

**RELATIONSHIP FRAMEWORK**  
**SPECIFIED BY**  
**THE MINISTER FOR FINANCE**  
**IN RESPECT OF**  
**THE RELATIONSHIP BETWEEN**  
**THE MINISTER FOR FINANCE**  
**AND EACH OF**  
**AIB GROUP PLC**  
**AND**  
**ALLIED IRISH BANKS, P.L.C.**

**DATED 10 OCTOBER 2017**

**CONDITIONAL ON THE SCHEME (AS HEREINAFTER DEFINED) BECOMING  
EFFECTIVE ON THE SCHEME EFFECTIVE DATE**

## **PREAMBLE**

Allied Irish Banks, p.l.c. (the “**Bank**”) has received significant support from the State in the context of the financial crisis because of its systemic importance to the Irish financial system. This support has taken various forms including capital injections, asset relief and various guarantees. As a result of the State support measures, the State now holds circa 71.12% of the ordinary shares of the Bank as at 10 October 2017.

Pursuant to the Scheme, it is proposed that HoldCo will become the parent company of the Bank and shareholders in the Bank (including the State) will receive new ordinary shares in HoldCo in proportion to their current holdings of ordinary shares in the Bank.

The legal basis for this Relationship Framework is set out in Appendix III. This Relationship Framework is dated 10 October 2017 but is conditional on the Scheme becoming effective in accordance with its terms.

The purpose of this Relationship Framework is to provide the basis on which the relationship between the Minister, the Bank and HoldCo shall be governed.

The Board of HoldCo has full responsibility and authority for all of the operations and business of HoldCo in accordance with its legal and fiduciary duties and has responsibility and authority for ensuring compliance with the regulatory and legal obligations of HoldCo (including, for the avoidance of doubt, the legal and regulatory obligations of the Bank). It is recognised that the Bank is an authorised credit institution that is regulated by the Central Bank and this Relationship Framework (including as it may be amended from time to time) is to be operated at all times in compliance with Regulatory Requirements.

It is further recognised that HoldCo and the Bank have shares and/or other instruments listed or traded on various exchanges and that HoldCo and the Bank must comply at all times with the requirements of Listing Rules and other Regulatory Requirements.

This Relationship Framework provides for safeguards as to the separate management of each of the State’s interests in Irish credit institutions (including in the Bank through HoldCo) in order to ensure that those interests, and the management of those interests, do not lead to a prevention, restriction or distortion of competition in contravention of merger control or competition law rules.

Assuming the Scheme becomes effective, it is envisaged that the State’s interest in HoldCo will be divested over time as market conditions permit in a manner which protects and enhances value for the Exchequer, in so far as possible, in relation to the investment made by the State.

The Minister expects the Board and management team of HoldCo to conduct HoldCo’s commercial operations, and to procure that the Bank’s commercial operations are conducted in a prudent and sustainable manner which seeks to create a commercially oriented credit institution which recognises the need to encourage and enforce implementation of lessons learned from the financial crisis.

The Minister expects the Board and management team of HoldCo to ensure that HoldCo and the Bank adhere to the State Agreements to which they are respectively a party.

## **RELATIONSHIP BETWEEN THE MINISTER AND HOLDCO**

1. The meanings of defined terms used in this Relationship Framework are set out in Appendix I.
2. The Minister recognises that HoldCo remains a separate economic unit with independent powers of decision and that its Board and management team retain responsibility and authority for determining HoldCo’s strategy and commercial policies (including business plans and budgets) and conducting its day-to-day operations. The Minister will ensure that the

investment in HoldCo is managed on a commercial basis and will not intervene in day-to-day management decisions of HoldCo (including for the avoidance of doubt, the Bank) (including with respect to pricing and lending decisions). The Minister will, and will do all in his power to procure that each Government Entity will:

- (a) conduct transactions and arrangements with HoldCo and the Bank at arm's length and on normal commercial terms;
- (b) not take any action that would have the effect of preventing HoldCo from complying with its obligations under the Listing Rules; and
- (c) not propose or procure the proposal of a shareholder resolution in respect of HoldCo which is intended to circumvent the proper application of the Listing Rules,

(the "**Listing Rules Commitments**"). HoldCo will notify the Minister if it becomes aware of any breach or potential breach by any Government Entity of the Listing Rules Commitments.

- 3. The Minister will engage with HoldCo, including with respect to the manner in which he exercises his voting rights, in accordance with best institutional shareholder practice in a manner proportionate to the shareholding interest of the State in HoldCo. In addition, the Minister will not and will procure (so far as the Minister has the power to do so) that each Government Entity will not: (i) hold or acquire a material shareholding in any direct or indirect subsidiary of HoldCo; and (ii) vote on any "related party transaction" (for the purposes of the Listing Rules) involving or for the benefit of the Minister or a Government Entity as the related party.
- 4. The Minister and HoldCo agree to review the arrangements under this Relationship Framework from time to time where either party reasonably considers that changes to this Relationship Framework or the State Agreements would be necessary or desirable to ensure that this Relationship Framework continues to reflect the principles specified in paragraphs 2 and 3 of this Relationship Framework and to enable HoldCo and the Bank to continue to comply with Regulatory Requirements.
- 5. Subject to the provisions of paragraph 19 of this Relationship Framework concerning confidential, commercially sensitive or personal information, the Minister expects HoldCo and the Bank to conduct their respective dealings with the State in a transparent, cooperative and proactive manner which fully recognises the significant level of support provided to the Bank since 2008.
- 6. The Minister may delegate the exercise of his functions, and his engagements with HoldCo and the Bank, under this Relationship Framework to a nominee to be appointed by the Minister for those purposes. The Minister shall notify HoldCo and the Bank in writing of any such delegation and appointment.
- 7. The views of the Minister and Department are expected to be appropriately considered by HoldCo or the Bank (as the case may be) as part of any consultation process under this Relationship Framework. However, the Board and management team of HoldCo have full responsibility and authority for determining HoldCo's and the Bank's strategy and commercial policies.

