IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE U.S.

IMPORTANT: You must read the following before continuing. The following applies to the Prospectus attached to this electronic transmission (the "**Prospectus**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them.

RESTRICTIONS: NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE SECURITIES IN THE UNITED STATES OR IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY SECURITIES TO BE ISSUED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION.

THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

The Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Prospectus to any other person. By accessing the Prospectus, you shall be deemed to have confirmed and represented that (a) you have understood and agree to the terms set out herein, (b) you consent to delivery of the Prospectus by electronic transmission, (c) you are not a U.S. person (within the meaning of Regulation S under the Securities Act) or acting for the account or benefit of a U.S. person and the electronic mail address that you have provided and to which this e-mail has been delivered is not

located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) or the District of Columbia, (d) if you are a person in the United Kingdom, then you are a person who (i) has professional experience in matters relating to investments or (ii) is a high net worth entity falling within Article 49(2)(a) to (d) of the Financial Services and Markets Act (Financial Promotion) Order 2005 (the "**Order"**) or a certified high net worth individual within Article 48 of the Order, and (e) you are a "qualified investor", as defined in Prospectus Directive 2003/71/EC (as amended).

The Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither FBD Insurance plc nor Deutsche Bank AG, London Branch, nor any person who controls nor any director, officer, employee, agent or affiliate of, any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from Deutsche Bank AG, London Branch.

The distribution of the Prospectus in certain jurisdictions may be restricted by law.

Persons into whose possession the attached Prospectus comes are required by FBD Insurance plc and Deutsche Bank AG, London Branch, to inform themselves about, and to observe, any such restrictions.

Prospectus dated 21 September 2015

FBD Insurance plc

(Incorporated with limited liability in Ireland with registered no. 25475)

€70,000,000 11.66 per cent. Callable Dated Deferrable Subordinated Notes due 2025

Issue price: 100 per cent.

The €70,000,000 11.66 per cent. Callable Dated Deferrable Subordinated Notes due 2025 (the "**Notes**") are to be issued by FBD Insurance plc (**"FBD"** or the "**Issuer**") and constituted by a trust deed to be dated on or about 23 September 2015 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer and the Trustee (as defined in "*Terms and Conditions of the Notes*" (the "**Conditions**", and references herein to a numbered "**Condition**" shall be construed accordingly)).

This Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank of Ireland**"), as competent authority under Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU, to the extent implemented in Ireland (the "**Prospectus Directive**"). The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the securities which are to be admitted to trading on the regulated market of the Irish Stock Exchange plc (the "**Irish Stock Exchange**") or other regulated markets for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC) ("**MiFID**") or which are to be offered to the public in any member state in the European Economic Area ("**EEA**"). Application has been made to the Irish Stock Exchange for the Notes to be admitted to the official list (the "**Official List**") and trading on its regulated market (the "**Main Securities Market**"). References in this Prospectus to Notes being listed (and all related references) shall mean that such Notes have been admitted to the Official List and to trading on the Main Securities Market. The Main Securities Market is a regulated market for the purposes of MiFID. This document constitutes the prospectus (the "**Prospectus**") and comprises a Prospectus for the purposes of the Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (the "**Prospectus Regulations**") which implement the Prospectus Directive in Ireland.

The Notes will bear interest from 23 September 2015 (the "**Issue Date**") at the rate of 11.66 per cent. per annum, payable (subject to the following proviso) semi-annually in arrear on 23 March and 23 September in each year commencing on 23 March 2016 provided that the Issuer will be required to defer any payment of interest which is otherwise scheduled to be paid if (i) such payment cannot be made in compliance with the solvency condition described in Condition 2.2 (the "**Solvency Condition**") or (ii) a Regulatory Deficiency Interest Deferral Event (as defined herein) has occurred and is continuing, or would occur if such interest payment were made. Any interest so deferred shall, for so long as the same remains unpaid, constitute "**Arrears of Interest**". Arrears of Interest will not themselves bear interest, and will be payable as provided in Condition 5.2.

Unless previously redeemed or purchased and cancelled, the Notes will mature on 23 September 2025 (the "**Maturity Date**") and shall, subject to the satisfaction of the Solvency Condition and to no Regulatory Deficiency Redemption Deferral Event (as defined herein) having occurred, be redeemed on the Maturity Date. Prior to any notice of redemption before the Maturity Date or any substitution, variation or purchase of the Notes, the Issuer will be required to have complied with relevant legal or regulatory requirements including as to notifications to, or consent or non-objection from, (in each case, if and to the extent required) the Relevant Regulator (as defined herein) and to be in continued compliance with Regulatory Capital Requirements (as defined herein) applicable to it. Subject to that, to the Relevant Rules (as defined herein) implementing Solvency II, to satisfaction of the Solvency Condition and to no Regulatory Deficiency Redemption Deferral Event having occurred, all, but not some only, of the Notes may be redeemed at the option of the Issuer before the Maturity Date upon the occurrence of certain specified events relating to taxation, Change of Control of the Issuer or a Capital Disqualification Event (as defined herein) at their principal amount together with any accrued but unpaid interest to (but excluding) the date of redemption and any Arrears of Interest (as defined herein) and the Issuer will, in the case of specified events relating to taxation or a Capital Disqualification Event, also have the right to substitute the Notes for, or vary the terms of the Notes so that they remain or become, Qualifying Dated Tier 2 Securities (as defined herein), as described in *"Terms and Conditions of the Notes - Redemption, Substitution, Variation and Purchase"*.

The Notes will be direct, unsecured and subordinated obligations of the Issuer, ranking *pari passu* and without preference amongst themselves, and will, in the event of the winding-up of the Issuer (other than an Approved Winding-Up, as defined in the Conditions) or in the event of an administrator of the Issuer being appointed and giving notice that it intends to declare and

distribute a dividend and/or an examiner of the Issuer agreeing to make a payment in settlement of a claim as part of any scheme of arrangement of the Issuer following the Issuer being placed in examinership, be subordinated to the claims of all Senior Creditors (as defined herein).

The Notes will be issued in registered form and represented upon issue by a registered global certificate which will be deposited with a depositary or a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") and/or any other relevant clearing system, on or about the Issue Date. Definitive Notes will be issued only in limited circumstances – see *"Summary of Provisions relating to the Notes while in Global Form"*. The denomination of the Notes shall be €100,000 and integral multiples of €1,000 in excess thereof.

An investment in the Notes involves certain risks. Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" in this Prospectus. The Notes will not be rated on issue.

This Prospectus, as approved by the Central Bank of Ireland, will be filed with the Companies Registration Office in accordance with Regulation 38(1)(b) of the Prospectus Regulations.

Sole Lead Manager

Deutsche Bank

Co-Managers

Shore Capital Markets

Goodbody

Important Notices

This Prospectus comprises a prospectus for the purposes of the Prospectus Directive and to give information with regard to the Issuer and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

This Prospectus is to be read in conjunction with all the documents which are incorporated herein by reference, see the section entitled "*Documents Incorporated by Reference*".

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Any information contained in this Prospectus which has been sourced from a third party has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by any third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

No person is or has been authorised to give any information or to make any representations other than those contained in or consistent with this Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Issuer, the Managers as defined in *"Subscription and Sale"* below or the Trustee. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or that there has been no adverse change in the financial position of the Issuer since the date hereof or that any other information supplied in connection with the Notes is correct as of any time after the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Managers and the Trustee have not separately verified the information contained in this Prospectus. Neither the Managers nor the Trustee make any representation, express or implied, nor accept any responsibility, with respect to the accuracy or completeness of any of the information contained in this Prospectus or any other information provided by the Issuer in connection with the distribution of the Notes. Neither the Managers nor the Trustee accept any liability in relation to the information contained in this Prospectus or any other information provided by the Issuer in connection with the distribution of the Notes. Neither this Prospectus nor any other information supplied in connection with the distribution of the Notes is intended to constitute, and should not be considered as, a recommendation by any of the Issuer, the Managers or the Trustee that any recipient of this Prospectus or any other information supplied in connection with the distribution of the Notes should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. Neither the Managers nor the Trustee undertake to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this

Prospectus nor to advise any investor or potential investor in the Notes of any information coming to their attention.

In the ordinary course of business, the Managers have engaged and may in the future engage in normal banking or investment banking transactions with the Issuer and its affiliates or any of them.

Neither this Prospectus nor any other information provided by the Issuer in connection with the offering of the Notes constitutes an offer of, or an invitation by or on behalf of, the Issuer or the Managers or the Trustee or any of them to subscribe for, or purchase, any of the Notes (see *"Subscription and Sale"* below). This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Trustee and the Managers do not represent that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Trustee or the Managers or any of them which is intended to permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in Ireland, the United States of America (the "**U.S.**") and the United Kingdom. Persons in receipt of this Prospectus are required by the Issuer, the Trustee and the Managers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on the offer and sale of the Notes and on the distribution of this Prospectus, see "*Subscription and Sale*" below.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"). Subject to certain exceptions, the Notes may not be offered, sold or delivered within the U.S. or for the account or benefit of U.S. Persons as defined in Regulation S under the Securities Act ("**Regulation S**"). For a description of certain restrictions on the offer and sale of the Notes and on the distribution of this Prospectus, see "*Subscription and Sale*" below.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules. In this Prospectus, unless otherwise specified, all references to "**euro**", "**€**", "**c**" or "**cents**" are to the lawful currency of Ireland.

This Prospectus contains statements in the *"Business Description"* section (and, in particular, under the headings therein of "5. Competitive Strengths"; "6. Business Model and Strategy"; "7. The Issuer's Business"; "11. Claims Management"; "12. Reserving"; and "14. Risk Management") regarding the Issuer's industry and its relative competitive position in the industry that are not based on published statistical data or information obtained from independent third parties, but are based on the Issuer's experience and its own investigation of market conditions, including its own elaborations of such published statistical or third-party data.

Forward-Looking Statements

This Prospectus includes certain “forward-looking statements”. Statements that are not historical facts, including statements about the beliefs and expectations of the Issuer and its directors or management, are forward-looking statements. Words such as “believes”, “anticipates”, “estimates”, “expects”, “intends”, “plans”, “aims”, “potential”, “will”, “would”, “could”, “considered”, “likely”, “estimate” and variations of these words and similar future or conditional expressions, are intended to identify forward looking statements but are not the exclusive means of identifying such statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon future circumstances that may or may not occur, many of which are beyond the control of the Issuer and all of which are based on their current beliefs and expectations about future events. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Issuer, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the present and future business strategies of the Issuer and the environment in which the Issuer will operate in the future. These forward-looking statements speak only as at the date of this Prospectus.

Except as required by the Central Bank of Ireland, the Irish Stock Exchange, the prospectus rules of the Central Bank of Ireland, the listing rules of the Irish Stock Exchange, or any other applicable law or regulation, the Issuer expressly disclaims any obligations or undertakings to release publicly any updates or revisions to any forward-looking statements contained in this Prospectus to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Supplemental Prospectus

Following the publication of this Prospectus a supplement may be prepared by the Issuer and approved by the Central Bank of Ireland in accordance with Regulation 51 of the Prospectus Regulations.

Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute part of this Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus prior to the Issue Date which is capable of affecting the assessment of the Notes, prepare a supplement to this Prospectus.

Contents

Overview of the Principal Features of the Notes

The following overview refers to certain provisions of the terms and conditions of the Notes and the Trust Deed and is qualified by the more detailed information contained elsewhere in this Prospectus. Terms which are defined in "Terms and Conditions of the Notes" below have the same meaning when used in this overview, and references herein to a numbered "Condition" shall refer to the relevant Condition in "Terms and Conditions of the Notes".

Issue	€70,000,000 11.66 per cent. Callable Dated Deferrable Subordinated Notes due 2025.
Issuer	FBD Insurance plc.
Trustee	Deutsche Trustee Company Limited.
Principal Paying Agent	Deutsche Bank AG, London Branch.
Registrar and Transfer Agent	Deutsche Bank Luxembourg S.A..
Status and Subordination	The Notes will constitute direct, unsecured and subordinated obligations of the Issuer and will rank *pari passu* and without any preference among themselves. The rights and claims of the Holders against the Issuer are subordinated in a winding-up of the Issuer in accordance with Condition 2.1 and the provisions of the Trust Deed.
Solvency Condition	Except in a winding-up, all payments in respect of the Notes (including, without limitation, payments of interest, Arrears of Interest and principal) will be conditional upon the Issuer satisfying the solvency condition described in Condition 2.2 (the "**Solvency Condition**"), and no amount will be payable in respect of the Notes until the same can be paid in compliance with the Solvency Condition.
Interest	The Notes will bear interest from (and including) the Issue Date at the rate of 11.66 per cent. per annum, payable (subject as provided under "*Deferral of Interest*" below) semi-annually in arrear on each Interest Payment Date.
Interest Payment Dates	23 March and 23 September of each year, commencing on 23 March 2016.
Deferral of Interest	The Issuer will be required to defer any payments of interest on the Notes which would otherwise be due on any Interest Payment Date if (i) such payment cannot be made in compliance with the Solvency Condition or (ii) a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if such payment of interest was made on such Interest Payment Date.

	"**Regulatory Deficiency Interest Deferral Event**" means any event (including, without limitation, any event which causes any Solvency Capital Requirement or Minimum Capital Requirement applicable to the Issuer, all or part of the Group (which part includes the Issuer and at least one other member of the Group) or any insurance undertaking within the Group to be breached and such breach is an event) which under Solvency II and/or under the Relevant Rules means that the Issuer must defer payment of interest (or, if applicable, Arrears of Interest) in respect of the Notes (in order that the Notes qualify, and/or on the basis that the Notes are intended to qualify, as Tier 2 Capital under Solvency II and any other Relevant Rules). See Condition 5.1.
Arrears of Interest	Any interest in respect of the Notes not paid on an Interest Payment Date due to the occurrence of a Regulatory Deficiency Interest Deferral Event or due to the operation of the Solvency Condition will, so long as the same remains unpaid, constitute "**Arrears of Interest**". Arrears of Interest will be payable, in whole or in part, at any time at the option of the Issuer (subject to regulatory consent (if then required) and to the Solvency Condition and provided that a Regulatory Deficiency Interest Deferral Event is not subsisting and would not occur upon payment of the same) upon notice to Holders, and in any event all Arrears of Interest will (subject, in the case of (i) and (iii) below, to regulatory consent (if then required) and to the Solvency Condition) become payable upon the earliest of the following dates: (i) the next Interest Payment Date which is not a Mandatory Interest Deferral Date; or (ii) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than an Approved Winding-up) or the date on which any administrator of the Issuer gives notice that it intends to declare and distribute a dividend and/or the date on which an examiner of the Issuer agrees to make a payment in settlement of a claim as part of any scheme of arrangement of the Issuer following the Issuer being placed in examinership; or (iii) the date fixed for any redemption or purchase of Notes by or on behalf of the Issuer pursuant to Condition 6. No interest will accrue on Arrears of Interest. See Condition 5.2.
Redemption at Maturity	The Notes will, subject as provided under "*Deferral of Redemption*" below, be redeemed on 23 September 2025.
Deferral of Redemption	The Issuer will be required to defer any scheduled redemption of the

Notes (whether at maturity or if it has given notice of early redemption in the circumstances described below under "*Early Redemption at the Option of the Issuer upon the occurrence of a Tax Event or a Capital Disqualification Event or a Change of Control*") if (i) the Notes cannot be redeemed in compliance with the Solvency Condition, (ii) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if the Notes were redeemed or (iii) (if then required) regulatory consent has not been obtained or redemption cannot be made in compliance with the Relevant Rules at such time.

In the event of any deferral of redemption of the Notes, the Notes will become due for redemption only in the circumstances described in Condition 6.1.

"**Regulatory Deficiency Redemption Deferral Event**" means any event (including, without limitation, any event which causes any Solvency Capital Requirement or Minimum Capital Requirement applicable to the Issuer, all or part of the Group (which part includes the Issuer and at least one other member of the Group) or any insurance undertaking within the Group to be breached, and such breach is an event) which under Solvency II and/or under the Relevant Rules means that the Issuer must defer or suspend repayment or redemption of the Notes (in order that the Notes qualify, and/or on the basis that the Notes are intended to qualify, as Tier 2 Capital under Solvency II and any other Relevant Rules).

Early Redemption at the Option of the Issuer upon the occurrence of a Tax Event, a Capital Disqualification Event or a Change of Control

The Issuer may, subject to certain conditions (as set out in Condition 6.2 below) and upon notice to Holders, at any time, elect to redeem the Notes, at their principal amount together with Arrears of Interest (if any) and any other accrued and unpaid interest to (but excluding) the date of redemption, if a Tax Event, Capital Disqualification Event or Change of Control has occurred and is continuing, subject to complying with the applicable Regulatory Conditions.

A "**Tax Event**" will occur if:

(i) as a result of a Tax Law Change (as defined in Condition 6.3(a)), in making any payments on the Notes, the Issuer has paid or will or would on the next payment date be required to pay Additional Amounts (as defined in Condition 8) on the Notes and the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it; or

(ii) as a result of a Tax Law Change, in respect of the Issuer's

obligation to make any payment of interest on the next following Interest Payment Date, (x) the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities, or such entitlement is materially reduced; or (y) the Issuer would not to any material extent be entitled to have such deduction set off against the profits of companies with which it is grouped for applicable Irish tax purposes (whether under the group relief system current as at the date of the Tax Law Change or any similar system or systems having like effect as may from time to time exist), and in each such case the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it.

A "**Capital Disqualification Event**" is deemed to have occurred if as a result of the implementation of Solvency II or any change to (or change to the interpretation by any court or authority entitled to do so of) the Relevant Rules, the Directive or (following its implementation) Solvency II, the entire principal amount of the Notes is fully excluded from counting as Tier 2 Capital for the purposes of the Issuer or all or any part of the Group whether on a solo, group or consolidated basis, except where such non-qualification is only as a result of any applicable limitation on the amount of such capital. See Conditions 6.2, 6.3 and 6.4.

A "**Change of Control**" will occur if any person or group, acting in concert, gains

(i) any direct or indirect legal or beneficial ownership of, or any direct or indirect legal or beneficial entitlement to, in the aggregate, more than 50 per cent. of the ordinary shares of the Issuer and/or its parent, or the right to directly or indirectly appoint a majority of the directors, or any other ability to control the affairs of the Issuer and/or its parent, or

(ii) in the event of a tender offer for shares of the Issuer and/or its parent, circumstances where (A) the shares already in the control of the offeror and the shares with respect to which the offer has been accepted carry in aggregate more than 50 per cent. of the voting rights in the Issuer and/or its parent, and (B) at the same time the offer has become unconditional, or

(iii) the disposal or transfer by the Issuer and/or its parent of all or substantially all of its respective assets to another person or other persons.

Substitution and Variation	The Issuer may, subject to certain conditions and upon notice to Holders, at any time elect to substitute the Notes for, or vary the terms of the Notes so that they remain or become (as applicable), Qualifying Dated Tier 2 Securities if, immediately prior to the giving of the relevant notice to Holders, a Tax Event or Capital Disqualification Event has occurred and is continuing.
Taxation	Payments on the Notes will be made without deduction or withholding for or on account of Irish tax, unless such withholding or deduction is required by law. If any such withholding or deduction is required by law, the Issuer shall pay such additional amounts as shall be necessary in order that the amounts received by the Holders after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction ("**Additional Amounts**"), subject to some exceptions, as described in Condition 8.
Events of Default and Enforcement	If default is made for 14 days or more in the payment of any interest (including, without limitation, Arrears of Interest) or principal due in respect of the Notes or any of them, the Trustee in its discretion may, and if so requested by Holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to its being indemnified and/or secured and/or prefunded to its satisfaction), institute proceedings for the winding-up of the Issuer and/or prove in the winding-up, examinership or administration of the Issuer and/or claim in the liquidation of the Issuer, such claim being contemplated in Condition 10.2, but may take no further or other action to enforce, prove or claim for any such payment. No payment in respect of the Notes or the Trust Deed may be made by the Issuer pursuant to Condition 10.1, nor will the Trustee accept the same, otherwise than during or after a winding-up of the Issuer or after an administrator of the Issuer has given notice that it intends to declare and distribute a dividend and / or an examiner of the Issuer agrees to make a payment in settlement of a claim as part of any scheme of arrangement of the Issuer following the Issuer being placed in examinership, unless the Issuer has given prior written notice (with a copy to the Trustee) to, and received consent or non-objection from, the Relevant Regulator which the Issuer shall confirm in writing to the Trustee.
Form and Denomination	The Notes will be issued in registered form and represented upon issue by a registered global certificate which will be deposited on or about the Issue Date with a common depositary for Clearstream

	Banking, *société anonyme ("***Clearstream, Luxembourg***")* and/or Euroclear Bank SA/NV ("**Euroclear**") and/or any other relevant clearing system. Save in limited circumstances, Notes in definitive form will not be issued in exchange for interests in the registered global certificate. The Notes will be issued in denominations of €100,000 and integral multiples of €1,000 in excess thereof.
Listing	Application has been made for the Notes to be admitted to the Official List of the Irish Stock Exchange and for the Notes to be admitted to trading on the Irish Stock Exchange's regulated market (the "**Main Securities Market**").
Ratings	The Notes will be unrated on issue and the Issuer does not currently intend to seek a rating in respect of the Notes.
Governing Law	The Notes and the Trust Deed and any non-contractual obligations arising out of or in connection therewith, will be governed by and construed in accordance with English law, save that Condition 2.1 and Condition 2.3 (and related provisions of the Trust Deed) shall be governed by and construed in accordance with Irish law.
Selling Restrictions	There are selling and other restrictions in relation to the offering and sale of Notes and the distribution of offering materials in certain jurisdictions. See "*Subscription and Sale*" below.

Risk Factors

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

Any of these risk factors, individually or in the aggregate, could have an adverse effect on the Issuer and the impact each risk could have on the Issuer is set out below.

Factors which the Issuer believes may be material to assess the market risks associated with the Notes are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Notes for other reasons, and the Issuer does not represent that the statements below regarding the risks of holding the Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including the 2015 Half Yearly Results (as defined in the section entitled "Documents Incorporated by Reference"), which is incorporated by reference herein) and reach their own views prior to making any investment decision. Terms which are defined in the section entitled "Terms and Conditions of the Notes" below have the same meaning when used in this section entitled "Risk Factors", and references herein to a numbered "Condition" shall refer to the relevant Condition in "Terms and Conditions of the Notes".

FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS

MARKET RISKS

The Issuer invests in a range of different financial instruments and is therefore exposed to a number of market risks and these are outlined below. The detail of investments in the various financial instruments are set out in the 2015 Half Yearly Results (as defined below) which is incorporated by reference into this Prospectus.

The Issuer is subject to liquidity risk whereby it may be unable to meet liabilities to customers or other creditors as they fall due, or risk incurring excessive costs in selling assets or having to raise finance in a very short period.

The Issuer's liquidity risk arises from large, unplanned cash requirements and the principal source of liquidity risk is a major catastrophe resulting in a large cash requirement in advance of recovery from a reinsurance partner.

If the Issuer does not have sufficient liquid assets to pay claims as they fell due, this could have an adverse impact on the Issuer's results and financial position through the potential need to sell down illiquid assets at below market prices. In addition this could have an adverse impact on the Issuer's brand or reputation causing a loss of consumer confidence which could have an adverse impact on the Issuer's results and financial position.

The Issuer is subject to interest rate risk which arises primarily from the Issuer's investment in quoted debt securities held for trading.

Fluctuations in interest rates affect returns on and the market values of the Issuer's fixed income investments. Interest rates are typically subject to factors beyond the Issuer's control. Generally, investment income will be reduced during sustained periods of lower interest rates as higher yielding fixed income securities are redeemed prior to their maturity date, mature or are sold and the proceeds reinvested at lower rates. Low interest rates prevailing over the last few years have made it more difficult for insurance companies, such as the Issuer, to maintain investment returns and the persistence of the low interest rate environment will continue to put downward pressure on the Issuer's investment returns.

The Issuer is subject to equity price risk due to daily changes in the market values of its holdings of quoted shares.

The Issuer is exposed to the risk of fall in the value of its equity investments which could have an adverse impact on the Issuer's results and financial position.

The Issuer holds investment assets in foreign currencies and is therefore exposed to exchange rate fluctuations. The Issuer is primarily exposed to sterling.

The Issuer is exposed to exchange rate fluctuations, in particular to fluctuations in the value of sterling. A fall in the value of assets arising from exchange rate fluctuations could have an adverse impact on the Issuer's results and financial position.

The Issuer is subject to credit risk whereby the value of financial assets may be reduced due to counterparties failing to meet all or part of their obligations.

Financial assets are invested in instruments which are graded according to credit ratings issued by credit rating agencies. Investment grade financial assets are classified within the range of AAA to BBB ratings which provide an indication of the strength of the asset and the probability of the asset defaulting. Financial assets that fall outside the range above are classified as speculative grade. The Issuer is exposed to the risk that the credit rating of an asset is downgraded or the asset itself defaults. In addition, a credit rating may not reflect the potential impact of all risks related to an asset.

In addition, the Issuer purchases reinsurance protection to limit its exposure to single large claims and the aggregation of claims from catastrophic events. The Issuer places reinsurance with companies that it believes are strong financially and operationally. However there remains a risk that the reinsurer may default on its obligations.

While reinsurance makes the assuming reinsurer liable to the Issuer to the extent the risk ceded, it does not discharge the Issuer from its primary obligation to pay under an insurance policy for losses incurred. The Issuer is therefore subject to credit risk with respect to its current and future reinsurers, as the ceding of risk to reinsurers does not relieve the Issuer of liability to its customers regarding the portion of the risk that has been reinsured, if the reinsurers fail to meet their payment obligations for any reason. The insolvency of any reinsurers or their inability or refusal to pay claims under the terms

of any of their agreements with the Issuer could therefore have a material adverse effect on the Issuer. Collectability of reinsurance is largely a function of the solvency of reinsurers. While the Issuer carefully reviews the financial condition of the reinsurers it selects, a reinsurer's insolvency or inability or unwillingness to make payments under the terms of a reinsurance arrangement could have a material adverse effect on the Issuer's results of operations, financial condition and prospects.

The occurrence of either of these risks could have an adverse impact on the Issuer's results and financial position.

The Issuer is subject to concentration risk whereby overdependence on a single entity or category of business may result in a loss to the Issuer.

Concentration risk can arise from uneven distribution of individual investment exposures or an uneven distribution of investments in particular sectors, regions, industries or products. The risk relates to a fall in the value of assets due to overexposure to a particular asset or sector which could have an adverse impact on the Issuer's results and financial position.

The Issuer is exposed to the risk regarding its defined benefit pension scheme that the assets are inadequate or fail to generate returns that are sufficient to meet the scheme's liabilities.

The Issuer sponsors a defined benefit pension scheme for a number of past and current employees, although this scheme will be closed as from 30 September 2015.

