PROSPECTUS DATED 1 DECEMBER 2015

Allied Irish Banks, p.l.c.

(a company incorporated with limited liability in Ireland)

€500,000,000 Fixed Rate Reset Additional Tier 1 Perpetual Contingent Temporary Write-Down Securities

The €500,000,000 Fixed Rate Reset Additional Tier 1 Perpetual Contingent Temporary Write-Down Securities (the "Securities") will be issued by Allied Irish Banks, p.l.c. ("AIB", the "Issuer" or the "Bank") on 3 December 2015 (the "Issue Date"). The Securities will bear interest on their Prevailing Principal Amount (as defined in the terms and conditions of the Securities (the "Conditions")) from (and including) the Issue Date to (but excluding) 3 December 2020 (the "First Reset Date"), at a rate of 7.375 per cent. per annum and thereafter at the relevant Reset Rate of Interest as provided in Condition 4. Interest will be payable on the Securities semi-annually in arrear on each Interest Payment Date (as defined in the Conditions), commencing on 3 June 2016, provided that the Issuer may elect to cancel any interest payment (in whole or in part) at its sole and full discretion, and must cancel payments of interest (i) in the circumstances described in Condition 5*(b)* and/or (ii) if and to the extent that such payment could not be made in compliance with the Solvency Condition as defined in Condition 3*(b)*. Any interest which is so cancelled will not accumulate or be payable at any time thereafter, no amount will become due from the Issuer in respect thereof and cancellation thereof shall not constitute a default for any purpose on the part of the Issuer.

Upon the occurrence of a Trigger Event (as defined in the Conditions), the Prevailing Principal Amount of each Security will be immediately and mandatorily Written Down by the relevant Write-Down Amount and any interest accrued to the relevant Write-Down Date (as defined in the Conditions) and unpaid shall be cancelled in accordance with Conditions 6*(a)* and *(b)*. Holders of Securities (the "Holders") may lose some or all of their investment as a result of such a Write-Down (as defined in the Conditions). Following such a Write-Down the Issuer, may in certain circumstances and at its sole and full discretion, Write Up the Prevailing Principal Amount of each Security, in accordance with Condition 6*(d)*.

The Securities are perpetual securities with no fixed redemption date, and the Holders have no right to require the Issuer to redeem or purchase the Securities at any time. The Issuer may, in its sole and full discretion but subject to the approval of the Competent Authority (as defined in the Conditions), satisfaction of the conditions to redemption set out in Condition 7*(b)* and compliance with the Solvency Condition, elect to (a) redeem all (but not some only) of the Securities at their Prevailing Principal Amount, together with interest accrued and unpaid from and including the immediately preceding Interest Payment Date up to (but excluding) the redemption date (i) on the First Reset Date or on any Interest Payment Date thereafter or (ii) at any time following the occurrence of a Tax Event or a Capital Disqualification Event (in each case, as defined in the Conditions) which is continuing, or (b) repurchase the Securities at any time in accordance with the then prevailing Regulatory Capital Requirements.

The Securities are not intended to be sold and should not be sold to retail clients in the European Economic Area ("EEA"), as defined in the rules set out in the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, as amended or replaced from time to time, other than in circumstances that do not and will not give rise to a contravention of those rules by any person. Prospective investors are referred to the section headed "Restrictions on marketing and sales to retail investors" on pages 3 and 4 of this Prospectus for further information. Potential investors should read the whole of this document, in particular the "Risk Factors" set out on pages 15 to 47.

This Prospectus has been approved by the Central Bank of Ireland (the "Central Bank"), as competent authority under Directive 2003/71/EC, as amended (including by Directive 2010/73/EU, to the extent that such amendments have been implemented in a relevant Member State of the EEA) (the "Prospectus Directive"). The Central Bank 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"). Application has been made to the Irish Stock Exchange for the Securities to be admitted to the Official List of the Irish Stock Exchange (the "Official List") and trading on its regulated market. As required by the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended) (the "Regulations"), a copy of this Prospectus has been filed with the Central Bank and will be filed with the Registrar of Companies within 14 days after its publication. This Prospectus is available for viewing on the website of the Irish Stock Exchange. Arthur Cox Listing Services Limited (the "Listing Agent") is acting solely in its capacity as listing agent in connection with the Securities and is not itself seeking admission of the Securities to the Official List or to trading on its regulated market for the purposes of the Prospectus Directive.

References in this Prospectus to Securities being "listed" (and all related references) shall mean that such Securities have been admitted to trading on the Irish Stock Exchange's regulated market and have been admitted to the Official List.

The Securities will be issued in registered form and available and transferable in minimum amounts of €200,000 and integral multiples of €1,000 in excess thereof. The Securities will be initially represented by a global certificate in registered form (the "Global Certificate") and will be registered in the name of a nominee of a common depositary for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg" and, together with Euroclear, the "Clearing Systems").

The Securities are expected to be rated B- by Fitch Ratings Limited ("Fitch") which is a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 (as amended) (the "CRA Regulation"). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("ESMA") will appear on its website (http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning credit rating agency.

The Securities are not guaranteed by the Minister for Finance of Ireland or any other person or entity.

Joint Structuring Advisers and Joint Lead Managers

Deutsche Bank **Morgan Stanley**

Joint Lead Managers

BofA Merrill Lynch **Davy**

Goodbody **HSBC**

Co-lead Manager

Cantor Fitzgerald Ireland Ltd.

IMPORTANT INFORMATION

This Prospectus is a prospectus with regard to the Prospectus Directive including any implementing measures in Ireland.

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

This Prospectus has been prepared on the basis that any offer of Securities in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Securities. Accordingly, any person making or intending to make an offer in that Relevant Member State of Securities which are the subject of the offering contemplated in this Prospectus may only do so in circumstances in which no obligation arises for the Issuer or any of Deutsche Bank AG, London Branch, Morgan Stanley & Co. International plc, Goodbody Stockbrokers, HSBC Bank plc, J&E Davy, Merrill Lynch International and Cantor Fitzgerald Ireland Ltd. (the "Managers") to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor the Managers have authorised, nor do they authorise, the making of any offer of Securities in circumstances in which an obligation arises for the Issuer or the Managers to publish or supplement a prospectus for such offer.

This Prospectus is to be read in conjunction with all the documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated By Reference*"). This Prospectus shall be read and construed on the basis that such documents are so incorporated and form part of this Prospectus.

To the fullest extent permitted by law, none of the Managers accept any responsibility for the contents of this Prospectus or for any other statement, made or purported to be made by the Managers or on its behalf in connection with AIB or the issue and offering of the Securities. The Managers accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Prospectus or any other financial statements or further information supplied pursuant to the terms of the Securities and, if given or made, such information or representation must not be relied upon as having been authorised by either AIB or any of the Managers.

Neither this Prospectus nor any other financial statements nor any further information supplied pursuant to the terms of the Securities, is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation, or constituting an invitation or offer, by or on behalf of either AIB or any of the Managers, that any recipient of this Prospectus or any other financial statements or any further information supplied pursuant to the terms of the Securities should subscribe for or purchase any of the Securities. Each investor contemplating purchasing Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of AIB.

The delivery of this Prospectus does not at any time imply that the information contained herein concerning AIB and its subsidiaries (the "Group") is correct at any time subsequent to the date hereof or that any other financial statements or any further information supplied pursuant to the terms of the Securities is correct as of any time subsequent to the date indicated in the document containing the same. The Managers expressly do not undertake to review the financial condition or affairs of the Group during the life of the Securities.

Investors should review, *inter alia*, the most recent financial statements of AIB when deciding whether or not to purchase the Securities.

AIB and the Managers do not represent that this Prospectus may be lawfully distributed, or that Securities may be lawfully offered, in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by AIB or the Managers (save for the delivery of copies of this Prospectus to the Registrar of Companies in Ireland) which would permit a public offering of any Securities or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, Securities may not 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 and the Managers have represented that all offers and sales by them will be made on the same terms.

The distribution of this Prospectus and the offer or sale of the Securities may be restricted by law in certain jurisdictions. Persons into whose possession this Prospectus or any Securities come must inform themselves about, and observe, any such restrictions.

The Securities have not been and will not be registered under the United States Securities Act of 1933 as amended (the "Securities Act") and are subject to U.S. tax law requirements. Subject to certain exemptions, Securities may not be offered, sold or delivered within the United States or to United States persons (see "*Subscription and Sale*").

All references in this document to a "Member State" are references to a Member State of the EEA, "U.S. dollars", "U.S.$", "$", "USD" and "U.S. cent" refer to the currency of the United States of America, those to "euro", "€" and "EUR" are to the single currency adopted by those states participating in the European Monetary Union from time to time, those to "Sterling", "GBP" and "£" refer to the currency of the UK, those to "Ireland" and the "Irish State" refer to the Republic of Ireland, and those to "EU" refer to the European Union.

In connection with the issue of the Securities, Deutsche Bank AG, London Branch (the "Stabilising Manager(s)") (or any person acting on behalf of any Stabilising Manager(s)) may over-allot Securities or effect transactions with a view to supporting the market price of the Securities at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Securities is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Securities and 60 days after the date of the allotment of the Securities. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

Restrictions on Marketing and Sales to Retail Investors

The Securities are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Securities to retail investors.

In particular, in June 2015, the U.K. Financial Conduct Authority (the "FCA") published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, which took effect from 1 October 2015 (the "PI Instrument").

Under the rules set out in the PI Instrument (as amended or replaced from time to time, the "PI Rules"):

(i) certain contingent write-down or convertible securities (including any beneficial interests therein), such as the Securities, must not be sold to retail clients in the EEA; and

(ii) there must not be any communication or approval of an invitation or inducement to participate in, acquire or underwrite such securities (or the beneficial interest in such securities) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case, within the meaning of the PI Rules), other than in accordance with the limited exemptions set out in the PI Rules.

The Managers are required to comply with the PI Rules. By purchasing, or making or accepting an offer to purchase, any Securities (or a beneficial interest in such Securities) from the Issuer and/or the Managers each prospective investor represents, warrants, agrees with and undertakes to the Issuer and each of the Managers that:

1. it is not a retail client in the EEA (as defined in the PI Rules);

2. whether or not it is subject to the PI Rules it will not

   (A) sell or offer the Securities (or any beneficial interest therein) to retail clients in the EEA or

   (B) communicate (including the distribution of the Prospectus) or approve an invitation or inducement to participate in, acquire or underwrite the Securities (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case within the meaning of the PI Rules),

   in any such case other than (i) in relation to any sale or offer to sell Securities (or any beneficial interests therein) to a retail client in or resident in the UK, in circumstances that do not and will not give rise to a contravention of the PI Rules by any person and/or (ii) in relation to any sale or offer to sell Securities (or any beneficial interests therein) to a retail client in any EEA member state other than the UK, where (a) it has conducted an assessment and concluded that the relevant retail client understands the risks of an investment in the Securities (or such beneficial interests therein) and is able to bear the potential losses involved in an investment in the Securities (or such beneficial interests therein) and (b) it has at all times acted in relation to such sale or offer in compliance with MiFID to the extent it applies to it or, to the extent MiFID does not apply to it, in a manner which would be in compliance with MiFID if it were to apply to it; and

3. it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Securities (or any beneficial interests therein), including (without limitation) any such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Securities (or any beneficial interests therein) by investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Securities (or any beneficial interests therein) from the Issuer and/or the Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

Cautionary statement regarding forward looking statements

Some statements in this Prospectus may be deemed to be forward looking statements. Forward looking statements include statements concerning the Issuer's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward looking statements. When used in this

Prospectus, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward looking statements. These forward looking statements are contained in the sections entitled "*Risk Factors*" and "*Description of the Issuer*" and other sections of this Prospectus. The Issuer has based these forward looking statements on the current view of its management with respect to future events and financial performance. Although the Issuer believes that the expectations, estimates and projections reflected in its forward looking statements are reasonable as of the date of this Prospectus, if one or more of the risks or uncertainties materialise, including those identified below or which the Issuer has otherwise identified in this Prospectus, or if any of the Issuer's underlying assumptions prove to be incomplete or inaccurate, the Issuer's actual results of operation may vary from those expected, estimated or predicted.

The risks and uncertainties referred to above include:

- the Issuer's ability to achieve and manage the growth of its business;
- the performance of the markets in Ireland and the wider region in which the Issuer operates;
- the Issuer's ability to realise the benefits it expects from existing and future projects and investments it is undertaking or plans to or may undertake;
- the Issuer's ability to obtain external financing or maintain sufficient capital to fund its existing and future investments and projects;
- changes in political, social, legal or economic conditions in the markets in which the Issuer and its customers operate; and
- actions taken by the Issuer's joint venture partners that may not be in accordance with its policies and objectives.

Any forward looking statements contained in this Prospectus speak only as at the date of this Prospectus. Without prejudice to any requirements under applicable laws and regulations, the Issuer expressly disclaims any obligation or undertaking to disseminate, after the date of this Prospectus, any updates or revisions to any forward looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any such forward looking statement is based.

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OVERVIEW OF THE PRINCIPAL FEATURES OF THE SECURITIES

The following overview provides an overview of certain provisions of the conditions of the Securities and is qualified by the more detailed information contained elsewhere in this Prospectus. Capitalised terms which are defined in the "Terms and Conditions of the Securities" have the same meaning when used in this overview. References to numbered Conditions are to the conditions of the Securities (the "Conditions") as set out under the "Terms and Conditions of the Securities".

Issuer:	Allied Irish Banks, p.l.c.
Trustee:	Citibank N.A. London Branch
Principal Paying Agent, Registrar, Transfer Agent, Agent Bank:	Citibank N.A. London Branch
Securities:	€500,000,000 Fixed Rate Reset Additional Tier 1 Perpetual Contingent Temporary Write-Down Securities.
Risk factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Securities and the Trust Deed. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Securities and certain risks relating to the structure of the Securities. These are set out under "*Risk Factors*".
Status of the Securities:	The Securities will constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu*, without any preference, among themselves.
Rights on a Winding-Up:	The rights and claims of Holders in the event of a Winding-Up of the Issuer are described in Conditions 3 and 9. In any Winding-Up, the claims of Holders will rank junior to the claims of Senior Creditors (including holders of Tier 2 Capital instruments), being creditors who are unsubordinated creditors of the Issuer and those whose claims are subordinated other than those who rank *pari passu* with, or junior to, the claims of Holders.
Solvency Condition:	Except in the event of a Winding-Up, all payments in respect of or arising from (including any damages awarded for breach of any obligations under) the Securities (other than payment to the Trustee for its own account under the Trust Deed) are conditional upon the Issuer being solvent at the time of payment by the Issuer and no payments of principal, interest or other amounts shall be due and payable in respect of or arising from the Securities or the Trust Deed (other than payments to the Trustee for its own account under the Trust Deed) except to the extent that the Issuer could make such payment and still be solvent immediately thereafter (the "Solvency Condition").
Interest:	The Securities will bear interest on their Prevailing Principal Amount: (a) from (and including) the Issue Date to (but excluding) the

	First Reset Date, at the rate of 7.375 per cent. per annum; and (b) thereafter, at the relevant Reset Rate of Interest (as described in Condition 4). Interest shall be payable semi-annually in arrear on 3 June and 3 December of each year, (each an "Interest Payment Date") commencing on 3 June 2016. If paid in full, each payment of interest to but excluding the First Reset Date shall amount to €36.875 per €1,000 Initial Principal Amount of the Securities.
Optional cancellation of interest:	The Issuer may elect at its sole and full discretion to cancel (in whole or in part) the interest otherwise scheduled to be paid on any Interest Payment Date. See Condition 5*(a)* for further information.
Mandatory cancellation of interest:	Under the Regulatory Capital Requirements, the Issuer may elect to pay interest only to the extent that it has Distributable Items. Accordingly, in addition to having the right to cancel payment of interest at any time, the Issuer will cancel the relevant payment of interest on any Interest Payment Date (in whole or, as the case may be, in part) if and to the extent that such interest, when aggregated together with any interest payments or distributions which have been paid or made or which are required to be paid or made during the then current financial year on all other own funds items of the Issuer (excluding any such interest payments or distributions which (i) are not required to be made out of Distributable Items or (ii) have already been provided for, by way of deduction, in calculating the amount of Distributable Items), in aggregate would exceed the amount of the Distributable Items of the Issuer as at such Interest Payment Date. In addition, the Issuer is also required to cancel any interest otherwise scheduled to be paid on an Interest Payment Date if and to the extent that payment of such interest would cause, when aggregated together with other distributions of the kind referred to in Article 141(2) of the CRD IV Directive (as defined on page 16 below) (or any provision of applicable law transposing or implementing Article 141(2) of the CRD IV Directive), the lower of (i) the Maximum Distributable Amount (if any) then applicable to the Issuer and (ii) the Maximum Distributable Amount (if any) then applicable to the Group to be exceeded. Maximum Distributable Amount means any applicable maximum distributable amount relating to the Issuer or the Group required to be calculated in accordance with Article 141 of the CRD IV Directive (or any provision of applicable law transposing or implementing Article 141 of the CRD IV Directive, as amended or replaced).

	See Condition 5*(b)* for further information. Payments of interest are also subject to the Solvency Condition (see "Solvency Condition" above). Following the occurrence of a Trigger Event, the Issuer will also cancel all interest accrued up to (but excluding) the Write-Down Date (see "Write-Down following a Trigger Event" below).
Non-cumulative interest:	If the payment of interest scheduled on an Interest Payment Date is cancelled in accordance with the Conditions as described above, the Issuer shall not have any obligation to make such interest payment on such Interest Payment Date and the failure to pay such amount of interest or part thereof shall not constitute a default of the Issuer for any purpose. Any such interest will not accumulate or be payable at any time thereafter and holders of the Securities shall have no right thereto whether in a Winding-Up of the Issuer or otherwise, or to receive any additional interest or other compensation as a result of any such cancelled payment of interest.
Write-Down following a Trigger Event:	If the Bank determines in accordance with the requirements set out in Article 54 of the CRD IV Regulation that the CET1 Ratio of either the Issuer or the Group has fallen below 7 per cent. (a "Trigger Event"), the Issuer shall immediately notify the Competent Authority of the occurrence of the Trigger Event and shall: (a) as soon as reasonably practicable deliver a Trigger Event Notice to Holders (in accordance with Condition 15), the Trustee, the Registrar and the Principal Paying Agent which notice shall be irrevocable; (b) irrevocably cancel any accrued and unpaid interest up to (but excluding) the Write-Down Date; and (c) without delay, and in any event within one month from the occurrence of the relevant Trigger Event, reduce the then Prevailing Principal Amount of each Security by the Write-Down Amount. See Condition 6*(a)* for further information.
Write Up of the Securities at the Discretion of the Issuer:	To the extent permitted by the Regulatory Capital Requirements and subject to the Maximum Distributable Amount (if any) (when the amount of the Write Up is aggregated together with other distributions of the kind referred to in any provision of applicable law transposing or implementing Article 141(2) of the CRD IV Directive) not being exceeded thereby, the Issuer may at its sole and full discretion reinstate the principal amount of each Security previously Written Down (a "Write Up"), up to a maximum of its Initial Principal Amount, on a *pro rata* basis with the other Securities and with any Written Down Additional

	Tier 1 Instruments of the Issuer, provided that the sum of: (a) the aggregate amount of the relevant Write Up on all the Securities on the Write Up Date; (b) the aggregate amount of any other Write Up on the Securities since the Reference Date and prior to the Write-Up Date; (c) the aggregate amount of any interest payments paid on the Securities since the Reference Date and which accrued on the basis of a Prevailing Principal Amount lower than the Initial Principal Amount; (d) the aggregate amount of the increase in principal amount of each such Written Down Additional Tier 1 Instrument at the time of the relevant Write Up; (e) the aggregate amount of any other increase in principal amount of each Written Down Additional Tier 1 Instrument prior to the time of the relevant Write-Up; and (f) the aggregate amount of any interest payments on each Written Down Additional Tier 1 Instrument since the Reference Date that were calculated or paid on the basis of a prevailing principal amount that is lower than its initial principal amount, does not exceed the Maximum Write Up Amount. See Condition 6*(d)* for further information.
Maturity:	The Securities are perpetual securities with no fixed redemption date. The Securities may only be redeemed or repurchased by the Issuer in the circumstances below (as more fully described in Condition 7).
Optional redemption:	The Issuer may, in its sole and full discretion but subject to the conditions set out under "Conditions to redemption, substitution or variation etc." below, redeem all (but not some only) of the Securities on the First Reset Date or on any Interest Payment Date thereafter at their Prevailing Principal Amount together with interest accrued and unpaid from and including the immediately preceding Interest Payment Date to but excluding the date fixed for redemption.
Redemption following a Tax Event or a Capital Disqualification Event:	The Issuer may, in its sole and full discretion but subject to the conditions set out under "Conditions to redemption, substitution or variation etc." below, redeem all (but not some only) of the Securities at any time if a Tax Event or a Capital Disqualification Event (each as defined in the Conditions) has occurred and is continuing, in each case, at their Prevailing Principal Amount together with interest accrued and unpaid from and including the immediately preceding Interest Payment Date up to but excluding the date fixed for redemption. If a Tax Event or a Capital Disqualification Event has occurred and is

	continuing, then the Issuer may, subject to the conditions set out under "Conditions to redemption, substitution or variation, etc." but without any requirement for the consent or approval of the Holders, at any time (whether before or following the First Reset Date) either substitute all (but not some only) of the Securities for, or vary the terms of the Securities so that they remain or, as appropriate, become Compliant Securities.
Conditions to redemption, substitution or variation: **etc.**:	The Securities may only be redeemed, purchased, substituted or modified (as applicable) pursuant to Condition 7 or 12, as the case may be, if: (a) the Issuer has obtained prior Supervisory Permission therefor; (b) in the case of redemption pursuant to Condition 7*(c)*, the Prevailing Principal Amount of each Security is equal to its Initial Principal Amount at such time; (c) in the case of redemption pursuant to Condition 7*(d)* by reason of a Tax Event: (i) the Issuer has demonstrated to the satisfaction of the Competent Authority that the change in the applicable tax treatment is material and was not reasonably foreseeable by the Issuer as at the Issue Date; and (ii) the Issuer has delivered to the Trustee a certificate signed by two Authorised Signatories of the Issuer stating that the facts giving rise to the Tax Event have occurred; and (d) in the case of redemption pursuant to Condition 7*(e)* by reason of a Capital Disqualification Event: (i) the Issuer has demonstrated to the satisfaction of the Competent Authority that the relevant change in the regulatory classification of the Securities was not reasonably foreseeable by the Issuer as at the Issue Date; and (ii) the Issuer has delivered to the Trustee a certificate signed by two Authorised Signatories of the Issuer stating that the facts giving rise to the Capital Disqualification Event have occurred. Further, any redemption, substitution, variation or purchase is subject, if then required under prevailing Regulatory Capital Requirements, to either: (A) the Issuer having replaced the Securities with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or (B) the Issuer having demonstrated to the satisfaction of the Competent Authority that the own funds of the Issuer would, following such redemption or purchase, exceed its minimum capital requirements (including any capital buffer requirements) by a margin that the Competent Authority

	considers necessary at such time. In addition, if the Issuer has elected to redeem the Securities and either (i) the Solvency Condition is not satisfied in respect of the relevant payment on the date scheduled for redemption, or (ii) prior to redemption of the Securities a Trigger Event occurs, then the relevant notice of redemption will be automatically rescinded and will be of no force and effect.
Purchase of the Securities:	The Issuer or any of its subsidiaries may at their option purchase or otherwise acquire any of the outstanding Securities at any price in the open market or otherwise at any time in accordance with applicable laws and regulations (including, for the avoidance of doubt, the Regulatory Capital Requirements) and Condition 7*(g)*.
Withholding tax and Additional Amounts:	Subject always to Conditions 3*(b)* and 5, all payments of principal and/or interest and any other amount in respect of the Securities shall be made free and clear of, and without withholding or deduction for any present or future tax, duty or charge of whatsoever nature imposed, levied, collected, withheld or assessed by the Relevant Jurisdiction, unless such withholding and/or deduction is required by law. In that event, the Issuer shall account to the relevant authorities for the amount required to be withheld or deducted and will in respect of payments of interest (but not principal or any other amount) (to the extent such payment can be made out of Distributable Items which are available *mutatis mutandis* in accordance with Condition 5(b)), subject to certain limitations and exceptions, pay such additional amounts ("Additional Amounts") as will result (after such withholding and/or deduction) in the receipt by the holders of the Securities of such sums which would have been receivable (in the absence of such withholding and/or deduction) from it in respect of their Securities. Notwithstanding any other provision of the Trust Deed, all payments of principal, interest and any other amount in respect of the Securities shall be made net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the Code (as defined in the Conditions), or otherwise imposed pursuant to Sections 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) (any such withholding or deduction, a FATCA Withholding). Neither the Issuer nor any other person will be required to pay any Additional Amounts in respect of FATCA Withholding.

Enforcement:	If the Issuer has not made payment of any amount in respect of the Securities for a period of seven days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Trust Deed and the Securities and, unless proceedings for a Winding-Up have already commenced, the Trustee may institute proceedings for a Winding-Up. The Trustee may prove in any Winding-Up of the Issuer (whether or not instituted by the Trustee) and shall have such claim as is set out in Condition 3. The Trustee may, at its discretion and without notice, institute such other proceedings and/or take any other steps or action against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed or the Securities (other than any payment obligation), provided that in no event shall the Issuer, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it pursuant to the Conditions and the Trust Deed. No Holder shall be entitled to proceed directly against the Issuer or to institute proceedings for a Winding-Up unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing. See Condition 9 for further information.
Modification:	The Trust Deed will contain provisions for convening meetings of Holders to consider any matter affecting their interests, pursuant to which defined majorities of the Holders may consent to the modification or abrogation of any of the Conditions or any of the provisions of the Trust Deed, and any such modification or abrogation shall be binding on all Holders. Subject to receipt of Supervisory Permission from the Competent Authority (if required), the Trustee may agree, without the consent of the Holders, to (i) any modification of the Conditions or of any other provisions of the Trust Deed or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or an error which is, in the opinion of the Trustee, proven, and (ii) any other modification to (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach of any of the Conditions or of the provisions of the Trust Deed or the Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders. Any such modification shall be binding on the Holders and any such modification shall be notified to the Holders in accordance with Condition 15 as soon as practicable thereafter.
Form:	The Securities will be issued in registered form. The Securities

	will be initially represented by a Global Certificate which is registered in the name of a nominee of a common depositary for the Clearing Systems.
Denomination:	€200,000 and integral multiples of €1,000 in excess thereof.
Clearing systems:	Euroclear and Clearstream, Luxembourg.
Listing:	Application has been made to the Irish Stock Exchange for the Securities to be admitted to trading on the Irish Stock Exchange's regulated market and to be listed on the Official List of the Irish Stock Exchange.
Governing law:	The Securities and the Trust Deed, and any non-contractual obligations arising out of or in connection with the Securities or the Trust Deed, will be governed by, and construed in accordance with, English law except for the provisions governing the subordination of the Securities and set-off which will be governed by, and construed in accordance with, the laws of Ireland.
Submission to jurisdiction:	The Issuer will, in the Trust Deed, irrevocably agree for the benefit of the Trustee and the Holders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed or the Securities (including a dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed or the Securities) other than Excluded Matters (as defined in the Conditions) in respect of which the courts of Ireland shall have jurisdiction and accordingly has submitted to the jurisdiction of the English courts other than in relation to Excluded Matters in respect of which the Issuer has submitted to the jurisdiction of the courts in Ireland.
Rating:	The Securities are expected to be rated B- by Fitch which is a credit rating agency established in the European Union and registered under the CRA Regulation. The list of registered and certified rating agencies published by ESMA appears on its website (http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning credit rating agency.
ISIN:	XS1328798779
Common Code:	132879877

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Securities. 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 all or any of such contingencies occurring.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Securities are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Securities, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Securities for other reasons and the Issuer does not represent that the statements below regarding the risks of holding the Securities are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents deemed to be incorporated in it by reference) and reach their own views prior to making any investment decision.

Capitalised terms which are defined in the "Terms and Conditions of the Securities" have the same meaning when used in these risk factors.

Risks Related to the Group's Business

Factors that may affect the Issuer's ability to fulfil its obligations under the Securities

The Group is exposed to a number of material risks and the Group has implemented risk management strategies to mitigate these risks. There is a risk that these strategies may fail to fully mitigate the risks in certain circumstances, particularly if confronted with risks that were not identified or anticipated.