## **COMPETITION AND COMMERCIAL INFORMATION**

- 8. The Minister will ensure that the State:

- 8.1 manages and maintains its interest in each credit institution separately from the management of its interests in other credit institutions;
  - 8.2 does not exercise its rights in HoldCo or the Bank and any rights held by the State in any credit institution other than the Bank, or otherwise manage the State's interests in credit institutions, in a manner which would result in a prevention, restriction, distortion or significant lessening or impediment of effective competition or an abuse of dominance;
  - 8.3 exercises its rights in HoldCo or the Bank and any rights held in credit institutions other than the Bank to seek to ensure that there are no cross-directorships between such institutions; and
  - 8.4 puts in place effective barriers to prevent sensitive commercial information passing via the State between HoldCo or the Bank and any credit institution other than the Bank in which the State has an interest as a result of State intervention.
9. For the avoidance of doubt, each credit institution in which the State has acquired an interest, including the Bank (through HoldCo), unless legally merged with another credit institution, continues to operate as an independent competitor in the market and Sections 4 and 5 of the Competition Acts 2002-2014 and Articles 101 and 102 of the Treaty on the Functioning of the European Union continue to apply to each credit institution on that basis.

#### **MINISTERIAL CONSENT OR CONSULTATION**

- 10. Where the consent of, or where consultation with, the Minister is required by HoldCo or the Bank pursuant to any Consent/Consultation Document or otherwise, HoldCo or the Bank (as the case may be) shall submit its Consent Request or Consultation Briefing as appropriate in accordance with the Consent/Consultation Procedure. Only consent issued by or on behalf of the Minister in writing (including by email) pursuant to a Consent Request shall satisfy the requirement of HoldCo or the Bank to obtain a relevant consent under a Consent/Consultation Document.
- 11. If HoldCo or the Bank is unclear as to whether an action is subject to consent or consultation in accordance with the Consent/Consultation Procedure, HoldCo or the Bank (as the case may be) may write to the Minister informally and outside of the Consent/Consultation Procedure to seek confirmation from the Minister in this regard. If the Minister does not respond within three Business Days, HoldCo or the Bank (as the case may be) may assume that the action is not subject to consent or consultation in accordance with the Consent/Consultation Procedure. No guidance given by the Minister in relation to whether consent or consultation is required in respect of a matter shall constitute a precedent for, or restrict the Minister from taking a different view on, another matter.

#### **MATERIAL MATTERS**

- 12. For the purposes of this Relationship Framework, a matter, issue, action, decision or event shall be deemed to be “**Material**” if, in the reasonable opinion of the Board or the Chief Executive Officer of HoldCo:
  - 12.1 it is an acquisition, investment or disposal other than in the ordinary course of business and the total purchase price, investment or proceeds is likely to exceed €100 million;

- 12.2 it is a realisation, reorganisation, restructuring or other transaction or event other than in the ordinary course of business and the adverse impact on Core Tier 1 Capital of the Bank or HoldCo or both is likely to exceed €100 million (with the exception of day-to-day decision-making with respect to provisioning and impairments); or
- 12.3 it is likely to create clear and significant reputational issues for HoldCo, the Bank, the Minister or the State and it is outside of the ordinary course of business.

## **ROLE OF THE BOARD**

- 13. The Board of HoldCo has responsibility and necessary authority for:
  - 13.1 all of the operations and business of HoldCo and the Bank in accordance with its legal, fiduciary and prudential duties;
  - 13.2 ensuring strict compliance with the regulatory and legal obligations of HoldCo and the Bank, including any obligations arising under the CIFS Scheme, the ELG Scheme, the NAMA Act, CIRA (including any orders or requirements thereunder), the Competition Acts 2002-2014 and Regulatory Requirements; and
  - 13.3 ensuring that: (i) there are, at all times, a sufficient number of directors to convene and hold quorate Board meetings; and (ii) the Board (taking into account any directors nominated pursuant to paragraph 18 of this Relationship Framework, but not treating such directors as independent) includes a sufficient number and/or proportion of independent directors consistent with best practice in corporate governance; and (iii) no director becomes or remains a director of any other credit institution with a significant retail customer presence in Ireland, except where such entities are within HoldCo's group.