The assets that fund the Issuer's defined benefit pension scheme may be inadequate or fail to generate returns that are sufficient to meet the schemes' liabilities. This could arise from a number of areas, namely:

- The performance of assets is lower than expected. The assets of the pension scheme would be exposed to the same market risks as those of the Issuer.
- A mismatch between the assets and liabilities of the scheme. This relates to the risk of volatile movements in pension scheme surplus or deficit as a result of a mismatched investment strategy.
- Inflation greater than expected: The risk that liabilities are higher than expected due to increasing inflation.
- Longevity: The risk that members of the pension scheme live longer than expected and therefore benefits are paid for a longer period of time.

The Issuer is currently making significant changes to the defined benefit scheme as set out in the 2015 Half Yearly Results which are incorporated by reference herein.

Should any of the above risks materialise this could have an adverse impact on the Issuer's financial results.

CAPITAL ADEQUACY RISK

The Issuer is required to comply with capital adequacy requirements, failure to do so could have a material adverse effect on the Issuer's business.

The Issuer is required to maintain a minimum level of regulatory capital in excess of the value of its insurance-related and other liabilities to comply with certain regulatory requirements. Currently, the Issuer must hold sufficient qualifying capital to meet the regulatory requirements.

Changes in legislation, regulation, regulatory requirements or market conditions may result in the Issuer being unable to meet its Regulatory Capital Requirements in the future. This could lead to the Central Bank of Ireland limiting or revoking the permissions which the Issuer requires to carry out insurance business, which could materially impact the Issuer's results and financial position.

The capital requirement of the Issuer is determined by its exposure to risk and the solvency criteria established by management and statutory regulations. The table below sets out the statutory minimum capital requirement and the Issuer's available capital as at 31 December 2013 and 31 December 2014. For more information on the Issuer's available capital as at 30 June 2015, see section entitled "*Recent Developments*" under the section entitled "*Business Description*".

	2014 €000	2013 €000
Statutory minimum capital requirement	**59,806**	59,806
Actual capital available to cover the solvency requirement	**204,997**	231,560
Excess Solvency Cover	**342%**	387%
Net Earned Premium	**303,444**	296,387
Solvency margin	**67.6%**	78.1%

The Issuer has also calculated its Solvency II capital requirement, based upon the most up to date European Insurance and Occupational Pensions Authority ("**EIOPA**") guidance.

Failure of the Issuer to maintain adequate levels of capital could have a material adverse effect on the Issuer's business, prospects, financial condition and results of operations and the ability of the Issuer to make payments under the Notes. See "*Payments of interest on, and redemption of, the Notes must in certain circumstances be deferred by the Issuer*" below.

The Solvency II Directive, which will impose new risk-based capital requirements on European-domiciled insurance companies, may, when implemented, require an increase in the Issuer's capital.

The Solvency II Directive (2009/138/EC) (Solvency II), an insurance industry regulation agreed by the European Parliament in 2009, will require European domiciled insurers to move to more risk-based

capital requirements. The Solvency II Directive was amended by the European Parliament in 2014, which included extending the implementation date to 1 January 2016.

There is continued uncertainty regarding the impact of Solvency II on insurance companies. Although the delegated acts (which set out certain detailed provisions of the Solvency II regime) were published in the Official Journal of the EU on 17 January 2015 and entered into force on 18 January 2015, certain binding technical standards and guidance setting out the final rules have not yet been adopted, and the European Commission and EIOPA will continue to finalise certain aspect of the Solvency II regime during 2015.

On 10 October 2014, the European Commission published a final draft of the Level 2 delegated acts, in the form of an EU Regulation. This is expected to be transposed into Irish law on 1 January 2016.

Given the broad application of Solvency II across the EU, there is the risk that the directive will be applied inconsistently by different Member State regulators which could place the Issuer at a competitive disadvantage if the rules are implemented less onerously in EU countries in which the Issuer does not operate.

Since the requirements of Solvency II are still being finalised, there is a further risk that the final Solvency II requirements may differ from the anticipated legislation as at the date of this Prospectus. Consequently, there is a risk that this could lead to increases in the capital the Issuer is required to maintain to support its insurance business, or decreases to the excess of the Issuer's assets over its liabilities, in each case, compared with the Issuer's current expectations. In particular, details in relation to the standard formula for calculating Solvency Capital Requirements have not been finalised and changes may lead to higher capital requirements than the Issuer currently anticipates.

Implementing measures, which are currently being developed, are intended to clarify the uncertainty surrounding a number of issues on a wide range of topics. Regulators may issue guidance and other interpretations of applicable requirements, which could require the Issuer to make further adjustments to its calculations of applicable requirements in the future.

In addition, there is considerable uncertainty relating to the imposition of capital add-ons by regulators for insurers both as to regulatory practice surrounding the application of capital add-ons, and the amount of such capital add-ons.

The Issuer expects to use the standard formula (a prescribed methodology used to calculate Solvency Capital Requirements) initially under Solvency II, but may subsequently apply for permission to use an approved internal model which may improve risk-based decision-making and capital efficiency, and simplify internal operations and reporting.

Insurance companies such as the Issuer are required to maintain a minimum level of assets in excess of the value of their liabilities (referred to as regulatory capital) to comply with a number of regulatory requirements relating to the Issuer's solvency and reporting bases. The Issuer's Regulatory Capital Requirements have in the past both increased and decreased, and may from time to time in the future increase and decrease for a number of reasons. The Issuer's capital position may also be assessed

by its regulators and may change as a result of evolving regulatory views on capital adequacy. This may result in an increased capital requirement.

Any inability to meet Regulatory Capital Requirements in the future would be likely to lead to intervention by the Issuer's regulator. In these circumstances, the regulator, in the interests of policyholder security, could be expected to require the Issuer to take steps to restore regulatory capital to acceptable levels, for example by requiring the Issuer to cease to write or reduce writing new business. The Issuer may also need to increase premiums, increase its reinsurance coverage or divest additional parts of its business and investment portfolio, any of which may be difficult or costly or result in a significant loss, particularly in cases where such measures need to be undertaken in a short time frame.

Failure of the Issuer to maintain adequate levels of capital could have a material adverse effect on the Issuer's business, prospects, financial condition and results of operations and the ability of the Issuer to make payments under the Notes. See "*Payments of interest on, and redemption of, the Notes must in certain circumstances be deferred by the Issuer*" below.

The Issuer's regulatory capital requirements may increase in future, due to changes in regulatory requirements

The Issuer is required to maintain a minimum level of assets in excess of the value of their liabilities (referred to as regulatory capital) to comply with a number of regulatory requirements relating to the Issuer's solvency and reporting bases. The capital requirement of the Issuer is determined by its exposure to risk and the solvency criteria established by management, regulators and statutory regulations.

The Issuer's regulatory capital requirements have in the past both increased and decreased, and may from time to time in the future increase and decrease for a number of reasons. The Issuer's capital position may be assessed by its regulators and may change as a result of evolving regulatory views on capital adequacy. This may result in an increased capital requirement for the Issuer. The Central Bank of Ireland indicated in September 2015, informally, that the results of a review of claims and compensation pay-outs to policyholders (expected to be published by the Central Bank of Ireland in the fourth quarter of 2015) will lead to increased capital requirements for insurers. The impact (if any) on the Issuer is not known at this time.

Failure of the Issuer to maintain adequate levels of capital could have a material adverse effect on the Issuer's business, prospects, financial condition and results of operations and the ability of the Issuer to make payments under the Notes. See "*Payments of interest on, and redemption of, the Notes must in certain circumstances be deferred by the Issuer*" below.

The Issuer's capital position can be adversely impacted by a number of factors, in particular factors that erode the Issuer's capital resources and could impact the quantum of risk to which the Issuer is exposed.

Such factors include lower than expected earnings and accumulated negative market impacts (such as pension deficit movements and asset valuation). In addition, any event that erodes current

profitability and/or is expected to reduce future profitability or make profitability more volatile could impact the Issuer's capital position.

The Issuer is undertaking a variety of measures to strengthen its capital position in light of emerging trends in capital adequacy and the Issuer's capital position as at the date of this Prospectus (see the section entitled "*Recent Developments*" under "*Business Description*"), as well as to provide the Issuer with the flexibility to operate with fewer concerns over capital constraints. Failure to achieve and maintain adequate capital buffers could have an adverse impact on growth prospects for the Issuer.

There is a risk that the proposed divestment by the Issuer's parent FBD Holdings plc of its stake in FBD Property & Leisure Limited for €48.5 million (as outlined in section 9 entitled "Recent Developments" under the section entitled "Business Description") (the "JV Divestment"), and the investment of the proceeds of the JV Divestment as equity into the Issuer (the "Equity Investment"), will not be completed for reasons beyond the control of the Issuer.

Completion of the JV Divestment is subject to necessary shareholder approvals being obtained by FBD Holdings plc and Farmer Business Developments. If any required shareholder approval is not forthcoming, completion of the JV Divestment may not occur. Even if all required shareholder approvals are obtained, there are other execution risks which are beyond the control of the Issuer (for example the availability of funding) that could prevent completion of the JV Divestment.

If the JV Divestment is not completed the Equity Investment into the Issuer, which is a key element of the Issuer's capital remediation plan (as outlined in section 9 of the section entitled "*Recent Developments*" under the section entitled "*Business Description*" below), may not occur. This could have an impact on the amount of capital available to the Issuer to meet its Solvency Capital Requirement, and thus on whether and to what extent the fresh capital raised by the Issuer through the issue of the Notes would be considered to represent buffer capital over and above the Solvency Capital Requirement.

There is a risk that the proposed changes to the defined benefit pension scheme that the Issuer sponsors (as outlined in section 9 entitled "Recent Developments" under the section entitled "Business Description") will not become effective.

The proposed changes to the defined benefit pension scheme that the Issuer sponsors are subject to formal approval by the trustee of such scheme. As such, there is a risk that the changes will not become effective. This could have an impact on the amount of capital available to the Issuer to meet its Solvency Capital Requirement, and thus on whether and to what extent the fresh capital raised by the Issuer through the issue of the Notes, which would be considered to represent buffer capital over and above the Solvency Capital Requirement.

RISKS RELATED TO THE INDUSTRY AND JURISDICTION OF THE ISSUER

The primary business of the Issuer is in the insurance sector. If an insured event occurs, this could lead to uncertainty as to the amount of resulting claims.

By the nature of insurance contracts, this risk is random and therefore unpredictable. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Issuer faces under existing insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because of the frequency or severity of claims, or if benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

The Issuer's business is affected by general financial, economic and external events beyond its control.

The Issuer's business is subject to inherent risks relating to general economic conditions. These conditions include changing economic cycles that affect demand for insurance and financial products and services. These cycles are also influenced by global political events as well as market specific events, such as shifts in consumer confidence and consumer spending, rates of unemployment, industrial output, labour or social unrest and political uncertainty. Each of these can change the level of demand for, and supply of, the Issuer's products and services, and could have a material adverse effect on its business, financial condition and results of operations.

Unfavourable economic and external conditions may impact negatively on the Issuer's operations. In particular, demand for its products and services would decrease significantly as a result of such unfavourable conditions.

Any deterioration in economic conditions in Ireland (including deterioration caused by uncertainties arising in relation to the euro and the Eurozone) could result in a downturn in new business and sales volumes of the Issuer’s products and a decrease of its investment return. Any such development could have a material effect on the Issuers results of operations and financial condition. An economic downturn could also result in increased evidence of internal and/or external fraud.

The Issuer’s brands, reputation and goodwill may be affected by factors including litigation, employee misconduct, operational failures, regulatory investigations, negative publicity, poor performance and changes to its commercial relationships.

The Issuer’s brand and reputation underpin its customer and market perception. The Issuer operates in an industry where integrity, trust and confidence are paramount and is consequently exposed to risks including: products not performing as expected, litigation, failure or default by counterparties or recommended suppliers, employee misconduct, operational failures, adverse regulatory investigations, negative publicity or press speculation (including widespread adverse social media commentary), disclosure of confidential information and inadequate services, among other factors. Such eventualities could impact the Issuer’s brands or reputation causing loss of consumer

confidence and customers which could in turn have a material adverse effect on the Issuer's results and financial position.

The Issuer is exposed to changes in the behaviour of its customers and changes in the markets in which it operates.

The Issuer is exposed to changes in the behaviour of its customers and the markets in which it sells its insurance products and its success is dependent to a large extent on management's ability to anticipate react to and take advantage of such changes.

Changes in technology could also give rise to new types of entrants into the insurance and/or insurance sales markets, for example, pay-as-you-go motor insurance, or the development of new distribution channels, such as through social media, may require further adaptation of the Issuer's business and operations. Such changes could result in reduced demand for the Issuer's products and require the Issuer to expend significant energy, resources and expenditure to change its product offering, build new risk and pricing models, modify and renew its operating and Information Technology ("**IT**") systems and/or retrain or hire new people. Changes to customer behaviour could also result in higher customer turnover. This could have a material adverse effect on the Issuer's results, financial position and prospects and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

Growing sophistication in fraud techniques and/or any failure by the Issuer to identify and prevent fraud could affect the profits of the Issuer if, as a result of such fraud, claims incidence and average payouts increase or policy sales decrease.

The Issuer is exposed to actual and attempted financial crime activity. Insurance fraud may rise at different points in a country's economic cycle. It is an important consideration for the Issuer's industry. The Issuer is at risk both from customers who misrepresent or fail to provide full disclosure in relation to the risk against which they are seeking cover before such cover is purchased, and from customers who fabricate claims and/or inflate the value of their claims.

The Issuer is also at risk from members of its staff who undertake, or fail to follow procedures designed to prevent, fraudulent activities. If the Issuer does not provide effective training to employees working within its claims department, the ability of the Issuer to combat fraud could be adversely affected. In addition, there can be no guarantee that the Issuer's proactive anti-fraud measures will be successful in the prevention or detection of fraud. A failure to combat the risks of fraud effectively could adversely affect the profits of the Issuer as claims incidence and average payouts could increase. Further, such costs may have to be passed on to customers in the form of higher premium levels, which could result in a decrease in policy sales.

Unfavourable publicity could damage the Issuer's brand and its ability to retain and generate business.

Reputational risk is the risk of damage to the Issuer's image through negative publicity. Adverse publicity in respect of the Issuer's operations and financial capacity could adversely affect its ability to

retain and generate business, and could therefore impact its financial position and business operations.

Any failure in the Issuer's websites, computer and data processing systems, whether as a result of actions taken by third parties, failure to develop or adopt necessary technology, malicious attacks or inadequate business continuity planning, could affect the Issuer's reputation, results and financial position.

The business is dependent upon the successful functioning of the Issuer's websites as well as the computer and data processing systems underlying its websites and other operations, most of which are supported by third party providers. There can be no assurance that third parties will be willing and able to perform their obligations in accordance with the terms and conditions of their contracts and arrangements with the Issuer. In particular, the Issuer has outsourced the operation and maintenance of a significant part of its IT infrastructure to British Telecom ("**BT**"). If this agreement is not performed in accordance with its terms, the processing and storage of data and the day-to-day management of the Issuer's business may be affected. While the Issuer has disaster recovery and business continuity contingency plans, no assurance can be given that these would work as intended.

If the agreement with BT is terminated, there would be no significant difficulty in selecting a replacement provider of IT operation and maintenance services. However, exit arrangements provided for under the BT agreement may not be adequate or sufficient to prevent disruption to the Issuer's business during the potentially lengthy transitional period while alternative arrangements are put in place. Any such disruption could have a material adverse effect on the Issuer's results and financial position.

The Issuer relies on its computer and data processing systems for critical elements of its business process, including entry and retrieval of individual risk details, pricing and reserving, premium and claims processing, monitoring aggregate exposures and financial and regulatory reporting. No assurance can be given that the Issuer will be able to continue to design, develop, implement or utilise, in a cost-effective manner, information systems that provide the capabilities necessary for the Issuer to compete effectively. Any failure to adapt to technological developments could mean that the Issuer fails to increase or maintain its share of the online insurance market and this may have an adverse effect on the Issuer's business and future prospects.

Attacks on, or the failure or substantial degradation of, the Issuer's websites or its computer and data processing systems could interrupt the Issuer's operations or materially impact its ability to conduct business or otherwise adversely affect its reputation. Material flaws or damage to the websites or the system, if sustained or repeated, could result in the loss of existing or potential business relationships, compromise the Issuer's ability to pay claims in a timely manner or give rise to regulatory implications, which could result in a material adverse effect on the Issuer's business and the Issuer's results and financial position.

The Issuer collects, retains and processes confidential information in its systems regarding its business dealings, including personal data of its customers, third-party claimants, business contacts and employees, as part of the operation of its business. The Issuer must therefore comply with data protection and privacy laws and industry standards in Ireland. Those laws and standards impose

certain requirements on the Issuer in respect of the collection, use, processing and storage of such personal information. If data collected by the Issuer is not processed accurately and in accordance with notifications made to, or obligations imposed by, data subjects, regulators, other counterparties or applicable law, the Issuer faces the risk of regulatory censure, fines, reputational damage and financial costs. A security breach of the Issuer's computer or other systems could damage its reputation or result in liability or regulatory action. The Issuer might be required to spend significant capital and other resources to protect against such breaches or to alleviate problems caused by such breaches. Any publicised compromise of security could deter transactions involving the transmission of confidential information, including personal data.

Further, the Issuer's insurance coverage might not adequately compensate it for material losses that could occur due to disruptions to its service as a result of failure of its websites or systems.

The Issuer's business is exposed to the effects of changing weather patterns, climatic conditions and catastrophes. The unpredictability of these factors may result in differences between actual experience and the Issuer's assumptions on pricing and risk, leading to unexpected increases in the frequency and severity of claims incurred by the Issuer.

The frequency and severity of claims incurred by the Issuer is affected by the incidence of adverse weather events and catastrophes. Severe weather events like rainstorms, windstorms, snowstorms, hailstorms and freeze events represent a material risk to the Issuer and may cause significant damage to vehicles and homes, particularly in heavily populated areas where there is a commensurate concentration of risk.

Weather-related events cannot be predicted with accuracy and conditions in recent years have created additional unpredictability and uncertainty about risk exposure and future trends. As a result of the uncertainty and unpredictability of weather patterns and climatic conditions, the Issuer's assumptions regarding weather-related events may turn out to be incorrect in the future. Since the Issuer's assumptions on weather-related events and climatic conditions are a factor in the pricing of policy premiums and in its reserving policies and reinsurance arrangements, an increased incidence of such events in any one year or over a number of years could have a material adverse effect on the Issuer's business and on the Issuer's results and financial position.

Apart from covering adverse weather events, certain of the Issuer's insurance products also provide cover for losses from catastrophes, including acts of terrorism and civil disorder. While the Issuer seeks to reduce its exposure to such events through reinsurance, the incidence and severity of catastrophes are inherently unpredictable, and a single catastrophe or multiple severe catastrophes in any one period could have a material adverse effect on the Issuer's results, financial position and prospects and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

Cyclical market patterns (including in relation to the economy, weather, competition and underwriting capacity in the insurance and reinsurance industries), some of which are unpredictable, may lead to cyclical fluctuations and volatility in the Issuer's results and financial position.

Historically, the general (and, in particular, motor) insurance industry has been subject to cyclical patterns, some of which are unpredictable. In the past, this has caused significant cyclical fluctuations and volatility in the results of operations of general insurers. Many of the factors contributing to these cyclical patterns are beyond the control of any insurer, such as changes in the economic environment (including an economic downturn), the timing, location or severity of weather-related and catastrophic events, increases or decreases in the levels of insurance and reinsurance underwriting capacity in the industry and increases or decreases in levels of competition. The Issuer is exposed to the cyclical effects of such developments, including the need to increase or decrease policy prices to remain profitable and/or competitive, which could have a material adverse effect on the Issuer's business and the Issuer's results and financial position. Cyclicality may be made more acute if such developments coincide with each other.

Although an individual company's financial performance is dependent on its own specific business characteristics, the profitability of most private motor insurance companies tends to follow this cyclical market pattern, with profitability generally increasing in hard markets and decreasing in soft markets. If the private motor insurance industry softens significantly over the short to medium term, the Issuer's profitability may be materially adversely affected. Over the longer term, the unpredictability and competitive nature of the motor and home insurance industries may lead to significant period-to-period and year-to-year volatility in the Issuer's results, financial position and prospects and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

The use of inaccurate assumptions in pricing and reserving for insurance business and/or inadequate underwriting procedures may have an adverse effect on the Issuer's business profitability.

Both the future claims frequency and cost are exposed to risks in the claims environment.

The frequency is exposed to risks such as:

- Higher economic activity levels than that assumed when setting premium rates. This could lead to higher claims frequency in the form of greater traffic volumes on the roads or higher volumes of liability claims;
- Reduced enforcement of road traffic laws or reduced levels of health and safety procedures in businesses;
- Increased levels of fraud leading to higher claims; and
- Higher levels of large claims or weather claims than predicted.

Future claims settlement cost levels are exposed to risks such as:

- Higher levels of general inflation leading to increased costs (i.e. loss of earnings claims or cost of car parts);

- Higher levels of court awards arising from structural changes such as changes in the court jurisdiction levels or introduction of the new court of appeal (see "*Court Jurisdictions*" below); and
- Claims specific changes which could lead to inflation such as the potential introduction of periodic payment orders or reductions in the discount rate used in assessing claims awards.

The future cost of settling claims may vary depending on the level of claims inflation between the dates the premiums are set and the date of paying the claims. The Issuer's underwriting procedures and criteria may be inadequate to correctly price the risk being written, which may adversely impact the Issuer's profit.

When setting outstanding claims provisions the Issuer is also required to make assumptions around future claims frequency and future claims inflation.

Furthermore, outstanding claims provisions are based on the best estimate of the ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with related claims handling costs. This includes provisions for incurred but not reported claims.

A range of methods, including stochastic projections, may be used to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement pattern of claims.

If the assumptions underlying the reserving basis were to prove incorrect, the Issuer might have to increase the amount of the general insurance provisions, which would adversely impact its financial condition or results of operations.

Adverse litigation outcomes could result in higher costs of claims for the Issuer.

The Issuer, in common with the insurance industry in general, has been involved in, and expects to continue to be involved in, legal proceedings that may be costly irrespective of the outcome and that could divert management's attention from running the Issuer's business. In the ordinary course of the its insurance activities, the Issuer is routinely involved in legal, mediation and arbitration proceedings with respect to liabilities which are the subject of policy claims.

To the extent that legal decisions increase court awards, the impact of which may be applied prospectively or retrospectively, the provisions the Issuer makes for claims may prove insufficient to cover actual claims, claim adjustment expenses or future policy benefits. As a result, the Issuer may have to increase its claims provisions and incur a charge to its earnings. This could have a material adverse effect on the Issuer's results and financial position.

The adverse claims development pattern, which was first evident in the second half of 2014, has been significantly more pronounced in the first half of 2015. The adverse development arises mainly in liability and motor bodily injury claims, and primarily relates to outstanding claims from accident years 2011 onwards. It arises across all the Issuer's distribution channels.

The following are a list of areas in relation to litigation to which the Issuer's industry sector is currently exposed and which could have a material impact on the Issuer's financial position:

Court Jurisdictions

In February 2014 the jurisdiction of the District Court of Ireland (the "**District Court**") increased from €6,400 to €15,000, whilst the jurisdiction of the Circuit Court of Ireland (the "**Circuit Court**") increased from €38,000 to €60,000 for personal injury claims and €75,000 for property damage. The jurisdictional changes have already had a noticeable inflationary effect on personal injury awards in the 17 months since the changes were introduced. The Court Service of Ireland's (the "**Courts Service**") annual report for 2014 which shows the crude average cost of the High Court of Ireland (the "**High Court**") personal injury awards up 34 per cent and Circuit Court awards up 13.5 per cent on 2013. The increase in court costs could affect the Issuer's financial position going forward due to a potential mis-match between claims paid out and insurance premiums taken in.

Court of Appeal/New Judges

Nine new judges were appointed to the new Court of Appeal of Ireland (the "**Court of Appeal**") which was established on 28 October 2014. All of the judges appointed previously sat in the High Court and represented the most experienced and talented judges in Ireland. The void left by their departure created a domino effect as positions were backfilled mainly from existing judges in the Circuit Court which in turn created vacancies in the Circuit Court. In all over 20 new judicial appointments were made between the High Court and Circuit Court. Many of the new judges have no previous personal injury experience. There is a risk that inexperienced judges may award plaintiffs more generous awards than was previously the case. This could affect the Issuer financially.

Book of Quantum

The book of quantum (the "**Book of Quantum**") is an aid in the assessment of compensation to which a person (claimant) may be entitled when injured due to the fault of another. The Personal Injuries Assessment Board of Ireland (the "**Injuries Board**"), a government body which makes personal injury awards in Ireland, are currently collating data on personal injury awards and settlements from the insurance industry, Courts Service and their own data on assessments. Bearing in mind it is over 12 years since the Book of Quantum was last reviewed and the fact that it has become largely redundant as a guide for many years it is difficult to see anything other than an increase in the injury valuations. The question is whether the revised valuations will merely reflect the Injuries Board's current level of awards or if they will be higher. If higher this in turn will bring pressure to bear on the average cost of pre-Injuries Board settlements made by insurers. The revised valuations of the Injuries Board could affect the Issuer's financial position.

Recovery Benefit Assistance Scheme ("RBA")

With effect from the 1 August 2014 a compensator (insurer) who intends making a compensation payment to a person as a consequence of a non-fatal personal injury is obliged to pay an amount equal to the illness related social welfare payments that have also been paid as a consequence of that personal injury. Benefits are recoverable for a period of 5 years from the date the injured person first becomes entitled to a specified benefit thus making this legislation retrospective. It is still too early

to establish the full annual cost of the RBA scheme. The introduction of the RBA scheme could lead to unexpected increased costs for the Issuer which could affect the Issuer's financial position.

Discount Rate

The discount rate is the percentage rate of return on investment income (after inflation) used by actuaries in the calculation of a lump sum for compensation for future losses in a personal injury action. On 18 December 2014 Mr Justice Cross delivered his judgment in Russell & Anor v Health Service Executive ("**Russell v HSE**") and held that the discount rate for the catastrophically injured plaintiff should be 1 per cent (instead of the existing discount rate of 3 per cent) on the basis that a totally risk-averse approach should be adopted for this particular plaintiff thus ensuring this provides the safest method of investment. The judgment was appealed by the State Claims Agency in Ireland, a government body that, among other things, manages claims involving government authorities in Ireland, to the Court of Appeal in July 2015 when judgment was reserved until later this year. There is currently uncertainty in relation to the discount rate which the courts will apply going forward.

Whilst loss of earnings was not a feature in the case, the Court of Appeal may seek to apply one discount rate across the board and if this is the case this will mean the discount rate for earnings is likely to be less than 3 per cent as well. The lower the discount rate applied to investment income the higher the lump sum actuarial calculation will be for future losses. There is always the possibility that there may be even a further appeal to the Supreme Court of Ireland (the "**Supreme Court**") which would mean uncertainty over the discount rate could extend well into 2016. Finally there is also uncertainty as to whether the Russell case will act as a precedent for other cases involving less seriously injured plaintiffs who for example have a longer life expectancy and can choose to adopt a more aggressive investment strategy. The Russell judgment has resulted in a slowdown in the settlement of more serious injury cases as solicitors adopt a wait and see approach in relation to the discount rate. A change of discount rate could affect the Issuer as there may be a mis-match between claims paid out and insurance premiums taken in.

