

## SUPPLEMENT



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

*(a company incorporated with limited liability in Ireland)*

**€10,000,000,000**

### **Euro Medium Term Note Programme**

This base prospectus supplement (the **"Second Supplement"**) is supplemental to and should be read in conjunction with the base prospectus dated 9 June 2014 (the **"Base Prospectus"**), as supplemented by the First Supplement dated 26 August 2014 (the **"First Supplement"**), issued for the purposes of giving information with regard to the issue of notes (the **"Notes"**) by Allied Irish Banks, p.l.c. (**"AIB"** or the **"Issuer"**) under the Issuer's €10,000,000,000 Euro Medium Term Note Programme (the **"Programme"**).

Words and expressions defined in the Base Prospectus shall, unless the context otherwise requires or otherwise defined in this Second Supplement, have the same meaning when used in this Second Supplement. Words and expressions defined in this Second Supplement and/or also defined in the Base Prospectus and/or the First Supplement shall have the meaning given to them in this Second Supplement. This document constitutes a supplement to the Base Prospectus for the purposes of Directive 2003/71/EC, as amended (the **"Prospectus Directive"**) and is issued in accordance with article 16 thereof and regulation 51 of the Prospectus (Directive 2003/71/EC) Regulations 2005, as amended, of Ireland (the **"Irish Prospectus Regulations"**). This Second Supplement has been approved by the Central Bank of Ireland (the **"Central Bank"**) as competent authority under the Prospectus Directive. The Central Bank only approves this Second Supplement as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Notes issued under the Programme which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC or which are to be offered to the public in any Member State of the European Economic Area.

For the purposes of part 6 of the Irish Prospectus Regulations, the Issuer accepts responsibility for the information contained in this Second Supplement. The Issuer declares that, having taken all reasonable care to ensure that such is the case, the information in this Second Supplement is, to the best of the knowledge of the Issuer, in accordance with the facts, and does not omit anything likely to affect the import of such information. This declaration is included in this Second Supplement in compliance with items 1.2 of annex IX to Commission Regulation (EC) No. 809/2004, as amended.

The date of this Second Supplement is 5 March 2015.

Upon approval of this Second Supplement by the Central Bank, this Second Supplement will be filed with the Registrar of Companies in Ireland in accordance with regulation 38(1)(b) of the Irish Prospectus Regulations.

To the extent that there is any inconsistency between (a) any statement in, or incorporated by reference in, this Second Supplement, (b) any statement in, or incorporated by reference in, the First Supplement and (c) any statement in, or incorporated by reference in, the Base Prospectus, then (a) will prevail.

Save as disclosed in this Supplement, there has been no significant change in the financial or trading position of the Group and no significant new matter has arisen in relation to the Issuer since 31 December 2014.

The issue of this Second Supplement was authorised in accordance with resolutions of the Board of Directors of the Issuer on 29 May 2014.

## **AMENDMENTS TO THE BASE PROSPECTUS**

1. At page 10 of the Base Prospectus, under the risk factor *The Group's business activities must comply with increasing levels of regulation*, reference is made to a revised Corporate Governance Code taking effect from 1 January 2015. In December 2014 the Central Bank advised AIB that until further notice the existing 2010 Corporate Governance Code is to remain in place. No effective date for the implementation of the revised Corporate Governance Code has been set by the Central Bank.
2. At page 10 of the Base Prospectus, immediately before the heading *The Group's participation in the NAMA Programme gives rise to certain residual financial risks*, insert the following as a new risk factor:

### ***"LTV/LTI related regulatory restrictions on residential mortgage lending***

The Central Bank issued regulations in January 2015 under the Central Bank Act 2013 to impose restrictions on Irish residential mortgage lending by lenders which are regulated by the Central Bank (such as the Issuer). The restrictions will impose limits on such lending by reference to loan-to-value ("LTV") and loan-to-income ("LTI") ceilings. In relation to LTV restrictions, the Issuer is required (i) in the case of a loan for the purpose of purchasing a principal dwelling home (a "PDH Loan"), to restrict lending for (a) non-first time buyers above 80 per cent. LTV, and (b) for first time buyers of properties up to €220,000 a maximum LTV of 90 per cent. will apply, and for first time buyers of properties over €220,000, a 90 per cent. limit will apply on the first €220,000 of the property and an 80 per cent. limit will apply on any excess value over this amount; and in the case of both (a) and (b), to restrict lending to no more than 15 per cent. of the aggregate value of all PDH Loans entered into during the relevant year, and (ii) in the case of other loans other than PDH Loans (such as for purchasing buy-to-let properties), to restrict lending above 70 per cent. LTV to 10 per cent. of the aggregate value of all such loans entered into during the relevant year. In relation to LTI restrictions and PDH Loans, under these proposals the Issuer would be required to restrict lending above 3.5 times LTI to no more than 20 per cent. of the aggregate value of PDH Loans entered into during the relevant year.

The above regulations may adversely affect the level of new mortgage lending business and therefore the financial results of the Issuer and the Group and the Issuer's ability to perform its obligations in respect of the Notes."

3. At page 11 of the Base Prospectus, immediately before the heading *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 not turn out to be accurate, and the value realised by the Group for these assets may be materially different from their current, or estimated fair value,*, insert the following as a new risk factor:

### ***"Banking Inquiry***

The Irish Government has commissioned and received three preliminary reports into the factors which contributed to the Irish banking crisis. Under the framework established in the Houses of the Oireachtas (Inquiries, Privileges and Procedures) Act 2013, on 14 May 2014 the Oireachtas (Irish parliament) established a Joint Committee of Inquiry into the Banking Crisis and mandated that committee to develop a proposal for conducting an inquiry into certain aspects of the banking crisis. The Terms of Reference proposed by the Joint Committee for the Inquiry were agreed by Dáil Éireann and Seanad Éireann in November 2014. The purpose of the Inquiry is to look 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 costs and potential implications for the Group of this inquiry are uncertain at the date of this Second Supplement."

4. At pages 15 to 17 of the Base Prospectus, replace the risk factors headed *The Central Bank and Credit Institutions (Resolution) Act 2011* and *The Bank Recovery and Resolution Directive* with the following new risk factor:

***"The Bank Recovery and Resolution Directive and the Central Bank and the Credit Institutions (Resolution) Act 2011***

The Bank Recovery and Resolution Directive ("BRRD"), which establishes a framework for the recovery and resolution of credit institutions and investment firms, was intended to be implemented by 1 January 2015 (although it has yet to be transposed into Irish law). Amongst other provisions, the BRRD introduces a statutory write-down and conversion power to write down or to convert into equity the Issuer's relevant capital instruments (which would include Subordinated Notes) if certain conditions are met (the "write-down and conversion power"). The write-down and conversion power would be applicable in particular if the competent authority determines that, unless the write-down and conversion power 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 support without which the credit institution will no longer be viable. The BRRD also equips the competent 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 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 the Senior Notes), 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").

In respect of the write-down and conversion power for Additional Tier 1 instruments and Tier 2 instruments, which was intended to be implemented by and effective from 1 January 2015, and the general bail-in power, which is to be implemented by 1 January 2016 at the latest, the competent authority would 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. Where a credit institution meets the conditions for resolution, the competent regulator and/or authority will be required to apply the write-down and conversion power before applying the

resolution tools. The write down or conversion will follow the ordinary allocation of losses and ranking in insolvency. Equity has to absorb losses in full before any debt claim is subject to write-down. After shares and other similar instruments, it will first, if necessary, impose losses evenly on holders of subordinated debt and then evenly on senior debt-holders.

Pursuant to the BRRD, any write-down (or conversion) in accordance with the write-down and conversion power 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 BRRD, 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.