## **BUSINESS PLAN**

- 14. The preparation of the Business Plan is a primary responsibility for the Board of the Bank. The review and approval of the Business Plan is the responsibility of both the Board of HoldCo and the Board of the Bank. The Business Plan, encompassing strategy (including the Bank's sectoral lending plan) and appropriate financial targets, will be prepared and updated at least annually. A copy of the draft Business Plan will be sent to the Minister before the Business Plan is finalised and adopted by the Board of HoldCo. Final responsibility for the content of the Business Plan rests with the Board of HoldCo.

## **BOARD AND SENIOR EXECUTIVE APPOINTMENTS**

- 15. The Board of HoldCo or the Board of the Bank (as the case may be) will consult with the Minister in accordance with the Consent/Consultation Procedure before appointing, re-appointing or removing the Chairman or Chief Executive Officer of HoldCo or the Bank.
- 16. The Minister will continue to work with the Boards of HoldCo and the Bank to strengthen their respective memberships through the appointment of suitably qualified, independent non-executives. The Board of HoldCo or the Board of the Bank (as the case may be) will consult with the Minister in accordance with the Consent/Consultation Procedure in respect of any Board appointments which it proposes in respect of HoldCo or the Bank.
- 17. The Chief Executive of HoldCo will notify the Minister in writing of any Senior Executive appointments to HoldCo or the Bank prior to announcement.

18. Upon receipt of a written notice from the Minister naming the proposed director(s), HoldCo shall procure that up to two nominees of the Minister are appointed as directors of HoldCo (the “Minister’s Nominees”). The following provisions shall apply in relation to the Minister’s Nominees:
- 18.1 In the event that any Minister’s Nominee is removed by a resolution of shareholders, or fail(s) to be re-elected by shareholders at any general meeting of HoldCo, HoldCo shall procure that a replacement Minister’s Nominee is appointed, to the Board pursuant to the provisions of Article 99 of the Articles.
  - 18.2 The appointment of the Minister’s Nominees shall be deemed to take effect on the date of the next Board meeting of HoldCo following the date of receipt by HoldCo of notice from the Minister.
  - 18.3 HoldCo shall ensure that its Board has sufficient vacancies on the Board at all times to permit the appointment of the Minister’s Nominees, other than in the circumstances where a resolution of shareholders of HoldCo (a “Shareholder Appointment Resolution”) causes the maximum number of directors provided for in the Articles to be exceeded. In these circumstances, the Board of HoldCo shall not recommend the Shareholder Appointment Resolution, and shall propose a resolution of shareholders of HoldCo to increase the maximum number of directors provided for in the Articles to accommodate the appointment of the Minister’s Nominees.
  - 18.4 The Minister’s Nominees shall be entitled to the same remuneration as the other non-executive directors of HoldCo receive for performing the role of non-executive director.
  - 18.5 HoldCo shall procure that for so long any Minister’s Nominee is a director of HoldCo such person shall also be appointed and hold office as a director of the Bank.
  - 18.6 The Minister’s Nominees shall be permitted, subject to compliance with Regulatory Requirements, to share confidential information they receive from HoldCo and/or the Bank in their capacity as directors with the Minister and the Minister’s officials on a confidential basis.

## **COMMUNICATIONS AND CO-OPERATION**

- 19. Any confidential, commercially sensitive or personal information provided to the Minister under this Relationship Framework shall be clearly marked as such and will be treated accordingly by the Minister in accordance with the applicable law.
- 20. The Minister requests that all documents circulated for Board meetings of HoldCo or the Bank shall be provided to the Minister at the same time as they are provided to the Board. The Minister expects that HoldCo will also provide the Minister with information and documentation which has been reasonably requested by the Minister from time to time.
- 21. The Minister expects the Board or the Chief Executive Officer of HoldCo or the Board or the Chief Executive Officer of the Bank (as the case may be) to bring promptly to the attention of the Minister in writing any Material matter of which the Board or the Chief Executive Officer of HoldCo or the Bank becomes aware. The Minister shall not be deemed to be on notice of a matter as a result of being in receipt of other documentation, including Board papers, which relate to that matter.

22. The Minister highlights the importance of clear and consistent external communications and the Minister expects that all communications by HoldCo, the Bank and the Minister will be made in this spirit. The Minister expects HoldCo or the Bank (as the case may be) to notify the Minister in writing of any public statement relating to a Material Matter at the earliest possible opportunity prior to making the public statement, except where HoldCo or the Bank is required to make the public statement in advance of such notification in order to meet HoldCo's or the Bank's legal obligations or Regulatory Requirements.
23. Senior management from HoldCo and the Bank, as applicable, will meet with Department officials on a monthly basis to discuss the achievement of the Business Plan, highlighting any material developments or trends.
24. The Minister (or his nominee) will meet with directors of HoldCo or the Bank, as applicable, at their reasonable request to discuss any important matters relating to HoldCo or, as applicable, the Bank. Similarly, the Board of HoldCo and/or the Board of the Bank, as applicable, will meet with the Minister (or his nominee) at his reasonable request. The Board of HoldCo and/or the Board of the Bank, as applicable, may also request to meet the Minister personally in relation to matters of appropriate importance or sensitivity.
25. Given the importance of maintaining adequate credit flows, HoldCo and the Bank will commit to keep the Minister informed of their respective lending plans, including in particular SME Lending and any changes thereto, facilitated by regular updates with Department officials. The Minister's views will be considered by HoldCo and the Bank in the context of the Board of HoldCo's and the Board of the Bank's respective responsibility for the assessment of credit risk and the Board's responsibility for the determination of a credit risk appetite which is appropriate for HoldCo's or, as applicable, the Bank's group. The Minister will have no function in individual lending decisions or the pricing of loans, both of which remain the responsibility of the Board and management of the Bank.