Periodic Payment Orders ("PPOs")

The present method of awarding damages for future losses is based on a one off single lump sum award. Following the findings of the working group chaired by Mr Justice Quirke in 2010, on 27 May 2015 the Heads and General Scheme of the Civil Liability (Amendment) Bill were published dealing with the proposed legislation for the introduction of PPOs. The Departments of Finance and Justice subsequently provided an industry briefing on PPOs the main points of which can be summarised as follows:

- The legislation will be made in cases involving both State and Non-State defendants;
- Where both parties (plaintiff and defendant) opt for a lump sum payment in a catastrophic injury case the court will not make a PPO unless it determines that it is in the best interests of the plaintiff to do so;
- There will be no distinction between categories of claim in which PPO's can be awarded. The fact that contributory negligence or limits of indemnity could be factors will have no bearing on whether a PPO can be awarded, the only consideration will be whether a judge is of the view that a PPO is in the best interests of the plaintiff;

- PPOs will be linked to the Irish Harmonised Index of Consumer Prices ("**HICP**"). The PPO will be subject to an annual revision in the HICP. The index itself will be reviewed every 5 years to ensure its appropriateness;
- PPOs will apply to all outstanding and new claims so accidents that have already happened before the enactment of the legislation will still be subject to PPOs at the time of trial if a judge is of the view it is in the best interests of the plaintiff;
- Security of PPOs in the case of insurers will be achieved by way of the Insurance Compensation Fund (as defined below) in the event of an insurer becoming insolvent; and
- At this stage it is not known when the final draft of the legislation will be enacted into law but it may not be before 2016. It is speculated that the cost of future care, medical treatment and medical and assistive aids could increase by anything between 50 per cent and 100 per cent with the introduction of PPOs.

"Vnuk Judgment"

The 2014 European Court of Justice case of Damijan Vnuk v Zavarovalnica Triglav C-162/13 (the "**Vnuk Judgment**") broadens the scope of the compulsory motor insurance obligation to any place where the vehicle is being used according to its normal function. It is not yet clear how the Department of Transport propose transposing the impact of this decision into the road traffic legislation. It is also not known whether there are retrospective implications for insurers arising out of claims which may have declined in the past arguing there were no compulsory insurance obligations in force at the time which would now fall to be dealt under this judgment. Some of the Issuer's liability policies (Employers Liability and Public Liability) cover the use of motor vehicles in non-road traffic accident ("**RTA**") circumstances subject to a specified limit of indemnity and consideration will have to be given by Underwriting as to whether this cover should continue in force or if policy wordings need to be amended. Ultimately the exposure for the Issuer is likely to be as a result of the Motor Insurance Bureau of Ireland (the "**MIBI**") having to deal with any uninsured non RTA claims. The Issuer will have to contribute towards the cost of these claims in line with its share of the motor market. Increased contributions by the Issuer could affect its financial position.

Collapse of Setanta Insurance Company Limited

Setanta Insurance Company Limited ("**Setanta**") was a Malta-registered insurer subject to prudential supervision in Malta by the Malta Financial Services Authority ("**MFSA**") that went into liquidation in April 2014. The accountant of the Courts of Justice issued proceedings which were returnable before the President of the High Court seeking a determination of the issue relating to the potential liability of the Insurance Compensation Fund in Ireland (the "**Insurance Compensation Fund**"), a fund which was established under the Insurance Act 1964 to facilitate payments to policyholders in relation to risks in Ireland where an Irish authorised or an EU authorised non-life insurer goes into liquidation and the approval of the High Court has been obtained for such payments, and the question whether the MIBI has a liability or a potential liability to pay out in respect of claims against persons who were insured with Setanta. In his judgment delivered in early September 2015, Mr Justice Hedigan ruled that the MIBI was liable to pay out in respect of claims against persons who were insured with Setanta at the time of its entry into liquidation in April 2004. As a result of this judgment, the MIBI's liability was potentially in the order of €90 million. The MIBI may appeal the decision to the Court of Appeal.

The liquidator of Setanta previously indicated that only 30 per cent of the claims can be paid from the assets of the liquidation. This would mean the MIBI could potentially have an exposure of approximately €60 million assuming the liquidator pays 30 per cent of the claims. The potential exposure of insurers would be based on market share should the MIBI ultimately be found liable. There is a risk that the foregoing could result in the Issuer having increased liabilities to the MIBI which could affect the Issuer's financial position.

RISKS RELATING TO THE STRUCTURE OF THE NOTES

The Issuer may redeem the Notes at par before maturity in certain circumstances.

The Notes may, subject as provided in Condition 6, be redeemed before the maturity date at the sole discretion of the Issuer in the event of certain specified events relating to taxation, or if the Notes or (in certain circumstances) any part thereof cease to qualify as Tier 2 Capital of the Issuer, or if the Issuer and/or its parent company are subject to a Change of Control at their principal amount together with interest accrued but unpaid to (but excluding) the date of redemption and any Arrears of Interest.

It is the Issuer's intention that the Notes will, upon the implementation of Solvency II, qualify (subject to any applicable limitations on the amount of such capital) as Tier 2 Capital. The effective date for the transposition of the Solvency II Directive into Irish law is 1 January 2016. However, the Irish State has thus far failed to transpose the provisions of Solvency II into domestic law.

There can be no assurance that, following transposition, the measures set out in Commission Delegated Regulation (EU) No. 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council of the European Union on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II) (the "**Level 2 Regulations**") will still be adhered to.

The Notes are unsecured and subordinated obligations of the Issuer. On a winding-up of the Issuer, investors in the Notes may lose their entire investment in the Notes.

The Issuer's payment obligations under the Notes will be unsecured and will be subordinated (i) on a winding-up of the Issuer, (ii) if an administrator is appointed to the Issuer and gives notice that it intends to declare and distribute a dividend, or (iii) an examiner of the Issuer agrees to make a payment in settlement of a claim as part of any scheme of arrangement of the Issuer following the Issuer being placed in examinership, and, in each case, will rank junior to the claims of all policyholders and other unsubordinated creditors of the Issuer and to claims in respect of any subordinated indebtedness of the Issuer other than indebtedness which ranks, or is expressed to rank, *pari passu* with or junior to the Notes. Accordingly, the assets of the Issuer would be applied first in satisfying all senior-ranking claims in full, and payments would be made to holders of the Notes, *pro rata* and proportionately with payments made to holders of any other *pari passu* instruments (if any), only if and to the extent that there are any assets remaining after satisfaction in full of all such senior-ranking claims. If the Issuer's assets are insufficient to meet all its obligations to senior-ranking and *pari passu* creditors, the Holders of the Notes will lose all or some of their investment in the Notes.

There is no restriction on the amount of securities which the Issuer may issue and which rank senior to, or *pari passu* with, the Notes and, accordingly, the Issuer may at any time incur further obligations (including by issue of further debt securities) which rank senior to, or *pari passu* with, the Notes. Consequently there can be no assurance that the current level of senior or *pari passu* debt of the Issuer will not change. The issue of any such securities may reduce the amount (if any) recoverable by Holders on a winding-up of the Issuer.

If the Issuer's financial condition deteriorates such that there is an increased risk that the Issuer may be wound-up or enter into administration or examinership, such circumstances can be expected to have a material adverse effect on the market price of the Notes. Investors in the Notes may find it difficult to sell their Notes in such circumstances, or may only be able to sell their Notes at a price which may be significantly lower than the price at which they purchased their Notes. In such a sale, investors may lose some or substantially all of their investment in the Notes, whether or not the Issuer is wound up or enters into administration or examinership.

Although the Notes may pay a higher rate of interest than comparable notes which are not subordinated, there is a material risk that an investor in the Notes will lose all or some of its investment should the Issuer become insolvent.

Payments of interest on, and redemption of, the Notes must in certain circumstances be deferred by the Issuer.

The payment obligations of the Issuer under the Notes are conditional upon (i) there being no breach of the Solvency Condition (as described in Condition 2.2) at the time of such payment and no such breach occurring as a result of such payment, (ii) in the case of the payment of interest, there being no Regulatory Deficiency Interest Deferral Event at the time of such payment and no such event occurring as a result of such payment, (iii) in the case of the redemption of the Notes, there being no Regulatory Deficiency Redemption Deferral Event at the time of such payment and no such event occurring as a result of such payment and (if then required) regulatory consent having been obtained and such redemption being made in compliance with the Relevant Rules at such time, and (iv) in the case of the redemption of the Notes, notification to, or consent or non-objection from, the Relevant Regulator (to the extent then required by the Relevant Regulator or the Relevant Rules). Any amounts of principal, interest, Arrears of Interest and any other amounts in respect of the Notes which cannot be paid on the scheduled payment date by virtue of such provisions must be deferred by the Issuer, and non-payment of the amounts so deferred shall not constitute a default under the Notes or the Trust Deed for any purpose, including enforcement action against the Issuer.

Any interest in respect of the Notes so deferred will, so long as the same remains unpaid, constitute Arrears of Interest. Arrears of Interest will not themselves bear interest. The Holders of the Notes have no right to require payment of Arrears of Interest, and Arrears of Interest will become payable only at the discretion of the Issuer or upon the earliest of the dates set out in Condition 5.2 (a) to (c).

If redemption of the Notes is deferred, the Notes will only become due for redemption in the circumstances described in Condition 6.1(c) and (d).

The circumstances in which a Regulatory Deficiency Interest Deferral Event or a Regulatory Deficiency Redemption Deferral Event may occur are dependent upon the solvency position of the Issuer under the other requirements of Solvency II and/or the Relevant Rules, which themselves are subject to finalisation and subsequent amendment. Events which constitute a Regulatory Deficiency Interest Deferral Event or a Regulatory Deficiency Redemption Deferral Event could include, without limitation:

(a) the winding-up, administration or examinership of the Issuer where the claims of the policyholders of such insurance undertaking may or will not be met; and

(b) any event (including, without limitation, any event which causes any Solvency Capital Requirement or Minimum Capital Requirement applicable to the Issuer, all or part of the Group (which part includes the Issuer and at least one other member of the Group) or any insurance undertaking within the Group to be breached and such breach is an event) which under Solvency II and/or under the Relevant Rules means that the Issuer must defer or suspend repayment or redemption of the Notes (in order that the Notes qualify, and/or on the basis that the Notes are intended to qualify, as Tier 2 Capital under Solvency II and any other Relevant Rules).

Any actual or anticipated deferral of interest or redemption can be expected to have a material adverse effect on the market price of the Notes. Investors in the Notes may find it difficult to sell their Notes in such circumstances, or may only be able to sell their Notes at a price which may be significantly lower than the price at which they purchased their Notes. In such a sale, investors may lose some or substantially all of their investment in the Notes. In addition, as a result of the deferral provisions of the Notes, the market price of the Notes may be more volatile than the market prices of other securities or instruments that do not require deferral of interest or principal, and may be more sensitive generally to adverse changes in the Issuer's financial condition.

The terms of the Notes may be modified, or the Notes may be substituted, by the Issuer without the consent of the Holders in certain circumstances, subject to certain restrictions.

In the event of certain specified events relating to taxation or if the Notes cease to qualify as Tier 2 Capital of the Issuer, the Issuer may (subject to certain conditions) at any time substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or become (as applicable), Qualifying Dated Tier 2 Securities, without the consent of the Holders.

Qualifying Dated Tier 2 Securities must, among other things, have terms not materially less favourable to Holders than the terms of the Notes, as reasonably determined by the Issuer in consultation with an independent investment bank of international standing. However, there can be no assurance that, due to the particular circumstances of a Holder of Notes, such Qualifying Dated Tier 2 Securities will be as favourable to a particular investor in all respects or that, if it were entitled to do so, a particular investor would make the same determination as the Issuer as to whether the terms of the Qualifying Dated Tier 2 Securities are not materially less favourable to Holders than the Terms of the Notes.

The terms of the Notes may be modified with the consent of specified majorities of the Holders at a duly convened meeting, and the Trustee may consent to certain modifications to the Notes, or substitution of the Issuer, without the consent of the Holders.

The Trust Deed constituting the Notes contains provisions for calling meetings of Holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders, including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority. The Trust Deed constituting the Notes also provides that, subject to the prior consent of the Relevant Regulator being obtained (to the extent that such consent is required), the Trustee may (except as set out in the Trust Deed), without the consent of Holders, agree to certain modifications of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or to the substitution of another company as principal debtor under the Notes in place of the Issuer in the circumstances described in Condition 11.

Restricted remedy for non-payment when due.

The right of the Trustee to institute winding-up proceedings is limited to circumstances of non-payment. A deferral of payments as described above shall not constitute a default under the Notes or the Trust Deed for any purpose, including enforcement action against the Issuer.

Integral multiples of less than €100,000.

The denomination of the Notes is €100,000 and integral multiples of €1,000 in excess thereof. Accordingly, it is possible that the Notes may be traded in the Clearing Systems in amounts in excess of €100,000 that are not integral multiples of €100,000. Should definitive Notes be required to be issued, they will be issued in principal amounts of €100,000 and higher integral multiples of €1,000 but will in no circumstances be issued to Holders who hold Notes in the relevant clearing system in amounts that are less than €100,000. If definitive Notes are issued, Holders should be aware that definitive Notes which have a denomination that is not an integral multiple of €100,000 may be illiquid and difficult to trade.

MARKET RISKS RELATED TO THE NOTES

The Notes have no established trading market when issued, and one may never develop. If a market does develop it may not be liquid.

Investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market and/or which are rated. Illiquidity may have a severely adverse effect on the market value of the Notes.

If the Issuer's financial condition deteriorates such that there is an increased risk that the Issuer may be wound-up or enter into administration or examinership, or if at any time there is any actual or anticipated deferral of interest or redemption in accordance with the Conditions, such circumstances can be expected to have a material adverse effect on the market price of the Notes. Investors in the Notes may find it difficult to sell their Notes in such circumstances, or may only be able to sell their

Notes at a price that may be significantly lower than the price at which they purchased their Notes. In such a sale, investors may lose some or substantially all of their investment in the Notes.

The Issuer will pay principal and interest on Notes in euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than euro.

These risks include the risk that exchange rates may significantly change (including changes due to devaluation of the euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the euro would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Risk that investors will have to rely on the procedures of Euroclear and Clearstream, Luxembourg for transfer, payment and communication with the Issuer.

The Notes will be represented by a Global Certificate (as defined in the Trust Deed). The Global Certificate will be deposited with a common depositary for, and registered in the name of the common nominee of, Euroclear and Clearstream, Luxembourg. Except in the limited circumstances described in the Global Certificate, investors will not be entitled to receive definitive registered notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Certificate.

While the Notes are represented by the Global Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg. The Issuer will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Certificate must rely on the procedures of Euroclear or Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

TAXATION RISK

Any changes in taxation laws or taxation rates, or misinterpretation of taxation laws, in the jurisdictions of the Issuer could impact the Issuer's financial condition. This could result in increased charges, financial losses (including penalties) and reputational damage for the Issuer. Changes in taxation laws or taxation rates, misinterpretation of taxation laws or any failure to adequately manage its tax risk, could have a material adverse impact on the Issuer's operating results, financial condition and prospects.

Potential investors of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries.

The Proposed Common Reporting Standards ("CRS").

Ireland and a number of other jurisdictions have also announced that they propose to enter into multilateral arrangements modelled on the Common Reporting Standard for Automatic Exchange of Financial Account Information published by the Organisation for Economic Co-operation and Development ("**OECD**"). If implemented into Irish law, this may require the Issuer to provide certain information to the Irish Revenue Commissioners about Holders resident or established in the jurisdictions which are party to such arrangements (which information will in turn be provided to the relevant tax authorities).

Prospective investors should consult their own tax advisors regarding the potential impact of the CRS.

EU Savings Directive.

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**"), each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The Council of the European Union formally adopted a Council Directive amending the Savings Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive, which legislation must apply from 1 January 2017. The changes made under the Amending Directive include extending the scope of the Savings Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the relevant Issuer nor any Paying Agent (as defined in the Conditions of the Notes) nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuers are required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Savings Directive.

However, on 18 March 2015, the European Commission issued a proposal for the repeal of the Savings Directive from 1 January 2016 (subject to transitional arrangements so that certain obligations under the Savings Directive will continue to apply until 5 October 2016 and 31 December 2016 (and 30 June 2017 in the case of Austria), or until those obligations have been fulfilled) to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it is proceeded with, Member States will not be required to apply the new requirements of the Amending Directive.

Prospective Investors who are in any doubt as to their position should consult their professional advisers.

The proposed financial transactions tax ("FTT") may negatively affect Holders of Notes or the Issuer.

On 14 February 2013, the European Commission published a proposal (the "Commission's proposal") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary' market transactions) in certain circumstances. Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1 January 2016. However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate.

Prospective Holders of the Notes are advised to seek their own professional advice in relation to the FTT.

RISKS AS A RESULT OF CHANGE OF REGULATIONS

The Issuer is subject to extensive regulatory supervision and may, from time to time, be subject to enquiries or investigations that could divert management time and resources and result in fines, sanctions, variation or revocation of permissions and authorisations, reputational damage or loss of goodwill.

The conduct of the Issuer's business is subject on an ongoing basis to significant regulatory supervision. Insurance underwriting and insurance intermediary services are activities that are highly regulated in Ireland and such regulation is largely based on requirements contained in relevant EU directives. To carry out such activities, the Issuer is required to hold and maintain certain licences, permissions and authorisations and to comply on an ongoing basis with applicable rules and regulations.

The Central Bank of Ireland has wide powers to supervise and intervene in the affairs of insurance companies and have broad supervisory powers dealing with all aspects of the business activities of such entities including, among other things, the authority to grant and, in specific circumstances, to vary or cancel permissions and authorisations.

Regulatory supervision is a feature of the insurance industry landscape. The Central Bank of Ireland may from time to time make enquiries of the Issuer regarding its compliance with particular regulations governing the operation of its Business. The Issuer endeavours to respond to regulatory enquiries in an appropriate way and to take corrective action when warranted.

Further, as the regulatory approach of the Central Bank of Ireland evolves, both before and after the entry into effect of Solvency II, there may be further changes to the nature of, or policies for, prudential regulation and conduct of business supervision which differ from the approach previously taken by the Central Bank of Ireland and this could lead to a period of uncertainty for the Issuer.

This could have a material adverse effect on the Issuer's results, financial position and prospects and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

Failure by the Issuer to comply with applicable law and/or regulation could lead to investigation of the Issuer by, and/or onerous requests for information from, Relevant Regulators and national and supranational governmental bodies (including, for example, the EU supervisory bodies), disciplinary action, prosecution, the imposition of fines, or the variation or revocation of the licences, permissions or authorisations the Issuer requires to conduct the Issuer's business. This could have a material adverse effect on the Issuer's business and the Issuer's results and financial position and could also harm its reputation. See "*Regulatory Overview*".

Laws, regulations, policies, accounting rules and practices currently affecting the Issuer may change at any time, including as a result of investigation and regulatory activity by one or more governmental, supervisory and/or enforcement authorities, in ways which may have a material adverse effect on the Issuer's business and the Issuer's results and financial position and could lead to litigation.

RISKS AS A RESULT OF LEGAL REQUIREMENTS

In addition to the extensive regulatory supervision described above, the Issuer is also subject to wide-ranging legal requirements, changes which may result in additional compliance costs and diversion of management time and resources. Failure to comply with such requirements may result in investigations, prosecution, disciplinary action, fines, reputational damage and the revocation of the Issuer's licences, permissions or authorisations.

The conduct of the Issuer's business is subject to significant legal requirements and their interpretation, enforcement and development could adversely affect the Issuer's business and the Issuer's results and financial position.

Among other things, insurance laws and regulations applicable to the Issuer:

- affect the licensing of insurers and intermediaries (and their management);
- regulate the rating methodology and pricing of insurance policies;
- regulate the sale, marketing and content of insurance policies;
- regulate the management of various distribution channels;
- limit the right to cancel or refuse to renew policies;
- limit the types and amounts of investments made by the Issuer;
- require reinsurance, underwriting, or involuntary assignments of high-risk policies;
- regulate the right to withdraw from markets or terminate involvement with intermediaries;
- restrict the payment of dividends or other distributions; and
- require the disclosure of financial and other information to regulators and/or the general public.

CHANGE OF LAW

The Conditions are based on English law and regulations (Irish law and regulations to apply to subordination and set-off) in effect as at the date of issue of the Notes. No assurance can be given as to the impact of any possible judicial decision or change to English or Irish law, regulation or administrative practice after the date of issue of the Notes.

CHANGE OF CONTROL

A change in control may lead to adverse consequences for the Issuer.

The Issuer is a party to contracts, arrangements and other agreements which may contain Change of Control provisions that may be triggered in the event of a direct or indirect Change of Control of the Issuer and/or its parent company, for example, as a result of an investor obtaining a majority stake in the Issuer and/or its parent company. Agreements with Change of Control provisions typically provide for, or permit, the termination of the agreement upon the occurrence of a Change of Control of one of the parties or if the new controlling party does not satisfy certain criteria. The crystallisation of Change of Control provisions could result in the loss of contractual rights and benefits for the Issuer and/or its parent, as well as the termination of such agreements. On a Change of Control of the Issuer and/or its parent, the exercise of such rights or the decision by a counterparty not to waive or vary its rights on a Change of Control could have a material adverse effect on the Issuer's business, results of

operations, financial conditions and prospects. Condition 6.5 of the terms and conditions of the Notes gives the Issuer the right to redeem the Notes upon a Change of Control.

MISCELLANEOUS RISKS

There is a risk that the issuer may be unable to retain personnel who are key to the business.

The Issuer relies, to a considerable extent, on the quality of its management. The success of the Issuers' operations is dependent, among other things, on its ability to attract and retain highly qualified professional personnel. Competition for key personnel is intense. The Issuer's ability to attract and retain key personnel, in particular senior officers, experienced portfolio managers and sales executives, is dependent on a number of factors, including prevailing market conditions and compensation packages offered by companies competing for the same talent. As a part of the governmental response in Europe and the United States to the financial crisis in 2008, there have been various legislative initiatives that have sought to restrict the remuneration of personnel, in particular senior management, with a focus on performance-related remuneration and limiting severance payments. These restrictions, alone or in combination with the other factors described above, could adversely affect the Issuer's ability to hire and retain suitably qualified and experienced employees.

Documents Incorporated by Reference

This Prospectus should be read and construed in conjunction with:

(a) the annual financial statements of the Issuer for the financial year ended 31 December 2013, audited by Deloitte and prepared in accordance with Irish generally accepted accounting principles ("**Irish GAAP**"), together with the audit report thereon (which appear at pages 6 to 47 (inclusive) of the Issuer's Annual Report 2013 (the "**2013 Annual Statements**");

(b) the annual financial statements of the Issuer for the financial year ended 31 December 2014, audited by Deloitte and prepared in accordance with Irish GAAP together with the audit report thereon (which appear at pages 6 to 43 (inclusive) of the Issuer's Annual Report 2014 (the "**2014 Annual Statements**"); and

(c) the half yearly unaudited results of the Issuer for the six months ended 30 June 2015 (the "**2015 Half Yearly Results**") prepared under FRS 102/103 ("**New Irish GAAP**"), which the Issuer has adopted effective from the accounting period beginning on 1 January 2015. The 2015 Half Yearly Results incorporate unaudited restatements of the 31 December 2014 results (the "**2014 Unaudited Financial Statements**") and of the 30 June 2014 results (the "**June 2014 Unaudited Financial Statements**") in the following form: (i) "Profit & Loss Account – Technical Account" on page 7 of the 2015 Half Yearly Results, (ii) "Profit & Loss Account – Non-Technical Account" on page 8 of the 2015 Half Yearly Results, (iii) "Balance Sheet – Assets" on page 9 of the 2015 Half Yearly Results, (iv) "Balance Sheet – Equity & Liabilities" on page 10 of the 2015 Half Yearly Results, (v) "Cashflow" on page 11 of the 2015 Half Yearly Results, (vi) Statement of Accounting Policies on pages 12 - 16 of the 2015 Half Yearly Results; and (vii) explanatory notes on pages 17-30 of the 2015 Half Yearly Results. The 2014 Unaudited Financial Statements are provided in order to enable potential investors to compare the 31 December 2014 results under New Irish GAAP with the audited financial statements as of 31 December 2014 under the previous Irish GAAP regime,

which have been previously published or are published simultaneously with this Prospectus and which have been approved by the Central Bank of Ireland or filed with it. Such documents shall be incorporated in, and form part of, this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus. Those parts of the documents incorporated by reference in this Prospectus which are not specifically incorporated by reference in this Prospectus are either not relevant for prospective investors in the Notes or the relevant information is included elsewhere in this Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus may be obtained (without charge) from:

- Irish Stock Exchange website deep link to the 2013 Annual Statements;
- Irish Stock Exchange website deep link to the 2014 Annual Statements; and
- Irish Stock Exchange website deep link to the 2015 Half Yearly Results.

The 2015 Half Yearly Results originally published on 24 August 2015 contained the following typographical error.

Under the Heading "Solvency", it stated:

"***Solvency***

FBD Insurance had a solvency level of 38.4% of net premium earned at 30 June 2015, which represents 197% (2014: 366%) of the Solvency I minimum solvency margin, and a reserving ratio of 270% (2014: 240%)."

The solvency level of 38.4% of net earned premium at 30 June 2015 actually represents 179% (not 197%) of the minimum solvency margin. None of the other figures are affected.

This error was corrected in an updated release published on 27 August 2015. The updated version is the document incorporated by reference into this Prospectus and available at the above link.

Terms and Conditions of the Notes

The following are the Terms and Conditions of the Notes, substantially as they will appear on the Notes in definitive form (if issued).

The issue of the €70,000,000 11.66 per cent. Callable Dated Deferrable Subordinated Notes due 2025 (the "**Notes**", which expression shall, unless the context otherwise requires, include any further notes issued pursuant to Condition 15 and forming a single series with the Notes) of FBD Insurance plc (the "**Issuer**") was authorised by a resolution of the Board of Directors of the Issuer passed on 23 August, 2015. The Notes are constituted by a trust deed (the "**Trust Deed**") dated 23 September, 2015 between the Issuer and Deutsche Trustee Company Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Holders (as defined below) of the Notes. These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Notes. An Agency Agreement (the "**Agency Agreement**") dated 23 September, 2015 has been entered into in relation to the Notes between the Issuer, Deutsche Bank Luxembourg S.A. as the initial registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), the Trustee, Deutsche Bank AG, London Branch, as the initial principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes) and the initial transfer agents named therein (the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes). Copies of the Trust Deed and the Agency Agreement are available for inspection and collection during usual business hours at the principal office for the time being of the Trustee (presently at Winchester House, 1 Great Winchester Street, London EC2N 2DB) and at the specified offices of each of the Principal Paying Agent, the Registrar and each of the Transfer Agents.

