

## LISTING PARTICULARS DATED 7 OCTOBER 2019



### AIB Group plc

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

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

**Issue Price: 100 per cent.**

The €500,000,000 Fixed Rate Reset Additional Tier 1 Perpetual Contingent Temporary Write Down Securities (the “**Securities**”) will be issued by AIB Group plc (“**AIB**” or the “**Issuer**”) on 9 October 2019 (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) 9 April 2025 (the “**First Reset Date**”), at a rate of 5.250 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 9 April 2020, 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 any day falling in the period commencing on (and including) 9 October 2024 and ending on (and including) the First Reset Date, or (ii) on any Interest Payment Date thereafter or (iii) 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 offered, sold or otherwise made available and should not be offered, sold or otherwise made available to retail clients in the European Economic Area (“EEA”), as defined in the rules set out in the Markets in Financial Instruments Directive 2014/65/EU (as amended, “MiFID II”). Prospective investors are referred to the section headed “Prohibition on Marketing and Sales to Retail Investors” on pages iii and iv of these Listing Particulars for further information. Potential investors should read the whole of this document, in particular the section entitled “Risk Factors” set out on pages 11 to 50.**

Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin (“**Euronext Dublin**”) for the approval of these Listing Particulars as listing particulars and for the Securities to be admitted to the Official List of Euronext Dublin (the “**Official List**”) and to trading on the Global Exchange Market of Euronext Dublin (the “**GEM**”), which is the exchange-regulated market of Euronext Dublin. These Listing Particulars constitute listing particulars in respect of the admission of the Securities to the Official List and to trading on the GEM. The GEM is not a regulated market for the purposes of MiFID II. These Listing Particulars do not constitute a prospectus for the purposes of Regulation (EU) 2017/1129 and in accordance with such Regulation, no prospectus is required in connection with the issuance of the Securities. References in these Listing Particulars to Securities being “**listed**” (and all related references) shall mean that such Securities have been admitted to trading on the GEM 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 depository for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”) and, together with Euroclear, the “**Clearing Systems**”).

**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.**

The Securities are expected to be rated Ba3 by Moody’s Investors Service Limited (“**Moody’s**”), which is a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 (as amended) (the “**CRA Regulation**”). Moody’s appears on the latest update of the list of registered credit rating agencies on the ESMA website <https://www.esma.europa.eu/>. 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.

*Structuring Adviser and Joint Lead Manager*  
**Morgan Stanley**

*Joint Lead Managers*

**Barclays**

**Goldman Sachs International**

**Goodbody**

*Co-Lead Manager*  
**Cantor Fitzgerald**

**BofA Merrill Lynch**

**J.P. Morgan**

## IMPORTANT INFORMATION

AIB accepts responsibility for the information contained in these Listing Particulars. To the best of AIB's knowledge (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 its import.

These Listing Particulars are to be read in conjunction with all the documents which are incorporated herein by reference (see "*Documents Incorporated by Reference*"). These Listing Particulars shall be read and construed on the basis that such documents are so incorporated and form part of these Listing Particulars.

These Listing Particulars have been prepared on the basis that any offer of Securities in any Member State of the EEA will be made pursuant to an exemption from the requirement to publish a prospectus for offers of securities under Regulation (EU) 2017/1129 of the European Parliament and of the Council (the "**Prospectus Regulation**"). 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 these Listing Particulars may only do so in circumstances in which no obligation arises for the Issuer or any of Morgan Stanley & Co. International plc, Barclays Bank Ireland PLC, Goldman Sachs International, Goodbody Stockbrokers UC, J.P. Morgan Securities plc, Merrill Lynch International and Cantor Fitzgerald Ireland Limited (the "**Managers**") to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, 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.

To the fullest extent permitted by law, none of the Managers accepts any responsibility for the contents of these Listing Particulars 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. Each of 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 these Listing Particulars 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 these Listing Particulars 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 these Listing Particulars 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 these Listing Particulars 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 these Listing Particulars does not at any time imply that the information contained herein concerning AIB and its subsidiaries 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. For the purposes of these Listing Particulars, the "Group" refer to Allied Irish Banks, p.l.c. and its subsidiaries up to 8 December 2017 and, following the Scheme (as described on page 90 hereof) going into effect, from 8 December 2017 onwards, AIB Group plc and its subsidiaries (including Allied Irish Banks, p.l.c.).

The distribution of these Listing Particulars and the offering, sale and delivery of the Securities in certain jurisdictions may be restricted by law. AIB and the Managers do not represent that these Listing Particulars 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 which is intended to permit a public offering of the Securities or distribution of these Listing Particulars in any jurisdiction where action for that purpose is required. Accordingly, the Securities may not be offered or sold, directly or indirectly, and neither these Listing Particulars nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

Persons into whose possession these Listing Particulars or the Securities may come must inform themselves about, and observe, any restrictions on the distribution of these Listing Particulars and the offering and sale of the Securities.

An investment in the Securities is not an equivalent to an investment in a bank deposit. Although an investment in the Securities may give rise to higher yields than a bank deposit placed with a member of the Group, an investment in the Securities carries risks which are very different from the risk profile of such a deposit. Unlike a bank deposit, the Securities are transferrable. However, the Securities may have no established trading market when issued, and one may never develop.

The Securities have not been and will not be registered under 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. For a description of certain restrictions on offers and sales of the Securities and on distribution of these Listing Particulars, see “*Subscription and Sale*”.

All references in this document to a “**Member State**” are references to a Member State of the EEA, those to “**U.S.\$**” are to the currency of the United States of America, those to “**euro**”, “**€**” and “**EUR**” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended, those to “**Sterling**” and “**£**” are to the currency of the UK, those to “**Ireland**” are to the Republic of Ireland, and those to “**EU**” are to the European Union.

In connection with the issue of the Securities, Morgan Stanley & Co. International plc (the “**Stabilisation Manager**”) (or any person acting on behalf of the Stabilisation Manager) 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 Stabilisation Manager (or any person acting on behalf of the Stabilisation 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 Stabilisation Manager (or any person acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.

### **Prohibition 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 United Kingdom Financial Conduct Authority (the “**FCA**”) published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015 (the

“**PI Instrument**”). In addition, (i) on 1 January 2018, the provisions of Regulation (EU) No. 1286/2014 on key information documents for packaged and retail and insurance-based investment products (“**PRIIPs**”) became directly applicable in all EEA member states and (ii) the Markets in Financial Instruments Directive 2014/65/EU (as amended) (“**MiFID II**”) was required to be implemented in EEA member states by 3 January 2018. Together, the PI Instrument, PRIIPs and MiFID II are referred to as the “**Regulations**”.

The regulations set out various obligations in relation to (i) the manufacture and distribution of financial instruments and (ii) the offering, sale and distribution of packaged retail and insurance-based investment products and certain contingent write down or convertible securities, such as the Securities.

Potential investors in the Securities should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Securities (or any beneficial interests therein) including the Regulations.

The Issuer and each of the Managers are required to comply with some or all of the Regulations. 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 (as defined in MiFID II);
2. whether or not it is subject to the Regulations, it will not
  - (A) sell or offer the Securities (or any beneficial interest therein) to retail clients (as defined in MiFID II) or
  - (B) communicate (including the distribution of these Listing Particulars) 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 (within the meaning of MiFID II),

and in selling or offering the Securities or making or approving communications relating to the Securities, it may not rely on the limited exemptions set out in the PI Instrument; 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) MiFID II and any other applicable 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.

Each prospective investor further acknowledges that:

- (i) the identified target market for the Securities (for the purposes of the product governance obligations in MiFID II) is eligible counterparties and professional clients; and
- (ii) no key information document (KID) under PRIIPs has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under PRIIPs.

**Prohibition of Sales to EEA Retail Investors** – The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined

in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by PRIIPs for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under PRIIPs.

**MiFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Securities has led to the conclusion that: (i) the target market for the Securities is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Securities (a “**distributor**”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Securities (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

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.

### **The Securities are complex financial instruments**

The Securities are complex financial instruments and such instruments may be purchased by investors as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. Each potential investor in the Securities should determine the suitability of such 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 these Listing Particulars;
- (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 or a Write Down of the Securities;
- (iv) understand thoroughly the terms of the Securities, such as the provisions governing Write Down (including, in particular, 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 (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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) the Securities are legal investments for it; (ii) the 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 the Securities under any applicable risk-based capital or similar rules.

### **Cautionary statement regarding forward looking statements**

Some statements in these Listing Particulars 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 these Listing Particulars, 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 these Listing Particulars. 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 these Listing Particulars, if one or more of the risks or uncertainties materialise, including those identified below or which the Issuer has otherwise identified in these Listing Particulars, 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 performance of the markets in Ireland and the wider region in which the Issuer operates;
- changes in political, social, legal or economic conditions in the markets in which the Issuer and its customers operate;
- the Issuer's ability to achieve and manage the growth of its business;
- the Issuer's ability to obtain external financing or maintain sufficient capital to fund its existing and future investments and projects;
- 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; 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 these Listing Particulars speak only as at the date of these Listing Particulars. Without prejudice to any requirements under applicable laws and regulations, the Issuer expressly disclaims any obligation or undertaking to disseminate, after the date of these Listing Particulars, 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 these Listing Particulars. 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”.

<b>Issuer:</b>	AIB Group plc
<b>Legal Entity Identifier (LEI):</b>	635400AKJBGNS5WNQL34
<b>Trustee:</b>	BNY Mellon Corporate Trustee Services Limited
<b>Principal Paying Agent, Transfer Agent, Agent Bank:</b>	The Bank of New York Mellon, London Branch
<b>Registrar:</b>	The Bank of New York Mellon SA/NV, Luxembourg Branch
<b>Securities:</b>	€500,000,000 Fixed Rate Reset Additional Tier 1 Perpetual Contingent Temporary Write Down Securities.
<b>Risk factors:</b>	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 in the section entitled “ <i>Risk Factors</i> ”.
<b>Status of the Securities:</b>	The Securities will constitute direct, unsecured, unguaranteed and subordinated obligations of the Issuer and rank <i>pari passu</i> , without any preference, among themselves.
<b>Rights on a Winding-Up:</b>	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 <i>pari passu</i> with, or junior to, the claims of Holders.
<b>Solvency Condition:</b>	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



**No set-off:**

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**”).

As described in Condition 3(d), 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 Issuer 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 fullest extent permitted under applicable law, to have waived all such rights of set-off, compensation or retention.

**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 5.250 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 9 April and 9 October of each year (each an “**Interest Payment Date**”), commencing on 9 April 2020.