#### **MATERIAL LITIGATION**

26. Subject always to compliance with Regulatory Requirements, HoldCo shall keep the Minister informed promptly in writing of developments, including the terms of any settlement, in relation to any Material Litigation.
27. Prior to the conclusion of any Material Litigation to which the Minister is a party and/or before agreeing to the terms of any settlement in relation to Material Litigation to which the Minister is a party, HoldCo shall consult with the Minister in accordance with the Consent/Consultation Procedure in relation to the Material Litigation.

#### **REMUNERATION, INCENTIVISATION, PENSION, REDUNDANCY AND SEVERANCE ARRANGEMENTS**

28. The Minister's objective is to support remuneration levels which, having regard to the capital and financial position of HoldCo and the Bank, are balanced and sufficient at all levels across the organisation in the current market to attract, motivate and retain the type of experience and talent which is required to achieve the Business Plan.
29. The Minister will require that any incentive arrangements for Directors and Senior Executives are closely related to their performance, measured by the achievement of relevant targets, such targets having regard to the achievement of the Business Plan.
30. HoldCo and the Bank shall comply with all covenants relating to remuneration, incentivisation, pension, redundancy and severance arrangements under the State Agreements to which it is a party. Where consent is required under the State Agreements in relation to

remuneration, incentivisation, pension, redundancy or severance arrangements, HoldCo or the Bank (as the case may be) shall submit a request for consent in accordance with the Consent/Consultation Procedure. In addition, for the avoidance of doubt, the Bank shall continue to adhere to the CIROC guidelines and any other applicable obligations arising under the CIFS Scheme and the ELG Scheme in relation to remuneration, incentivisation, pension, redundancy and severance arrangements.

## **OVERSEAS OPERATIONS**

31. The Minister recognises that different operating environments apply in different jurisdictions and that the overseas businesses of HoldCo's group must be managed in accordance with local market conditions which may not be the same as in Ireland. The Minister will give due consideration to, and take due account of, this factor.

## **COMPLIANCE WITH REQUIREMENTS, COMMITMENTS AND UNDERTAKINGS**

32. HoldCo shall and shall procure that the Bank shall comply fully with all continuing requirements, commitments and undertakings (including all commercial restrictions and obligations) under the State Agreements to which it is a party. In the event of a conflict between this Relationship Framework and any of the State Agreements, the latter shall prevail, subject to the changes to the State Agreements referred to in Clause 34.

## **MATTERS FOR CONSULTATION**

33. In addition to any consultation matters referred to previously in this document, the Minister expects the Board of HoldCo and the Board of the Bank to consult in writing with the Minister in accordance with the Consent/Consultation Procedure in respect of any of the Matters for Consultation in advance of concluding on any such matter.

## **AMENDMENTS TO 2010 PLACING AGREEMENT AND 2011 PLACING AGREEMENT**

34. The Minister acknowledges and agrees that with effect from the Bank Admission (and notwithstanding termination of the Bank Relationship Framework):
- 34.1 consistent with the principle of the Bank operating as a separate economic unit, Paragraph 3 (Related Party Transactions), Paragraph 4 (Dividends) and Paragraph 15 (Acquisitions, Disposals, Investments or Other Transactions) of Schedule 3 of the 2010 Placing Agreement, and Paragraph 2 (Dividends) and Paragraph 11 (Acquisitions, Disposals, Investments or Other Transactions) of Schedule 3 of the 2011 Placing Agreement ceased to be of any effect with respect to the Bank;
  - 34.2 Paragraph 10 (Matters of Public Interest) of Schedule 3 of the 2010 Placing Agreement and Paragraph 6 (Matters of Public Interest) of Schedule 3 of the 2011 Placing Agreement ceased to be of any effect with respect to the Bank;
  - 34.3 Paragraph 8.2 (Relationship Framework) of Schedule 3 to the 2010 Placing Agreement and Paragraph 4.2 (Relationship Framework) of Schedule 3 to the 2011 Placing Agreement ceased to be of any effect with respect to the Bank; and
  - 34.4 consistent with paragraph 34.1 of this Relationship Framework, Paragraph 5.2 (Reserves) of Schedule 3 of the 2010 Placing Agreement and Paragraph 3.2 (Reserves) of Schedule 3 of the 2011 Placing Agreement ceased to be of any effect to the extent that they would otherwise apply to the making or payment of any dividend or distribution by the Bank.



## APPENDIX I

### INTERPRETATION

In this Relationship Framework:

**“2009 Act”** means the Investment of the National Pensions Reserve Fund and Miscellaneous Provisions Act 2009.

**“2009 Subscription”** means the subscription by the NPRF Commission pursuant to a direction from the Minister under section 19(A) of the NPRF Act of EUR3.5 billion for 3,500,000,000 units of 2009 Perpetual Non-Cumulative Redeemable Preference Shares of EUR0.01 each in the Bank.