The Holders (as defined below) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

1. Form and Denomination

The Notes are issued in registered form, in denominations of €100,000 and integral multiples of €1,000 in excess thereof.

2. Status

2.1 Ranking

The Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. In the event of the winding-up of the Issuer (other than an Approved Winding-up) or the appointment of an administrator of the Issuer where the administrator has given notice that it intends to declare and distribute a dividend and/or an examiner of the Issuer agrees to make a payment in settlement of a claim as part of any scheme of arrangement of the Issuer following the Issuer being placed in

examinership, the payment obligations of the Issuer under or arising from the Notes and the Trust Deed, including any Arrears of Interest and any damages awarded for breach of any obligations in respect of the Notes, shall be subordinated in the manner provided in this Condition 2.1 and in the Trust Deed to the claims of all Senior Creditors of the Issuer, but shall rank at least *pari passu* with all other subordinated obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute Tier 2 Capital or, if issued prior to Solvency II Implementation, subordinated obligations that would under any Relevant Rules be eligible to be classified as Tier 2 Capital ("***Pari Passu* Securities**") and shall rank in priority to the claims of Holders of: (i) all obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital and all obligations which rank or are expressed to rank *pari passu* therewith (including, without limitation, by virtue of the operation of any grandfathering provisions under any Relevant Rules); and (ii) all classes of share capital of the Issuer (together, the "**Junior Securities**").

2.2 Solvency Condition

Without prejudice to Condition 2.1 above, all payments under or arising from the Notes and the Trust Deed (other than payments made to the Trustee for its own account under the Trust Deed or after the Trustee has given notice under Condition 10.2) shall be conditional upon the Issuer being solvent at the time for payment by the Issuer, and no amount shall be payable under or arising from the Notes and the Trust Deed unless and until the Issuer could make such payment and still be solvent immediately thereafter (the "**Solvency Condition**"). Any payment which is not paid due to the operation of the Solvency Condition will be deferred as further provided in Condition 5.2 or Condition 6.1, as the case may be.

For the purposes of this Condition 2.2, the Issuer will be solvent if (i) it is able to pay its debts owed to Senior Creditors and *Pari Passu* Creditors as they fall due and (ii) its Assets exceed its Liabilities.

A certificate as to the solvency of the Issuer signed by two Directors or, if there is a winding-up or administration, by two directors or authorised signatories of the liquidator or, as the case may be, the administrator of the Issuer shall be treated and accepted by the Trustee (and if so treated and accepted by the Trustee, shall be so treated and accepted by the Holders and all other interested parties) as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without further enquiry and without liability to any person.

The Issuer shall notify the Trustee, the Registrar and the Principal Paying Agent in writing and notify the Holders in accordance with Condition 15 not later than 5 days before a Record Date or as soon as reasonably practicable after it has determined that any payment (in whole or in part) will be deferred due to the operation of the Solvency Condition (provided that, for the avoidance of doubt, any delay in giving such notice shall not result in such payment becoming due on the scheduled payment date).

2.3 Set-off, etc.

Subject to applicable law, no Holder may exercise, claim or plead any right of setoff, compensation or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Notes or the Trust Deed and each Holder shall, by virtue of being the holder of any Note, be deemed, to the extent permitted under applicable law, to have waived all such rights of set-off, compensation or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Issuer in respect of, or arising under, or in connection with, the Notes, is discharged by set-off, such Holder shall, unless such payment is prohibited by applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer or, in the event of its winding-up or administration, the liquidator or administrator, as appropriate, of the Issuer and, until such payment is made, shall hold an amount equal to such amount in trust for the Issuer, or the liquidator or administrator, as appropriate, of the Issuer (as the case may be) and, accordingly, any such discharge shall be deemed not to have taken place.

3. Register, Title and Transfers

3.1 Register

The Registrar will maintain a register (the "**Register**") in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof). A certificate (each, a "**Note Certificate**") will be issued to each Holder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

3.2 Title

The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder.

3.3 Transfers

Subject to Conditions 3.6 and 3.7 below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the specified office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

3.4 Registration and delivery of Note Certificates

Within five business days of the surrender of a Note Certificate in accordance with Condition 3.3 above, the Registrar will register the transfer in question and deliver a new Note Certificate of like principal amount to the Notes transferred to each relevant Holder at its specified office or (as the case may be) the specified office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its specified office.

3.5 No charge

The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

3.6 Closed periods

Holders may not require transfers to be registered (i) during the period of 15 Business Days ending on the due date for any payment of principal in respect of the Notes, (ii) during the period of seven Business Days ending on (and including) any Record Date, or (iii) during the period following delivery of a notice of a voluntary payment of Arrears of Interest in accordance with Condition 5.2 and Condition 15 and ending on the date referred to in such notice as having been fixed for such payment of Arrears of Interest.

3.7 Regulations concerning transfers and registration

All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Holder who requests in writing a copy of such regulations.

4. Interest

4.1 Interest Rate and Interest Payment Dates

Each Note bears interest on its outstanding principal amount from (and including) the Issue Date at the rate of 11.66 per cent. per annum. Interest shall, subject to Condition 2.2 and Condition 5, be payable semi-annually in arrear on 23 March and 23 September of each year in equal instalments, the first payment to be made on 23 March, 2016 (each an "**Interest Payment Date**").

4.2 Interest Accrual

Each Note will cease to bear interest from (and including) its due date for redemption pursuant to Conditions 6.1, 6.3, 6.4 or 6.5 or its date of substitution pursuant to Condition 6.3 or 6.4 unless, upon due surrender of the relevant Note Certificate, payment of the principal in respect of the Note is improperly withheld or refused, in which event interest shall continue to accrue on the Notes, both before and after judgment, and shall, subject to Conditions 2.2 and 5, be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

4.3 Calculation of Interest

Where it is necessary to compute an amount of interest in respect of any Note for a period which is less than a complete Interest Period, such interest shall be calculated on the basis of the actual number of days in the relevant period from (and including) the date from which interest begins to accrue to (but excluding) the date on which it falls due divided by two times the actual number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last).

Interest shall be calculated per €1,000 in principal amount of the Notes (the "**Calculation Amount**") by applying the rate of interest referred to in Condition 4.1 to such Calculation Amount and multiplying the resulting figure by, in the case of a full semi-annual Interest Period, half and, in any other case, the day count fraction described in the immediately preceding paragraph and rounding the resultant figure to two decimal places (with 0.005 being rounded up). The amount of interest payable in respect of a Note shall be calculated by multiplying the amount of interest per Calculation Amount determined as aforesaid by the specified denomination of such Note and dividing the resulting figure by €1,000.

5. Deferral of Payments

5.1 Mandatory Deferral of Interest

Payment of interest on the Notes will be mandatorily and automatically deferred on each Mandatory Interest Deferral Date. The Issuer shall notify the Trustee, the Registrar and the Principal Paying Agent in writing and notify the Holders in accordance with Condition 15 no later than 10 Business Days prior to an Interest Payment Date (or as soon as reasonably practicable if a Regulatory Deficiency Interest Deferral Event occurs less than 10 Business Days prior to an Interest Payment Date) if a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or if a Regulatory Deficiency Interest Deferral Event would occur on the Interest Payment Date if payment of interest were made (provided that, for the avoidance of doubt, any delay in giving such notice shall not result in such interest becoming due and payable on the relevant Mandatory Interest Deferral Date).

A certificate signed by two Directors confirming that (a) a Regulatory Deficiency Interest Deferral Event has occurred and is continuing, or would occur if payment of interest on the Notes were to be made or (b) a Regulatory Deficiency Interest Deferral Event has ceased to occur and/or payment of interest on the Notes would not result in a Regulatory Deficiency Interest Deferral Event occurring, may be treated and accepted by the Trustee (and, if so

treated and accepted by the Trustee, shall be so treated and accepted by the Holders and all other interested parties) as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without liability to any person.

Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of any payment of interest on a Mandatory Interest Deferral Date in accordance with this Condition 5.1 or in accordance with the Solvency Condition will not constitute a default by the Issuer and will not give Holders or the Trustee any right to accelerate repayment of the Notes or take any other action under the Notes or the Trust Deed.

5.2 Arrears of Interest

Any interest in respect of the Notes not paid on an Interest Payment Date as a result of the obligation on the Issuer to defer pursuant to Condition 5.1 or due to the operation of the Solvency Condition, together with any other interest in respect of the Notes not paid on an earlier Interest Payment Date shall, so long as the same remains unpaid, constitute "**Arrears of Interest**". Arrears of Interest shall not themselves bear interest.

Any Arrears of Interest may (subject to the Solvency Condition and to any Regulatory Conditions) be paid in whole or in part at any time at the election of the Issuer (provided that at such time a Regulatory Deficiency Interest Deferral Event is not subsisting and would not occur if payment of such Arrears of Interest were made) upon the expiry of not less than 14 days' notice to such effect given by the Issuer to the Trustee, the Registrar and the Principal Paying Agent in writing and to the Holders in accordance with Condition 15, and in any event will become due and payable (subject, in the case of (a) and (c) below, to the Solvency Condition and to any Regulatory Conditions in whole (and not in part) upon the earliest of the following dates:

(a) the next Interest Payment Date which is not a Mandatory Interest Deferral Date; or

(b) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than an Approved Winding-up) or the date on which any administrator of the Issuer gives notice that it intends to declare and distribute a dividend or the date on which an examiner of the Issuer agrees to make a payment in settlement of a claim as part of any scheme of arrangement of the Issuer following the Issuer being placed in examinership; or

(c) the date fixed for any redemption or purchase of Notes by or on behalf of the Issuer pursuant to Condition 6 (subject to the deferral of such redemption pursuant to the Solvency Condition or Condition 6.1).

6. Redemption, Substitution, Variation and Purchase

6.1 Redemption

(a) Subject to the Solvency Condition, Condition 6.1(b) below and to compliance by the Issuer with applicable Relevant Rules, including any Regulatory Conditions, and

provided that such redemption is permitted under applicable Relevant Rules (on the basis that the Notes are intended to qualify as Tier 2 Capital under Solvency II and the Relevant Rules), unless previously redeemed or purchased and cancelled or substituted, in each case as provided below, each Note shall be redeemed on the Maturity Date at its principal amount together with Arrears of Interest, if any, and any other interest accrued to (but excluding) the date of redemption in accordance with these Conditions.

(b) No Notes shall be redeemed on the Maturity Date pursuant to Condition 6.1(a) or prior to the Maturity Date pursuant to Condition 6.3, Condition 6.4 or Condition 6.5 if a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if redemption were made on, if Condition 6.1(a) applies, the Maturity Date or, if Condition 6.3, Condition 6.4 or Condition 6.5 applies, any date specified for redemption in accordance with such Conditions.

(c) If the Notes are not to be redeemed on the Maturity Date pursuant to Condition 6.1(a) or on any scheduled redemption date pursuant to Condition 6.3, Condition 6.4 or Condition 6.5 as a result of circumstances where:

(i) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if the Notes were redeemed on such date;

(ii) the Solvency Condition is not or would not be satisfied on such date and immediately after the redemption; or

(iii) the Relevant Regulator does not consent to the redemption (to the extent that consent is then required by the Relevant Regulator or the Relevant Rules) or the Relevant Regulator objects to the redemption or such redemption otherwise cannot be effected in compliance with the Relevant Rules on such date,

the Issuer shall notify the Trustee, the Registrar and the Principal Paying Agent in writing and notify the Holders in accordance with Condition 15 no later than 10 Business Days prior to the Maturity Date or the date specified for redemption in accordance with Condition 6.3, Condition 6.4 or Condition 6.5, as applicable, (or as soon as reasonably practicable if the relevant circumstance requiring redemption to be deferred arises, or is determined, less than 10 Business Days prior to the relevant redemption date).

(d) If redemption of the Notes does not occur on the Maturity Date or, as appropriate, the date specified in the notice of redemption by the Issuer under Condition 6.3, Condition 6.4 or Condition 6.5 as a result of Condition 6.1(b) above or the Relevant Regulator does not consent to the redemption (to the extent that consent is then required by the Relevant Regulator or the Relevant Rules) or the Relevant Regulator objects to the redemption or such redemption otherwise cannot be effected in compliance with the Relevant Rules on such date, subject (in the case of (i) and (ii) below only) to the Solvency Condition and any Regulatory Conditions, such Notes shall be redeemed at

their principal amount together with Arrears of Interest, if any, and any other interest accrued to (but excluding) the date of redemption, upon the earliest of:

(i) (in the case of a failure to redeem due to the operation of Condition 6.1(b) only) the date falling 10 Business Days after the date the Regulatory Deficiency Redemption Deferral Event has ceased (unless, on such tenth Business Day, a further Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or redemption of the Notes on such date would result in a Regulatory Deficiency Redemption Deferral Event occurring, in which case the provisions of Condition 6.1(b), Condition 6.1(c) and this Condition 6.1(d) shall apply *mutatis mutandis* to determine the due date for redemption); or

(ii) the date falling 10 Business Days after the Relevant Regulator has agreed to the repayment or redemption of the Notes; or

(iii) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than an Approved Winding-up) or the date on which any administrator of the Issuer gives notice that it intends to declare and distribute a dividend or the date on which an examiner of the Issuer agrees to make a payment in settlement of a claim as part of any scheme of arrangement of the Issuer following the Issuer being placed in examinership.

(e) If Condition 6.1(b) does not apply, but redemption of the Notes does not occur on the Maturity Date or, as appropriate, the date specified in the notice of redemption by the Issuer under Condition 6.3, Condition 6.4 or Condition 6.5 as a result of the Solvency Condition not being satisfied at such time and immediately after such payment, subject to any Regulatory Conditions, such Notes shall be redeemed at their principal amount together with accrued interest and any Arrears of Interest on the tenth Business Day immediately following the day that (i) the Solvency Condition is satisfied and (ii) redemption of the Notes would not result in the Solvency Condition ceasing to be satisfied, provided that if on such tenth Business Day specified for redemption a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing, or would occur if the Notes were to be redeemed, or if the Solvency Condition would not be satisfied on such date and immediately after the redemption, then the Notes shall not be redeemed on such date and Conditions 6.1(b), (c), (d) (if such further deferral is due to a Regulatory Deficiency Redemption Deferral Event) or Condition 2.2 and this Condition 6.1(e) if such further deferral is due to the operation of the Solvency Condition) shall apply *mutatis mutandis* to determine the date of the redemption of the Notes.

(f) A certificate signed by two Directors confirming that (i) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing, or would occur if redemption of the Notes were to be made or (ii) a Regulatory Deficiency Redemption Deferral Event has ceased to occur and/or redemption of the Notes would not result in a Regulatory Deficiency Redemption Deferral Event occurring or (iii) that any of the circumstances described in Condition 6.1(c)(ii) or (iii) apply, may be treated and

accepted by the Trustee (and, if so treated and accepted by the Trustee, shall be so treated and accepted by the Holders and all other interested parties) as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without liability to any person.

(g) Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of redemption of the Notes in accordance with the Solvency Condition or this Condition 6.1 will not constitute a default by the Issuer and will not give Holders or the Trustee any right to accelerate repayment of the Notes or take any other action under the Notes or the Trust Deed.

(h) In circumstances where redemption of the Notes has been deferred, the Issuer will notify the Trustee, the Registrar and the Principal Paying Agent in writing and notify the Holders in accordance with Condition 15 as soon as reasonably practicable after it has determined the relevant deferred date for redemption, and (if applicable) of any subsequent redemption deferrals and corresponding deferred dates for redemption.

6.2 Conditions to Redemption, Substitution, Variation or Purchase

Any redemption, substitution, variation or purchase of the Notes is subject to:

(i) the Issuer having complied with applicable Regulatory Conditions and being in continued compliance with the Regulatory Capital Requirements applicable to it at the relevant time;

(ii) in the case of a redemption or purchase that is within five years of the Issue Date of the Notes, to such redemption or purchase being funded (to the extent then required by the Relevant Regulator or the Relevant Rules) out of the proceeds of a new issuance of capital of at least the same quality as the Notes and being otherwise permitted under the Relevant Rules; and

(iii) in the case of any redemption prior to the fifth anniversary of the Issue Date, to the Issuer delivering to the Trustee a certificate signed by two Directors stating that it would have been reasonable for the Issuer to conclude, judged at the time of the issue of the Notes, that the circumstance entitling the Issuer to exercise the right of redemption was unlikely to occur.

Notwithstanding the above conditions, if, at the time of any redemption, substitution, variation or purchase, the prevailing Relevant Rules permit the repayment, substitution, variation or purchase only after compliance with one or more alternative or additional pre-conditions to those set out above in this Condition 6.2, the Issuer shall comply with such other and/or, as appropriate, additional pre-condition(s).

6.3 Redemption, Substitution or Variation Due to Taxation

If immediately prior to the giving of the notice referred to below:

a) as a result of a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of Ireland or any political subdivision or authority therein or thereof having the power to tax, including any treaty to which Ireland is a party, or any change in the application or official interpretation of such laws, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions or which differs from any specific written confirmation given by a tax authority in respect of the Notes, which change or amendment becomes, or would become, effective, or in the case of a change or proposed change in law if such change is enacted (or, in the case of a proposed change, is expected to be enacted), on or after the Issue Date of the Notes (each a "**Tax Law Change**"), in making any payments on the Notes, the Issuer has paid or will or would on the next payment date be required to pay Additional Amounts on the Notes and the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it; or

b) as a result of a Tax Law Change, in respect of the Issuer's obligation to make any payment of interest on the next following Interest Payment Date, (i) the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in Ireland, or such entitlement is materially reduced; or (ii) the Issuer would not to any material extent be entitled to have such deduction set against the profits of companies with which it is grouped for applicable Irish tax purposes (whether under the group relief system current as at the Issue Date or any similar system or systems having like effect as may from time to time exist) and, in each such case, the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it,

then the Issuer may:

(x) subject to the Solvency Condition, Condition 6.1(b) and Condition 6.2 and having given not less than 30 nor more than 60 days' notice to the Trustee, the Registrar, the Principal Paying Agent and, in accordance with Condition 15, the Holders (which notice shall, subject as aforesaid, be irrevocable and shall specify the date for redemption), redeem in accordance with these Conditions at any time all, but not some only, of the Notes at their principal amount, together with Arrears of Interest, if any, and any other interest accrued to (but excluding) the date of redemption in accordance with these Conditions; provided that, in the case of a Tax Law Change which is a proposed amendment or a proposed change only, no such notice of redemption shall be given earlier than 90 days prior to: (i) the earliest date on which the Issuer would be required to pay such Additional Amounts (in the case of a redemption pursuant to Condition 6.3(a)); or (ii) the first Interest Payment Date on which the eventuality set out in Condition 6.3(b)(i) or Condition 6.3(b)(ii), as applicable, would materialise (in the case of a redemption pursuant to Condition 6.3(b)), as applicable; or

(y) subject to Condition 6.2 (without any requirement for the consent or approval of the Holders) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Registrar, the Principal Paying Agent and, in accordance with Condition 15, the Holders (which notice shall, subject as aforesaid, be irrevocable and shall specify the date for substitution or, as the case may be, variation), substitute at any time all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or become, Qualifying Dated Tier 2 Securities, and the Trustee shall, subject as provided below and to the receipt by it of the certificates of the Directors referred to in Condition 6.2, this Condition 6.3 and in the definition of Qualifying Dated Tier 2 Securities, agree to such substitution or variation. Upon the expiry of such notice, the Issuer shall either vary the terms of or substitute the Notes in accordance with this Condition 6.3, as the case may be. The Trustee shall use its reasonable endeavours to assist the Issuer in the substitution of the Notes so that they remain, or as appropriate, become Qualifying Dated Tier 2 Securities, provided that the Trustee shall not be obliged to participate in, or assist with, any such substitution or variation if the terms of the proposed Qualifying Dated Tier 2 Securities or the participation in or assistance with such substitution would impose, in the Trustee's opinion, more onerous obligations upon it.

Prior to the publication of any notice of redemption, substitution or variation pursuant to this Condition 6.3, the Issuer shall deliver to the Trustee a certificate signed by two Directors stating that the relevant requirement or circumstance referred to in Condition 6.3(a) or Condition 6.3(b) applies. Such certificate and those certificates referred to above in this Condition 6.3 may be treated, accepted and relied upon by the Trustee without any further enquiry or liability to any person as to correct, conclusive and sufficient evidence of the matters to which they relate and, if so treated and accepted, shall be treated and accepted by the Holders and all other interested parties as correct, conclusive and sufficient evidence thereof without liability to any person. Upon expiry of such notice the Issuer shall (subject to Condition 6.2 and, in the case of a redemption, to the Solvency Condition, Condition 6.1(b), Condition 6.1(c) and Condition 6.1(d)) either redeem, vary or substitute the Notes, as the case may be.

In connection with any substitution or variation in accordance with this Condition 6.3, the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading.

6.4 Redemption, Substitution or Variation at the Option of the Issuer due to Capital Disqualification Event

If immediately prior to the giving of the notice referred to below a Capital Disqualification Event has occurred and is continuing, then:

a) the Issuer may, subject to the Solvency Condition, Condition 6.1(b) and Condition 6.2 and having given not less than 30 nor more than 60 days' notice to the Trustee, the Registrar, the Principal Paying Agent and, in accordance with Condition 15, the Holders (which notice shall, subject as aforesaid, be irrevocable and shall specify the

date for redemption), redeem in accordance with these Conditions all, but not some only, of the Notes at any time. The Notes will be redeemed at their principal amount, together with Arrears of Interest, if any, and any other interest accrued to (but excluding) the date of redemption in accordance with these Conditions; or

b) the Issuer may, subject to Condition 6.2 (without any requirement for the consent or approval of the Holders) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Registrar, the Principal Paying Agent and, in accordance with Condition 15, the Holders (which notice shall, subject as aforesaid, be irrevocable and shall specify the date for substitution or, as the case may be, variation), substitute at any time all (and not some only) of the Notes for, or vary the terms of the Notes so that they remain or become, Qualifying Dated Tier 2 Securities, and the Trustee shall subject as provided below and to the receipt by it of the certificates of the Directors referred to in Condition 6.2, this Condition 6.4 and in the definition of Qualifying Dated Tier 2 Securities, agree to such substitution or variation. Upon the expiry of such notice, the Issuer shall either vary the terms of or substitute the Notes in accordance with this Condition 6.4, as the case may be. The Trustee shall use its reasonable endeavours to assist the Issuer in the substitution of the Notes so that they remain, or as appropriate, become Qualifying Dated Tier 2 Securities, provided that the Trustee shall not be obliged to participate in, or assist with, any such substitution or variation if the terms of the proposed Qualifying Dated Tier 2 Securities or the participation in or assistance with such substitution would impose, in the Trustee's opinion, more onerous obligations upon it.

Prior to the publication of any notice of redemption, substitution or variation pursuant to this Condition 6.4, the Issuer shall deliver to the Trustee a certificate signed by two Directors stating that a Capital Disqualification Event has occurred and is continuing as at the date of the certificate. Such certificate and those certificates referred to above in this Condition 6.4 may be treated, accepted and relied upon by the Trustee without any further enquiry or liability to any person as to correct, conclusive and sufficient evidence of the matters to which they relate and, if so treated and accepted, shall be treated and accepted by the Holders and all other interested parties as correct, conclusive and sufficient evidence thereof without liability to any person. Upon expiry of such notice the Issuer shall (subject to Condition 6.2 and, in the case of a redemption, to the Solvency Condition, Condition 6.1(b), Condition 6.1(c) and Condition 6.1(d)) either redeem, vary or substitute the Notes, as the case may be.

In connection with any substitution or variation in accordance with this Condition 6.4, the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading.

6.5 Redemption at the Option of the Issuer due to Change of Control

If immediately prior to the giving of the notice referred to below a Change of Control has occurred and is continuing, then the Issuer may, subject to the Solvency Condition, Condition 6.1(b) and Condition 6.2 and having given not less than 30 nor more than 60 days' notice to the Trustee, the Registrar, the Principal Paying Agent and, in accordance with Condition 15,

the Holders (which notice shall, subject as aforesaid, be irrevocable and shall specify the date for redemption), redeem in accordance with these Conditions all, but not some only, of the Notes at any time. The Notes will be redeemed at their principal amount, together with Arrears of Interest, if any, and any other interest accrued to (but excluding) the date of redemption in accordance with these Conditions.

Prior to the publication of any notice of redemption, substitution or variation pursuant to this Condition 6.5, the Issuer shall deliver to the Trustee a certificate signed by two Directors stating that a Change of Control has occurred and is continuing as at the date of the certificate. Such certificate and those certificates referred to above in this Condition 6.5 may be treated, accepted and relied upon by the Trustee without any further enquiry or liability to any person as to correct, conclusive and sufficient evidence of the matters to which they relate and, if so treated and accepted, shall be treated and accepted by the Holders and all other interested parties as correct, conclusive and sufficient evidence thereof without liability to any person. Upon expiry of such notice the Issuer shall (subject to the Solvency Condition, Condition 6.1(b), Condition 6.1(c), Condition 6.1(d) and Condition 6.2) redeem the Notes.

6.6 Purchases

The Issuer may, subject to the Solvency Condition and Condition 6.2, at any time purchase (or otherwise acquire), or procure others to purchase (or otherwise acquire) beneficially for its account, Notes in any manner and at any price. The Notes so purchased (or acquired), while held by or on behalf of the Issuer, shall not entitle the Holder to vote at any meetings of the Holders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Holders or for the purposes of Condition 10.

6.7 Cancellation

All Notes purchased by or on behalf of the Issuer may (at the option of the Issuer) be held, reissued, resold or surrendered for cancellation. All Notes surrendered for cancellation, together with all Notes redeemed or substituted by the Issuer, shall be cancelled forthwith. Any Notes so redeemed or surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

6.8 Trustee Not Obliged to Monitor

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or may happen or exists or may exist within this Condition 6 and will not be responsible or liable to Holders for any loss or liability arising from any failure or delay by the Trustee to do so. Unless and until the Trustee has actual knowledge of the occurrence of any event or circumstance within this Condition 6, it shall be entitled to assume that no such event or circumstance exists or may exist.

7. Payments

7.1 Method of Payment

(a) **Principal**: Payments of principal shall be made by transfer to the registered account of the Holder or by euro cheque drawn on a bank that processes payments in euro mailed to the registered Holder if it does not have a registered account. Payments of principal will only be made against surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificate at the specified office of the Principal Paying Agent.

(b) **Interest**: Payments of interest shall be made by transfer to the registered account of the Holder or by euro cheque drawn on a bank that processes payments in euro mailed to the registered Holder if it does not have a registered account. Payments of interest due otherwise than on an Interest Payment Date will only be made against surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificate at the specified office of the Principal Paying Agent at the specified office of the Principal Paying Agent.

7.2 Payments subject to Laws

All payments will be subject in all cases to (a) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (b) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto.

7.3 Record date

Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's specified office on the Business Day before the due date of such payment (the "**Record Date**").