Macro-economic and geopolitical risks

The Group's business may be adversely affected by the economic and market conditions it operates in

Deterioration in the performance of the Irish economy or other relevant economies has the potential to adversely affect the Group's overall financial condition and performance. Such deterioration could result in reductions in business activity, lower demand for the Group's products and services, reduced availability of credit, increased funding costs and decreased asset values.

While the Irish economy has performed well in 2013 and 2014 with GNP up by 4.6 per cent. and 6.9 per cent. respectively (CSO Quarterly National Accounts, Quarter 2 2015), any renewed stress on or deterioration of the economy could impact the return of normalised markets for commercial and residential property. As the Group remains heavily exposed to the Irish property market, a prolonged delay in the recovery of the Irish market could have a negative impact on levels of arrears, the Group's collateral values and consequently, have a material impact on the Group's future performance and results.

General economic conditions continue to be challenging for customers. A continued high level of unemployment together with any further reduction in borrowers' disposable income has the potential to negatively impact customers' ability to repay existing loans. This could result in additional write-downs and impairment charges for the Group and negatively impact its capital and earnings position. Challenging economic conditions will also influence the demand for credit in the economy. A declining or continuing muted demand for credit has the potential to impact the Group's financial position.

Deterioration in the economic and market conditions in which the Group operates could negatively impact on the Group's income, and may put additional pressure on the Group to more aggressively manage its cost base. This may have negative consequences for the Group to the extent that infrastructure investments in support of

the Group's strategy are de-scoped or de-prioritised, and may serve to increase operational risk in the near-term. Market conditions also impact the competitive environment in which the Group operates. The entry of bank and non-bank competitors into the Group's markets may put additional pressure on the Group's income streams and consequently have an adverse impact on its financial performance.

Constraints on the Group's access to funding may adversely affect liquidity risk management

Conditions could arise which would constrain funding or liquidity opportunities for the Group. Currently, the Group funds its activities primarily from customer deposits. However, a loss of confidence by depositors in the Group, the Irish or UK banking industry or the Irish or UK economy could lead to losses of funding or liquidity resources within a short timeframe. Concerns around debt sustainability and sovereign downgrades in the eurozone could impact the Group's deposit base and could impede access to wholesale funding markets, impacting the ability of the Group to issue debt securities to the market.

A stable customer deposit base and asset deleveraging has allowed the Group to materially reduce its funding from the European Central Bank ("ECB"). This, in turn, has allowed an increase in unencumbered high quality liquid assets. The Group has also identified certain management and mitigating actions which could be considered on the occurrence of a liquidity stress event. However, in the event that the Group exhausted these sources of liquidity it would be necessary to seek alternative sources of funding from the monetary authorities.

The Capital Requirements Regulation (No. 575/2013) ("CRR") and the Capital Requirements Directive (2013/36/EU) ("CRD IV Directive" and together with the CRR, "CRD IV") require banks such as AIB to meet targets set for the new Basel III liquidity related ratios: the Net Stable Funding Ratio ("NSFR") and Liquidity Coverage Ratio ("LCR"). Meeting the phased implementation deadlines of these requirements could impose additional costs on the Group while failure to demonstrate appropriate progress may lead to regulatory sanction.

Downgrades to the Irish sovereign's credit ratings or outlook could impair the Group's access to private sector funding and weaken its financial position

In January 2014, Moody's restored Ireland's long-term sovereign credit ratings to an investment grade rating of Baa3 and, in May 2014, Moody's upgraded its rating to Baa1. S&P upgraded Ireland's credit rating to A+ in June 2015 and Fitch upgraded its credit rating to A- in August 2014. Moody's and Fitch have Ireland on positive outlook for their respective ratings and S&P has Ireland on a stable outlook. There can be no assurance, however, that the Irish sovereign's credit rating will not be downgraded in the future. Any such downgrade would be likely to impair the Group's access to private sector funding and weaken its financial position. Downgrades could also adversely impact the National Asset Management Agency ("NAMA") senior bonds and the Group's use of them as collateral for the purposes of accessing the liquidity provision operations offered by monetary authorities, as well as the Group's holdings of Irish Government securities as part of its available-for-sale ("AFS") portfolio. Any of the foregoing could have a material adverse effect on the Group's business, financial condition or prospects.

Credit ratings may not reflect all risks and downgrades to the Group's credit ratings or outlook could impair the Group's access to private sector funding, trigger additional collateral requirements and weaken its financial position

Each of Standard & Poor's Credit Market Services Europe Limited, Moody's Investor Services Ltd. and Fitch has assigned credit ratings to the Issuer. In addition, the Securities are expected to be rated B- by Fitch. Other independent credit rating agencies could decide to assign credit ratings to the Securities on an unsolicited basis. If any such other independent credit rating agency decides to assign credit ratings to the Securities or if any rating assigned to the Securities and/or the Issuer is revised lower, suspended, withdrawn or not

maintained by the Issuer, the market value of the Securities may be reduced. There is no guarantee that any ratings will be assigned or maintained. The ratings may furthermore not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the relevant rating agency at any time. Furthermore, other securities issued by the Issuer have currently been assigned credit ratings.

The Group's senior unsecured debt not covered by the Credit Institutions (Eligible Liabilities Guarantees) Scheme (the "ELG Scheme") is rated Ba1 by Moody's with a positive outlook and its debt and deposits not covered by the ELG Scheme are rated BB with a positive outlook and BB+ with a stable outlook by Fitch and S&P, respectively. Moody's has rated the Group's long-term deposits Baa3 and has assigned Counterparty Risk Assessments (CR Assessment) of Baa2(cr)/P-2(cr) to the Group. Downgrades in the credit ratings of the Group could have an adverse impact on the volume and pricing of its wholesale funding and its financial position, restrict its access to the capital and funding markets, trigger material collateral requirements or associated obligations in other secured funding arrangements or derivative contracts, make ineligible or lower the liquidity value of pledged securities and weaken the Group's competitive position in certain markets. Furthermore, the availability of deposits is often dependent on credit ratings and further downgrades of the Group's debt could lead to withdrawals of deposits, which could result in deterioration in the Group's funding and liquidity position. Any of the foregoing could have a material adverse effect on the Group's business, financial condition and prospects.

The Group faces market risks, including non-trading interest rate risk

The following market risks arise in the normal course of the Group's banking business; interest rate risk, credit spread risk (including sovereign risk), basis risk and foreign exchange risk.

Changes in the shape and level of interest rate curves impact the economic value of the Group's underlying assets and liabilities. The Group's earnings are exposed to basis risk i.e. an imperfect correlation in the adjustment of the rates earned and paid on different products with otherwise similar characteristics. The persistence of exceptionally low interest rates for an extended period could adversely impact the Group's earnings through the compression of net interest margin.

Widening credit spreads could adversely impact the value of the Group's AFS bond positions.

Trading book risks predominantly result from supporting client businesses with small residual discretionary positions remaining. Credit Value Adjustments ("CVA") and Funding Value Adjustments ("FVA") to derivative valuations arising from customer activity have potentially the largest trading book derived impact on earnings.

Changes in foreign exchange rates, particularly the euro-sterling rate, affect the value of assets and liabilities denominated in foreign currency and the reported earnings of the Group's non-Irish subsidiaries. Any failure to manage market risks to which the Group is exposed could have a material adverse effect on its business, financial conditions and prospects.

The Group faces the risk that the funding position of its defined benefit pension schemes will deteriorate, requiring it to make additional contributions

The Group maintains a number of defined benefit pension schemes for certain current and former employees. In relation to these schemes, the Group faces the risk that the funding position of the schemes deteriorates to such an extent that it would be required to make additional contributions above what is already planned to cover its pension obligations towards those current and former employees. The Group received approval from the Pensions Authority in 2013 in relation to a funding plan up to January 2018 with regard to the regulatory minimum funding standard requirements of the Group's Irish pension scheme. For its defined benefit schemes

in the UK, the Group established an asset backed funding vehicle to provide the required regulatory funding. Nonetheless, a level of volatility associated with pension funding remains due to potential financial market fluctuations and possible changes to pension and accounting regulations. This volatility can be classified as market risk and actuarial risk. Market risk arises because the estimated market value of the pension scheme assets may decline or their investment returns may reduce due to market movements. Actuarial risk arises due to the risk that the estimated value of the pension scheme liabilities may increase due to changes in actuarial assumptions. Furthermore, International Accounting Standards pension deficits as reported are now deducted from capital under CRD IV which came into force on 1 January 2014. Any failure by the Group to manage its pension deficit could have a material adverse effect on its business, financial condition and prospects.

Contagion risks could disrupt the markets and adversely affect the Group's financial condition

The risk of contagion in the markets in which the Group operates and dislocations caused by the interdependency of financial markets' participants and of members of currency and supranational economic associations is an on-going risk to the Group's financial condition. Any change in membership of such associations or reductions in the perceived creditworthiness of one or more significant borrowers or financial institutions could lead to market-wide liquidity problems, losses and defaults, which could adversely affect the Group's results, financial condition and future prospects.

In particular, although the severity of the European sovereign debt crisis has abated since 2012, the emergence of significant anti-austerity sentiment in some member countries, especially in Greece, may contribute to renewed instability in the European sovereign debt markets and in the economy more generally. Any political decision by Greece or other member countries to leave the eurozone could lead to pressure on other member countries to also do so and could potentially lead to a deterioration in the sovereign debt market, especially if the exit does not result in the severe effects on the exiting country that many have predicted. If one or more members of the eurozone defaults on their debt obligations or decides to leave the common currency, this would result in the reintroduction of one or more national currencies. Given the highly interconnected nature of the financial system within the eurozone, this could result in dislocation across the financial markets and the Group's ability to plan for such a contingency in a manner that would reduce its exposure may be limited.

The UK Government has committed to holding a referendum on continued UK membership of the European Union before the end of 2017. The timing and outcome of such a referendum is uncertain. The impacts of a UK exit from the European Union on the UK economy and trade is unknown but may have negative consequences for the Group both in terms of its UK and Irish operations and impacts on the UK and Irish economies.

The regulatory position of the Group's operations in the UK, with respect to which the Group has exercised its European Union "passport" rights, may also become uncertain. Accordingly, if the UK were to exit the European Union, this could have a material adverse effect on the Group's business, financial condition and prospects.

The Group may be adversely affected by further austerity or budget measures introduced by the Irish Government or the UK Government

The current and future budgetary and taxation policy of Ireland, the UK and other measures adopted by the Irish Government or the UK Government may have an adverse impact on borrowers' ability to repay their loans and, as a result, the Group's business. Furthermore, some measures may directly impact the financial performance of the Group through the imposition of measures such as the bank levy in Ireland introduced in Budget 2014 and which the Irish Government announced during Budget 2016 would be extended to 2021. The annual levy paid by the Group in 2014 amounted to €60 million. This bank levy may be further extended and increased in the future.

The Group may be impacted by the outcome of the Banking Inquiry

The Terms of Reference proposed by the Joint Committee for the Inquiry into the Banking Crisis were agreed by Dáil Éireann and Seanad Éireann in November 2014. The purpose of the Inquiry is to inquire into the reasons why Ireland experienced a systemic banking crisis, including the political, economic, social, cultural, financial and behavioural factors and policies which impacted on or contributed to the crisis and the preventative reforms implemented in the wake of the crisis. The potential implications (including reputational risk) for the Group of this inquiry are uncertain at this time.

Regulatory and Legal risks

The Group may be adversely impacted by the pace and scale of regulatory and supervisory change

A significant number of new regulations have been issued by the various regulatory authorities in the recent past. The eurozone's largest banks, including the Group, came under the direct supervision of, and are deemed to be authorised by, the ECB since the introduction on 4 November 2014 of the Single Supervisory Mechanism ("SSM").

The main aims of the SSM are to ensure the safety and soundness of the European banking system and to increase financial integration and stability in Europe. A Single Resolution Mechanism ("SRM") has been introduced including a single resolution board ("SRB") and a single fund for the resolution of banks. The requirements of the SRM are set out in the Single Resolution Mechanism Regulation (Regulation (EU) No. 806/2014 of 15 July 2014) (the "SRM Regulation") and the Banking Recovery and Resolution Directive (Directive 2014/59/EU) ("RRD"). The SRM Regulation, subject to some exceptions, will apply from 1 January 2016. The SRB will be fully operational from January 2016. The RRD has been implemented in Ireland pursuant to the European Union (Bank Recovery and Resolution) Regulations 2015 (the "RRD Regulations"). The RRD Regulations, other than regulations 79 to 94, came into effect on 15 July 2015. Regulations 79 to 94 are scheduled to come into effect on 1 January 2016. The Group is making preparations for the SRM which will come into force on 1 January 2016. The establishment of the SRM is designed to ensure that supervision and resolution is exercised at the same level for countries that share the supervision of banks within the SSM. The single resolution fund will be financed by bank levies raised at national level. The overarching goal of the new bank recovery and resolution framework established by the RRD/SRM package is to break the linkages between national banking systems and sovereigns. The new framework is intended to enable resolution authorities to resolve failing banks with a lower risk of triggering contagion to the broader financial system, while sharing the costs of resolution with bank shareholders and creditors. Among other provisions, the RRD requires banks to produce a full recovery plan that sets out detailed measures to be taken in different scenarios when the viability of the institution is at risk. Furthermore, one or more of the Group's regulators may require the Group to make changes to the legal structure of the Group pursuant to its implementation of requirements under the SRM Regulation, the RRD or other applicable law or regulation. In relation to the RRD and the SRM Regulation, see also "*The RRD and the SRM Regulation provide for resolution tools that may have a material adverse effect on the Group and the Securities*".

The Group will have to meet the cost of all levies that are imposed on it in relation to funding the bank resolution fund established under the SRM or that are imposed on it under other applicable compensation schemes relating to banks or other financial institutions in financial difficulties. In addition, the challenge of meeting this degree of regulatory change will place a strain on the Group's resources, particularly during a period of significant organisational transformation. The challenge of meeting tight implementation deadlines while balancing competing resource priorities and demands adds to the regulatory risk of the Group. These may also impact significantly on the Group's future product range, distribution channels, funding sources, capital requirements and consequently, reported results and financing requirements.

The RRD and the SRM Regulation provide for resolution tools that may have a material adverse effect on the Group and the Securities

On 6 May 2014, the EU Council adopted the RRD which establishes a framework for the recovery and resolution of credit institutions and investment firms. The RRD has been implemented in Ireland pursuant to the RRD Regulations so as to come into operation on 15 July 2015, save for the provisions thereof providing for the General Bail-In Tool (as defined below) and certain related provisions, which come into operation on 1 January 2016. The RRD Regulations, other than regulations 79 to 94 (relating to the General Bail-In Tool), came into effect on 15 July 2015. Regulations 79 to 94 are scheduled to come into effect on 1 January 2016. The RRD establishes a European framework dealing with resolution mechanisms, loss absorbency and bail-in rules. The SRM Regulation, subject to some exceptions will apply from 1 January 2016. The SRB has been established to exercise a centralised power of resolution in the eurozone and any other participating Member States. From 1 January 2016 the SRB will become principally responsible for determining when resolution action may be taken in respect of credit institutions established in the eurozone (including the Issuer) and other participating Member States and when the Resolution Tools (as defined below) may be applied to such institutions. These new requirements will result in changes in the regulatory framework for capital and debt instruments of credit institutions.

The RRD is designed to provide relevant authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system. The RRD also equips the resolution authority with the following resolution powers (the "Resolution Tools") in circumstances where the credit institution is failing or is likely to fail:

- to transfer to an investor shares, other instruments of ownership and/or all specified assets, rights or liabilities of the credit institution (the "sale of business tool"); and/or
- to transfer all or specified assets, rights or liabilities of the credit institution to a bridge institution which is wholly or partially owned by public authorities (the "bridge institution tool"); and/or
- to transfer assets, rights or liabilities to a legal entity which is wholly or partially owned by public authorities for the purpose of sale or otherwise ensuring that the business is wound down in an orderly manner, to be applied in conjunction with another resolution tool (the "asset separation tool"); and/or
- to write down the claims of unsecured creditors of an institution and convert debt to equity (including subordinated securities such as the Securities), with, in broad terms, the first losses being taken by shareholders and thereafter by subordinated and then senior creditors, with the objective of recapitalising an institution (the "General Bail-In Tool").

The RRD also provides for a Member State as a last resort, after having assessed and exploited the above resolution tools to the maximum extent possible whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilisation tools. These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the EU state aid framework.

An institution will be considered as failing or likely to fail when: it is, or is likely in the near future to be, in breach of its requirements for continuing authorisation; when its assets are, or are likely in the near future to be, less than its liabilities; when it is, or is likely in the near future to be, unable to pay its debts as they fall due; or when it requires extraordinary public financial support (except in limited circumstances).

Amongst other provisions, the RRD introduces a statutory write-down and conversion power to write down or to convert into equity the Issuer's capital instruments (which would include the Securities) if certain conditions are met (the "Write-Down Tool"). The Write-Down Tool would be applicable, in particular, if the

resolution authority determines that, unless the Write-Down Tool is applied, the credit institution will no longer be viable or if a decision has been made to provide the credit institution with extraordinary public financial support without which the credit institution will no longer be viable (i.e. the point of non-viability may be at a CET1 Ratio higher than 7 per cent.).

In respect of the Write-Down Tool, which was implemented for Additional Tier 1 instruments (as defined in the RRD Regulations) and Tier 2 instruments (as defined in the RRD Regulations) with effect from 15 July 2015, and the General Bail-In Tool, which is to be implemented in Ireland on 1 January 2016, the resolution authority will have the power, upon certain trigger events, to cancel existing shares, to write down eligible liabilities (i.e. own funds instruments and, in the case of the General Bail-In Tool, other subordinated debt and even senior debt, subject to exceptions in respect of certain liabilities) of a failing credit institution or to convert such eligible liabilities of a failing credit institution into equity at certain rates of conversion representing appropriate compensation to the affected holder for the loss incurred as a result of the write-down and conversion. Any shares issued to holders of Additional Tier 1 instruments or Tier 2 instruments may also be subject to any future application of the General Bail-In Tool. Where a credit institution meets the conditions for resolution, the competent regulator and/or authority will be required to apply the Write-Down Tool before applying the Resolution Tools. The write down or conversion will follow the ordinary allocation of losses and ranking in insolvency. Equity holders will be required to absorb losses in full before any debt claim is subject to write-down or conversion. After shares and other similar instruments and any additional tier 1 instruments, such as the Securities, the write-down or conversion will first, if necessary, impose losses evenly on holders of other subordinated debt which rank *pari passu* according to their terms and then evenly on those senior debt-holders which are subject to the write-down or conversion.

Any amounts written down or converted in accordance with the Write-Down Tool will not constitute an event of default under the terms of the relevant instruments. Consequently, any amounts so written down will be irrevocably lost and the holders of such instruments will cease to have any claims thereunder, regardless whether or not the credit institution's financial position is restored. Pursuant to the RRD, resolution authorities must ensure when applying the Resolution Tools, that creditors do not incur greater losses than they would have incurred if the credit institution had been wound down in normal insolvency proceedings. Furthermore, one or more of the Group's regulators may require the Group to make changes to the legal structures and/or business model of the Group pursuant to its implementation of requirements under the SRM Regulation, the RRD or other applicable law or regulation.

The powers set out in the RRD will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Under the RRD, holders of Securities may be subject to write-down or conversion into equity on any application of the general bail-in tool or non-viability loss absorption, which may result in such holders losing some or all of their investment. The exercise of any such power or any suggestion or anticipation of such exercise could, therefore, materially adversely affect the rights of Holders, the price or value of their investment in the Securities and/or the ability of the Issuer to satisfy its obligations under the Securities. As application of the RRD is as yet untested, there is a material uncertainty as to the nature and duration of its impact on such intervention for the Issuer, the various categories of creditors and relevant markets generally.

In addition the RRD and the SRM Regulation may severely affect the rights of the holders of the Securities which may result in the loss of the entire investment represented by the Securities in the event of non-viability and may have a negative impact on the market value of the Securities.

Pursuant to the SRM Regulation, on 1 January 2016 the SRB will become responsible for drawing up the Group's resolution plan providing for resolution actions that may be taken if the Group would fail or would be likely to fail. In drawing up the Group's resolution plan, the SRB will identify any material impediments to

the Group's resolvability. Where necessary, the SRB may instruct that actions are taken to remove such impediments.

These actions may include (but are not limited to):

- legal restructuring of the Group, which could lead to high transaction costs, or could make the Group's business operations or its funding mix to become less optimally composed or more expensive;
- issuing additional liabilities at various levels within the Group. This may result in higher capital and funding costs for the Group, and as a result adversely affect the Group's profits and its possible ability to pay dividends and interest payments on the Securities; and
- reviewing and amending the Group's contracts for the purposes of ensuring (i) continuity of business operations and (ii) that such contracts do not cause any impediments to resolvability of the Group. This may result in additional costs and operational complexity for the Group.

If the SRB is of the view that the measures proposed by the Group would not effectively address the impediments to resolvability, the SRB may direct the Group to take alternative measures as outlined in the SRM Regulation.

The changes to be implemented in respect of the SRM Regulation and the RRD may have an effect on the Group's business, financial condition or prospects. Depending on the specific nature of the requirements and how they are enforced, such changes could have a significant impact on the Group's operations, structure, costs and/or capital requirements.

The Group is subject to conduct risk claims

The Group is exposed to many forms of conduct risk, which may arise in a number of ways. The Group needs to be able to demonstrate how it delivers fair treatment and transparency to, and upholds the best interests of customers and the evidential standards required by the Group's regulators in this regard are very high. The Group may be subject to allegations of mis-selling of financial products, including, as a result of having sales practices and/or reward structures in place that are determined to have been inappropriate, and the Group may also be subject to allegations of overcharging and breach of contract and/or regulation. Any of the foregoing may result in adverse regulatory action (including significant fines) or requirements to amend sales processes, withdraw products or provide restitution to affected customers, any or all of which could result in the incurrence of significant costs, may require provisions to be recorded in the financial statements and could adversely impact future revenues from affected products. The Central Bank announced in October 2015 that it had commenced a broad examination of tracker mortgage-related issues across Irish banks (including the Issuer). While it is not possible at this stage to assess the outcome of this investigation or any related litigation or regulatory action or the quantum of any restitution required, such matters may result in any of the consequences described above and may materially adversely affect the Group's business, financial condition or prospects.

The Group must comply with anti-money laundering, anti-bribery and sanctions regulations

The Group is subject to laws regarding money laundering and the financing of terrorism, as well as laws that prohibit the Group, its employees or intermediaries from making improper payments or offers of payment to foreign governments and their officials and political parties for the purpose of obtaining or retaining business, including the Criminal Justice (Money Laundering and Terrorist Financing) Acts 2010 and 2013 (the "AML Acts") and, in relation to its business in the UK, the UK Bribery Act 2010. Monitoring compliance with anti-money laundering and anti-bribery rules can put a significant financial burden on banks and other financial institutions and requires significant technical capabilities. In recent years, enforcement of these laws and regulations against financial institutions has become more aggressive, resulting in several landmark fines against UK financial institutions. In addition, the Group cannot predict the nature, scope or effect of future

regulatory requirements to which it might be subject or the manner in which existing laws might be administered or interpreted. Although the Group believes that its current policies and procedures are sufficient to comply with applicable anti-money laundering, anti-bribery and sanctions rules and regulations, it cannot guarantee that such policies completely prevent situations of money laundering or bribery, including actions by the Group's employees, for which the Group might be held responsible. Any of such events may have severe consequences, including sanctions, fines and reputational consequences, which could have a material adverse effect on the Group's financial condition.

The future of the Group's business activities are subject to possible interventions by the Irish Government or the disposal of the Irish State's ownership and other interests in the Group

The Group is substantially owned by an agency of the Irish State and accordingly, subject to EU state aid rules, controlled by the Irish Government. Such ownership or control may affect the Group's operations, financial condition and future prospects.

In order to comply with contractual commitments imposed on the Group in connection with its recapitalisation by the Irish State and with the requirements of EU state aid applicable in respect of that recapitalisation, a relationship framework (the "Relationship Framework") was agreed between the Minister for Finance of Ireland and the Group in March 2012. This Relationship Framework provides the framework under which the relationship between the Minister for Finance of Ireland and the Group is governed. Under the Relationship Framework, the authority and responsibility for strategy and commercial policies (including business plans and budgets) and conducting the Group's day-to-day operations rest with the Board of AIB and its management team, but the appointment and removal of the chairman or chief executive officer of AIB are reserved for the Minister for Finance of Ireland, and in respect of which the Board may only engage with the prior consent of the Minister for Finance of Ireland.

Nevertheless, for so long as ownership of the Group remains within Irish State control, there remains a risk of intervention by the Irish Government in relation to the operations and policies of the Group. Furthermore, changes in the political landscape following the next Irish general election may lead to changes to the Irish Government's approach to its relationship with the Group. Any intervention by the Irish Government may have a material adverse effect on the Group's business, financial condition and prospects.

The Irish Government may sell or otherwise dispose of its ownership and other economic interests in the Group to any private or public entity, including any intergovernmental institution. Any such sale or disposal, and any conditions attaching to it, may materially affect the Group's operations, financial condition and future prospects.

The Group is subject to Irish Government/European Commission supervision and oversight

As a result of the recapitalisations of AIB by the Irish Government, the Group is subject to various obligations under the Relationship Framework as agreed between the Minister for Finance of Ireland and the Group in March 2012, and a number of subscription and placing agreements impacting on the Group's governance, remuneration, operations and lending activities. These obligations are in addition to certain commitments and restrictions on the operation of the Group's business under the Credit Institutions (Financial Support) Scheme 2008, the ELG Scheme and the NAMA programme, all of which may serve to limit the Group's operations and place significant demands on the reporting systems and resources of the Group.

As a result of the above mentioned support by the Irish Government, the Group is also subject to obligations in respect of the European Commission's approval in May 2014 of AIB's Restructuring Plan (the "Restructuring Plan"). In that respect, the Group has committed to a range of measures relating to customers in difficulty, costs caps and reductions, acquisitions and exposures, coupon payments, promoting competition and the repayment of aid to the Irish State.

The Restructuring Plan commitments impose certain restrictions which restrict the Group's ability to operate its business as it would otherwise have done so, which may have a negative impact on the Group's business, operations and competitive situation.

A failure to comply with the Restructuring Plan could lead to the need for further action by the European Commission, which in turn could lead to material and significant adverse outcomes for the Group.

The Group's participation in the NAMA Programme gives rise to certain residual financial risks

As a participating institution under the NAMA Act, during 2010 and 2011, AIB transferred financial assets to NAMA with a net carrying value of € 15.5 billion for which it received as consideration NAMA senior bonds and NAMA subordinated bonds.

Provisions of the NAMA Act provide for certain circumstances in which the Group could face additional liabilities in relation to assets transferred.

In addition, credit exposure to NAMA arises from the senior and subordinated NAMA bonds acquired by AIB in consideration for the transfer of assets to NAMA.

Risks related to business operations, governance and internal control systems

The Group is subject to inherent credit risks in respect of customers and counterparties which could adversely affect the Group's results, financial condition and future prospects

Risks arising from changes in credit quality and the recoverability of loans and other amounts due from customers and counterparties are inherent in a wide range of the Group's businesses. In addition to the credit exposures arising from loans to individuals, small and medium size enterprises ("SMEs") and corporates, the Group also has exposure to credit risk arising from loans to financial institutions, its trading portfolio, AFS portfolio, derivatives and from off-balance sheet guarantees and commitments. As a result of deteriorating economic conditions in Ireland and the UK beginning in 2008, the Group's asset quality was significantly impaired and its impairment provisions increased substantially. The Group has been exposed to increased counterparty risk as a result of the risk of financial institution failures during the global economic crisis. The Group is also exposed to credit risks relating to sovereign issuers. Concerns in respect of Ireland and other sovereign issuers, including other European Union Member States ("EU Member States"), have adversely affected and could continue to adversely affect the financial performance of the Group.

