

Anglo Irish Bank Corporation plc – Nationalisation FAQs

The purpose of this document is to provide answers to a number of frequently asked questions (FAQs) from investors about the nationalisation of Anglo Irish Bank Corporation plc (“Anglo”).

This document is for reference and clarification purposes only, and should not be relied upon as constituting financial advice or legal advice.

Background to the Nationalisation / General Information

1. *What has happened?*

On 15 January 2009, the Irish Government decided, having consulted with the Board of Anglo, to take steps to enable Anglo to be taken into public ownership, i.e. nationalised.

The decision was taken after consultation with the Central Bank and the Financial Regulator, which has confirmed that Anglo remains solvent.

Anglo’s shares were suspended from listing on the Irish Stock Exchange and the London Stock Exchange on 16 January 2009, and have now been completely de-listed.

Legislation to put the nationalisation into effect was presented to the Houses of the Oireachtas (the Irish Parliament) on Tuesday, 20 January 2009 and was passed on the same day. The legislation was signed into law by President Mary McAleese on 21 January 2009, with the nationalisation being effective from that date. The relevant piece of legislation is called the Anglo Irish Bank Corporation Act 2009.

The legislation provides for the transfer to the Minister for Finance of Ireland (or his nominee) of all shares in Anglo. The legislation also provides for the appointment of an Assessor to assess whether compensation should be paid to persons whose shares are transferred to the Minister for Finance or whose rights are to be extinguished, and if so to determine the fair and reasonable amount payable as such compensation.

2. *What triggered the nationalisation?*

The funding position of Anglo has progressively weakened over the past few weeks, and the recently disclosed unacceptable corporate governance practices that took place within Anglo have caused serious reputational damage to the bank at a time when overall market sentiment towards it has been negative.

The Government confirmed that the planned recapitalisation of Anglo announced on 21 December 2008 is not now the most appropriate and effective means to secure the bank’s continued viability.

Therefore, the Government decided to move to the final and decisive step of taking Anglo into public ownership.

3. *Is Anglo solvent and able to pay its debts?*

Yes. The Financial Regulator has confirmed that Anglo remains solvent.

The Government has made clear that it will ensure Anglo’s continued viability. Anglo will continue to trade normally as a going concern, with appropriate Government support as necessary.

4. ***Is Anglo still a regulated credit institution?***

Yes. Anglo still holds a banking licence and is regulated by the Financial Regulator. It remains subject to ongoing regulatory requirements, including liquidity and regulatory capital requirements.

5. ***How are Anglo's Tier 1 capital requirements going to be affected by the nationalisation?***

The proposed recapitalisation of Anglo that was announced on 21 December 2008 is not proceeding.

Going forward, Anglo will receive appropriate Government support as necessary consistent with State aid rules. This may include capital injections or other forms of financial support as are necessary to ensure the continued viability of the bank in terms of its liquidity and capital and its ability to withstand any future losses.

Any decisions regarding Anglo's capital ratios will be taken after nationalisation has occurred, following consultation between the Board of Anglo, the Department of Finance, the Central Bank and the Financial Regulator.

6. ***Who is running Anglo now?***

The recently appointed Chairman of the Board, Mr. Donal O'Connor, will stay on as Chairman. A new CEO and new Finance Director will be appointed in due course.

The Board will be restructured as quickly as possible having regard to the need for appropriate continuity.

Anglo will be managed on an arms length basis as a commercial entity. The Board and management, in consultation with the Minister for Finance as sole shareholder and the Financial Regulator, will determine Anglo's business model and the Board and management will implement that business model going forward.

Signatory lists and other documents evidencing authority to act on behalf of Anglo will remain valid until amended by the Board.

7. ***What is the effect of nationalisation on Anglo's subsidiaries?***

In effect, Anglo's subsidiaries are also being nationalised as they will become indirectly 100% owned by the Minister for Finance.

The Boards of Anglo's subsidiaries are unaffected by the nationalisation.

8. ***What is the effect of nationalisation on investments made by Anglo, e.g. in joint ventures?***

Anglo's investments, including investments in joint ventures, are unaffected.