**“2009 Subscription Agreement”** means the subscription agreement entered into on 13 May 2009 by the Minister, the NPRF Commission and the Bank in relation to the 2009 Subscription.

**“2010 Placing Agreement”** means the placing agreement entered into on 23 December 2010 by the Minister, the NPRF Commission, the NTMA and the Bank in relation to the 2010 Subscription.

**“2010 Subscription”** means the issue by the Bank of 675,107,845 ordinary shares of EUR0.32 each and 10,489,899,564 CNV Shares to the NPRF Commission on 23 December 2010 in consideration for the payment of EUR3,818,438,297.54 before accounting for fees in cash from the NPRF pursuant to a direction order made by the High Court on 23 December 2010 pursuant to section 9 of CISA.

**“2011 Placing Agreement”** means the placing agreement entered into on 1 July 2011 by the Minister, the NPRF Commission, the NTMA and the Bank in relation to a subscription by the NPRF Commission for 500 billion ordinary shares in the Bank for an aggregate subscription price of EUR5 billion. Pursuant to Clause 12.9 of the 2011 Placing Agreement, the Minister has given notice to the Bank that all references in the 2011 Placing Agreement to the NTMA shall be construed as references to the Minister.

**“2014 Act”** means the National Treasury Management Agency (Amendment) Act 2014.

**“Acquisition Agreement”** means an acquisition agreement dated 26 May, 2011 between the Minister, the NTMA, EBS and the Bank in relation to the acquisition of EBS by the Bank on 1 July 2011, which took place by means of an acquisition conversion scheme under section 101C of the Building Societies Act, 1989.

**“Articles”** means the articles of association of HoldCo as may be amended from time to time and any reference in this Relationship Framework to a specific article shall be interpreted as a reference to the renumbered article following any such amendments.

**“Bank”** means Allied Irish Banks, p.l.c. and, where relevant, all direct and indirect subsidiaries of Allied Irish Banks, p.l.c.

**“Bank Admission”** means admission of the entire issued ordinary share capital of the Bank to the Official List of the Irish Stock Exchange and the premium listing segment of the Official List of the Financial Conduct Authority of the United Kingdom and to trading on the regulated market (main securities market) for listed securities of the Irish Stock Exchange and the main market for listed securities of the London Stock Exchange which occurred on 27 June 2017 in accordance with, respectively, the listing rules of the Irish Stock Exchange and the listing rules made by the Financial Conduct Authority of the United Kingdom under Section 73A of the United Kingdom Financial Services and Markets Act 2000.

**“Bank Relationship Framework”** means the amended and restated relationship framework specified by the Minister on 12 June 2017 in respect of the relationship between the Minister and the Bank, conditional on Bank Admission and which will terminate at the Scheme Effective Time.

**“Board”** means the board of directors of HoldCo and/or the Bank as appropriate.

**“Business Day”** means any day other than a Saturday, a Sunday or a public holiday in Ireland.

**“Business Plan”** means the business plan of HoldCo’s group encompassing HoldCo’s strategy (including the Bank’s sectoral lending plan) and appropriate financial targets which will be prepared and updated at least annually.

**“Central Bank”** means the Central Bank of Ireland, or to the extent that Regulation (EU) No. 1024/213 of 15 October 2013 or the European Union (Single Supervisory) Mechanism Regulations 2014 confer its functions on the European Central Bank, the European Central Bank.

**“CIFS Scheme”** means the Credit Institutions (Financial Support) Scheme 2008.

**“CIRA”** means the Central Bank and Credit Institutions (Resolution) Act 2011.

**“Circular”** means the circular dated on or about the date of this Relationship Framework issued by HoldCo to its shareholders in relation to the Scheme.

**“CIROC”** means the Covered Institutions Remuneration Oversight Committee.

**“CNV Shares”** means convertible non-voting shares in the Bank of EUR0.32 each.

**“Companies Act”** means the Companies Act 2014, as amended.

**“Consent/Consultation Documents”** means this Relationship Framework, the Deed of Covenant, the Articles, any of the State Agreements, the CIFS Scheme, the ELG Scheme, the NAMA Act, CISA and CIRA, and **“Consent/Consultation Document”** shall be any one of them.

**“Consent/Consultation Procedure”** means the procedure set out in Appendix IV.

**“Consent Request”** means a request for consent submitted in accordance with the Consent/Consultation Procedure pursuant to paragraph 10 of this Relationship Framework.

**“Consultation Briefing”** means a consultation briefing submitted in accordance with the Consent/Consultation Procedure pursuant to paragraph 10 of this Relationship Framework.

**“Court Order”** means the order or orders of the High Court sanctioning the Scheme under Section 453 of the Companies Act and confirming the related Bank reduction of capital of the Bank under Sections 84 to 86 of the Companies Act, which forms part of it or, where the context may require, either of them.

**“Deed of Covenant”** means the deed of covenant entered into on 10 October 2017 between the Minister, HoldCo and the Bank.