The Group has a relatively high level of criticised loans on its statement of financial position which require a significant level of monitoring and case-by-case resolution

The Group has a relatively high level of criticised loans, which are defined as loans requiring additional management attention over and above that normally required for the loan type. Criticised loans include "watch", "vulnerable" and "impaired" loans. As at 30 June 2015, it had €30.009 billion in criticised loans on its statement of financial position, representing 41 per cent. of total loans, of which €17.975 billion were impaired loans, representing 25 per cent. of total loans. The Group has been proactive in managing its criticised loans, in particular through restructuring activities and the development of a Mortgage Arrears Resolution Strategy ("MARS"), which built on and formalised the Mortgage Arrears Resolution Process ("MARP") it was required to introduce in order to comply with the Code of Conduct on Mortgage Arrears (the "CCMA"). The Group has reduced the level of criticised loans on its statement of financial position, with criticised loans having decreased by €3.972 billion, or 12 per cent., in the six months from 31 December 2014 to 30 June 2015. The monitoring of such loans can be time consuming and typically requires case-by-case resolution, which may divert resources from other areas of the Group's business. The Group's ability to manage criticised loans may also be adversely affected by changes in regulatory regime or changes in government policy. If the Group is required to devote significant resources over a prolonged period to the

monitoring of criticised loans, it could have a material adverse effect on the Group's business, financial condition and prospects.

Irish legislation, regulations and Government policy in relation to mortgages may adversely affect the Group's mortgage business

Recently, new legislation and regulations have been introduced to the Irish mortgage market which may affect the attitudes of the Group's customers' towards their debt obligations, and hence their interactions with the Group in relation to their mortgages.

In particular, on 1 July 2013, a revised CCMA came into force. The CCMA requires mortgage lenders to develop a MARP with specific procedures when dealing with borrowers experiencing arrears and financial difficulties. It applies only to mortgages on primary residences. The CCMA requires a lender to wait at least eight months from the date the arrears arose before commencing legal action against a co-operating borrower. Separately, a lender is required to give three months' notice to the borrower before it may commence legal proceedings where the lender is unwilling to offer an alternative repayment arrangement or the borrower is unwilling to accept an alternative repayment arrangement offered by the lender. Accordingly, under the CCMA a lender is not permitted to commence legal proceedings until three months have passed from the date that such notice is issued (where the lender declines to offer an arrangement or where the borrower does not accept an arrangement offered) or eight months from the date the arrears arose, whichever date is later.

In addition, the Personal Insolvency Act 2012 (the "Personal Insolvency Act") came into force on 26 December 2012. The Personal Insolvency Act introduced a personal insolvency arrangement for the agreed settlement of secured debt up to an amount of €3 million (subject to extension by agreement of all of the debtor's secured creditors) and for unsecured debt, with no limit. The Personal Insolvency Act also introduced an automatic discharge from bankruptcy, subject to certain conditions, after three years instead of 12 years, as had previously been the case. The inclusion of secured debt in the personal insolvency process was a new provision in Ireland's personal insolvency regime. On 13 May 2015 the Irish Government announced its intention to amend the Personal Insolvency Act so as to give the courts the power to review and, where appropriate, to approve Personal Insolvency Applications which have been rejected by banks or other secured creditors.

The Group has been proactive in developing forbearance solutions for borrowers experiencing arrears and financial difficulties. In accordance with Central Bank requirements, it has developed a MARS, which builds on and formalises the MARP it was required to introduce in order to comply with the CCMA. Nonetheless, there is a risk that legislation and regulations such as the Personal Insolvency Act and the CCMA will result in changes in customers' attitudes towards their debt obligations. Customers may be more likely to default even when they have sufficient resources to continue making payments on their mortgages. This could result in delays in repayments in respect of the Group's mortgage portfolio and increased impairments, which could have a material adverse effect on its business, financial condition and prospects.

Government policy in relation to mortgages is continuing to evolve and it is possible that further changes in legislation or regulation will be introduced, for example, the Government may seek to influence or regulate how credit institutions set interest rates on mortgages, may amend the Personal Insolvency Act to reduce the entitlements currently afforded to mortgage holders thereunder or may enact other legislation or introduce further regulation that affects the rights of lenders in other ways which could have a material adverse effect on the Group's business, financial condition and prospects.

Loan-to-value ("LTV")/ loan-to-income ("LTI") related regulatory restrictions on residential mortgage lending may restrict the Group's mortgage lending activities

The Central Bank has, under the Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Housing Loan Requirements) Regulations 2015, imposed restrictions on Irish residential mortgage lending by lenders that are regulated by the Central Bank (such as the Group). The restrictions impose limits on residential mortgage lending by reference to LTV and LTI ceilings.

The regulations impose different LTV limits for different categories of buyers. A limit of 80 per cent. LTV applies to new mortgage lending for non-first time buyers of a private dwelling home ("PDH"). For first time buyers of PDHs, a limit of 90 per cent. LTV applies on the first €220,000 of the value of a residential property and a limit of 80 per cent. LTV applies on any excess thereafter. For non-PDH purchases (e.g., buy-to-let properties) a limit of 70 per cent. LTV applies.

In relation to these LTV restrictions, the Group is required:

- in the case of a loan for the purpose of purchasing a PDH, to restrict lending beyond the prescribed LTV limits to no more than 15 per cent. of the aggregate value of all PDH loans advanced between 9 February 2015 and 31 December 2015, and on an annual basis thereafter; and
- in the case of loans other than PDH loans, to restrict lending above 70 per cent. LTV to 10 per cent. of the aggregate value of all such loans advanced during the same periods.

The Group is required to restrict lending above 3.5 times LTI to no more than 20 per cent. of the aggregate value of PDH loans advanced in the relevant period. Mortgages for non-PDH loans are exempt from the LTI limit. These restrictions may adversely affect the level of new mortgage lending the Group is able to undertake, and hence may have a material adverse effect on its business, financial condition and prospects. Conversely, a risk also exists that, in seeking to utilise these allowable exceptions for risk-acceptable mortgage underwriting, the Group erroneously breaches the maximum thresholds, and is open to sanction by the Central Bank.

The Group is exposed to risk in respect of the manner in which it determines and maintains interest rates on certain loans

In common with other residential mortgage lenders, the Group faces increased scrutiny and focus by the Irish Government, the Oireachtas (Irish legislature) and consumer protection regulators such as the Central Bank and the Competition and Consumer Protection Commission, in relation to the level of its interest rates on loans, in particular, its SVR on PPR mortgage lending.

The Irish Government has expressed concern to lenders as to the high level of SVR charged by the lenders in the Irish State as compared to those charged by lenders in other EU Member States and requested the main lenders in the Irish State (including the Group) to review the level of their SVR or to offer lower interest rate products or alternative solutions to high level SVRs to new and existing PPR borrowers such as lower SVR products, competitive fixed rate products and lower variable rates (taking into account LTV). Failing which, the Irish Government has indicated that it may significantly increase the bank levy which currently applies to those lenders or seek to give consumer protection regulators additional regulatory powers.

On 26 May 2015, a bill entitled Central Bank (Emergency Powers) (Variable Interest Rates) Bill 2015 was initiated in the Seanad (the upper house of the Irish legislature) which, if passed into law by both houses of the Oireachtas, would specifically authorise the Central Bank to impose maximum interest rates on PPR mortgage loans made by certain lenders such as the Group.

In common with other mortgage lenders, the Group is at risk of a review or investigation by regulators such as the Central Bank and the Competition and Consumer Protection Commission, and potentially serious

sanctions or penalties in respect of any perceived or actual failure to act appropriately when setting interest rates on their mortgage products. Any such review or investigation, and any related litigation or regulatory action, could adversely affect the Group's business, financial condition and profitability, and could result in negative public opinion towards the Group.

In addition, the Group's mortgage or other interest rates may come under further pressure from competitors in the future.

Increasing competitive pressure or political or regulatory focus on an alignment of mortgage or other interest rates between those from new business and the SVR, or, on an alignment of interest rates with those charged by lenders in other euro area markets, may result in a reduction in the Group's SVR or other interest rates, and any such reduction in those rates could impact adversely the Group's net interest income and net interest margin, which in turn could have a material adverse effect on the Group's business, financial condition and prospects.

The Group faces elevated operational risks

Operational risk is defined as risks arising from inadequate or failed internal processes, people and systems, or from external events. The Group faces an elevated operational risk profile given the current economic environment and the on-going significant organisational changes.

One of the Group's key operational risks is people risk. The Group's efforts to restore and sustain the stability of its business on a long-term basis depend, in part, on the availability of skilled management and the continued service of key members of staff.

Under the terms of the recapitalisation of the Group by the Irish Government, the Group is required to comply with certain executive pay and compensation arrangements. As a result of these restrictions, the Group cannot guarantee that it will be able to attract, retain and remunerate highly skilled and qualified personnel in a highly competitive market. Failure by the Group to staff its day-to-day operations appropriately or failure to attract and appropriately develop, motivate and retain highly skilled and qualified personnel could have an adverse effect on the Group's results, financial condition and prospects.

The Group's business is dependent on processing and reporting accurately and efficiently a high volume of complex transactions across numerous and diverse products and services, which often includes personal customer data. Any weakness in these systems or processes including failure of third party processes, infrastructure and services on which the Group relies could have an adverse effect on the Group's results and on its ability to deliver appropriate customer outcomes during the affected period and/or expose the Group to investigative or enforcement actions by the relevant regulatory authorities. In addition, any breach in security of the Group's systems (for example from increasingly sophisticated cybercrime attacks), could disrupt its business, result in the disclosure of confidential information or create significant financial and/or legal exposure and the possibility of damage to the Group's reputation and/or brand.

Risk of litigation arising from the Group's activities

The Group operates in a legal and regulatory environment that exposes it to potentially significant litigation and regulatory risks. Disputes and legal proceedings in which the Group may be involved are subject to many uncertainties, and the outcomes of such disputes are often difficult to predict, particularly in the early stages of a case or investigation. Adverse regulatory action or adverse judgments in litigation could result in a monetary fine or penalty, adverse monetary judgement or settlement and/or restrictions or limitations on the Group's operations or result in a material adverse effect on the Group's reputation.

The Group may be subject to the risk of having insufficient capital to meet increased minimum regulatory requirements

The Group is subject to minimum capital requirements as set out in CRD IV and implemented under the SSM. CRD IV is designed to strengthen the regulation of the banking sector and to implement the Basel III agreement in the EU legal framework. On 31 March 2014, the Minister for Finance of Ireland signed into Irish law two regulations to give effect to CRD IV. The European Union (Capital Requirements) Regulations 2014 gave effect to CRD IV and the European Union (Capital Requirements) (No.2) Regulations 2014 gave effect to a number of technical requirements in order to ensure that the CRR can operate effectively in Irish law. CRD IV measures include:

- enhanced requirements for quality and quantity of capital. CRD IV also harmonises the deductions from own funds in order to determine the amount of regulatory capital that is prudent to recognise for regulatory purposes. Certain of the new provisions of CRD IV are being introduced on a phased basis from 2014, typically on the following basis: 20 per cent. in 2014, 40 per cent. in 2015, 60 per cent. in 2016, 80 per cent. in 2017 and 100 per cent. in 2018. The main exception to this relates to the deduction for deferred tax assets which will be deducted at 10 per cent. per year commencing in 2015. In November 2015, the ECB commenced a public consultation on a draft regulation of the ECB with respect to the exercise of options and discretions available in European Union law, including the CRR which depending on implementation may amend the transitional provisions regarding deferred tax assets, time periods and the relevant level of deductions. The Group commenced reporting to the Central Bank under the transitional CRD IV rules during 2014;

- the LCR, which will require banks to have sufficient high quality liquid assets to withstand a 30-day stressed funding scenario that is specified by supervisors;

- the NSFR, which is a longer term structural ratio designed to address liquidity mismatches. The NSFR provides incentives for banks to use stable funding;

- a leverage ratio, which is designed to act as a non-risk sensitive back-stop measure to reduce the risk of build-up of excessive leverage in an individual bank and the financial system as a whole. The implications of the leverage ratio will be closely monitored prior to its possible move to a binding requirement on 1 January 2018;

- a single set of harmonised prudential rules which banks throughout the EU must respect. The new rules remove a large number of national options and discretions that were previously available; and

- certain other measures including enhanced governance, sanctions, capital buffers, remuneration controls and improved transparency.

As a result of these requirements banks in the EU have been, and will continue to be required to increase the quantity and the quality of their regulatory capital. Given this regulatory context, and the levels of uncertainty in the current economic environment, there is a possibility that the economic outturn over the Group's capital planning period may be materially worse than expected and/or that losses in the Group's credit portfolio may be above forecast levels. Were such losses to be significantly greater than currently forecast or capital requirements for other material risks to increase significantly, there is a risk that the Group's capital position could be eroded in such a way that it would have insufficient capital to meet its regulatory requirements. In particular, capital levels may be negatively affected by volatility arising from the pension schemes and the AFS portfolio values. The SSM's assessment of AIB's capital position may also change as a result of any assessment and supervisory review of AIB's capital model. Changes to regulatory capital models or approaches may be required by the supervisory authorities over the coming years which could result in an

increase in risk weighted assets and or expected loss, resulting in an increase in the minimum amount of regulatory capital to be held by the Group.

The Group is also subject to stress tests carried out by regulators. In particular, in October 2014, the results of the European wide comprehensive assessment, a stress-testing exercise conducted by the European Banking Authority (the "EBA") and the ECB in conjunction with the Central Bank, were published. The results of the comprehensive assessment confirmed that the Group had capital buffers comfortably above minimum requirements under all stress test assessment scenarios. The Group therefore did not require any additional capital as a result of the comprehensive assessment process. However, future assessments carried out by the relevant regulatory authorities may result in the Group being required to increase its capital or to take other appropriate actions to address matters raised in the assessments.

Risk that the Group's recently announced Capital Reorganisation will not be completed

On 6 November 2015, AIB announced that regulatory approval had been received from the SSM to undertake a capital reorganisation (the "Capital Reorganisation"). The principal elements of the Capital Reorganisation and related transactions comprise:

- Partial redemption of the €3.5 billion of non-cumulative redeemable preference shares AIB issued in 2009 (the "2009 Preference Shares") which will result in the repayment of €1.7 billion of capital to the State. Completion of the redemption is conditional upon the following capital actions:
    - conversion of the remainder of the 2009 Preference Shares into ordinary shares which will result in a net increase in fully loaded CET1 capital for CRD IV purposes of €1.8 billion;
    - the issuance of a minimum of €750m of Tier 2 capital. This was completed on 26 November 2015; and
    - the issuance of a minimum of €500m of Additional Tier 1 capital.

The mechanism by which this occurs includes conversion of €2.14 billion of the 2009 Preference Shares into ordinary shares and redemption of the remaining €1.36 billion of 2009 Preference Shares. Both the conversion and the redemption will be completed, in accordance with the terms of the 2009 Preference Shares, at 125 per cent. of their subscription price.

The scheduled maturity of contingent capital notes issued by AIB will result in a further repayment of €1.6 billion of capital to the State on 28 July 2016.

In an interim management statement dated 17 November 2015, AIB announced that the Group is working with the Department of Finance to finalise the terms of the Capital Reorganisation and that it may entail some additional measures to streamline the capital structure. Such measures have been agreed with the Department of Finance and include:

- a redemption by the Irish Government of the promissory note issued to EBS Limited ("EBS") in June 2010 at its carrying value on the EBS balance sheet at the date of redemption (at 31 October 2015 this was circa €220m) using part of the proceeds of the partial redemption of the 2009 Preference Shares. The exact value will depend on the timing of the redemption;
- a potential issue of warrants to the Irish Government at the time of any re-admission of AIB's ordinary shares to a regulated market. The Irish Government would be entitled to subscribe for ordinary shares not exceeding 9.99% of AIB's issued ordinary share capital, at a price not less than 200% of the re-admission price and within 10 years of re-admission; and

- an ordinary share consolidation on a 1-for-250 basis in order to reduce the number of ordinary shares in issue.

These transactions are subject to, amongst other things, obtaining shareholder approval at an Extraordinary General Meeting of AIB. There can be no assurance however that such approval will be obtained or that any or all of these transactions will be completed or that the increase in the Group's CET1 ratio which is anticipated as a result of the completion of the transactions (for further information, see AIB's stock exchange announcement dated 6 November 2015, the interim management statement dated 17 November 2015 and the Circular and Notice of Extraordinary General Meeting dated 23 November 2015 which are incorporated by reference into this Prospectus) will therefore be achieved.

Furthermore, the 2009 Preference Shares will cease to qualify as CET1 of the Issuer for CRD IV purposes after 31 December 2017. In the event that the Capital Reorganisation is not completed prior to 31 December 2017, the Group may need to replace the 2009 Preference Shares with further CET1 capital in order to maintain its capital ratios. There can be no assurance that the Group will be able to do so or if so, whether on favourable terms.

Many aspects of the manner in which CRD IV will be implemented remain uncertain

Some of the defined terms in the Conditions depend on the final interpretation and implementation of CRD IV. CRD IV is a recently-adopted set of rules and regulations that imposes a series of new requirements, many of which will be phased in over a number of years.

Although the CRD IV Directive has been implemented into Irish law and CRR is directly applicable in each Member State, a number of important interpretational issues remain to be resolved through binding technical and implementing standards and guidelines and recommendations by the EBA that will be adopted in the future, and leaves certain other matters to the discretion of the competent authority.

The ECB has assumed primary prudential supervisory responsibilities formerly handled by the Central Bank as of November 2014. The ECB may interpret CRD IV, or exercise discretion accorded to the regulator under CRD IV (including options with respect to the treatment of assets of other affiliates) in a different manner than the Central Bank.

Furthermore, any change in the laws or regulations of Ireland or any change in the application or official interpretation thereof may in certain circumstances result in the Issuer having the option to redeem the Securities in whole but not in part (see the risk factor "*The Securities are subject to early redemption at their Prevailing Principal Amount (which may be less than par) upon the occurrence of certain events"* below). In any such case, the Securities would cease to be outstanding, which could materially and adversely affect investors and frustrate their investment strategies and goals.

Such legislative and regulatory uncertainty could affect an investor's ability to value the Securities accurately and therefore affect the market price of the Securities given the extent and impact on the Securities of one or more regulatory or legislative changes.

The Group's deferred tax assets depend substantially on the generation of future profits over an extended number of years

The Group's business performance may not reach the level assumed in the projections supporting the carrying value of the deferred tax assets. Lower than anticipated profitability within Ireland and the UK would lengthen the anticipated period over which the Group's Irish and UK tax losses would be used. The value of the deferred tax assets relating to unused tax losses constitutes substantially all of the deferred tax assets recognised in the Group's statement of financial position. A significant reduction in anticipated profit, or changes in tax legislation, regulatory requirements, accounting standards or relevant practices, could

adversely affect the basis for recognition of the value of these losses, which would adversely affect the Group's results and financial condition, including capital and future prospects.

The new capital adequacy rules under CRD IV require the Group inter alia, to deduct from its CET1, the value of most of the Group's deferred tax assets, including all deferred tax assets arising from unused tax losses. This deduction from CET1 is to be phased in evenly over 10 years commencing in 2015, although this phasing process may be subject to change.

The value of certain financial instruments recorded at fair value is determined using financial models incorporating assumptions, judgements, and estimates that may change over time, or may ultimately turn out to be inaccurate, and the value realised by the Group for these assets may be materially different from their current, or estimated, fair value

In accordance with International Financial Reporting Standards ("IFRS"), the Group recognises at fair value:

(i) derivative financial instruments; (ii) financial instruments at fair value through profit or loss; (iii) certain hedged financial assets and financial liabilities; and (iv) financial assets classified as AFS.

The best evidence of fair value is quoted prices in an active market. Disruption to quoted prices increases reliance on valuation techniques which requires the use of judgement in the estimation of fair value. This judgement includes, but is not limited to, evaluating available market information, determining the cash flows for the instruments, identifying a risk free discount rate and applying an appropriate credit spread. Valuation techniques that rely to a greater extent on non-observable data require a higher level of management judgement to calculate fair value than those based on wholly observable credit spreads.

The choice of contributors, the quality of market data used for pricing, and the valuation techniques used are all subject to internal review and approval procedures. Given the uncertainty and subjective nature of valuing financial instruments at fair value, any change in these variables could give rise to the financial instruments being carried at a different value, with a consequent impact on the Group's results, financial condition and future prospects.

The Group's risk management strategies and techniques may be unsuccessful

The Group is exposed to a number of material risks, such as strategic risk, credit risk, capital risk, liquidity risk, market risk, operational risk and conduct risk. Although the Group invests substantially in its risk management strategies and techniques, there is a risk that these fail to fully mitigate the risks in some circumstances.

Furthermore, senior management are required to make complex judgements and there is a risk that the decisions made by senior management may not be appropriate or yield the results expected or that senior management may be unable to recognise emerging risks in order to take appropriate action in a timely manner.

The Group is subject to model risk

The Group develops and uses models across a range of risks and activities including, but not limited to, capital management, credit grading, valuations, liquidity, pricing and stress testing. Where the Group uses risk measurement techniques based on historical observations, there is a risk that these under or over-estimate exposure to the extent that future market conditions deviate from historic norms. As a result, the Group may experience material unexpected losses.

The Group may incur losses as a result of inaccuracies in these models, the data used to build them or decisions made based on incomplete understanding of these models.

If the Group's models are not effective in estimating its exposure to various risks or its models prove to be inaccurate, its business, financial condition and prospects would be materially adversely affected.

Negative impacts on the Group's reputation may impact its financial performance

Damage to the Group's reputation may adversely affect relationships with the Group's stakeholders including customers, staff and supervisors. Such damage may lead to impacts on the Group's capability to attract and retain customers, attract, motivate and retain staff and engage positively with supervisors. This may lead to impacts on the Group's ability to conduct its affairs and in turn on the financial performance of the Group.

Risks Related to the Securities

The obligations of the Issuer in respect of the Securities are unsecured and deeply subordinated

The Securities constitute unsecured and subordinated obligations of the Issuer.

On a Winding-Up of the Issuer, all claims in respect of the Securities will rank junior to the claims of all Senior Creditors of the Issuer. If, on a Winding-Up of the Issuer, the assets of the Issuer are insufficient to enable the Issuer to repay the claims of more senior-ranking creditors in full, the Holders will lose their entire investment in the Securities. If there are sufficient assets to enable the Issuer to pay the claims of senior-ranking creditors in full but insufficient assets to enable it to pay claims in respect of its obligations in respect of the Securities and all other claims that rank *pari passu* with the Securities, Holders will lose some (which may be substantially all) of their investment in the Securities. In addition, any claim in respect of the Securities will be for the Prevailing Principal Amount of the Securities held by a Holder, which, if the Securities have been Written Down and not subsequently Written Up at the time of claim, will be less than par.

For the avoidance of doubt, the holders of the Securities shall, in a Winding-Up of the Issuer, have no claim to share with the ordinary shareholders in respect of the surplus assets (if any) of the Issuer remaining in any Winding-Up following payment of all amounts due in respect of the liabilities of the Issuer including the Securities.

Although the Securities may pay a higher rate of interest than Securities which are not subordinated, there is a substantial risk that investors in the Securities will lose all or some of the value of their investment should the Issuer become insolvent.

No limitation on issuing senior or *pari passu* securities

There is no restriction on the amount of securities which the Issuer may issue, nor on the amount of any other obligations it may assume, which rank senior to, or *pari passu* with, the Securities. The issue of any such securities and/or the assumption of any such other obligations may reduce the amount recoverable by Holders on a Winding-Up of the Issuer and/or may increase the likelihood of a cancellation of interest amounts under the Securities.

There are no events of default under the Securities and rights of enforcement are limited

The Conditions will not provide for events of default allowing acceleration of the Securities. Accordingly, if the Issuer fails to make a payment that has become due under the Securities, investors will not have the right to accelerate the Prevailing Principal Amount of the Securities. Upon a payment default by the Issuer, the sole remedy against the Issuer available to the Trustee or (where the Trustee has failed to proceed against the Issuer as provided in the Conditions) any Holder will be to institute proceedings for the Winding-Up of the Issuer. The Trustee may claim in any Winding-Up of the Issuer (whether or not such Winding-Up is instituted by the Trustee) and claim in such Winding-Up for the amounts provided in Condition 3*(c)*, and may take no

other or further action to enforce, prove or claim for such payment. The Issuer (other than in a Winding-Up) will not be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

The Issuer may at any time elect, and in certain circumstances shall be required, not to make interest payments on the Securities

The Issuer may at any time elect, in its sole and full discretion, to cancel any interest payment (in whole or in part) on the Securities which would otherwise be due on any Interest Payment Date. Additionally, the Central Bank has the power under Article 104 of the CRD IV Directive to restrict or prohibit payments by an issuer of interest to holders of Additional Tier 1 instruments (such as the Securities).

Furthermore, the Issuer will be required to cancel any interest amount (in whole or in part) which would otherwise fall due on an Interest Payment Date if and to the extent that payment of such interest would cause, when aggregated together with other distributions of the kind referred to in Article 141(2) of the CRD IV Directive (or any provision of applicable law transposing or implementing Article 141(2) of the CRD IV Directive), the Maximum Distributable Amount (if any) then applicable to the Issuer or the Group to be exceeded.

In addition, if a Trigger Event occurs, the Issuer will cancel all interest accrued up to (and including) the Write-Down Date.

With respect to cancellation of interest due to insufficient Distributable Items, see also "*The level of the Issuer's Distributable Items is affected by a number of factors and insufficient Distributable Items will restrict the ability of the Issuer to make interest payments on the Securities*" below. With respect to cancellation of interest due to the application of a Maximum Distributable Amount, see also "*CRD IV introduces capital requirements that are in addition to the minimum capital requirement. These additional capital requirements will restrict the Issuer from making interest payments on the Securities in certain circumstances, in which case the Issuer will automatically cancel such interest payments*" below.

It is the Issuer's policy that, whenever exercising its discretion to declare any distribution in respect of its ordinary shares, or its discretion to cancel interest on the Securities or any other Additional Tier 1 instruments, it will take into account the relative ranking of solely the ordinary shares, the Securities and any other Additional Tier 1 instruments and no others in its capital structure. The Issuer reserves the right to depart from this policy at its sole discretion at any time and in any circumstance.

Any interest not so paid on any such Interest Payment Date shall be cancelled and shall no longer be due and payable by the Issuer. A cancellation of interest in accordance with the Conditions will not constitute a default of the Issuer under the Securities for any purpose, nor shall it impose any contractual restrictions (such as dividend stoppers) or any other obligation on the Issuer. Any actual or anticipated cancellation of interest on the Securities will likely have an adverse effect on the market price of the Securities. In addition, as a result of the interest cancellation provisions of the Securities, the market price (if any) of the Securities may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to such cancellation and may be more sensitive generally to adverse changes in the Issuer's financial condition. Any indication that the CET1 Ratio of the Issuer or the Group is trending towards the combined capital buffer requirement (the level at which the Maximum Distributable Amount restriction under the CRD IV Directive becomes relevant) may have an adverse effect on the market price of the Securities.

Under Article 141(2) (Restrictions on distributions) CRD IV Directive, EU Member States must require that institutions that fail to meet the combined buffer requirement (broadly, the combination of the capital conservation buffer, the institution-specific countercyclical capital buffer and the higher of (depending on the institution), the systemic risk buffer, the global systemically important institutions buffer and the other systemically important institutions buffer, in each case as applicable to the institution) will be subject to

restricted discretionary payments (which are defined broadly by CRD IV as distributions in connection with CET1 capital, payments on Additional Tier 1 Capital instruments (including interest amounts on the Securities) and payments of discretionary staff remuneration).

The combined buffer requirement and the associated restrictions under article 141(2) CRD IV Directive are scheduled to transition in from 1 January 2016 at a rate of 25 per cent. of such requirement per annum. In the event of a breach of the combined buffer requirement, the restrictions under article 141(2) CRD IV Directive will be scaled according to the extent of the breach of the combined buffer requirement and calculated as a percentage of the institution's profits. Such calculation will result in a Maximum Distributable Amount in each relevant period.

Maximum Distributable Amount restrictions ("MDA restrictions") would need to be calculated for each separate level of supervision. It follows that for the Issuer, MDA restrictions should be calculated at Group consolidated and the Issuer solo-consolidated level. For each such level of supervision, the level of restriction under article 141(2) CRD IV Directive will be scaled according to the extent of the breach of the combined buffer requirement applicable at such level and calculated as a percentage of the respective profits calculated at such level. The Maximum Distributable Amount would thus be assessed separately for each level of supervision based on this calculation and distributions would be restricted by the lowest amount.