9. ***Is the bank going to be wound-down or broken up and sold?***

There are no plans to wind-down Anglo or sell any part of it.

The Government believes that the future prospects for Anglo are solidly underpinned as a result of nationalisation, with the benefit of State ownership and a renewed management and Board.

Anglo remains open for business.

10. ***Is Anglo still a “covered institution” under the Credit Institutions (Financial Support) Scheme 2008?***

Yes. Anglo is still a “covered institution” under the Credit Institutions (Financial Support) Scheme 2008. This means that its “covered liabilities” continue to be guaranteed by the Government until 29 September 2010 inclusive.

Anglo’s covered liabilities are:

- (a) all retail and corporate deposits (to the extent not covered by existing deposit protection schemes in Ireland or any other jurisdiction);
- (b) interbank deposits;
- (c) senior unsecured debt;
- (d) covered bonds (including asset covered securities); and
- (e) dated subordinated debt (Lower Tier 2).

Further information on the Credit Institutions (Financial Support) Scheme 2008 is available on the website of the Department of Finance at the following link: <http://www.finance.gov.ie/viewdoc.asp?DocID=5507>

11. ***Has the Credit Institutions (Financial Support) Scheme 2008 been altered or amended in any way as a result of the nationalisation of Anglo?***

No. The Credit Institutions (Financial Support) Scheme 2008 has not been altered in any way.

As stated in FAQ 10 above, Anglo is still a “covered institution” under the Credit Institutions (Financial Support) Scheme 2008.

12. ***How can I find out more about the nationalisation of Anglo?***

These FAQs should provide answers to the most commonly asked questions in relation to the nationalisation of Anglo.

Anglo is planning to communicate directly with all of its customers in the coming days and information will also be available on the websites of Anglo, the Central Bank, the Financial Regulator and the Department of Finance.

Customers or investors with particular queries may also contact Anglo or the Financial Regulator.

13. ***Has European Commission State aid approval been received?***

Anglo Irish Bank was taken into public ownership under the Anglo Irish Bank Corporation Act, 2009 on 21 January 2009. In the view of the Irish Government, this change of ownership is consistent with EU State aid law. The Irish authorities have nevertheless notified the change of ownership of Anglo Irish Bank to the European Commission for the purposes of legal certainty.

Furthermore, the Irish Government has reaffirmed its commitment to those guarantees that were already in place before the announcement of the change of ownership. This

commitment concerns, in specific terms, the guarantees put in place under the Irish guarantee scheme, approved by the European Commission on 13 October 2008 under number NN 48/2008 (see http://ec.europa.eu/community_law/state_aids/comp-2008/nn048-08.pdf).

At this stage, the Irish Government does not believe that further support measures are necessary for Anglo Irish Bank. Nevertheless, if any such measures would become necessary in the future, the Irish Government commits to consult with the European Commission in relation to whether such possible future measure would contain elements of State aid and if necessary to notify such measures pursuant to Article 88 EC before putting them into effect.

Impact on ordinary shareholders

14. I am an owner of ordinary shares in Anglo. What has happened to my shares?

With effect from 21 January 2009, your shares have been automatically transferred from your ownership to the Minister of Finance's ownership.

Anglo's shares have been de-listed from the Irish Stock Exchange and the London Stock Exchange so they cannot now be bought or sold.

The Minister for Finance has confirmed that shareholder rights will be respected in the nationalisation process.

15. *Will I receive any compensation?*

An Assessor will be appointed by the Minister for Finance to assess whether compensation should be paid to those persons whose shares will be transferred to the Minister for Finance and, if so, to determine the fair and reasonable amount payable as such compensation.

At this time, it cannot be said whether you will receive any compensation or, if you are entitled to compensation, how much you will receive.

If the Assessor determines that compensation should be payable, a scheme will be established called the 'Anglo Irish Bank Compensation Scheme' to effect any compensation payments.

Impact on depositors/account holders

16. *I am a depositor with Anglo. Is my deposit affected?*

No. Deposits with Anglo are still protected by: (a) the existing Irish Deposit Protection Scheme; and/or (b) the State guarantee provided for under Credit Institutions (Financial Support) Scheme 2008.