The general bail-in power could be used to impose losses on holders of Senior Notes where the relevant notes mature after 1 January 2016. The Irish government may decide to bring forward the implementation of this power under the BRRD with the result that the general bail-in power may affect Notes which mature prior to 1 January 2016. This could result in holders of Senior Notes 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 value of the Senior Notes.

In addition the BRRD may severely affect the rights of the holders of Subordinated Notes which may result in the loss of the entire investment in the event of non-viability and may have a negative impact on the market value of the Subordinated Notes.

The Central Bank and the Minister also have a broad range of powers under the Central Bank and Credit Institutions (Resolution) Act 2011 of Ireland (the "Resolution Act"). The Resolution Act sets out a permanent statutory regime comprising of mechanisms available to the Central Bank (in certain circumstances and in some cases subject to court approval) to intervene when "authorised credit institutions" are failing or likely to fail or otherwise in financial difficulty. The Minister is empowered under the Resolution Act, at the request of the Central Bank, to provide a financial incentive to a proposed transferee by making a payment, or providing a loan or guarantee to such a proposed transferee. The application of any of these mechanisms may serve to limit the Group's operations and could affect the Group's ability to perform obligations owed to creditors.

Once the BRRD is transposed into Irish law in Ireland, it is anticipated that the intervention powers provided for in the Resolution Act will cease to be applicable to the Group."

5. The language introduced in page 2 of the First Supplement under the heading *Amendments to the Base Prospectus* shall be deleted and the following language shall be inserted at page 21 of the Base Prospectus:

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

- (a) the audited annual 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; and
- (b) the terms and conditions of the Senior Notes as contained in pages 31 to 47 of the base prospectus dated 21 May 2013 in respect of the Programme;

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 Base 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 Base Prospectus. As regards information contained in the base prospectus dated 21 May 2013 which is not incorporated by reference in this Base Prospectus, such information is not relevant to investors in Notes to be issued on or after the date of this Base Prospectus or is covered elsewhere in this Base Prospectus.

AIB will provide, without charge, to each person to whom a copy of this Base Prospectus has been delivered, upon the written request of any such person, a copy of any or all of the documents which, or portions of 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 Base Prospectus.

The documents referred to above are available electronically on AIB's website and the website of the Irish Stock Exchange via the following links:

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

[http://investorrelations.aib.ie/content/dam/aib/investorrelations/docs/resultcentre/annualreport/aib\\_afr\\_2014.pdf](http://investorrelations.aib.ie/content/dam/aib/investorrelations/docs/resultcentre/annualreport/aib_afr_2014.pdf)

[http://www.ise.ie/debt\\_documents/Base%20Prospectus\\_50482.PDF](http://www.ise.ie/debt_documents/Base%20Prospectus_50482.PDF) ”.

6. At page 77 of the Base Prospectus, insert the following sentences at the end of the paragraph relating to David Duffy:

“On 19 January 2015, David Duffy announced his resignation from his position as Chief Executive Officer of AIB. Mr. Duffy will remain in position to support the Board in identifying his successor with his final departure date to be agreed. The Board has commenced a process to appoint a permanent successor to the role, subject to all relevant approvals.”

7. At page 105 of the Base Prospectus, delete paragraph 5 of the General Information section and replace it with the following:

“Save as set out or referred to in paragraphs 8(i) to 8(vi) below, there has been no significant change in the financial or trading position of the Group and no material adverse change in the prospects of the Issuer since 31 December 2014, the date of the Issuer's last published audited financial statements.”

8. At page 106 of the Base Prospectus, delete paragraph 8(vi) of the General Information section and replace it with the following:

“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;”

9. At page 106 of the Base Prospectus, delete paragraph 8(vii) of the General Information section.

10. At page 106 of the Base Prospectus, delete paragraph 9 of the General Information section and replace it with the following:

"Deloitte & Touche of Deloitte & Touche House, Earlsfort terrace, Dublin (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."