Such calculation will result in a maximum distributable amount in each relevant period. As an example, the scaling is such that in the bottom quartile of the combined buffer requirement, no discretionary distributions will be permitted to be paid. As consequence, in the event of breach of the combined buffer requirement it may be necessary to reduce payments that would, but for the breach of the combined buffer requirement, be discretionary, including potentially exercising the Issuer's discretion to cancel (in whole or in part) interest payments in respect of the Securities. In such circumstances, the aggregate amount of distributions which the Issuer can make on account of dividends, interest payments, write-up amounts and redemption amounts on its Tier 1 instruments (including the Securities) and certain bonuses will be limited.

The level of the Issuer's Distributable Items is affected by a number of factors and insufficient Distributable Items will restrict the ability of the Issuer to make interest payments on the Securities

The Issuer will be required to cancel any interest amount (in whole or in part) which would otherwise fall due on an Interest Payment Date if and to the extent that payment of such interest amount would, when aggregated with other relevant stipulated payments or distributions, exceed the Distributable Items of the Issuer.

Distributable Items are defined under Article 4(1)(128) of the CRR as follows: "the amount of the profits at the end of the last financial year plus any profits brought forward and reserves available for that purpose before distributions to holders of own funds instruments less any losses brought forward, profits which are non-distributable pursuant to provisions in legislation or the institution's bye-laws and sums placed to non-distributable reserves in accordance with applicable national law or the statutes of the institution, those losses and reserves being determined on the basis of the individual accounts of the institution and not on the basis of the consolidated accounts".

As at 30 June 2015 the Issuer had Distributable Items in excess of €5 billion. The level of the Issuer's Distributable Items is affected by a number of factors. The Issuer's future Distributable Items, and therefore the ability of the Issuer to make interest payments under the Securities, are a function of the Issuer's existing Distributable Items and its future profitability. In addition, the Issuer's Distributable Items may also be adversely affected by the servicing of more senior instruments or parity ranking instruments.

The level of the Issuer's Distributable Items will be reduced by approximately €1.7 billion upon redemption of the 2009 Preference Shares pursuant to the Capital Reorganisation. For further information, see also "*Risk that the Group's recently announced Capital Reorganisation will not be completed*". The level of the Issuer's Distributable Items may be further affected by other redemptions or purchases of shares in the Issuer or by changes to regulation or the requirements and expectations of applicable regulatory authorities. Any such potential changes could adversely affect the Issuer's Distributable Items in the future.

Further, the Issuer's Distributable Items, and therefore the Issuer's ability to make interest payments under the Securities, may be adversely affected by the performance of the business of the Group in general, factors affecting its financial position (including capital and leverage), the economic environment in which the Group operates and other factors outside of the Issuer's control. In addition, adjustments to earnings, as determined by the Board, may fluctuate significantly and may materially adversely affect Distributable Items.

CRD IV includes capital requirements that are in addition to the minimum capital requirement. These additional capital requirements will restrict the Issuer from making interest payments on the Securities in certain circumstances, in which case the Issuer will automatically cancel such interest payments

The Issuer will be required to cancel any interest amount (in whole or in part) which would otherwise fall due on an Interest Payment Date if and to the extent that payment of such interest would cause, when aggregated together with other distributions of the kind referred to in Article 141(2) of the CRD IV Directive (or any provision of applicable law transposing or implementing Article 141(2) of the CRD IV Directive), the Maximum Distributable Amount (if any) then applicable to the Issuer or the Group to be exceeded.

Under CRD IV, institutions are required to hold a minimum amount of regulatory capital equal to 8 per cent. of risk weighted assets (of which at least 4.5 per cent. must be Common Equity Tier 1 Capital). In addition to these so-called minimum "own funds" requirements CRD IV (for example, at Article 128 and following) also introduces capital buffer requirements that are in addition to the minimum "own funds" requirements and are required to be met with Common Equity Tier 1 Capital. It introduces five new capital buffers: (i) the capital conservation buffer, (ii) the institution-specific countercyclical buffer, (iii) the global systemically important institutions buffer, (iv) the other systemically important institutions buffer and (v) the systemic risk buffer. Subject to transitional provisions, the capital conservation buffer (2.5 per cent.) will apply to the Issuer and the Group. Some of the other buffers may be applicable to the Issuer and/or the Group from time to time as determined by the Competent Authority.

As well as the "Pillar 1" capital requirements described above, CRD IV (for example, at Article 104(1)(a)) contemplates that competent authorities may require additional "Pillar 2" capital to be maintained by an institution relating to elements of risks which are not fully captured by the minimum "own funds" requirements ("additional own funds requirements") or to address macro-prudential requirements.

The EBA published guidelines on 19 December 2014 addressed to national supervisors on common procedures and methodologies for the supervisory review and evaluation process ("SREP") which contained guidelines proposing a common approach to determining the amount and composition of additional own funds requirements and which is to be implemented by 1 January 2016. Under these guidelines, national supervisors should set a composition requirement for the additional own funds requirements to cover certain risks of at least 56 per cent. Common Equity Tier 1 Capital and at least 75 per cent. Tier 1 Capital. The guidelines also contemplate that national supervisors should not set additional own funds requirements in respect of risks which are already covered by capital buffer requirements and/or additional macro-prudential requirements. The interpretation of Article 104(1)(a) of the CRD IV Directive remains unclear, in particular as to how any "Pillar 2" additional own funds requirements imposed thereunder should be considered to comprise part of an institution's own funds requirements. Such uncertainty can be expected to subsist while

the relevant authorities in the EU and in Ireland continue to develop their approach to the application of the relevant rules. As a result of this uncertainty, there can be no assurance as to the relationship between the "Pillar 2" additional own funds requirements and the restrictions on discretionary payments referred to below and as to how and when effect will be given to the EBA's guidelines in Ireland, including as to the consequences for an institution of its capital levels falling below the minimum, buffer and additional requirements referred to above.

There can also be no assurance as to the manner in which additional own funds requirements may be disclosed publicly in the future. Whilst the Issuer will in the ordinary course of its communications with investors in all classes of its capital instruments, endeavour to provide reasonable clarity with respect to its minimum own funds capital requirements and any "Pillar 2" additional own funds requirements imposed on it by the Competent Authority, the Competent Authority may seek to impose restrictions on any such disclosure of "Pillar 2" additional own funds requirements and there can be no assurance that such restrictions will not cease to apply or, if they do, as to the consequences of any such publication.

Under Article 141 of the CRD IV Directive, EU Member States must require that institutions that fail to meet the "combined buffer requirement" (broadly, the combination of the capital conservation buffer, the institution-specific counter-cyclical buffer and the higher of (depending on the institution) the systemic risk buffer, the global systemically important institutions buffer and the other systemically important institutions buffer, in each case as applicable to the institution) will be subject to restricted "discretionary payments" (which are defined broadly by CRD IV as distributions in connection with Common Equity Tier 1 Capital, payments on Additional Tier 1 instruments (including interest amounts on the Securities) and payments of variable remuneration if the obligation to pay was created at a time when the institution failed to meet the combined buffer requirements). The restrictions will be scaled according to the extent of the breach of the "combined buffer requirement" and calculated as a percentage of the profits of the institution since the most recent decision on the distribution of profits or "discretionary payment". Such calculation will result in a "maximum distributable amount" in each relevant period. As an example, the scaling is such that in the bottom quartile of the "combined buffer requirement", no "discretionary distributions" will be permitted to be paid. As a consequence, in the event of breach of the combined buffer requirement it may be necessary to reduce discretionary payments, including potentially exercising the discretion to cancel (in whole or in part) interest payments in respect of the Securities. Further, there can be no assurance that the Issuer's and/or the Group's combined buffer requirement specifically, or the Issuer's and/or the Group's other capital requirements more generally including but not limited to regulatory direction on model parameters, will not be increased in the future, which may exacerbate the risk that "discretionary payments", including payments of Interest on the Securities, are cancelled.

The Issuer's and/or the Group's capital requirements are, by their nature, calculated by reference to a number of factors any one of which or combination of which may not be easily observable or capable of calculation by investors. Holders of the Securities may not be able to predict accurately the proximity of the risk of discretionary payments (of Interest and principal) on the Securities being prohibited from time to time as a result of the operation of Article 141 of the CRD IV Directive.

In addition, CRD IV includes a requirement for credit institutions to calculate, report, monitor and publish their leverage ratios, defined as their Tier 1 capital as a percentage of their total exposure measure. This requirement will be harmonised at EU level from 1 January 2018, and until which date regulators may apply such measures as they consider appropriate.

There can be no assurance, however, that the leverage ratio specified above, or any of the minimum own funds requirements, additional own funds requirements or buffer capital requirements applicable to the Issuer will not be amended in the future to include new and more onerous capital requirements, which in turn may affect the Issuer's capacity to make payments of interest on the Securities.

The Securities may be traded with accrued interest, but under certain circumstances described above, such interest may be cancelled and not paid on the relevant Interest Payment Date

The Securities may trade, and/or the prices for the Securities may appear, on the regulated market of the Irish Stock Exchange and in other trading systems with accrued interest. If this occurs, purchasers of Securities in the secondary market will pay a price that reflects such accrued interest upon purchase of the Securities. However, if a payment of interest on any Interest Payment Date is cancelled (in whole or in part) as described herein and thus is not due and payable, purchasers of such Securities will not be entitled to that interest payment (or, if the Issuer elects to make a payment of a portion, but not all, of such interest payment, the portion of such interest payment not paid) on the relevant Interest Payment Date.

Upon the occurrence of a Trigger Event, Holders may lose all or some of the value of their investment in the Securities

The Securities are issued for capital adequacy regulatory purposes with the intention and purpose of being eligible as Additional Tier 1 Capital of the Issuer. Such eligibility depends upon a number of conditions being satisfied, which are reflected in the Conditions. One of these relates to the ability of the Securities and the proceeds of their issue to be available to absorb any losses of the Issuer. Accordingly, if, at any time, a Trigger Event occurs: (a) the Prevailing Principal Amount of each Security shall be immediately and mandatorily Written Down by the Write-Down Amount; and (b) all accrued and unpaid interest up to (and including) the Write-Down Date (whether or not such interest has become due for payment) shall be cancelled.

The factors that influence the CET1 Ratio of the Issuer may not be the same as the factors that influence the CET1 Ratio of the Group as calculated on a consolidated basis. For example, an event that has a negative impact on any of the Issuer's subsidiaries may have a greater or lesser impact on the CET1 Ratio calculated on an individual consolidated basis than on the CET1 Ratio of the Group calculated on a consolidated basis. A further example of this is the recently announced Capital Reorganisation as while the impact on the Common Equity Tier 1 Capital (as defined in the Conditions) is materially the same at both the Issuer and the Group, this will translate into different impacts on the CET1 Ratio of the Issuer and the CET1 Ratio of the Group.

Since a Trigger Event will occur if either the CET1 Ratio of the Issuer or the CET1 Ratio of the Group falls below 7 per cent., regardless of whether the other CET1 Ratio also falls below that threshold, the additional uncertainties resulting from differences in the factors affecting the two CET1 Ratios may have an adverse effect on the market price or the liquidity of the Securities. The Issuer intends to calculate and publish the CET1 Ratios on at least a semi-annual basis.

Although Condition 6*(d)* permits the Issuer in its sole and full discretion to reinstate Written Down principal amounts if certain conditions (further described therein) are met, the Issuer is under no obligation to do so. Moreover the Issuer will only have the option to Write Up the principal amount of the Securities if, at a time when the Prevailing Principal Amount is less than their Initial Principal Amount, it records positive net income and (to the extent permitted by the then prevailing Regulatory Capital Requirements) positive consolidated net income, and if the Maximum Distributable Amount (if any) (when the amount of any such Write Up is aggregated together with other distributions of the Issuer or the Group, as applicable, of the kind referred to in Article 141(2) of the CRD IV Directive) would not be exceeded as a result of the Write Up.

No assurance can be given that these conditions will ever be met, or that the Issuer will ever Write Up the principal amount of the Securities following a Write-Down. Furthermore, any Write Up must be undertaken on a *pro rata* basis with any other securities of the Issuer that have terms permitting a principal write up to occur on a basis similar to that set out in Condition 6*(d)* in the circumstances then existing.

During the period of any Write-Down pursuant to Condition 6, interest will accrue on the Prevailing Principal Amount of the Securities, which shall be lower than the Initial Principal Amount unless and until the

Securities are subsequently Written Up in full. Furthermore, in the event that a Write-Down occurs during an Interest Period, any interest accrued but not yet paid until the occurrence of such Write-Down will be cancelled and, if not cancelled in accordance with Condition 5, the interest amount payable on the Interest Payment Date immediately following such Interest Period shall be calculated on the Prevailing Principal Amount resulting from the Write-Down. See generally Condition 4*(b)*.

Holders may lose all or some of their investment as a result of a Write-Down. If any order is made by any competent court for the Winding-Up of the Issuer, or if the Issuer is liquidated for any other reason prior to the Securities being written up in full pursuant to Condition 6*(d)*, Holders' claims for principal and interest will be based on the reduced Prevailing Principal Amount of the Securities. Holders' claims for principal and interest will also be based on the reduced Prevailing Principal Amount of the Securities in the event that the Issuer exercises its option to redeem the Securities upon the occurrence of a Tax Event or a Capital Disqualification Event in accordance with Conditions 7*(d)* and *(e)* at a time when the Securities have been Written Down and not subsequently Written Up.

In addition, in certain circumstances the Maximum Distributable Amount will impose a cap on the Issuer's ability to pay interest on the Securities, on the Issuer's ability to reinstate the Prevailing Principal Amount of the Securities following a Write-Down and on its ability to redeem or repurchase Securities.

Further, refer to "*The RRD and the SRM Regulation provide for resolution tools that may have a material adverse effect on the Group and the Securities*" above.

The market price of the Securities is expected to be affected by fluctuations in the Issuer's and the Group's CET1 Ratio. Any indication that the Issuer's or the Group's CET1 Ratio is approaching the level that would trigger a Trigger Event may have an adverse effect on the market price of the Securities.

The occurrence of a Trigger Event is inherently unpredictable and depends on a number of factors, which may be outside the control of the Issuer. Accordingly, investors may be unable to accurately predict if and when a Trigger Event may occur. See *"The circumstances surrounding or triggering a Write-Down are unpredictable, and there are a number of factors that could affect the CET1 Ratio of the Issuer or the Group"* below.

The circumstances surrounding or triggering a Write-Down are unpredictable, and there are a number of factors that could affect the CET1 Ratio of the Issuer or the Group

The occurrence of a Trigger Event is inherently unpredictable and depends on a number of factors, which may be outside the control of the Issuer. Moreover, because the relevant authority may instruct the Issuer to calculate the Issuer's or the Group's CET1 Ratio as at any date, a Trigger Event could occur at any time, including if the Issuer is subject to recovery and resolution actions by the relevant resolution authority, or the Issuer might otherwise determine to calculate such ratio in its own discretion. Moreover, the relevant resolution authority is likely to allow a Trigger Event to occur rather than to resort to the use of public funds to provide capital to the Issuer. Additionally the resolution authority may permanently write-down the Securities at the point of non-viability of the Issuer, and this may occur prior to a Trigger Event (see "*The RRD and the SRM Regulation provide for resolution tools that may have a material adverse effect on the Group and the Securities*" above for further information).

The Issuer's and the Group's CET1 Ratio may fluctuate. The calculation of such ratios could be affected by one or more factors, including, among other things, changes in the mix of the Group's business, major events affecting its earnings, distributions by the Issuer, regulatory changes (including changes to definitions and calculations of the CET1 Ratio and its components, including Common Equity Tier 1 Capital and risk weighted assets, in each case on either an individual or a consolidated basis, and the unwinding of transitional provisions under CRD IV) and the Group's ability to manage risk weighted assets in both its on-going

businesses and those which it may seek to exit. In addition, the Group has capital resources and risk weighted assets denominated in foreign currencies, and changes in foreign exchange rates will result in changes in the euro equivalent value of foreign currency denominated capital resources and risk weighted assets. As a result, the Group's CET1 Ratio is exposed to foreign currency movements. It is Group policy to manage structural foreign exchange risk by ensuring that the currency composition of its risk weighted assets and its structural net asset position by currency are broadly similar. This is designed to minimise the impact of the exchange rate movements on the principal capital ratios.

The calculation of the Issuer's and the Group's CET1 Ratio may also be affected by changes in applicable accounting rules (including but not limited to, introduction of IFRS 9), or by changes to regulatory adjustments which modify the regulatory capital impact of accounting rules. As an example of potential regulatory changes which may impact the Issuer's and/or the Group's CET1 Ratio, at the end of 2014, the Basel Committee on Banking Supervision published for public consultation revisions to the standardised approaches for credit, operational and market risk, and the introduction of capital floors based on standardised approaches. Moreover, even if changes in applicable accounting rules, or changes to regulatory adjustments which modify accounting rules, are not yet in force as at the relevant calculation date, the Competent Authority could require the Issuer to reflect such changes in any particular calculation of the Issuer's or the Group's CET1 Ratio.

Accordingly, accounting changes or regulatory changes may have a material adverse impact on the Issuer's and the Group's calculations of regulatory capital, including Common Equity Tier 1 Capital and risk weighted assets and the Issuer's and the Group's CET1 Ratio.

It will be difficult to predict when, if at all, a Trigger Event and subsequent Write-Down may occur. Accordingly, the trading behaviour of the Securities is not necessarily expected to follow the trading behaviour of other types of securities. Any indication that a Trigger Event and subsequent Write-Down may occur can be expected to have a material adverse effect on the market price (if any) of the Securities.

The CET1 Ratio of the Issuer and the Group will be affected by the Group's business decisions and, in making such decisions, the Group's interests may not be aligned with those of the holders of the Securities

As discussed in "*The circumstances surrounding or triggering a Write-Down are unpredictable, and there are a number of factors that could affect the CET1 Ratio of the Issuer or the Group*" above, the Issuer's or the Group's CET1 Ratio could be affected by a number of factors. The Issuer's and the Group's CET1 Ratio will also depend on the Issuer's and the Group's decisions relating to their businesses and operations, as well as the management of their capital positions. Neither the Issuer nor the Group will have any obligation to consider the interests of the holders of the Securities in connection with its strategic decisions, including in respect of its capital management. Holders of the Securities will not have any claim against the Issuer or any other member of the Group relating to decisions that affect the business and operations of the Issuer or the Group, including the Issuer's or the Group's capital position, regardless of whether they result in the occurrence of a Trigger Event. Such decisions could cause holders of the Securities to lose all or part of the value of their investment in the Securities.

The Securities are not protected under any deposit protection scheme

Under the European Communities (Deposit Guarantee Schemes) Regulations 1995 (the DGS Regulations 1995), which implement in Ireland the Deposit Guarantee Schemes Directive (Directive 94/19/EC), the Central Bank operates a statutory depositor protection scheme. The European Communities (Deposit Guarantee Schemes) (Amendment) Regulations 2009 amend the DGS Regulations 1995 and transpose the Deposit Guarantee Schemes Directive (Directive 2009/14/EC). Holders of the Securities will not qualify under the deposit protection scheme.

There is no scheduled redemption date for the Securities and Holders have no right to require redemption

The Securities are undated securities in respect of which there is no fixed redemption or maturity date. The Issuer is under no obligation to redeem the Securities at any time and the Holders have no right to require the Issuer or any member of the Group to redeem or purchase any Securities at any time. Any redemption of the Securities and any purchase of any Securities by the Issuer or any of its subsidiaries will be subject always to the prior approval of the Competent Authority and to compliance with prevailing prudential requirements, and the Holders may not be able to sell their Securities in the secondary market (if at all) at a price equal to or higher than the price at which they purchased their Securities. Accordingly, investors in the Securities should be prepared to hold their Securities for a significant period of time.

The Securities are subject to early redemption at their Prevailing Principal Amount (which may be less than par) upon the occurrence of certain events

Subject to the prior approval of the Competent Authority and to compliance with prevailing prudential requirements, the Issuer may, at its option, redeem all (but not some only) of the Securities at any time at their Prevailing Principal Amount (which may be less than par) plus interest accrued and unpaid from and including the immediately preceding Interest Payment Date up to but excluding the redemption date, upon the occurrence of a Tax Event or a Capital Disqualification Event.

An optional redemption feature is likely to limit the market value of the Securities. During any period when the Issuer may elect to redeem the Securities, the market value of the Securities generally will not rise substantially above the price at which they can be redeemed.

If the Issuer redeems the Securities in any of the circumstances mentioned above, there is a risk that the Securities may be redeemed at times when the redemption proceeds are less than the current market value of the Securities or when prevailing interest rates may be relatively low, in which latter case Holders may only be able to reinvest the redemption proceeds in securities with a lower yield. Potential investors should consider reinvestment risk in light of other investments available at that time.

The interest rate on the Securities will be reset on each Reset Date, which may affect the market value of the Securities

The Securities will initially earn interest at a fixed rate of interest to, but excluding, the First Reset Date. From, and including, the First Reset Date, however, and every Reset Date thereafter, the interest rate will be reset to the Reset Rate of Interest (as described in Condition 4*(d)*). This reset rate could be less than the Initial Fixed Interest Rate and/or the interest rate that applies immediately prior to such Reset Date, which could affect the amount of any interest payments under the Securities and so the market value of an investment in the Securities.

The Securities are novel and complex financial instruments that involve a high degree of risk and may not be a suitable investment for all investors

Potential investors should ensure that they have read and understood the section headed "*Restrictions on marketing and sales to retail investors*" on pages 3 and 4 of this Prospectus.

The Securities are novel and complex financial instruments that involve a high degree of risk. As a result, an investment in the Securities will involve certain increased risks. Each potential investor of the Securities must determine the suitability (either alone or with the help of a financial adviser) of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Prospectus;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including where such potential investor's financial activities are principally denominated in a currency other than euro, and the possibility that the entire principal amount of the Securities could be lost, including following the exercise of any bail-in power by the resolution authorities;

(iv) understand thoroughly the terms of the Securities, such as the provisions governing Write-Down (including, in particular, the Issuer's and the Group's CET1 Ratio, as well as under what circumstances the Trigger Event will occur), and be familiar with the behaviour of any relevant indices and financial markets, including the possibility that the Securities may become subject to write-down or conversion if the Issuer should become non-viable; and

(v) be able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Sophisticated investors generally do not purchase complex financial instruments that bear a high degree of risk as stand-alone investments. They purchase such financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Securities unless they have the knowledge and expertise (either alone or with a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the likelihood of Write-Down and the value of the Securities, and the impact this investment will have on the potential investor's overall investment portfolio. Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Prospectus or incorporated by reference herein.

Because the Securities are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on the clearing system procedures for transfer, payment and communication with the Issuer

The Securities will, upon issue, be represented by a Global Certificate that will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Certificate. While the Securities are in global form, investors will be able to trade their beneficial interests only through Euroclear or Clearstream, Luxembourg, as the case may be.

While the Securities are in global form, the payment obligations of the Issuer under the Securities will be discharged upon such payments being made by or on behalf of the Issuer to or to the order of the nominee for the common depositary. A holder of a beneficial interest in a Security must rely on the procedures of Euroclear and/or Clearstream, Luxembourg, as the case may be, to receive payments under the Securities. The Issuer does not have any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Meetings of Holders and modification

The Conditions will contain 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.

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

Change of law

The Conditions will be governed by the laws of England except for the provisions governing the subordination of the Securities which will be governed by the laws of Ireland. No assurance can be given as to the impact of any possible judicial decision or change to the laws of England or the laws of Ireland or applicable administrative practice after the date of this Prospectus. Such changes in law may include, but are not limited to, the introduction of a variety of statutory resolution and loss absorption tools which may affect the rights of Holders. Such tools may include the ability to write off sums otherwise payable on the Securities.

For example, in November 2015, the Financial Stability Board (the "FSB") introduced a common international standard on the total loss-absorbing capacity ("TLAC") for global systemically important banks ("G-SIBs"). The Irish legislator or Irish regulatory bodies could impose similar requirements on non-G-SIBs. As a result, if the Issuer were to become a G-SIB or if similar requirements for non-G-SIBs are introduced, the TLAC requirement could require the Issuer to maintain a ratio of its regulatory capital plus certain types of TLAC-eligible debt to its assets and exposures (potentially on a non risk-weighted basis and on a risk-weighted basis), which is significantly higher than current capital requirements under CRD IV.

The TLAC requirement may apply in addition to or replace the minimum requirement for own funds and eligible liabilities ("MREL") pursuant to the RRD and the SRM Regulation. However, based on the most recently updated FSB list of G-SIBs published in November 2015, the Issuer does not currently constitute a G-SIB and therefore no TLAC requirements currently apply to the Issuer.

FSB Proposals for Total Loss-Absorbing Capacity

In November 2014, the FSB published a consultation document on policy proposals intended to enhance the loss-absorbing capacity of G-SIBs in resolution. The FSB proposals seek to ensure that G-SIBs will have sufficient loss absorbing capacity available in a resolution of such an entity, in order to minimise any impact on financial stability, ensure the continuity of critical functions and avoid exposing taxpayers to loss. The FSB's proposals also include a specific term sheet for TLAC which attempts to define an internationally agreed standard. The FSB's proposals were endorsed at the G20's Brisbane conference in November 2014 and were published as final in November 2015. The FSB's common international standard once in effect, would require all G-SIBs to maintain a minimum level of TLAC eligible capital within the range of 16-18 per cent. of risk exposure amount (alongside minimum regulatory capital requirements), and, expressed in terms of the Basel III Leverage Ratio denominator, within the range of 6 – 6.75 per cent., with effect from 1 January 2019. G-SIBs will be required to pre-position such loss-absorbing capacity amongst material subsidiaries on an intra-group basis. The common international standard also requires that the minimum TLAC requirement should be satisfied before any surplus common equity is available to satisfy CRD IV buffers and provides the possibility for local regulators to impose an additional TLAC requirement over and above the basic minimum requirement. Based on the most recently updated FSB list of G-SIBs published in November 2015, the Issuer

does not currently constitute a G-SIB. However, the Irish legislator could impose similar requirements on non-GSIBs.

EBA Consultation Paper on the minimum requirement for own funds and eligible liabilities under RRD

On 3 July 2015, the EBA published its final draft regulatory technical standards ("RTS") on the criteria for determining MREL under the RRD. The RTS will also be relevant for determining MREL pursuant to the SRM Regulation. In order to ensure the effectiveness of bail-in and other resolution tools introduced by the RRD, the RRD requires that all institutions must meet an individual MREL requirement, calculated as a percentage of total liabilities and own funds and set by the relevant resolution authorities, with effect from 1 January 2016 (or if earlier, the date of national implementation of RRD). The draft RTS provide for resolution authorities to allow institutions a transitional period of up to four years to reach the applicable MREL requirements.

Unlike the FSB's proposals discussed under "*FSB Proposals for Total Loss-Absorbing Capacity*" above, the RTS do not set a minimum EU-wide level of MREL, and the MREL requirement applies to all credit institutions, not just to those identified as being of a particular size or of systemic importance. Each resolution authority is required to make a separate determination of the appropriate MREL requirement for each resolution group within its jurisdiction, depending on the resolvability, risk profile, systemic importance and other characteristics of each institution. The MREL requirement for each institution will be comprised of a number of key elements, including the required loss absorbing capacity of the institution (which will, as a minimum, equate to the institution's capital requirements under CRD IV, including applicable buffers), and the level of recapitalisation needed to implement the preferred resolution strategy identified during the resolution planning process.

Other factors to be taken into consideration by resolution authorities when setting the MREL requirement include: the extent to which an institution has liabilities in issue which are excluded from contributing to loss absorption or recapitalisation; the risk profile of the institution; the systemic importance of the institution; and the contribution to any resolution that may be made by deposit guarantee schemes and resolution financing arrangements.

Items eligible for inclusion in MREL will include an institution's own funds (within the meaning of CRD IV), along with "Eligible Liabilities", meaning liabilities which, inter alia, are issued and fully paid up, have a maturity of at least one year (or do not give the investor a right to repayment within one year), and do not arise from derivatives.

Whilst there are a number of similarities between the MREL requirements and the FSB's proposals or TLAC, there are also certain differences, including the express requirement that TLAC be subordinated to insured deposits (which is not specifically the case for MREL eligible liabilities), and the timescales for implementation. The RTS suggests that the MREL requirements can nevertheless be implemented for G-SIBs in a manner that is consistent with the international framework, and contemplates a possible increase in the MREL requirement over time in order to provide for an adequate transition to compliance with the TLAC requirements (which are currently projected to apply from January 2019). It remains to be seen whether there will be any further convergence in the detailed requirements of the two regimes and how they apply to non-G-SIBs such as the Issuer.