If paid in full, each payment of interest to but excluding the First Reset Date shall amount to €26.25 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 in the event of a Winding-Up or 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 as amended or replaced, or any applicable analogous provisions relating to the maintenance of capital buffers under the Regulatory Capital Requirements, in each case to the extent then applicable to the Group), the Maximum Distributable Amount then applicable to the Group to be exceeded. “**Maximum Distributable Amount**” means any applicable maximum distributable amount relating to 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 or any applicable analogous provisions relating to the maintenance of capital buffers under the Regulatory Capital Requirements).

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 and unpaid 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, at any time, AIB or the Competent Authority (or any agent appointed for such purpose by the Competent

Authority) determines in accordance with the requirements set out in Article 54 of the CRD IV Regulation that the CET1 Ratio has fallen below seven per cent. (a “**Trigger Event**”), the Issuer shall:

- (a) immediately inform the Competent Authority of the occurrence of the Trigger Event;
- (b) without delay 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;
- (c) irrevocably cancel any accrued and unpaid interest up to (but excluding) the Write Down Date; and
- (d) 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 in compliance with 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 (or any provision of applicable law transposing or implementing Article 141(2) of the CRD IV Directive as amended or replaced, or any applicable analogous provisions relating to the maintenance of capital buffers under the Regulatory Capital Requirements, in each case to the extent then applicable to the Group)) not being exceeded thereby, the Issuer shall have full discretion to reinstate any portion of the principal amount of each Security which has been Written Down and which has not previously been Written Up (such portion, the “**Write Up Amount**”), up to a maximum of its Initial Principal Amount, 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), 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 which is less than the Initial Principal Amount;

- (d) 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;
- (e) 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
- (f) the aggregate amount of any interest payments paid on each Loss Absorbing Instrument since the Reference Date and which accrued on the basis of a prevailing principal amount which is less 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 (i) on any day falling in the period commencing on (and including) 9 October 2024 and ending on (and including) the First Reset Date or (ii) on any Interest Payment Date thereafter, in each case 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, substitution or variation 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 9

**Conditions to redemption,  
substitution or variation etc.:**

October 2024) 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.

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 or purchase, either: (A) the Issuer has 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, save in the case of Condition 7(b)(v)(A), (B) the Issuer has demonstrated to the satisfaction of the Competent Authority that the own funds and eligible liabilities of the Group would, following such redemption or purchase, exceed its applicable minimum capital and eligible liabilities requirements (including any applicable buffer requirements) by a margin that the Competent Authority considers necessary at such time;
- (c) in the case of any redemption prior to the fifth anniversary of the Issue Date upon the occurrence of a Tax Event, the Issuer has 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;
- (d) in the case of any redemption prior to the fifth anniversary of the Issue Date upon the occurrence of a Capital Disqualification Event, 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 as at the Issue Date;
- (e) in the case of a purchase pursuant to Condition 7(g) prior to the fifth anniversary of the Issue Date, either (A) the Issuer having, before or at the same time as such purchase, replaced the Securities with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer, and the Competent Authority having permitted such action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances or (B) the relevant Securities are

being purchased for market-making purposes in accordance with applicable Regulatory Capital Requirements; and

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

Further, if at the time of any redemption, substitution, variation or purchase, the prevailing Regulatory Capital Requirements permit the redemption, substitution, variation or purchase only after compliance with one or more alternative or additional pre-conditions to those set out above, the Issuer shall, in the alternative or in addition to the foregoing (as required by the Regulatory Capital Requirements), comply with such other and/or, as appropriate, additional pre-condition(s)

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 redemption notice shall be automatically rescinded and shall be of no force and effect.

**Purchase of the Securities:**

The Issuer or any of its subsidiaries may, subject to Condition 7(b), in those circumstances permitted by Regulatory Capital Requirements, 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 Issuer or any agent on its behalf shall have the right, subject to Condition 7(b), to purchase Securities for market making purposes provided that the total principal amount of the Securities so purchased does not exceed the limits prescribed by applicable Regulatory Capital Requirements from time to time.

**Withholding tax and Additional Amounts:**

Subject always to Conditions 3(b) and 5, all payments of principal and/or interest and any other amount by or on behalf of the Issuer 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 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 in receipt by the Holders of such amounts as would have been received by them had no such withholding or deduction been required.

Notwithstanding any other provision of the Trust Deed, all payments of principal, interest and any other amount by or on behalf of the Issuer 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 the Trustee, in its discretion, may institute proceedings for the winding-up of the Issuer. The Trustee may prove and/or claim 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(c).

The Trustee may, at its discretion and without notice, institute such steps, actions or proceedings 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 the winding-up of the Issuer or prove or claim in any Winding-Up of the Issuer 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.

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.

**Use of proceeds:**

The net proceeds of the issue of the Securities will be used by the Issuer for general corporate purposes and to further strengthen the capital base of the Group.

**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 depository 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 Euronext Dublin for the Securities to be admitted to trading on the GEM and to be listed on the Official List.

**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, 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



Ireland 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).

**Rating:**

The Securities are expected to be rated Ba3 by Moody's, which is a credit rating agency established in the European Union and registered under the CRA Regulation. Moody's appears on the latest update of the list of registered credit rating agencies on the ESMA website <https://www.esma.europa.eu/>. 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.

**Selling Restrictions:**

There are certain restrictions on offers, sales and deliveries of Securities and on the distribution of offering materials in the United States, the EEA, the United Kingdom and Ireland (see the section entitled "*Subscription and Sale*").

**ISIN:**

XS2056697951

**Common Code:**

205669795

## **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 these Listing Particulars (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.*

### **Macro-economic and geopolitical risks**

#### **1 *The Group’s business may be adversely affected by any deterioration in Irish, UK or global economic conditions***

The Group’s business activities are almost entirely based in the Irish and UK markets. Deterioration in the performance of the Irish economy or in the EU, the United Kingdom (“UK”) and/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, including property prices.

Risks posed by escalating U.S. and Chinese trade tensions and an unexpected tightening of financial conditions combined with existing vulnerabilities (for example, the Italian fiscal position and elevated levels of leveraged loans issuance) create an environment that could trigger a global downturn. Given the openness of its economy, Ireland would not be immune from such adverse developments.

A deterioration in the economic and market conditions in which the Group operates could negatively impact on the Group’s income and higher expected credit losses, and put additional pressure on the Group to more aggressively manage its cost base. This could have negative consequences for the Group to the extent that strategic investments are de-scoped or de-prioritised, and could increase operational risk. Market conditions are also impacted by the competitive environment in which the Group operates.

Any deterioration in the UK economy, whether caused by the UK’s exit from the EU (“**Brexit**”) (see “—*Brexit could lead to a deterioration in market and economic conditions in the UK and Ireland, which could adversely affect the Group’s business, financial condition, results of operations and prospects*”) or otherwise, could also have an impact on the Group’s business in the UK.

## ***2 Brexit could lead to a deterioration in market and economic conditions in the UK and Ireland, which could adversely affect the Group's business, financial condition, results of operations and prospects***

Although the overall impact of Brexit remains uncertain, and may remain uncertain for some time, it is expected to have an adverse impact on economic activity in the Group's core markets over the short to medium term, with the UK's future trading relationship with the EU post-Brexit being the key consideration in this regard.

The prolonged uncertainty surrounding the ultimate Brexit outcome has the potential to further affect economic confidence in the UK and Ireland, affecting consumer and business sentiment and investment which may create a headwind to economic growth.

As at the date of these Listing Particulars, there is still no clarity that there will be a ratified withdrawal agreement in place on 31 October 2019 and there is a risk that the UK will leave the EU without a deal or a transitional arrangement in place. The UK Government's stated intention is that the UK will leave the EU on 31 October 2019, with or without a withdrawal agreement. The EU has stated that it is not prepared to re-negotiate the draft withdrawal agreement which currently exists. As a result, it is generally considered that there is an increased likelihood of a "hard" or "no-deal" Brexit. If the UK were to leave without a deal, this could have a significant and immediate impact on Ireland's trading activity and interactions with the UK.

The UK is a significant trading partner for Ireland. The impact of Brexit may be disproportionate in relation to sectors of the Irish economy with significant linkages to the UK, including agriculture and tourism. Furthermore, the imposition of any tariffs or customs controls including the possibility of a hard border on the island of Ireland as a result of the UK's withdrawal from the EU could have an adverse effect on the export of goods or services from Ireland to the UK. Persistent uncertainty may also cause companies to delay capital expenditure, which would have an adverse impact on GDP growth. Regions of Ireland in proximity to the border with Northern Ireland may be particularly subject to negative risks from a withdrawal of the UK from the EU due to the close day-to-day interactions between Ireland and Northern Ireland.

The UK's withdrawal from the EU may also lead to volatility in exchange rates and interest rates by adversely affecting the value of pound sterling. Such volatility may adversely affect AIB's operations.

The UK's withdrawal from the EU may also have an impact on labour market conditions in Ireland. In particular, financial institutions and other financial operations currently based in the UK that rely on the EEA "passport" to access the single EEA market for financial services may seek an alternative base for their operations and relocate such operations to other jurisdictions, including Ireland. Depending on the nature of the agreement reached between the UK and the EU on migration and immigration (if any), the UK's exit from the EU could also result in restrictions on mobility of personnel and could create difficulties for the Group in recruiting and retaining qualified employees, both in the UK and Ireland. This may result in heightened competition for suitably qualified employees, which could adversely affect the Group's ability to attract and retain employees.

The legal and regulatory position of the Group's operations in the UK may also become uncertain following Brexit. If UK regulatory capital rules diverge from those of the EU, as a result of future changes in EU law which are not mirrored by the UK or vice versa, the Group's regulatory burden may increase, which likely would increase compliance costs. Accordingly, if the UK exits the EU, this could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

### ***3 Geopolitical developments, particularly in Europe, the United States and elsewhere, could have repercussions that could have a negative impact on global economic growth, disrupt markets and adversely affect the Group***

Geopolitical developments in recent years have given rise to significant market volatility and in certain instances have had an adverse impact on economic growth and performance globally. Expectations regarding geopolitical events and their impact on the global economy remain uncertain in both the short and medium term.

In particular, the European sovereign debt crisis that commenced in 2011 and the emergence of significant anti-austerity sentiment in certain Eurozone countries, including, for example, Greece and Italy, have contributed to, and may continue to contribute to, instability in the European sovereign debt markets and in the eurozone economy generally. Uncertainty over the fiscal policies of new governments of Eurozone countries, their consequences and the response of the EU may trigger a re-emergence of a sovereign debt crisis in highly-indebted Member States, disrupting equity and fixed income markets and resulting in volatile bond yields on the sovereign debt of Member States.

The emergence of anti-EU and anti-establishment political parties and a rise in separatist and protectionist sentiment across the EU may also give rise to further political instability and uncertainty. Brexit has also resulted in significant volatility within the European political environment, as described in further detail above.