**“Department”** means the Department of Finance of Ireland.

**“Directed Investment”** means, until the coming into force of the 2014 Act, an investment, underwriting or other support in relation to a listed credit institution made by the NPRF Commission pursuant to a direction from the Minister under section 19(A) of the NPRF Act, and following the

coming into force of the 2014 Act, has the meaning given to “directed investment” in Section 37 of the 2014 Act as amended by Section 22 of the Finance (Miscellaneous Provisions) Act 2015.

“**EBS**” means EBS Designated Activity Company (formerly EBS Limited and EBS Building Society).

“**ELG Scheme**” means the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009.

“**Emergency Action**” has the meaning given in paragraph 5 of Appendix IV.

“**EU**” means the European Union.

“**Government Entity**” means any entity or body which is part of, or is controlled by, the Government of Ireland, but excluding all such entities or bodies which carry out a regulatory or supervisory function that are independent of the Minister (including, for example, but without limitation, the Central Bank of Ireland, the Revenue Commissioners and the Competition and Consumer Protection Commission).

“**HoldCo**” means AIB Group plc and, where relevant, all the direct and indirect subsidiaries of AIB Group plc.

“**ISIF**” means the Ireland Strategic Investment Fund.

“**Key Person**” means a director, a former director, a Senior Executive or a former Senior Executive of the Bank or HoldCo.

“**Listing Rules**” means listing, securities and other rules applicable to HoldCo in relation to the listing or trading of the HoldCo’s shares or other instruments on various exchanges.

“**Market Abuse Regulation**” means Regulation (EU) NO. 596/2014 of 16 April 2014 on market abuse and related delegated acts, technical standards and guidelines made and issued thereunder.

“**Material**” has the meaning given in paragraph 12 of this Relationship Framework.

“**Material Litigation**” means any litigation, whether commenced or contemplated, involving the Bank and/or HoldCo and relating to a Material matter.

“**Matters for Consultation**” means certain matters set out in Appendix II, provided that those matters shall be deemed not to include the Scheme or the Post-Scheme Measures.

“**Minister**” means the Minister for Finance of Ireland and any nominee of the Minister.

“**NAMA Act**” means the National Asset Management Agency Act 2009.

“**NPRF**” means the National Pensions Reserve Fund.

“**NPRF Act**” means the National Pensions Reserve Fund Act 2000.

“**NPRF Commission**” means the National Pensions Reserve Fund Commission.

“**NTMA**” means the National Treasury Management Agency as established by the National Treasury Management Agency Act 1990.

“**Personnel Matters**” means matters relating to: (i) the appointment, re-appointment, or removal of the Chairman or Chief Executive Officer of HoldCo or the Bank or proposed appointments to the Board;

or (ii) remuneration arrangements, incentivisation arrangements, pension arrangements, redundancy arrangements or severance arrangements at the Bank and/or HoldCo.

**“Post-Scheme Measures”** means the proposed reduction of capital of HoldCo under Sections 84 to 86 of the Companies Act so as to create distributable reserves and the redemption at par and cancellation of the Subscriber Shares in each case on the terms set out in the Circular.

**“Regulatory Requirements”** means applicable regulatory requirements and guidance as specified by the Central Bank or other relevant regulatory authorities as appropriate including but not limited to the Transparency Regulations, the Market Abuse Regulation and the Listing Rules.

**“Relationship Framework”** means this relationship framework specified by the Minister.

**“Relevant Information”** means all information that in the reasonable opinion of the Minister is necessary and sufficient to permit the Minister to form an opinion on the Consent Request or a Consultation Briefing as appropriate.

**“Scheme”** means the proposed scheme of arrangement of the Bank under Chapter 1 Part 9 of the Companies Act, the capital reduction of Bank under Sections 84, 85 and 86 of the Companies Act (the terms of which are set out in the Circular) with or subject to any modifications, additions or conditions approved or imposed by the High Court and agreed to by the Bank and HoldCo, whereby HoldCo will become the holding company of the Bank.

**“Scheme Effective Date”** means the date on which the Scheme becomes effective.

**“Scheme Effective Time”** means the time on the Scheme Effective Date at which the Court Order and a copy of the minute required by Section 86 of the Companies Act are registered by the Registrar of Companies.

**“Senior Executive”** means: (i) any person in a management role who reports directly to the Chief Executive Officer of HoldCo and/or the Bank; or (ii) any member of the group known as the Leadership Team.

**“State”** means Ireland.

**“State Agreements”** means the agreements and arrangements entered into between the Bank and/or HoldCo and the Minister and/or any other State agency or entity, including without limitation the Deed of Covenant, the 2010 Placing Agreement, the 2011 Placing Agreement and the Minister’s letter to the Board of the Bank dated 25 July 2011 (and any amendments of those agreements or arrangements made in accordance with their terms).

**“Subscriber Shares”** means the 40,000 shares of €0.625 each in the capital of HoldCo which are held by MFSD Holdings Limited and MFSD Nominees Limited and includes any variation or change in designation of such shares.

**“Transparency Regulations”** means the Transparency (Directive 2004/104/EC) Regulations 2007 (as amended).

In this Relationship Framework, any reference to a statute, statutory instrument or statutory provision shall be construed to include any statute, statutory instrument or statutory provision which modifies, consolidates, re-enacts or supersedes it.

