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**If you are in any doubt as to the contents of this document, or about the action you should take, you are recommended to immediately seek your own personal financial advice from your stockbroker, solicitor, accountant, fund manager or other appropriate independent financial adviser (being, in the case of Shareholders in Ireland, an organisation or firm authorised or exempted pursuant to the European Communities (Markets in Financial Instruments) Regulations (Nos. 1 to 3) 2007 (as amended) or the Investment Intermediaries Act 1995 (as amended) and, in the case of Shareholders in the United Kingdom, a firm authorised under the Financial Services and Markets Act 2000 (the “FSMA”) or from another appropriately authorised independent financial adviser if you are in a territory outside Ireland or the United Kingdom.**

If you sell or have sold or have otherwise transferred all of your Ordinary Shares, please send this document, together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. If you sell or have sold or otherwise transferred only part of your holding of Ordinary Shares, you should retain this document and accompanying Form of Proxy and consult the stockbroker, bank or other agent through whom you made the sale, transfer or disposal. However, the distribution of such documents into certain jurisdictions other than Ireland or the United Kingdom is or may be restricted by law and therefore persons into whose possession any such documents come should inform themselves about and observe any such restrictions. In particular, such documents should not be sent to any person or any jurisdiction where to do so might constitute a violation of local securities laws or regulations.

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

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

### **Proposed Placing of €5 billion of Ordinary Shares with the NPRFC**

### **Proposed Issue of up to €1.6 billion of Contingent Capital Notes to the Minister for Finance**

### **Proposed Renominalisation of Ordinary Shares**

### **Proposed Amendments to the Articles of Association**

### **Proposed Reduction of Capital Redemption Reserve and Share Premium**

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

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**Your attention is drawn in particular to the letter from your Executive Chairman, which is set out on pages 6 to 19 of this document and which recommends that you vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting referred to below. Please read the whole of this document.**

Notice of an Extraordinary General Meeting of the Company, to be held on 26 July 2011 at 10.00 a.m. at Bankcentre, Ballsbridge, Dublin 4, is set out at the end of this document. A Form of Proxy for use at the Extraordinary General Meeting is enclosed. To be valid, Forms of Proxy should be completed, signed and returned by no later than 10.00 a.m. on 24 July 2011 in accordance with the notes to the Notice of EGM (at the end of this document) and the Form of Proxy itself. Completion and return of a Form of Proxy will not prevent the Shareholder from attending and voting in person at the Extraordinary General Meeting or any adjournment thereof, should the Shareholder wish to do so.

Electronic proxy appointment is available for the Extraordinary General Meeting. This facility enables a Shareholder to lodge its proxy appointment by electronic means by logging on to the website of the Registrar, Computershare Investor Services (Ireland) Limited: [www.eproxyappointment.com](http://www.eproxyappointment.com). Additionally, for those who hold Shares in CREST, a Shareholder may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Computershare Investor Services (Ireland) Limited (CREST participant ID 3RA50) so that it is received by no later than 10.00 a.m. on 24 July 2011. The completion

and return of either an electronic proxy appointment notification or a CREST Proxy Instruction (as the case may be) will not prevent the Shareholder from attending and voting in person at the Extraordinary General Meeting or any adjournment thereof, should the Shareholder wish to do so.

Morgan Stanley & Co. International plc, in its capacity as ESM adviser to the Company, is acting exclusively for the Company and no one else in relation to the Placing and the Contingent Capital Notes Issue and will not regard any other person as a client in relation to the Placing and the Contingent Capital Notes Issue and will not be responsible to anyone other than the Company for providing the protections afforded to its customers or for providing advice in relation to the Placing, the Contingent Capital Notes Issue or any other matters referred to in this document. Morgan Stanley & Co. International plc has not provided advice to the Company in relation to the Reduction of Capital Redemption Reserve and Share Premium, the Renominalisation or the amendments to the Articles of Association of the Company. In particular, the Board's consultation with Morgan Stanley & Co. International plc, as referred to on page 19 of this document, was for the sole benefit of the Board for the purposes of their obligations under rule 13 of the ESM Rules (Related Party Transactions). It was not made for the benefit of anyone else, including but not limited to any shareholder of the Company, and should not be relied on by any person or entity for any purpose whatsoever other than the Board, as set out above. Morgan Stanley & Co. International plc: (i) makes no representation, express or implied, for the contents of this document, including the accuracy, verification or completeness of any information contained in this document or for any other statement made or purported to be made by the Company, or on the Company's behalf, or by it or on its behalf, and nothing in this document shall be relied upon as a promise or representation in this respect, whether as to past or future; and (ii) accepts no responsibility for the contents of this document or its publication and accordingly disclaims to the fullest extent permitted by law, all and any liability whatsoever whether arising out of tort, contract or otherwise which it might otherwise have to any person in respect of this document or any such statement.

AIB Corporate Finance, which is regulated in Ireland by the Central Bank, is acting exclusively for the Company and no one else in relation to the Proposals and will not regard any other person as a client in relation to the Proposals and will not be responsible to anyone other than the Company for providing the protections afforded to its customers or for providing advice in relation to the Proposals, or any other matters referred to in this document. AIB Corporate Finance (i) makes no representation, express or implied, for the contents of this document, including the accuracy, verification or completeness of any information contained in this document or for any other statement made or purported to be made by the Company, or on the Company's behalf, or by them or on their behalf, and nothing in this document shall be relied upon as a promise or representation in this respect, whether as to past or future, and (ii) accepts no responsibility for the contents of this document or its publication and accordingly disclaims to the fullest extent permitted by law, all and any liability whatsoever whether arising out of tort, contract or otherwise which it might otherwise have to any person in respect of this document or any such statement.

None of the Minister for Finance, the Department of Finance, the Government of Ireland (the "Government"), the NTMA, the NPRFC 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, commissioners, employee or adviser (including any financial or legal advisers) of any such person (each such person, a "Relevant Person") accepts any responsibility for the contents of, or makes any representation or warranty 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"). 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. No Relevant Person has authorised or will authorise the contents of any Transaction Document, or has recommended or endorsed the merits of the offering of securities or any other course of action contemplated by any Transaction Document.

Neither the Placing Shares nor the Contingent Capital Notes are being offered to the public in any jurisdiction and this document does not constitute an offer to sell, or the solicitation of an offer to buy, the Placing Shares or the Contingent Capital Notes in any jurisdiction, including, without limitation, the United States. Neither the Placing Shares nor the Contingent Capital Notes have been, and will not be, registered under the US Securities Act of 1933 (the "US Securities Act") or under the securities laws of any state or other jurisdiction of the United States or in any other jurisdiction and may not be offered or sold in the United States or to, or for the account or benefit of, US persons (as defined in Regulation S under the US Securities Act ("Regulation S")). There will be no public offer of the Placing Shares or the Contingent Capital Notes in Ireland, the United Kingdom, the United States or elsewhere. An application will be made to list the Placing Shares on the Enterprise Securities Market of the Irish Stock Exchange ("ESM"). It is AIB's current intention to list the Contingent Capital Notes in due course.

Circular dated 1 July 2011

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## **IMPORTANT INFORMATION**

### **CURRENCY**

In this Circular, references to “EUR”, “Euro”, “euro” “€” or “c” are to euro currency, references to “US dollars”, “dollars”, “US\$” or “cents” are to US currency, references to “£” or “sterling” are to British currency, and references to “yen” are to Japanese currency.

### **NOTICE TO US INVESTORS**

The Placing Shares and the Contingent Capital Notes have not been, and will not be, registered under the US Securities Act or under the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, within the United States or to, or for the account or benefit of, US persons. There will be no public offer of the Placing Shares or the Contingent Capital Notes in the United States or elsewhere.

### **WEBSITES**

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

### **TIME**

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

### **DEFINITIONS**

Capitalised terms used in this document have the meanings ascribed to them in Part II (“*Definitions*”) of this document.

### **FORWARD-LOOKING STATEMENTS**

This document contains or incorporates by reference “forward-looking statements”, within the meaning of section 27A of the US Securities Act and section 21E of the US Securities Exchange Act of 1934 regarding the belief or current expectations of AIB, AIB’s Directors and other members of its senior management about AIB’s businesses and the transactions described in this document, including statements relating to possible future write downs or impairments. Generally, words such as “may”, “could”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “plan”, “seek”, “continue”, “should”, “assume”, “target”, “goal”, “would” or similar expressions identify forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements.

These forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of AIB and are difficult to predict, that may cause actual results to differ materially from any future results or developments expressed or implied from the forward-looking statements.

No statement in this document or any document incorporated by reference herein is intended to constitute a profit forecast or profit estimate for any period. The forward-looking statements speak only as at the date of this document. AIB does not have any obligation and expressly disclaims any obligation or undertaking, to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise. AIB expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this Circular or any change in events, conditions or circumstances on which any such statement is based.

**STATISTICS RELATING TO THE PLACING, THE BONUS SHARE ENTITLEMENT 2011 AND THE CONTINGENT CAPITAL NOTES ISSUE**

Issue Price per new Ordinary Share to be issued for cash (the “Placing”) . . . . .	€0.01
Number of Ordinary Shares in issue as at the date of this Circular <sup>(1)</sup> . . . . .	12,730,755,590
Number of Ordinary Shares to be issued by the Company pursuant to the Placing . . . . .	500,000,000,000
Number of Ordinary Shares to be issued by the Company pursuant to the Bonus Share Entitlement 2011 <sup>(2)</sup> . . . . .	760,464,760
Number of Ordinary Shares in issue immediately following the issue of the Placing Shares and the Bonus Share Entitlement 2011 . . . . .	513,491,220,350
Proceeds of the Placing receivable by the Company . . . . .	€ 5.0 billion
Proceeds of the Contingent Capital Notes Issue receivable by the Company . . . . .	€ 1.6 billion
Total proceeds of the Placing and the Contingent Capital Notes Issue receivable by the Company . . . . .	€ 6.6 billion

**Notes:**

<sup>(1)</sup> Excluding 35,680,114 Treasury Shares.

<sup>(2)</sup> It is possible that this may decrease by 36,212,608 if a 5% increment prescribed by the Articles when a Bonus Issue is not made on the due date is waived.

**EXPECTED TIMETABLE OF PRINCIPAL EVENTS**

Despatch of this Circular and Form of Proxy . . . . .	1 July 2011
Completion of EBS Merger . . . . .	1 July 2011
Latest time and date for receipt of Forms of Proxy . . . . .	10.00 a.m. on 24 July 2011
Extraordinary General Meeting . . . . .	10.00 a.m. on 26 July 2011
Annual General Meeting . . . . .	12 noon on 26 July 2011 (or fifteen minutes after conclusion of the EGM, if later)
Renominalisation becomes effective . . . . .	8.00 a.m. on 27 July 2011
Completion of the Placing and the Contingent Capital Notes Issue . . . . .	27 July 2011
Admission of the Placing Shares to the ESM . . . . .	2 August 2011

## PART I

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



#### *Directors:*

David Hodgkinson                      Executive Chairman  
Dr Michael Somers\*                  Deputy Chairman  
Bernard Byrne  
Declan Collier\*  
Stephen L. Kingon\* \*\*  
Anne Maher\* \*\*  
Jim O'Hara\*  
David Pritchard\* \*\*  
Dick Spring\*  
Catherine Woods\*

#### *Head and Registered Office:*

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

1 July 2011

\* Denotes Non-Executive Director

\*\* Denotes retirement as a director of AIB to take effect immediately following AGM

#### **Proposed Capital Raising of €5 billion by way of a Placing for cash of new Ordinary Shares with the NPRFC**

#### **Proposed Issue of up to €1.6 billion of Contingent Capital Notes to the Minister for Finance**

#### **Proposed Renominalisation of Ordinary Shares**

#### **Proposed Amendments to the Articles of Association**

#### **Proposed Reduction of Capital Redemption Reserve and Share Premium**

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

Dear Shareholder

### **1 Introduction**

I am writing to you to provide you with details of the proposed placing by AIB of €5 billion of equity share capital with the NPRFC (the "Placing"), the proposed issue by AIB of up to €1.6 billion of contingent Tier 2 Capital notes to the Minister (the "Contingent Capital Notes Issue") and some related matters.

On 26 May 2011, AIB, the Minister, the NTMA and EBS signed an acquisition agreement providing for the acquisition by AIB of EBS conditional upon the conversion of EBS into a private company and receipt of all requisite regulatory approvals (the "EBS Merger"). It is expected that completion of the EBS Merger will take place on 1 July 2011. The quantum and structure of the proposed capital raising by AIB takes account of the EBS Merger.