7.4 Appointment of Agents

The Principal Paying Agent, the Registrar and the Transfer Agents initially appointed by the Issuer and their specified offices are listed below. Subject as provided in the Agency Agreement, the Principal Paying Agent, the Registrar and the Transfer Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Holder. The Issuer reserves the right at any time with the prior written approval of the Trustee (such approval not to be unreasonably withheld or delayed) to vary or terminate the appointment of the Principal Paying Agent, the Registrar or any Transfer Agent and to appoint additional or other Transfer Agents, provided that the Issuer shall at all times maintain (a) a Principal Paying Agent, (b) a Transfer Agent having a specified office in a major city in a

European Union Member State other than Ireland that will not be obliged to withhold or deduct tax whether pursuant to Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such directive which is approved by the Trustee. Notice of any such change or any change of any specified office shall promptly be given to the Holders in accordance with Condition 15.

7.5 Non-Business Days

If any date for payment in respect of any Note is not a Business Day, the Holder shall not be entitled to payment until the next following Business Day nor to any interest or other sum in respect of such postponed payment. In these Conditions, "**Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the place in which the specified office of the Registrar is located and which is a TARGET Business Day.

8. Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Irish Revenue Commissioners or any authority in Ireland having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Holders of such amounts as would have been received by them had no such withholding or deduction been required by law to be made ("**Additional Amounts**"), except that no such Additional Amounts shall be payable with respect to any Note:

a) *Other connection*: presented for payment by or on behalf of a Holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with Ireland other than the mere holding of the Note; or

b) *Lawful avoidance of withholding*: presented for payment by or on behalf of, a Holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any person who is associated or connected with the Holder for the purposes of any tax complies with any statutory requirements or by making or procuring that any such person makes a declaration of non residence or other similar claim for exemption to any tax authority in the place where the relevant Note is presented for payment; or

c) *Presentation more than 30 days after the Relevant Date*: presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the Holder would have been entitled to such Additional Amounts on presenting it for payment on the thirtieth day; or

d) *EU Savings Directive*: where such withholding or deduction is required to be made pursuant to Council Directive 2003/48/EC (as amended from time to time) or any law implementing or complying with, or introduced to conform to, such directive (as amended from time to time) or any agreement between the European Union and any jurisdiction providing for equivalent measures; or

e) *Payment by another Paying Agent*: presented for payment by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union (provided that there is such a Paying Agent appointed at the relevant time); or

f) where such withholding or deduction is required to be made pursuant to FATCA or an IGA.

As used in these Conditions, "**Relevant Date**" means:

(i) in respect of any payment other than a sum to be paid by the Issuer in a winding-up, administration or examinership of the Issuer, the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Holders that, upon further surrender of the Certificate representing such Note being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender; and

(ii) in respect of a sum to be paid by the Issuer in a winding-up, administration or examinership of the Issuer, the date which is one day prior to the date on which an order is made or a resolution is passed for the winding-up or, in the case of an administration, one day prior to the date on which any dividend is distributed or, in the case of an examinership, one day prior to the date on which an examiner of the Issuer agrees to make a payment in settlement of a claim as part of any scheme of arrangement of the Issuer.

References in these Conditions to principal and/or interest shall be deemed to include any Additional Amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

9. Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest including, without limitation, Arrears of Interest) from the appropriate Relevant Date in respect of them.

10. Events of Default and Enforcement

10.1 Rights to institute and/or prove in a winding-up

Notwithstanding any of the provisions below in this Condition 10, the right to institute winding-up proceedings is limited to circumstances where payment has become due and is not duly paid. Pursuant to Condition 2.2, no principal, interest or any other amount will be due on the relevant payment date if the Solvency Condition is not satisfied, at the time of and immediately after any such payment. In addition, in the case of any payment of interest in respect of the Notes, such payment will be deferred and will not be due if Condition 5.1 applies and in the case of payment of principal, such payment will be deferred and will not be due if Condition 6.1(b) applies or the relevant Regulatory Conditions are not satisfied or such redemption otherwise cannot be effected in compliance with the Relevant Rules on such date.

If default is made for a period of 14 days or more in the payment of any interest (including, without limitation, Arrears of Interest) or principal due in respect of the Notes or any of them, the Trustee in its discretion may, and if so requested by Holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to its having been indemnified and/or secured and/or prefunded to its satisfaction), institute proceedings for the winding-up of the Issuer and/or prove in the winding-up, examinership or administration of the Issuer and/or claim in the liquidation of the Issuer, such claim being as contemplated in Condition 10.2, but may take no further or other action to enforce, prove or claim for any such payment. No payment in respect of the Notes or the Trust Deed may be made by the Issuer pursuant to this Condition 10.1, nor will the Trustee accept the same, otherwise than during or after a winding-up of the Issuer or after an administrator of the Issuer has given notice that it intends to declare and distribute a dividend and/or an examiner of the Issuer agrees to make a payment in settlement of a claim as part of any scheme of arrangement of the Issuer following the Issuer being placed in examinership, unless the Issuer has given prior written notice (with a copy to the Trustee) to, and received consent or non-objection from, the Relevant Regulator, which the Issuer shall confirm in writing to the Trustee.

10.2 Amount payable on winding-up, administration or examinership

If an order is made by the competent court or resolution passed for the winding-up of the Issuer (other than an Approved Winding-up) or an administrator of the Issuer gives notice that it intends to declare and distribute a dividend or an examiner of the Issuer agrees to make a payment in settlement of a claim as part of any scheme of arrangement of the Issuer following the Issuer being placed in examinership, the Trustee at its discretion may, and if so requested by Holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to its being indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer (or, as applicable, the administrator, liquidator or examiner) that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at the amount equal to their principal amount together with Arrears of Interest, if any, and any other accrued and unpaid

interest, and the claim in respect thereof will be subject to the subordination provided for in Condition 2.1.

In addition, any other amounts in respect of the Notes (including any damages awarded for breach of any obligations under these Conditions or the Trust Deed) in respect of which the Solvency Condition was not satisfied on the date upon which the same would otherwise have become due and payable will be payable by the Issuer in a winding-up or administration, and the claim in respect thereof will be subject to the subordination provided for in Condition 2.1.

10.3 Enforcement

Without prejudice to Condition 10.1 or Condition 10.2 above, the Trustee may at its discretion and without further notice institute such proceedings or take such steps or actions against the Issuer as it may think fit to enforce any obligation, term, condition or provision binding on the Issuer under the Trust Deed or the Notes (other than any payment obligation of the Issuer under or arising from the Notes or the Trust Deed including, without limitation, payment of any principal or interest (including, without limitation, Arrears of Interest) in respect of the Notes and any damages awarded for breach of any obligations) but in no event shall the Issuer, by virtue of the institution of any such proceedings or the taking of such steps or actions, be obliged to pay any sum or sums (in cash or otherwise) sooner than the same would otherwise have been payable by it. Nothing in this Condition 10.3 shall, subject to Condition 10.1, prevent the Trustee instituting proceedings for the winding-up of the Issuer, proving in any winding up of the Issuer and/or claiming in any liquidation, administration or examinership of the Issuer in respect of any payment obligations of the Issuer arising from the Notes or the Trust Deed (including without limitation, payment of any principal or interest (including, without limitation, Arrears of Interest) in respect of the Notes and any damages awarded for any breach of any obligations under the Notes or the Trust Deed).

10.4 Entitlement of the Trustee

The Trustee shall not be bound to take any of the actions referred to in Condition 10.1, Condition 10.2 or Condition 10.3 above to enforce the obligations of the Issuer under the Trust Deed or the Notes unless (a) it shall have been so directed by an Extraordinary Resolution of the Holders or so requested in writing by the Holders of at least one-quarter in principal amount of the Notes then outstanding and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

10.5 Right of Holders

No Holder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up or claim in the liquidation, administration or examinership of the Issuer or to prove in such winding-up unless the Trustee, having become so bound to proceed or being able to prove in such winding-up or claim in such winding-up, fails to do so within a reasonable period and such failure shall be continuing, in which case the Holder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 10.

10.6 Extent of Holders' remedy

No remedy against the Issuer, other than as referred to in this Condition 10, shall be available to the Trustee or the Holders, whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Notes or under the Trust Deed.

11. Meetings of Holders, Modification, Waiver and Substitution

11.1 Meetings of Holders

The Trust Deed contains provisions for convening meetings of Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee or Holders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons holding Notes or representing Holders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia* (a) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Arrears of Interest on the Notes, (b) to reduce or cancel the principal amount of the Notes, (c) to reduce the rate of interest or Arrears of Interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any interest amount in respect of the Notes, (d) to vary the currency or currencies of payment or denomination of the Notes, (e) to take any steps that as specified hereon may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, (f) to modify the provisions concerning the quorum required at any meeting of Holders or the majority required to pass an Extraordinary Resolution, or (g) to modify Condition 2, in which case the necessary quorum shall be one or more persons holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, in principal amount of the Notes for the time being outstanding.

The agreement or approval of the Holders shall not be required in the case of any variation of these Conditions and/or the Trust Deed made in the circumstances described in Condition 6.3 or Condition 6.4 in connection with the substitution or variation of the Notes so that they remain or become Qualifying Dated Tier 2 Securities, and to which the Trustee has agreed pursuant to the relevant provisions of Condition 6.3 or Condition 6.4, as the case may be. Any Extraordinary Resolution duly passed shall be binding on Holders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the Holders of not less than 90 per cent. in principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders duly

convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

11.2 Modification of the Trust Deed or the Agency Agreement

The Trustee may agree, without the consent of the Holders, to (a) any modification of any of these Conditions and the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee of a formal, minor or technical nature or is made to correct a manifest error, and (b) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions and the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Holders.

Any such modification, authorisation or waiver shall be binding on the Holders and such modification shall be notified to the Holders as soon as practicable thereafter.

11.3 Notices to the Relevant Regulator

No modification to these Conditions or any other provisions of the Trust Deed shall become effective unless any relevant Regulatory Conditions are satisfied.

11.4 Substitution

The Trustee may agree with the Issuer, without the consent of the Holders, to the substitution on a subordinated basis equivalent to that referred to in Condition 2 of any person or persons incorporated in any country in the world (the "**Substitute Obligor**") in place of the Issuer (or any previous Substitute Obligor under this Condition) as a new principal debtor under the Trust Deed and the Notes provided that:

(i) a trust deed is executed or some other form of undertaking is given by the Substitute Obligor in form and manner satisfactory to the Trustee, agreeing to be bound by the terms of the Trust Deed and the Notes, with any consequential amendments which the Trustee may deem appropriate, as fully as if the Substitute Obligor had been named in the Trust Deed and on the Notes, as the principal debtor in place of the Issuer (or of any previous Substitute Obligor, as the case may be);

(ii) (unless the successor in business of the Issuer is the Substitute Obligor) the obligations of the Substitute Obligor under the Trust Deed and the Notes are guaranteed by the Issuer (or the successor in business of the Issuer) on a subordinated basis equivalent to that referred to in Condition 2 and in the Trust Deed and in a form and manner satisfactory to the Trustee, and provided further that the obligations of such guarantor shall be subject to a solvency condition equivalent to that set out in Condition 2.2, such guarantor shall not exercise rights of subrogation or contribution against the Substitute Obligor without the consent of the Trustee and the only event of default applying to such guarantor shall be an event of default equivalent to that set out in Condition 10.1;

(iii) the directors of the Substitute Obligor or other officers acceptable to the Trustee certify that the Substitute Obligor is solvent at the time at which the said substitution is proposed to be effected (and the Trustee may rely absolutely on such certification without further enquiry and without liability to any person and shall not be bound to have regard to the financial condition, profits or prospects of the Substitute Obligor or to compare the same with those of the Issuer);

(iv) (without prejudice to the rights of reliance of the Trustee under Condition 11.4(iii) above) the Trustee is satisfied that the said substitution is not materially prejudicial to the interests of the Holders;

(v) (without prejudice to the generality of paragraph (i) above) the Trustee may in the event of such substitution agree, without the consent of the Holders, to a change in the law governing the Trust Deed and/or the Notes, provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Holders;

(vi) if the Substitute Obligor is, or becomes, subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the "**Substituted Territory**") other than the territory or any such authority to the taxing jurisdiction of which the Issuer is subject generally (the "**Issuer's Territory**"), the Substitute Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 8 with the substitution for the references in that Condition and in Condition 6.3 to the Issuer's Territory of references to the Substituted Territory whereupon the Trust Deed and the Notes will be read accordingly; and

(vii) the Issuer and the Substitute Obligor comply with such other requirements in the interests of the Holders as the Trustee may direct.

Any substitution pursuant to this Condition 11 shall be subject to satisfaction of any Regulatory Conditions.

12. Entitlement of the Trustee

In connection with any exercise of its functions (including but not limited to those referred to in Condition 11), the Trustee shall have regard to the interests of the Holders as a class and the Trustee shall not have regard to the consequences of such exercise for individual Holders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. In connection with any such exercise as aforesaid, no Holder shall be entitled to claim, whether from the Issuer, the Substitute Obligor or the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such substitution or any such exercise upon any individual Holders except to the extent already provided in Condition 8 and/or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

13. Rights of the Trustee

The Trust Deed contains provisions for the provision of indemnification, security and prefunding to the Trustee and for its relief from responsibility, including provisions relieving it from taking any steps or action, including instituting any proceedings, unless indemnified and/or secured and/or prefunded to its satisfaction.

The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

The Trustee may rely without liability to Holders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise.

Condition 2 applies only to amounts payable in respect of the Notes and nothing in Conditions 2 or 10 shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.

14. Replacement of Note Certificates

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

15. Further Issues

The Issuer may, from time to time, without the consent of the Holders, create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Holders and the holders of securities of other series where the Trustee so decides.

16. Notices

All notices to the Holders will be valid if mailed to them at their respective addresses in the Register maintained by the Registrar. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any notice shall be deemed to have been given on the second day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

17. Definitions

As used herein:

"**Additional Amounts**" has the meaning given to it in Condition 8;

"**Approved Winding-up**" means a solvent winding-up of the Issuer solely for the purposes of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which reconstruction, amalgamation or substitution (i) have previously been approved in writing by the Trustee or by an Extraordinary Resolution and (ii) do not provide that the Notes shall thereby become payable;

"**Arrears of Interest**" has the meaning given to it in Condition 5.2;

"**Assets**" means the unconsolidated gross assets of the Issuer, as shown in the latest published audited balance sheet of the Issuer, but adjusted for subsequent events, all in such manner as the Directors may determine;

"**Business Day**" has the meaning given to it in Condition 7.5;

"**Calculation Amount**" has the meaning given to it in Condition 4.3;

"**Capital Disqualification Event**" is deemed to have occurred if as a result of the implementation of Solvency II or any change to (or change to the interpretation by any court or authority entitled to do so of) the Relevant Rules, the Directive or (following its implementation) Solvency II the entire principal amount of the Notes is fully excluded from counting as Tier 2 Capital for the purposes of the Issuer or the Group, whether on a solo, group or consolidated basis, except where such non-qualification is only as a result of any applicable limitation on the amount of such capital;

"**Change of Control**" occurs if any person or group, acting in concert, gains Control of the Issuer and/or the Parent;

"**Code**" means the U.S. Internal Revenue Code of 1986, as amended;

"**Control**" means (i) any direct or indirect legal or beneficial ownership of, or any direct or indirect legal or beneficial entitlement to, in the aggregate, more than 50 per cent. of the ordinary shares of a company, the right to directly or indirectly appoint a majority of the directors, or any other ability to control the affairs of a company, or (ii) in the event of a tender offer for shares of a company, circumstances where (A) the shares already in the control of the offeror and the shares with respect to which the offer has been accepted carry in aggregate more than 50 per cent. of the voting rights in the company, and (B) at the same time the offer has become unconditional, or (iii) the disposal or transfer by the company of all or substantially all of its assets to another person or other persons;

"**Directive**" means Directive 98/78/EC of the European Union, as amended from time to time;

"**Directors**" means the directors of the Issuer;

"**EEA**" means the countries comprising the European Union together with Norway, Liechtenstein and Iceland;

"**EEA Regulated Market**" means a market as defined by Article 4.1.14 of Directive 2004/39/EC of the European Parliament and of the Council of the European Union on markets in financial instruments, as amended;

"**euro**", "**€**" or "**cents**" means the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty of Rome establishing the European Communities, as amended;

"**Extraordinary Resolution**" has the meaning given in the Trust Deed;

"**FATCA**" means an agreement described in Section 1471(b) of the Code, Section 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement);

"**Group**" means, at any time, the Issuer and its subsidiaries (if any) at such time;

"**Group Supervisor**" means the regulatory authority exercising group supervision over the Group in accordance with the Solvency II Directive;

"**Holder**" has the meaning given to it in Condition 3.1;

"**insurance holding company**" has the meaning given to it in the Solvency II Directive;

"**insurance undertaking**" has the meaning given to it in the Solvency II Directive;

"**Interest Payment Date**" has the meaning given to it in Condition 4.1;

"**Interest Period**" means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

"**Irish Stock Exchange**" means the Irish Stock Exchange plc;

"**Issue Date**" means 23 September, 2015;

"**Issuer's Territory**" has the meaning given to it in Condition 11.4(vi);

"**Junior Securities**" has the meaning given to it in Condition 2.1;

"**Level 2 Regulations**" means the Commission Delegated Regulation (EU) No. 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council of the European Union on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II);

"**Liabilities**" means the unconsolidated gross liabilities of the Issuer, as shown in the latest published audited balance sheet of the Issuer, but adjusted for contingent liabilities and for subsequent events, all in such manner as the Directors may determine;

"**Mandatory Interest Deferral Date**" means each Interest Payment Date in respect of which a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if payment of interest was made on such Interest Payment Date;

"**Market**" means the Irish Stock Exchange's EEA Regulated Market;

"**Maturity Date**" means 23 September, 2025;

"**Minimum Capital Requirement**" means the Minimum Capital Requirement or other minimum capital requirements (as applicable) referred to in Solvency II or the Relevant Rules;

"**Note Certificate**" has the meaning given to it in Condition 3.1;

"**Official List**" means the official list of the Irish Stock Exchange;

"**Parent**" means FBD Holdings plc, a company incorporated in Ireland with registered number 135882 and registered office at FBD House, Bluebell, Dublin 12;

"***Pari Passu* Creditors**" means creditors of the Issuer whose claims rank, or are expressed to rank, *pari passu* with the claims of the Holders, including (without limitation) holders of *Pari Passu* Securities;

"***Pari Passu* Securities**" has the meaning given to it in Condition 2.1;

"**Qualifying Dated Tier 2 Securities**" means securities issued directly by the Issuer or indirectly and guaranteed by the Issuer (such guarantee to rank on a subordinated basis equivalent to that referred to in Condition 2 and in the Trust Deed) that:

(i) have terms not materially less favourable to a Holder than the terms of the Notes, as reasonably determined by the Issuer in consultation with an investment bank or financial adviser of international standing (which in either case is independent of the Issuer), and provided that a certification to such effect (including as to such consultation) of two Directors shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely without further enquiry and without liability to any person) prior to the issue or, as appropriate, variation of the relevant securities), and, subject thereto, which (1) contain terms which comply with the then current requirements of the Relevant Rules in relation to Tier 2 Capital or, if issued prior to Solvency II Implementation, would by virtue of the operation of any grandfathering provisions under any Relevant Rules be eligible to be classified as Tier 2 Capital; (2) include terms which provide for the same Interest Rate and Interest Payment Dates from time to time applying to the Notes; (3) rank senior to, or pari passu with, the ranking of the Notes; (4) preserve any existing rights under these Conditions to any accrued interest, Arrears of Interest and any or other amounts which have not been paid; (5) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption; (6) do not contain terms providing for loss absorption through principal write-down or conversion to ordinary shares and (7) contain terms providing for mandatory deferral of payments of interest and/or principal only if such terms are not materially less favourable to an investor than the mandatory deferral provisions contained in the terms of the Notes; and

(ii) are (i) listed on the Official List and admitted to trading on the Market or (ii) listed on such other stock exchange as is a Recognised Stock Exchange at that time as selected by the Issuer and approved by the Trustee, such approval not to be unreasonably withheld or delayed;

"**Recognised Stock Exchange**" means a recognised stock exchange for the purposes of the exemption from withholding on interest payments under section 64 of the Taxes Consolidation Act, 1997;

"**Record Date**" has the meaning given to it in Condition 7.3;

"**Register**" has the meaning given to it in Condition 3.1;

"**Regulatory Capital Requirements**" means any applicable capital resources requirement or applicable overall financial adequacy rule (or equivalent) required by the Relevant Regulator pursuant to the Relevant Rules, as any such requirement or rule is in force from time to time;

"**Regulatory Conditions**" means, in relation to any action at any time, any notifications to, or consent or non-objection (or, as appropriate, waiver) from, the Relevant Regulator for such

action to be undertaken which are required at such time by the Relevant Regulator pursuant to the Relevant Rules;

"**Regulatory Deficiency Interest Deferral Event**" means any event (including, without limitation, any event which causes any Solvency Capital Requirement or Minimum Capital Requirement applicable to the Issuer, all or part of the Group (which part includes the Issuer and at least one other member of the Group) or any insurance undertaking within the Group to be breached and such breach is an event) which under Solvency II and/or under the Relevant Rules means that the Issuer must defer payment of interest (or, if applicable, Arrears of Interest) in respect of the Notes (in order that the Notes qualify, and/or on the basis that the Notes are intended to qualify, as Tier 2 Capital under Solvency II and any other Relevant Rules);

"**Regulatory Deficiency Redemption Deferral Event**" means any event (including, without limitation, any event which causes any Solvency Capital Requirement or Minimum Capital Requirement applicable to the Issuer, all or part of the Group (which part includes the Issuer and at least one other member of the Group) or any insurance undertaking within the Group to be breached and such breach is an event) which under Solvency II and/or under the Relevant Rules means that the Issuer must defer or suspend repayment or redemption of the Notes (in order that the Notes qualify, and/or on the basis that the Notes are intended to qualify, as Tier 2 Capital under Solvency II and any other Relevant Rules);

"**Relevant Date**" has the meaning given to it in Condition 8;

"**Relevant Regulator**" means the Central Bank of Ireland or, if the Central Bank of Ireland at any time ceases to be the Group Supervisor or the Supplementary Supervisor, such other regulator as becomes the Group Supervisor for the purpose of Solvency II or the Supplementary Supervisor for the purpose of the Directive (as applicable) or such other regulator having primary supervisory authority with respect to prudential matters in relation to the Group;

"**Relevant Rules**" means any legislation, rules or regulations (whether having the force of law or otherwise) in the jurisdiction of the Relevant Regulator, implementing the Directive or, as applicable, Solvency II and any relevant prudential rules for insurers applied by the Relevant Regulator and any amendment, supplement or replacement of either thereof from time to time relating to the characteristics, features or criteria of own funds or capital resources;

"**Senior Creditors**" means (a) creditors of the Issuer who are unsubordinated creditors of the Issuer including all policyholders of the Issuer (for the avoidance of doubt, the claims of policyholders shall include all amounts to which policyholders are entitled under applicable legislation or rules relating to the winding-up of insurance companies to reflect any right to receive or expectation of receiving benefits which policyholders may have) and (b) other creditors of the Issuer whose claims are, or are expressed to be, subordinated to the claims of other creditors of the Issuer (other than those whose claims are in respect of instruments or obligations which constitute, or would but for any applicable limitation on the amount of any

such capital constitute, (i) Tier 1 Capital or (ii) Tier 2 Capital, or whose claims otherwise rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Holders);

"**Solvency II**" means the Solvency II Directive and any additional measures adopted to give effect to the Solvency II Directive (for the avoidance of doubt, whether implemented by way of a regulation (including, without limitation, the Level 2 Regulations), a directive or otherwise);

"**Solvency II Directive**" means Directive 2009/138/EC of the European Parliament and of the Council of the European Union of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II) and which must be transposed by Member States of the European Economic Area pursuant to Article 309 of Directive 2009/138/EC;

"**Solvency II Implementation**" means the date from which Solvency II or the legislation, rules or other measures implementing Solvency II in Ireland are applied to the Issuer;

"**Solvency Capital Requirement**" means the Solvency Capital Requirement or the group Solvency Capital Requirement (as applicable) referred to in, or any other capital requirement howsoever described in, Solvency II or the Relevant Rules;

"**Solvency Condition**" has the meaning given to it in Condition 2.2;

"**Substitute Obligor**" has the meaning given to it in Condition 11.4;

"**Substituted Territory**" has the meaning given to it in Condition 11.4(vi);

"**successor in business**" means, with respect to the Issuer, any body corporate which, as the result of any amalgamation, merger, reconstruction, acquisition or transfer:

(a) owns beneficially the whole or substantially the whole of the undertaking, property and assets owned by the Issuer or a successor in business of the Issuer prior thereto; or

(b) carries on, as successor of the Issuer or a successor in business of the Issuer, the whole or substantially the whole of the business carried on by the Issuer or a successor in business of the Issuer prior thereto;

"**Supplementary Supervisor**" means the regulatory authority exercising supplementary supervision over the Group in accordance with the Directive;

"**TARGET Business Day**" means a day on which the TARGET System is operating;

"**TARGET System**" means the Trans European Real-Time Gross Settlement Express Transfer (known as TARGET 2) System which was launched on 19 November, 2007 or any successor thereto;

"**Tax Event**" means an event of the type described in Condition 6.3(a) or 6.3(b);

"**Tax Law Change**" has the meaning given to it in Condition 6.3(a);

"**Tier 1 Capital**" has the meaning given to instruments that comprise tier 1 own fund items for the purposes of the Relevant Rules;

"**Tier 2 Capital**" has the meaning given to instruments that comprise tier 2 own fund items for the purposes of the Relevant Rules.

18. Governing Law

(a) Governing Law

The Trust Deed, the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of England, save that Condition 2.1 and Condition 2.3 (and related provisions of the Trust Deed) relating to the subordination of the Notes and set-off are governed by, and shall be construed in accordance with, the laws of Ireland.

(b) Jurisdiction

The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Trust Deed or the Notes (other than Conditions 2.1 and 2.3 (and related provisions of the Trust Deed) relating to the subordination of the Notes and set-off ("**Excluded Matters**"), in respect of which the courts of Ireland shall have jurisdiction) and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or any Notes (including any legal action or proceedings relating to non-contractual obligations arising out of or in connection with them) ("**Proceedings**") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of the courts of England in respect of any such Proceedings (other than in respect of Excluded Matters) and to the jurisdiction of the courts of Ireland in respect of any Proceedings relating to Excluded Matters.

(c) Service of Process

The Issuer has in the Trust Deed irrevocably appointed Law Debenture Corporation of 100 Wood Street, London EC2V 7EX as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England.

Summary of the provisions relating to the Notes while in Global Form

1. Initial Issue of Certificates

The Global Certificate (as defined in the Trust Deed) will be registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") and may be delivered on or prior to the Issue Date.

2. Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**") as the holder of a Note represented by the Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer (as the case may be) to the holder of the Global Certificate and in relation to all other rights arising under the Global Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by the Global Certificate and such obligations of the Issuer will be discharged by payment to the registered holder of the Global Certificate in respect of each amount so paid.

