no later than 48 hours before the time fixed for the holding of the adjourned Court Meeting or (in the case of a poll taken otherwise than at or on the same day as the Court Meeting or adjourned Court Meeting) no later than 48 hours before the taking of the poll at which it is to be used. However, if the green Form of Proxy is not so returned, it may be handed to Computershare Investor Services (Ireland) Limited at the venue of the Court Meeting or to the Chairman at the Court Meeting before the taking of the poll. For an electronic proxy to be valid, it must be received by Computershare Investor Services (Ireland) Limited no later than 10:00 a.m. on 1 November 2017 or, if the Court Meeting is adjourned, no later than 48 hours before the time fixed for the holding of the adjourned Court Meeting or (in the case of a poll taken otherwise than at or on the same day as the Court Meeting or adjourned Court Meeting) no later than 48 hours before the taking of the poll at which it is to be used.

In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority will be



determined by the order in which the names stand in the register of members of AIB Bank in respect of the joint holding.

Entitlement to attend and vote at the meeting, or any adjournment thereof, and the number of votes that may be cast thereat will be determined by reference to the register of members of AIB Bank at 6:00 p.m. on 1 November 2017 or, in the event that this meeting is adjourned, by reference to the register of members at 6:00 p.m. on the day which is two days before the date of such adjourned meeting. In each case, changes to the register of members of AIB Bank after such time shall be disregarded.

By the said order, the High Court has appointed Richard Pym or, failing him, Catherine Woods or, failing her, Dr. Michael Somers, to act as Chairman of the meeting and has directed the Chairman to report the result thereof to the High Court.

The Scheme of Arrangement will be subject to the subsequent sanction of the High Court. The High Court has ordered that, subject to the approval (by the requisite majorities) of the resolution to be proposed at the meeting convened by this notice and the resolution in respect of the Scheme to be proposed at the extraordinary general meeting of AIB Bank convened for 3 November 2017, the hearing by the High Court of the petition to sanction the Scheme will take place on 6 December 2017.

Dated: 10 October 2017

**McCANN FITZGERALD**

Riverside One

Sir John Rogerson's Quay

Dublin 2

*Solicitors for AIB Bank*

**PART VII**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**  
**OF**  
**ALLIED IRISH BANKS, P.L.C.**

**NOTICE IS HEREBY GIVEN** that an **EXTRAORDINARY GENERAL MEETING** (the “**EGM**”) of Allied Irish Banks, p.l.c. (the “**AIB Bank**”) will be held at the Ballsbridge Hotel, Pembroke Road, Dublin 4, Ireland on 3 November 2017 at 10:15 a.m. (or as soon thereafter as the Court Meeting (as defined in the document of which this Notice forms part) shall have concluded or been adjourned) for the purpose of considering and, if thought fit, passing the following resolutions, of which Resolution 1 will be proposed as a special resolution and Resolution 2 will be proposed as an ordinary resolution:

**1. As a Special Resolution**

THAT, for the purpose of giving effect to the Scheme of Arrangement dated 10 October 2017 between AIB Bank and the holders of the Scheme Shares (as defined therein), a copy of which has been produced to the EGM and for the purpose of identification signed by the Chairman, in its original form or with or subject to any modification, addition or conditions approved or imposed by the High Court of Ireland (the “**Scheme**”):

- (a) the directors of AIB Bank (the “**Directors**”) be authorised to take all such action as they consider necessary or appropriate for carrying the Scheme into effect;
- (b) subject to the confirmation of the High Court of Ireland, the issued capital of AIB Bank be reduced by cancelling all the Cancellation Shares (as defined in the Scheme) but without thereby reducing the authorised share capital of AIB Bank; and
- (c) forthwith and contingent upon such reduction of capital taking effect:
  - (i) the Directors of AIB Bank be and are hereby authorised pursuant to and in accordance with section 1021 of the 2014 Act to give effect to this resolution and accordingly to effect the allotment of ordinary shares of €0.625 each in the capital of AIB Bank (“**New Shares**”) referred to in sub-paragraph (ii) below provided that: (A) this authority shall expire on 30 March 2018; (B) the maximum aggregate nominal amount of shares which may be allotted hereunder shall be an amount equal to the nominal amount of the Cancellation Shares; and (C) this authority shall be without prejudice to any other authority under the said section 1021 previously granted before the date on which this resolution is passed; and
  - (ii) the reserve credit arising in the books of account of AIB Bank as a result of the cancellation of the Cancellation Shares be applied in paying up in full at par such number of New Shares as shall be equal to the aggregate of the number of Cancellation Shares cancelled pursuant to sub-paragraph (i) above, such New Shares to be allotted and issued to AIB HoldCo credited as fully paid and free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature whatsoever.