On 31 March 2011, the Central Bank published its "Financial Measures Programme Report". In an announcement on the same day, it prescribed a minimum capital target for certain Irish credit institutions of 10.5 per cent Core Tier 1 Capital under a base scenario and 6 per cent Core Tier 1 Capital under a given stress scenario, plus allowing for an additional protective buffer. Having completed a stress test of the capital resources of Irish credit institutions under that adverse stress scenario, the Central Bank prescribed revised Core Tier 1 Capital requirements for certain Irish credit institutions, including AIB and EBS. As a result, AIB is required to increase its Core Tier 1 Capital by c.€13.3 billion (of which c.€1.4 billion may be in the form of contingent capital) (the "AIB PCAR Requirement"), and EBS is required to increase its Core Tier 1 Capital by c.€1.5 billion (of which c.€0.2 billion may be in the form of contingent capital) (the "EBS PCAR Requirement"), each of which must be in place by 31 July 2011. Assuming that completion of the EBS Merger occurs prior to 31 July 2011, it is expected that AIB will be required to raise both the AIB PCAR Requirement and the EBS

PCAR Requirement, which, if added together, would result in a total capital requirement for AIB of c.€14.8 billion of Core Tier 1 Capital, of which c.€1.6 billion may be in the form of contingent capital (the “PCAR Requirement”).

On 14 June 2011, AIB announced the preliminary results of its offers dated 13 May 2011 to purchase for cash certain of its Tier 1 and Tier 2 Capital instruments (the “June 2011 Liability Management Exercise”). That announcement stated that AIB expected to raise €1.6 billion of Core Tier 1 Capital as a result of the offers. Further Core Tier 1 Capital may be generated when the final results of the June 2011 Liability Management Exercise are known. EBS launched a liability management and redemption exercise on 31 May 2011.

It is anticipated that the portion of the PCAR Requirement that is not satisfied by the June 2011 Liability Management Exercise, the EBS LME (if applicable), the Placing, the Contingent Capital Notes Issue and any further burden-sharing with the Group’s subordinated debt holders will be satisfied by way of a capital contribution to be made by the State to AIB (the “Capital Contribution”) once the Minister is satisfied that an appropriate level of burden-sharing has been achieved with the Group’s subordinated debt holders.

This Circular contains the notice of an Extraordinary General Meeting of the Company to be held on 26 July 2011 to consider, and, if thought fit, pass the resolutions that are required to enable the Company to proceed with the Placing and the Contingent Capital Notes Issue, to write off, subject to the confirmation of the High Court, accumulated losses and create distributable reserves through the cancellation of (a) all of the capital redemption reserve to be created on the acquisition and cancellation of the Deferred Shares resulting from the Renominalisation and (b) €2.0 billion of the Company’s share premium account, and to carry out related matters.

As the Placing and the Contingent Capital Notes Issue constitute “related party transactions” for AIB pursuant to the ESM Rules (being transactions between AIB, the NPRFC and the Minister, who, through the NPRFC, holds c.93.1 per cent. of the current issued Ordinary Shares), this Circular also contains the information required to be included in it by the ESM Rules. It should be noted that this document does not constitute a prospectus or form part of any offer of securities to the public in any jurisdiction, as AIB is not asking Shareholders to subscribe for the Placing Shares or the Contingent Capital Notes.

Following completion of the liability management exercises being carried out by AIB and EBS as described in this Circular, AIB is not aware of any viable sources of capital, other than the sources of capital to be provided to AIB as described in this Circular, that could be put in place to raise the necessary additional capital to enable AIB to meet the PCAR Requirement by 31 July 2011.

## **2 Background to the Proposals**

### ***March 2010 PCAR and EU/IMF Programme***

On 30 March 2010, the Central Bank completed its Prudential Capital Assessment Review (“PCAR 2010”) exercise in relation to certain Irish credit institutions, including AIB, and informed AIB that it was required to generate additional Core Tier 1 Capital in order to meet a minimum Core Tier 1 Capital Ratio of 8 per cent. by 31 December 2010. During 2010, the Group generated Core Tier 1 capital by disposing of its c.22 per cent. investment in the US-based M&T Bank and agreeing to sell its BZWBK Shareholding. However, financial markets remained unstable during 2010 amid concerns regarding the economies of peripheral Eurozone countries, including Ireland. These concerns, amongst other factors, contributed to significant increases in bond yields and successive downgrades of the Irish sovereign credit ratings and the senior bond ratings of Irish financial institutions, including the Group, from August 2010 onwards.

On 28 November 2010, it was announced that the Government had agreed in principle to the provision of €67.5 billion of financial support to Ireland by the Member States of the European Union through the European Financial Stability Fund (“EFSF”) and the European Financial Stability Mechanism, bilateral loans from the UK, Sweden and Denmark and the International Monetary Fund (“IMF”)’s Extended Fund Facility, together with a commitment of €17.5 billion from the NPRFC and other domestic cash resources. That agreement was subsequently formalised and the resulting EU/IMF Programme included up to €35 billion to support the Irish banking system, including the Group, €10 billion of which was for immediate recapitalisation and up to €25 billion of which is available on a contingency basis. It also set out a programme to deleverage and reorganise the Irish banking sector and provided for new regulatory capital requirements for the Irish banking system so that it is capitalised at a level which is in line with the highest international standards.

In tandem with the announcement of the EU/IMF Programme, the Central Bank announced that it had set a new minimum capital target for the Irish banking system. Under that requirement, AIB was required to maintain a minimum 10.5 per cent Core Tier 1 Capital Ratio (previously 8 per cent.) and also to generate a further increased level of Core Tier 1 Capital by 28 February 2011, being a Central Bank estimate at that time of



the amount needed to achieve a minimum Core Tier 1 Capital Ratio of 12 per cent. (calculated by reference to the position as at 31 December 2010) and to maintain a Core Tier 1 Capital Ratio of greater than 10.5 per cent. That deadline was postponed on 9 February 2011 pending the outcome of the Irish general election on 25 February 2011 and the outcome of the PCAR 2011 and PLAR 2011 results on 31 March 2011.

### ***Capital raising measures since March 2010***

Since the announcement by the Central Bank of the PCAR 2010 capital requirements on 30 March 2010, the Group has generated Core Tier 1 Capital as follows:

- On 4 November 2010, AIB announced the completion of the sale of its c.22 per cent investment in M&T Bank for c.US\$2.0 billion (equivalent to €1.5 billion at that time), generating €0.9 billion of Core Tier 1 Capital for AIB.
- On 23 December 2010, on the Minister's application, the High Court issued a direction order (the "Direction Order") under the Credit Institutions (Stabilisation) Act 2010 (the "Stabilisation Act") with the consent of AIB, directing AIB to issue c.€3.8 billion (before taking account of fees) of new equity capital to the NPRFC (the "December 2010 Capital Increase"). The purpose of the December Capital 2010 Increase was to increase AIB's regulatory capital prior to 31 December 2010 and it resulted in AIB's Core Tier 1 Capital being increased by €3.7 billion (net of expenses).
- On 24 January 2011, AIB completed a tender offer for certain of its Tier 2 Capital instruments denominated in various currencies (the "January 2011 Liability Management Exercise"). The Group generated Core Tier 1 Capital from the January 2011 Liability Management Exercise of approximately €1.5 billion.
- On 24 February 2011, AIB announced that it had agreed, pursuant to a transfer order issued by the High Court under the Stabilisation Act, to the immediate transfer of deposits of €7.1 billion and NAMA senior bonds with a nominal value of €12.2 billion from Anglo to AIB. AIB also announced the transfer of the entire issued share capital to AIB of Anglo Irish Bank Corporation (International) PLC in the Isle of Man, including customer deposits of c.€1.5 billion, by way of a share sale (together, the "Anglo Transfers"). Approximately €1.5 billion of Core Tier 1 Capital was generated by AIB as a result of the Anglo Transfers, which was taken into account by the Central Bank in assessing the AIB PCAR Requirement.
- On 1 April 2011, AIB announced the completion of the sale of the BZWBK Shareholding to Banco Santander S.A. for a total cash consideration of €3.1 billion. AIB generated Core Tier 1 Capital of c.€2.3 billion as a result of that disposal (excluding €0.2 billion reported in the Group's income statements since the announcement of that transaction).
- On 14 June 2011, AIB announced the preliminary results of its offers, dated 13 May 2011, to purchase for cash, and solicit certain consents in relation to, certain subordinated liabilities of the Group that were the subject of an order issued to AIB by the High Court on 14 April 2011 under the Stabilisation Act, generating Core Tier 1 Capital for AIB of c.€1.6 billion (the "June 2011 Liability Management Exercise"). That announcement stated that AIB expected to raise €1.6 billion of Core Tier 1 Capital as a result of the offers. Further Core Tier 1 Capital may be generated when the final results of the June 2011 Liability Management Exercise are known.
- On 31 May 2011, EBS launched a liability management exercise comprising an offer to purchase the EBS Subordinated Notes and the modification of the terms and conditions of the EBS Subordinated Notes, and it announced that it intended to use any capital generated by that exercise to meet the EBS PCAR Requirement. On 31 May 2011, EBS also announced that it had received a written direction from the Minister under the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 requiring EBS to exercise its rights to modify the terms of the EBS Capital Securities so as to enable their early redemption and to use any capital generated by that redemption to meet the EBS PCAR Requirement (the EBS redemption and the EBS offer in respect of the EBS Subordinated Notes described above together being the "EBS LME"). EBS generated c.€93 million from the EBS LME. If the EBS Merger completes prior to 31 July 2011, any capital generated by the EBS LME will be used by AIB to meet the PCAR Requirement.

## **3 PCAR 2011 and PLAR 2011**

### ***General***

On 31 March 2011, the Central Bank published its "Financial Measures Programme Report", which detailed the outcome of PCAR 2011 and PLAR 2011 for certain Irish credit institutions, including AIB and EBS. The review, which was a requirement of the EU/IMF Programme for Ireland, involved three separate but complementary exercises:

- an independent loan loss assessment exercise performed by BlackRock Solutions, the results of which informed the calculation of capital requirements under PCAR 2011;



- the carrying out of the PCAR 2011 exercise to stress-test the capital resources of Irish banks, including AIB and EBS, in a given stress scenario, which was undertaken in order to calculate the cost of the recapitalisation that was required to meet Central Bank-imposed requirements; and
- the carrying out of the PLAR 2011 to establish funding targets for the credit institutions participating in the PCAR, including AIB and EBS, in order to reduce the leverage of the Irish banking system, reduce their reliance on short-term, largely central bank funding, and ensure convergence to Basel III liquidity standards over time.

### ***PCAR 2011***

PCAR 2011 relied heavily on the independent loan loss assessment exercise performed by BlackRock Solutions. For elements of the income and expenditure accounts, it relied, in part, on each bank's own forecasts based on Central Bank-specified parameters. Additional buffers to ensure sufficient capital to cover post-2013 events and other contingencies were also included.

On 31 March 2011, the Central Bank stated that, on the basis of its criteria, it had set a new capital target for AIB and EBS in order for both credit institutions to remain above a minimum capital target of 10.5 per cent Core Tier 1 Capital in the base scenario and 6 per cent Core Tier 1 Capital in the stress scenario. As a result, AIB is required to increase its Core Tier 1 Capital by c.€13.3 billion and EBS is required to increase its Core Tier 1 Capital by c.€1.5 billion, in each case by 31 July 2011 to achieve the minimum capital targets.

The requirements set for AIB allowed for an additional protective capital buffer of c.€2.8 billion, comprising c.€1.4 billion in equity capital and c.€1.4 billion in contingent capital. The requirements set for EBS allowed for an additional protective capital buffer of €0.3 billion, comprising €0.1 billion of equity capital and €0.2 billion of contingent capital. Assuming completion of the EBS Merger prior to 31 July 2011, those requirements require AIB to generate c.€14.8 billion of additional capital to meet the PCAR Requirement.

It is anticipated that the portion of the PCAR Requirement that has not been satisfied by the Placing, the Contingent Capital Notes Issue, the June 2011 Liability Management Exercise, the EBS LME and any further burden-sharing with the Group's subordinated debt holders will be satisfied by the Capital Contribution. It is expected that the Capital Contribution will be given to AIB by the State for no consideration and accordingly no new Ordinary Shares will be issued by AIB to the State in return only for the Capital Contribution. The Minister has indicated to AIB that it is his intention to make a Capital Contribution once he is satisfied that an appropriate level of burden-sharing has been, or will be, achieved with the Group's subordinated debt holders.