In addition, Northern Ireland continues to experience significant political and social uncertainty. Since January 2017, the power sharing executive and assembly have not been in operation and negotiations to restore the governing institutions have been unsuccessful. If an arrangement cannot be agreed, the current political structures in Northern Ireland may be subject to significant change. The uncertainty resulting from these developments may have an adverse impact on economic conditions in Northern Ireland and the region, which could in turn have an adverse effect on the Group, given its operations there.

In the United States, the implementation of the Republican administration's policies, such as trade protectionism, use of targeted financial sanctions, travel restrictions and the withdrawal from the Joint Comprehensive Plan of Action with respect to Iran may in the future have an adverse effect on relations between the United States and the EU and may have an impact on economic conditions generally.

The aforementioned geopolitical developments as well as any further developments may adversely affect global economic growth, heighten trading tensions and disrupt markets, which could in turn have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

### ***4 The Group faces risks associated with the level of, and changes in, interest rates, as well as certain other market risks***

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

The Group's earnings are exposed to interest rate risk including basis risk, i.e. an imperfect correlation in the adjustment of the rates earned and paid on different products with otherwise similar repricing characteristics. The persistence of exceptionally low or negative 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 hold-to-collect-and-sell bond positions.

Interest rates also affect the affordability of the Group's products to customers. A rise in interest rates, without sufficient improvements in customers' earnings levels, could lead to an increase in default or re-default rates among customers with variable rate obligations.

Trading book risks predominantly result from supporting client businesses with small residual discretionary positions remaining. Credit valuation adjustments (“CVA”) and funding valuation 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.

## **Regulatory and legal risks**

### ***5 The Group is subject to increasing regulation and supervision following the introduction of the Single Supervisory Mechanism and the bank recovery and resolution framework, which may strain its resources***

A significant number of new regulations have been issued by the various regulatory authorities that regulate the Group’s business 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 European Central Bank (“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”), which focuses on resolution planning and enhancing resolvability, to avoid the potential negative impacts of a bank failure on the economy and financial stability. 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), as amended (“BRRD”). The SRM Regulation has been fully applicable from 1 January 2016 and the SRB has also been fully operational since that date. The BRRD has been implemented in Ireland pursuant to the European Union (Bank Recovery and Resolution) Regulations 2015, as amended (the “BRRD Regulations”). The BRRD Regulations, other than regulations 79 to 94, came into effect on 15 July 2015. Regulations 79 to 94 came into effect on 1 January 2016. The establishment of the SRM is designed to ensure that supervision and resolution are 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 bank recovery and resolution framework established by the BRRD/SRM package is to break the linkages between national banking systems and sovereigns. The 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 and also minimising cost to taxpayers. Among other provisions, the BRRD requires banks to produce a comprehensive recovery plan that sets out detailed measures that could be taken to restore the viability of the institution in the event of extreme stress. 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 BRRD or other applicable law or regulation.

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 those that are imposed on it under other applicable compensation schemes relating to banks or other financial institutions in financial difficulty. In addition, the challenge of meeting this degree of regulatory change will place a strain on the Group’s resources. 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.

**6 *The Group is required to comply with a wide range of laws and regulations. If the Group fails to comply with these laws and regulations, it could become subject to regulatory actions***

The legal and regulatory landscape in which the Group operates is constantly evolving and the burden of compliance with laws and regulations is increasing. As new laws or regulatory schemes are introduced, the Group may be required to invest significant resources in order to comply with the new legislation or regulations. For example, the introduction of the 5<sup>th</sup> EU Anti-Money Laundering Directive will result in the Group being required to introduce significant changes to its systems and processes in order to ensure compliance. Further, the continuing implementation of the Payment Services Directive ("**PSD2**") and the Open Banking Standard requires investment in developing application programming interface infrastructures, as well as increased ongoing compliance costs. Furthermore, the laws and regulations to which the Group is already subject could change as a result of changes in interpretation or practice by courts, regulators or other authorities, resulting in higher compliance costs and resource commitments, and/or a failure by the Group to implement the necessary changes to its business within the time period specified.

The Issuer (which is the parent company of the Group) is incorporated and has its head office in Ireland. While the Central Bank continues to regulate certain areas of the Group's business, including consumer protection in Ireland, it is the ECB (together with support from the Central Bank) that has primary responsibility for the prudential supervision of the Group. The Group faces risks associated with an uncertain and rapidly evolving prudential regulatory environment, pursuant to which it is required, among other things, to maintain adequate capital resources and to satisfy specified capital ratios at all times. The Group's borrowing costs and capital requirements could be affected by prudential regulatory developments, including CRD IV (Directive 2013/36/EU), the Capital Requirements Directive V (Directive (EU) 2019/878) ("**CRD V**"), which includes amendments to CRD IV (Directive 2013/36/EU) (as so amended, "**CRD IV**"), the Capital Requirements Regulation II (Regulation (EU) 2019/876) ("**CRR II**") which includes amendments to the Capital Requirements Regulation (Regulation (EU) No. 575/2013) (as so amended, the "**CRR**") and amendments which have been made to BRRD by way of Directive (EU) 2019/879 ("**BRRD II**"). On 25 May 2018, the Council of the EU agreed its stance on the proposals included in CRD V and CRR II and asked the presidency to start negotiations with the European Parliament. The European Parliament confirmed its position on the proposals at its June 2018 plenary. The European Parliament and the Council of the EU reached agreement on the main elements of the proposals in late 2018, which were endorsed by the Committee of Permanent Representatives ("**COREPER**") on 30 November 2018 and approved by the Economic and Financial Affairs Council on 4 December 2018. In February 2019, COREPER endorsed the positions agreed with the European Parliament on all elements of the proposals. On 16 April 2019, the European Parliament endorsed the provisional agreement reached with Member States during the political trilogues. The agreed text was published in the Official Journal on 7 June 2019. Most of the provisions of CRD V and BRRD II are required to be transposed into national law by 28 December 2020, with application immediately thereafter. CRR II will apply from 28 June 2021 (subject to certain earlier applications and exemptions, such as those relating to the transitional arrangements for IFRS 9 and the characteristics of new regulatory capital instruments).

The ECB published guidance to banks on non-performing exposures in March 2017. The ECB's objective in issuing the guidance was to drive strategic and operational focus on the reduction of non-performing exposures, together with further harmonisation and common definitions of non-performing exposures and forbearance measures. Non-compliance with the guidance may trigger supervisory measures that are not further specified in the guidance. Subsequently the ECB published the "*Addendum to the ECB Guidance to banks on non-*

*performing exposures: supervisory expectations for prudential provisioning of non-performing exposures*” in March 2018, which could lead to the phasing in of stricter provisioning or capital guidance in any future Supervisory Review and Evaluation Process (“**SREP**”) if the bank does not continue to execute its non-performing exposures deleveraging strategy. On 4 April 2019, the European Council adopted a “prudential backstop” for non-performing exposures complementing the existing prudential rules. The purpose of this requirement is to ensure sufficient coverage for non-performing exposures. This could require the Group to have higher provision coverage for non-performing exposures in the future or make a deduction from own funds.

The Group faces risks and challenges due to interest rate benchmark reform, including preparation for the potential discontinuation of EONIA and EURIBOR beginning January 2020. For example, conduct risk could arise for the Group as a result of changes to customers’ terms and conditions for banking products that reference discontinued interest rate benchmarks.

Additional capital and liquidity requirements or guidance and other requirements, whether based on an interpretation of current rules or the application of new rules or guidance being proposed by EU legislators, could be imposed on the Group, including as a result of the SREP carried out under the SSM or stress testing by the ECB and the European Banking Authority (“**EBA**”). Such additional requirements could include a revision of the level of Pillar 2 add-ons as the Pillar 2 add-on requirements or guidance are a point-in-time assessment and therefore subject to change over time, or changes to the combined buffer requirements applicable (see “—*The Group may have insufficient capital to meet increased minimum regulatory requirements*”). Additional capital and/or liquidity requirements could lead to increased costs for the Group, limitations on the Group’s capacity to lend and further restructuring of the Group which could have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Group.

To support the effectiveness of bail-in and other resolution tools, Article 130(1) of the BRRD requires that from 1 January 2016 Member States apply the BRRD’s provisions requiring EU credit institutions and certain investment firms to maintain minimum requirements for own funds and eligible liabilities (“**MREL**”), subject to the provisions of the MREL regulatory technical standards.

The MREL requirements are determined on a case-by case basis taking into account (i) resolvability; (ii) capital adequacy; (iii) sufficiency of eligible liabilities; (iv) participation in a deposit guarantee scheme; (v) business risks (business model, funding, risk profile); and (vi) systemic risk (interconnectedness). The Group’s MREL requirements will be set by the SRB, in consultation with the ECB and the Central Bank of Ireland. The calculation of MREL should consider the need, in case of any application of the bail-in tool, to ensure that the institution is capable of absorbing an adequate amount of losses and being recapitalised by an amount sufficient to restore its Common Equity Tier 1 (“**CET1**”) ratio to a level sufficient to maintain its capital requirements for authorisation and sustain market confidence.

The SRB has been developing its MREL policy with a view to setting binding MREL targets for the most systemic banking groups in the Banking Union and will develop additional policies and methodologies in respect of MREL based on existing legislation and other relevant regulatory developments.

The SRB has set the Group’s MREL target at 16.76 per cent. of Total Liabilities and Own Funds (“**TLOF**”) (representing 28.22 per cent. of risk weighted assets (“**RWAs**”) at 31 December 2017) to be met by 1 January 2021. The implementation of the Countercyclical Capital Buffer (“**CCyB**”) for Ireland will increase the MREL target for future years. In addition, an estimated increase in RWAs of approximately €2 billion due to the Targeted Review of Internal Models (“**TRIM**”) is also likely to increase the quantum of MREL issuance required. The MREL requirements could have an impact on the Group’s operations, structure, costs and/or capital/funding requirements.

The Group has exercised its EU “passport” rights to provide banking, treasury and corporate treasury services in the UK through the London branch of Allied Irish Banks, p.l.c. (“**AIB Bank**”). The Group must comply with the FCA Conduct of Business rules in so far as they apply to its business carried out in the UK. In the United States, the Group is subject to federal and state banking and securities law supervision and regulation as a result of the banking activities conducted by AIB Bank’s branch in New York. Thus, the Group is required to design and implement policies that ensure compliance with legislation promulgated by the FCA and the Prudential Regulation Authority (the “**PRA**”) in the UK and the relevant regulatory authorities in the United States. This may result in additional compliance costs as well as requiring increased management attention, which may divert focus from other areas of its business.