Risks relating to the FSB and EBA proposals

The EBA's proposals are in draft form, and may therefore be subject to change. The FSB published a common international standard on TLAC in November 2015 but it is not due to take effect until January 2019 and the FSB has reserved the right to undertake a review of its implementation by the end of 2019. As a result, it is not possible to give any assurances as to the ultimate scope and nature of any resulting obligations, or the

impact that they will have on the Issuer once implemented. However, it is possible that the Issuer may have to issue a significant amount of additional MREL eligible liabilities and/or TLAC eligible liabilities in order to meet the new requirements within the required timeframes if the FSB's and EBA's proposals are implemented in their current form and the Issuer were to become a G-SIB or if the FSB's proposals are applied to non G-SIBs. The issuance of such additional eligible liabilities may have a material adverse effect on the profitability of the Issuer to the extent that such issuance raises the funding costs of the Issuer. If the Issuer were to experience difficulties in raising such eligible liabilities, it may have to reduce its lending or investments in other operations which could have a material adverse effect on the Issuer's business, financial condition and prospects. Also, as a result of the failure to have the adequate level of such eligible liabilities the regulator may, if the FSB's or the EBA's proposals provide for it, require the Issuer to cancel payments under the Securities.

Legality of purchase

Neither the Issuer nor any of its affiliates has or assumes responsibility for the lawfulness of the acquisition of the Securities by a prospective investor in the Securities, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective investor with any law, regulation or regulatory policy applicable to it.

Potential investors are further referred to the section headed "*Restrictions on marketing and sales to retail investors*" on pages 3 to 4 of this Prospectus for further information.

Legal investment considerations may restrict certain investments

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 (i) Securities are legal investments for it, (ii) Securities can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Securities under any applicable risk-based capital or similar rules.

EU Savings Directive

Council Directive 2003/48/EC on the taxation of savings income (the "Savings Directive") requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or secured by such a person for the benefit of) an individual resident, or to (or secured for) certain other types of entity established, in that other EU Member State, except that Austria will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period it elects otherwise. A number of non-EU countries and territories have adopted similar measures to the Savings Directive.

The Council of the European Union has adopted Directive 2014/48/EU (the "Amending Savings Directive") which would, if implemented, amend and broaden the scope of the requirements of the Savings Directive described above.

However, the Council of the European Union has adopted a Directive repealing the Savings Directive from 1 January 2016 (1 January 2017 in the case of Austria) (in each case subject to transitional arrangements). The recitals to the Directive also provide that EU Member States will not be required to implement the Amending Savings Directive.

Prior to the repeal of the Savings Directive becoming effective, if a payment were to be made or collected through an EU 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 pursuant to the Savings Directive or any other Directive

implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Security as a result of the imposition of such withholding tax.

The Issuer is required to maintain a Paying Agent with a specified office in an EU Member State that is not obliged to withhold or deduct tax pursuant to any law implementing the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive. However, investors should be aware that any custodians or intermediaries through which they hold their interest in the Securities may nonetheless be obliged to withhold or deduct tax pursuant to such laws unless the investor meets certain conditions, including providing any information that may be necessary to enable such persons to make payments free from withholding and in compliance with the Savings Directive.

Investors who are in any doubt as to their position or would like to know more should consult their professional advisers.

Investors who hold less than the minimum specified denomination may be unable to sell their Securities and may be adversely affected if definitive Securities are subsequently required to be issued

The Securities are in denominations of €200,000 and integral multiples of €1,000 in excess thereof. Accordingly, it is possible that they may be traded in amounts that are not integral multiples of €200,000. In such a case, a holder who, as a result of trading such amounts, holds an amount which is less than €200,000 in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Securities at or in excess of €200,000 such that its holding amounts to at least equal to €200,000. Further, a holder who, as a result of trading such amounts, holds an amount which is less than €200,000 in his account with the relevant clearing system at the relevant time may not receive a definitive Security in respect of such holding (should such Securities be printed) and would need to purchase a principal amount of Securities at or in excess of €200,000 such that its holding amounts to at least equal to €200,000.

A Holder's actual yield on the Securities may be reduced from the stated yield by transaction costs

When Securities are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the current price of the security. These incidental costs may significantly reduce or even exclude the profit potential of the Securities. For instance, credit institutions as a rule charge their clients for own commissions which are either fixed minimum commissions or pro-rata commissions depending on the order value. To the extent that additional domestic or foreign parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, Holders must take into account that they may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).

In addition to such costs directly related to the purchase of securities (direct costs), Holders must also take into account any follow-up costs (such as custody fees). Prospective investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Securities before investing in the Securities.

Please refer also to "*The Issuer may at any time elect, and in certain circumstances shall be required, not to make interest payments on the Securities*" above.

Risks Related to the Market Generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

The Securities represent a new security for which no secondary trading market currently exists and there can be no assurance that one will develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Securities easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of Securities.

If a market for the Securities does develop, the trading price of the Securities may be subject to wide fluctuations in response to many factors, including those referred to in this risk factor, as well as stock market fluctuations and general economic conditions that may adversely affect the market price of the Securities. Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them, and such volatility may be increased in an illiquid market. If any market in the Securities does develop, it may become severely restricted, or may disappear, if the financial condition and/or the CET1 Ratio of the Issuer's Group deteriorates such that there is an actual or perceived increased likelihood of the Issuer being unable, or where the Competent Authority elects to direct the Issuer not, to pay interest on the Securities in full, or of the Securities being Written Down or otherwise subject to loss absorption under the Conditions or an applicable statutory loss absorption regime. In addition, the market price of the Securities may fluctuate significantly in response to a number of factors, some of which are beyond the Issuer's control, including:

- actual or expected variations in the Group's operating performance;
- any shortfall in revenue or net profit or any increase in losses from levels expected by market commentators;
- increases in capital expenditure compared with expectations;
- any perception that the Group's strategy is or may be less effective than previously assumed or that the Group is not effectively implementing any significant projects;
- changes in financial estimates by securities analysts;
- changes in market valuations of similar entities;
- announcements by the Group of significant acquisitions, strategic alliances, joint ventures, new initiatives, new services or new service ranges;
- regulatory matters, including changes in regulatory regulations or Central Bank requirements;
- additions or departures of key personnel; and
- future issues or sales of Securities or other securities.

Any or all of these events could result in material fluctuations in the price of Securities which could lead to investors losing some or all of their investment.

The issue price of the Securities might not be indicative of prices that will prevail in the trading market, and there can be no assurance that an investor would be able to sell its Securities at or near the price which it paid

for them, or at a price that would provide it with a yield comparable to more conventional investments that have a developed secondary market.

Moreover, although the Issuer and any subsidiary of the Issuer can (subject to regulatory approval and compliance with prevailing prudential requirements) purchase Securities at any time, they have no obligation to do so. Purchases made by the Issuer or any member of the Group could affect the liquidity of the secondary market of the Securities and thus the price and the conditions under which investors can negotiate these Securities on the secondary market.

In addition, Holders should be aware of the prevailing and widely reported global credit market conditions (which continue, to some extent, at the date of this Prospectus), whereby there has been a general lack of liquidity in the secondary market which, if it were to continue or worsen in future, could result in investors suffering losses on the Securities in secondary resales even if there were no decline in the performance of the Securities or the assets of the Issuer. The Issuer cannot predict whether these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Securities and instruments similar to the Securities at that time.

Although applications have been made for the Securities to be listed and admitted to trading on the Irish Stock Exchange's regulated market, there is no assurance that such application will be accepted or that an active trading market will develop.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Securities 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 include the risk that exchange rates may significantly change (including changes due to devaluation of euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency or euro may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to euro would decrease (i) the Investor's Currency-equivalent yield on the Securities, (ii) the Investor's Currency-equivalent value of the principal payable on the Securities and (iii) the Investor's Currency-equivalent market value of the Securities.

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 as measured in the Investor's Currency.

Interest rate risks

An investment in the Securities, which bear interest at a fixed rate (reset every five years), involves the risk that subsequent changes in market interest rates may adversely affect their value. The rate of interest will be set every five years, and as such reset rates are not pre-defined at the date of issue of the Securities, they may be different from the initial rate of interest and may adversely affect the yield of the Securities.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be incorporated in, and form part of, this Prospectus:

(a) the annual financial report of the Issuer, including audited consolidated financial statements of the Issuer for each of the financial years ended 31 December 2013 and 31 December 2014, respectively, in each case together with the audit reports thereon, which in each case have been previously published;

(b) the consolidated financial statements of the Issuer for the six months ended 30 June 2015, together with the audit report thereon, which has been previously published;

(c) the interim management statement of the Issuer for the nine months ended 30 September 2015, which has been previously published;

(d) the Pillar 3 disclosure of the Group for the year ended 31 December 2014, which has been previously published;

(e) the stock exchange announcement dated 6 November 2015, which has been previously published; and

(f) Circular and Notice of Extraordinary General Meeting dated 23 November 2015, which has been previously published;

save that any statement contained herein, or in a document all or the relative portion of which is incorporated by reference herein, shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any such document, all or the relative portion of which is deemed to be incorporated by reference herein, modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

AIB will provide, without charge, to each person to whom a copy of this Prospectus has been delivered, upon the written request of any such person, a copy of any or all of the documents which are incorporated herein by reference. Written requests for such documents should be directed to AIB at its registered office set out at the end of this Prospectus.

The documents referred to above are available electronically on AIB's website via the following links:

http://investorrelations.aib.ie/content/dam/aib/investorrelations/docs/resultscentre/annualreport/annual-report-2013.pdf

https://investorrelations.aib.ie/content/dam/aib/investorrelations/docs/resultscentre/annualreport/aib_afr_2014_v1.pdf

http://investorrelations.aib.ie/content/dam/aib/investorrelations/docs/resultscentre/resultspresentation/aib-half-yearly-financial-report-2015.pdf

https://investorrelations.aib.ie/content/dam/aib/investorrelations/docs/se-announcements/2015/AIB-Interim-Management-Statement-and-Update-on-Capital-Reorganisation.pdf

https://investorrelations.aib.ie/content/dam/aib/investorrelations/docs/resultscentre/pillar3/pillar3-disclosures-2014.pdf

https://investorrelations.aib.ie/content/dam/aib/investorrelations/docs/se-announcements/2015/aib-regulatory-approval-for-a-capital-reorganisation-05112015.pdf

https://investorrelations.aib.ie/content/dam/aib/investorrelations/docs/se-announcements/2015/2015-egm-circular.pdf

TERMS AND CONDITIONS OF THE SECURITIES

The following, subject to alteration and completion, are the terms and conditions of the Securities which will be endorsed on each Certificate in definitive form (if issued).

The issue of the €500,000,000 Fixed Rate Reset Additional Tier 1 Perpetual Contingent Temporary Write-Down Securities (the "**Securities"**) of Allied Irish Banks, p.l.c. (the "**Bank**") was authorised by a resolution of the Board of Directors and a committee of the Board of Directors of the Bank passed on 24 September 2015 and 23 November 2015 respectively. The Securities are constituted by a trust deed (the "**Trust Deed**") dated 3 December 2015 between the Bank and Citibank N.A. London Branch (the person or persons for the time being the trustee or trustees under the Trust Deed, the "**Trustee**") as trustee for the Holders (as defined below) of the Securities. 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 Securities. Copies of the Trust Deed and of the agency agreement (the "**Agency Agreement**") dated 3 December 2015 relating to the Securities between the Bank, Citibank N.A. London Branch as the initial principal paying agent (the person for the time being the principal paying agent under the Agency Agreement, the "**Principal Paying Agent**"), Citibank N.A. London Branch as the initial agent bank (the person for the time being the agent bank under the Agency Agreement, the "**Agent Bank**"), Citibank N.A. London Branch as the initial registrar (the person for the time being the registrar under the Agency Agreement, the "**Registrar**"), and the initial transfer agents named therein (the person(s) for the time being the transfer agent(s) under the Agency Agreement, the "**Transfer Agent(s)**"), and the Trustee, are available for inspection during usual business hours at the registered office of the Issuer (presently at Bankcentre, Ballsbridge, Dublin 4, Republic of Ireland) and at the specified offices of the Principal Paying Agent, the Registrar and each of the Transfer Agents. The Holders 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, Denomination and Title

(a) Form and Denomination

The Securities are serially numbered in the Initial Principal Amounts of €200,000 and integral multiples of €1,000 in excess thereof.

The Securities are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2*(a)*, each Certificate shall represent the entire holding of Securities by the same Holder.

(b) Title

Title to the Securities shall pass by registration in the register that the Bank shall procure to be kept by the Registrar (and, for as long as required under Irish law that a register is held in Ireland, a duplicate register held in Ireland at the order of the Registrar) in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the Holder of any Security shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the Holder.

In these Conditions, "**Holder**" means the person in whose name a Security is registered.

2 Transfers of Securities

(a) Transfer

A holding of Securities may, subject to Condition 2*(d)*, be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Securities to be transferred, together with the form of transfer endorsed on such Certificate(s), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Securities represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Securities to a person who is already a Holder of Securities, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Securities and entries in the Register will be made in accordance with the detailed regulations concerning transfers of Securities scheduled to the Agency Agreement. The regulations may be changed by the Bank, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Holder upon request.

(b) Delivery of New Certificates

Each new Certificate to be issued pursuant to Condition 2*(a)* shall be available for delivery within three business days of receipt of a duly completed and executed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate(s) shall have been made or, at the option of the Holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the Holder entitled to the new Certificate(s) to such address as may be so specified, unless such Holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/ or such insurance as it may specify. In this Condition 2*(b)*, "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(c) Transfer Free of Charge

Certificates, on transfer, shall be issued and registered without charge by or on behalf of the Bank, the Registrar or any Transfer Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to such transfer (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(d) Closed Periods

No Holder may require the transfer of a Security to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Security, (ii) after the Securities have been called for redemption, or (iii) during the period of seven days ending on (and including) any Record Date.

3 Status and Subordination

(a) Status

The Securities constitute direct, unsecured and subordinated obligations of the Bank and rank *pari passu* and without any preference among themselves. The rights and claims of Holders in respect of, or arising under, their Securities (including any damages awarded for breach of obligations in respect thereof) are subordinated as described in this Condition 3.

(b) Conditions to Payment

Except in a Winding-Up, all payments in respect of, or arising from (including any damages awarded for breach of any obligations under), the Securities (other than payments to the Trustee for its own account under the Trust Deed) are, in addition to the right or obligation of the Bank to cancel payments of interest under Condition 5 or Condition 6*(a)*, conditional upon the Bank being solvent at the time of payment by the Bank and no payments of principal, interest or other amounts shall be due and payable in respect of, or arising from, the Securities or the Trust Deed (other than payments to the Trustee for its own account under the Trust Deed) except to the extent that the Bank could make such payment and still be solvent immediately thereafter (the "**Solvency Condition**").

In these Conditions, the Bank shall be considered to be solvent at a particular time if (x) it is able to pay its debts owed to its Senior Creditors as they fall due and (y) its Assets exceed its Liabilities.

A certificate as to the solvency of the Bank by two Authorised Signatories (or if there is a winding-up or examinership of the Bank, two authorised signatories of the liquidator or, as the case may be, the examiner of the Bank) shall be treated and accepted by the Bank, the Trustee and the Holders 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.

Any payment of interest not due by reason of this Condition 3*(b)* shall be cancelled as provided in Condition 5*(d)*.

(c) Winding-Up

The rights and claims of the Holders (and the Trustee on their behalf) are subordinated to the claims of Senior Creditors in that, in the event of a Winding-Up, there shall be payable by the Bank in respect of each Security (in lieu of any other payment by the Bank but subject as provided in this Condition 3(*c*)), such amount, if any, as would have been payable to the Holder of such Security if, on the day prior to the commencement of the Winding-Up and thereafter, such Holder were the holder of one of a class of preference shares in the capital of the Bank ("**Notional Preference Shares**") having an equal right to a return of assets in the Winding-Up to, and so ranking *pari passu* as to a return of assets in the Winding-Up with, the holders of Other Pari Passu Instruments and the holders of the most senior class or classes of preference shares (if any) from time to time issued or which may be issued by the Bank which have a preferential right to a return of assets in the Winding-Up over, and so rank ahead of, the holders of the 2009 Preferences Shares and holders of all other classes of issued shares for the time being in the capital of the Bank but ranking junior to the claims of Senior Creditors, on the assumption that the amount that such Holder was entitled to receive in respect of each Notional Preference Share on a return of assets in such Winding-Up were an amount equal to the Prevailing Principal Amount of the relevant Security and any accrued but unpaid interest thereon (to the extent not cancelled in accordance with the Conditions) together with, to the extent not otherwise included within the foregoing, any other amounts attributable to the Security, including any damages awarded for breach

of any obligations in respect of such Security, whether or not the Solvency Condition is satisfied on the date upon which the same would otherwise be due and payable.

(d) Set-off

Subject to applicable law, no Holder may exercise or claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Bank in respect of, or arising under or in connection with, the Securities or the Trust Deed and each Holder will, by virtue of his holding of any Security, 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 Bank in respect of, or arising under or in connection with the Securities is discharged by set-off, such Holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Bank (or, in the event of its Winding-Up, the liquidator of or, as appropriate, examiner to the Bank) and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Bank (or the liquidator of or, as appropriate, examiner to the Bank) and accordingly any such discharge shall be deemed not to have taken place.

4 Interest Payments

(a) Interest Rate

Subject to Conditions 3*(b)*, 5 and 6, the Securities bear interest on their Prevailing Principal Amount at the applicable Interest Rate from (and including) the Issue Date in accordance with the provisions of this Condition 4. "**Prevailing Principal Amount**" has the meaning given to it in Condition 20.

Subject to Conditions 3*(b)*, 5 and 6, during the Initial Fixed Rate Interest Period, interest shall be payable on the Securities semi-annually in arrear on each Interest Payment Date in equal instalments and shall amount to €36.875 per Calculation Amount, and thereafter interest shall be payable on the Securities semi-annually in arrear on each Interest Payment Date, in each case as provided in this Condition 4.

Where it is necessary to compute an amount of interest in respect of any Security for a period which is less than a complete Interest Period, the relevant day-count fraction shall be determined on the basis of the 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 the product of 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).

(b) Interest Accrual

Subject to Conditions 3*(b)*, 5 and 6, the Securities will cease to bear interest from (and including) the due date for redemption thereof pursuant to Condition 7*(c)*, *(d)* or *(e)* or the date of substitution thereof pursuant to Condition 7*(f)*, as the case may be, unless, upon surrender of the Certificate representing any Security, payment of all amounts due in respect of such Security is not properly and duly made, in which event interest shall continue to accrue on the Prevailing Principal Amount of such Security, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date. Interest in respect of any Security shall be calculated per Calculation Amount and the amount of interest per Calculation Amount shall, save as provided in Condition 4*(a)* in relation to equal instalments and subject to Conditions 3(*b*), 5 and 6, be equal to the product of the Calculation Amount, the relevant Interest Rate and the day-count fraction as described in Condition 4*(a)* for the relevant period, rounding the resultant figure to the nearest cent (half a cent being rounded upwards). Where the denomination of a Security is more than the Calculation Amount, the amount of interest

payable in respect of each such Security, is the aggregate of the amounts (calculated as aforesaid) for each Calculation Amount comprising the denomination of the Security.

If, pursuant to Condition 6, the Prevailing Principal Amount of the Securities is Written Down or Written Up during an Interest Period, the Calculation Amount will be adjusted to reflect such Prevailing Principal Amount from time to time so that the relevant amount of interest is determined by reference to such Calculation Amount as adjusted from time to time and as if such Interest Period were comprised of two or (as applicable) more consecutive interest periods, with interest calculations based on the number of days for which each Prevailing Principal Amount and Calculation Amount was applicable.

(c) Initial Fixed Interest Rate

For the Initial Fixed Rate Interest Period, the Securities bear interest, subject to Conditions 3*(b)*, 5 and 6, at the rate of 7.375 per cent. per annum (the "**Initial Fixed Interest Rate**").

(d) Reset Interest Rate

The Interest Rate will be reset (the "Reset Rate of Interest") in accordance with this Condition 4 on each Reset Date. The Reset Rate of Interest in respect of each Reset Period will be determined by the Agent Bank on the relevant Reset Determination Date as the sum of the relevant Reset Reference Rate and the Margin and such sum converted from an annual to a semi-annual basis.

(e) Determination of Reset Rate of Interest

The Agent Bank will, as soon as practicable after 11:00 a.m. (Central European time) on each Reset Determination Date, determine the Reset Rate of Interest in respect of the relevant Reset Period. The determination of the Reset Rate of Interest by the Agent Bank shall (in the absence of manifest error) be final and binding upon all parties.

(f) Publication of Reset Rate of Interest

The Agent Bank shall cause notice of the Reset Rate of Interest determined in accordance with this Condition 4 in respect of each Reset Period to be given to the Trustee, the Principal Paying Agent, the Registrar, each of the Transfer Agents, any stock exchange on which the Securities are for the time being listed or admitted to trading and, in accordance with Condition 15, the Holders, in each case as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

If the Securities become due and payable pursuant to Condition 9*(a)*, the accrued interest per Calculation Amount and the Reset Rate of Interest payable in respect of the Securities shall nevertheless continue to be calculated as previously by the Agent Bank in accordance with this Condition 4 but no publication of the Reset Rate of Interest need be made unless the Trustee otherwise requires.

(g) Agent Bank and Reset Reference Banks

The Bank will maintain an Agent Bank and the number of Reset Reference Banks provided below where the Reset Rate of Interest is to be calculated by reference to them. The name of the initial Agent Bank and its initial specified office is set out at the end of these Conditions.

The Bank may, with the prior written approval of the Trustee, from time to time replace the Agent Bank or any Reset Reference Bank with another leading investment, merchant or commercial bank or financial institution in the eurozone. If the Agent Bank is unable or unwilling to continue to act as the

Agent Bank or fails duly to determine the Reset Rate of Interest in respect of any Reset Period as provided in Condition 4*(d)*, the Bank shall forthwith appoint another leading investment, merchant or commercial bank or financial institution in the eurozone approved in writing by the Trustee to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid.

(h) Determinations of Agent Bank Binding

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4, by the Agent Bank, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Bank, the Agent Bank, the Trustee, the Principal Paying Agent, the Registrar, the Transfer Agents and all Holders and (in the absence of wilful default or negligence) no liability to the Holders or the Bank shall attach to the Agent Bank in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

5 Cancellation of Interest

(a) Optional cancellation of Interest

The Bank may at any time elect (subject to the mandatory cancellation and non-payment of interest pursuant to Conditions 3*(b)*, 5*(b)*, 5*(c)* and 6*(a)*(*iii*)) at its sole and full discretion to cancel (in whole or in part) payment of the interest otherwise scheduled to be paid on an Interest Payment Date.

(b) Mandatory cancellation of Interest

Under the Regulatory Capital Requirements the Bank may elect to pay interest only to the extent that it has Distributable Items. Accordingly, in addition to having the right to cancel payment of interest at any time, the Bank will cancel the relevant payment of interest on any Interest Payment Date (in whole or, as the case may be, in part) if and to the extent that the amount of such interest, when aggregated together with any interest payments or distributions which have been paid or made or which are required to be paid or made during the then current financial year on all other own funds items of the Bank (excluding any such interest payments or distributions which (i) are not required to be made out of Distributable Items or (ii) have already been provided for, by way of deduction, in calculating the amount of Distributable Items), in aggregate would exceed the amount of the Distributable Items of the Bank as at such Interest Payment Date.

In addition, interest otherwise due on an Interest Payment Date will not be due (in whole or, as the case may be, in part), and the Bank will cancel payment of any interest otherwise scheduled to be paid on an Interest Payment Date if and to the extent that the amount of such interest payment would cause, when aggregated together with other distributions of the kind referred to in Article 141(2) of the CRD IV Directive (or any provision of applicable law transposing or implementing Article 141(2) of the CRD IV Directive), the lower of (i) the Maximum Distributable Amount (if any) then applicable to the Bank and (ii) the Maximum Distributable Amount (if any) then applicable to the Group to be exceeded. "**Maximum Distributable Amount**" means any applicable maximum distributable amount relating to the Bank or the Group required to be calculated in accordance with Article 141 of the CRD IV Directive (or any provision of applicable law transposing or implementing Article 141 of the CRD IV Directive, as amended or replaced).

(c) Notice of cancellation of Interest

Upon the Bank electing to cancel any interest payment (or part thereof) pursuant to Condition 5(*a*), or being prohibited from making any interest payment (or part thereof) pursuant to Conditions 3(b) or

5(*b*), the Bank shall, as soon as reasonably practicable on or prior to the relevant Interest Payment Date, give notice of such non-payment and the reason therefor to the Holders in accordance with Condition 15 and to the Trustee and the Principal Paying Agent in writing, provided that any failure to give such notice shall not affect the cancellation of any interest payment (in whole or, as the case may be, in part) by the Bank and shall not constitute a default under the Securities for any purpose. Such notice shall specify the amount of the relevant cancellation and, accordingly, the amount (if any) of the relevant interest payment that will be paid on the relevant Interest Payment Date. In the event that the Bank exercises its discretion not to pay interest or is prohibited from paying interest on any Interest Payment Date, such cancellation will not give rise to or impose any restriction on the Bank or give rise to any other restriction on the Bank making distributions or any other payments to the holders of any securities ranking *pari passu* with, or junior to, the Securities.

(d) Interest non-cumulative; no default

Any interest payment (or, as the case may be, part thereof) not paid on any relevant Interest Payment Date by reason of Condition 3*(b)*, 5*(a)*, 5*(b)* or 6, shall be cancelled and shall not accumulate or be payable at any time thereafter.

If the Bank does not pay any interest payment (in whole or, as the case may be, in part) on the relevant Interest Payment Date, such non-payment (whether the notice referred to in Condition 5*(c)* has been given or not) shall evidence either the non-payment and cancellation of such interest payment (in whole or, as the case may be, in part) by reason of it not being due in accordance with Condition 3*(b)*, the cancellation of such interest payment (in whole or, as the case may be, in part) in accordance with Conditions 5*(b)* or 6*(a)* or, as appropriate, the Bank's exercise of its discretion to cancel such interest payment (in whole or, as the case may be, in part) in accordance with Condition 5*(a)*. Accordingly, non-payment of any interest (in whole or, as the case may be, in part) in accordance with any of Condition 3*(b)*, 5*(a)*, 5*(b)* or *6(a)*, will not constitute a default by the Bank for any purpose and the Holders shall have no right thereto whether in a Winding-Up or otherwise.

6 Write Down and Write Up

(a) Write Down

If the Bank determines in accordance with the requirements set out in Article 54 of the CRD IV Regulation, that either (a) the CET1 Ratio of the Bank has fallen below seven per cent. and/or (b) the CET1 Ratio of the Group has fallen below seven per cent. (a "**Trigger Event**") has occurred, the Bank shall:

(i) immediately inform the Competent Authority of the occurrence of the relevant Trigger Event;

(ii) as soon as reasonably practicable deliver a Trigger Event Notice to Holders (in accordance with Condition 15), the Trustee, the Registrar and the Principal Paying Agent which notice shall be irrevocable;

(iii) irrevocably cancel any accrued and unpaid interest up to (but excluding) the Write Down Date; and

(iv) reduce the then Prevailing Principal Amount of each Security by the Write Down Amount (such reduction being referred to herein as a "**Write Down**", and "**Written Down**" shall be construed accordingly).

Such cancellation and reduction shall take place without the need for the consent of Holders or the Trustee and without delay on such date as is selected by the Bank (the "**Write Down Date**") but which

shall be no later than one month following the occurrence of the relevant Trigger Event and in accordance with the requirements set out in Article 54 of the CRD IV Regulation. The Competent Authority may require that the period of one month referred to above is reduced in cases where the Competent Authority assesses that sufficient certainty on the required Write Down Amount is established or in cases where it assesses that an immediate Write Down is needed.

For the purposes of determining whether a Trigger Event has occurred, the Bank may calculate the CET1 Ratios at any time based on information (whether or not published) available to management of the Bank, including information internally reported within the Bank pursuant to its procedures for monitoring the CET1 Ratios.

Any Trigger Event Notice delivered to the Trustee shall be accompanied by a certificate signed by two Authorised Signatories certifying the accuracy of the contents of the Trigger Event Notice upon which the Trustee shall be entitled to rely (without liability to any person and without further enquiry).