### ***PLAR 2011***

PLAR 2011, undertaken by the Central Bank together with the EU, IMF and European Central Bank ("ECB"), was an assessment of measures to be implemented with a view to gradually deleveraging the Irish banking system and reducing reliance on short term wholesale funding and liquidity support from monetary authorities. PLAR 2011 assessed the funding and liquidity structure of the balance sheets of Irish credit institutions, including AIB and EBS. The central target arising from PLAR is the loan-to-deposit ratio ("LDR"), which has the explicit purpose of reducing the asset side of the balance sheets of Irish banks. Each of the credit institutions participating in PLAR 2011 must achieve a target LDR of 122.5 per cent. by December 2013. To achieve that target, AIB will be required to sell assets in a controlled manner between 2011 and the end of 2013. In doing so, AIB is likely to incur losses relative to book value. An estimate of losses has been included in the overall assessment of the capital needs of AIB as part of PCAR 2011.

## **4 Key benefits of the Placing and the Contingent Capital Notes Issue**

The Board believes that the Placing and the Contingent Capital Notes Issue, if implemented, will provide the following key benefits:

***Substantial increase in Core Tier 1 Capital:*** The Placing is expected to raise €5 billion of Core Tier 1 Capital. The impact of the Placing on the Group's capital ratios at 31 December 2010, had it occurred on that date, would have resulted in the Group's Core Tier 1 Capital increasing from a previously reported 4.0 per cent to 9.0 per cent.

***Substantial increase in Total Capital:*** The impact of the Placing and the Contingent Capital Notes Issue (assuming a total of €1.6 billion of Contingent Capital Notes were issued) on the Group's capital ratios at 31 December 2010, had they occurred on that date, would have resulted in the Group's Total Capital increasing from a previously reported 9.2 per cent to 15.9 per cent.

The impacts described above do not take into account other significant capital-generating initiatives that have been taken by the Group since 31 December 2010, the EBS Merger or the impact of the Group's trading performance since that date. Further information on those initiatives is set out in section 2 of this letter (*Section 2 — Background to the Proposals*) and information on the EBS Merger is set out in section 9 of this letter (*Section 9 — Material acquisitions and disposals in 2011*).

**Contingent Capital:** On the assumption that the EBS Merger occurs prior to 31 July 2011, the PCAR Requirement requires AIB to raise €1.6 billion in contingent capital, being capital that will automatically convert into Core Tier 1 Capital in certain circumstances. The Contingent Capital Notes Issue will raise up to €1.6 billion of contingent capital and will qualify as Tier 2 Capital prior to conversion.

**Meet the PCAR Requirement:** The Placing and the Contingent Capital Notes Issue, together with the June 2011 Liability Management Exercise, the EBS LME, any further burden-sharing with the Group's subordinated debt holders and the anticipated Capital Contribution, will enable the Company to meet the PCAR Requirement by 31 July 2011.

**Access to funding:** The Placing and the Contingent Capital Notes Issue, together with the Capital Contribution, will improve AIB's capital position, which is expected to assist, over time, its ability to source market-based funding to fund its ongoing requirements.

**Facilitate the Group in seeking to achieve its strategic objectives:** By strengthening the Group's capital position, the Directors believe that the Proposals should facilitate the Group's objective of providing for a sustainable future as a systemically important bank, continuing to support the Group's customers and contributing to economic recovery. The Directors also consider that the implementation of the Proposals will facilitate the Group in seeking to achieve its business objectives to service customers and achieve profitable growth in line with its strategy, as outlined in section 11 (*Section 11 — Strategy and EU Restructuring Plan*) below.

## 5 Principal terms of the Proposals

The Proposals comprise the Placing, the Contingent Capital Notes Issue, the Renominalisation, a number of amendments to the Articles of Association and the Reduction of Capital Redemption Reserve and Share Premium. Completion of the Placing and the Contingent Capital Notes Issue is conditional on the passing of the Resolutions and on the Placing Agreement and the Contingent Capital Purchase Agreement becoming unconditional.

- **Placing:** Subject to Ordinary Shareholder approval, the Company will raise proceeds of €5 billion in Core Tier 1 Capital through the Placing.

The principal terms of the Placing Agreement are as follows:

- The NPRFC has conditionally agreed to subscribe in cash for 500,000,000,000 new Ordinary Shares at a price of €0.01 per share.
- The obligation of the NPRFC to proceed with the Placing is conditional on, among other things, the passing of the Resolutions at the EGM, the Warranties given by AIB to the Minister, the NTMA and the NPRFC in the Placing Agreement remaining true and accurate at the date of the EGM and no material adverse effect occurring to the Group.
- AIB has also agreed to give certain covenants and undertakings to the Minister, the NTMA and the NPRFC, including in relation to its reserves, dividends, disclosure of information, matters of public interest, use of proceeds and future material transactions.
- The Company has given certain representations, warranties and indemnities to the Minister, the NTMA and the NPRFC. The liability of the Company in respect of any breach of those representations, warranties and indemnities is unlimited as to time and amount.
- The continued provision of State funding and support to AIB is dependant on enforcement by AIB of a wide restriction on payment of employment bonuses by the Group.
- In the event of a material adverse event occurring and in certain other circumstances the Placing Agreement allows the Minister and the NTMA to terminate the Agreement on notice to AIB if the Minister does not consider it necessary in the public interest, in order to maintain the stability of the Irish financial system, to complete the Placing Agreement.
- The NPRFC has given an irrevocable commitment to vote in favour of the Resolutions at the EGM in respect of all of the Ordinary Shares of AIB held by it at the date of the Placing Agreement.

- All of the costs and expenses of the Placing, the Contingent Capital Notes Issue, the June 2011 Liability Management Exercise, the entry into the Placing Agreement and the Contingent Capital Purchase Agreement and the transactions envisaged by the Placing Agreement are to be borne by AIB.

In addition, AIB will, on or about the date of this Circular, separately agree to give certain covenants and undertakings to the Minister, including undertakings and covenants in relation to the availability of credit, the Group's restructuring plan, corporate governance and remuneration.

- **Contingent Capital Notes Issue:** Subject to Shareholder approval, the Contingent Capital Notes to be issued by AIB, or a subsidiary guaranteed by AIB, to the Minister by 31 July 2011 will be subordinated Tier 2 Capital instruments issued at par with a five year and one day maturity denominated in units of €1,000 (with a minimum denomination of €100,000), with an aggregate principal amount of up to €1.6 billion. The Contingent Capital Notes will convert immediately and mandatorily in their entirety into Ordinary Shares in the event that a capital deficiency event or a non-viability event occurs.
  - A capital deficiency event will occur where the Group's Core Tier 1 Capital Ratio falls below 8.25 per cent. or, following the implementation of the Capital Requirements Directive IV in Ireland, the Group's Common Equity Tier 1 Ratio falls below 8.25 per cent. or, if the Central Bank, in its sole discretion, notifies AIB that it has determined that the Group's financial and solvency condition is deteriorating in such a way that a fall below the ratios described above is likely to occur in the short term. No conversion will occur following one of the events above if, notwithstanding the Group's Capital Ratio falling below 8.25 per cent., the Central Bank, at the request of AIB, has agreed in its absolute discretion that a conversion will not occur because it is satisfied that actions, circumstances or events have had, or imminently will have during the following 90 days, the effect of restoring the Group's Capital Ratio to a level above 8.25 per cent. that the Central Bank deems to be adequate at such time.
  - The Contingent Capital Notes will also convert immediately and mandatorily into Ordinary Shares in the event that a non-viability event occurs, which will be deemed to occur at the earlier of the following events:
    - (i) if the Central Bank in its sole discretion determines that a conversion of the Contingent Capital Notes is, because customary measures to improve the Group's capital adequacy are at the time inadequate or unfeasible, an essential requirement to prevent the Group from becoming insolvent, bankrupt, unable to pay its debts as they fall due, from ceasing to carry on its business or from failing to meet its minimum capital adequacy requirements; and
    - (ii) if customary measures to improve the Group's capital adequacy are at the time inadequate or unfeasible, the Group has received an irrevocable commitment of extraordinary support from the public sector (beyond customary transactions and arrangements in the ordinary course) that has, or imminently will have, the effect of improving the Group's capital adequacy and, without which, in the determination of the Central Bank, the Group would have become insolvent, bankrupt, unable to pay its debts as they fall due, ceased to carry on its business or failed to meet its minimum capital adequacy requirements.
  - The completion of the June 2011 Liability Management Exercise and further burden-sharing with the Group's subordinated debt holders will not result in the conversion of the Contingent Capital Notes into Ordinary Shares. The provisions of the Placing Agreement and the Contingent Capital Purchase Agreement to be entered into by AIB will also not trigger the conversion of the Contingent Capital Notes into Ordinary Shares.
  - Following a conversion event, the Contingent Capital Notes will be immediately converted into a fixed number of Ordinary Shares that is determined by dividing the principal amount of each Contingent Capital Note by the conversion price of €0.01 per Ordinary Share. It is expected that the Contingent Capital Notes will be subject to certain anti-dilution adjustments.
  - Ordinary Shares issued pursuant to the conversion of the Contingent Capital Notes will be issued directly to the holder of the Contingent Capital Notes. Accordingly, Shareholders will not have the opportunity to subscribe for any of those Ordinary Shares.
  - The Contingent Capital Notes will carry a fixed annual mandatory interest rate of 10 per cent. of the principal amount. The Minister may, where it remains the holder of 100 per cent. of the Contingent Capital Notes, in order to facilitate the sale of the Contingent Capital Notes to third party investors, at any time (but becoming effective only from the date of such sale being completed and settled) increase the interest rate to a new level determined by an independent remarketing agent nominated by the Minister, but not exceeding 18 per cent. per annum. In addition, AIB will provide, at the request of the Minister,

sufficient disclosure to allow for the Contingent Capital Notes to be listed and to be sold to third party investors. AIB will have the option, prior to any such sale of the Contingent Capital Notes being completed and settled, to source third party investors at a potentially lower interest rate, but only if it has sourced sufficient investors to purchase an amount equal to the principal amount paid by the Minister for the Contingent Capital Notes on overall better terms. The Minister will have discretion as to whether or not to sell to any such investors. It is expected that AIB will seek to obtain a listing for the Contingent Capital Notes in due course.

- The terms of the Contingent Capital Notes may also include restrictions on buy-backs, tender offers and other purchases of the Contingent Capital Notes by the Group. The Contingent Capital Notes may also be subject to undertakings, indemnities and disclosures by AIB in a form acceptable to the Minister as the initial holder of the Contingent Capital Notes. It is also expected that the Contingent Capital Notes will impose commercial conduct and behavioural requirements similar in scope to those in the Placing Agreement.
- Other than the coupon, there are no associated fees payable by AIB in respect of the Contingent Capital Notes, but AIB will be required to pay any costs and expenses associated with the issuance of the Contingent Capital Notes and their admission to listing.
- Subject to Ordinary Shareholder approval of the Placing and Contingent Capital Notes Issue, the Contingent Capital Notes are expected to be issued pursuant to an agency agreement and the Contingent Capital Purchase Agreement. It is expected that the terms of those agreements will be agreed between AIB and the Minister before 27 July 2011, the expected completion date for the Placing and the Contingent Capital Notes Issue.
- The Contingent Capital Notes will constitute direct, unsecured and subordinated obligations of the Group and will rank junior to unsubordinated obligations of the Group and pari passu without any preference among themselves and equally with all other dated subordinated obligations of the Group which rank or are expressed to rank equally with the Contingent Capital Notes (if any). The Contingent Capital Notes will rank senior to other obligations of the Group that are expressed to rank junior to the Contingent Capital Notes.
- **Reduction of Capital Redemption Reserve and Share Premium:** The Company proposes, subject to the approval of the Ordinary Shareholders and the confirmation of the High Court, to cancel all of the capital redemption reserve created by the acquisition and cancellation of the Deferred Shares that result from the Renominalisation and €2.0 billion of its share premium account in order to write off accumulated losses and create distributable reserves. This is described more fully in section 13 of this letter (*Section 13 — Summary of the Resolutions*) under “Resolution 7”.
- **Renominalisation:** As the Placing is priced at a price per share less than the current nominal value of an Ordinary Share (€0.32), the Placing would be prohibited by Irish company law unless the nominal value of the Ordinary Shares was reduced. Accordingly, it is proposed to reduce the nominal value of each Ordinary Share from €0.32 to €0.01 per share.