There is also a risk that pressures from the media, consumer groups and/or politicians could influence the agenda of the ECB, the Central Bank, the FCA or the PRA. For instance, a wide-ranging review of competition within the Irish mortgage sector by the Competition and Consumer Protection Commission of Ireland (“**CCPC**”) took place in 2017 as part of the current programme for the government of the Republic of Ireland (the “**Irish Government**”) (a similar review having been completed on the UK banking sector in 2016), and in June 2017, the CCPC published its report on “options for the Irish mortgage market”. The report, which followed an extensive public consultation process outlined a range of options and areas for further study to assist the Irish Government develop a better-functioning, competitive and stable mortgage market. The issues of “mortgage switching behaviour” and “consumer attitudes to switching” were some of the areas identified in the report as requiring further regulatory focus. In this regard, in August 2017, the Central Bank published a consultation paper entitled “Enhanced Mortgage Measures: Transparency and Switching” proposing to amend the Consumer Protection Code 2012 (“**CPC**”) by introducing enhanced transparency measures for fixed rate interest rate mortgage holders. In June 2018, the Central Bank, having considered the responses received from the published consultation paper announced that it proposed to introduce new and amend certain existing provisions of the CPC to give effect to these enhanced protections by publishing an addendum to the CPC which became effective from 1 January 2019.

Additionally, in July 2018, the Central Bank published the outputs of its review of behaviour and culture in the five main retail banks in Ireland, including the Group. The report recommends the introduction of legislation to support an individual accountability framework, which would set conduct standards for staff and ensure clearer lines of accountability within firms. As a part of such regulatory reviews as those on the mortgage and retail banking sectors, the Group may be required to modify its business and the pricing of its products to satisfy new or amended regulatory requirements.

Adverse regulatory action or adverse judgments in litigation could result in a monetary fine or penalty, adverse monetary judgment 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 settle litigation or regulatory proceedings prior to a final judgment or determination of liability to avoid the cost, management efforts or negative business, regulatory or reputational consequences of continuing to contest liability, even when the Group believes that it has no liability or when the potential consequences of failing to prevail would be disproportionate to the costs of settlement. Furthermore, the Group may, for similar reasons, reimburse counterparties for their losses even in situations where the Group does not believe that it is legally compelled to do so.

#### ***7 Loan-to-value (“LTV”)/Loan-to-income (“LTI”) related regulatory restrictions on residential mortgage lending may restrict the Group’s mortgage lending activities and balance sheet growth generally***

The Central Bank has, under the Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Housing Loan Requirements) Regulations 2015, as amended (the “**LTV/LTI Regulations**”), imposed restrictions on Irish residential mortgage lending by lenders that are regulated by the Central Bank (such as AIB Bank, AIB



Mortgage Bank, EBS d.a.c. (“**EBS**”), EBS Mortgage Finance and Haven Mortgages Limited (“**Haven**”) in the case of AIB). The LTV/LTI Regulations aim to increase both bank and borrower resilience and mitigate the risks of credit-house price spirals emerging, by limiting the LTV and LTI ratios that apply to new residential mortgage lending. In relation to principal dwelling home (“**PDH**”) lending, the Group is required to restrict lending above 90 per cent. LTV of the property to no more than 5 per cent. of the value of mortgages to first time buyers and restrict lending above 80 per cent. LTV to no more than 20 per cent. of the value of mortgages to second and subsequent buyers in a calendar year. Mortgages for non-PDHs have a restriction to lending above 70 per cent. LTV of no more than 10 per cent. of the value of mortgages to buy-to-let buyers in a calendar year.

From 1 January 2018, the Group has also been required to restrict lending above 3.5 times LTI to no more than 20 per cent. (for first time buyers) of the aggregate value of the PDH loans made in the relevant period, subject to certain exemptions. The restriction is 10 per cent. for second and subsequent buyers. The Group needs to ensure that it dedicates sufficient resources to, and has the necessary procedures and controls in place to, ensure that the exception levels permitted under the regulations are monitored and not breached. These restrictions may adversely affect the level of new mortgage lending the Group can undertake and the costs of administering its residential mortgage lending, and hence may have a material adverse effect on its business, results of operations, financial condition and prospects.

**8 *The Group is subject to anti-money laundering, counter-terrorist financing, anti-corruption and sanctions regulations and, if it fails to comply with these regulations, it may face administrative sanctions, criminal penalties and/or reputational damage***

The Group is subject to laws and regulations aimed at preventing money laundering, anti-corruption and the financing of terrorism. Monitoring compliance with anti-money laundering (“**AML**”), counter-terrorist financing (“**CTF**”) and anti-corruption and sanctions 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 intrusive, resulting in several landmark fines against 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 way existing laws might be administered or interpreted. Furthermore, there is a greater focus by regulators on the overall effectiveness of financial institutions’ efforts to tackle financial crime beyond issues of mere technical compliance which requires constant enhancement of and investment in their overall financial crime response.

The 4<sup>th</sup> EU Anti-Money Laundering Directive (“**MLD4**”) emphasises a “risk-based approach” to AML and CTF and imposes obligations on Irish incorporated bodies (such as AIB) to take measures to compile information on beneficial ownership. In addition to this, the AML/CTF regulatory landscape is constantly changing with a series of proposed further amendments to MLD4 arising from events such as terrorist attacks in Europe and the leaking of papers containing highly sensitive information as well as a desire to align European AML/CTF laws with recommendations from the Financial Action Task Force.

The combined impact of these changes is the 5<sup>th</sup> EU Anti-Money Laundering Directive (“**MLD5**”), the final text of which was published on 19 June 2018. Member States have until January 2020 to implement this into domestic law (with certain later transposition dates for some aspects of MLD5 over an 18 month period), but it is expected to be transposed in most Member States by the third quarter of 2019. In addition, a 6<sup>th</sup> EU Anti-Money Laundering Directive (“**MLD6**”) was agreed by the EU in December 2018 which means Member States will have until mid-2021 to harmonise predicate offences giving rise to money laundering.

Moreover, global money laundering cases have recently received increased scrutiny, with a number of major European banks implicated in such matters. A further 7<sup>th</sup> EU Anti-Money Laundering Directive is currently

being discussed in order to deal with the fallout from these banking cases. The Group will need to continue to monitor and reflect the changes under MLD4, MLD5 and MLD6 in its own policies, procedure and practices, and to update its framework to take account of the risk-based approach and the specific manner in which these requirements are transposed into national law by the transposing legislation in Ireland and the UK, together with any related industry guidance from regulators in each jurisdiction.

In light of the geopolitical developments referred to in “—*Geopolitical developments, particularly in Europe, the United States and elsewhere, could have repercussions that could have a negative impact on global economic growth, disrupt markets and adversely affect the Group*” above, there has also been a recent increase in the use of targeted financial sanctions by the United States against certain Russian individuals and organisations. Moreover, global money laundering cases have recently received increased scrutiny, with a number of major European banks implicated in such matters. Given the scale, nature and complexity of these sanctions and the extent to which the targets of these are integrated into the wider global economy, there remains an increased risk that the Group could find itself transacting with customers who could become subject to such sanctions and potentially face the consequence of secondary United States sanctions as a result of this.

Although the Group has policies and procedures that are designed to comply with applicable AML/CTF, anti-corruption and sanctions rules and regulations, it cannot guarantee that such policies and procedures completely prevent situations of money laundering, terrorist financing, breaches of sanctions or corruption, including actions by the Group’s employees, agents, third party suppliers or other related persons for which the Group might be held responsible. Any such events may have severe consequences, including litigation, sanctions, fines and reputational consequences, which could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

## **9 *The BRRD contains resolution tools and other measures that may have a material adverse effect on the Group and the Holders***

While the SRB has indicated its Preferred Resolution Strategy (“**PRS**”) for the Group is single point of entry bail-in through AIB Group plc, the BRRD is designed to provide relevant authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing credit institution so as to ensure the continuity of the institution’s critical financial and economic functions, while minimising the impact of a credit institution’s failure on the economy and financial system.

The BRRD also equips the resolution authority with certain resolution powers (the “**Resolution Tools**”) in circumstances where the credit institution is failing or is likely to fail to:

- transfer to a purchaser shares, other instruments of ownership and/or all specified assets, rights or liabilities of the credit institution (known as the “sale of business tool”);
- 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 (known as the “bridge institution tool”);
- 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 (known as the “asset separation tool”); and/or
- write down the claims of unsecured creditors (including the Holders) of an institution and convert debt to equity or other instruments of ownership (including subordinated securities such as the Securities), with, in broad terms, the first losses being taken by shareholders and thereafter by the Holders and any other holders of securities ranking *pari passu* with the Securities and then Senior Creditors (as defined

in the Conditions, which includes holders of Tier 2 instruments issued by the Issuer), with the objective of recapitalising an institution (known as the “General Bail-In Tool”).

The BRRD also provides for a Member State as a last resort, after having assessed and exhausted the above resolution tools to the maximum extent possible while 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 and is subject to the condition that a contribution to loss absorption and recapitalisation equal to an amount not less than 8 per cent. of total liabilities, including own funds of the institution under resolution, has been made by the shareholders and the holders of other instruments of ownership, the holders of relevant capital instruments (which would include in the case of the Issuer, the Securities) and other eligible liabilities through write down, conversion or otherwise.

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; its assets are, or are likely in the near future to be, less than its liabilities; it is, or is likely in the near future to be, unable to pay its debts as they fall due; or it requires extraordinary public financial support (except in limited circumstances).

The SRB may exercise the Resolution Tools with respect to the Group. In addition, the Bank of England, as resolution authority for AIB Group (UK) p.l.c. (“**AIB UK**”), could resolve the UK operations under BRRD, which could result in losses being transferred up to AIB through its share ownership and intercompany debt. The PRS is a group-wide concept involving a single point of entry through AIB Group plc and is executed by the SRB in consultation with the Resolution College.

Amongst other provisions, the BRRD contains 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 Issuer or the Group will no longer be viable or if a decision has been made to provide the Issuer or the Group with extraordinary public financial support without which the Issuer or the Group will no longer be viable.

In respect of the Write Down Tool, which was implemented for Additional Tier 1 instruments (as defined in the BRRD Regulations) and Tier 2 instruments (as defined in the BRRD Regulations) with effect from 15 July 2015, and the General Bail-In Tool, which was implemented in Ireland on 1 January 2016, the resolution authority has 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 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 or other instruments of ownership 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 such compensation may not compensate that holder for the losses it has actually incurred and there may be a considerable delay in the recovery of such compensation. Compensation payments (if any) may also be made considerably later than when amounts may otherwise have been payable under the Securities. 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 resolution 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. This application may result in such holders losing some or all of their investment.