A Trigger Event may occur on more than one occasion (and each Security may be Written Down on more than one occasion).

Any failure by the Bank to give a Trigger Event Notice will not affect the effectiveness of, or otherwise invalidate, any Write Down, or give the Trustee or Holders any rights as a result of such failure.

Any reduction of the Prevailing Principal Amount of a Security pursuant to this Condition 6*(a)* shall not constitute a default by the Bank for any purpose or cause a breach of the Bank's obligations or duties or be a failure by the Bank to perform its obligations in any manner whatsoever, and the Holders shall have no right to claim for amounts Written Down, whether in a Winding-Up or otherwise, save to the extent (if any) such amounts are Written Up in accordance with Condition 6*(d)*.

(b) Write Down Amount

The aggregate reduction of the Prevailing Principal Amounts of the Securities outstanding on the Write Down Date will, subject as provided below, be equal to the lower of:

(i) the amount necessary to generate sufficient Common Equity Tier 1 Capital that would result in both the CET1 Ratio of the Bank being seven per cent. and the CET1 Ratio of the Group being seven per cent. at the point of such reduction, taking into account (subject as provided below) the *pro rata* write down and/or conversion of the prevailing principal amount of all Loss Absorbing Instruments (if any) to be written down and/or converted concurrently (or substantially concurrently) with the Securities, provided that, with respect to each Loss Absorbing Instrument (if any), such *pro rata* write down and/or conversion shall only be taken into account to the extent required to achieve the CET1 Ratios contemplated above to the lower of (a) such Loss Absorbing Instrument's trigger level and (b) seven per cent., in each case, in accordance with the terms of the relevant Loss Absorbing Instruments and the Regulatory Capital Requirements; and

(ii) the amount that would result in the Prevailing Principal Amount of a Security being reduced to zero.

The aggregate reduction determined in accordance with the immediately preceding paragraph shall be applied to all of the Securities *pro rata* on the basis of their Prevailing Principal Amount immediately prior to the Write Down and references herein to "**Write Down Amount**" shall mean, in respect of each Security, the amount by which the Prevailing Principal Amount of such Security is to be Written Down accordingly.

If, in connection with the Write Down or the calculation of the Write Down Amount, there are outstanding any Loss Absorbing Instruments the terms of which provide that all or a specified proportion of such Loss Absorbing Instruments shall be written down and/or converted in full and not in part only ("**Full Loss Absorbing Instruments**") then:

(i) the provision that a Write Down of the Securities should be effected *pro rata* with the write down and/or conversion, as the case may be, of any Loss Absorbing Instruments shall not be construed as requiring the Securities to be Written Down in full or to the same extent solely by virtue of the fact that such Full Loss Absorbing Instruments or such specified proportion of those Full Loss Absorbing Instruments may be written down and/or converted in full; and

(ii) for the purposes of calculating the Write Down Amount, the Full Loss Absorbing Instruments or such specified proportion of those Full Loss Absorbing Instruments will be treated (for the purposes only of determining the write down of principal and/or conversion, as the case may be, among the Securities and any Loss Absorbing Instruments on a *pro rata* basis) as if their terms permitted partial write down and/or conversion, such that the write down and/or conversion of such Full Loss Absorbing Instruments or such specified proportion of those Full Loss Absorbing Instruments shall be deemed to occur in two concurrent stages: (x) first, the principal amount of such Full Loss Absorbing Instruments or the specified proportion of the principal amount of such Full Loss Absorbing Instruments shall be written down and/or converted *pro rata* (in the manner contemplated above) with the Securities and all other Loss Absorbing Instruments to the extent necessary to achieve the CET1 Ratios referred to in Condition 6(*b*)(*i*); and (y) secondly, the balance (if any) of the principal amount of such Full Loss Absorbing Instruments or the specified proportion of the principal amount of such Full Loss Absorbing Instruments remaining following (x) shall be written off and/or converted, as the case may be, with the effect of increasing the CET1 Ratio above the minimum required under Condition 6(*b*)(*i*).

To the extent the write down and/or conversion of any Loss Absorbing Instruments for the purpose of Condition 6*(b)(i)* is not, or by the relevant Write Down Date shall not be, possible for any reason, this shall not in any way prevent any Write Down of the Securities. Instead, in such circumstances, the Securities will be Written Down and the Write Down Amount determined as provided above but without including for the purpose of Condition 6*(b)(i)* any Common Equity Tier 1 Capital in respect of the write down or conversion of such Loss Absorbing Instruments, to the extent it is not possible for them to be written down and/or converted.

The Bank shall set out its determination of the Write Down Amount per Calculation Amount in the relevant Trigger Event Notice together with the then Prevailing Principal Amount per Calculation Amount following the relevant Write Down. However, if the Write Down Amount has not been determined when the Trigger Event Notice is given, the Bank shall, as soon as reasonably practicable following such determination, notify the Write Down Amount to the Holders in accordance with Condition 15, the Trustee, the Registrar, the Principal Paying Agent and the Competent Authority and at the same time shall deliver a certificate to the Trustee signed by two Authorised Signatories certifying the accuracy of the contents of such notice, upon which the Trustee shall be entitled to rely (without liability to any person and without further enquiry). The Bank's determination of the relevant Write Down Amount shall be irrevocable and binding on all parties.

(c) Consequences of a Write Down

Following a reduction of the Prevailing Principal Amount of the Securities as described in accordance with Condition *6(a)*, interest will continue to accrue on the Prevailing Principal Amount of each Security following such reduction, and will be subject to Conditions *3(b)*, *5(a)*, *5(b)* and *6(a)*.

Following any Write Down of a Security, references herein to "Prevailing Principal Amount" shall be construed accordingly. Once the Prevailing Principal Amount of a Security has been Written Down, the relevant Write Down Amount(s) may only be restored, at the discretion of the Bank, in accordance with Condition 6*(d)*.

Following the giving of a Trigger Event Notice which specifies a Write Down of the Securities, the Bank shall procure that (i) a similar notice is given in respect of Loss Absorbing Instruments in accordance with their terms and (ii) the then prevailing principal amount of each series of Loss Absorbing Instruments outstanding (if any) is written down and/or converted in accordance with their terms following the giving of such Trigger Event Notice; provided, however, any failure by the Bank either to give such a notice or to procure such a write down and/or conversion will not affect the effectiveness of, or otherwise invalidate, any Write Down of the Securities pursuant to Condition *6(a)* or give Holders any rights as a result of either such failure (and, for the avoidance of doubt, the Write Down Amount may increase as a result thereof).

(d) Write Up

The Bank shall have, save as provided below, full discretion to reinstate, to the extent permitted in compliance with the Regulatory Capital Requirements, any portion of the principal amount of the Securities which has been Written Down and which has not previously been Written Up (such portion, the "**Write Up Amount**"). The reinstatement of the Prevailing Principal Amount (such reinstatement being referred to herein as a "**Write Up**", and "**Written Up**" shall be construed accordingly) may occur on more than one occasion (and each Security may be Written Up on more than one occasion) provided that the principal amount of each Security shall never be Written Up to an amount greater than its Initial Principal Amount.

To the extent that the Prevailing Principal Amount of the Securities has been Written Up as described above, interest shall begin to accrue from (and including) the date of the relevant Write Up on the increased Prevailing Principal Amount of the Securities.

Any such Write Up of the Securities shall be made on a *pro rata* basis and without any preference among themselves and on a *pro rata* basis with the write up of all Written Down Additional Tier 1 Instruments (if any). Any failure by the Bank to Write Up the Securities on a *pro rata* basis with the write up of all Written Down Additional Tier 1 Instruments (if any) however will not affect the effectiveness, or otherwise invalidate, any Write Up of the Securities and/or write up of the Written Down Additional Tier 1 Instruments or give Holders any rights as a result of such failure.

Any Write-up Amount will be subject to the same terms and conditions as set out in these Conditions.

Any Write Up of the Prevailing Principal Amount of the Securities and any reinstatement of any Written Down Additional Tier 1 Instruments may not exceed the Maximum Distributable Amount (after taking account of any other relevant distributions of the kind referred to in Article 141(2) of the CRD IV Directive or any provision of applicable law transposing or implementing Article 141(2) of the CRD IV Directive, as amended or replaced and the requirements of Article 21.2(f) of the CRD IV Supplementing Regulation).

Further, any Write Up of the Prevailing Principal Amount of the Securities may not be made to the extent that the sum of:

(i) the aggregate amount of the relevant Write Up on all the Securities on the Write Up Date;

(ii) the aggregate amount of any other Write Up on the Securities since the Reference Date and prior to the Write Up Date;

(iii) the aggregate amount of any interest payments paid on the Securities since the Reference Date and which accrued on the basis of a Prevailing Principal Amount which is less than the Initial Principal Amount;

(iv) the aggregate amount of the increase in principal amount of each Written Down Additional Tier 1 Instrument at the time of the relevant Write Up;

(v) the aggregate amount of any other increase in principal amount of each Written Down Additional Tier 1 Instrument since the Reference Date and prior to the time of the relevant Write Up; and

(vi) the aggregate amount of any interest payments paid on each Written Down Additional Tier 1 Instrument since the Reference Date and which accrued on the basis of a prevailing principal amount which is less than its initial principal amount,

would exceed the Maximum Write Up Amount.

As used above: "**Maximum Write Up Amount**" means, as at any Write Up Date, the lower of:

(i) the Consolidated Net Income multiplied by the sum of the aggregate Initial Principal Amount of the Securities and the aggregate initial principal amount of all Written Down Additional Tier 1 Instruments of the Group, and divided by the total Tier 1 Capital of the Group as at the relevant Write Up Date; and

(ii) the Net Income multiplied by the sum of the aggregate Initial Principal Amount of the Securities and the aggregate initial principal amount of all Written Down Additional Tier 1 Instruments, and divided by the total Tier 1 Capital of the Bank as at the relevant Write Up Date; and

"**Reference Date**" means in respect of a Write Up, the last day of the Financial Year immediately preceding the relevant Write Up Date.

Any Write Up will be subject to (a) it not causing a Trigger Event, (b) the Bank having taken a formal decision confirming such final profits after tax and (c) the Bank obtaining any Supervisory Permission of the Competent Authority therefor (provided at the relevant time such Supervisory Permission is required to be given).

If the Bank elects to Write Up the Securities pursuant to this Condition 6*(d)*, notice (a "**Write Up Notice**") of such Write Up shall be given to Holders in accordance with Condition 15, the Trustee, the Registrar, the Principal Paying Agent and the Competent Authority specifying the amount of any Write Up and the date on which such Write Up shall take effect (the "**Write Up Date**"). Such Write Up Notice shall be given as soon as reasonably practicable after the date on which the relevant Write Up became effective.

(e) Currency

For the purpose of any calculation in connection with a Write Down or Write Up of the Securities which necessarily requires the determination of a figure in euro (or in an otherwise consistent manner across obligations denominated in different currencies), including (without limitation) any determination of a Write Down Amount and/or a Maximum Write Up Amount, any relevant obligations which are not denominated in euro shall, (for the purposes of such calculation only) be deemed notionally to be converted into euro at the foreign exchange rates determined, in the sole and full discretion of the Bank, to be applicable based on its regulatory reporting requirements under the Regulatory Capital Requirements.

7 Redemption, Substitution, Variation and Purchase

(a) No Fixed Redemption Date

The Securities are perpetual securities in respect of which there is no fixed redemption date and the Bank shall, without prejudice to its ability to effect a Write Down in accordance with Condition 6*(a)*, only have the right to redeem or purchase them in accordance with the following provisions of this Condition 7.

(b) Conditions to Redemption, Substitution, Variation and Purchase

Any redemption, substitution, variation or purchase of the Securities in accordance with Condition 7*(c)*, *(d)*, *(e)*, *(f)* or *(g)* is subject to:

(i) the Bank obtaining prior Supervisory Permission therefor;

(ii) in the case of any redemption or purchase, either: (A) the Bank having replaced the Securities with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Bank; or (B) the Bank having demonstrated to the satisfaction of the Competent Authority that the own funds of the Bank would, following such redemption or purchase, exceed its minimum capital requirements (including any capital buffer requirements) by a margin that the Competent Authority considers necessary at such time;

(iii) in the case of any redemption prior to the fifth anniversary of the Issue Date, (A) in the case of redemption upon a Tax Event, the Bank having demonstrated to the satisfaction of the Competent Authority that the change in tax treatment is material and was not reasonably foreseeable as at the Issue Date, or (B) in the case of redemption upon the occurrence of a Capital Disqualification Event, the Bank having demonstrated to the satisfaction of the Competent Authority that the relevant change in the regulatory classification of the Securities was not reasonably foreseeable as at the Issue Date; and

(iv) in the case of redemption pursuant to Condition 7*(c)*, the Prevailing Principal Amount of each Security being equal to its Initial Principal Amount.

Notwithstanding the above conditions, if, at the time of any redemption, substitution, variation or purchase, the prevailing Regulatory Capital Requirements 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 7*(b)*, the Bank shall comply with such other and/or, as appropriate, additional pre-condition(s).

In addition, if the Bank has elected to redeem the Securities and:

(i) the Solvency Condition is not satisfied in respect of the relevant payment on the date scheduled for redemption; or

(ii) prior to the redemption a Trigger Event occurs,

the relevant redemption notice shall be automatically rescinded and shall be of no force and effect and the Bank shall give notice thereof to the Holders in accordance with Condition 15, the Trustee, the Registrar and the Principal Paying Agent, as soon as practicable. Further, no notice of redemption shall be given in the period following the giving of a Trigger Event Notice and prior to the relevant Write Down Date.

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 7 (other than redemption pursuant to Condition 7*(c)*), the Bank shall deliver to the Trustee a certificate signed by two Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to redeem, substitute or, as appropriate, vary is satisfied (and giving details thereof) and, in the case of a substitution or variation, that the terms of the relevant Compliant Securities comply with the definition thereof in Condition 20 and the Trustee shall be entitled to accept such certificate without any further inquiry as sufficient evidence of the satisfaction of the relevant conditions precedent, in which event it shall be conclusive and binding on the Trustee and the Holders.

(c) Bank's Call Option

Subject to Condition 7*(b)*, the Bank may, by giving not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 15, the Trustee, the Registrar and the Principal Paying Agent (which notice shall, save as provided in Condition 7*(b)*, be irrevocable), elect to redeem all, but not some only, of the Securities on the First Reset Date or any Interest Payment Date thereafter at their Prevailing Principal Amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Bank shall, subject to Condition 7(b), redeem the Securities.

(d) Redemption Due to Tax Event

If, prior to the giving of the notice referred to below in this Condition 7(d), a Tax Event has occurred and is continuing, then the Bank may, subject to Condition 7*(b)* and having given not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 15, the Trustee, the Registrar and the Principal Paying Agent (which notice shall, save as provided in Condition 7*(b)*, be irrevocable and shall specify the date fixed for redemption), elect to redeem in accordance with these Conditions at any time all, but not some only, of the Securities at their Prevailing Principal Amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Bank shall, subject to Condition 7(b), redeem the Securities.

(e) Redemption Due to Capital Disqualification Event

If, prior to the giving of the notice referred to below in this Condition 7*(e)*, a Capital Disqualification Event has occurred and is continuing, then the Bank may, subject to Condition 7*(b)* and having given not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 15, the Trustee, the Registrar and the Principal Paying Agent (which notice shall, save as provided in Condition 7*(b)*, be irrevocable and shall specify the date fixed for redemption), elect to redeem in accordance with these Conditions at any time all, but not some only, of the Securities at their Prevailing Principal Amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Bank shall, subject to Condition 7*(b)*, redeem the Securities.

(f) Substitution or Variation

If a Tax Event or a Capital Disqualification Event has occurred and is continuing, then the Bank may, subject to Condition 7*(b)* and having given not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 15, the Trustee, the Registrar and the Principal Paying Agent (which notice shall be irrevocable and shall specify the date fixed for substitution or, as the case may be, variation of the Securities) but without any requirement for the consent or approval of the Holders, at any time (whether before or following the First Reset Date) either substitute all (but not some only) of the Securities for, or vary the terms of the Securities so that they remain or, as appropriate, become, Compliant Securities, and the Trustee shall (subject to the following provisions of this Condition 7*(f)* and subject to the receipt by it of the certificates of the two Authorised Signatories referred to in Condition 7*(b)* above and in the definition of Compliant Securities) agree to such substitution or variation. Upon the expiry of such notice, the Bank shall either vary the terms of or substitute the Securities in accordance with this Condition 7*(f)*, as the case may be. The Trustee shall use its reasonable endeavours to assist the Bank in the substitution of the Securities for, or the variation of the terms of the Securities so that they remain, or as appropriate, become, Compliant 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 alternative Compliant Securities or the participation in or assistance with such substitution or variation would impose, in the Trustee's opinion, additional or more onerous obligations upon it, expose it to liabilities or reduce its protections. If, notwithstanding the above, the Trustee does not participate or assist as provided above, the Bank may, subject as provided above, redeem the Securities prior to the First Reset Date as provided in, as appropriate, Condition 7*(d)* or *(e)* or thereafter as provided in Condition 7*(c)*.

In connection with any substitution or variation in accordance with this Condition 7*(f)*, the Bank shall comply with the rules of any stock exchange on which the Securities are for the time being listed or admitted to trading.

(g) Purchases

The Bank or any of its subsidiaries may, subject to Condition 7*(b)*, at any time purchase (or otherwise acquire), or procure others to purchase (or otherwise acquire) beneficially for its account, Securities in any manner and at any price. The Securities so purchased (or acquired), while held by or on behalf of the Bank, 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 9*(c)*. Purchases may not take place within five years after the Issue Date unless permitted under Regulatory Capital Requirements.

The Bank or any agent on its behalf shall have the right at all times to purchase Securities for market making purposes provided that: (a) Supervisory Permission has been obtained where required; and (b) the total principal amount of the Securities so purchased does not exceed the lower of (i) ten per cent. of the aggregate Initial Principal Amount of the Securities and (ii) three per cent. of the Additional Tier 1 Capital of the Bank from time to time outstanding or such other amount permitted to be purchased for market-making purposes under the Regulatory Capital Requirements.

(h) Cancellation

All Securities redeemed or substituted by the Bank pursuant to this Condition 7 will forthwith be cancelled. All Securities purchased by or on behalf of the Bank may, subject to obtaining any Supervisory Permission therefor, be held, reissued, resold or, at the option of the Bank, surrendered for cancellation to the Registrar. Securities so surrendered shall be cancelled forthwith. Any Securities so

surrendered for cancellation may not be reissued or resold and the obligations of the Bank in respect of any such Securities shall be discharged.

(i) Trustee Not Obliged to Monitor

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists within this Condition 7 and will not be responsible to Holders for any loss arising from any failure by it to do so. Unless and until the Trustee has written notice of the occurrence of any event or circumstance within this Condition 7, it shall be entitled to assume that no such event or circumstance exists. The Trustee shall be entitled to rely without further investigation and without liability as aforesaid on any certificate or opinion delivered to it in connection with this Condition 7.

8 Payments

(a) Method of Payment

(i) Payments of principal shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Securities represented by such Certificates) in like manner as is provided for payments of interest in paragraph (ii) below.

(ii) Interest on each Security shall be paid to the person shown in the Register at the close of business on the business day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Security shall be made in euros by transfer to an account in the relevant currency maintained by the payee with a bank in a city in which banks have access to the TARGET System.

(b) Payments subject to Laws

Save as provided in Condition 10, payments will be subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment and the Bank will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements. No commissions or expenses shall be charged to the Holders in respect of such payments.

(c) Payment Initiation

Payment instructions (for value the due date), or if that date is not a Business Day, for value the first following day which is a Business Day) will be initiated on the last day on which the Principal Paying Agent is open for business preceding the due date for payment or, in the case of payments of principal where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.

(d) Delay in Payment

Holders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Security if the due date is not a Business Day or if the Holder is late in surrendering or cannot surrender its Certificate (if required to do so).

(e) Non-Business Days

If any date for payment in respect of any Security 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 this Condition 8, "**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.

9 Non-Payment When Due and Winding-Up

(a) Non-Payment

If the Bank shall not make payment in respect of the Securities for a period of seven days or more after the date on which such payment is due, the Bank shall be deemed to be in default under the Trust Deed and the Securities and the Trustee, in its discretion, may, or (subject to Condition 9*(c)*) if so requested by an Extraordinary Resolution of the Holders or in writing by the Holders of at least one-quarter in Prevailing Principal Amount of the Securities then outstanding shall, notwithstanding the provisions of Condition 9*(b)*, institute proceedings for the winding-up of the Bank.

In the event of a Winding-Up of the Bank (whether or not instituted by the Trustee pursuant to the foregoing), the Trustee in its discretion may, or (subject to Condition 9*(c)*) if so requested by an Extraordinary Resolution of the Holders or in writing by the Holders of at least one-quarter in Prevailing Principal Amount of the Securities then outstanding shall, provide and/or claim in such Winding-Up of the Bank, such claim being as contemplated in Condition 3*(c)*.

(b) Enforcement

Without prejudice to Condition 9*(a)*, the Trustee may, at its discretion and without further notice, institute such steps, actions or proceedings against the Bank as it may think fit to enforce any term or condition binding on the Bank under the Trust Deed or the Securities (other than any payment obligation of the Bank under or arising from the Securities or the Trust Deed, including, without limitation, payment of any principal or interest in respect of the Securities, including any damages awarded for breach of any obligations) and in no event shall the Bank, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it pursuant to these Conditions and the Trust Deed. Nothing in this Condition 9*(b)* shall, however, prevent the Trustee instituting proceedings for the winding-up of the Bank, and/or proving and/or claiming in any Winding-Up of the Bank in respect of any payment obligations of the Bank arising from the Securities or the Trust Deed (including any damages awarded for breach of any obligations) in the circumstances provided in, as appropriate, Condition 3*(a)* and 9*(a)*.

(c) Entitlement of Trustee

The Trustee shall not be bound to take any of the actions referred to in Condition 9*(a)* or (*b*) above against the Bank to enforce the terms of the Trust Deed or the Securities unless (i) it shall have been so requested by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders or in writing by the holders of at least one-quarter in Prevailing Principal Amount of the Securities then outstanding and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

(d) Right of Holders

No Holder shall be entitled to proceed directly against the Bank or to institute proceedings for the winding-up of the Bank or prove or claim in any Winding-Up of the Bank unless the Trustee, having become so bound to proceed or to prove 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, with respect to the Securities held by it, have only such rights against the Bank as those which the Trustee is entitled to exercise in respect of such Securities as set out in this Condition 9.

(e) Extent of Holders' Remedy

No remedy against the Bank, other than as referred to in this Condition 9, shall be available to the Trustee or the Holders, whether for the recovery of amounts owing in respect of the Securities or under the Trust Deed or in respect of any breach by the Bank of any of its other obligations under or in respect of the Securities or under the Trust Deed.

10 Taxation

Subject always to Conditions 3(b) and 5, all payments of principal, interest and any other amount by or on behalf of the Bank in respect of the Securities shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Relevant Jurisdiction, unless such withholding or deduction is required by law. In that event, the Bank shall account to the relevant authorities for the amount required to be withheld or deducted and will in respect of payments of interest (but not principal or any other amount) (to the extent such payment can be made out of Distributable Items which are available *mutatis mutandis* in accordance with Condition 5*(b)*), subject to certain limitations and exceptions (set out below), pay such additional amounts ("**Additional Amounts**") as will result in receipt by the Holders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Security:

(a) held by or on behalf of a Holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Security by reason of his having some connection with the Relevant Jurisdiction other than a mere holding of such Security;

(b) where such withholding or deduction is required to be made pursuant to European Council Directive 2003/48/EC (as amended from time to time) or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive or any agreement between the European Union and any jurisdiction providing for equivalent measures (as amended from time to time);

(c) in respect of which the Certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that the Holder thereof would have been entitled to such Additional Amounts on presenting the same for payment on the last day of such period of 30 days;

(d) in respect of which the Certificate representing it is 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 Security to another Paying Agent in a Member State of the European Union; or

(e) in respect of any taxes payable otherwise than by deduction or withholding from a payment on a Security.

References in these Conditions to principal, interest, and/or any other amount in respect of interest shall be deemed to include any Additional Amounts which may become payable pursuant to the foregoing provisions or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

If any Additional Amounts are paid by the Bank and a Securityholder obtains a relief or remission for, or a repayment of any tax in respect of which such Additional Amounts were paid, such Securityholder shall pay to the Bank an amount equal to such relief, remission or repayment of tax.

Notwithstanding any other provision of the Trust Deed, all payments of principal, interest and any other amount by or on behalf of the Bank in respect of the Securities shall be made net of any deduction or

withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 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) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Bank nor any other person will be required to pay any Additional Amounts in respect of FATCA Withholding.

11 Prescription

Claims against the Bank for payment in respect of the Securities shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

12 Meetings of Holders, Modification, Waiver and Substitution

(a) 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 Bank, the Trustee (subject to being indemnified and/or secured and/or prefunded to its satisfaction) or by Holders holding not less than 10 per cent. in Prevailing Principal Amount of the Securities for the time being outstanding.

The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing a clear majority in Prevailing Principal Amount of the Securities for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders whatever the Prevailing Principal Amount of the Securities so held or represented, except that at any meeting the business of which includes the modification of certain of these Conditions (including, *inter alia*, the provisions regarding subordination referred to in Condition 3, the terms concerning currency and due dates for payment of principal or interest payments in respect of the Securities and reducing or cancelling the principal amount of, or interest on, any Securities, or the Interest Rate) and certain other provisions of the Trust Deed, the quorum will be one or more persons holding or representing not less than 75 per cent., or at any adjourned such meeting not less than 25 per cent., in Prevailing Principal Amount of the Securities for the time being outstanding. The agreement or approval of the Holders shall not be required in the case of cancellation of interest in accordance with Condition 5 or 6*(a)*(iii), alteration to the Prevailing Principal Amount in accordance with Condition 6 or any variation of these Conditions and/or the Trust Deed required to be made in the circumstances described in Condition 7*(f)* in connection with the variation of the terms of the Securities so that they become Compliant Securities, and to which the Trustee has agreed pursuant to the relevant provisions of Condition 7*(f)*.

An Extraordinary Resolution passed at any meeting of Holders will be binding on all Holders, whether or not they are present at the meeting.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in Prevailing Principal Amount of the Securities 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.

(b) Modification of the Trust Deed

The Trustee may agree, without the consent of the Holders, to (i) any modification of these Conditions or of any other provisions of the Trust Deed or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or an error which is, in the opinion of the Trustee, proven, and (ii) any other modification to (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach of any of these Conditions or of the provisions of the Trust Deed or the Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders. No modification to these Conditions or any other provisions of the Trust Deed shall become effective unless (if and to the extent required at the relevant time by the Competent Authority) the Bank shall have given at least 30 days' prior written notice thereof to, and received Supervisory Permission therefor from, the Competent Authority (or such other period of notice as the Competent Authority may from time to time require or accept and, in any event, provided that there is a requirement to give such notice and obtain such Supervisory Permission).

(c) Substitution

The Trust Deed contains provisions permitting the Trustee, subject to the Bank giving at least 30 days' prior written notice thereof to, and receiving Supervisory Permission therefor from, the Competent Authority (or such other period of notice as the Competent Authority may from time to time require or accept and, in any event, provided that there is a requirement to give such notice and obtain such Supervisory Permission) to agree, subject to the Trustee being satisfied that the interests of the Holders will not be materially prejudiced by the substitution and to such amendments to the Trust Deed and such other conditions as the Trustee may require but without the consent of the Holders, to the substitution on a subordinated basis equivalent to that referred to in Condition 3 of certain other entities (any such entity, a "**Substitute Obligor**") in place of the Bank (or any previous Substitute Obligor under this Condition) as a new principal debtor under the Trust Deed and the Securities.

(d) Entitlement of the Trustee

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or substitution), the Trustee shall have regard to the general interests of the Holders as a class but shall not have regard to any interests arising from circumstances particular to individual Holders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Holders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Holder be entitled to claim, from the Bank, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders except to the extent already provided for in Condition 10 and/or any undertaking given in addition to, or in substitution for, Condition 10 pursuant to the Trust Deed.

(e) Notices

Any such modification, waiver, authorisation or substitution shall be binding on all Holders and, unless the Trustee agrees otherwise, any such modification or substitution shall be notified to the Holders in accordance with Condition 15 as soon as practicable thereafter.