Pursuant to the Renominalisation, each Ordinary Share, subject to the passing of the Resolutions, will be subdivided into one Ordinary Share having a nominal value of €0.01 and thirty one (31) Deferred Shares having a nominal value of €0.01 each.

Each Ordinary Shareholder’s proportionate interest in the issued Ordinary Shares of AIB will remain unchanged as a result of the Renominalisation. Except for the change in nominal value, the rights attaching to the Ordinary Shares (including voting and dividend rights and rights on return of capital) will be identical in all respects to those prevailing at the date of this document. No new share certificates will be issued in respect of the renominalised Ordinary Shares, as existing share certificates for Ordinary Shares will remain valid in respect of the renominalised Ordinary Shares.

The Deferred Shares created on the Renominalisation becoming effective will have no voting or dividend rights. On a return of capital on a winding-up of the Company, holders of Deferred Shares will have the right to receive the amount paid up thereon only after holders of Ordinary Shares have received an amount equal to the amount paid up on each of the Ordinary Shares held by them plus €10 million per Ordinary Share, the purpose of which is to ensure that the Deferred Shares have no economic value.

AIB intends to acquire for nil consideration all of the Deferred Shares created as a result of the Renominalisation immediately following the EGM. Upon acquisition, AIB intends to immediately cancel all of the Deferred Shares and to transfer an amount equal to the nominal amount of the Deferred Shares to its capital redemption reserve.

Completion of the Renominalisation is conditional on the approval of Ordinary Shareholders at the EGM.

- ***Amendments to the Articles of Association:*** It is proposed to change the terms of the 2009 Preference Shares, principally by changing the general voting rights attaching to them. It is also proposed to remove the provisions relating to the various classes of authorised but unissued preference shares in the capital of AIB that are denominated in euro (except for the 2009 Preference Shares), sterling, US dollars and yen, together with the provisions relating to the CNV Shares (which were issued to the NPRFC on 23 December 2010 in the December 2010 Capital Increase and which were converted into Ordinary Shares on a one-for-one basis on 8 April 2011), as AIB does not expect it will need to issue in the future shares with those rights or characteristics.

It is further proposed to incorporate into the Articles of Association the rights conferred on the Deferred Shares to be created pursuant to the Renominalisation. As a result, following completion of the Proposals and the acquisition and cancellation of the Deferred Shares, the 2009 Preference Shares and the Ordinary Shares will constitute the entire authorised share capital of the Company.

A detailed explanation of the proposed amendments to the Articles of Association is set out in Appendix I to this letter.

- ***Government Relationship Framework:*** The Minister for Finance has indicated that a relationship framework agreement will be put in place in respect of the relationship between AIB and the NTMA, as agent for the Minister for Finance (the “Relationship Framework Agreement”). AIB understands that the Relationship Framework Agreement will seek to:
  - ensure that AIB remains a separate economic unit from the Government, with independent powers of decision-making and that AIB’s Board and management team retain responsibility for determining AIB’s strategic commercial policies and its day-to-day operations;
  - preserve the capacity of AIB to continue its operations as an independent and viable going concern and to minimise any further cost to the State;
  - remedy a serious disturbance in the Irish economy by helping to restore the reputation and enhance the stability of the financial system in Ireland; and
  - ensure AIB complies with its legal and regulatory responsibilities, including EU State aid requirements.

## **6 Government measures for the support of the banking industry in Ireland**

Since September 2008, the Government introduced a range of measures to strengthen the Irish banking industry and its participants, including AIB. Those measures include the introduction of the CIFS Scheme and the ELG Scheme, direct investments into certain credit institutions (in AIB’s case, in the form of the NPRFC Investment and the December 2010 Capital Increase), the introduction of the NAMA Programme and the enactment of the Stabilisation Act.

### ***CIFS Scheme***

The CIFS Scheme (which expired on 29 September 2010) was announced by the Government on 30 September 2008, under which the Minister for Finance guaranteed specific categories of liabilities of participating Irish credit institutions (including AIB and certain of its subsidiaries) for a two-year period from 30 September 2008 to 29 September 2010.

### ***ELG Scheme***

The ELG Scheme is intended to facilitate the ability of participating Irish credit institutions (including AIB and certain of its subsidiaries) to issue certain debt securities and take deposits. Liabilities guaranteed under the ELG Scheme must have maturities of no more than five years and must be incurred during the period from the commencement of the ELG Scheme to 31 December 2011, following approval by the European Commission of three extensions to the original date from 29 September 2010. The ELG Scheme is subject to continuing European Commission State aid approval at six-monthly intervals.

### ***NPRFC Investment***

On 13 May 2009, the NPRFC subscribed €3.5 billion for the 2009 Preference Shares. As part of that subscription, AIB issued the 2009 Warrants to the NPRFC. As part of the December 2010 Capital Increase, the 2009 Warrants were cancelled on payment by AIB of approximately €52.5 million to the NPRFC.



The resolution by AIB not to pay the annual dividend payable on the 2009 Preference Shares to the NPRFC on 13 May 2010 in respect of its holding of 2009 Preference Shares resulted in the issue by AIB of 198,089,847 Ordinary Shares to the NPRFC by way of a Bonus Issue on 13 May 2010. As a result of non-payment of the annual dividend on the 2009 Preference Shares payable in May 2011, the NPRFC was entitled to an additional 1,209,155,030 new Ordinary Shares pursuant to the Bonus Issue 2011. Accordingly, 484,902,878 new Ordinary Shares were issued to the NPRFC on 13 May 2011. The remainder, the Bonus Share Entitlement 2011, comprising 760,464,760 new Ordinary Shares, will be issued to the NPRFC following the EGM, subject to shareholder approval of the Resolutions.

### ***NAMA Programme***

The NAMA Act was enacted on 22 November 2009 and provided for the establishment of NAMA to acquire land and development loans and certain associated loans from AIB and other participating institutions. AIB's participation in NAMA was approved by Shareholders at an EGM on 23 December 2009.

As at 28 June 2011, being the latest practicable date prior to publication of this Circular, AIB had transferred c.€19.8 billion of assets to NAMA in return for €8.9 billion nominal value of NAMA bonds (including subordinated bonds) (which, for the avoidance of doubt, excludes any transfers made prior to that date by EBS to NAMA), which represented a total discount of approximately 55 per cent. to the gross value of the assets transferred.

AIB currently holds a further €1.1 billion of assets classified as being held for sale to NAMA, but which have not yet transferred. Once those assets classified as being held for sale to NAMA have been transferred by AIB to NAMA, no further transfers to NAMA are expected to occur.

### ***The Stabilisation Act***

The Stabilisation Act was enacted in December 2010 and provides the legislative basis for the reorganisation and restructuring of the Irish retail banking system, as set out in the National Recovery Plan 2011–2014 and agreed in the joint EU/IMF Programme for Ireland. The Stabilisation Act is due to expire on 31 December 2012. It applies to “relevant institutions”, the definition of which includes each of the credit institutions that has received financial support from the State, and it therefore applies to AIB.

Amongst other matters, the Stabilisation Act empowers the Minister, after consulting with the Governor of the Central Bank (the “Governor”), to make proposed orders and then to apply to the High Court for certain types of order to be made in respect of a relevant institution for any of the purposes of the Stabilisation Act (and, in the case of subordinated liabilities orders, other specified purposes). The types of order that may be proposed are direction orders, special management orders, subordinated liabilities orders and transfer orders. The decision whether to grant any such order is taken by the High Court.

On the application of the Minister and with the consent of AIB, the High Court issued AIB with the Direction Order on 23 December 2010, which led to the December 2010 Capital Increase. On 14 April 2011, the High Court issued a subordinated liabilities order under section 29 of the Stabilisation Act (the “SLO”), with the consent of AIB. The purpose of the SLO was to amend the terms of certain subordinated liabilities of AIB (the “Subordinated Liabilities”) as follows:

- mandatory interest falling due under certain Subordinated Liabilities is to be payable by AIB in its sole discretion, and the maturity date of the Subordinated Liabilities is to be extended to 2035;
- in respect of certain Subordinated Liabilities, restrictions on (i) the payment of any distribution or dividend on any other junior or parity securities of AIB, (ii) any repurchase or redemption of such junior or parity securities, have been removed; and
- in respect of certain subordinated liabilities, (i) the requirement to pay any arrears of interest on such liabilities upon the payment of any dividends by AIB has been removed, and (ii) the payment of any coupon on such liabilities following the payment of a dividend by AIB is now entirely at the option of AIB.

The SLO was challenged by two of the holders of certain of the Subordinated Liabilities, one of whom subsequently withdrew from the proceedings. On 9 June 2011, the High Court declared the SLO effective as of 22 April 2011 in respect of sixteen of the eighteen series of notes that were the subject of the SLO. The remaining challenge continues in the High Court.

## **7 Government Shareholding**

Pursuant to the December 2010 Capital Increase, AIB issued to the NPRFC 675,107,845 new Ordinary Shares at a price of €0.3793 per share and 10,489,899,564 convertible non-voting shares (“CNV Shares”) at a price of €0.3396 per share, raising net proceeds of €3.7 billion. The NPRFC subscribed for CNV Shares instead of



Ordinary Shares to ensure that its holding of Ordinary Shares did not exceed 49.9 per cent. of the issued Ordinary Shares pending completion of the BZWBK Disposal. On 8 April 2011, following completion of the BZWBK Disposal, all of the CNV Shares were converted into Ordinary Shares on a one-for-one basis, which resulted in the NPRFC holding c.92.8 per cent. of the issued Ordinary Shares at that date.

The Company is obliged, under its Articles of Association, to issue Ordinary Shares by way of bonus issue to the NPRFC as a consequence of not paying the annual cash dividend payable on the 2009 Preference Shares in May 2011 (the "Bonus Issue 2011"). On 13 May 2011, the Company had insufficient authorised but unissued share capital and insufficient authority remaining under section 20 of the Companies (Amendment) Act 1983 to allot the Bonus Issue 2011 in full. Accordingly, 484,902,878 new Ordinary Shares were issued to the NPRFC on 13 May 2011 in part satisfaction of the Bonus Issue 2011.

As at 28 June 2011, the latest practicable date prior to the publication of this Circular, the NPRFC held c.93.1 per cent. of the total issued Ordinary Shares, as well as 3.5 billion 2009 Preference Shares.

The remainder of the Bonus Issue 2011, the Bonus Share Entitlement 2011, being 760,464,760 new Ordinary Shares, will be issued to the NPRFC following the EGM, subject to shareholder approval of the Resolutions. It is for this reason that Resolution 3 proposes an increase in the Company's authorised share capital to allow, amongst other matters, a sufficient number of shares to be issued in respect of the Bonus Share Entitlement 2011. Resolution 5 authorises the Directors to allot Ordinary Shares to facilitate, amongst other matters, the issue of the Bonus Share Entitlement 2011.

If all of the Resolutions are passed, 500,760,464,760 additional Ordinary Shares will be issued to the NPRFC on 27 July 2011.

On completion of the Placing and the issue of the Bonus Share Entitlement 2011, the NPRFC would hold 99.8% per cent. of the total issued Ordinary Shares.

## **8 Use of proceeds**

The purpose of the Placing and the Contingent Capital Notes Issue is to strengthen the Group's capital base and to meet in part the PCAR Requirement. The purpose of the Capital Contribution is to strengthen further the Group's capital base and to enable the Group to meet the PCAR Requirement.

The proceeds of the Placing, the Contingent Capital Notes Issue and the Capital Contribution will be used in the funding of day-to-day operations of the Group. Over the medium term, and subject to receipt of requisite regulatory and other approvals, AIB may apply some of the proceeds of the Placing to redeem or purchase some or all of the outstanding 2009 Preference Shares, if they are satisfied that the Group can maintain appropriate capital ratios and they deem such action to be in the Shareholders' interests as a whole.

## **9 Material acquisitions and disposals in 2011**

On 24 February 2011, AIB announced that it had agreed, pursuant to a transfer order issued by the High Court under the Stabilisation Act, to the immediate transfer of deposits of €7.1 billion and NAMA senior bonds with a nominal value of €12.2 billion from Anglo to AIB. AIB also announced the transfer of the entire issued share capital to AIB of Anglo Irish Bank Corporation (International) PLC in the Isle of Man, including customer deposits of c.€1.5 billion, by way of a share sale (together, the "Anglo Transfers"). Core Tier 1 Capital of c.€1.5 billion was generated by AIB as a result of the Anglo Transfers, which was taken into account by the Central Bank in assessing the AIB PCAR Requirement.