Any write down or conversion of amounts in accordance with the Write Down Tool will not constitute an event of default under the terms of the relevant instruments (including the Securities). Consequently, any amounts so written down will be irrevocably lost and the holders of such instruments (including the Securities) 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. 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 BRRD or other applicable law or regulation.

The powers set out in the BRRD will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Under the BRRD, 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 BRRD and the SRM Regulation may severely affect the rights of the Holders which may result in the loss of the entire investment represented by the Securities in the event of non-viability. The exercise of any such power or any suggestion or anticipation of such exercise could, therefore, materially adversely affect the value of the Securities and/or the ability of the Issuer to satisfy its obligations under the Securities. Furthermore, the exercise of the Write Down Tool in respect of the Securities or any suggestion or anticipation of such exercise could materially adversely affect the value of the Securities.

***10 The SRB or SSM may take actions which require the Group to change, or otherwise result in the Group changing, its legal structure, or take other actions which could have a significant impact on the Group's operations, structure, costs and/or capital requirements***

*SRB role in resolution planning*

Pursuant to the SRM Regulation, on 1 January 2016, the SRB became responsible for drawing up the Group's resolution plan providing for resolution actions that may be taken if the Group were to fail or be likely to fail. In drawing up the Group's resolution plan, the SRB identifies 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 less optimally composed or more expensive;
- issuing additional liabilities at various levels within the Group to ensure that there is sufficient loss-absorbing and recapitalisation capacity in place and that adequate arrangements are in place to meet the Group's funding and liquidity needs throughout the resolution. This may result in higher capital and funding costs for the Group, and thus adversely affect the Group's profits and its ability to pay dividends and interest payments on the Securities;
- 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 the resolvability of the Group. This may result in additional costs and operational complexity for the Group; and

- requiring the Group to enhance its data infrastructure and management information systems to facilitate an expeditious valuation of its assets and liabilities over the course of the resolution event.

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 SRB has communicated to all banks under its remit areas of focus where potential impediments to resolvability could arise. The Group has initiated programs to work to mitigate any such potential impediments. In addition, the SRB has communicated that its preferred resolution strategy for the Group is single point of entry bail-in through the Issuer.

#### *SSM role in Recovery planning*

The BRRD sets out functions of the SSM (as consolidated supervisor of the Group) in conjunction with the PRA (as competent authority for AIB UK) with respect to the drawing up and maintenance by the Group on a Group basis of a recovery plan which must set out measures to be taken by the Group to restore its financial position following a significant deterioration of that position. An assessment by the SSM in conjunction with the PRA of such recovery plan proposed by the Group may result in the Group being required to address any material deficiencies in the recovery plan or any material impediments to its implementation. Failure by the Group to satisfy such direction may result in the SSM taking measures against the Group, including, but not limited to, directing the Group to do one or more of the following:

- reduce its risk profile;
- enable timely recapitalisation measures;
- review its strategy and structure;
- make changes to its funding strategy so as to improve the resilience of its business lines and critical functions; and/or
- make changes to its governance structure.

Any further changes to be implemented in respect of the SRM Regulation and the BRRD may have an effect on the Group's business, financial condition or prospects. Failure by the Group to implement those changes and requirements may result in regulatory action such as increased regulatory capital levels, monetary fines or other sanctions and penalties. Depending on the specific nature of the changes and requirements and how they are enforced, such changes and requirements could have a significant impact on the Group's operations, structure, costs and/or capital requirements.

#### **11 *The Group's financial results may be negatively affected by changes to, or application of, accounting standards***

The Group reports its results of operations and financial position in accordance with the International Financial Reporting Standards, as adopted by the EU ("IFRS"). Changes to IFRS or interpretations thereof may cause its future reported results of operations and financial position to differ from current expectations, or historical results to differ from those previously reported due to the adoption of accounting standards on a retrospective basis. Such changes may also affect the Group's regulatory capital.

The Group monitors potential changes to accounting standards and when these are finalised, it determines the potential impact and discloses significant future changes in its financial statements.

## **12 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. For example, litigation has been served on the Group by customers that are pursuing claims in relation to the Tracker Mortgage Examination (see “—*The Group is subject to conduct risk, including changes in laws, regulations and practices of relevant authorities and the risk that its practices are challenged under current regulations or standards, and if it is deemed to have breached any of these laws or regulations, it could suffer reputational damage or become subject to challenges by customers or competitors, or sanctions, fines or other actions*” below for further information) and further cases may be served.

Adverse regulatory action or adverse judgments in litigation could result in a monetary fine or penalty, adverse monetary judgment or settlement and/or restrictions or limitations on the Group's operations or result in a material adverse effect on the Group's reputation.

## **13 The Group may be adversely affected by the budgetary and taxation policies of the Irish, UK and other governments through changes in taxation law and policy**

Taxation changes may directly impact the financial performance of the Group through measures such as the bank levy introduced by the Irish Government in 2014 and the restrictions on use of tax losses introduced in the UK in 2015 and 2016. Such taxation changes could have a material adverse effect on the Group's financial position. Changes in Irish or UK taxation will arise from the Organisation for Economic Co-operation and Development (“OECD”) Base Erosion and Profits Shifting (“BEPS”) project and the EU Anti-Tax Avoidance Directives (“ATAD1” and “ATAD2”). The detail of these changes is not yet clear in all cases and there remains potential for them to have an adverse impact on the Group's financial position.

In addition, changes in taxation policy and other tax measures adopted by the Irish or UK Governments, or by international organisations such as the EU, may have an adverse impact on economic activity generally, or on borrowers' ability to repay their loans and, as a result, on the Group's business.

In addition to potential impacts from the OECD BEPS project, ATAD1 and ATAD2, other international initiatives in recent years which could have such impacts include the Decision of the European Commission in the Apple case and various initiatives in relation to the digital economy. In the Apple case, the European Commission ruled that Apple Inc. had received €13 billion of illegal state aid from Ireland in its taxation arrangements. Ireland and Apple are appealing that ruling. There were various international initiatives in relation to the taxation of the digital economy, which if enacted could have a significant impact on a number of digital companies with a large presence in Ireland. These and any other similar actions could result in companies relocating from Ireland or deciding to invest in other jurisdictions, which could have an adverse impact on the Irish economy and, as a result, on the Group's business.

## **14 The Irish legislation and regulations in relation to mortgages, as well as judicial procedures for the enforcement of mortgages, custom, practice and interpretation of such legislation, regulations and procedures, may result in higher levels of default by the Group's customers, delays in the Group's recoveries in its mortgage portfolio and increased impairments**

Legislative and regulatory requirements such as the Personal Insolvency Act and the Central Bank's Code of Conduct on Mortgages Arrears (“CCMA”) could result in delays in the Group's recoveries in respect of its mortgage portfolio and increased impairments, which could have a material adverse effect on its business, results of operations, financial condition and prospects. Furthermore, in instances where the Group seeks to

enforce security on commercial or residential property (in particular over PDH), the Group may encounter significant delays arising from judicial procedures, which often entail significant legal and other costs. Custom, practice and interpretation of Irish legislation, regulations and procedures may also contribute to delays or restrictions on the enforcement of security. The courts or legislature in Ireland may have particular regard to the interests and circumstances of borrowers in disputes relating to the enforcement of security above or sale of their loans which is different to the custom and practice of courts in other jurisdictions. As a result of these factors, enforcement of security or recovery of delinquent loans in Ireland may be more difficult, take longer and involve higher costs for lenders as compared to other jurisdictions, or it may not be feasible for the Court to enforce security.

As of August 2019, the Land and Conveyancing Law Reform (Amendment) Act 2019 has come into force. This Act adopts similar protective measures for home owners as proposed in the Keeping People in their Homes Bill 2017. As a result, the Group may face certain additional restrictions on its ability to collect or enforce mortgages that are in arrears. This could result in delays in the Group's recoveries in respect of its mortgage portfolio and increased impairments. Legislation has also been introduced with regard to loans sold to third parties under the Consumer Protection (Regulation of Credit Servicing Firms) Act 2018, which regulates third party loan acquirers and their loan servicers and may give rise to further implications for future loan sales undertaken by the Group. Further legislation is proposed with regard to loans sold to third parties, such as the No Consent, No Sale Bill 2019. This Bill seeks to transpose the Central Bank's Code of Practice on Transfer of Mortgages into statute and would restrict banks from selling residential mortgages without the written consent of the borrower, which may give rise to further implications for future loan sales undertaken by the Group.

The Irish Government may also seek to influence 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. Furthermore, the laws and regulations to which the Group is already subject could change as a result of changes in interpretation or practice by courts, regulators or other authorities.

In common with other residential mortgage lenders, the Group faces increased supervisory engagement and focus by the Irish Government, the Oireachtas and regulators such as the Central Bank and the CCPC, on its loan book, in particular its residential mortgage book, with respect to such matters as the interest rates it charges on loans. This could result in increased regulation of the Group's loan book which may impact the Group's level of lending, interest income and net interest margin and/or increased operational costs.

Any of the foregoing could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

***15 The Group is subject to conduct risk, including changes in laws, regulations and practices of relevant authorities and the risk that its practices are challenged under current regulations or standards, and if it is deemed to have breached any of these laws or regulations, it could suffer reputational damage or become subject to challenges by customers or competitors, or sanctions, fines or other actions***

The Group is exposed to conduct risk, which the Group defines as the risk that inappropriate actions or inactions cause poor or unfair customer outcomes or market instability. Certain aspects of the Group's business may be determined by regulators in various jurisdictions or by courts not to have been conducted in accordance with applicable local or, potentially, overseas laws and regulations, or in a fair and reasonable manner as determined by the local ombudsman. If the Group fails to comply with any relevant laws or regulations, it may suffer reputational damage and may be subject to challenges by customers or competitors, or sanctions, fines or other

actions imposed by regulatory authorities. The Group's practices may also be challenged under current regulations and standards. There is also a risk that pressures from the media, consumer groups and/or politicians could influence the agenda of the Central Bank and the FCA.

In September 2015, the Central Bank wrote to the Group to inform the Group that it had embarked on the Tracker Mortgage Examination. In December 2015, the Central Bank confirmed to the affected lenders that the objective of the Tracker Mortgage Examination was to assess compliance with both contractual and regulatory requirements relating to tracker mortgages and in circumstances where customer detriment is identified from the Tracker Mortgage Examination, to provide appropriate redress and compensation in line with the Central Bank's 'Principles for Redress'. Provisions of €178 million were created in the period 2015 to June 2019 relating to customer redress and compensation in respect of the Tracker Mortgage Examination. The Group has utilised over €170 million of these provisions up to June 2019.