3. Exchange

Interests in the Global Certificate will be exchangeable (free of charge to the holder), in whole but not in part, for definitive Notes only if:

(a) an Event of Default (as set out in the Trust Deed) has occurred; or

(b) Euroclear and Clearstream, Luxembourg are both closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or both announce an intention permanently to cease business or do in fact do so and no Alternative Clearing System is available.

In the event of the occurrence of (a) or (b) above, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Global Certificate) may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Any reference herein to Euroclear and/or Clearstream, Luxembourg, shall, wherever the context so permits, be deemed to include a reference to any Alternative Clearing System.

4. Amendments to Conditions

The Global Certificate contains provisions that apply to the Notes that it represents, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions.

4.1 Payments

All payments in respect of Notes represented by the Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment where Clearing System Business Day means Monday to Friday (inclusive) except 25 December and 1 January.

4.2 Meetings

For the purposes of any meeting of Holders, the holder of the Notes represented by the Global Certificate shall be treated as one person for the purposes of any quorum requirements of a meeting of Holders and as being entitled to one vote in respect of each integral currency unit of the currency of the Notes.

5. Trustee's Powers

In considering the interests of Holders while the Global Certificate is held on behalf of, or registered in the name of any nominee for, a Clearing System, the Trustee may have regard to any information provided to it by such Clearing System or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Certificate and may consider such interests as if such accountholders were the holders of the Notes represented by the Global Certificate.

6. Cancellation

Cancellation of any Note following its redemption or purchase by the Issuer will be effected by reduction in the aggregate principal amount of the Notes in the register of Holders and the annotation upon the schedule to the Global Certificate.

7. Notices

So long as all the Notes are represented by the Global Certificate and it is held on behalf of a Clearing System, notices to Holders will be given by delivery of the relevant notice to that Clearing System for communication by it to the relevant accountholders in substitution for notification as required by the Conditions. A notice will be deemed to have been given to accountholders on the first Business Day on which such notice is sent to the relevant Clearing System for delivery to entitled accountholders, provided that, so long as the Notes are admitted to listing or trading on any stock exchange, the requirements of such stock exchange have been complied with.

8. Electronic Consent and Written Resolution

While the Global Certificate is registered in the name of any nominee for the Clearing Systems, then:

(a) approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant Clearing System(s) in accordance with their operating rules and procedures by or on behalf of the Holders of not less than 90 per cent. in nominal amount of the Notes outstanding (an "**Electronic Consent**" as defined in the Trust Deed) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the Special Quorum, as defined in the Trust Deed, was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Holders duly convened and held, and shall be binding on all Holders whether or not they participated in such Electronic Consent; and

(b) where Electronic Consent is not being sought, to determine whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by (a) accountholders in the Clearing System with entitlements to such Global Certificate and/or, (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is beneficially held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the "relevant clearing system") and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Holders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant Clearing System (including Euroclear's EUCLID or Clearstream, Luxembourg's Creation Online system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

Business Description

1. Information on the Issuer

The Issuer was incorporated on 15 September 1967 as a public limited company and is registered in Ireland with registered number 25475 under the laws of Ireland. The principal office of the Issuer is at FBD House, Bluebell, Dublin 12, (Tel: +353 1 409 3208). The Issuer operates under, and the Notes are to be issued in accordance with, the Irish Companies Act 2014.

2. History

The Issuer was founded in 1967 under the name Farmer Business Developments Limited. The Issuer was promoted by the main farming organisations in Ireland who encouraged individual farmers to subscribe the necessary share capital. The Issuer's main purpose was to provide support services to Irish farmers and the concept followed the model and received financial and other support from Assurances du Boerenbond Belge ("**ABB**"), in Belgium, since renamed as KBC Group. ABB had its roots in the 19th century and had very similar origins and traditions to Farmer Business Developments Limited. In addition to the 3,000 individual farmers and co-operatives who together subscribed for 75 per cent of the Issuer's share capital, ABB subscribed for the remaining 25 per cent.

Some key milestones in the Issuer's development were as follows:

1970 Following a decision of the Board to enter the general insurance market, the Issuer changed its name to FBD Insurance Company Limited and commenced trading in that year following receipt of a licence to underwrite general insurance from the Irish Department of Industry and Commerce.

1988 By the end of 1988 the Issuer was distributing farm, motor and commercial insurance through a nationwide network of 32 branches and 6 sub-offices strategically located throughout Ireland.

1988 FBD Holdings plc was incorporated with a view to becoming the main holding company for the Issuer and other related separate entities and to facilitate a public offering of its shares.

1989 Shares in the Issuer's parent, FBD Holdings plc, commenced trading on the Unlisted Securities Market of the Irish and London Stock Exchanges.

1999 The Issuer established a dedicated team, based at its Dublin head office, to underwrite commercial small and medium enterprise ("**SME**") businesses in the greater Dublin area.

2013 This marked the low point for the Irish general insurance market in the aftermath of the economic collapse of 2008. The overall Irish general insurance market for this year was

€2.6 billion, representing a peak to trough decline from 2004 of 38 per cent. With gross written premiums of €351 million, the Issuer's market share in this year was 13.6 per cent.

2014 The Issuer's market share reached No. 1 in the Irish general insurance market.

2015 As part of its plan for preparation for Solvency II, the Board examined the capital base for the Issuer and resolved to issue a Solvency II compliant Tier 2 bond amounting to € 70 million for general corporate purposes and to provide for additional capital as a buffer over and above the Issuer's Solvency Capital Requirement.

3. Organisational Structure

The Issuer is a wholly owned subsidiary of FBD Holdings plc, which is an Irish registered company whose ordinary shares of €0.60 each are listed on the Irish Stock Exchange and the Official List of the UK Listing Authority and are traded on the Irish and London Stock Exchanges, details as follows:

Listing	Irish Stock Exchange	UK Listing Authority
Listing Category	Premium	Premium (Equity)
Trading Venue	Irish Stock Exchange	London Stock Exchange
Market	Main Securities Market	Main Market
ISIN	IE0003290289	IE0003290289
Ticker	FBD.I or EG7.IR	FBH.L

The Issuer has no subsidiaries of its own.

4. Overview of the Issuer's markets

The Issuer utilises a multi-product and multi-distribution channel business model to cover most customer segments for personal, commercial and agricultural lines in the Irish general insurance market.

The Irish general insurance market is about €2.7 billion in size. Motor with premiums of €1.2 billion is the largest segment of the market, of which 75 per cent of motor insurance gross written premium is accounted for by private motor business with the remaining 25 per cent being commercial motor business. The motor net underwriting loss was €219 million for the year ended 31 December 2014. The property insurance class is the second largest sector with premiums of €830 million for the year ended 31 December 2014. The property insurance market is split between household (57 per cent) and commercial property (43 per cent). The property insurance market recorded a net underwriting profit of €50 million for the year ended 31 December 2014. Liability premiums amounted to €491 million in 2014. Liability insurers made a net underwriting loss of €22 million in 2014.

The Issuer's market share as at 31 December 2014 was 13.7 per cent (Motor 14 per cent, Property 15 per cent, Liability 14 per cent and other 4 per cent). The Irish insurance market is at a low point in the underwriting cycle. The market is hardening particularly in the motor and commercial lines with very significant increases in rates which are driven by the profitability of the market, lowered investment returns and an inflation in claims. The Issuer has a proven

track record of growing market share steadily, profitably and outperforming the market, having grown its market share in 12 of the last 14 years. The Issuer is well positioned to grow when the market hardens and as a more sustainable economic recovery develops in the Irish market. The Issuer has significant scope for growth with high market penetration levels in rural areas, agricultural related businesses (including farm and tractor) and in SME type businesses, but low penetration in urban areas (which make up close to 50 per cent of the population and associated insurable risks) and broker businesses. Low market share in urban areas, among the female population and with the consumer market could give the Issuer the opportunity to potentially increase its market share.

5. Competitive Strengths

The Issuer has a number of core strengths that underpin the Issuer's core underwriting business, these include:

The Issuer's Personnel

Fiona Muldoon (the Issuer's interim CEO) joined FBD in January 2015 as Finance Director and was appointed as an executive Director and member of the board of the Issuer (the "**Board**"). A Chartered Accountant, Ms. Muldoon was Director of Credit Institutions and Insurance Supervision at the Central Bank of Ireland from August 2011 until May 2014. Prior to this she was with XL Group for seventeen years and held a number of senior roles with this NYSE listed Property & Casualty Insurance firm in Ireland, the United Kingdom and Bermuda, including two years as General Manager of its Irish operation from 2001 to 2003 and two years as group Treasurer from 2008 to 2010.

She is complemented by a strong and experienced board and management team. In recent years, the Issuer has invested in strengthening its people management expertise and capabilities, recognising that it is these capabilities that underpin the Issuer's success.

The Issuer's Brand

The Issuer has established a strong brand identity in its core customer group, with a market leading position as 'insurer of choice' in Irish farming, agricultural and small business sectors and it is a highly recognised and trusted brand. The Issuer has the highest net promoter score ("**NPS**") in the Irish market, high customer satisfaction levels and has achieved high brand awareness levels in market surveys. The Issuer's proven track record of delivering superior customer service for its customers is evidenced by its NPS of 47, placing the Issuer as best in the market for the third consecutive year, with an exceptionally strong endorsement from its core farming customer of 52. The NPS is calculated by asking customers how likely they are to recommend the Issuer to a family member, associate, friend or colleague. They rate from 1-10. 9 or 10 are considered "promoters" and 0-6 are considered "detractors". The NPS is calculated by subtracting the % of detractors from the % of promoters. Two-thirds of Fortune 500 companies use NPS.

The Issuer is uniquely positioned within the Irish market to leverage its own unique agricultural heritage and customer relationships in the Irish insurance market.

The Issuer's Customers

The Issuer's success is built on strong and very deep relationships with its loyal customer base. Knowledge and closeness with its customer base has provided the Issuer with superior underwriting capabilities in the market. The Issuer's closeness with the customer has allowed the Issuer to evolve with its customer's needs, attract more customers from its target market and increase the customer policy penetration and tenure with the Issuer.

The Issuer's Distribution Model

The Issuer's multi-distribution channel business model has been honed over 40 years. It allows the company to distribute its products and services to a number of distinct customer segments.

Strong Performance

The Issuer has a proven track record of out-performing the market in terms of profitability and market share growth.

Expense base

The Issuer has a cost advantage relative to its competitors in the market, operating an expense ratio of less than 25 per cent for the year ended 31 December 2014. The expense ratio including commission was 27.1 per cent for the year ended 31 December 2014.

Solely focused on the Irish general insurance market

The Issuer is solely focused on the Irish market, allowing it to have superior knowledge of the Irish general insurance customer and to concentrate its efforts solely on this market.

6. Business Model and Strategy

The Issuer's Business Model

Customers are at the heart of the Issuer's business model. The Issuer's distribution model has evolved with changing customer needs over 40 years to offer the most convenient ways for the Issuer's customers and potential customers to interact with the Issuer. The Issuer's multi product and multi-channel offering is unique in the Irish market with policies now offered online, via the Issuer's branch network, over the phone and via brokers.

Key strategic initiatives for the Issuer include:

1. Focusing on profitable underwriting in the Irish general insurance market and exiting non-core or poor performing business lines that distract from this effort.

2. Selecting niche profitable products and channels where the Issuer's service capabilities deliver a unique marketing and underwriting advantage.

    a. Protecting, preserving and growing its market leading position as the 'insurer of choice' within the agricultural and small business community.

    b. The Issuer is a small player in the consumer (car and home) market. The Issuer is positioned to benefit when the market hardens and will be able to deliver modest growth at this point. A programme of work has commenced to ensure the Issuer is in optimum condition to allow growth when the market conditions are right. This requires greater refinement of the Issuer's consumer business model including:

        i. The utilisation of customer segmentation to focus on developing product and service offering (all points of contact including claims);
        ii. Better alignment of marketing spend to improve cost per acquisition;
        iii. Improvement of selected customer retention and strategies to improve consumer customer loyalty; and
        iv. Utilising technology to engage more closely with customers and to deliver in a more efficient and effective manner.

    c. Focusing on profitability in its broker business. Deepening relationships with its performing profitable brokers, exit poorer performing brokers and risks.

3. Leveraging technology to support its business and evolving customer requirements, beginning with the implementation of a new policy administration system.

4. Retaining its cost advantage through a cost control and efficiency programme, targeting a saving of €7 million.

5. Strengthening capabilities and enhance its effectiveness in claims settlements. A range of new initiatives will be implemented including increased fraud detection and the targeting of faster settlement times. This should result in more proactive claims management.

Underpinning the Issuer's strategy are the Issuer's corporate values and guiding principles. The Issuer's risk appetite is driven by an overarching desire to protect the solvency of the company and to meet Solvency II requirements.

7. The Issuer's Business

The Issuer's principal business is underwriting general insurance in the Irish market. The Issuer takes a traditionally conservative approach to insurance underwriting, targeting

customers with low risk profiles. The Issuer's multi-product and multi-distribution channel business model has developed over forty years to evolve with these customer's needs and to provide a proposition that meets the needs of most customer segments for personal, commercial and agricultural lines.

The Issuer's business is presented in line with its customer segmentation strategy.

Farm & Business Direct

Farming and business customers are at the heart of the Issuer's business model. Undoubtedly the Issuer is the market leader within this set of customers, with close to 80 per cent of all Irish farms and 30 per cent of rural businesses insured with them directly. This business is distributed directly through the Issuer's branch network, providing the Issuer with greater closeness to and knowledge of their customers, which the Issuer leverages to deliver a competitive advantage in underwriting, pricing and developing products to meet their evolving requirements. The Issuer offers this customer segment insurance cover for their farm, tractor, business, car, van and provides a proposition to meet most of their insurance needs. In line with this, the Issuer underwrites an extensive line of products and product add-ons. These include cover for:

- Personal Accidents;
- Pedigree Livestock;
- Vintners;
- Shops;
- Motor Fleets;
- Guesthouses;
- Engineering; and
- Agricultural Vehicle Harvester.

This profitable customer segment makes up 70 per cent of the Issuer's premiums for the year ended 31 December 2014. The strong direct relationship with this customer segment has driven very positive customer lifetime value and continues to provide significant cross-selling opportunities.

Consumer Personal Lines business

To diversify and reduce the risk of dependency on the farm and business direct book, the Issuer began to offer personal lines insurance to car and home customers who wish to purchase directly from their insurer, with offerings online and over the phone. Based on 2013 data, the Issuer held 10 per cent of the Irish home insurance market. For this category of customers, the Issuer has developed a full suite insurance offering that includes:

- Driver accident cover;
- No claim discount protector extra;
- Step back no claim discount protection;
- Car breakdown assistance;

- Home emergency assistance;
- Windscreen & window glass; and
- Telematics (Plug in & App) driver based pricing.

The Issuer is positioned for growth in this segment when market conditions are right.

Broker

In 2011, the Issuer took the strategic decision to enter the broker market, primarily because the broker distribution channel accounts offered significant growth potential to the Issuer. The Issuer's focus had been on building their capability and relationships around a profitable base in this channel.

Non-Underwritten Complementary Services

The Issuer generates commission income from the sale of non-underwritten insurance products. These products are provided to complement its core business, to evolve with and deliver upon its customer's needs and to deepen relationships with its core customer base. These additional offerings include income protection, life and serious illness cover, mortgage protection and pensions.

The Issuer also generates income from interest received from customers who choose to pay for their policies in monthly instalments rather than through a single premium payment.

8. Most Recent Financial Information

The latest summary financial information is contained in the 2015 Half Yearly Results which is incorporated by reference into this Prospectus (also see the section entitled "*Recent Developments*" below).

9. Recent Developments

Management Changes

On 31 July 2015, the Group chief executive, Mr Andrew Langford, announced that he was stepping down with immediate effect. Ms Fiona Muldoon, Group finance director and Board member, was appointed interim chief executive. Ms Muldoon assumed overall executive responsibility pending completion of a selection process.

Capital Position of the Issuer; Actions and Remediation

The Irish insurance market environment has not developed as the Issuer had previously envisaged. In particular the previously signalled claims uncertainty has continued and deteriorated further. As outlined in the 2015 Half Yearly Results which is incorporated by reference into the Prospectus (see the section entitled "*Documents Incorporated by Reference*") the Issuer's capital position has been seriously impacted. Ordinary shareholders'

funds stand at €137.3 million (compared with €219.5 million as per the 2014 Unaudited Financial Statements). The reduction in shareholders' funds is mainly attributable to the losses recorded in the first six months of 2015 of €84.3 million, offset by the reduction in the provision for the retirement benefit obligations of €2.1 million after tax.

The Issuer's aim is to hold a buffer of at least 10 per cent above its Solvency Capital Requirement and to target a buffer of at least 30 per cent above its Solvency Capital Requirement. Since September 2014, the Issuer's capital level, although above its current Solvency I requirements, has fallen below its 10 per cent risk appetite buffer capital requirement as against its expected capital requirements under Solvency II.

As outlined in the 2015 Half Yearly Results which is incorporated by reference into this Prospectus (see the section entitled "*Documents Incorporated by Reference*"), the Issuer had a solvency level of 38.4 per cent of net premium earned as at 30 June 2015, which represents 179 per cent (compared with 366 per cent as per the 2014 Unaudited Financial Statements) of the Solvency I minimum solvency margin, and a reserving ratio of 270 per cent (compared with 240 per cent as per the 2014 Unaudited Financial Statements).

As further outlined in the 2015 Half Yearly Results which is incorporated by reference into this Prospectus (see the section entitled "*Documents Incorporated by Reference*"), given that the existing business strategy has not delivered profitable growth, and given the significant losses reported in those results, the Issuer has decided upon a new strategic direction, which, among other things, involves the Issuer undertaking immediate capital remediation. The foregoing is outlined in further detail in the 2015 Half Yearly Results which is incorporated by reference into this Prospectus (see "*Documents Incorporated by Reference*").

The key components of the capital remediation plan are:

Divestment of Joint Venture

The Issuer's parent, FBD Holdings plc, has agreed (subject to shareholder approval) to divest its stake in FBD Property & Leisure Limited (the "**FBDPLL**") for €48.5 million, including a sale of its shares in FBDPLL to Farmer Business Developments plc, which is a related party and the largest shareholder in FBD Holdings plc. This transaction is expected to complete in the fourth quarter of 2015. It is intended that the net proceeds of the foregoing disposal will be invested into the Issuer by way of equity.

Pension Scheme

The Issuer sponsors a defined benefit pension scheme for a number of past and current employees. The Issuer's share of the IAS 19 pension deficit as at 31 December 2014 amounted to €42.5 million.

The Issuer has recently reached agreement with its staff with regard to the future of the scheme. Subject to formal approval by the trustees of the scheme, these changes, which include the closure to future accrual of the scheme, will be effective from 30 September 2015 and will materially benefit the Issuer's solvency capital position.

Issue of Subordinated Debt

As contemplated by this Prospectus, the Issuer plans to issue the Notes as Solvency II-compliant Tier 2 capital amounting to €70 million for general corporate purposes and to provide for additional capital as a buffer over and above the Issuer's Solvency Capital Requirement.

It is anticipated that, together, the joint venture divestment, the pension scheme changes and the issue of the Notes will allow the Issuer to achieve its aim of holding a buffer of 10 to 30 per cent above its expected Solvency Capital Requirement under Solvency II.

In mid-September 2015 it was announced that Fairfax Financial Holdings ("**Fairfax**") would subscribe for all of the Notes and that the Notes would in due course be transferred to FBD Holdings plc, the Issuer's holding company, against the issue (subject to requisite shareholder approval) to Fairfax and certain of its subsidiaries of €70 million of convertible loan notes issued by FBD Holdings plc.

Accordingly, therefore, all of the Notes will be subscribed in the first instance solely by Fairfax.

10. Pricing

Pricing within the Issuer is overseen by the Issuer's pricing governance structure. This structure contains three tiers as follows

Tier 1: Pricing committee. Key pricing decisions are made by the pricing committee. A key input into the decisions of this committee are the rate adequacy assessments produced by the actuarial function.

Tier 2: Pricing and product group. This group is a working group of the pricing committee. The group also receives delegated authority from the pricing committee to make decisions.

Tier 3: Pricing and product implementation group. This group is tasked with implementing rate changes as instructed by the pricing Committee or pricing and product group.

The members and attendees of each of these groups/committees include actuarial, underwriting, sales, product, finance, risk and members of the executive management team.

The structure is established to ensure the following goals are met:

1. Premium rates are set to ensure that the Issuer meets the objectives of achieving its strategic goals and operates within the risk appetite of the Issuer;
2. Key decision makers have access to all the necessary information in order to make appropriate pricing decisions;
3. Appropriate structures are in place to ensure that high level directional rate decisions are made at least once per year or more often when required;
4. Appropriate structures to ensure continuous analysis of product and price positioning and a proactive approach to product and price development;

5. Robust processes and controls are in place to ensure that for all rate changes and product changes:
    - An appropriate documented cost/benefit analysis exists and is prioritised appropriately.
    - The risks attaching to product and rate changes are understood and communicated.
    - The rationale for any pricing/product change is documented;
6. Premium changes are made in a controlled manner with appropriate monitoring and sign-off;
7. The rating architecture is designed to ensure that rate changes can be made in the most efficient manner going forward;
8. Responsibilities are clearly defined;
9. Ensure all decisions are implemented and performance reviewed to ensure the decisions result in the desired outcomes and that such performance reviews are adequately reported; and
10. Compliance with all legal and regulatory requirements.

The inputs and documents for discussion, in particular rate adequacy and loss ratio reports, are provided by the pricing team in the actuarial function. The product managers also provide reports, dashboards and business cases to support proposals for discussion and agreement by the groups/committees.

Pricing levels are determined based on a wide range of data, both internal and external, which are analysed by the pricing team and the product managers. The output of this analysis is used by the pricing committee or pricing and product group to make decisions on rate changes and the relativities of the various factors within the rating structure that are ultimately used to generate premium quotes.

The Issuer has a rating structure that enables some changes to be made to the rating algorithm within a short time frame (approximately 2 to 3 days), when required. This enables the pricing team to reduce the time to market those pricing changes**.**

11. Claims Management

The Issuer's claims mission statement is "to achieve early and cost effective settlements whilst providing our customers with a professional claims service that can realise a competitive advantage through more competitive premiums". The mission statement is inculcated throughout all aspects of the claims function by means of an optimum structure and operating philosophy that ensures claims are routed and managed based on value and complexity, utilising a mix of internal and external dedicated skillsets to minimise settlements and maximise customer experience.

The claims function is organised into two distinct departments, operations and technical. Both are resourced by staff with key core competencies that ensure simple cases are processed quickly in a fast flow environment (operations) and complex claims are allocated to the most skilled and experienced handlers (technical). The different skillsets within these departments

apply specific handling processes and make key decisions at appropriate stages during the lifecycle of a claim that are designed to minimise leakage and avoid claim cost escalation. The handling processes are supported and controlled by an advanced claims workflow and imaging management system that drives the proactive handling philosophy and maximises productivity. It also facilitates data gathering at different stages in the lifecycle of a claim and is therefore a key source of management information for monitoring, managing and controlling the claims process.

Household and commercial property claims with a value less than €50,000 are outsourced to four experienced firms of loss adjusters on a delegated authority handling basis. The first notification of loss process for all property claims is handled by one of these adjusting firms who is responsible for the allocation of claims. Cases valued at less than €3,000 are fast-tracked by means of a desk top operation in the same loss adjusting firm whilst claims above this level are allocated to the four adjusting firms for external inspection and adjustment of the damage/loss. Oversight and control of the delegated authority claims handling process is provided by means of an in-house dedicated service provider management unit who are responsible for monitoring/measuring service levels and key performance indicators. They also conduct on-going quality assurance audits of outsourced provider claim files. Property claims with a value above €50,000 are managed in-house by the serious property team.

The Issuer's approach in relation to the management of personal injury claims is to focus on settling claims at the most optimum economic stage in their lifecycle. The structure is designed so that claims are settled in cost channels that mirror specific stages in the claim development lifecycle thus ensuring that maximum opportunities can be identified and availed of to settle economically within that lifecycle stage. A key objective is to avoid a claim moving into a higher settlement cost channel. This involves a screening process at the first notification of loss stage by the new claims team and the transfer of potential injury cases immediately to the direct settlement team. They capture the notification details, arrange early investigation, medical assessment and appoint independent field operatives (from the Issuer's country-wide network) to negotiate fair and reasonable settlements without solicitor involvement. The direct settlement team also target the speedy settlement of damage claims thus preventing potential injury claims developing into formal claims.

Claims for injured parties represented by solicitors are managed by the pre-litigation team. They target cases for settlement prior to the injuries board process and are supported by a team of in-house claims inspectors whose role it is to meet claimant solicitors for the purpose of conducting settlement negotiations. This section also manages claims through the injuries board process up to award stage. The litigation section manages personal injury claims post injuries board and involving litigation. Their focus is on minimising both settlement and legal costs expenditure by targeting the early settlement of claims during the litigation process and avoiding unnecessary court hearings. The claims inspectors who are located around the country conduct the majority of pre-trial settlement negotiations. The serious injury section manages personal injury claims with a reserve value of €125,000 plus costs or greater. The Issuer's most experienced claim handlers are in this section and like the litigation section, their focus is on minimising settlement and legal costs expenditure. The broker section is a relatively new section that manages both pre-litigation and litigation personal injury claims

(where the policyholder's business is sourced through a broker) up to €125,000 plus costs. In addition the Issuer from time to time utilises a number of external liability claim handling firms to provide surge handling capacity when required.

The delivery of defence legal services to support the Issuer's litigation teams is provided by the Issuer's in house legal team and a selected panel of external legal providers. They operate in accordance with stringent service levels contained in the Issuer's solicitor charter that reflect the Issuer's proactive and cost effective settlement philosophy.

The individual case by case reserves are set by the claims department. These provisions are made by claim handlers on a prudent basis (in accordance with the "Claims Reserving Procedures" manual) and reflect the anticipated ultimate cost of the claim. There are key controls in place to mitigate against the risk of under reserving and include handler reserving limits, supervisory approval for reserve increases above handler limits, annual audits of all outstanding personal injury claims, system generated triggers every 90 days where there have been no reserve developments, management reporting of claims at €400,000 and monthly meeting of senior claims management on high value serious injury claims.

The detection of fraudulent and exaggerated claims without impacting on legitimate claims is an overarching objective for the claims function. A risk assessment process based on handler intuition and known fraud indicators combined with i2 system-generated alerts are utilised to identify fraudulent activity and suspicious claims. Every section has an appointed team fraud champion whose role is to screen handler referrals and provide guidance on next steps. This structure is complimented by a dedicated Claims Investigation Unit ("**CIU**") who screen high risk referrals and undertake intensive investigations in order to provide the necessary evidential proofs required to defend fraudulent and exaggerated claims. The CIU team includes a data mining analyst who is responsible for programming the i2 system alerts and providing key management information on fraud trends and patterns. The Issuer is currently developing a bespoke software tool to capture and interrogate publically available information on social media sites which will greatly enhance the processing times for handlers in the CIU team and strengthen the Issuer's armour in combatting fraud.