On 1 April 2011, AIB announced the completion of the sale of the BZWBK Shareholding to Banco Santander S.A. for a total cash consideration of €3.1 billion. The Group generated Core Tier 1 Capital of c.€2.3 billion as a result of that disposal (excluding €0.2 billion reported in the Group's income statement since the announcement of the transaction).

On 26 May 2011, AIB announced that it had signed an agreement with the Minister, the NTMA and EBS to acquire the entire issued share capital of EBS. It is expected that the EBS Merger will complete on 1 July 2011 (following its conversion into a private company and receipt of all requisite regulatory approvals). The EBS Merger will be effected pursuant to an acquisition conversion scheme mechanism under Part XI of the Building Societies Act 1989 (as amended) whereby EBS will first be demutualised by conversion from a building society into a private limited company, to be called EBS Limited, the entire issued share capital of which will be held by the Minister prior to the acquisition of that share capital by AIB. Following completion of the EBS Merger, EBS will operate as a wholly owned, fully licensed subsidiary of AIB. As AIB and EBS respectively are substantially owned by the State, the consideration payable by AIB for the EBS Merger is a nominal cash payment of €1.00, a consideration structure that the State believes best protects its commercial interests.

## **10 Transfer of listing to the Enterprise Securities Market**

As part of the December 2010 Capital Increase, AIB was directed by the High Court to apply to the ISE for the cancellation of the listing of its Ordinary Shares on the Main Securities Market of the ISE and that cancellation took effect on 25 January 2011. AIB was also directed to apply to the ISE for admission of the Ordinary Shares to ESM, and that admission took place on 26 January 2011.

As further directed by the High Court, AIB applied to the UK Financial Services Authority for the cancellation of the listing of its Ordinary Shares on the Official List maintained by the UK Financial Services Authority and that cancellation took effect on 25 January 2011. AIB consented to the making of each of those direction orders.

The admission of the Ordinary Shares to trading on ESM means that AIB continues to have a platform to allow shareholders to trade their shares and to be subject to market oversight, disclosure and reporting obligations. It also facilitates AIB's preference to maintain investor relationships and market analyst coverage.

## **11 Strategy and EU Restructuring Plan**

AIB's strategy is to establish a new core bank with a restructured balance sheet achieved through the separation and progressive disposal and winding down of non-core assets, which includes a specific deleverage plan to achieve the PLAR 2011 loan-to-deposit ratio targets. The present divisional structures will be dismantled and replaced by business units focused on customers' needs. Credit, risk, control and support functions will be significantly restructured and consolidated. The new core business will concentrate on the Irish market, including Northern Ireland. It will focus on the personal, small business, commercial and corporate sectors and will also include a selective overseas presence, supporting expatriate Irish business as well as cross-border trade and investment flows. "Non-core assets" comprise assets that no longer fit with AIB's new strategic direction and some businesses or portfolios which represent excessive risk or offer a poor return profile. These businesses will be wound down and reduced in size over time. Fire sale disposals of assets will be avoided.

To ensure AIB is best placed to serve its business and personal customers, its product ranges will be simplified and re-positioned to give value at an acceptable return. AIB will invest in new technologies to increase its speed, reach and efficiency. AIB's intention is to achieve these changes without losing sight of the key objective of supporting its customers through this challenging period and helping to revitalise the national economy. AIB will become a smaller organisation with a fresh leadership team, a restructured balance sheet, a redefined customer strategy and a new operating model. Following these changes, AIB will have a strong foundation from which a profitable business can be rebuilt and will be well positioned in the market as one of two pillar domestic Irish banks. The EBS Merger will further support a return to economic viability.

The financial support provided by the State to AIB, as described in section 6 (*Section 6 — Government measures for the support of the banking industry in Ireland*) of this letter and the support expected to be provided by the State to AIB under the Proposals and the Capital Contribution is considered by the European Commission to involve the provision of State aid to AIB. Accordingly, that support has been, and will be, subject to review and approval by the European Commission under EU State aid rules. Following the NPRFC Investment, AIB prepared a restructuring plan which the State submitted to the European Commission in November 2009. Following the announcement of PCAR results in March 2010, AIB prepared an updated EU restructuring plan which was submitted to the European Commission on 4 May 2010. Following the December 2010 Capital Increase and the announcements of the results of PCAR 2011 in March 2011, a revised restructuring plan is necessary as the Proposals and the proposed Capital Contribution will involve the granting of further State aid to AIB. That revised restructuring plan, which will incorporate the impact of the EBS Merger, will be prepared by AIB for submission to the European Commission by the State and will require approval by the European Commission under EU State aid rules. The European Commission is likely to require AIB to undertake structural and behavioural measures, including measures to support the development of competition in the Irish market.

## **12 Extraordinary General Meeting**

An Extraordinary General Meeting is being convened by the Notice of Extraordinary General Meeting set out at the end of this document to consider and, if thought fit, pass the Resolutions. The EGM will be held at 10.00 a.m. on 26 July 2011 at Bankcentre, Ballsbridge, Dublin 4.

The purpose of the EGM is for Shareholders to consider and, if thought fit, pass the Resolutions relating to the Proposals. All the Resolutions must be passed, without amendment, by Shareholders at the EGM in order for the Proposals to proceed. Further details of the Resolutions proposed to be passed at the EGM are set out in section 13 (*Section 13 — Summary of the Resolutions*) of this letter and in the EGM Notice on pages 30 to 32 of this letter.

The NPRFC has agreed to vote in favour of the Resolutions in respect of all of the voting rights held by it, representing approximately 93.5 per cent. of all of the votes capable of being cast on the Resolutions, inclusive of the Provisional Voting Rights it holds until such time as AIB issues the Ordinary Shares comprised in the Bonus Share Entitlement 2011.

### **13 Summary of the Resolutions**

A notice convening the Extraordinary General Meeting is set out at the end of this Circular, and the terms of the resolutions proposed to be passed at the EGM are set out in the Notice of EGM. The purpose of the EGM is for Shareholders to consider and, if thought fit, pass seven resolutions, of which Resolutions 1, 2, 3 and 5 will be proposed as ordinary resolutions and Resolutions 4, 6 and 7 will be proposed as special resolutions.

#### *Resolution 1*

Resolution 1 proposes the Renominalisation, which will reduce the nominal value of each Ordinary Share from €0.32 to €0.01. It is proposed that, pursuant to the Renominalisation, each Ordinary Share will be subdivided into one Ordinary Share of €0.01 in the capital of AIB and thirty one (31) Deferred Shares of €0.01 in the capital of AIB.

Further details of the Renominalisation are set out above in section 5 (*Section 5 — Principal terms of the Proposals*) of this letter.

#### *Resolution 2*

Resolution 2 proposes to decrease the Company's authorised share capital from €4,457,002,371, US\$500,000,000, £200,000,000 and Yen 35,000,000,000 to €4,203,002,371 by the cancellation of all of the authorised but unissued preference shares denominated in euro (other than the 2009 Preference Shares), sterling, US dollars and yen. That cancellation of preference shares is permitted by section 68 of the Companies Act 1963.

#### *Resolution 3*

Resolution 3 proposes an increase in the Company's authorised share capital from €4,203,002,371 to €11,092,752,297, which will create the additional unissued authorised share capital necessary to implement the Proposals and also provide sufficient headroom to issue the Bonus Share Entitlement 2011, to allow for conversion of the Contingent Capital Notes, to allow for any further Bonus Issue in 2012 and to provide some headroom for additional issues of Ordinary Shares if the Board believes it is appropriate to issue further shares.

#### *Resolution 4*

Resolution 4 proposes certain amendments to the Articles of Association of the Company, which will be effected by adopting new Articles of Association.

An explanation of the proposed amendments to the Articles of Association of the Company is set out in Appendix 1 to this letter. The new Articles of Association proposed to be adopted pursuant to Resolution 4 are available for inspection, as specified in Appendix 1 to this letter.

#### *Resolution 5*

Resolution 5 proposes to authorise the Directors to allot relevant securities, pursuant to and in accordance with section 20 of the 1983 Act, up to the aggregate nominal amount of €6,892,692,445 to facilitate the Placing, the Contingent Capital Notes Issue and the issue of the Bonus Share Entitlement 2011 and any further Bonus Shares in 2012. Unless renewed or revoked, that authority will remain in full force and effect until it expires on 26 July 2016.

#### *Resolution 6*

Resolution 6 proposes to empower the Directors to issue new Ordinary Shares to the Minister pursuant to the Placing without being required to offer those new Ordinary Shares to Ordinary Shareholders pursuant to applicable statutory rights of pre-emption. As the Contingent Capital Notes also constitute "equity securities" under the 1983 Act, Resolution 6 also proposes to empower the Directors to issue the Contingent Capital Notes to the Minister without being required to offer them to Ordinary Shareholders pursuant to applicable statutory rights of pre-emption.

## *Resolution 7*

As stated in the 2010 Annual Report, the Company has an accumulated deficit on its profit and loss account of c.€5.9 billion. Until such time as that deficit is written off, the Company will be precluded from paying any dividends, including any dividends on the 2009 Preference Shares. In addition, under Irish company law any redemption of the 2009 Preference Shares must be funded from the distributable reserves of the Company or from the proceeds of a fresh issue of shares for that purpose.

In order to allow for the payment of dividends in the future, in particular the annual dividend on the 2009 Preference Shares, and to ensure that the Company is not constrained from redeeming the 2009 Preference Shares by a lack of distributable reserves in circumstances where it would otherwise be in a position to redeem those shares, the Company is proposing immediately upon the Renominalisation becoming effective, in accordance with the terms of the Deferred Shares, to acquire for no consideration and to cancel all of the Deferred Shares resulting from the Renominalisation. As explained above, the Deferred Shares have very limited rights and no economic value. Subject to the approval of the Ordinary Shareholders and the confirmation of the High Court, AIB also intends to reduce the share premium account of the Company by €2.0 billion.

The cancellation of the Deferred Shares will give rise to a capital redemption reserve equal to the aggregate nominal amount of those shares (approximately €4.0 billion) and the Company proposes to cancel that reserve as part of the proposed capital reduction. If approved by Shareholders and by the High Court, the combined effect of the cancellation of the capital redemption reserve resulting from the cancellation of the Deferred Shares and the reduction of part of the share premium account will be to eliminate deficits on the Company's profit and loss account and create positive distributable reserves, which should enable the Company to pay dividends and/or redeem the 2009 Preference Shares when permitted and if the Board considers it appropriate to do so.

Resolution 7 proposes, subject to the confirmation of the High Court, to cancel the entire capital redemption reserve to be created as a result of the acquisition by the Company of the Deferred Shares and their immediate cancellation and to reduce the share premium of the Company by €2.0 billion. Pursuant to Resolution 7, the reserve resulting from the cancellation of the capital redemption and the reduction of the share premium reserve will be applied towards eliminating permanent losses and creating reserves available for distribution, as defined by section 45 of the 1983 Act.

**The Resolutions are inter-conditional, and all of them must be passed to enable the Proposals to proceed.**

The text of the Resolutions proposed to be passed at the EGM is set out in the Notice of Extraordinary General Meeting on pages 30 to 32 of this Circular.

## **14 Action to be taken in respect of the EGM**

You will find enclosed with this document a Form of Proxy for use at the EGM. Whether or not you intend to be present at the EGM, you are requested to complete the Form of Proxy in accordance with the instructions printed on it and return it as soon as possible and in any case so as to be received by Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland by no later than 10.00 a.m. on 24 July 2011. The return of a Form of Proxy will not prevent you from attending the meeting, or any adjournment thereof, and voting in person if you wish to do so.

Electronic proxy appointment is available for the EGM. The facility enables a Shareholder to lodge their proxy appointment by electronic means by logging on to the website of the Registrar, Computershare Investor Services (Ireland) Limited: [www.eproxyappointment.com](http://www.eproxyappointment.com). Additionally, for those who hold Shares in CREST, a Shareholder may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Computershare Investor Services (Ireland) Limited (CREST participant ID 3RA50). In each case, the proxy appointment must be received by no later than 10.00 a.m. on 24 July 2011. The completion and return of either an electronic proxy appointment notification or a CREST Proxy Instruction (as the case may be) by a Shareholder will not prevent the Shareholder from attending and voting in person at the EGM or any adjournment thereof, should the Shareholder wish to do so.