In March 2018, AIB Bank and EBS were advised by the Central Bank of the commencement of investigations in connection with the Tracker Mortgage Examination. The investigations relate to alleged breaches of the relevant consumer protection legislation, principally regarding inadequate controls or instances where AIB Bank or EBS acted with a lack of transparency, unfairly or without due skill and care. In this regard, the Group created a provision of €35 million for the impact of monetary penalties that is expected to be imposed on the Group by the Central Bank of Ireland ("CBI") being its best estimate based on external developments in the industry at 30 June 2019. However, this matter is still considered to be at a relatively early stage, and the amount provided for is subject to uncertainty with a range of outcomes possible, with the final outcome being higher or lower depending on finalisation of all matters associated with the investigation.

In addition, 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 subsequently determined to have been inappropriate. This 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.

Changes in laws or regulations may substantially change the requirements applicable to the Group in a short period of time and/or without transitional arrangements. If the Group is unable to manage these risks, its business, results of operations, financial condition and prospects could be materially adversely affected.

### **Risks relating to business operations, governance and internal control systems**

#### ***16 The Group is subject to credit risks in respect of customers and counterparties, including risks arising due to concentration of exposures across its loan book, and any failure to manage these risks effectively could have a material adverse effect on its business, financial condition, results of operations and 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, investment securities, derivatives and from off-balance sheet guarantees and commitments. Due to the nature of its business, the Group has extensive exposure to the Irish property market, both because of its mortgage lending activities and its property and construction loan book. Accordingly, any development that adversely affects the Irish property market could have a significant impact on the Group.



The Group's monitoring of its loan portfolio is dependent on the effectiveness, and efficient operation, of its processes including credit grading and scoring systems and there is a risk that these systems and processes may not be effective in evaluating credit quality. If the Group is unable to manage its credit risk effectively, its business, results of operations, financial condition and prospects could be materially adversely affected.

### ***17 The Group's strategy may not be optimal and/or not successfully implemented***

The Group has identified several strategic objectives for its business. There can be no assurance that the Group's strategy is the optimal strategy for delivering returns to shareholders. The various elements of the Group's strategy may be individually unnecessary or collectively incomplete. The Group's strategy may also prove to be based on flawed assumptions regarding the pace and direction of future change across the banking sector. Finally, the Group may not be successful in implementing its strategy in a cost-effective manner. The Group's business, results of operations, financial condition and prospects could be materially adversely affected if any or all of these strategy-related risks were to materialise.

The Group operates in competitive markets in Ireland and the UK, with market share and associated profits depending on a combination of factors including product range, quality and pricing, reputation, brand performance and relative sales and distribution strength, among others.

Medium-term competitive risks include:

- more intense price-based competition from incumbent providers;
- an increase in the use of intermediaries in the mortgage market;
- the emergence of new, lower-cost, competitors in the Irish mortgage market;
- sustained disintermediation of traditional banks, including the Group, from specialist and generalist product lines;
- the internationalisation of supply and demand for low-complexity products such as deposits;
- the successful establishment of virtual banks; and
- the introduction of the PSD2, which may enable the emergence of payment aggregators, which could in turn significantly reduce the relevance of traditional bank platforms and weaken brand relationships.

In addition, the Central Bank is focused on the promotion of higher levels of competitive intensity in the banking market, in common with regulators in other European jurisdictions. Mortgage interest rates in Ireland are higher than Eurozone norms and this, together with the low incidence of switching mortgage providers, is an area of focus for the Central Bank. 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.

### ***18 If a poor or inappropriate culture develops across the Group's business, this may adversely impact its performance and impede the achievement of its strategic goals***

The Group must continually develop and promote an appropriate culture that drives and influences the activities of its business and staff and its dealings with customers in relation to managing and taking risks and ensuring risk considerations continue to play a key role in business decisions. It is senior management's responsibility to ensure that the appropriate culture is embedded throughout the organisation. As was demonstrated by many banks during the financial crisis, if an inappropriate culture develops, then a strategy or course of action could be adopted that results in poor customer outcomes. If the Group is unable to maintain an appropriate culture,

this could have a negative impact on the Group's business, result of operations, financial condition and prospects.

**19 *Damage to the Group's brand or reputation could adversely affect its relationships with customers, staff, shareholders and regulators***

Management of the Group aims to ensure that the Group's brands, which include the AIB, EBS and Haven brands in Ireland, the Allied Irish Bank (GB) brand in Great Britain and the First Trust Bank brand in Northern Ireland, are at the heart of its customers' financial lives by being useful, informative, easy to use and providing an exceptional customer experience. The Group's relationships with its stakeholders, including its customers, staff and regulators, could be adversely affected by any circumstance that causes real or perceived damage to its brands or reputation. In particular, any regulatory investigations, inquiries, litigation, actual or perceived misconduct or poor market practice in relation to customer-related issues could damage the Group's brands and/or reputation. Any damage to the Group's brands and/or reputation could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

**20 *Constraints on the Group's access to funding, including a loss of confidence by depositors or curtailed access to wholesale funding markets, may result in the Group being required to seek alternative sources of funding***

Conditions may arise which would constrain funding or liquidity opportunities for the Group over the longer term. Currently, the Group funds its lending activities primarily from customer accounts. Consequently, a loss of confidence by depositors in the Group, the Irish banking industry or the Irish economy, could ultimately lead to a reduction in the availability and/or increase in the cost of funding or liquidity resources. 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, adversely impacting the ability of the Group to issue debt securities or regulatory capital instruments to the market. Execution risk in respect of the Group's MREL issuance plan may arise as AIB Group MREL-eligible issuance products have limited precedent, and this may result in a lack of depth to the market and minimal investor demand. At the same time, competitor banks across Europe will be following a similar strategy.

The Group could also be negatively affected by actual or perceived deterioration in the soundness of other financial institutions and counterparties. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, industry payment systems, clearing houses, banks, securities firms and exchanges with whom the Group interacts on a daily basis.

The ECB has announced a new longer-term refinancing operations scheme (TLTRO-III) to be launched in September 2019 and ending in March 2021. The introduction of this scheme could reduce the impact that the withdrawal of Central Bank funding through quantitative easing may have on the amount of overall liquidity and the cost of funding for the Group.

A stable and sustainable customer deposit base has allowed the Group to reduce its wholesale funding requirements over the last several years. This, in turn, has facilitated an increase in the Group's unencumbered 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 unlikely event that the Group exhausted these sources of liquidity it would be necessary to seek alternative sources of funding from monetary authorities.

**21 *Downgrades to the Issuer's, Ireland's sovereign or other Irish bank credit ratings or outlook could impair the Issuer's access to private sector funding, trigger additional collateral requirements and weaken its financial position***

AIB's long-term senior unsecured debt is rated BBB- (with a stable outlook) by S&P Global Ratings Europe Limited ("S&P") (from December 2018), Baa3 (with a positive outlook) by Moody's (from July 2018) and BBB- (with a positive outlook) by Fitch Ratings Limited ("Fitch") (from November 2018). Each of S&P, Moody's and Fitch is registered in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies. Over the longer term, downgrades in the credit ratings of AIB could have an adverse impact on the volume and pricing of its wholesale funding and its financial position, restrict its access to the debt 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, as a consequence of the Group's operations being focused on the Irish market, any downgrade of Ireland's sovereign credit rating or a downgrade of one or more other Irish banks with large shares in the concentrated Irish banking market would be likely to impair the Group's access to private sector funding and weaken its financial position.

**22 *The Group's risk management systems, processes, guidelines and policies may prove inadequate for the risks faced by its business and any failure to properly assess or manage the risks which it faces could cause harm to the Group's business***

The Group is exposed to a number of material risks, such as business model risk, capital adequacy risk, funding and liquidity risk, credit risk, financial risk, regulatory compliance risk, operational risk, people and culture risk, restructure execution risk, model risk and conduct risk, that it manages through its risk management framework. 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 is 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.

**23 *The Group uses models across many, though not all, of its activities and if these models prove to be inaccurate, its management of risk may be ineffective or compromised and/or the value of its financial assets and liabilities may be overestimated or underestimated***

The Group uses models across many, though not all, of its activities including, but not limited to, capital management, credit grading, loan loss provisioning, valuations, liquidity, pricing and stress testing. The Group also uses financial models to determine the fair value of derivative financial instruments, financial instruments through profit or loss, certain hedged financial assets and financial liabilities and financial assets at fair value through other comprehensive income ("FVOCI"). Since the Group uses risk measurement models based on historical observations, there is a risk that it underestimates or overestimates exposure to various risks to the extent that future market conditions deviate from historical experience. Furthermore, as a result of evolving regulatory requirements, the importance of models across the Group's business has been heightened and their importance may continue to increase, in particular because of reforms introduced by the Basel Committee on Banking Supervision. If the Group's models do not accurately estimate its exposure to various risks, it may experience unexpected losses. The Group may also incur losses as a result of decisions made based on inaccuracies in these models, including the data used to build them or an incomplete understanding of these models.

If the Group's models are not effective in estimating its exposure to various risks or determining the fair value of its financial assets and liabilities or if its models prove to be inaccurate, its business, financial condition, results of operations and prospects could be materially adversely affected.

The Group's credit models are subject to ongoing regulatory reviews and inspections, which may give rise to additional capital requirements, replacement of internal ratings-based (“**IRB**”) models with a standardised approach or reputational risk for the Group.

The Group requires approval from the ECB in order to implement new IRB models or to change existing approved IRB models. It is also subject to reviews and inspections from the ECB and other regulatory bodies in relation to the models, such as TRIM, a process being undertaken by the ECB to increase harmonisation in approaches to internal models used by banks across the EU.

***24 The Group has a high level of criticised loans and non-performing exposures on its statement of financial position and there can be no assurance that it will continue to be successful in reducing the level of these loans. The management of criticised loans and non-performing exposures also gives rise to risks, including the vulnerability to challenge by customers and/or third parties, re-default, changes in the regulatory regime, further losses, costs and the diversion of management attention and other resources from the Group's business***

The Group has a high level of criticised loans and non-performing exposures, which are defined as loans requiring additional management attention over and above that normally required for the loan type.

As at 30 June 2019, the Group had €4.7 billion in non-performing exposures on its balance sheet, representing 7.5 per cent. of total gross loans to customers. Non-performing exposures are defined by the EBA to include material exposures which are more than 90 days past due and/or exposures in respect of which the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past due amount or the number of days the exposure is past due.

Criticised loans are accounts of lower quality and include “criticised watch” and “criticised recovery”, and non-performing exposures are accounts which have defaulted. The Group has been proactive in managing its criticised and non-performing exposures, in particular through restructuring activities and the Mortgage Arrears Resolution Process (“**MARP**”) that was introduced in order to comply with CCMA. The Group has made significant reductions to the level of criticised and non-performing exposures, but there can be no assurance that the Group will continue to be successful in reducing the level of its criticised and non-performing exposures.