13 Replacement of the Securities

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws and regulations, at the specified office of the Registrar or such other Transfer Agent as may from time to time be designated by the Bank for that purpose and notice of whose designation is given to Holders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Bank may require (provided that the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

14 Rights of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability towards the Bank and the Holders, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Holders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Bank and/or any of the Bank's subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Bank and/or any of the Bank's subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Holders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

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 3 applies only to amounts payable in respect of the Securities and nothing in Conditions 3, 5, 6 or 9 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.

The Trustee shall have no responsibility for, or liability or obligations in respect of, any loss, claim or demand incurred as a result of or in connection with any non-payment of interest, principal or other amounts by reason of Conditions 3, 5 or 6. Furthermore, the Trustee shall not be responsible for any calculation or the verification of any calculation in connection with any of the foregoing.

15 Notices

Notices to the Holders shall be mailed to them at their respective addresses in the Register and deemed to have been given on the second weekday (being a day other than a Saturday or Sunday) after the date of mailing. The Bank shall also ensure that all notices are duly published (if such publication is required) in a

manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Securities are for the time being listed and/or admitted to trading.

16 Further Issues

The Bank may from time to time without the consent of the Holders, but subject to any Supervisory Permission required, create and issue further securities either having the same terms and conditions as the Securities 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 Securities) or upon such terms as the Bank may determine at the time of their issue. References in these Conditions to the Securities include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Securities. Any further securities forming a single series with the outstanding securities of any series (including the Securities) 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 a deed supplemental to the Trust Deed.

17 Agents

The initial Principal Paying Agent, the Registrar, the Agent Bank and the Transfer Agents and their initial specified offices are listed below. They act solely as agents of the Bank and do not assume any obligation or relationship of agency or trust for or with any Holder. The Bank reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent, the Registrar, the Agent Bank and the Transfer Agents and to appoint replacement agents as additional or other Transfer Agents, provided that it will:

(a) at all times maintain a Principal Paying Agent, a Registrar and a Transfer Agent;

(b) whenever a function expressed in these Conditions to be performed by the Agent Bank falls to be performed, appoint and (for so long as such function is required to be performed) maintain an Agent Bank; and

(c) at all times maintain a Paying Agent having a specified office in a major city in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced to conform to such Directive which is approved by the Trustee.

Notice of any such termination or appointment and of any change in the specified offices of the Agents will be given to the Holders in accordance with Condition 15. If any of the Agent Bank, Registrar or the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the Agency Agreement (as the case may be), the Bank shall appoint, on terms acceptable to the Trustee, an independent financial institution acceptable to the Trustee to act as such in its place. All calculations and determinations made by the Agent Bank, Registrar or the Principal Paying Agent in relation to the Securities shall (save in the case of manifest error) be final and binding on the Bank, the Trustee, the Agent Bank, the Registrar, the Principal Paying Agent and the Holders.

18 Governing Law and Jurisdiction

(a) Governing Law

The Trust Deed, the Securities 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 the

provisions of Condition 3 (and related provisions of the Trust Deed) relating to the subordination of the Securities 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 Securities (other than Condition 3 (and related provisions of the Trust Deed) relating to the subordination of the Securities ("**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 Securities (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 Bank 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 Bank has in the Trust Deed irrevocably appointed an agent in England to receive, for it and on its behalf, service of process in any Proceedings in England.

19 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Securities by virtue of the Contracts (Rights of Third Parties) Act 1999.

20 Definitions

In these Conditions:

"**2009 Preference Shares**" means the non-cumulative preference shares of €0.01 each in the capital of the Bank issued to the National Pensions Reserve Fund Commission on 13 May 2009;

"**Additional Amounts**" has the meaning given to it in Condition 10;

"**Additional Tier 1 Capital**" has the meaning given to it from time to time by the Competent Authority;

"**Agency Agreement**" has the meaning given to it in the preamble to these Conditions;

"**Agent Bank**" has the meaning given to it in the preamble to these Conditions;

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

"**Bank**" has the meaning given to it in the preamble to these Conditions;

"**Business Day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in London and, if on that day a payment is to be made, a day which is a TARGET Business Day also;

"**Calculation Amount**" means €1,000 in principal amount provided that if the Prevailing Principal Amount of each Security is amended (either by Write Down or Write Up in accordance with Condition 6 or as otherwise required by then current legislation and/or regulations applicable to the Bank), the Calculation Amount shall mean the amount determined in accordance with Condition 6 on a *pro rata* basis to account for such Write

Down, Write Up and/or other such amendment otherwise required, as the case may be, and which is notified by the Bank to Holders in accordance with Condition 15 with the details of such adjustment;

"**Capital Disqualification Event**" is deemed to have occurred if there is a change (which has occurred or which the Competent Authority considers to be sufficiently certain) in the regulatory classification of the Securities which becomes effective after the Issue Date and that results, or would be likely to result, in the whole or any part of the outstanding aggregate Prevailing Principal Amount of the Securities at any time being excluded from, or ceasing to count towards, the Bank's and/or the Group's Tier 1 Capital or resulting in a reclassification as a lower form of own funds, provided a Capital Disqualification Event shall not be deemed to have occurred by reason only of (i) a Write-Down or (ii) a potential (but not actual) change in the regulatory assessment of the tax effects of a Write-Down;

"**Certificate**" has the meaning given to it in Condition 1*(a)*;

"**CET1 Ratio**" means, at any time, as applicable, either:

(a) the ratio of the Common Equity Tier 1 Capital of the Bank at such time to the Risk Exposure Amount of the Bank at such time, in each case calculated by the Bank on an individual consolidated basis (as referred to in Article 9 of the CRD IV Regulations) and expressed as a percentage and calculated by the Bank in accordance with the Regulatory Capital Requirements (including any transitional provisions set out in Part Ten of the CRD IV Regulation) (the "**CET1 Ratio of the Bank**"); or

(b) the ratio of the aggregate amount of the Common Equity Tier 1 Capital of the Group at such time to the Risk Exposure Amount of the Group at such time, in each case calculated by the Bank on a consolidated basis and expressed as a percentage and calculated by the Bank in accordance with the Regulatory Capital Requirements (including any transitional provisions set out in Part Ten of the CRD IV Regulation) (the "**CET1 Ratio of the Group**");

"**Common Equity Tier 1 Capital**", at any time, means the sum, expressed in euro, of all amounts that constitute common equity tier 1 capital (as that term is used in the CRD IV Regulation, or an equivalent or successor term) at such time of the Bank, as calculated by the Bank on an individual consolidated basis (as referred to in Article 9 of the CRD IV Regulations) or, as the context requires, the common equity tier 1 capital (as that term is used in the CRD IV Regulation or an equivalent or successor term) at such time of the Group, as calculated by the Bank on a consolidated basis, in each case in accordance with the Regulatory Capital Requirements and taking into account any transitional provisions set out in Part Ten of the CRD IV Regulation which are applicable at such time;

"**Competent Authority**" means the European Central Bank or such other authority having primary supervisory authority with respect to prudential matters concerning the Bank and/or the Group;

"**Compliant Securities**" means securities issued directly by the Bank that:

(a) have terms not materially less favourable to an investor than the terms of the Securities (as reasonably determined by the Bank in consultation with an investment bank or financial adviser of international standing (which in either case is independent of the Bank), and provided that a certification to such effect (including as to such consultation) of two Authorised Signatories 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 Competent Authority in relation to Additional Tier 1 Capital; (2) provide for the same Interest Rate and Interest Payment Dates from time to time applying to the Securities; (3) rank *pari passu* with the Securities; (4) preserve any existing rights under these Conditions to any accrued interest or other amounts which have not been either paid or cancelled; and (5) preserve the obligations (including the

obligations arising from the exercise of any right) of the Bank as to redemption of the Securities, including (without limitation) as to timing of, and amounts payable upon, such redemption;

(b) 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 Bank and approved by the Trustee; and

(c) where the Securities which have been substituted or varied had a published rating from the Rating Agency immediately prior to their substitution or variation, such Rating Agency has ascribed, or announced its intention to ascribe, an equal or higher published rating to the relevant Compliant Securities;

"**Conditions**" has the meaning given to it in the preamble to these Conditions;

"**Consolidated Net Income**" means the consolidated profit after tax of the Group, as calculated by the Bank by reference to the most recent audited annual consolidated accounts and adjusted if required under the Regulatory Capital Requirements;

"**CRD IV Directive**" means the Directive (2013/36/EU) of the European Parliament and of the Council on the access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms dated 26 June 2013, as amended or replaced from time to time and, as the context permits, any provision of Irish law transposing or implementing such Directive;

"**CRD IV Regulation**" means the Regulation (EU No. 575/2013) of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms dated 26 June 2013, as amended or replaced from time to time;

"**CRD IV Supplementing Regulation**" means the Commission Delegated Regulation (EU No. 241/2014) of 7 January 2014 supplementing the CRD IV Regulation, as amended or replaced from time to time;

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

"**Distributable Items**" means, subject as otherwise defined from time to time in the then prevailing Regulatory Capital Requirements, in respect of any interest payment, those profits and reserves (if any) of the Bank which are available, in accordance with applicable law and regulation for the time being, for the payment of such interest payment;

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

"**Financial Year**" means the financial year of the Bank (being the one-year period in respect of which it prepares annual audited financial statements) from time to time, which as at the Issue Date runs from (and including) 1 January in one calendar year to (but excluding) the same date in the immediately following calendar year;

"**First Reset Date**" means 3 December 2020;

"**Full Loss Absorbing Instruments**" has the meaning set out in Condition 6*(b)*;

"**Group**" means the Bank together with each entity within the prudential consolidation of the Bank (as that term or its successor is used in the Regulatory Capital Requirements) pursuant to Chapter 2 of Title II of Part One of the CRD IV Regulation;

"**Holder**" has the meaning given to it in Condition 1(*b*);

"**Initial Fixed Interest Rate**" has the meaning given to it in Condition 4*(c)*;

"**Initial Fixed Rate Interest Period**" means the period from (and including) the Issue Date to (but excluding) the First Reset Date;

"**Interest Payment Date**" means 3 June and 3 December in each year, starting on (and including) 3 June 2016;

"**Initial Principal Amount**" means, in relation to each Security, the principal amount of that Security on the Issue Date;

"**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;

"**Interest Rate**" means the Initial Fixed Interest Rate and/or the Reset Rate of Interest, as the case may be;

"**Ireland**" means the Republic of Ireland;

"**Issue Date**" means 3 December 2015, being the date of the initial issue of the Securities;

"**Liabilities**" means the unconsolidated gross liabilities of the Bank, as shown in its latest published audited balance sheet, adjusted for contingent liabilities for subsequent events in such manner as the directors of the Bank may determine;

"**Loss Absorbing Instruments**" means capital instruments or other obligations of the Bank (other than the Securities) and which include a principal loss absorption mechanism that is capable of generating Common Equity Tier 1 Capital and that is activated by a trigger event set by reference to the CET1 Ratio of the Bank and/or the CET1 Ratio of the Group;

"**Margin**" means 7.339 per cent.;

"**Market**" means the Irish Stock Exchange's EEA Regulated Market as defined by Article 4.1 (14) of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments;

"**Maximum Distributable Amount**" means any applicable maximum distributable amount relating to the Bank or the Group required to be calculated in accordance with Article 141 of the CRD IV Directive (or any provision of applicable law transposing or implementing Article 141 of the CRD IV Directive, as amended or replaced);

"**Net Income**" means the profit after tax of the Bank, as calculated by the Bank by reference to the most recent audited annual accounts and adjusted if required under the Regulatory Capital Requirements;

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

"**Ordinary Shares of the Bank**" means the ordinary shares of the Bank each with a nominal value on the Issue Date of €0.0025;

"**Other Pari Passu Instruments**" means any obligations of the Bank which rank or are expressed to rank on a Winding-Up or in respect of a distribution or payment of dividends or any other payments thereon *pari passu* with the Bank's obligations in respect of the Securities (for the avoidance of doubt, including any other Additional Tier 1 Capital but excluding the Ordinary Shares of the Bank);

"**own funds**" has the meaning given to it in the CRD IV Regulation;

"**own funds instruments**" has the meaning given to it in the CRD IV Regulation;

"**Prevailing Principal Amount**" means, in relation to each Security at any time, the principal amount of such Security at that time, being its Initial Principal Amount, as adjusted from time to time for any Write Down

and/or Write Up, in accordance with Condition 6 and/or as otherwise required by then current legislation and/or regulations applicable to the Bank;

"**Principal Paying Agent**" has the meaning given to it in the preamble to these Conditions;

"**Rating Agency**" means Fitch Ratings Limited or its successor;

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

"**Record Date"** has the meaning given to it in Condition 8*(a)*;

"**Register**" has the meaning given to it in Condition 1(*b*);

"**Registrar**" has the meaning given to it in the preamble to these Conditions;

"**Regulatory Capital Requirements**" means, at any time, any requirement contained in the laws, regulations, requirements, guidelines and policies of the Competent Authority, Ireland or of the European Parliament and Council then in effect relating to capital adequacy and applicable to the Bank and/or, as applicable the Group;

"**Relevant Date**" means (i) in respect of any payment other than a sum to be paid by the Bank in a Winding-Up of the Bank, 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 Security 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 Bank in a Winding-Up of the Bank, 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 examining, one day prior to the date on which any dividend is distributed);

"**Relevant Jurisdiction**" means Ireland or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Bank becomes subject in respect of payments made by it of principal and/or interest on the Securities;

"**Reset Date**" means the First Reset Date and each fifth anniversary of the First Reset Date thereafter;

"**Reset Determination Date**" means, in respect of a Reset Period, the day falling two TARGET Business Days prior to the first day of such Reset Period;

"**Reset Period**" means the period from and including the First Reset Date to but excluding the next Reset Date, and each successive period from and including a Reset Date to but excluding the next succeeding Reset Date;

"**Reset Rate of Interest**" has the meaning given to it in Condition 4*(d)*;

"**Reset Reference Banks**" means five leading swap dealers in the principal interbank market relating to euro selected by the Agent Bank in its discretion after consultation with the Bank;

"**Reset Reference Rate**" means in respect of a Reset Period, (i) the applicable annual mid-swap rate for swap transactions in euro (with a maturity equal to five years) as displayed on the Screen Page at 11.00 a.m. (Central European time) on the relevant Reset Determination Date or (ii) if such rate is not displayed on the Screen Page at such time and date, the Reset Reference Bank Rate on the relevant Reset Determination Date;

Where:

"**Mid-Swap Quotations**" means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed for floating interest rate swap transaction in euro which (i) has a term commencing on the relevant Reset Date which is equal to 5 years; (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the relevant swap market; and (iii) has a floating leg based on the 6-month EURIBOR rate (calculated on an Actual/360 day count basis);

"**Reset Reference Bank Rate**" means the percentage rate determined on the basis of the Mid-Swap Quotations provided by the Reference Banks to the Agent Bank at or around 11:00 a.m. Central European time on the relevant Reset Determination Date and, rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards). If at least four quotations are provided, the Reset Reference Bank Rate will be the rounded arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Reset Reference Bank Rate will be the rounded arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Bank Rate will be the rounded quotation provided. If no quotations are provided, the Reset Reference Bank Rate will be (i) in the case of each Reset Period other than the Reset Period commencing on the First Reset Date, the Reset Reference Rate in respect of the immediately preceding Reset Period or (ii) in the case of the Reset Period commencing on the First Reset Date, an amount equal to 0.172 per cent.;

"**Screen Page**" means ISDAFIX2, or such other screen page as may replace it on Reuters or, as the case may be, on such other information service that may replace Reuters, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying comparable rates;

"**Risk Exposure Amount**" means, at any time, the aggregate amount, expressed in euro, of the risk weighted assets of the Bank at such time, as calculated by the Bank on an individual consolidated basis (as referred to in Article 9 of the CRD IV Regulation) or, as the context requires, of the Group, as calculated by the Bank on a consolidated basis in each case in accordance with the Regulatory Capital Requirements at such time and taking into account any transitional arrangements under the Regulatory Capital Requirements which are applicable at such time;

"**Securities**" has the meaning given to it in the preamble to these Conditions;

"**Senior Creditors**" means creditors of the Bank: (a) who are unsubordinated creditors of the Bank; (b) whose claims are, or are expressed to be, subordinated to the claims of unsubordinated creditors of the Bank but not further or otherwise; or (c) whose claims are, or are expressed to be, junior to the claims of other creditors of the Bank, whether subordinated or unsubordinated, other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Holders in a Winding-Up in respect of the Securities (and, for the avoidance of doubt, Senior Creditors shall include holders of Tier 2 Capital instruments);

"**Solvency Condition**" has the meaning given to it in Condition 3*(b)*;

"**Substitute Obligor**" has the meaning given to it in Condition 12*(c)*;

"**Supervisory Permission**" means, in relation to any action, such supervisory permission (or, as appropriate, waiver) as is required therefor under prevailing Regulatory Capital Requirements (if any);

"**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 TARGET2) System which was launched on 19 November 2007 or any successor thereto);

"**Tax Event**" means that, as a result of any change in, or amendment to, the laws or regulations of Ireland or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation or administration of such laws or regulations, becoming effective on or after the Issue Date, on the occasion of the next payment due in respect of the Securities, the Bank would be obliged to pay Additional Amounts as provided or referred to in Condition 10 and such obligation cannot be avoided by the Bank taking reasonable measures available to it;

"**Tier 1 Capital**" has the meaning given to it from time to time by the Competent Authority or the applicable prudential rules;

"**Tier 2 Capital**" has the meaning given to it from time to time by the Competent Authority or the applicable prudential rules;

"**Transfer Agent**" has the meaning given to it in the preamble to these Conditions;

"**Trigger Event**" means a determination by the Bank in accordance with the requirements set out in Article 54 of the CRD IV Regulation, that either (a) the CET1 Ratio of the Bank has fallen below seven per cent. and/or (b) the CET1 Ratio of the Group has fallen below seven per cent.;

"**Trigger Event Notice**" means the notice referred to as such in Condition 6*(a)* which shall be given by the Bank to the Holders, in accordance with Condition 15, the Trustee, the Registrar, the Principal Paying Agent and the Competent Authority, and which shall state with reasonable detail the nature of the relevant Trigger Event, the relevant Write Down being implemented, any Write Down Amount (if then known) and the basis of its calculation and the relevant Write Down Date;

"**Trust Deed**" has the meaning given to it in the preamble to these Conditions;

"**Trustee**" has the meaning given to it in the preamble to these Conditions;

"**two Authorised Signatories**" means any two signatories authorised to act on behalf of the Issuer;

"**Winding-Up**" means an order is made for the winding up or dissolution of the Bank or an effective resolution is passed at a general meeting of the shareholders of the Bank for the appointment of an examiner of the Bank;

"**Write Down**" and "**Written Down**" shall be construed as provided in Condition 6*(a)*;

"**Write Down Amount**" has the meaning given to it in Condition 6*(b)*;

"**write down and/or conversion**" means, in respect of any Loss Absorbing Instruments, the reduction and/or, as the case may be, conversion into Common Equity Tier 1 Capital of the prevailing principal amount of such instruments as contemplated in Condition *6(b)*;

"**Write Down Date**" has the meaning given to it in Condition 6*(a)*;

"**Write Up**" and "**Written Up**" shall be construed as provided in Condition 6*(d)*;

"**Write Up Amount**" has the meaning given to it in Condition 6*(d)*;

"**Write Up Date**" has the meaning given to it in Condition *6(d)*;

"**Write Up Notice**" has the meaning given to it in Condition 6*(d)*; and

"**Written Down Additional Tier 1 Instrument**" means an instrument (other than the Securities) issued directly or indirectly by the Bank and qualifying as Additional Tier 1 Capital of the Bank or the Group (as the case may be) that, immediately prior to any Write Up of the Securities, has a prevailing principal amount which is less than its initial principal amount due to a write down and that has terms permitting a principal write up to occur on a basis similar to that set out in Condition 6*(d)* in the circumstances existing on the relevant Write Up Date.

DESCRIPTION OF THE SECURITIES WHILE IN GLOBAL FORM

1 Initial Issue of Certificates

The Global Certificate will be registered in the name of a nominee (the "Registered Holder") for a common depositary for Euroclear and Clearstream, Luxembourg (the "Common Depositary") and may be delivered on or prior to the original issue date of the Securities.

Upon the registration of the Global Certificate in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Securities equal to the nominal amount thereof for which it has subscribed and paid.

2 Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system ("Alternative Clearing System") as the holder of a Security represented by a 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 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 Securities for so long as the Securities are represented by the Global Certificate and such obligations of the Issuer will be discharged by payment to the holder of the Global Certificate in respect of each amount so paid.

3 Exchange

The following will apply in respect of transfers of Securities held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Securities within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Securities may be withdrawn from the relevant clearing system.

Transfers of the holding of Securities represented by the Global Certificate pursuant to Condition 2(a) may only be made in part:

(i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) upon or following any failure to pay principal in respect of any Securities when it is due and payable; or

(iii) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph (i) or (ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

4 Amendment to Conditions

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

4.1 Payments

All payments in respect of Securities represented by a 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 record date which shall be 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 Securities represented by the Global Certificate shall be treated for the purposes of any meeting of Holders as being entitled to one vote in respect of each €1 in nominal amount of the currency of the Securities.

4.3 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 Securities represented by the Global Certificate.

4.4 Notices

For so long as the Securities are represented by a Global Certificate and the Global Certificate is held on behalf of Euroclear and Clearstream, Luxembourg, notices may be given to the Holders by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to their respective accountholders in substitution for publication as required by the Conditions provided that, for so long as the Securities are listed on the regulated market of the Irish Stock Exchange or on any other stock exchange, notices will also be given in accordance with any applicable requirements of such stock exchange.

5 Electronic Consent and Written Resolution

While the Global Certificate is held on behalf of a relevant Clearing System, 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 75 per cent. in nominal amount of the Securities 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 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, for the purpose of determining 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 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 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 CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Securities 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.

USE OF PROCEEDS

The net proceeds of the issue of the Securities will be used by the Issuer for general corporate purposes.

DESCRIPTION OF THE ISSUER

General

AIB, originally named Allied Irish Banks Limited, is a public limited company incorporated in Ireland on 22 September 1966 under the Companies Act, 1963 with registration number 24173.

AIB was incorporated in Ireland as a result of the amalgamation of three long established banks: the Munster and Leinster Bank Limited (established 1885), the Provincial Bank of Ireland Limited (established 1825) and the Royal Bank of Ireland Limited (established 1836).

During the 1990's and early 2000's, the Group experienced considerable growth, expanding in the UK, the United States of America and Eastern Europe. However, as a result of the recent global financial crisis and the crisis in the Irish banking sector, the Group underwent significant deleveraging and today operates predominantly in the Republic of Ireland and the UK.

Between 2009 and 2011, in response to the crisis in the Irish banking sector, the Irish Government invested approximately €20.7 billion in AIB, in the form of ordinary shares, preference shares, contingent capital instruments and capital contributions. As a result, the Irish State, through the National Treasury Management Agency (for the Ireland Strategic Investment Fund) owns 99.8 per cent. of the ordinary shares of AIB.

In July 2011, AIB completed the acquisition of EBS, a significant mortgage provider in the Irish market, for a nominal cash amount. This transaction represented a significant consolidation within the Irish banking sector, resulting in the formation of one of the two pillar banks in Ireland.

AIB now provides a diverse range of banking, financial and related services, principally in Ireland and the UK.

Developments in recent years

In addition to the developments detailed above, the following notable events occurred during 2013, 2014 and 2015 (up to the date of this Prospectus).

Sale of Ark Life Assurance Company Limited ("Ark Life")

During March 2013, AIB concluded discussions with Aviva Group Ireland p.l.c and completed (i) the disposal of its 24.99 per cent. interest in Aviva Life Holdings Limited and (ii) the acquisition of 100 per cent. of Ark Life. The investment in Ark Life was effectively acquired exclusively for resale. In May 2014, AIB disposed of its investment in Ark Life.

ECB Comprehensive Assessment 2014

The ECB undertook in 2014 a comprehensive assessment (the "ECB CA") of the banking system, including among significant banks in the eurozone (including the Group) and announced the results on 26 October 2014. The ECB CA exercise entailed a supervisory risk assessment, an asset quality review and a stress test in order to provide a forward-looking view of banks' shock absorption capacity under stress. The results of the ECB CA confirmed that the Group has capital buffers comfortably above minimum requirements under all stress test assessment scenarios. The Group therefore does not require any additional capital as a result of the ECB CA process.

Funding transactions

The Group's access to the wholesale funding markets was restricted during the banking crisis, during which the Group relied on funding from monetary authorities. Since 2012, the Group has returned to the public

funding markets. In 2012, 2013, 2014 and year to date of this Prospectus the Group completed market issuances of debt instruments amounting to €5.5 billion. These issuances included mortgage covered securities of €3.5 billion from AIB Mortgage Bank, the first credit card securitisation in the Irish market for €0.5 billion and senior unsecured funding of €1.5 billion. The Group's funding from monetary authorities continues to reduce substantially and amounted to €3.3 billion as at 30 June 2015.

Approval of AIB Restructuring Plan

On 7 May 2014, the European Commission approved under State Aid rules AIB's Restructuring Plan, which covers the period from 2014 to 2017. In arriving at its final decision, the European Commission acknowledged the significant number of restructuring measures already implemented by AIB comprising: business divestments; asset deleveraging; liability management exercises; and, significant cost reduction actions. The European Commission concluded that the Restructuring Plan sets out the path to restoring long term viability to the Group.

Restructuring Plan Commitments

AIB has committed the Group to a range of measures relating to customers in difficulty, cost caps and reductions, acquisitions and exposures, coupon payments, promoting competition, and the repayment of aid to the Irish State. All of the commitments are aligned to AIB's operational plans and are supportive of the Group's return to viability.

Capital Structure

Resolutions to reorganise the share capital of the Group were passed at an extraordinary general meeting held on 19 June 2014. These included the renominalisation of the ordinary shares and a resolution to allow for the increase of distributable reserves by €5.0 billion. An application was made to the High Court of Ireland in July 2014 for approval of that increase in distributable reserves. On 15 October 2014, the High Court of Ireland granted an order permitting a share capital reduction which gave rise to additional distributable reserves totalling €5.0 billion which reduction was effected on 16 October 2014.

Operating Segments

Following a review of the organisation's structure, a new operating structure was implemented in early 2015 that focused on the needs of the Group's customers, so as to combine customer groups with similar needs into franchises able to deliver co-ordinated services.

The Group's operations were reported under the following segments:

- **Retail & Business Banking ("RBB");**
- **Corporate & Institutional Banking ("CIB");**
- **AIB UK; and**
- **Group.**

These segments reflect the internal reporting structure which is used by management to assess performance and allocate resources.

RBB services Irish personal and business customers through AIB and EBS brands with the largest banking distribution in Ireland including c. 200 AIB branches, c. 70 EBS outlets and 10 business centres. This is combined with telephone and Internet banking and a partnership with An Post through which it offers services at over 1,000 post offices.

CIB serves large business, corporate and institutional customers in multiple industry sectors through the provision of an integrated suite of products and services. In addition, CIB is responsible for managing the Group's market-facing treasury and investment activities.

AIB UK comprises retail and commercial banking operations in Great Britain operating under the trading name Allied Irish Bank (GB) and in Northern Ireland operating under the trading name First Trust Bank. AIB UK operates through 30 branches and 5 business centres in Northern Ireland and 16 business centres in mainland UK.

Group includes central control and support functions' costs. It includes operations and technology, risk, audit, finance, general counsel, human resources and corporate affairs and strategy. Certain overheads related to these activities are managed and reported in the Group segment.

Further changes to the organisational structure were announced in November 2015, whereby:

- Corporate Banking, previously in CIB, will now be part of **Retail, Corporate & Business Banking** ("RCB"), formerly RBB; and
- Following the transfer of Corporate Banking to RCB, CIB will be known as **Wholesale & Institutional Banking**.

AIB UK and Group remain unchanged.

Legal structure

AIB comprises a number of legal entities, the parent company being Allied Irish Banks, p.l.c. which has investments in a number of subsidiaries and associated companies. The principal legal entities as well as the more significant business activities are shown below:

Allied Irish Banks, p.l.c.

General retail and business banking through some 200 branches and outlets in Ireland.