Voting at the EGM in respect of the Resolutions will be conducted by way of a poll. That means that Shareholders who attend the meeting, as well as those who are not able to attend but have returned a Form of Proxy by 10.00 a.m. on 24 July 2011 (being 48 hours prior to the EGM), may have their votes taken into account according to the number of shares they hold. Ordinary resolutions require a simple majority of votes cast at the EGM to be passed. Special resolutions require at least 75 per cent. of votes cast at the EGM to be passed. Shareholders who attend the meeting in person will be able to ask questions relevant to the business of the meeting prior to voting on the Resolutions.

## 15 Importance of, and the implications of not voting in favour of, the Resolutions

The Proposals are conditional upon the passing of the Resolutions. Accordingly, in order for the Proposals to proceed, each of the Resolutions must be approved and passed by Shareholders at the EGM.

Assuming completion of the EBS Merger occurs by 31 July 2011, AIB expects that it will have to raise approximately €14.8 billion of Core Tier 1 Capital in order to satisfy the PCAR Requirement (of which €1.6 billion may be in the form of contingent capital). The Placing, and the Contingent Capital Notes Issue, together with the June 2011 Liability Management Exercise, the EBS LME, any further burden-sharing with the Group's subordinated debt holders and the Capital Contribution will raise this amount, which will enable AIB to satisfy the PCAR Requirement.

Following completion of the EBS LME and the June 2011 Liability Management Exercise, AIB is not aware of any viable sources of capital, other than the sources of capital to be provided to AIB which are described in this Circular, that could be put in place to raise the necessary additional capital to enable AIB to meet the PCAR Requirement.

**If the Resolutions are not approved by Shareholders, AIB would be unable to proceed with the Proposals, including the Placing and the Contingent Capital Notes Issue.**

In those circumstances, the Minister would have a number of options to ensure that the requisite Core Tier 1 Capital is generated by the Group by 31 July 2011, including alternative measures for burden-sharing with the Group's subordinated debt holders through legislative action or otherwise, or the making of any necessary application pursuant to the Stabilisation Act.

## 16 Recommendation

The Placing and the Contingent Capital Notes Issue constitute "related party transactions" for AIB for the purposes of the ESM Rules, being transactions between AIB, the Minister who, through the NPRFC, currently holds c.93.1 per cent. of the total issued ordinary share capital of AIB, and the NPRFC. In those circumstances, the ESM Rules oblige the Directors (other than those connected with the related party), in recommending the transaction to Ordinary Shareholders, to form the view that the terms of the transaction are fair and reasonable insofar as Ordinary Shareholders are concerned and to describe their view in that specific wording.

Accordingly, the Board, having consulted with AIB's ESM adviser, Morgan Stanley & Co. International plc, considers the Placing and the Contingent Capital Notes Issue to be fair and reasonable insofar as Ordinary Shareholders are concerned. In reaching its decision, the Board has taken into account the absence of any viable alternatives to raise the necessary capital to meet the PCAR Requirement and also the fact that the sole provider of the required capital, the State, is willing to provide the requisite capital on the terms described in this Circular only.

In consulting with the Directors, Morgan Stanley has taken into account the Board's commercial assessments of the Placing and the Contingent Capital Notes Issue.

To avoid any potential conflict of interest, the three Directors appointed by the Government, Mr Declan Collier, Mr Dick Spring and Dr Michael Somers, have not taken part in the Board's decision to proceed with the Placing and the Contingent Capital Notes Issue.

In addition, the Directors consider the implementation of the remainder of the Proposals to be in the best interests of AIB and of the Shareholders as a whole. Accordingly, the Directors recommend that Shareholders vote in favour of the Resolutions, as they intend to do, or procure, in respect of their own beneficial holdings, amounting to approximately 73,037 Ordinary Shares, representing approximately 0.001 per cent. of the Ordinary Shares in issue as at 28 June 2011 (being the latest practicable date prior to the publication of this document).

Yours sincerely,



David Hodgkinson  
Executive Chairman  
1 July 2011



## APPENDIX 1

### PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Resolutions to be proposed at the EGM include a resolution to adopt new Articles of Association incorporating, amongst other things, the amendments necessary in order to facilitate the Placing, the Contingent Capital Notes Issue and the Renominalisation, the removal of the provisions relating to the various classes of authorised but unissued preference shares, the removal of the provisions relating to the CNV Shares, amendments to the provisions relating to the general voting rights attached to the 2009 Preference Shares and the incorporation of the rights attached to the Deferred Shares. A copy of the proposed Articles of Association to be adopted at the EGM may be inspected at the registered office of AIB at Bankcentre, Ballsbridge, Dublin 4 and at the offices of McCann FitzGerald, Riverside One, Sir John Rogerson's Quay, Dublin 2 during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of publication of this document until 26 July 2011, being the date of the Extraordinary General Meeting and at the Extraordinary General Meeting for at least 15 minutes prior to and during the meeting.

The following is a summary of the principal amendments proposed to be made to the existing Articles of Association.

#### **Deferred Shares**

The existing Articles of Association will be amended to include the terms of the Deferred Shares.

The Deferred Shares will have no voting or dividend rights. On a winding-up of the Company or other return of capital (other than a redemption or purchase of shares of any class in the capital of the Company), holders of Deferred Shares will have the right to receive the nominal value of those shares only after the holders of Ordinary Shares have received payment of such amount as is paid up or credited as paid up in respect of those Ordinary Shares plus €10 million per share.

The Deferred Shares will not be transferable, other than with the prior written consent of the Directors. The Company will, however, have the right at any time, without the consent of the holder, to instruct the Company Secretary to acquire the Deferred Shares for nil consideration.

#### **Amendments to 2009 Preference Shares**

Under the existing Articles, as the holder of 2009 Preference Shares, the NPRFC can exercise voting rights equivalent to 25 per cent. of the total voting rights on any resolution proposed at a Shareholder meeting in relation to the appointment, re-election or removal of a Director (inclusive of any voting rights that the NPRFC or any Government Entity may have through any holding of Ordinary Shares or PVRs). The 2009 Preference Shares also carry 25 per cent. of the total voting rights in relation to any resolution concerning a proposed change of control of AIB (exclusive of any voting rights that the NPRFC or any Government Entity may have through any holding of Ordinary Shares or PVRs).

If the Proposals are implemented, the general voting rights attached to the 2009 Preference Shares will be altered. If the NPRFC and Government Entities, through their holding of Ordinary Shares (or other securities issued in future), control 25 per cent. or more of the total voting rights, then the 2009 Preference Shares will carry no voting rights. If those entities, through their holding of Ordinary Shares (or other securities issued in future), control less than 25 per cent. of the total voting rights, then, in respect of resolutions to appoint, re-elect or remove directors and any resolution concerning a proposed change of control of AIB, the 2009 Preference Shares will carry the right to "top-up" their total voting rights to 25 per cent. of the total voting rights, including the votes attaching to the 2009 Preference Shares.

The other rights attaching to the 2009 Preference Shares or granted to the Minister under the existing Articles of Association will remain unchanged following the implementation of the Proposals. Those rights include the right of the Minister to appoint directly 25 per cent. of the directors of the Company (including any directors nominated by the Minister pursuant to the Government Guarantee Schemes) and the requirement for the Minister's prior consent for resolutions to alter the capital structure of the Company.

#### **Removal of Currency Preference Shares**

It is proposed to remove from the Articles the provisions relating to the various classes of authorised but unissued preference shares denominated in euro (other than the 2009 Preference Shares), sterling, US dollars and yen, as the Company does not expect that it will need to issue in the future shares with those rights or characteristics.



**Removal of CNV Shares**

It is proposed to remove from the Articles the provisions relating to the CNV Shares, as the Company does not expect that it will need to issue in the future shares with those rights or characteristics.

As a result, following completion of the Proposals and the acquisition and cancellation of the Deferred Shares, the Ordinary Shares and the 2009 Preference Shares will constitute the entire authorised share capital of the Company.

## PART II

### DEFINITIONS

<b>1983 Act</b>	the Companies (Amendment) Act 1983;
<b>2009 Preference Shares</b>	the 3.5 billion 2009 non-cumulative preference shares of €0.01 each in the share capital of the Company issued to the NPRFC on 13 May 2009 pursuant to the Subscription Agreement;
<b>2009 Warrants</b>	the 294,251,819 warrants to subscribe for Ordinary Shares issued to the NPRFC on 13 May 2009 pursuant to the Subscription Agreement, which were cancelled on 23 December 2010;
<b>2010 Annual Report</b>	the audited consolidated financial report of the Company for the year ended 31 December 2010;
<b>AGM or Annual General Meeting</b>	the annual general meeting of the Company to be held at 12 noon on 26 July 2011 at Bankcentre, Ballsbridge, Dublin 4 (or fifteen minutes after conclusion of the EGM, if later);
<b>AIB or the Company</b>	Allied Irish Banks, p.l.c.;
<b>AIB Corporate Finance</b>	AIB Corporate Finance Limited, a company incorporated under the laws of Ireland (registered under number 120018), with its registered office at 85 Pembroke Road, Ballsbridge, Dublin 4, which is regulated in Ireland by the Central Bank;
<b>AIB Group or the Group</b>	the Company and each of its subsidiaries and subsidiary undertakings from time to time;
<b>AIB PCAR Requirement</b>	the requirement prescribed for AIB by the Central Bank in its announcement of 31 March 2011 following completion of PCAR 2011 to increase AIB's Core Tier 1 Capital by c.€13.3 billion, of which €1.4 billion may be in the form of contingent capital;
<b>Anglo</b>	Anglo Irish Bank Corporation Limited, a limited liability company incorporated under the laws of Ireland;
<b>Anglo Transfers</b>	the transfer of €7.1 billion of deposits, NAMA senior bonds with a nominal value of €12.2 billion and the entire issued share capital of Anglo Irish Bank Corporation (International) PLC from Anglo to the Group, which was announced by AIB on 24 February 2011, pursuant to a transfer order issued to Anglo by the High Court under the Stabilisation Act;
<b>Articles of Association or Articles</b>	the articles of association of the Company, as amended from time to time;
<b>Board</b>	the Board of Directors of the Company;
<b>Bonus Issue</b>	new Ordinary Shares which the Company is obliged, under its Articles of Association, to issue to the NPRFC by way of bonus issue if the annual dividend payable on the 2009 Preference Shares is not paid;
<b>Bonus Issue 2011</b>	the new Ordinary Shares which the Company was obliged, under its Articles of Association, to issue to the NPRFC as a result of the non-payment of the annual dividend payable on the 2009 Preference Shares in May 2011;
<b>Bonus Share Entitlement 2011</b>	the 760,464,760 <sup>(1)</sup> new Ordinary Shares which remain to be issued to the NPRFC pursuant to the Bonus Issue 2011;

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**Note:**

<sup>(1)</sup> It is possible that this may decrease by 36,212,608 if a 5% increment prescribed by the Articles when a Bonus Issue is not made on the due date is waived.