The Minister for Finance has stated that all customers of Anglo can be assured that the full amount of their deposits and savings are further safeguarded by nationalisation. Customers can also be assured that they can and should continue transacting with Anglo as normal and there is no need for customers to take any steps as a result of nationalisation.

The terms and conditions of accounts with Anglo are not affected by the nationalisation.

17. *I have heard that Anglo and/or the Government are stopping some people from removing their deposits in Anglo. Is this true?*

No. The first draft of the nationalisation legislation contained a provision that would have prevented a limited class of depositors (those with large loans outstanding) from removing

their deposits in limited circumstances. This provision was not included in the final legislation that was passed.

There are, therefore, no restrictions on depositors removing their deposits from Anglo, subject of course to contractual restrictions or the deposits being subject to existing security arrangements.

Impact on borrowers

18. ***I have borrowed money from Anglo. How will the nationalisation affect me?***

The terms and conditions of your loan are not affected by the nationalisation.

You will continue to owe an obligation to repay your loan to Anglo and should continue to make interest payments and repay the principal amount borrowed when due.

Impact on preference shares.

19. ***I hold Anglo Tier 1 preference shares. How will the nationalisation affect me?***

Your Tier 1 preference shares have been automatically transferred from your ownership to the Minister of Finance's ownership.

No further coupon/interest payments will be made under the preference shares. You may in due course be entitled to compensation. See FAQ 14 above.

If you hold securities issued by Lambay Capital Securities plc, these securities will not be acquired by the Minister for Finance *per se*. However, the preference shares backing these securities will be acquired by the Minister. Lambay Capital Securities plc may be entitled to compensation, and if any compensation is awarded this should be distributed to holders of securities issued by Lambay Capital Securities plc.

Impact on debt investors

20. ***I hold an Anglo Tier 1 hybrid instrument. How will the nationalisation affect me?***

There should be no impact on your Tier 1 hybrid instrument. Anglo will continue to service its obligations to you under the instrument, i.e. to make coupon payments (subject at all times to the rights of the Board of Anglo to defer such payments) and repay principal at maturity.

In relation to perpetual securities, i.e. where there is no maturity date but the debt can be "called" at certain dates, no decision has yet been taken as regards repayment of any outstanding principal at the next call date.

21. ***I hold an Anglo bond (other than a Tier 1 hybrid). How will the nationalisation affect me?***

There should be no impact on the bond that you hold. Anglo will continue to service its obligations, i.e. to make coupon payments and repay principal at maturity. The bonds will continue to trade.

As stated in FAQ 10 above, Anglo's status as a "covered institution" under the Credit Institutions (Financial Support) Scheme 2008 is unaffected by nationalisation and Anglo's "covered liabilities" continue to be guaranteed by the Government until 29 September 2010 inclusive.

22. *Will Anglo be seeking to defer coupon payments under Tier 1 securities?*

It is up to the Board of Anglo to decide whether to defer coupon payments on Tier 1 securities. The nationalisation of Anglo has not altered this position.

There are currently no plans to defer coupon payments on Anglo's Tier 1 securities.

Impact on Anglo employees

23. *I am an Anglo employee. How does the nationalisation affect me?*

You remain an employee of Anglo and your employment rights are unaffected.

Impact on other financial institutions in Ireland

24. *How does the nationalisation of Anglo affect other financial institutions in Ireland?*

The Minister for Finance has made clear that customers of all financial institutions can have confidence that the wider financial system in Ireland remains well capitalised and liquid and that the Irish authorities will be proactive to ensure that their interests are protected and that their deposits and debts are secure.

The Government will ensure the continued viability of all systemically important financial institutions in Ireland.

25. *Are the Government's plans to recapitalise AIB and Bank of Ireland still going ahead?*

Yes. The Government remains fully committed to the recapitalisation proposals already announced in relation to AIB and Bank of Ireland. These plans include the injection of core tier 1 capital in the form of preference shares and the underwriting of a further core tier 1 capital issuance.