

# Questions & Answers Relating to the Business of the 2015 EGM



This Q&A is intended to assist with questions that you may have relating to the Capital Reorganisation of Allied Irish Banks, p.l.c. (“AIB”) and how it affects your existing ordinary shareholding in AIB. This Q&A is not a summary of the Circular or the Resolutions to be proposed at the forthcoming EGM and should not be regarded as a substitute for reading the Circular before deciding on how to vote on the Resolutions. If you no longer own Ordinary Shares in AIB, the front page of the Circular explains what you should do with the documents you have received. (Capitalised terms used in this Q&A are defined in the Circular accompanying this Q&A.)

## 1. Why is AIB proposing the Capital Reorganisation?

AIB’s business has been restructured significantly in recent years, with the aim of becoming a customer focused, profitable and lower-risk institution, and has shown a strong improvement in operating performance in recent periods. In this context, and as previously announced, we have been engaged in on-going discussions with the Minister for Finance regarding the simplification and rationalisation of our capital structure. The proposed Capital Reorganisation represents the outcome of those discussions.

The Capital Reorganisation is designed to enable us to further strengthen our regulatory capital position and to allow us to make an initial repayment of capital received from the Irish Government during the financial crisis. It will simplify and more closely align our capital structure with market norms and investor expectations and should position us for a transition from State ownership to private sector ownership over time.

## 2. How will the Capital Reorganisation work?

There are six key steps in the proposed Capital Reorganisation:

- **Step 1 - 2009 Preference Share Conversion:** AIB will convert 2.14 billion of the 3.5 billion 2009 Preference Shares held by the Irish Government into Ordinary Shares at an agreed price of approximately 1.7 cents per share, resulting in the issue of 155.5 billion new Ordinary Shares to the Irish Government. This values the entire issued ordinary share capital of AIB at approximately €11.7 billion. All accrued but unpaid dividends on the converting 2009 Preference Shares, which as at 18 November amounted to approximately €88 million, will be paid to the Irish Government before their conversion.
- **Step 2 - 2009 Preference Share Redemption:** AIB will redeem the remaining 1.36 billion 2009 Preference Shares resulting in the payment of €1.7 billion to the Irish Government. All accrued but unpaid dividends on the redeeming 2009 Preference Shares, which as at 18 November amounted to approximately €56 million, will be paid to the Irish Government before their redemption. Once Step 1 and Step 2 are completed, the 2009 Preference Shares will be eliminated from AIB’s capital structure.
- **Step 3 - EBS Promissory Note Redemption:** The Irish Government will redeem the EBS Promissory Note issued to EBS in June 2010 and pay to EBS any accrued but unpaid interest on the EBS Promissory Note. The payment to EBS will be funded out of the proceeds of the 2009 Preference Share Redemption.
- **Step 4 - Ordinary Share Consolidation:** As AIB has a large number of Ordinary Shares in issue, AIB’s Ordinary



Shares will be consolidated on a 1-for-250 basis in order to reduce the number of Ordinary Shares in issue. The Ordinary Share Consolidation will round-up any residual fractional shareholdings of less than 250 Ordinary Shares that would otherwise result from the Ordinary Share Consolidation which will ensure that all Shareholders remain on AIB's shareholders' register.

- **Step 5 - Potential Warrant Issue:** AIB has agreed to issue Warrants to the Irish Government if requested by the Irish Government at the time of any re-admission of AIB's Ordinary Shares to a regulated market (such as, for example, the main market of the Irish Stock Exchange plc). This will entitle the Irish Government to subscribe for Ordinary Shares not exceeding 9.99% of AIB's issued ordinary share capital at a price not less than 200% of the re-admission price and within 10 years of re-admission.
- **Step 6 - Amendment of AIB's Memorandum and Articles of Association:** AIB's Memorandum and Articles of Association will be amended to effect the Capital Reorganisation and the new Companies Act 2014.

Steps 1 to 6 outlined above are inter-conditional so that in order for any one step to take effect, all must be approved by Shareholders at the EGM.

### 3. How will the Capital Reorganisation impact my shareholding in AIB?

All of AIB's existing Shareholders will remain Shareholders of AIB following the Capital Reorganisation.

The Irish Government's ordinary shareholding will increase as a result of the 2009 Preference Share Conversion and may increase further due to the potential exercise of any Warrants (if issued). This means that you will hold a lower percentage of the total number of Ordinary Shares in issue as a result of the Capital Reorganisation and will be diluted. The removal of the 2009 Preference Shares will mean that the 2009 Preference Shares will no longer form part of our capital structure which will eliminate the related €280 million annual dividend cost to AIB.

Question 4 addresses the impact of the Ordinary Share Consolidation.

### 4. What happens to my Ordinary Shares as a result of the Ordinary Share Consolidation?

Each Shareholder will receive one New Ordinary Share for every 250 Existing Ordinary Shares.

Even though you will hold fewer Ordinary Shares than before as a result of the Ordinary Share Consolidation, your shareholding as a percentage of the total number of Ordinary Shares in issue (after the 2009 Preference Share Conversion has occurred) will remain the same, subject to the rounding-up of fractional entitlements (see below) and the 2009 Preference Share Conversion (see Question 3 above).