***25 The Group may be subject to privacy or data protection failures, cybercrime and fraudulent activity in relation to personal customer data, which could result in investigations by regulators, liability to customers and/or reputational damage***

The Group processes significant volumes of personal data relating to customers (including name, address, identification and banking details) as part of its business, some of which may also be classified under legislation as special category personal data. The Group therefore must comply with strict data protection and privacy laws and regulations, including the European Communities (Electronic Communications Networks and Services) (Privacy and Electronic Communications) Regulations 2011 (the “**ePrivacy Regulations**”) and Regulation 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the “**GDPR**”). The GDPR introduced substantial changes to data protection law, including an increased emphasis on businesses being able to demonstrate compliance with their data protection obligations, which required significant investment by the Group in its compliance strategies. In addition,

relevant supervisory authorities are given the power to issue fines of up to 4 per cent. of an undertaking's annual global group turnover or €20 million (whichever is the greater) for failure to comply with certain provisions of the GDPR. The European Commission recently released its proposal for a new European ePrivacy Regulation.

The Group also faces the risk of a breach in security of its systems, for example, from increasingly sophisticated attacks by cybercrime groups. The Group's data protection policy is part of the Compliance Risk Management Framework and defines the Group's approach to the effective management of its data protection risks. The policy aims to ensure that the Group complies with the spirit and the letter of all laws, codes and regulations that apply to the Group in relation to data protection and privacy laws. This policy applies to all staff including contractors, consultants, agents or other third parties which have access to personal data either directly or indirectly, in the capacity of a data controller and/or data processor. In addition, the Group continues to enhance security measures to help prevent cybercrime. Notwithstanding such efforts, the Group is exposed to the risk that personal customer data could be wrongfully appropriated, lost or disclosed, stolen or processed in breach of data protection and privacy laws and regulations including as a result of human error.

The Group relies on remote access services through the internet, or otherwise, by customers, employees and third-party service providers. Failure of any of the foregoing parties to access the Group's systems on a systemic or large-scale basis could impact the Group's ability to operate. Remote access also increases inherent exposure to cybercrime, systems compromises or information leaks, in spite of any information security technology, protocols, policies or other controls which may be in place.

Any of these events could result in the loss of the goodwill of its customers and deter new customers, which could have a material adverse effect on the Group's business, financial condition, results of operation and prospects.

## ***26 The Group faces operational risks – including information technology, cyber, change, continuity management, outsourcing and third party management, and property protection and legal risks***

Operational risk is the risk arising from inadequate or failed internal processes, people and systems, or from external events. This includes legal risk, which is the potential for loss arising from the uncertainty of legal proceedings and potential legal proceedings, but excludes strategic and reputational risk.

The Group's business is dependent on the accurate and efficient processing and reporting of a high volume of complex transactions across numerous and diverse products and services. This is enabled by a high-performing information technology ("IT") and communications infrastructure, on which the Group relies. Weaknesses or issues, which result in these systems or processes not operating as expected, could have an adverse effect on the Group's results and on its ability to deliver appropriate customer outcomes or to achieve organisational objectives. 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.

The proper functioning of information technology and communications systems and the related operational processes are critical to the Group's success. The risk exists that these may not operate as expected, including as a result of technical failures, human error, unauthorised access, cybercrime, natural hazards or disasters, including climate events or similarly disruptive events.

The Group is dependent on the performance of third party service providers, for instance, AIB engages in selective outsourcing of certain back office and support functions to manage elements of its infrastructure and

systems. If these providers do not adequately perform their services or fail to renew their licences with the Group, the Group's business could be disrupted and/or it could incur unforeseen costs.

The Group maintains insurance policies to cover a number of risk events. These include financial policies (comprehensive crime/computer crime, professional indemnity/civil liability, employment practices liability, and directors' and officers' liability) and a suite of general insurance policies to cover such matters as property and business interruption, terrorism, combined liability and personal accident. There can be no assurance, however, that the level of insurance the Group maintains is appropriate for the risks to its business or adequate to cover all potential claims.

### ***27 The Group may be unable to recruit and retain appropriately skilled and experienced staff***

The Group may be unable to recruit and retain appropriately skilled and experienced staff to ensure the stability of the business in the long-term. In particular the Group is restricted in the remuneration it can offer to senior management which creates a risk that the Group may not be able to attract and retain the right skills and experience within key senior management roles. The Group's performance is heavily dependent on the talents and efforts of highly skilled individuals, and the continued ability of the Group to compete effectively and implement its strategy depends on its ability to attract new employees and retain and motivate existing employees. Competition from within the financial services industry, including from other financial institutions, as well as from businesses outside the financial services industry for key employees is intensifying.

The elevated people risk profile, particularly with respect to the recruitment and retention of senior management, is likely to continue for the foreseeable future. The Minister for Finance has announced a plan to review pay restrictions across banks in 2018, in the context of the recently proposed introduction of a deferred annual share plan by the Group which was not approved at the 2018 annual general meeting. However, as at the date of these Listing Particulars, the review remains on-going. 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, including a cap on salaries as well as a ban on bonuses and similar incentive-based compensation applicable to employees of Irish banks who have received financial support from the Irish Government. As a result of these restrictions, as well as the limits on certain types of remuneration paid by credit institutions and investment firms set forth in CRD IV, and in the increasingly competitive markets in Ireland and the UK, the Group may not be able to attract, retain and remunerate highly skilled and qualified personnel.

### ***28 The Group may have 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. The Group's minimum CET1 requirements from 5 July 2019 have been set at 11.55 per cent., comprising a Pillar 1 requirement of 4.5 per cent., a Pillar 2 requirement ("P2R") of 3.15 per cent., a Capital Conservation Buffer ("CCB") of 2.5 per cent., an Other Systemically Important Institutions ("O-SII") buffer of 0.5 per cent. and a CCyB of 0.9 per cent. (in respect of the 1 per cent. CCyB requirement applied to both Irish and UK exposures).

As a result of these and other regulatory requirements, banks in the EU have been, and could continue to be, required to increase the quantity and the quality of their regulatory capital. On 5 July 2018, the Central Bank announced the introduction of a CCyB on Irish exposures of 1 per cent. with effect from 5 July 2019, which equates to a 0.7 per cent. requirement for the Group. The UK CCyB requirement is 1.0 per cent., which equates to a 0.2 per cent. requirement for the Group, and it became effective on 28 November 2018. As the Group is designated as an O-SII, a 0.5 per cent. buffer applies from 1 July 2019 (rising to 1.0 per cent. on 1 July 2020 and 1.5 per cent. on 1 July 2021). In July 2019, the Minister for Finance approved a request from the Central Bank to activate a systemic risk buffer. If implemented this would further increase the Group's minimum capital

requirement. There is currently no indication as to what level the systemic risk buffer would be set at. Given this regulatory context and the levels of uncertainty in the current economic environment, there is a possibility that the economic output over the Group's capital planning period may be materially worse than expected and/or that losses on 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, such as pension risk, to increase significantly, or capital allocations across the Group to change, there is a risk that the Group's capital position could be eroded to the extent that it would have insufficient capital to meet its regulatory requirements.

***29 The Group is subject to the risk that the funding position of its defined benefit pension schemes could deteriorate, requiring it to make additional contributions***

The Group faces the risk that the funding position of its defined benefit pension schemes will deteriorate, requiring it to make additional contributions, adversely affecting its capital position. The Group maintains a number of defined benefit pension schemes for certain current and former employees. These defined benefit schemes were closed to future accruals from 31 December 2013. In relation to these schemes, the Group faces the risk that the funding position of the schemes will deteriorate over the longer term. This may require the Group to make additional contributions above what is already planned to cover its pension obligations towards current and former employees. Furthermore, pension deficits as reported are a deduction from capital under CRD IV. Accordingly, any increase in the Group's pension deficit may adversely affect its capital position. There could also be a negative impact on industrial relations if the funding level of the schemes were to deteriorate.

For the defined benefit scheme 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 decrease 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.

The AIB Irish Pension Scheme exited its funding plan on target at 30 June 2018 and now meets the minimum funding standard requirements. The AIB Irish Pension Scheme's triennial actuarial valuation was also completed at 30 June 2018, resulting in an actuarial surplus at that date. On this basis, the AIB Irish Pension Scheme's actuary has concluded that the scheme requires no deficit funding at this time.

The most recent valuation of the UK scheme was carried out on 31 December 2017. The Group agreed in 2019 to provide a level of funding for increases in pensions in payment for 2019. The trustees of certain Irish schemes awarded an increase in the range of 0.50 per cent. to 0.60 per cent. in respect of pensions eligible for discretionary pension increases. This resulted in a past service cost of €12 million in the six months period ending 30 June 2019.

Pension risk is monitored and controlled in line with the requirements of the Group's pension risk framework. Furthermore, the surplus or deficit calculated in accordance with International Accounting Standard 19 'Employee Benefits' is monitored on a monthly basis by the Group's risk team and is currently reported monthly in both the financial risk reports to the Group Assets & Liabilities Committee and the Group Chief Risk Officer report. In addition, the potential change in this value over a one-year time period is assessed on a monthly basis and is reported versus a Group risk appetite statement watch trigger.

**30 *Deferred tax assets that are recognised by the Group may be affected by changes in tax legislation, the interpretation of such legislation or relevant practices. The Group is also required under capital adequacy rules to deduct from its CET1 capital the value of most of its deferred tax assets, which may result in it being required to hold more capital***

As at 30 June 2019, the Group had €2.6 billion of deferred tax assets on its statement of financial position, substantially all of which related to unused tax losses.

Changes in tax legislation or the interpretation of such legislation, regulatory requirements, accounting standards or practices of relevant authorities could adversely affect the basis for recognition of the value of these losses. In the UK, for instance, legislation was introduced in 2015 and 2016 to restrict the proportion of a bank's taxable profit that can be offset by certain carried forward losses to 50 per cent. and to 25 per cent., respectively. If similar legislation were to be introduced in Ireland, this could have a further adverse impact on the value of the Group's deferred tax assets, which could adversely affect the Group's business, results of operations, financial condition and prospects. There is also a risk that the Group may not generate the necessary future taxable profits in Ireland or in the UK, to support the current level of deferred tax assets.

The capital adequacy rules under CRD IV also require the Group, among other things, to deduct from its CET1 capital, the value of most of its deferred tax assets, including all deferred tax assets arising from unused tax losses. This deduction from CET1 capital commenced in 2015 and is to be phased in evenly over 10 years, although this phasing may be subject to change. A change in these rules may have the impact of reducing the Group's buffer over regulatory capital requirements.