**2. As an Ordinary Resolution**

THAT, on an advisory and non-binding basis, subject to and conditional upon: (i) the passing of Resolution 1 set out in this notice; (ii) the Scheme (as defined in Resolution 1) becoming effective; (iii) the ordinary shares of €2.47 (“**AIB HoldCo Shares**”) in the capital of AIB HoldCo required to be allotted and issued by AIB HoldCo pursuant to the Scheme having been allotted and issued and registered in the names of the persons entitled to such AIB HoldCo Shares in the AIB HoldCo register of members and (iv) the confirmation of the High Court of Ireland pursuant to sections 84 and 85 of the Companies Act 2014 of the reduction of the nominal value of each AIB HoldCo Share from €2.47 to €0.625 and that the reserve

resulting from such reduction of capital be treated as a realised profit for the purposes of section 117 of the Companies Act 2014, be acknowledged, confirmed and approved.

## **BY ORDER OF THE BOARD**

**Sarah McLaughlin**  
**Company Secretary**  
Bankcentre  
Ballsbridge  
Dublin 4

Dated: 10 October 2017

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### **NOTES:**

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

- (1) Pursuant to Section 1095 of the Companies Act 2014, only those shareholders in AIB Bank (“**Shareholders**”) registered on AIB Bank’s register of members: (i) at 6:00 p.m. on the day two days prior to the Extraordinary General Meeting; or (ii) if the Extraordinary General Meeting is adjourned, at 6:00 p.m. on the day two days prior to the adjourned Extraordinary General Meeting, shall be entitled to attend and vote at the Extraordinary General Meeting or, if relevant, any adjournment thereof. Changes to entries on AIB Bank’s register of members after those times will be disregarded in determining the rights of any person to attend and vote at the Extraordinary General Meeting.

#### **Attending in person**

- (2) The Extraordinary General Meeting will be held at the Ballsbridge Hotel, Pembroke Road, Dublin 4, Ireland. If you wish to attend the Extraordinary General Meeting in person, you are recommended to attend at least 15 minutes before the time appointed for holding of the Extraordinary General Meeting to allow time for registration. Please bring the attendance card attached to your purple Form of Proxy and present it at the shareholder registration desk before the commencement of the Extraordinary General Meeting.

#### **Appointment of proxies**

- (3) A Shareholder who is entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint a proxy or more than one proxy as alternates to attend, speak and vote at the EGM instead of the Shareholder. A proxy need not be a Shareholder.
- (4) A purple 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 Extraordinary General Meeting and voting in person should the Shareholder wish to do so.
- (5) To be valid, a purple 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 AIB Bank’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 Extraordinary General Meeting or adjourned Extraordinary General Meeting or (in the case of a poll taken otherwise than at or on the same day as the Extraordinary General Meeting or adjourned Extraordinary General Meeting) 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 Registrars, Computershare Investor Services (Ireland) Limited at [www.eproxypointment.com](http://www.eproxypointment.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 purple 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 AIB Bank’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 shall 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) AIB Bank 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 AIB Bank on the date of this notice of Extraordinary General Meeting is 2,714,381,238. At the Extraordinary General Meeting, voting will be by poll and not by a show of hands. On a poll every Shareholder shall have one vote for every share carrying rights of which he, she or it is the holder at the appropriate record time. On a poll a Shareholder, whether present in person or by proxy, entitled to more than one vote need not, if the Shareholder votes, use all his, her or its votes or cast all the votes the Shareholder uses in the same way.
- (12) Resolution 1 to be proposed at the Extraordinary General Meeting is a special resolution and requires the approval of Shareholders representing at least 75 per cent. of the votes cast in person or by proxy to be passed. Resolution 2 to be proposed at the Extraordinary General Meeting is an ordinary resolution, is being proposed on an advisory and non-binding basis and requires the approval of Shareholders representing a majority of the votes cast in person or by proxy to be passed.

#### **Questions at the Extraordinary General Meeting**

- (13) Under Section 1107 of the Companies Act 2014, AIB Bank must answer any question a shareholder may ask relating to the business being dealt with at the Extraordinary General Meeting unless:
- answering the question would interfere unduly with the preparation for the Extraordinary General Meeting or the confidentiality and business interests of AIB Bank;
  - the answer has already been given on a website in a question and answer forum; or
  - it appears to the Chairman of the Extraordinary General Meeting that it is undesirable in the interests of good order of the meeting that the question be answered.
- (14) If you or a group of Shareholders hold at least 3 per cent. of the issued share capital of AIB Bank, you or the group of Shareholders acting together have the right to table a draft resolution for an item on the agenda of the Extraordinary General Meeting subject to any contrary provision in company law. In order to exercise this right, the text of the draft resolution and evidence of your shareholding must be received by post by the AIB Group company secretary at Allied Irish Banks, p.l.c., Bankcentre, Ballsbridge, Dublin 4, Ireland or by email to [secretariat@aib.ie](mailto:secretariat@aib.ie) in good time so that notice can be given to Shareholders of the resolution as required by the Companies Act. A resolution cannot be included in the Extraordinary General Meeting agenda unless it is received at this address. Furthermore, Shareholders are reminded that there are provisions in company law which impose other conditions on the right of shareholders to propose resolutions at the general meeting of a company.