#### 4.1 What if my shareholding isn't exactly divisible by 250?

The Ordinary Share Consolidation has been structured so that it will not result in the removal of any Shareholder from our shareholders' register.

If your holding of Existing Ordinary Shares is not exactly divisible by 250, the relevant number of Existing Ordinary Shares held by you will be rounded-up by us and converted into one New Ordinary Share so that you will receive one New Ordinary Share for any fractional holding of less than 250 Existing Ordinary Shares.

For purely illustrative purposes, the table below shows the effect of the Ordinary Share Consolidation for a



variety of sample ordinary shareholdings in AIB.

Holding of Existing Ordinary Shares	New Ordinary Shares resulting from Ordinary Share Consolidation (excl. fractional entitlements)	Remaining fractional holding	Additional Existing Ordinary Shares to be issued as part of the rounding-up exercise	Total no. of New Ordinary Shares resulting from the Ordinary Share Consolidation
1	0	1/250	249	1
249	0	249/250	1	1
250	1	0	0	1
950	3	200/250	50	4
10,001	40	1/250	249	41

#### 4.2 When will my Ordinary Shares be consolidated?

A number of steps need to be completed prior to the Ordinary Share Consolidation taking place. These include: (i) the issuance of Debt Capital Instruments (outlined in Section 2.3 of the Circular) and (ii) the conversion and redemption of the 2009 Preference Shares. The timing of the Ordinary Share Consolidation will be announced publicly by us in due course.

#### 4.3 What rights will I have in respect of my New Ordinary Shares?

The New Ordinary Shares will entitle you to the same voting and other rights as your existing shareholding prior to the Capital Reorganisation, subject to the rounding-up exercise.

#### 4.4 When should I expect to receive my new share certificate?

New share certificates representing New Ordinary Shares will be sent to you if you hold your Ordinary Shares in certificated form by no later than 14 Business Days following the Ordinary Share Consolidation. On receipt, all Existing Ordinary Share certificates previously issued can be destroyed. If you hold your entitlement to Existing Ordinary Shares in uncertificated form through CREST, your CREST account will be adjusted to reflect your entitlement to New Ordinary Shares by no later than 24 hours following the Ordinary Share Consolidation.

### 5. What should I do if I hold my Ordinary Shares in a nominee account with a stockbroker?

If you hold Ordinary Shares in a nominee account with a stockbroker, you will need to contact your broker to determine the number of New Ordinary Shares you will hold after the Capital Reorganisation has completed.

### 6. What am I being asked to vote on?

You are being asked to vote on the steps necessary to undertake the Capital Reorganisation which require Shareholder approval, as well as other related matters. The full text of the Resolutions to be proposed at the EGM is set out in the Notice of EGM in the Circular and the Circular contains an explanation of those Resolutions.



**7. Why are you issuing Warrants to the Minister for Finance?**

The Minister for Finance has requested that AIB enter into the Warrant arrangements in consideration for the Minister's support for and participation in the Capital Reorganisation. Although Shareholder approval is being sought now, the Warrants will only be issued at the time of any re-admission of AIB's Ordinary Shares to a regulated market (such as, for example, the main market of the Irish Stock Exchange plc) and only if the Minister for Finance requests them to be issued.

**8. What happens if the Resolutions are not approved at the EGM?**

In these circumstances, we would be unable to proceed with the proposed Capital Reorganisation. However, the Irish Government (which holds approximately 99.8% of AIB's issued ordinary share capital) has committed to vote at the EGM in favour of the Resolutions in respect of the Ordinary Shares held by it.

**9. What is the recommendation of the AIB Board?**

The Board (other than Dr Michael Somers in respect of the Related Party Transaction described in, and for the reasons explained in, section 9 of the Circular) has approved the Capital Reorganisation and recommends that you vote in favour of each of the Resolutions.

**10. How do I vote on the Resolutions necessary to implement the Capital Reorganisation?**

All Shareholders are entitled to attend and vote at the EGM, but are not obliged to do so. Whether or not you intend to be present at the EGM, we would encourage you to exercise your right to vote by signing and returning the Form of Proxy to Computershare at Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland by no later than 10 a.m. on 14 December 2015. Alternatively, you may complete the proxy form electronically at **[www.eproxyappointment.com](http://www.eproxyappointment.com)** by the same time. If you hold your Existing Ordinary Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Computershare in accordance with the instructions set out in the Notice of EGM in the Circular.

**11. Who can I contact if I have additional queries in connection with the Capital Reorganisation?**

If you have any further queries regarding the Capital Reorganisation or the EGM please contact AIB's Registrar, Computershare, on 01 247 5411 (if calling from Ireland) or +353 1 247 5411 (if calling from outside Ireland), open from 9.00 a.m. to 5.00 p.m. on any Business Day.

You should consult your own independent financial adviser, tax adviser, investment adviser, legal adviser or other appropriate professional adviser for legal, business, financial, tax, investment or other professional advice in connection with the Capital Reorganisation.

For full details in relation to the Capital Reorganisation please refer to the Circular accompanying this document and which is available on our website at **[www.aib.ie](http://www.aib.ie)**.