The claims function has recently established a centralised quality assurance team. This team will be responsible for implementing a strong oversight and reporting control framework that not only ensures that senior claims management have effective oversight of all aspects of the claims function but also ensures that claim handlers receive timely feedback on performance or necessary corrective action to be taken. The team will in addition assist in the identification of any training or education gaps**.**

12. Reserving

When selling insurance the Issuer accepts the liability to make payments on the occurrence of one or more specified events (insurance claims) over a specific time period. The occurrence of the specified events and the amount of the payment are both unknown at the time of sale. There are delays between the selling of the policy and the ultimate settlement of any claims arising for the following reasons:

1) reporting delay (time gap between the claims occurring and the claims reporting to the insurance company); and

2) settlement delay because of the time required to evaluate the whole size of the claim and to reach agreement of the settlement cost. The settlement delay can take years in liability insurance.

The Issuer holds claims reserves to cover the future cost of settling claims on policies that have been sold on or before the balance sheet date. The reserves held reflect the claims delays outlined above and are separated into the following main categories:

1. Outstanding claims reserves: These are the reserves set aside to cover claims that have occurred on or before the accounting date. There are three sub-sets of outstanding claims reserves:

    a) The outstanding costs reported to date in respect of claims events that have been reported to the Issuer on or before the accounting date. This figure is calculated on a case by case basis by the claims department.

    b) Claims that have been reported to the Issuer at the accounting date but whose ultimate final cost will differ to the cost on the claims file at the accounting date. This is calculated using actuarial models, historic claims developments and assumptions about future claims experience.

    c) Claims arising in respect of events that have happened on or before the accounting date but have not yet been reported to the Issuer. These are referred to as “Incurred But Not Reported Claims”.

2. Claims handling reserves: These are reserves to cover the business expenses required to administer the outstanding claims reserves.

3. Unearned premium reserves: These are the reserves set aside to cover premiums that the Issuer has written (i.e. premiums received or receivable) before the accounting date for insurance cover that will take place after the accounting date.

The ultimate settlement cost of claims for which these reserves are held is subject to a number of material uncertainties. The Issuer looks to maintain a prudent reserving philosophy. The Issuer set its reserves at a prudent level in excess of a best estimate level determined through standard actuarial techniques. The Issuer’s reserves are assessed by an internal actuarial function and independently reviewed by an external actuarial firm.

There is strong evidence that significant claims inflation is underway in the Irish market. This change in the Issuer’s claims environment explains the Issuer’s substantially increased claims reserves. While the Issuer has yet to experience this level of claims inflation in its payments, the average cost of outstanding claims has now been increased significantly. In the past, the run-off pattern on the Issuer’s book of outstanding claims estimates had been stable. The

change in run-off pattern evidenced in the past twelve months has meant that a full review of the methodologies and assumptions used in calculating the actuarial best estimate of technical provisions was necessary. The methodologies and assumptions used in estimating the expected value of reserves have been changed to allow for the additional extra inflation that the Issuer expects to see in its claims costs as the claims incurred to date settle in the future. The methodologies and assumptions selected by the Issuer implicitly allow for extra claims inflation. This change will have the most impact on recent accident years with lower impact on claims from older years. In addition to increasing the actuarial best estimate reserves, the Issuer has decided to strengthen the margin for uncertainty set aside in excess of the best estimate reserves. This allows for additional prudence in case the claims environment deteriorates more than assumed in the Issuer's current best estimate assessment.

13. Reinsurance

The overall objective of the Issuer reinsurance program is to restrict loss from claims so they will not endanger the solvency of the Issuer. In addition to protecting solvency, the programme also assists the Issuer in reducing fluctuations in financial results by protecting against claims volatility, increases underwriting capacity by transferring much of the large but infrequent loss events and enables efficient management of capital use of capital.

The Issuer's reinsurance arrangements are completely bespoke to local market conditions and the risk characteristics of its insurance portfolio.

The main elements of the programme are:

1. **Property Risk Protection**
   Proportional reinsurance is arranged on each property insurance policy via surplus treaties.

2. **Property Event Protection (Catastrophe Programme)**
   Our property event protection cover is established on an excess of loss basis.

3. **Casualty Protection**
   The Issuer uses an excess of loss structure to protect against losses in general liability, motor and personal accident accounts. This provides protection structured through layers.

4. **Bonds & Guarantee / Livestock & Bloodstock**
   The Issuer's reinsurance for these two categories is arranged on a quota share basis whereby all risks are shared between the Issuer and reinsurers.

The Board has ultimate responsibility for all risk-taking activity.

The Board-approved reinsurance policy sets out the programme objectives, the governance responsibilities to a number of committees or key officers and controls.

The insurance director has the authority to negotiate the terms of reinsurance cover subject to material changes being agreed with the chief executive. The insurance director provides an update to the Board prior to each renewal. Also involved in the renewal process is the chief actuary who provides an assessment to the Issuer on the overall programme adequacy, and the risk function who review and express an opinion to the Board risk committee on all proposed changes to the reinsurance programme.

The structure and levels of protection are reviewed on an annual basis in a cross-functional forum including representation from the insurance, actuarial and risk departments. Periodically elements of the programme are subjected to a "Deep Dive" review, to ensure that levels of protection and structures are still optimal given changes to market conditions and account profiles.

The Issuer utilises the services of a reinsurance broker to guide and advise on the placement of the programme. In selecting reinsurers the Issuer considers criteria including counterparty security, pricing, record of trading with the Issuer and service. The Issuer's reinsurance policy requirements specify controls to limit security risk including concentration limits for individual reinsurers and minimum credit ratings with one of the recognised rating agencies.

14. Risk Management

The Board has developed and implemented a risk management strategy and framework as an integral element in its pursuit of business objectives and in the fulfilment of its obligations to all stakeholders – policyholders, shareholders, regulators and employees.

Risk-taking is inherent in the provision of financial services and the Issuer assumes a variety of risks in undertaking its business activities with the framework designed to evaluate all risks facing it.

The fundamental objectives of the Issuer's approach to risk management is to provide a systematic, effective and efficient way for managing risk in the organisation and to ensure it is consistent with the overall business strategy and the risk appetite of the Issuer. The framework provides the Issuer with the capabilities to identify, assess, manage and report the internal and external threats to the achievement of business objectives and to the stability of earnings; to allocate capital and resources efficiently so as to optimise the balance of risk and reward; to ensure compliance with all applicable laws and regulations and, to ensure the fair and equitable treatment of customers.

The Issuer's risk management framework is organised around the core elements of risk appetite, risk governance and reporting, with the latter incorporating a risk-based approach to strategic and business planning and capital management.

Risk Appetite

Risk appetite is an integral part of the risk management system and the risk appetite of the Issuer is driven by an over-arching desire to protect its solvency at all times. The Issuer has developed a risk appetite framework which provides quantitative and qualitative statements

which are used to define risk appetite. These statements seek to encourage measured and appropriate risk taking to ensure that risks are aligned to the business strategy and objectives.

Within the framework, risk tolerances and limits support the risk appetite statements by providing the limits and thresholds against the measures incorporated in the risk appetite statements. The risk tolerances and limits are integral for a robust monitoring programme and enables the Issuer to make informed business decisions having regard to the key risks to which it may be exposed.

Risk Governance

The Board is responsible for prudent oversight of the Issuer's business and financial operations, ensuring that they are conducted in accordance with sound business principles, with applicable law and regulation and in accordance with recognised good practice. This oversight encompasses a responsibility to articulate and monitor adherence to quantifiable and measurable statements of the Board's appetite for exposure to all risk types. The Board also ensures that measures are in place to provide independent and objective assurance on the effective identification and management of risk and on the effectiveness of the controls in place to mitigate those risks.

While the Board has ultimate responsibility for all risk-taking activity, it has delegated some risk governance responsibilities to a number of committees as follows:

1. Risk Committee

The Board has established a risk committee, with formal terms of reference, comprising a mix of executive and non-executive Directors with the following principal functions:

1. Providing oversight and advice to the Board of the Issuer in relation to current and potential future risk exposures of the Issuer and future risk strategy, including the determination by the Board of its risk appetite and risk tolerance;
2. Promoting a risk awareness culture within the Issuer; and
3. Reporting to the Board, identifying any matters within its remit in respect of which it considers that action or improvement is needed and making recommendations on the appropriate steps to be taken.

2. Audit Committee

The Board has established an audit committee with formal terms of reference, with responsibility, inter alia, for internal control, financial reporting, internal audit and statutory audit.

3. Risk Function

The Issuer's risk governance is underpinned by a risk function headed by the chief risk officer ("**CRO**"), a member of the Board, reporting to the board risk committee. The risk function has independent oversight of the Issuer's risk management activities with specific responsibility for ensuring that the Issuer's risk management policy and

framework is documented, implemented and that its risk management procedures are carried out effectively. This includes the following risk function:

1. Attending all committee meetings in relation to Pricing, Reserving and Investments and receiving all papers in advance. The CRO also attending the meetings of the board's audit committee and risk committee in addition to Board meetings themselves, on a regular basis.
2. Co-ordinating the running of the Own Risk & Solvency Assessment ("**ORSA**" (otherwise known as "FLAOR")) process through the implementation of the Board approved ORSA policy and production of the ORSA report.
3. Peer reviewing the best estimate calculation.
4. Expressing opinion on the Underwriting and Reinsurance arrangements.
5. Providing independent oversight and validation of the performance of the calculation of the regulatory and economic capital requirements based on the Issuer's risk exposures using the standard formula as prescribed under Solvency II.

Three lines of defence

The Issuer operates a 'three lines of defence' governance framework, with the operational business area in the first line, responsible for day-to-day management of risks and controls. The risk management function and compliance function sit in the second line with the third line provided by an independent internal audit function.

The senior management of the Issuer are responsible for the day-to-day management of the business operations of the Issuer and for ensuring that the risk and control strategy, framework and culture are understood and observed at every level of the organisation. A separate management risk committee, meeting monthly, follows an exclusively risk-based agenda to ensure continuous adherence to the established principles and in particular to ensure that any variance from risk appetite or control standards is identified, evaluated and remediated promptly.

Through the risk function, the management risk committee also receives updates from specialist committees established to provide regular review and evaluation of specific aspects of the Issuer's business operations:

1. the knowing what matters steering group (for strategy implementation);
2. the pricing committee;
3. the reserving committee; and
4. the investment committee.

In addition to the previously mentioned, the critical importance of effective management of risk to the survival of the Issuer's business model is recognised through:

- Roles and responsibilities including reporting lines clearly defined with performance linked to company objectives.

- Skilled and experienced management and staff in line with fit and proper requirements.
- An organisational structure with clearly defined lines of responsibility and authority including:

    a) separate executive positions for the head of technical underwriting and head of claims, responsible for separate underwriting and claims management functions, overseen by the Director of Insurance;
    b) an actuarial function responsible for, *inter alia*, calculation of the technical provisions, informing senior management of the reliability and adequacy of the calculation of the Issuer's technical provisions, and production of rate adequacy reports to inform pricing decisions. An independent external reviewing actuary is commissioned to conduct a peer review of the statements of actuarial opinion ("**SAO**") and SAO report and to produce a peer review report is carried out at least once every two years;
    c) robust controls in place to manage outsourced providers;
    d) an executive pricing committee chaired by the chief executive officer, charged with monitoring the key performance indicators affecting pricing and profitability of the Issuer's core underwritten products, and approving the assumptions underpinning the pricing models, seeking independent assurance where appropriate; and
    e) an executive reserving committee, chaired by the chief financial officer, charged with approving the results of both internal and external reserving reviews and agreeing the Issuer's policy and approach for reserving.

- A comprehensive system of financial control incorporating budgeting, periodic financial reporting and variance analysis.
- Disaster recovery framework in place and regularly tested.
- Business continuity framework in place and regularly tested.
- The risk strategy, framework and appetite are articulated in a suite of policies covering all risk types and supported by detailed procedural documents. Each of these documents is subject to annual review and approval by the Board.

Risk reporting

The risk management framework is designed to ensure that the Board and the Issuer's various risk committees can receive timely and appropriate reporting on the Issuer's exposure to existing and emerging risks in each of the core risk categories – insurance (premium and reserving), asset liability management, capital management, catastrophe risk, counterparty default, earnings, liquidity, market, operational, regulation, reputation and strategy risk.

The risk function receives monthly reporting from all business units (e.g. underwriting, investments, claims and actuarial). This is reviewed and challenged by the risk function and forms the basis of monthly reporting to the management risk committee and includes adherence to risk appetite. Quarterly reporting is provided by the risk function to the board risk committee and Board.

Such reporting is supported, *inter alia*, by: (i) updates to the Issuer's risk registers covering current and emerging risks; (ii) reports on events that have resulted in actual or potential financial or reputational losses to the Issuer's customers; and (iii) the results of stress, scenario and sensitivity testing and the findings, recommendations and management actions arising from reviews conducted by the compliance, internal audit functions or external consultants.

A key element of the Issuer's risk management strategy is the integration of risk assessment and evaluation into the business planning and capital management processes. Using the standard formula as prescribed under Solvency II, the Issuer calculates the capital required to protect the business and to provide decision support for such exercises investment strategy or placing of the reinsurance programme. Additionally, the Issuer runs an ORSA at a minimum annually with the output providing a comprehensive view and understanding of the risks to which the Issuer is exposed or could face in the future and how they translate into capital needs or alternatively require mitigation actions.

15. Employees

The Issuer considers its employees one of its primary assets. Its "people" strategy is core to the Issuer's goals and objectives. To support this, the Issuer has designed and implemented a range of people initiatives to ensure that employees are engaged, motivated and flexible and aligned to the goals of the Issuer and its customers.

This starts with the recruitment and selection process through to training & development, performance management, communication and reward.

The Issuer recognises and rewards its employees in a myriad of ways, some of these include; competitive market pay ranges and variable pay structures with progression & reward aligned to individual and company performance, long term incentive plans ("**LTIP's**") for senior management, subsidised canteen, flexible working arrangements, flexi-time, employee loans, dress down days and long service awards.

The Issuer also has established strong links with its partner charity Camphill, which provides sustainable living for special needs adults. The Issuer's employees engage with Camphill through various voluntary and fund-raising activities.

Excellent employee communication is core to positive employee engagement. The Issuer's communication approach is designed to ensure employees have the right information to help them do their roles to the best of their ability. The communications approach includes face to face briefing with the chief executive officer and executive management team ("**EMT**"), formal EMT communication at least 4 times a year, manager briefings, intranet which has various communications portals and functional updates. Regular functional team meetings are also a significant part of working in the Issuer.

16. IT Infrastructure

The availability and performance of the Issuer's core information technology systems, including the primary insurance administration system have been strong and are managed and aligned to industry standards. The Issuer's goal is not only to run IT services, which make the Issuer efficient, but also to ensure that the Issuer is effective in the way that it transacts its business to provide excellent service to its customers.

The Issuer strives to ensure that its information technology infrastructure and systems are kept up to date with evolving technology and meet the requirements and needs of the Issuer's staff and customers. The Issuer's more recent systems are based on an open architecture utilising web services to integrate its systems including the Issuer's websites. In 2011 the Issuer implemented a major enhancement to its claims system comprising scanning/imaging, process optimisation, a new business rules platform and enhanced management information capability. The Issuer is currently changing its core policy administration system, and while this does put some short term constraints across the business, it will provide long term agility and flexibility to allow it to be more competitive post implementation.

The security of the Issuer's systems is regarded by the Issuer as being of paramount importance. As a result, an internal information technology security team is responsible for and monitors all related activities. To date, no material information technology security breaches have occurred to the Issuer's systems. Security and information management is an essential part of good IT governance, which in turn is a cornerstone in corporate governance. An integral part of IT governance is information security, in particular pertaining to personal information. It is important that the Issuer ensures staff have access to the applications that support them in carrying out their day to day duties. To support this and ensure that only authorised access is granted to the information assets of the Issuer using information security policy templates based on ISO/IEC 27001 and ISO/IEC 27002 appropriate to the Issuer's requirements

The Issuer entered into an agreement with British Telecom ("**BT**") in 2012 to outsource IT services. This contract provides managed services for all aspects of IT services including data centre hosting, managed security services, technical and end user support. The Issuer has a modern infrastructure and network topology including a Cisco VoIP converged telephony and data capabilities, virtualised Citrix and Windows environment with centralised IT support.

The Issuer's business continuity and disaster recovery arrangements are managed centrally, with work area recovery sites provisioned through an agreement with Hewlett-Packard ("**HP**"). Business continuity planning and disaster recovery are the Issuer's mechanisms for dealing with major incidents (IT and non-IT) to define and understand critical business processes vital to the continued operation of the business, including the maximum time the business could survive without these processes and identify internal and third party resources (including people, technology, data, environments) required to maintain these critical services. The Issuer invests in a high-availability solution for all critical services with dual data centres managed and supported by BT.

17. Intellectual Property

The Issuer holds a portfolio of registered UK and European trade marks which protect the names and logos of the Issuer "No Nonsense Insurance" and "Clan Insurance" brands along with some related slogans and subsidiary marks.

The Issuer actively protects its trade mark portfolio and its trade mark attorneys operate a watch service to identify applications for similar trademarks.

While certain other branding materials such as slogans, logos, colours and designs are not registered, some protection may be afforded by unregistered design rights, unregistered trademarks and copyright. The Issuer does not own any patents.

The key websites for the Issuer's brands all have current domain name registrations held by or on behalf of the Issuer. These websites are: www.fbd.ie, www.claninsurance.ie and www.nononsense.ie

Registrations for a number of other domain names are also held by or on behalf of the Issuer.

Customer databases created internally are owned by the Issuer.

There are currently no outstanding intellectual property infringement actions involving any member of the Issuer as defendant or any charges over any intellectual property rights held by the Issuer.

18. Management

Directors of the Issuer

The Directors and their principal functions within the Issuer, together with a brief description of their business experience and principal business activities outside the Issuer, are set out below. The business address of each of the Directors (in such capacity) is FBD House, Bluebell, Dublin 12.

Michael Berkery
Non-Executive Director

Michael Berkery was elected Chairman of the Issuer in 1996, a role he held until 3 March 2011. He was chief executive officer of the Irish Farmers' Association for 25 years until his retirement in March 2009. He also served on the National Economic and Social Council and the Central Review Committee of the Government National Partnership Programme. He is

Chairman of FBD Trust Company Limited and is a director of a number of other companies. Mr. Berkery joined the Board in October 1982.

Mr. Berkery's extensive career at leadership level in the Irish Agriculture and Food Industry brings to the Board deep insights into the Irish farming and agri-related community, which together comprise a substantial component of the Issuer's customer base. He brings to the Board, and to its committees, his communication and facilitation skills, business and economic knowledge, independence of mind and experience of management and motivation of people.

Walter Bogaerts
Independent Non-Executive Director

Walter Bogaerts was general manager of the corporate insurances division of KBC Insurance based in Belgium prior to his retirement in 2013. He joined KBC Group (previously ABB Insurances) in 1979 and has gained extensive experience throughout his career with KBC Group in underwriting, reinsurance and sales. He was general manager in charge of KBC Group's Central-European insurance businesses until 2012. He holds a Commercial Engineering degree from the Economic University of Brussels. Mr. Bogaerts joined the Board in January 2013.

Sean Dorgan
Chairman and Independent Non-Executive Director

Sean Dorgan is currently Non-Executive Chairman of the Irish Management Institute (IMI) and is a non-executive director of Short Brothers Plc. He has previously served as chairman and non-executive Director of a number of companies and organisations in the private and public sectors. He was chief executive of IDA Ireland for nine years until his retirement at the end 2007. Prior to joining IDA Ireland he was secretary General of the Departments of Industry and Commerce and of Tourism and Trade and was chief executive of the Institute of Chartered Accountants in Ireland. Mr. Dorgan joined the Board of the Issuer's parent, FBD Holdings plc in January 2008, and joined the Board in July 2014 as Chairman.

David Martin
Independent Non-Executive Director

David Martin, a Chartered Management Accountant, was the finance director of Aryzta plc. (formerly IAWS Group plc.) up until his retirement in 2004 after which he remained on the board of that company in a non-executive capacity until 2007. Previously, he was a management consultant with KPMG working on a range of assignments in Ireland and abroad. An experienced finance professional, he was appointed as a non-executive director of Barclays Bank Ireland plc. during 2014. He is a former non-executive director of One51 plc. the Sicon Group, the Irish Auditing and Accountancy Supervisory Authority and of the Dormant Accounts Board. He joined the Board in March 2011.

Fiona Muldoon
Interim Chief Executive Officer

Fiona Muldoon joined the Issuer in January 2015 as finance director and was appointed as an executive director and member of the Board. A Chartered Accountant, Ms. Muldoon was Director of Credit Institutions and Insurance Supervision at the Central Bank of Ireland from August 2011 until May 2014. Prior to this she was with XL Group for seventeen years and held a number of senior roles with this NYSE listed Property & Casualty Insurance firm in Ireland, the United Kingdom and Bermuda, including two years as Group Treasurer until July 2010. Ms Muldoon has assumed overall executive responsibility for the company pending completion of a selection process. Ms Muldoon serves as a non-executive director of the Bank of Ireland Group.

Cathal O'Caoimh
Interim Chief Financial Officer

Cathal O'Caoimh joined the Issuer in October 2008 and was appointed to the Board as executive Director of Finance. A Chartered Accountant, he joined the Issuer from Horizon Technology Group plc. where he was chief financial officer since 2001. Prior to that Mr. O'Caoimh was group finance director of Hibernian Insurance Group, having previously been group finance director of Norwich Union Insurance Group in Ireland. Mr. O'Caoimh is a member of the Council of Chartered Accountants Ireland. Mr O'Caoimh was appointed interim chief financial officer at the beginning of August 2015.

Enda O'Brien
Director

Enda O'Brien joined FBD in 1999 and was first appointed to the Board in 2004 and retired from the Board in 2011. Mr. O'Brien was reappointed to the Board in 2013. A chartered accountant, he joined the Issuer from New Ireland Holdings plc. where he was an executive director and was also deputy managing director of New Ireland Assurance plc. Prior to that, Mr. O'Brien was an audit manager with Deloitte.

Mr. O'Brien is also a member of the Chartered Association of Certified Accountants.

Vincent Sheridan
Independent Non-Executive Director

Mr. Sheridan served as Chairman of the Board from March 2011 until July 2014. He retired as chief executive of Vhi Healthcare during 2008 after seven years in that role. Prior to that he was group chief executive of the Norwich Union Insurance Group in Ireland for ten years. He is a past president of Chartered Accountants Ireland, Insurance Ireland, the Insurance Institute of Ireland and the Irish Association of Investment Managers. He was a director of the Irish Stock Exchange for nine years to June 2004. He is also a former council member of the International Federation of Health Plans and the Financial Reporting Council in the UK. He serves as a non-executive director of Beazley plc. and a number of other companies.

Mr. Sheridan retired from the Board of FBD Holdings plc in April 2014 after nine years in the role of senior independent director. Mr. Sheridan joined the Board of the Issuer in August 2009.

Conflicts of Interest

No director or senior executive of the Issuer has any potential conflict of interest between their duties to the Issuer and their private interests or other duties.

Regulatory Overview

The Issuer is authorised by the Central Bank of Ireland under the European Communities (Non-Life Insurance) Regulations, 1994 (the "**Regulations**") to carry on Non-Life Insurance Business.

The Issuer's authorisation originally dates back to 31 May 1976 and the authorisation reference is C752.

The Central Bank of Ireland is responsible for the prudential regulation of insurance companies, banks and investment firms in the Republic of Ireland, with the objective or promoting financial stability. The Central Bank of Ireland also regulates the conduct of authorised firms, including the Issuer, with the aim of ensuring that the best interests of consumers of financial services in the Republic of Ireland are protected.

The main features of the Irish regulatory regime for insurance companies as applicable to the Issuer is as follows:

Ireland's Regulatory Environment for Insurance Companies

The Central Bank of Ireland has responsibility for the authorisation and on-going supervision of insurance and reinsurance companies and intermediaries. The Central Bank of Ireland's powers are set out in laws and regulations derived from EU directives and domestic legislation, including the:

- European Communities (Life Assurance) Framework Regulations 1994 (Life Assurance Framework Regulations);
- European Communities (Non-Life Insurance) Framework Regulations 1994 (Non-Life Insurance Framework Regulations);
- Non-Life Insurance (Provisions of Information) (Renewal of Policy of Insurance) Regulations 2007;
- European Communities (Reinsurance) Regulations 2006 (Reinsurance Regulations);
- European Communities (Insurance Mediation) Regulations 2005 (Mediation Regulations);
- Insurance Acts 1909 to 2011;
- Central Bank Act 1942 (as amended); and
- Various other Central Bank Acts.

It is also anticipated that the Irish State will adopt significant legislation in order to transpose Solvency II before 1 January 2016.

The Central Bank of Ireland also issues guidance in relation to the authorisation and on-going requirements applicable to insurance companies. These include the Corporate Governance Code for Credit Institutions and Insurance Undertakings 2013, the Minimum Competency Code 2011 and the Consumer Protection Code 2012.

The Central Bank of Ireland's supervisory role involves overseeing an insurance company's corporate governance, risk management and internal control systems. It requires that insurance and reinsurance companies submit annual and quarterly returns on solvency margins and technical

reserves. In addition, the Central Bank of Ireland conducts regular themed inspections across the insurance and reinsurance industries.

The Central Bank of Ireland is responsible for assessing the fitness and probity of the proposed directors, management and significant shareholders of authorised firms and for the prudential assessment of any change in their control. The Central Bank of Ireland also has responsibility for consumer protection issues.

Permission to Transact Business

Subject to certain exemptions, insurance companies cannot carry on insurance business in Ireland without authorisation from the Central Bank of Ireland or from another recognised EU regulator through the "Single Passport" regime. The Central Bank of Ireland has authority to grant regulatory permission to provide insurance for one or more of the classes of business recognised by the EU insurance directives. In deciding whether to grant authorisation, the Central Bank of Ireland is required to determine whether the applicant satisfies certain requirements.

Regulatory Capital

It is anticipated that significant legislative and regulatory obligations in respect of solvency requirements and regulatory capital for all regulated Irish insurance companies will take effect on 1 January 2016 and that all insurers, including the Issuer, will be obliged to comply with these obligations as a consequence of the transposition of the Solvency II Directive into Irish law.

The Corporate Governance Code for Credit Institutions and Insurance Undertakings 2013 (the "2013 Code")

The 2013 Code imposes minimum core standards upon all credit institutions and insurance companies licensed or authorised by the Central Bank of Ireland.

The Central Bank of Ireland monitors adherence to the 2013 Code through its on-going supervision of institutions. Any institution which becomes aware of a material deviation from this 2013 Code shall within five business days report the deviation to the Central Bank of Ireland, advising of the background and the proposed remedial action. The Central Bank of Ireland also requires each institution to submit an annual compliance statement, in accordance with any guidelines issued by the Central Bank of Ireland, specifying whether the institution has complied with the Code.