## **APPENDIX II**

### **MATTERS FOR CONSULTATION**

1. Any Material acquisitions, disposals, investments, realisations, reorganisations, restructurings or other transactions.
2. The declaration or payment of dividends or distributions in respect of any classes of shares or securities.
3. The redemption or repurchase of any classes of shares or securities save in respect of securities where such redemption or repurchase is undertaken at a redemption date or repurchase date in accordance with the terms of such securities.
4. The initiation by HoldCo or the Bank of any liquidation, receivership, examinership or analogous statutory process in respect of HoldCo or the Bank or any part of the HoldCo or Bank group of companies.
5. The entry into or variation of any transaction or arrangement between HoldCo or the Bank and a Key Person or any connected person of a Key Person on terms other than normal commercial arm's-length terms. The Minister and HoldCo shall agree a list of specified individuals for the purposes of this paragraph, and HoldCo will keep the list updated on an ongoing basis.
6. All important actions in respect of the commencement, defence, conduct or settlement of legal proceedings to which a Key Person or any connected persons of a Key Person is a party. The Minister and HoldCo shall agree a list of specified individuals for the purposes of this paragraph, and HoldCo will keep the list updated on an ongoing basis.
7. Any transaction or arrangement which may be classified by HoldCo as a "related party transaction" under the Listing Rules involving or for the benefit of any State agency or entity.

### **APPENDIX III**

#### **LEGAL BASIS OF THIS RELATIONSHIP FRAMEWORK**

1. Pursuant to section 5 of the NPRF Act, the NPRF Commission was established to perform the functions assigned to it under section 6 of the NPRF Act, including to control, manage and invest the assets of the NPRF. Section 18(7) of the NPRF Act provides that the ownership of the NPRF vests in the Minister.
2. The 2009 Act made the necessary legislative changes to the NPRF Act to empower the Minister to direct the NPRF Commission to make Directed Investments. Under the 2009 Act the Minister was, until the 2014 Act came into force, empowered to give directions to the NPRF Commission with regard to the management and disposal of any Directed Investment.
3. On 1 July 2011, the Bank acquired EBS pursuant to the Acquisition Agreement.
4. On 13 May 2009, the NPRF Commission made the 2009 Subscription pursuant to the 2009 Subscription Agreement.
5. On 23 December 2010, the Minister, the NPRF Commission, the NTMA and the Bank entered into the 2010 Placing Agreement and the 2010 Subscription was effected.
6. Under Clause 13.1 of the 2010 Placing Agreement, the Bank has undertaken to the Minister that the Bank will comply with the covenants set out in Schedule 3 of the 2010 Placing Agreement. Under Paragraph 8.1 of Schedule 3 of the 2010 Placing Agreement, subject to compliance by the Bank with applicable law and regulation, the Bank has agreed to be bound by and to comply in all respects with the terms of any relationship framework regulating the relationship between the Minister on the one hand and the Bank on the other hand specified by the Minister in the context of EU competition law matters.
7. On 1 July 2011, the Minister, the NPRF Commission, the NTMA and the Bank entered into the 2011 Placing Agreement.
8. On 22 December 2014 the assets and liabilities of the NPRF became assets and liabilities of the ISIF by operation of Section 38(2) of the 2014 Act. Section 38(3) of the 2014 Act provides that ownership of the ISIF vests in the Minister. The ISIF is controlled and managed by NTMA. Under the 2009 Act as amended by the 2014 Act and the Finance (Miscellaneous Provisions) Act 2015 the Minister may give directions to NTMA with regard to the management and disposal of any Directed Investment.
9. Under Clause 13.1 of the 2011 Placing Agreement, the Bank undertook to the Minister that the Bank will comply with the covenants set out in Schedule 3 of the 2011 Placing Agreement. Under Paragraph 4.1 of Schedule 3 of the 2011 Placing Agreement, subject to compliance by the Bank with applicable law and regulation, the Bank agreed to be bound by and to comply in all respects with the terms of any relationship framework regulating the relationship between the Minister on the one hand and the Bank on the other hand specified by the Minister in the context of EU competition law matters.
10. In accordance with Paragraph 8.1 of Schedule 3 of the 2010 Placing Agreement and Paragraph 4.1 of Schedule 3 of the 2011 Placing Agreement, in the context of EU competition law matters, the Minister specified the Bank Relationship Framework to govern the relationship between the Minister and the Bank.

11. Pursuant to the Scheme, it is proposed that HoldCo will become the holding company of the Bank and shareholders in the Bank (including the State) will receive new ordinary shares in HoldCo in proportion to their current holdings of ordinary shares in the Bank.
12. Pursuant to Clause 4 of the Deed of Covenant, the Minister may specify this Relationship Framework and subject to compliance by HoldCo with applicable law and regulation, HoldCo has agreed to be bound by and to comply in all respects with those terms of this Relationship Framework which are expressed to apply to HoldCo and subject to the compliance by the Bank with applicable law and regulation, the Bank has agreed to be bound by and comply in all respects with those terms of this Relationship Framework which are expressed to apply to the Bank.
13. In the context of the Scheme, this Relationship Framework was specified by the Minister on 10 October 2017 to take effect at the Scheme Effective Time and the Bank Relationship Framework was specified to terminate at the Scheme Effective Time.
14. This Relationship Framework is to be interpreted in accordance with Irish and European Union law. It is without prejudice to the statutory and other rights and obligations of the Minister, HoldCo and the Bank, including their respective contractual rights under any of the State Agreements. This Relationship Framework will be operated at all times in compliance with Regulatory Requirements. On an ongoing basis, the Bank will continue to comply with instructions issued by the Central Bank pursuant to Regulatory Requirements. HoldCo and the Bank shall not be regarded as in breach of this Relationship Framework in respect of actions taken by HoldCo or the Bank to comply with Regulatory Requirements.