AIB Mortgage Bank

AIB Mortgage Bank is a wholly owned subsidiary of Allied Irish Banks, p.l.c. regulated by the ECB and the Central Bank. Its principal activity is the issue of mortgage covered securities for the purpose of financing loans secured on residential property, in accordance with the Asset Covered Securities Act, 2001 and 2007.

EBS Limited

EBS, which is regulated by the ECB and the Central Bank, became a wholly owned subsidiary of AIB on 1 July 2011. EBS has a countrywide network of 71 outlets, comprising 52 tied branch agencies and 19 tied agencies in Ireland. EBS also has a direct telephone based distribution division, EBS Direct and also has "www.ebs.ie", the recently updated online channel. EBS offers residential mortgages and savings products, bancassurance, personal banking and general insurance on an agency basis.

AIB Leasing Limited

Asset financing company providing leasing products.

AIB Insurance Services Limited

Provision of general insurance services. Acts as an insurance intermediary.

AIB Corporate Finance Limited

Provision of corporate advisory services to companies including merger, acquisition, capital raising and strategic financial advice.

AIB Group (UK) plc

AIB Group (UK) p.l.c. is a company incorporated in Northern Ireland through which the bulk of AIB's operations in the UK are conducted. It has 16 branches in Britain trading as Allied Irish Bank (GB), focused primarily on the mid-corporate business sector and 30 branches and outlets in Northern Ireland, trading as First Trust Bank, focused on general retail and commercial banking and also asset finance and leasing.

Recent Developments

On 6 November 2015, AIB announced that regulatory approval had been received from the SSM to undertake the Capital Reorganisation. The principal elements of the Capital Reorganisation and related transactions comprise:

- Partial redemption of the 2009 Preference Shares which will result in the repayment of €1.7 billion of capital to the State. Completion of the redemption is conditional upon the following capital actions:
    - conversion of the remainder of the 2009 Preference Shares into ordinary shares which will result in a net increase in fully loaded CET1 capital for CRD IV purposes of €1.8 billion;
    - the issuance of a minimum of €750m of Tier 2 capital. This was completed on 26 November 2015; and
    - the issuance of a minimum of €500m of Additional Tier 1 capital.

The mechanism by which this occurs includes conversion of €2.14 billion of the 2009 Preference Shares into ordinary shares and redemption of the remaining €1.36 billion of 2009 Preference Shares. Both the conversion and the redemption will be completed, in accordance with the terms of the 2009 Preference Shares, at 125 per cent. of their subscription price.

The scheduled maturity of contingent capital notes issued by AIB will result in a further repayment of €1.6 billion of capital to the State on 28 July 2016.

In an interim management statement dated 17 November 2015, AIB announced that the Group is working with the Department of Finance to finalise the terms of the Capital Reorganisation and that it may entail some additional measures to streamline the capital structure. Such measures have been agreed with the Department of Finance and include:

- a redemption by the Irish Government of the promissory note issued to EBS in June 2010 at its carrying value on the EBS balance sheet at the date of redemption (at 31 October 2015 this was c. €220m) using part of the proceeds of the partial redemption of the 2009 Preference Shares. The exact value will depend on the timing of the redemption;
- a potential issue of warrants to the Irish Government at the time of any re-admission of AIB's ordinary shares to a regulated market. The Irish Government would be entitled to subscribe for ordinary shares not exceeding 9.99% of AIB's issued ordinary share capital, at a price not less than 200% of the re-admission price and within 10 years of re-admission; and
- an ordinary share consolidation on a 1-for-250 basis in order to reduce the number of ordinary shares in issue.

These transactions are subject to, amongst other things, obtaining shareholder approval at an Extraordinary General Meeting of AIB. For further details of the proposed Capital Reorganisation, including the expected impact on the Group's CET1 capital ratio, see AIB's stock exchange announcement dated 6 November 2015, the interim management statement dated 17 November 2015 and the Circular and Notice of Extraordinary General Meeting dated 23 November 2015 which are incorporated by reference into this Prospectus.

Board of Directors and Executive Officers

Certain information in respect of Board of Directors and Executive Officers as of the date of this Prospectus is set out below.

Name	Function within AIB/Principal Outside Activities
† ○ Richard Pym CBE – Chairman – Non-Executive Director and Nomination and Corporate Governance Committee Chairman	Mr Pym was co-opted to the Board on 13 October 2014 as Chairman Designate and Non-Executive Director and was appointed Chairman with effect from 1 December 2014. He is a Chartered Accountant with extensive experience in financial services having held a number of senior roles including Group Chief Executive Officer of Alliance & Leicester plc. He is Chairman of UK Asset Resolution Limited, the entity which manages, on behalf of the UK Government, the run off of the Government owned closed mortgage books of Bradford & Bingley plc and NRAM plc. Mr Pym is a former Chairman of Nordax Bank AB (publ), The Co-operative Bank plc, BrightHouse Group plc, Halfords Group plc and a former Non-Executive Director of The British Land Company plc, Old Mutual plc and Selfridges plc. Mr Pym is a member of the Remuneration Committee and Chairman of the Nomination and Corporate Governance Committee.
†^ Simon Ball BSc (Economics), FCA– Non-Executive Director	Mr Ball is currently a Non-Executive Director of Commonwealth Games England, and Non-Executive Chairman of Anchura Group Limited. He has previously held roles as Non-Executive Deputy Chairman and Senior Independent Director of Cable & Wireless Communications plc, he has served as Group Finance Director of 3i Group plc and the Robert Fleming Group, held a series of senior finance and operational roles at Dresdner Kleinwort Benson and was Director General, Finance, for HMG Department for Constitutional Affairs. Mr Ball, who joined the Board in October 2011, has been a member of the Board Risk Committee since November 2011 and a member of the Nomination and Corporate Governance Committee, since February 2013. He was appointed Chairman of the Nomination and Corporate Governance Committee in June 2013 to

	oversee the process to appoint a new Non-Executive Chairman and stood down from that role in December 2014 following the Chairman's appointment.
Bernard Byrne FCA– Chief Executive Officer	Mr Byrne joined AIB in May 2010 as Group Chief Financial Officer and member of the Leadership Team. He was appointed Director of Personal and Business Banking in 2011, became Director of Retail and Business Banking in early 2015 and was appointed to his current role as Chief Executive Officer in May 2015. He began his career as a Chartered Accountant with PricewaterhouseCoopers (PwC) in 1988 and joined ESB International in 1994, where he was the Commercial Director for International Investments. In 1998, he took up the post of Finance Director with IWP International plc and became Deputy CEO and Finance Director in 2002. He moved to ESB in 2004 where he held the posts of Group Finance Director and Commercial Director until he left to join AIB. Mr Byrne joined the Board in June 2011 and was appointed Non-Executive Director of EBS in July 2011. In January 2015, he was appointed President of Banking & Payments Federation Ireland (BPFI).
Mark Bourke B.E., ACA, AITI - Chief Financial Officer	Mr Bourke joined AIB in April 2014 as Chief Financial Officer and member of the Leadership Team and was co-opted to the Board on 29 May 2014. He joined AIB from IFG Group plc where he held a number of senior roles, including Group Chief Executive Officer, Deputy Chief Executive Officer and Finance Director. Mr Bourke began his career at PricewaterhouseCoopers (PwC) in 1989 and is a former partner in international tax services with PwC US in California. He is a member of Chartered Accountants Ireland and the Irish Taxation Institute.
# ○ Thomas Foley BComm, FCA– Non-Executive Director	Mr Foley is a former Executive Director of KBC Bank Ireland and has held a variety of senior management and board positions with KBC in Corporate, Treasury and Personal Banking in Ireland and the UK. He was a member of the Nyberg Commission of Investigation into the Banking Sector during 2010 and 2011 and the Department of Finance (Cooney) Expert Group on Mortgage Arrears and Personal Debt during 2010. He qualified as a Chartered Accountant with PricewaterhouseCoopers (PwC) and is a former senior executive with Ulster Investment Bank. He is a Non-Executive Director Intesa Sanpaolo Life Limited, of AIB Group (Uk) plc since April 2015 and he is a former Non-Executive Director of BPV Finance (International) plc. Mr Foley joined the Board in September 2012 and is a

	member of the Audit Committee and Remuneration Committee. He was appointed Non-Executive Director of EBS in November 2012.
†#^ ○ Peter Hagan BSc, Dip BA– Non-Executive Director	Mr Hagan is former Chairman and CEO of Merrill Lynch's US commercial banking subsidiaries, he was also a director of Merrill Lynch International Bank (London), Merrill Lynch Bank (Swiss), ML Business Financial Services and FDS Inc. Over a period of 35 years he has held senior positions in the international banking industry, including as Vice Chairman and Representative Director of the Aozora Bank (Tokyo, Japan). During 2011 and until September 2012, he was a director of each of the US subsidiaries of IBRC. He is at present a consultant in the fields of financial service litigation and regulatory change. He is currently a director and treasurer of 179 East 70thCorp. and a director of the Thomas Edison State College Foundation. Mr Hagan joined the Board in July 2012 and is a member of the Board Risk Committee, the Nomination and Corporate Governance Committee, the Remuneration Committee and the Audit Committee.
†# ○ Jim O'Hara Non-Executive Director and Remuneration Committee Chairman	Mr O'Hara is a former Vice President of Intel Corporation and General Manager of Intel Ireland, where he was responsible for Intel's technology and manufacturing group in Ireland. He is a Non-Executive Director of Fyffes plc and Chairman of a number of indigenous technology start up companies. He is a past President of the American Chamber of Commerce in Ireland and former board member of Enterprise Ireland. Mr O'Hara joined the Board in October 2010 and has been a member of the Audit Committee, Remuneration Committee and Nomination and Corporate Governance Committee since January 2011, and was appointed Chairman of the Remuneration Committee in July 2012. He was appointed Non-Executive Director of EBS in June 2012.
†^ Dr Michael Somers BComm, M.Econ.Sc, Ph.D – Non-Executive Director, Deputy Chairman and Board Risk Committee Chairman	Dr Somers is former Chief Executive of the National Treasury Management Agency. He is Chairman of Goodbody Stockbrokers, a Non-Executive Director of Fexco Holdings Limited, Willis Group Holdings plc, Hewlett-Packard International Bank plc, the Institute of Directors, and President of the Ireland Chapter of the Ireland-US Council. He has previously held the posts of Secretary, National Debt Management, in the Department of Finance, and Secretary, Department of Defence. He is a former Chairman of the Audit Committee of the European Investment Bank and

	Director of the European Investment Bank and former Member of the EC Monetary Committee. Dr Somers was Chairman of the group that drafted the National Development Plan 1989-1993 and of the European Community group that established the European Bank for Reconstruction and Development. He was formerly a member of the Council of the Dublin Chamber of Commerce and a Non-Executive Director of St. Vincent's Healthcare Group Ltd. He joined the Board in January 2010 as a nominee of the Minister for Finance under the Government's National Pensions Reserve Fund Act 2000 (as amended) and has been Chairman of the Board Risk Committee since November 2010 and a member of the Nomination and Corporate Governance committee since 2013.
# ^ Catherine Woods BA, Mod (Econ) – Senior Independent Non-Executive Director and Audit Committee Chairman	Ms Woods is a Non-Executive Director of AIB Mortgage Bank, and Chairman of EBS (from 12 February 2013). She is a Director of Beazly Re since July 2015. She is the Finance Expert on the adjudication panel established by the Government to oversee the rollout of the National Broadband scheme and is a former Vice President and Head of the European Banks Equity Research Team, JPMorgan, where her mandates included the recapitalisation of Lloyds of London and the re-privatisation of Scandinavian banks. Ms Woods is a former director of An Post, and a former member of the Electronic Communications Appeals Panel. She joined the Board in October 2010, has been a member of the Audit Committee and Board Risk Committee since January 2011 and was appointed Chairman of the Audit Committee in July 2011. She was appointed as Senior Independent Non-Executive Director for the AIB Board in January 2015.

† Indicates member of the Nomination and Corporate Governance Committee

# Indicates member of the Audit Committee

○ Indicates member of the Remuneration Committee

^ Indicates member of the Board Risk Committee

The business address of each of the above Directors is c/o Bankcentre, Ballsbridge, Dublin 4.

Other than as set out below and, in the case of current or former employees of the Group, as may arise from other roles within the Group, no potential conflicts of interest exist between any duties of members of AIB's administrative management or supervisory bodies to AIB and their private interests and/or other duties. In considering and/or proposing the appointment of directors, the board assesses possible conflicts of interest including, but not limited to personal relationships, business relationships and common directorships among

its members and proposed members. Where, in the course of this assessment, potential possible conflicts of interest emerge which are regarded as significant to the overall work of the Board, the appointment will not be made. During a Director's tenure on the Board, situations may nevertheless arise in which a Director will be faced with an actual or potential conflict between AIB's interests and other business or private interests of that Director. Such situations and areas of conflict, actual, perceived or potential, are recognised and identified so that the Board may acknowledge the conflict and deal with it in the best interests of AIB and all its stakeholders in accordance with Irish law. Directors do not participate in any decision where a potential conflict of interest is reasonably perceived to exist.

Leadership Team (in addition to the Executive Directors above)

Robert Mulhall	Head of Retail, Corporate and Business Banking
Jim O'Keeffe	Head of Financial Solutions Group
Brendan O'Connor	Managing Director, AIB Group (UK) plc
Stephen White	Chief Operating Officer
Tom Kinsella	Chief Marketing Officer
Orlagh Hunt	Chief People Officer
Helen Dooley	Group General Counsel
Dominic Clarke	Chief Risk Officer

TAXATION

The following is a summary of certain Irish tax consequences of the purchase, ownership and disposal of Securities. It applies to you if you are the absolute beneficial owner of Securities (including all amounts payable by the Issuer in respect of your Securities). However, it does not apply to certain classes of persons such as dealers in securities, trustees, companies connected with the Bank, insurance companies, etc. The summary is not a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of Securities. The summary is based upon Irish laws, and the practice of the Revenue Commissioners of Ireland ("Revenue"), in effect on the date of this Prospectus. The summary does not constitute tax or legal advice and is of a general nature only. You should consult your own tax adviser with respect to the applicable tax consequences of the purchase, ownership, redemption and disposal of Securities and the receipt of interest or dividends thereon under the laws of your country of residence, citizenship or domicile.

Irish Taxation

1 Withholding tax

Pursuant to Condition 10, the Bank will where there is a withholding or deduction for or on account of tax in respect of interest (but not principal or any other amount), subject to certain limitations and exceptions, pay such additional amounts as will result (after such withholding and/or deduction) in the receipt by the holders of the Securities of such sums which would have been receivable (in the absence of such withholding and/or deduction) from it in respect of their Securities.

Interest Withholding Tax

Subject to the discussion under "Dividend Withholding Tax" below and provided proposed legislation relating to the tax treatment of Additional Tier 1 Capital is enacted in materially the same form as it appears in clause 27 of the Finance Bill 2015 as initiated on 22 October 2015 (the "Draft Legislation"), the Bank will be required to withhold interest withholding tax ("IWT") from payments of interest on the Securities unless an exemption applies.

An exemption from IWT applies for interest bearing securities which are quoted on a recognised stock exchange, such as the Irish Stock Exchange (quoted Eurobonds). Any interest paid on such quoted Eurobonds can be paid free of IWT provided;

- the person by or through whom the payment is made is not in Ireland; or
- the payment is made by or through a person in Ireland, and 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; or
- the payment is made by or through a person in Ireland and the quoted Eurobond is held in a recognised clearing system (which includes Euroclear and Clearstream, Luxembourg).

Dividend Withholding Tax

Revenue's view is that, under current law, the payment of interest on the Securities is a distribution for Irish tax purposes and, accordingly, interest paid on the Securities will be subject to Dividend Withholding Tax ("DWT") at the standard rate of income tax (currently 20 per cent.) unless the holder of the Securities is within one of the categories of exempt holders for DWT purposes referred to below. Investors should however note that, while the Securities are held through the Clearing Systems, there might be operational difficulties in availing of the DWT exceptions listed below.

However, the Finance Bill 2015, which is expected to be enacted before the end of 2015 provides, *inter alia*, that distributions in respect of Additional Tier 1 instruments are to be regarded as interest and not as distributions for tax purposes and that the legislative provisions providing for an exemption from IWT for quoted Eurobonds shall apply with any necessary modifications to Additional Tier 1 instruments. Thus, if the Draft Legislation is enacted in its current form, DWT would not apply to payments of interest on the Securities made after the effective date of the Draft Legislation, which date is expected to be 1 January 2016.

Where DWT applies to interest payments which are treated as a distribution, the Bank is responsible for withholding DWT at source and forwarding the relevant payment to Revenue.

Certain investors (both individual and corporate) are entitled to an exemption from DWT provided that the Bank has received all of the necessary documentation required by the relevant legislation from the investor prior to payment of the interest.

In particular, certain categories of Irish resident investors are entitled to an exemption from DWT, including (but not limited to) Irish resident companies, so long as the investor has provided the Bank with all the necessary documentation prior to payment of the interest.

Except in very limited circumstances, interest paid to Irish resident investors who are individuals is not exempt from DWT.

An investor who is neither resident nor ordinarily resident in Ireland for Irish tax purposes is not subject to DWT on interest received from the Bank if the investor is beneficially entitled to the distribution and is:

(a) an individual or other person which is not a body corporate, resident under the laws of a Member State of the European Union (apart from Ireland) or a country with which Ireland has signed a double tax treaty (a "Relevant Territory") for tax purposes in the Relevant Territory); or

(b) a body corporate that, under the laws of a Relevant Territory, is resident for tax purposes in the Relevant Territory provided that the corporate investor is not under the control, whether directly or indirectly, of a person or persons who is or are resident in Ireland; or

(c) a body corporate that is not resident for tax purposes in Ireland and which is ultimately controlled, directly or indirectly, by persons resident under the laws of a Relevant Territory in the Relevant Territory and not under the control of persons not so resident; or

(d) a body corporate that is not resident for tax purposes in Ireland and whose principal class of shares (or those of its 75 per cent. parent) is substantially and regularly traded on a recognised stock exchange either in one or more Relevant Territories, Ireland or on such other stock exchange approved by the Minister; or

(e) a body corporate that is not resident for tax purposes in Ireland and is wholly owned, directly or indirectly, by two or more companies where the principal class of shares of each of such companies is substantially and regularly traded on one or more recognised stock exchanges in Ireland or a Relevant Territory or on such other stock exchange approved by the Irish Minister for Finance;

and provided that, in all cases, the investor has completed prescribed forms and provided these to the Bank prior to payment of the interest.

2 Deposit Interest Retention Tax ("DIRT")

The Bank will not be required to operate DIRT in respect of interest paid on interest bearing securities which are listed on a recognised stock exchange (which includes the Irish Stock Exchange).

3 Encashment Tax

Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent.) from interest on any Security, where such interest is collected or realised by a bank or encashment agent in Ireland on behalf of any investor. There is an exemption from encashment tax where the beneficial owner of the interest is not resident in Ireland and has made a declaration to this effect in the prescribed form to the encashment agent or bank.

4 Stamp Duty

The issue of the Securities will not give rise to a charge to Irish stamp duty.

No stamp duty will be payable on the transfer of the Securities as the Securities are regarded as loan capital of the Bank for Irish stamp duty purposes and therefore qualify for an exemption provided for in Section 85(2)(b) of the Irish Stamp Duties Consolidation Act, 1999.

5 Taxation of Interest

Interest not treated as a Distribution

Where interest on the Securities is not treated as a distribution, which will be the case if the Draft Legislation comes into force and becomes effective before the first Interest Payment Date, a holder of the Securities may be exempt from tax on such interest in certain circumstances. An Irish resident individual that is a holder of the Securities will be liable to income tax on the interest on the Securities, plus the universal social charge and, in certain circumstances, pay related social insurance ("PRSI"), could arise. Irish resident corporate holders of the Securities will be liable to corporation tax in respect of interest on the Securities.

Interest on the Securities will be exempt from Irish income tax if the interest is exempt from IWT under the quoted Eurobond exemption and the holder of the Securities is (i) a person who is not a resident of Ireland but is a resident of a Relevant Territory, (ii) a company under the control, directly or indirectly, of persons who by virtue of the law of a Relevant Territory are resident in that country and that person or persons are not themselves under the control whether directly or indirectly of a person who is not resident in such a country, or (iii) a company, the principal class of shares of such company, or another company of which the recipient company is the 75 per cent. subsidiary, is substantially and regularly traded on one or more recognised stock exchanges in Ireland or a Relevant Territory or a stock exchange approved by the Irish Minister for Finance.

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 the Securities are held or attributed may have a liability to Irish corporation tax on the interest.

Interest treated as a Distribution

The following discussion is only relevant in respect of payments of interest on the Securities to the extent that the Draft Legislation does not come into force and become effective before the first Interest Payment Date.

Irish corporate investors are generally exempt from Irish tax on interest received from the Bank where it is treated as a distribution. If an Irish resident corporate investor is a close company, as defined under Irish legislation, it may, in certain circumstances, be liable to investment income surcharge.

Irish resident or ordinary resident individuals are subject to Irish income tax, the universal social charges and in some circumstances PRSI on gross distributions at their marginal rate of tax. The gross distribution is the interest received plus DWT withheld by the Bank. Irish investors that are individual investors are generally entitled to a credit for the DWT deducted against their income tax liability and to have refunded to them any amount by which DWT exceeds such income tax liability provided that they furnish the statement of DWT suffered to Revenue.

Non-Irish resident investors are, unless entitled to exemption from DWT, liable to Irish income tax on interest received from the Bank which is treated as a distribution. However, the DWT deducted by the Bank discharges such liability to Irish income tax provided that they furnish the statement of DWT suffered to Revenue. Where a non-Irish resident investor is entitled to exemption from DWT, then no Irish income tax arises on the distribution, and where DWT has been deducted (if any), the investor may be entitled to seek a refund of the DWT withheld.

6 Capital Gains Tax

A gain made on disposal of the Securities will be within the charge to Irish capital gains tax or corporation tax on gains where the holder is resident or ordinarily resident in Ireland or carries on a trade in Ireland through a branch or agency in respect of which the Securities are used or held.

7 Capital Acquisitions Tax

A gift or inheritance consisting of the Securities will generally be within the charge to Irish capital acquisitions tax (currently 33 per cent.) 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 done/successor) or (ii) if the Securities are regarded as property situate in Ireland. Registered securities are generally regarded as situated where the principal register of the holders is maintained or is required to be maintained, but the Securities may be regarded as situated in Ireland regardless of the location of the register as they secure a debt due by an Irish resident debtor.

European Union Directive on the Taxation of Savings Income/ International Exchange of Information

The Savings Directive requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or secured by such a person for the benefit of) an individual resident, or to (or secured for) certain other types of entity established, in that other EU Member State, except that Austria will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period it elects otherwise. A number of non-EU countries and territories have adopted similar measures to the Savings Directive.

The Council of the European Union has adopted the Amending Savings Directive which would, if implemented, amend and broaden the scope of the requirements of the Savings Directive described above.

However, the Council of the European Union has adopted a Directive repealing the Savings Directive from 1 January 2016 (1 January 2017 in the case of Austria) (in each case subject to transitional arrangements). The recitals to the Directive also provide that EU Member States will not be required to implement the Amending Savings Directive. Information reporting and exchange will however still be required under Council Directive 2011/16/EU (as amended), discussed below.

The Council of the European Union has also adopted Directive 2014/107/EU (the "Amending Cooperation Directive") amending Council Directive 2011/16/EU on administrative cooperation in the field of taxation so as to introduce an extended automatic exchange of information regime in accordance with the Global Standard released by the OECD Council in July 2014. The Amending Cooperation Directive requires EU Member States to adopt national legislation necessary to comply with it by 31 December 2015, which legislation must apply from 1 January 2016 (1 January 2017 in the case of

Austria). The Amending Cooperation Directive is generally broader in scope than the Savings Directive, although it does not impose withholding taxes.

Investors who are in any doubt as to their position or would like to know more should consult their professional advisers.

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. The Issuer believes that it is a foreign financial institution for these purposes. A number of jurisdictions (including Ireland) have entered into, or have agreed in substance to, 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 Securities, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Securities, are not clear at this time. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Securities, such withholding would not apply prior to 1 January 2019. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Securities. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Securities, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

The Managers have, pursuant to a subscription agreement dated 3 December 2015 jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe the Securities at 100.00 per cent. of their principal amount less a combined management and underwriting commission. In addition, the Issuer has agreed to reimburse the Managers for certain of their expenses in connection with the issue of the Securities. The Subscription Agreement entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

General

Neither the Issuer nor any Manager has made any representation that any action will be taken in any jurisdiction by the Managers or the Issuer that would permit a public offering of the Securities, or possession or distribution of this Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Securities (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Each Manager has agreed that it will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Securities or has in its possession or distributes this Prospectus (in preliminary, proof or final form) or any such other material, in all cases at its own expense. It will also ensure that no obligations are imposed on the Issuer or any other Manager in any such jurisdiction as a result of any of the foregoing actions.

United States

The Securities 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 under the Securities Act ("Regulation S").

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Securities (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, and it will have sent to each dealer to which it sells Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities 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 Securities 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 Securities, an offer or sale of Securities 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 and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of

Section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of the FSMA would not, if it was not an authorised person, apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the UK.

Ireland

Each Manager has represented, warranted and agreed that:

(i) it will not underwrite the issue of, or place the Securities, otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) (as amended), including, without limitation, Regulations 7 and 152 thereof or any codes of conduct used in connection therewith and the provisions of the Investor Compensation Act 1998;

(ii) it will not underwrite the issue of, or place, the Securities, otherwise than in conformity with the provisions of the Companies Act 2014, the Central Bank Acts 1942 – 2014 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989;

(iii) it will not underwrite the issue of, or place, or do anything in Ireland in respect of the Securities otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended) and any rules issued under Section 1363 of the Companies Act 2014; and

(iv) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Securities, otherwise than in conformity with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 (as amended) and any rules issued under Section 1370 of the Companies Act 2014.

GENERAL INFORMATION

1. The issue of the Securities was duly authorised by a resolution of the Board of Directors and a committee of the Board of Directors of the Issuer dated 24 September 2015 and 23 November 2015 respectively.

2. Application has been made to the Irish Stock Exchange for the Securities to be admitted to trading on the Irish Stock Exchange's regulated market and to be listed on the Official List of the Irish Stock Exchange. The Irish Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC). The Issuer estimates that the total expenses related to the admission to trading will be €11,790.

3. The Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for this issue is XS1328798779 and the Common Code is 132879877. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, 1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

4. There are no, and there have not been any, governmental, legal or arbitration actions, suits or proceedings (including any such proceedings which are pending or threatened of which AIB is aware) involving AIB or any of its subsidiaries during the 12 months preceding the date of this Prospectus, which may have, or have had in recent past significant effects on the financial position or profitability of AIB and/or the Group taken as a whole.

5. There has been no significant change in the financial or trading position of the Group since 30 September 2015 and save as set out or referred to in the Issuer's interim management statement for the nine months ended 30 September 2015, there has been no material adverse change in the prospects of the Issuer since 30 June 2015.

6. Copies of the following documents (in physical form) will be available for inspection during usual business hours on any weekday (Saturday and public holidays excepted) at the offices in Dublin of AIB specified at the end of this Prospectus:

   (1) the Memorandum and Articles of Association of AIB;

   (2) the Trust Deed (which includes the form of the Global Certificate, the Definitive Certificates);

   (3) the Agency Agreement;

   (4) the audited annual consolidated financial statements of AIB for the financial years ended 31 December 2013 and 31 December 2014, respectively, in each case together with the audit reports thereon;

   (5) the audited consolidated financial statements of AIB for the six months ended 30 June 2015, together with the audit report thereon;

   (6) the interim management statement for the nine months ended 30 September 2015;

   (7) all documents incorporated by reference into this Prospectus; and

   (8) all reports, letters and other documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to in any supplement to this.

7. Deloitte & Touche of Hardwicke House, Hatch Street, Dublin 2 (a member of the Institute of Chartered Accountants in Ireland) have audited, without qualifications, the annual consolidated

financial statements of AIB for the financial year ended 31 December 2013 and 31 December 2014, in accordance with Auditing Standards issued by the Auditing Practices Board.

8. From the Issue Date to the First Reset Date, the yield of the Securities is 7.511 on an annual basis. The yield is calculated as at the Issue Date on the basis of the issue price. It is not an indication of future yield.

REGISTERED OFFICE OF AIB

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