<b>BZWBK</b>	Bank Zachodni WBK S.A., a Polish bank;
<b>BZWBK Shareholding</b>	the approximately 70.36 per cent. of BZWBK's issued share capital and 50 per cent. of BZWBK AIB Asset Management S.A.'s issued share capital formerly held by the Group;
<b>Capital Contribution</b>	a capital contribution that is anticipated would be made by the State to AIB to enable it to meet the PCAR Requirement;
<b>Capital Ratio</b>	the Group's Core Tier 1 Capital Ratio, or Common Equity Tier 1 Ratio, as appropriate
<b>Capital Requirements Directive</b>	Directive 2006/48/EC of the European Parliament and the Council of 14 June 2006, together, relating to the taking up and pursuit of the business of credit institutions and Directive 2006/49/EC on the capital adequacy of investment firms and credit institutions;
<b>Capital Requirements Directive IV</b>	proposal for a Directive of the European Parliament and of the Council amending Directives 2006/48/EC, 2006/49/EC supplementing the two sets of revisions adopted by the Commission in October 2008 and July 2009 as regards liquidity standards, definition of capital, leverage ratio, counterparty credit risk, countercyclical measures, systematically important financial institutions and single rule book in banking;
<b>CCSS</b>	the CREST Courier and Sorting Service established by Euroclear to facilitate, amongst other things, the deposit and withdrawal of securities;
<b>CET1 Amount</b>	at any time, as calculated by AIB on a consolidated basis and expressed in AIB's reporting currency, the sum of all amounts (whether positive or negative) of Common Equity Tier 1 Capital of the Group as at such time. For the avoidance of doubt, the CET1 Amount includes any capital instruments injected at any time by the initial holder to strengthen the capital base of the Group and deemed by the Central Bank to be eligible to count previously towards Core Tier 1 Amount;
<b>Central Bank</b>	the Central Bank of Ireland;
<b>CIFS Scheme</b>	the bank guarantee scheme introduced in Ireland pursuant to the Credit Institutions (Financial Support) Scheme 2008 (S.I. No. 411 of 2008);
<b>Circular</b>	this document;
<b>CNV Shares</b>	the 10,489,899,564 convertible non-voting shares that were issued by AIB to the NPRFC pursuant to the December 2010 Capital Increase, which were converted into Ordinary Shares on a one-for-one basis on 8 April 2011;
<b>Common Equity Tier 1 Capital</b>	all items that constitute Common Equity Tier 1 Capital less deductions from, and any other adjustments to, Common Equity Tier 1 Capital, within the meaning of such terms or equivalent in the Capital Requirements Directive and as implemented, where necessary, in Ireland through legislation;  For the avoidance of doubt the Common Equity Tier 1 Capital will be calculated taking into account the phase-in of deductions and other adjustments pursuant to the Capital Requirements Directive;
<b>Common Equity Tier 1 Ratio</b>	in respect of any semi-annual reporting period, the ratio (expressed as a percentage) of the CET1 Amount divided by the RWA Amount, as at the date of the financial statements contained in the relevant semi-annual financial report, as calculated by AIB and appearing in its relevant semi-annual financial report;

<b>Companies Acts</b>	the Companies Acts 1963 to 2009 and those parts of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 and 2006 and all statutory instruments which are to be read as one with, or construed together as one with them and every statutory modification and re-enactment thereof for the time being in force;
<b>Computershare</b>	Computershare Investor Services (Ireland) Limited, Registrar and Receiving Agent for the Company;
<b>Contingent Capital Purchase Agreement</b>	the contingent capital note purchase agreement to be entered into by the Company, the NTMA and the Minister pursuant to which AIB will proceed with the Contingent Capital Notes Issue conditional upon, inter alia, the passing of the Resolutions;
<b>Contingent Capital Notes</b>	up to €1.6 billion of contingent Tier 2 Capital notes proposed to be issued by the Group to the Minister pursuant to the Contingent Capital Notes Issue;
<b>Contingent Capital Notes Issue</b>	the proposed issue by the Group of up to €1.6 billion of Contingent Capital Notes to the Minister;
<b>Core Tier 1 Amount</b>	the aggregate amount of capital elements prescribed by the European Banking Authority in the “Supporting Document 2: Capital Definition Criteria” published on the 8 April 2011 and released to be the benchmark to be used in the 2011 EU-wide stress test for the purpose of computing the “Core Tier 1 including existing government support measures (CT1)”. For the avoidance of doubt, Core Tier 1 Amount includes any capital instruments injected at any time by the Minister to strengthen the capital base of the Group and deemed by the Central Bank to be eligible to count towards Core Tier 1 Amount;
<b>Core Tier 1 Capital</b>	shares and securities that constitute at any given time, under the regulatory framework then applicable to the Group, core tier 1 capital (within the meaning of the Central Bank’s requirements at such time or equivalent);
<b>Core Tier 1 Capital Ratio</b>	the amount (expressed as a percentage) of the Group’s Core Tier 1 Capital as a proportion of its Risk Weighted Assets on a consolidated basis;
<b>CREST</b>	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in the CREST Regulations);
<b>CREST Manual</b>	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrar Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms);
<b>CREST Member</b>	a person who has been admitted to Euroclear as a system-member (as defined in the CREST Regulations);
<b>CREST Participant</b>	a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations);
<b>CREST Proxy Instruction</b>	the appropriate CREST message for a proxy appointment or instruction made by means of CREST, properly authenticated in accordance with Euroclear UK & Ireland Limited’s specifications, containing the information required for such instructions as described in the CREST Manual, and to be transmitted so as to be received by the Company’s Registrars, Computershare Investor Services (Ireland) Limited, as issuer’s agent (CREST Participant ID 3RA50) by the latest time(s) for receipt of proxy appointments as specified in the EGM Notice;

<b>CREST Regulations</b>	the Companies Act 1990 (Uncertificated Securities) Regulations 1996 (SI No. 68 of 2008) of Ireland (as amended by the Companies Act 1990 (Uncertificated Securities) (Amended) Regulations 2005 (SI 693 of 2005));
<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>December 2010 Capital Increase</b>	the issue by AIB to the NPRFC on 23 December 2010, pursuant to the Direction Order, of 675,107,845 Ordinary Shares at a price of €0.3793 per share and 10,489,899,564 CNV Shares at a price of €0.3396 per share;
<b>Deferred Shares</b>	deferred shares of €0.01 in the capital of the Company, having the rights and being subject to the restrictions contained in the proposed Articles of Association to be adopted pursuant to the Resolutions;
<b>Direction Order</b>	the direction order issued to AIB by the High Court on 23 December 2010 under the Stabilisation Act;
<b>Directors</b>	the directors of the Company, whose names appear in the letter from the Executive Chairman of the Company contained in Part I of this Circular;
<b>EBS</b>	the Educational Building Society, a building society registered in Ireland (No. 139);
<b>EBS Capital Securities</b>	the €125,000,000 4.830 per cent. Step-up Guaranteed Non-Cumulative Perpetual Capital Securities of EBS Capital S.A. issued on 12 July 2005 and the €125,000,000 Floating Rate Guaranteed Non-Cumulative Perpetual Capital Securities of EBS Capital S.A. issued on 4 July 2007;
<b>EBS LME</b>	the offer to purchase, and proposals to amend the terms and conditions of, the EBS Subordinated Notes by EBS, the expected settlement date of which is 4 July 2011, together with the early redemption of the EBS Capital Securities in accordance with a written direction from the Minister pursuant to the ELG Scheme;
<b>EBS Merger</b>	the proposed acquisition by AIB of EBS, pursuant to an acquisition agreement between the Minister, the NTMA, AIB and EBS dated 26 May 2011 and the acquisition conversion scheme mechanism under Part XI of the Building Societies Act 1989 (as amended), which is expected to complete on 1 July 2011, following the conversion of EBS into a private company and receipt of all requisite regulatory approvals;
<b>EBS PCAR Requirement</b>	the requirement prescribed for EBS by the Central Bank in its announcement of 31 March 2011 following completion of PCAR 2011 to increase EBS's Core Tier 1 Capital by c.€1.5 billion, of which €0.2 billion may be in the form of contingent capital;
<b>EBS Subordinated Notes</b>	the €60,000,000 subordinated floating rate notes due 2014, the €100,000,000 Dated Subordinated Floating Rate Notes due 2016 and the £30,000,000 Step-Up Fixed Rate Subordinated Notes due 2019, in each case issued by EBS and being subject to the EBS LME;
<b>ECB</b>	European Central Bank;
<b>EFSSF</b>	European Financial Stability Fund;
<b>EGM or Extraordinary General Meeting</b>	the extraordinary general meeting of the Company to be held at 10 a.m. on 26 July 2011 at Bankcentre, Ballsbridge, Dublin 4 to consider and, if thought fit, to approve and pass the Resolutions;

<b>ELG Scheme</b>	the eligible liabilities guarantee scheme introduced in Ireland pursuant to the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (S.I. No. 490 of 2009), as amended by the Credit Institutions Eligible Liabilities Guarantee (Amendment) Scheme 2010 (S.I. No. 470 of 2010) and the Rules of the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (as amended);
<b>ESM</b>	the Enterprise Securities Market of the Irish Stock Exchange;
<b>ESM Rules</b>	the ESM Rules for Companies published by the Irish Stock Exchange;
<b>EU</b>	the European Union;
<b>Euro or €</b>	the single currency of the EU member states that adopt or have adopted the Euro as their lawful currency under the legislation of the European Union or European Monetary Union;
<b>Euroclear</b>	Euroclear UK & Ireland Limited, the operator of CREST;
<b>European Commission</b>	the Commission of the European Union;
<b>Executive Chairman</b>	the executive chairman of the Company as appointed from time to time;
<b>Form of Proxy</b>	the form of proxy which (where relevant) accompanies this Circular for use by Shareholders at the Extraordinary General Meeting;
<b>FSMA</b>	the Financial Services and Markets Act 2000 of the United Kingdom, as amended;
<b>Government Entity</b>	(i) any of the NTMA, the NPRFC, the Minister for Finance or any minister or department of the Government; and (ii) any custodian or nominee holding 2009 Preference Shares on behalf of the NTMA, the NPRFC (in its capacity as controller and manager of the NPRF), the Minister for Finance or any minister or department of the Government;
<b>Government Guarantee Schemes</b>	the CIFS Scheme and the ELG Scheme;
<b>IMF</b>	International Monetary Fund;
<b>Irish Stock Exchange or ISE</b>	The Irish Stock Exchange Limited;
<b>January 2011 Liability Management Exercise</b>	the liability management exercise carried out by the Group in January 2011, comprising the purchase of certain Tier 2 Capital instruments by AIB, as described in section 9 ( <i>Section 9 — Material acquisitions and disposals in 2011</i> ) of Part I of this document;
<b>June 2011 Liability Management Exercise</b>	the liability management exercise comprising an offer by AIB to purchase for cash, and a solicitation of consents in relation to, its then outstanding Tier 1 and Tier 2 Capital instruments, the preliminary results of which were announced on 14 June 2011, as described in section 9 ( <i>Section 9 — Material acquisitions and disposals in 2011</i> ) of Part I of this document;
<b>LDR</b>	loan to deposit ratio;
<b>Minister or Minister for Finance</b>	the Minister for Finance of Ireland;
<b>Morgan Stanley</b>	Morgan Stanley & Co. International plc of 25 Cabot Square, London E14 4QA;
<b>NAMA</b>	the National Asset Management Agency, established by the NAMA Act 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, as amended by the Stabilisation Act;



<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 Programme</b>	the programme through which NAMA has acquired or will acquire NAMA Assets from participating institutions on the terms specified in or pursuant to the NAMA Act;
<b>Notice of Extraordinary General Meeting or EGM Notice</b>	the notice of the Extraordinary General Meeting set out at the end of this Circular;
<b>NPRF</b>	the National Pensions Reserve Fund, a fund established under the NPRF Act;
<b>NPRF Act</b>	the National Pensions Reserve Fund Act 2000 (as amended by the Investment of the National Pensions Reserve Fund and Miscellaneous Provisions Act 2009 and the Stabilisation Act);
<b>NPRFC</b>	the National Pensions Reserve Fund Commission, as established by the NPRF Act <i>inter alia</i> , to control, manage and invest the assets of the NPRF (or any replacement successor agency or authority). References in this document to the NPRFC are to the NPRFC acting in its capacity as controller and manager of the NPRF;
<b>NPRFC Investment</b>	the issue of the 2009 Preference Shares and the 2009 Warrants to the NPRFC on 13 May 2009;
<b>NTMA</b>	the National Treasury Management Agency, as established by the National Treasury Management Agency Act 1990 and appointed, <i>inter alia</i> , manager of the NPRF and to act as agent of the NPRFC;
<b>Ordinary Shareholder</b>	a holder of Ordinary Shares;
<b>Ordinary Shares or Shares</b>	the ordinary shares in the capital of the Company having a nominal value of €0.32 each prior to the Renominalisation, and having a nominal value of €0.01 each following the Renominalisation;
<b>PCAR</b>	the Prudential Capital Assessment Review undertaken by the Central Bank, including any future prudential capital assessment review or revisions as relevant on the prudential capital requirements of certain Irish credit institutions, as determined by the Central Bank;
<b>PCAR 2011</b>	the PCAR exercise undertaken in 2011, the results of which were announced by the Central Bank on 31 March 2011;
<b>PCAR Requirement</b>	the cumulative total of the AIB PCAR Requirement and the EBS PCAR Requirement which, assuming completion of the EBS Merger by 31 July 2011, AIB expects that it will be required to raise, resulting in a total capital requirement of c.€14.8 billion of Core Tier 1 Capital, of which c.€1.6 billion may be in the form of contingent capital;
<b>Placing</b>	the proposed placing of the Placing Shares with the NPRFC pursuant to the Placing Agreement, as described in this Circular;
<b>Placing Agreement</b>	the placing agreement dated on or about 1 July 2011 between the Company, the NPRFC the NTMA and the Minister for Finance pursuant to which AIB proposes to undertake the Placing conditional upon, <i>inter alia</i> , the passing of the Resolutions;
<b>Placing Price</b>	€0.01 per Placing Share;
<b>Placing Shares</b>	the 500,000,000,000 new Ordinary Shares, having a nominal value of €0.01 each, to be subscribed by the NPRFC pursuant to the Placing Agreement;
<b>PLAR</b>	the Prudential Liquidity Assessment Review undertaken by the Central Bank;