## **APPENDIX IV**

### **CONSENT/CONSULTATION PROCEDURE**

1. HoldCo or the Bank (as the case may be) shall address a Consent Request or a Consultation Briefing in writing to the Minister clearly marked as a “Consent Request” or a “Consultation Briefing” as appropriate with a copy to the Shareholding and Financial Advisory Division within the Department or as otherwise directed in writing by the Minister from time to time.
2. Consent Requests and Consultation Briefings shall be made by HoldCo or the Bank (as the case may be) as soon as reasonably practicable and an Emergency Action may not be taken if this obligation has not been complied with by HoldCo or the Bank (as the case may be) in respect of the relevant Consent Request/Consultation Briefing. In its Consent Request or Consultation Briefing, or in any submission of further Relevant Information requested by the Minister, HoldCo or the Bank (as the case may be) shall clearly state, in its opinion, the date by which the Minister is required to respond under the time-frame provisions set out in paragraph 4 of this Appendix.
3. HoldCo or the Bank (as the case may be) shall furnish the Minister with all Relevant Information in HoldCo's or the Bank's power or possession at the same time as it submits a Consent Request or Consultation Briefing. The Relevant Information to be furnished by HoldCo or the Bank (as the case may be) shall not exceed the information that is available and used by the Board and/or senior management of HoldCo or the Bank to consider the matter that is the subject of the Consent Request/Consultation Briefing, including without limitation the minutes of any relevant discussion at Board level in relation to the matter. Any insufficiency in the information submitted by HoldCo or the Bank shall be notified to HoldCo in writing by the Minister (or the Shareholding and Financial Advisory Division) within five Business Days of receipt of the Consent Request, the Consultation Briefing or the submission of information as appropriate to the extent that this is reasonably practicable. Exceptionally, the Minister may require Relevant Information from a third party, such as the Central Bank, other State bodies or advisers. The Minister will notify HoldCo or the Bank (as the case may be) in writing when he requires Relevant Information from a third party and indicate the expected time-frame for receipt of the Relevant Information from the third party.
4. The Minister shall respond in writing to a Consent Request or a Consultation Briefing as soon as reasonably practicable but in any event no later than:
  - 4.1 twenty Business Days following receipt of the Consent Request or the Consultation Briefing and all Relevant Information for Consent Requests/Consultation Briefings relating to the Business Plan or Personnel Matters; or
  - 4.2 ten Business Days following receipt of the Consent Request or the Consultation Briefing and all Relevant Information in all other cases.

If the Minister does not respond to a Consent Request within the applicable time-frame under this paragraph, consent will be deemed to have issued on the expiry of the applicable time-frame. If the Minister responds to a Consultation Briefing within the applicable time-frame under this paragraph, HoldCo or the Bank (as the case may be) shall give due consideration to the Minister's response prior to taking any further action in relation to the matter. For the avoidance of doubt, in the case of a Consultation Briefing, HoldCo or the Bank (as the case may be) is not obliged to act in accordance with the Minister's views. If the Minister does not respond to a Consultation Briefing within the applicable time-frame under this paragraph, HoldCo or the Bank (as the case may be) may proceed on the basis that the Minister has no formal views on the matter.



5. Where exceptional emergency circumstances apply in which urgent action is required by HoldCo or the Bank in relation to the subject of a Consent Request/Consultation Briefing in order to meet HoldCo's or the Bank's (as the case may be) legal, regulatory or prudential requirements ("**Emergency Action**"), the Board of HoldCo or the Board of the Bank (as the case may be) shall inform the Minister immediately of the circumstances and provide the Minister with an opportunity to respond. If the Minister does not respond in a timely manner in the circumstances, HoldCo or the Bank (as the case may be) may proceed with the Emergency Action provided the Board has:
  - 5.1 approved the Emergency Action;
  - 5.2 confirmed in writing to the Minister that in its opinion the Emergency Action is required by HoldCo or the Bank (as the case may be) to meet HoldCo's or the Bank's legal, regulatory or prudential requirements; and
  - 5.3 minuted the basis on which the Board of HoldCo or Board of the Bank (as the case may be) satisfied itself that the relevant action was classified as an Emergency Action.
6. Any consent issued by or on behalf of the Minister pursuant to a Consent Request shall satisfy the requirement of HoldCo or the Bank (as the case may be) to obtain a relevant consent under each Consent/Consultation Document.
7. Where consent or consultation is required by the Minister under a Consent/Consultation Document, it shall not be deemed to have been given merely by virtue of attendance by the Minister (or his nominee or representative, including any observer) at Board, committee or other meetings.