Fitness and Probity Regime

The regulatory approach of the Central Bank of Ireland is to place personal responsibility on individuals who are able to exercise significant influence over regulated financial service providers, including insurance companies ("**RFSPs**"). The Central Bank Reform Act 2010 prescribes a continuing obligation on RFSPs in relation to fitness and probity due diligence. The Fitness and Probity Regime (the "**Regime**") is set out in Part 3 of the Central Bank Reform Act 2010, the Central Bank Reform Act 2010 (sections 20 and 22) Regulations 2011, the Central Bank Reform Act 2010

(Procedures Governing the Conduct of Investigations) Regulations 2012 and Guidance on Fitness and Probity Standards as issued by the Central Bank of Ireland.

The regime prescribes 47 senior positions as Pre-Approval Controlled Functions ("**PCFs**") for RFSPs other than credit unions. The prior approval of the Central Bank of Ireland is required before an individual can be appointed to a PCF. The individual must complete an online Individual Questionnaire which is endorsed by the proposing entity and then submitted electronically to the Central Bank of Ireland for assessment.

The regulations also prescribe specific functions as Controlled Functions ("**CFs**"). These include individuals who exercise a significant influence on the conduct of the affairs of the financial service provider, monitor compliance or perform functions in a customer-facing role. RFSPs are not required to seek the prior approval of an individual before their appointment to a CF.

Consumer Protection Code 2012

Irish domiciled insurers must comply with the rules and guidance of the Central Bank of Ireland. Important sources of these rules and guidance are set out in the Consumer Protection Code 2012, as amended and restated from time to time (the "**Code**").

The Central Bank of Ireland has the power to administer sanctions for a contravention of this Code, under Part IIIC of the Central Bank Act 1942. The provisions of the Code are binding on regulated entities and must, at all times, be complied with when providing financial services.

A regulated entity must ensure that in all its dealings with customers and within the context of its authorisation it:

a) acts honestly, fairly and professionally in the best interests of its customers and the integrity of the market;

b) acts with due skill, care and diligence in the best interests of its customers;

c) does not recklessly, negligently or deliberately mislead a customer as to the real or perceived advantages or disadvantages of any product or service;

d) has and employs effectively the resources, policies and procedures, systems and control checks, including compliance checks, and staff training that are necessary for compliance with this Code;

e) seeks from its customers information relevant to the product or service requested;

f) makes full disclosure of all relevant material information, including all charges, in a way that seeks to inform the customer;

g) seeks to avoid conflicts of interest;

h) corrects errors and handles complaints speedily, efficiently and fairly;

i) does not exert undue pressure or undue influence on a customer;

j) ensures that any outsourced activity complies with the requirements of this Code;

k) without prejudice to the pursuit of its legitimate commercial aims, does not, through its policies, procedures, or working practices, prevent access to basic financial services; and

l) complies with the letter and spirit of this Code.

General Good Requirements

Irish insurers are also required to comply with Irish general good requirements, which include:

- Consumer Protection Act 2007;
- Sale of Goods and Supply of Services Act 1980;
- European Communities (Unfair Terms in Consumer Contracts) Regulations 1995 (as amended);
- European Communities (Distance Marketing of Consumer Financial Services Regulations 2004 (as amended); and
- Road Traffic Act 1961.

Supervision and Enforcement

The Central Bank of Ireland has adopted a risk-based approach to supervising RFSPs which includes insurance companies. The Probability Risk and Impact System ("**PRISM**") is the Central Bank of Ireland's risk-based framework for the supervision of RFSPs. PRISM supports RFSPs, judging the risks they pose to the economy and the consumer and mitigating those risks the Central Bank of Ireland believes to be unacceptable.

Under PRISM, the most significant firms - those with the ability to have the greatest impact on financial stability and the consumer - receive a high level of supervision under structured engagement plans, leading to early interventions to mitigate potential risks. Conversely, those firms which have the lowest potential adverse impact are supervised reactively or through thematic assessments, with the Central Bank of Ireland taking targeted enforcement action against firms across all impact categories whose poor behaviour risks jeopardising our statutory objectives including financial stability and consumer protection.

The Central Bank of Ireland and Financial Services Authority of Ireland Act 2004 introduced Part IIIC of the Central Bank Act 1942 ("**1942 Act**") to give the Central Bank of Ireland additional, stronger powers to enable it to promote compliance with regulatory requirements. Under the 1942 Act, the Central Bank of Ireland has the power to impose sanctions under the Administrative Sanctions Regime in respect of breaches of regulatory requirements, which are known as prescribed contraventions, by regulated entities and to publicise the findings and sanctions imposed.

The Central Bank of Ireland (Supervision and Enforcement) Act, 2013 (the "**2013 Act**") significantly enhances the capacity of the Central Bank of Ireland to supervise regulated financial services providers and enforce financial services legislation, particularly by:

- Increasing its powers to investigate, give directions and make regulations;
- Consolidating and augmenting the authorised officer role;
- Providing protection for whistleblowers; and
- Increasing the level of sanctions it may impose.

Consumer Complaints and Compensation

Under the Code, all insurance companies must ensure that proper complaints procedures are in place. If a customer is unhappy with the complaints procedures in place, a complaint can be made to the Financial Services Ombudsman (the "**FSO**").

The FSO is a statutory officer who deals independently with unresolved complaints from consumers about their individual dealings with all financial service providers, including insurers. It is a statutory body funded by levies from the financial services providers and became operational on 1 April 2005. The Ombudsman is therefore the arbiter of unresolved disputes and is impartial. It is a free service to the complainant. Broader issues of consumer protection are the responsibility of the Central Bank of Ireland.

The Financial Services Ombudsman's Bureau is the corporate entity of the new statutory scheme and consists of the FSO and its staff.

The FSO has broad powers and may direct insurers to:

- Pay compensation up to a maximum of EUR 250,000.
- Change its practices in the future.
- Rectify the conduct complained of (for example, requiring the insurer to pay a disputed claim).

Financial crime

It is one of the Central Bank of Ireland's statutory objectives to protect and enhance the integrity of the Irish financial system and the Central Bank of Ireland is under a duty to consider the importance of minimising the risk of the firms it regulates being used for financial crime. It therefore looks at the measures a firm takes to monitor, detect, and prevent financial crime. This includes measures in respect of money laundering, terrorist financing, data security, bribery and corruption, fraud and sanctions breaches.

The law in Ireland on anti-money laundering ("**AML**") and the countering of terrorist financing ("**CFT**") is governed by The Criminal Justice (Money Laundering and Terrorist Financing) Act 2010, as amended by Part 2 of the Criminal Justice Act 2013 ("**the Act**"). The Act transposes European Union Law on AML and CFT (the Third Money Laundering Directive (2005/60/EC) and its Implementing Directive (2006/70/EC)) into Irish Law.

The law on AML and CFT reflects, both at the European and Irish level, the recommendations made by the Financial Action Task Force ("**FATF**"), which is a specialist international organisation that concentrates on the international fight against money laundering and terrorist financing. Ireland has been a member of FATF since 1991.

The Central Bank of Ireland is the competent authority in Ireland for the monitoring and supervision of financial and credit institutions' compliance with their obligations under the Act. The Central Bank of Ireland is empowered to take measures that are reasonably necessary to ensure that credit and financial institutions comply with the provisions of the Act.

Data Protection

In Ireland, data protection obligations are primarily set out in the Data Protection Act, 1988 (the "**1988 Act**") which was amended by the Data Protection (Amendment) Act, 2003 (the "**2003 Act**") (hereinafter referring to as the "**Acts**"). "**Personal data**" is defined under the Acts as data relating to a living individual who is or can be identified either from data or from data in conjunction with other information that is in, or is likely to come into, the possession of a data controller. Therefore, personal data does not include business names and addresses but it would include a business email address which relates to a living individual.

Under the Acts, entities that control the content and use of personal data, either alone or with others are defined as "**data controllers**". Entities that process personal data on behalf of data controllers are defined as "**data processors**". Any person or entity that processes, holds, stores, transfers or does anything involving the personal data of a living individual will need to comply with the provisions of the Acts.

The Acts only apply to information which allows an individual to be identified. There are no prohibitions on the disclosure of information from which all identifiers have been removed i.e. anonymised data.

Breach of the Acts may give rise to criminal or civil liability and other enforcement action can be taken.

EU and EEA Regulatory Environment

Insurance Directives

The European Union Life and Non-Life Insurance Directives (the "**EU Insurance Directives**") establish a framework for regulation of insurers in the European Union which is extended to the European Economic Area (the "**EEA**"). The EU Insurance Directives provide that an authorisation to carry on insurance business granted by the insurance regulator in an EEA member state where the insurer is incorporated or has its head office (a "**home state regulator**") is valid for the entire EEA (the "**passporting right**"). The home state regulator determines the procedures for exercising the passporting right depending on whether an insurer proposes to establish a branch or provide insurance services on a cross-border basis in another EEA member state (a "**host state**").

Generally, in accordance with the principles set out in the EU Insurance Directives, prudential regulation of an insurer is a matter for its home state regulator whereas the conduct of business and marketing requirements applicable in a host state are determined by the host state regulator.

Distance Marketing Directive

Under the Distance Marketing Directive, EU member states are required to implement a framework of rules and guidance in order to protect consumers by:

(i) setting minimum standards for information that must be provided to consumers before entering into a financial services contract by means of distance communication, which includes sales taking place on-line, by email, post or telephone; and

(ii) for certain products and services, giving a cooling-off period in which a consumer may cancel a contract without penalty.

Insurance Mediation Directive

The Insurance Mediation Directive ("**IMD**") requires EU member states to establish a framework to:

(i) ensure that insurance and reinsurance intermediaries have been registered on the basis of a minimum set of professional and financial requirements;

(ii) ensure that registered intermediaries will be able to operate in other member states by availing themselves of the freedom to provide services or by establishing a branch; and

(iii) impose requirements on insurance intermediaries to provide specified minimum information to potential customers.

A proposal for a revision of the IMD was adopted by the European Commission in 2012. This is now known as the Insurance Distribution Directive ("**IDD**") The IDD will update IMD and will apply not only to intermediaries but also to insurers who distribute insurance products directly where no intermediation occurs. Its objective is to upgrade consumer protection in the insurance sector by creating common standards across insurance sales and ensuring proper advice.

Recent and future developments

Solvency II

Solvency II (comprising the Solvency II Directive, delegated acts, binding technical standards and guidance) sets out the new solvency regime which will, with effect from 1 January 2016, replace the current EU regulatory framework for the prudential supervision of insurers and reinsurers.

Solvency II adopts a three pillar approach to prudential regulation:

(a) Pillar 1 relates to quantitative requirements, covering technical provisions, capital requirements and the rules on valuation;
(b) Pillar 2 covers risk management, governance requirements, the "own risk and solvency assessment" and supervisory review; and
(c) Pillar 3 covers public and supervisory reporting and disclosure.

The implementation of the Solvency II regime will result in important changes to the regulation of insurers in the EU, including the introduction of a risk sensitive capital requirement (the "**Solvency Capital Requirement**" or "**SCR**") which can be calculated using a prescribed methodology known as the "standard formula", an approved internal model or a combination of the two.

Solvency II provides less flexibility for the regulators to exercise discretion with respect to supervisory decisions and, under Solvency II, the European Insurance and Occupational Pensions Authority ("**EIOPA**") will have an increased role being able to exercise certain powers potentially affecting Irish insurers, such as powers to resolve disagreements between national supervisors and to act as a coordinator in "emergency situations". EIOPA may also issue binding technical standards and monitor compliance by European Member States.

Fourth Anti Money Laundering Directive

In February 2013 the European Commission adopted a legislative proposal for a fourth money laundering directive ("**MLD4**").

On 5 June 2015, MLD4 was published in the Official Journal of the EU. MLD4 extends and replaces the Third Money Laundering Directive ("**MLD3**"), which is the existing EU AML and CTF regime.

Member States are obliged to transpose MLD4 into national law by 26 June 2017. Key changes introduced by MLD4 will include changes to the scope of the anti-money laundering regime, measures designed to provide enhanced clarity and accessibility with regard to beneficial owner information, a tightening of the rules on when simplified due diligence can be used and a strengthening of the sanctioning powers of national supervisors through the introduction of a set of minimum principles-based rules.

EU Data Protection Legislation

On 15 June 2015, Ministers in the Justice Council reached a general approach on the European Commission proposal on the Data Protection Regulation. The shared ambition is to reach a final agreement by the end of 2015.

The aim of the data protection reform launched by the European Commission in 2012 is to enable people to better control their personal data. At the same time modernised rules will allow businesses to make the most of the opportunities of the Digital Single Market by cutting red tape and benefiting from reinforced consumer trust. A more rigorous and coherent data protection framework will provide for greater legal and practical certainty for citizens, businesses and public authorities.

Taxation

The following is a general description of certain tax considerations relating to the Notes, as of the date of this prospectus. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in the jurisdictions mentioned below or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

IRISH TAXATION

Withholding Tax

In general, tax at the standard rate of income tax (currently 20 per cent.), is required to be withheld from payments of Irish source interest (which would include any premium payable on a redemption of Notes). This withholding tax can also apply to any premium paid on Notes. However, there are two main potential withholding tax exemptions which may be available, depending on the circumstances. Certain other exemptions may also be available where the interest is paid to an individual (which generally requires certification of tax residence in a treaty partner jurisdiction and entitlement to exemption from Irish withholding tax under the terms of the relevant double tax treaty) or to a company resident in an EU member state (other than Ireland) or a country with which Ireland has signed a double tax treaty and that country imposes a tax that would generally apply to such interest income.

(I) *Interest paid on a quoted Eurobond*

An exemption from withholding on interest payments exists under Section 64 of the Taxes Consolidation Act, 1997 (the "**1997 Act**") for certain interest bearing securities issued by a body corporate (such as the Issuers) which are quoted on a recognised stock exchange (which would include the Irish Stock Exchange) ("**quoted Eurobonds**").

Any interest paid on such quoted Eurobonds can be paid free of withholding tax provided:

(a) the person by or through whom the payment is made is not in Ireland; or

(b) the payment is made by or through a person in Ireland, and either:

i) the quoted Eurobond is held in a clearing system recognised by the Irish Revenue Commissioners (Euroclear and Clearstream, Luxembourg are so recognised), or

ii) the person who is the beneficial owner of the quoted Eurobond and who is beneficially entitled to the interest is not resident in Ireland and has made a declaration to the person by or through whom the payment is made in the prescribed form.

Accordingly so long as the Notes are quoted on a recognised stock exchange and are held in Euroclear or Clearstream, Luxembourg interest on such Notes can be paid by the Issuer and any paying agent acting on behalf of the Issuer without any withholding or deduction for or on account of Irish income tax.

(II) *Interest paid in the ordinary course of business to certain non-Irish resident companies*

If, for any reason, the exemptions referred to above cease to apply, interest payments may still be made free from withholding tax in certain specific circumstances, namely where the interest is paid in the ordinary course of the Issuer's business and the Holder is a company which is either (i) resident in a Relevant Territory which imposes a tax that generally applies to interest receivable by companies from sources outside that Relevant Territory or (ii) in respect of interest exempted from the charge to Irish income tax under the terms of a double tax agreement which is either in force or which will come into force once all ratification procedures have been completed, and in each of (i) and (ii) does not receive the interest in connection with a trade or business carried on by it through a branch or agency in Ireland. A Relevant Territory is a Member State of the European Union (other than Ireland) or a country with which Ireland has a double taxation agreement in force at the time of payment or that is signed at the time of payment and which will come into force once all ratification procedures have been completed ("**Relevant Territory**").

The Issuer must be satisfied that the respective terms of the exemptions are satisfied. The test of residence in each case is determined by reference to the law of the Relevant Territory in which the Holder claims to be resident. For other Holders of Notes, interest may be paid free of withholding tax if the Holder is resident in a double tax treaty country and under the provisions of the relevant treaty with Ireland such Holder is exempt from Irish tax on the interest and clearance in the prescribed form has been received by the Issuer before the interest is paid.

Encashment tax

In certain circumstances, Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent.) from interest on any quoted Eurobond or wholesale debt instrument, where such interest is collected by a bank or other agent in Ireland on behalf of any Holder who is Irish resident. Where a Holder is not resident for tax purposes in Ireland, encashment tax will not be deducted provided the bank or agent in Ireland has been furnished with the appropriate non-resident declaration.

Taxation of Holders

Notwithstanding that a Holder may receive interest on Notes free of withholding tax, the Holder may still be liable to pay Irish income tax. Interest paid on Notes may have an Irish source and therefore be within the charge to Irish income tax, pay related social insurance and the universal social charge. Ireland operates a self-assessment system in respect of income tax and any person, including a person who is neither resident nor ordinarily resident in Ireland, with Irish source income comes within its scope.

However, interest on Notes will be exempt from Irish income tax if the recipient of the interest is resident in a member state of the European Union (other than Ireland) or a country with which Ireland has signed a double taxation agreement (which would include the US), provided in each case that the Notes are quoted Eurobonds which are exempt from withholding tax as set out above. Other exemptions from Irish income tax may also be available where the recipient is resident in an EU member state (other than Ireland) or in a country with which Ireland has signed a double taxation agreement (and certain other conditions are satisfied).

Notwithstanding these exemptions from income tax, a corporate recipient that carries on a trade in Ireland through a branch or agency in respect of which Notes are held or attributed may have a liability to Irish corporation tax on the interest. Holders receiving interest on Notes which do not fall within the foregoing exemptions may be liable to Irish income tax on such interest.

Capital Gains Tax

A Holder of Notes will be subject to Irish tax on capital gains on a disposal of Notes unless such Holder is neither resident nor ordinarily resident in Ireland and does not carry on a trade in Ireland through a branch or agency in respect of which the Notes are used or held. The rate of capital gains tax is currently 33 per cent.

Capital Acquisitions Tax

A gift or inheritance comprising of Notes will be within the charge to capital acquisitions tax if either (i) the disponer or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the disponer is domiciled in Ireland irrespective of his residence or that of the donee/successor) or (ii) if the Notes are regarded as property situate in Ireland. Bearer notes are generally regarded as situated where they are physically located at any particular time. However Notes may be regarded as situated in Ireland regardless of their physical location or the location of the register as they secure a debt due by an Irish resident debtor and/or they are secured over Irish property.

Accordingly, if such Notes are comprised in a gift or inheritance, the gift or inheritance may be within the charge to tax regardless of the residence status of the disponer or the donee/successor.

Stamp Duty

No Irish stamp duty will be payable on the issue of Notes.

The transfer of Notes will be exempt from Irish stamp duty under the "*loan capital*" exemption, provided that the Notes:

i) do not carry a right of conversion into stocks or marketable securities (other than loan capital)of a company having a register in Ireland or into loan capital having such a right;

ii) do not carry rights of the same kind as shares in the capital of a company, including rights such as voting rights, a share in the profits or a share in the surplus on liquidation;

iii) are issued for a price which is not less than 90 per cent. of its nominal value (i.e. at a discount of not greater than 10 per cent.); and

iv) do not carry a right to a sum in respect of repayment or interest which is related to certain movements in an index or indices (based wholly or partly and directly or indirectly on stocks or marketable securities).

Where the above exemption (or any other available exemption) does not apply, the transfer of a Note will be subject to stamp duty at the rate of 1 per cent. of the consideration paid in respect of the transfer (or, if greater, the market value thereof), which must be paid in Euro by the transferee (assuming an arm's length transfer) within 30 days of the date on which the transfer of the Note is executed.

Reporting

Persons paying interest on Notes to, or receiving interest on Notes on behalf of, another person may be required to provide certain information to the Irish Revenue Commissioners regarding the identity of the payee (or person entitled to the interest) and the amount of the interest paid.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The Council of the European Union formally adopted a Council Directive amending the Savings Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive, which legislation must apply from 1 January 2017. The changes made under the Amending Directive include extending the scope of the Savings Directive to payments made to, or collected for, certain other entities and legal arrangements.

They also broaden the definition of "interest payment" to cover income that is equivalent to interest. If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent (as defined in the Conditions of the Notes) nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuers are required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Savings Directive.

However, on 18 March 2015, the European Commission issued a proposal for the repeal of the Savings Directive from 1 January 2016 (subject to transitional arrangements so that certain obligations under the Savings Directive will continue to apply until 5 October 2016 and 31 December 2016 (and 30 June 2017 in the case of Austria), or until those obligations have been fulfilled) to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it is proceeded with, Member States will not be required to apply the new requirements of the Amending Directive.

The Proposed Financial transactions Tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1 January 2016. However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate.

The Proposed Common Reporting Standards (“CRS”)

Ireland and a number of other jurisdictions have also announced that they propose to enter into multilateral arrangements modelled on the Common Reporting Standard for Automatic Exchange of Financial Account Information published by the Organisation for Economic Co-operation and Development (OECD). If implemented into Irish law, this may require the Issuer to provide certain

information to the Irish Revenue Commissioners about Holders resident or established in the jurisdictions which are party to such arrangements (which information will in turn be provided to the relevant tax authorities).

FATCA Withholding

Pursuant to certain provisions of U.S. law, commonly known as FATCA a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. A number of jurisdiction (including Ireland) have entered into intergovernmental agreements with the United States to implement FATCA ("**IGAs**") which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of these rules to instruments such as the Notes, including whether withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are not clear at this time. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person would be required to pay additional amounts as a result of the withholding.

Subscription and Sale

Pursuant to a subscription agreement dated 21 September 2015 (the "**Subscription Agreement**"), Deutsche Bank AG, London Branch, (the "**Sole Lead Manager**") and Shore Capital Stockbrokers Limited and Goodbody Stockbrokers (the "**Co-Managers**"; together with the Sole Lead Manager, the "**Managers**") have agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the Notes at the issue price of 100 per cent. of their principal amount less certain commissions. The Sole Lead Manager (on behalf of the Managers) is entitled to terminate and to be released and discharged from their obligations under the Subscription Agreement in certain circumstances prior to payment to the Issuer.

United States

The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Notes an offer or sale of Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each Manager has represented, warranted and agreed that: (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA do not apply to the Issuer; and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

Ireland

Each Manager has represented and agreed that:

1) it has not offered, sold, underwritten or placed and will not offer, sell, underwrite or place any Securities otherwise than in conformity with the provisions of (i) the Companies Act, the Central Bank Act 1942 to 2014 and any codes of conduct rules made under Section 117(a) of the Central Bank Act 1989; (ii) the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) including, without limitation, Regulations 7 and 152 thereof and any codes of conduct issued in connection therewith and the provision of the Investor Competition Act 1998;

2) it will not underwrite or place any Securities in or involving Ireland other than in compliance with the Market Abuse (Directive 2003/6/EC) Regulations 2005 in Ireland and any Market Abuse Rules made by the Central Bank of Ireland thereunder or under Section 1370 of the Companies Act.

General

No action has been or will be taken by the Issuer or the Managers that would permit a public offering of the Notes or possession or distribution of this document or other offering material relating to the Notes in any jurisdiction where, or in any circumstances in which, action for these purposes is required. This document does not constitute an offer and may not be used for the purposes of any offer or solicitation in or from any jurisdiction where such an offer or solicitation is not authorised.

Persons into whose hands this Prospectus comes are required by the Issuer and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver the Notes or have in their possession or distribute such offering material, in all cases at their own expense.

Neither the Issuer nor the Managers represent that the Notes may at any time lawfully be sold in or from any jurisdiction in compliance with any applicable registration requirements or pursuant to an exemption available thereunder or assumes any responsibility for facilitating such sales.

Each Manager and its affiliates may have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer (including, in some cases, credit agreements, credit lines and other financing arrangements) in the ordinary course of their banking business. Each Manager and its affiliates may have positions, deal or make markets in the Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

Each Manager and its affiliates may provide banking services including financing, to the Issuer, and for which they may be paid fees and expenses. In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments

of the Issuer and/or its affiliates (including the Notes). The Managers may have a lending relationship with the Issuer and its affiliates and may routinely hedge their credit exposure to the Issuer and/or its affiliates consistent with their customary risk management policies. Typically, the Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the securities of the Issuer or the relevant affiliate, including potentially the Notes. Any such positions could adversely affect future trading prices of the Notes. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments (including, without limitation, the Notes).

General Information

1. The net proceeds of the issue will be used by the Issuer for general corporate purposes and to provide for additional capital as a buffer over and above the Issuer's Solvency Capital Requirement.

2. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg with a Common Code of 12951217 and an ISIN Code of XS1295712175.

3. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B- 1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking, *société anonyme*, 42 Avenue JF Kennedy, L-1855 Luxembourg.

4. The yield of the Notes is 12 per cent., on an annual basis. The yield is calculated as at the Issue Date on the basis of the issue price and the interest rate of 11.66 per cent. per annum. It is not an indication of future yield.

5. The Issuer estimates that the amount of expenses related to the admission to trading of the Notes will be up to €15,000.

6. It is expected that the applications for the Notes to be admitted to the Official List and to trading on the Irish Stock Exchange's regulated market will be granted on or about 23 September 2015 and that such admission will become effective, and that dealings in the Notes on the Irish Stock Exchange will commence, on or about 23 September 2015.

7. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The issue of the Notes was authorised by a resolution of the board of directors of the Issuer passed on 23 August 2015.

8. The Trust Deed provides that the Trustee may rely on certificates or reports from any auditors or other parties in accordance with the provisions of the Trust Deed whether or not any such certificate or report or engagement letter or other document in connection therewith contains any limit on the liability of such auditors or such other party.

9. There has been no significant change in the financial or trading position of the Issuer since 30 June 2015 (the date of the 2015 Half Yearly Results) and, save as disclosed in the 2015 Half Yearly Results, there has been no material adverse change in the prospects of the Issuer since 31 December 2014.

10. There are no, nor have there been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had during the period of 12 months prior to the date of this document, a significant effect on the financial position or profitability of the Issuer.

11. The Prospectus will be available for inspection on the website www.centralbank.ie operated by the Central Bank of Ireland.

12. Copies of the 2013 Annual Statements, the 2014 Annual Statements, the 2015 Half Yearly Results (which include the 2014 Unaudited Financial Statements and the June 2014 Unaudited Financial Statements) and copies of this Prospectus, the Trust Deed and the Agency Agreement and the constitutional documents of the Issuer will be available for electronic inspection at the registered office of the Issuer during normal business hours, so long as any of the Notes is outstanding.

13. Deloitte of Deloitte & Touche House, Earlsfort Terrace, Dublin 2, chartered accountants and statutory audit firm, have audited, and rendered an unqualified audit report on, in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and Irish GAAP (as defined above) as adopted by the European Union, the financial statements of the Issuer, for the two years ended 31 December 2013 and 31 December 2014. Deloitte is a member of the Institute of Chartered Accountants in Ireland. Deloitte has no material interest in the Issuer.

14. There are no material contracts entered into other than in the ordinary course of the Issuer's business which could result in the Issuer being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Holders in respect of the Notes.

15. The Issuer does not intend to provide any post-issuance information in relation to the Notes.

16. The Managers and their affiliates have engaged, and may in the future engage in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and its affiliates in the ordinary course of business.

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