<b>PLAR 2011</b>	the PLAR exercise undertaken in 2011, the results of which were announced by the Central Bank on 31 March 2011;
<b>Proposals</b>	the Placing, the Contingent Capital Notes Issue, the Renominalisation, the amendments to the Articles of Association of the Company (as such amendments are summarised in section 5 ( <i>Section 5 — Principal terms of the Proposals</i> ) of Part 1 of this Circular) and the Reduction of Capital Redemption Reserve and Share Premium;
<b>Provisional Voting Rights or PVRs</b>	the voting rights conferred on the NPRFC as holder of the 2009 Preference Shares by the existing Articles of Association from the date on which a dividend payment in respect of the 2009 Preference Shares falls due but is not paid and the date on which any Bonus Issue is issued to the NPRFC;
<b>Reduction of Capital Redemption Reserve and Share Premium</b>	the proposed cancellation of the capital redemption reserve created upon the acquisition and cancellation of the Deferred Shares and the proposed reduction of part of the Company's share premium account, as envisaged by Resolution 7 in the EGM Notice, and which are subject to confirmation by the High Court;
<b>Registrar</b>	Computershare Investor Services (Ireland) Limited, or such other registrar AIB may appoint from time to time;
<b>Regulation S</b>	Regulation S under the US Securities Act;
<b>Relevant Person</b>	the Minister for Finance, the Department of Finance, the Government, the NTMA, the NPRFC 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 of any such person;
<b>Renominalisation</b>	the proposed subdivision of each Ordinary Share of €0.32 into one Ordinary Share of €0.01 in the capital of the Company and thirty one (31) Deferred Shares, as described in section 5 ( <i>Section 5 — Principal terms of the Proposals</i> ) of Part I of this Circular and to be proposed pursuant to Resolution 1;
<b>Resolutions</b>	the resolutions to be proposed at the Extraordinary General Meeting, as set out in the EGM Notice;
<b>Risk Weighted Assets or RWAs</b>	assets which are weighted for credit risk according to a formula used by banks that conforms to the Bank of International Settlement's capital adequacy guidelines;
<b>RWA Amount</b>	as at any date, the aggregate amount of all risk-weighted assets of the Group calculated on a consolidated basis pursuant to the Capital Requirements Directive, each applicable at such time, expressed in AIB's reporting currency;
<b>Shareholder or AIB Shareholder</b>	an Ordinary Shareholder and/or a holder of 2009 Preference Shares;
<b>Stabilisation Act</b>	the Credit Institutions (Stabilisation) Act 2010;
<b>State or Irish State</b>	Ireland;
<b>Subordinated Liabilities Order or SLO</b>	the order issued to AIB by the High Court on 14 April 2011 under the Stabilisation Act;
<b>Subordinated Liabilities</b>	the subordinated liabilities of AIB that are subject to the SLO;
<b>Subscription Agreement</b>	the subscription agreement entered into on 13 May 2009 between the Company, the Minister for Finance and the NPRFC in connection with the NPRFC Investment;
<b>Tier 1 Capital</b>	securities that constitute, under the regulatory framework then applicable to the Group, tier 1 capital (within the meaning of the Central Bank's requirements at such time or equivalent);
<b>Tier 1 Capital Ratio</b>	the amount of the Group's Tier 1 Capital as a proportion of Risk Weighted Assets on a consolidated basis;

<b>Tier 2 Capital</b>	the undisclosed reserves, revaluation reserves, general provisions, loan loss reserves, hybrid debt-equity instruments and subordinated long-term debt of the Group;
<b>Total Capital</b>	Tier 1 Capital plus Tier 2 Capital;
<b>Total Capital Ratio</b>	the Group's Total Capital as a proportion of its RWAs on a consolidated basis;
<b>Treasury Shares</b>	Ordinary Shares that have been purchased by the Company but not cancelled;
<b>United Kingdom or UK</b>	the United Kingdom of Great Britain and Northern Ireland;
<b>United States or US</b>	the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
<b>US persons</b>	has the meaning given in Regulation S under the US Securities Act; and
<b>US Securities Act</b>	the United States Securities Act of 1933.

**Notes:**

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

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

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

### NOTICE OF EXTRAORDINARY GENERAL MEETING

An Extraordinary General Meeting of Allied Irish Banks, p.l.c. (the “**Company**”) will be held at 10.00 a.m. on 26 July 2011 at Bankcentre, Ballsbridge, Dublin 4 to consider and, if thought fit, pass the following Resolutions, of which Resolutions 1, 2, 3 and 5 will be proposed as ordinary resolutions and Resolutions 4, 6 and 7 will be proposed as special resolutions. The Resolutions are inter-conditional and all of them must be passed to enable the Proposals (as such term is defined in the Circular dated 1 July 2011 of which this Notice forms part (the “**Circular**”)) to proceed.

#### **Resolution 1 — Ordinary Resolution**

**THAT**, subject to and conditional upon all of Resolutions 2 to 7 being passed, each of the Ordinary Shares of €0.32 in the capital of the Company be and is hereby subdivided into one Ordinary Share of €0.01 in the capital of the Company, each carrying the same rights and obligations as an existing Ordinary Share of €0.32, save as to nominal value, and thirty one (31) Deferred Shares of €0.01 each in the capital of the Company each carrying the rights and obligations set out in the new Articles of Association of the Company proposed for adoption pursuant to Resolution 4 below.

#### **Resolution 2 — Ordinary Resolution**

**THAT**, subject to and conditional upon all of Resolutions 1 and 3 to 7 being passed, the authorised share capital of the Company be reduced from €4,457,002,371, US\$500,000,000, £200,000,000 and Yen 35,000,000,000 to €4,203,002,371, by the cancellation, in accordance with section 68 of the Companies Act 1963, of 200,000,000 unissued Non-Cumulative Preference Shares of €1.27 each, 20,000,000 unissued Non-Cumulative Preference Shares of US\$25 each, 200,000,000 unissued Non-Cumulative Preference Shares of Stg£1 each and 200,000,000 unissued Non-Cumulative Preference Shares of Yen 175 each.

#### **Resolution 3 — Ordinary Resolution**

**THAT**, subject to and conditional upon all of Resolutions 1 and 2 and 4 to 7 being passed, the authorised share capital of the Company be increased from €4,203,002,371 to €11,092,752,297 by the creation of 688,974,992,591 new Ordinary Shares of €0.01, each such new share having attached thereto the rights and privileges and being subject to the limitations and restrictions set out in the articles of association of the Company to be adopted pursuant to Resolution 4 below.

#### **Resolution 4 — Special Resolution**

**THAT**, subject to and conditional upon all of Resolutions 1 to 3 and 5 to 7 being passed, the regulations contained in the document produced to the Meeting and signed by the chairman of the Meeting for identification be and are hereby approved and adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association of the Company.

#### **Resolution 5 — Ordinary Resolution**

**THAT**, subject to and conditional upon all of Resolutions 1 to 4 and 6 to 7 being passed, the directors of the Company be and are hereby generally and unconditionally authorised pursuant to and in accordance with section 20 of the Companies (Amendment) Act 1983 (the “**1983 Act**”) to exercise for the period of five years from the date of the passing of this Resolution all the powers of the Company to allot relevant securities up to the aggregate nominal amount of €6,892,692,445, for the purposes of the Placing, the Contingent Capital Notes Issue, the Bonus Share Entitlement 2011 (as such terms are defined in the Circular) and such other purposes approved by the directors of the Company, such amount being a “Section 20 Amount” (as defined in Article 10 of the new Articles of Association of the Company), save that the Company may make an offer or agreement before the expiry of this authority which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities pursuant thereto as if the authority conferred hereby had not expired.

#### **Resolution 6 — Special Resolution**

**THAT**, subject to and conditional upon all of Resolutions 1 to 5 and 7 being passed, the directors of the Company be and are hereby generally empowered pursuant to section 24 of the 1983 Act to allot equity securities

(as defined in section 23(13) of the 1983 Act) for cash pursuant to the authority conferred by the passing of Resolution 5 as if section 23(1) of the 1983 Act did not apply to any such allotment, provided that this power shall be limited to the allotment and issue of equity securities up to an aggregate nominal amount of €6,600,000,000 for the purpose of or in connection with the Placing and the Contingent Capital Notes Issue (as defined in the Circular), and provided further that this power shall expire on the close of business on 31 October 2011, unless previously renewed, varied or revoked by the Company in general meeting, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors of the Company may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired.

### **Resolution 7 — Special Resolution**

**THAT**, subject to and conditional upon all of Resolutions 1 to 6 being passed, and subject to and with the confirmation of the High Court, (i) the capital redemption reserve of €3,957,595,068.24 arising from the acquisition and cancellation by the Company of all of the Deferred Shares in issue immediately following Resolution 1 being passed and becoming effective be reduced by cancelling all of that reserve and (ii) the share premium account of the Company be reduced by cancelling €2.0 billion of the share premium account of the Company, and the reserve resulting from those cancellations to be used to eliminate permanent losses and treated as profits available for distribution, as defined by section 45 of the 1983 Act.

By Order of the Board

#### **David O’Callaghan**

Company Secretary  
Bankcentre  
Ballsbridge  
Dublin 4

1 July 2011

#### **Notes:**

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

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

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

- (2) The Extraordinary General Meeting will be held at Bankcentre, Ballsbridge, Dublin 4. 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 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 to attend, speak and vote instead of the Shareholder. A proxy need not be a Shareholder. If you wish to appoint more than one proxy please contact the Company’s Registrar, Computershare Investor Services (Ireland) Limited, on +353 1 247 5411.
- (4) A Form of Proxy for use by Shareholders is enclosed with this Notice of Extraordinary General Meeting (or is otherwise being delivered to Shareholders). Completion of a Form of Proxy (or submission of proxy instructions electronically) will not prevent a Shareholder from attending the Extraordinary General Meeting and voting in person should the Shareholder wish to do so.



- (5) To be valid, a Form of Proxy and any power or other authority under which it is executed (or a duly certified copy of any such power or authority) must be lodged with the Company's Registrar, Computershare Investor Services (Ireland) Limited, of Heron House, 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 Registrar, Computershare Investor Services (Ireland) Limited at [www.eproxyappointment.com](http://www.eproxyappointment.com). To log in, you will require your unique PIN (which will expire at the end of the voting period), and your Shareholder Reference Number (SRN) and the Control Number, all of which are printed on the face of the accompanying Form of Proxy.
- (7) CREST members may appoint one or more proxies through the CREST electronic proxy appointment service in accordance with the procedures described in the CREST Manual. CREST Personal Members or other CREST Sponsored Members and those CREST Members who have appointed a voting service provider(s) should refer to their CREST Sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- (8) In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message (whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy) must be transmitted so as to be received by the Company's Registrars, Computershare Investor Services (Ireland) Limited, as issuer's agent (CREST Participant ID 3RA50) by the latest times(s) for receipt of proxy appointments specified in this Notice of Extraordinary General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Computershare Investor Services (Ireland) Limited is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
- (9) CREST members and, where applicable, their CREST Sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST Personal Member or Sponsored Member or has appointed a voting service provider(s), to procure that his CREST Sponsor or voting service provider(s) take(s)) such action as 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) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Companies Act 1990 (Uncertificated Securities) Regulations 1996.

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

- (11) The total number of issued ordinary shares in the Company on the date of this notice of Extraordinary General Meeting is 12,730,755,590 (excluding Treasury Shares). In addition, the NPRFC holds up to 760,464,760 PVRs, entitling it to an additional maximum number of 760,464,760 votes on the Resolutions.
- (13) Voting on each of the resolutions will be decided on a poll. This means that shareholders who attend the Extraordinary General Meeting, as well as those who are not able to attend but have sent proxy forms, may have their votes taken into account according to the number of shares they hold.
- (14) Resolutions 1, 2, 3 and 5 are ordinary resolutions and require a simple majority of votes cast at the meeting to be passed. Resolutions 4, 6 and 7 are special resolutions and require at least 75 per cent. of votes cast at the meeting to be passed.