**31 *Pursuant to the AIB Relationship Framework, certain other agreements entered into between AIB and the Irish Government, and certain general legislative powers, the Irish Government has the right to exercise a degree of influence over certain specified aspects of the Group's activities***

The Minister for Finance specified an amended and restated relationship framework in relation to AIB Bank (the "**AIB Bank Relationship Framework**") which took effect on 27 June 2017. The AIB Bank Relationship Framework amended and restated the relationship framework specified by the Minister for Finance in relation to AIB on 29 March 2012 (the "**2012 Relationship Framework**"). In addition, following the corporate reorganisation to effect the SRB's decision, pursuant to which AIB was introduced as the holding company of the Group, the AIB Bank Relationship Framework was superseded by the relationship framework between the Minister for Finance and AIB, which came into effect on 11 December 2017 (the "**AIB Relationship Framework**"). Under the AIB Relationship Framework, while the authority and responsibility for strategy and commercial policies (including business plans and budgets) and the conduct of the Group's day-to-day operations rests in all cases with the AIB Board and its management team, AIB, and, where relevant, AIB Bank are required, in connection with certain specified aspects of AIB's activities, to consult with the Minister for Finance. In particular, AIB must, subject to certain exceptions, provide the Minister for Finance with all Board and committee papers concurrently with the distribution to the AIB Board or the Board of AIB Bank, as relevant, copies of its financial, accounting and taxation information and records, copies of relevant audit documents and any other relevant information reasonably required by the Minister for Finance (among other things) to comply with applicable law and regulations or to respond to requests from the Oireachtas (the Irish legislature). The AIB Relationship Framework also grants the Minister for Finance the right, at all times, to nominate up to two non-executive directors for appointment to the AIB Board and to the Board of AIB Bank.

The Group is also subject to various obligations under the placing agreements and minister's letter signed with the government in 2010 and 2011 that relate to: (a) restrictions on reduction of reserves; (b) restrictions on director and senior executive/employee remuneration and termination payments; (c) assisting in the placing,



offer to the public or admission to trading of AIB shares owned by the Minister for Finance; and (d) rights to obtain information. These agreements and the letter also impose certain requirements on the Group in relation to its lending activities and remuneration policies, among other areas, including the requirement to continue to provide the Irish Government with certain information and consultation/consent rights.

AIB is also subject to various obligations under a deed of covenant, which was entered into as part of the corporate reorganisation in 2017. The obligations are similar to those contained within the state agreements, including: (a) restrictions on reduction of reserves; (b) restrictions on director and senior executive/employee remuneration and termination payments; (c) assisting in the placing, offer to the public or admission to trading of AIB Group plc's shares owned by the Minister for Finance; and (d) rights to obtain information.

In addition to these contractual rights, the Irish Government also has certain statutory powers under the National Asset Management Agency Act 2009 (“NAMA”), the credit institutions financial support scheme (the “CIFS Scheme”) and the Credit Institutions (Eligible Liabilities Guarantees) Scheme (the “ELG Scheme”). As such, the NAMA programme continues to apply to the Group. As of 29 March 2018, the AIB CIFS-covered institutions and the AIB ELG participating institutions ceased to have any covered liabilities under the schemes. Notwithstanding this, the CIFS Scheme and the ELG Scheme continue to apply to the AIB CIFS-covered institutions and the AIB ELG-participating institutions, and their respective subsidiaries. The terms and conditions of the CIFS Scheme and the ELG Scheme place certain restrictions on, and require AIB to submit to a degree of governmental regulation in relation to, the operation of AIB's business, including the payment of dividends, the appointment of directors, and restructuring plans. In the event the Irish Government elects to exercise these powers or invoke these rights, this may serve to limit the Group's operations and place significant demands on the reporting systems and resources of the Group.

The composition of the Irish Government is subject to change depending on the ability of the Irish Government to arrive at and maintain an agreed position on its programme, policies and actions, the outcome of elections for the Oireachtas and support by the Oireachtas for that programme and those policies and actions. The current Irish Government is not in a position to rely on a majority of members of the Oireachtas to support it in all circumstances. Changes in the composition of the Oireachtas or the Irish Government may result in changes to the laws or the programme, policies or actions of the Irish Government, which may have a material adverse effect on the Group's business, results of operations, financial condition, ownership and prospects.

## **Risks Relating to the Securities**

### ***32 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 (including holders of Tier 2 instruments issued by the Issuer) 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.

### **33 *The Issuer is a holding company***

The Securities are the obligation of the Issuer only. The Issuer is a holding company and conducts substantially all of its operations through its subsidiaries, and accordingly the claims of the Holders under the Securities will be structurally subordinated to the creditors of the Issuer's subsidiaries. The Issuer's subsidiaries are separate and distinct legal entities, and have no obligation to pay any amounts due or to provide the Issuer with funds to meet any of the Issuer's payment obligations under the Securities. The Issuer's rights to participate in the assets of any subsidiary if such subsidiary is liquidated will be subject to the prior claims of such subsidiary's creditors and any preference shareholders, except in the circumstance where the Issuer is also a creditor of such subsidiary with claims that are recognised to be ranked ahead of or *pari passu* with such claims. Accordingly, if one of the Issuer's subsidiaries were to be wound up, liquidated or dissolved, (i) Holders would have no right to proceed against the assets of such subsidiary, and (ii) the Issuer would only recover any amounts (directly, or indirectly through its holdings of other subsidiaries) in the liquidation of that subsidiary in respect of its direct or indirect holding of ordinary shares in such subsidiary, if and to the extent that any surplus assets remain following payment in full of the claims of the creditors and preference shareholders (if any) of that subsidiary.

As well as the risk of losses in the event of a Group subsidiary's insolvency, the Issuer may suffer losses if any of its loans to, or investments in, its subsidiaries are subject to statutory write down and conversion powers or if the subsidiary is otherwise subject to resolution proceedings. The Issuer may in the future make loans to AIB Bank and its other subsidiaries, with the proceeds received from the Issuer's issuance of debt instruments. Where securities issued by the Issuer have been structured so as to qualify as capital instruments under CRD IV (such as the Securities), the terms of the corresponding on-loan to AIB Bank may be structured to achieve equivalent regulatory capital treatment for such subsidiary. Accordingly, loans to AIB Bank may contain contractual mechanisms that, upon the occurrence of a trigger related to the prudential or financial condition of the Group or such subsidiary, would automatically result in a write down or conversion into equity of such loans.

The Issuer retains its absolute discretion to restructure such loans to (or any other investments in) any of its Group subsidiaries, including the AIB Bank, at any time and for any purpose including, without limitation, in order to provide different amounts or types of capital or funding to such subsidiary as part of meeting regulatory requirements, including the implementation of MREL or the total loss absorbing capacity in respect of the Group and the relevant subsidiaries. A restructuring of a loan or investment made by the Issuer in a Group subsidiary could include changes to any or all features of such loan, including its legal or regulatory form, how it would rank in the event of resolution and/or insolvency proceedings in relation to the Group subsidiary, and the inclusion of a mechanism that provides for an automatic write down and/or conversion into equity upon specified triggers. Any restructuring of the Issuer's loans to any of the Group subsidiaries may be implemented by the Issuer without prior notification to, or consent of, Holders.

### **34 *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.

**35 *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.

**36 *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 Competent Authority 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 in the event of a Winding-Up and if and to the extent that payment of such interest would: (i) when aggregated with other specified interest payments or distributions, exceed the Distributable Items of the Issuer as at such Interest Payment Date, (ii) result in the Solvency Condition not being satisfied with respect to payment of such interest amount (or part thereof), or (iii) cause, when aggregated 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 as amended or replaced, or any applicable analogous provisions relating to the maintenance of capital buffers under the Regulatory Capital Requirements, in each case to the extent then applicable to the Group), the Maximum Distributable Amount (if any) then applicable to the Group to be exceeded.

Further legislation changes in the EU may include additional cancellation features that will require the Issuer to cancel interest amounts, such as breaching MREL requirements subject to a potential nine-month grace period whereby the resolution authority assesses on a monthly basis whether to exercise its powers under the provision before such resolution authority is obliged to exercise its powers under the provisions (subject to certain limited exceptions).

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. With respect to the Group’s CET1 ratio, see also “—*The circumstances surrounding or triggering a Write Down are unpredictable, and there are a*

*number of factors that could affect the CET1 Ratio” and “—The CET1 Ratio 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” 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 or the Group’s financial condition. Any indication that the CET1 Ratio 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).

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 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.

CRR II and BRRD II extend the scope of the MDA restrictions, with the original restrictions based on risk-weighted capital requirements being extended also to include restrictions based on leverage requirements for certain institutions and restrictions based on MREL requirements. CRR II and BRRD II, respectively, provide for the following:

- (i) *leverage-based MDA*: an institution that is designated as a ‘global systemically important institution’ (“**GSII**”) that: (A) meets an applicable leverage ratio buffer shall not be entitled to make any distribution in connection with tier 1 capital to the extent this would decrease its tier 1 capital to a level where the leverage ratio buffer requirement is no longer met; and (B) is failing to meet an applicable leverage ratio buffer shall calculate a leverage ratio-based maximum distributable amount (the “**L-MDA**”) and must

not make discretionary payments (payments relating to Common Equity Tier 1 capital instruments, Additional Tier 1 instruments (such as the Securities) and variable remuneration) which would, in aggregate, exceed such L-MDA. As with the MDA, the L-MDA restrictions will be scaled according to the extent of the breach of the leverage buffer requirement and calculated by reference to the institution's distributable profits; and

- (ii) *MREL-based MDA*: where an institution is failing to meet its buffer requirements as a result of its MREL requirement (but would meet its buffer requirements but for its MREL requirement), the relevant resolution authority, having considered certain specified factors, will be entitled (and, if non-compliance continues for an extended period, may, subject to certain exceptions, be required) to prohibit such institution from distributing more than a maximum distributable amount determined by reference to its MREL requirement (the "**M-MDA**") by way of discretionary payments (payments relating to Common Equity Tier 1 capital instruments, Additional Tier 1 instruments (such as the Securities) and variable remuneration). As with the MDA and the L-MDA, the M-MDA restrictions will be scaled according to the extent of the breach of the buffer requirement (when having regard to MREL requirements) and calculated by reference to the institution's distributable profits.

Whilst the Issuer is not presently designated as a GSII, it is possible that L-MDA restrictions could be extended to other systemically important institutions over time, which may include the Issuer.

Such calculation(s) 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.

### ***37 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, any profits which are non-distributable pursuant to Union or national law or the institution's by-laws and any sums placed in non-distributable reserves in accordance with national law or the statutes of the institution, in each case with respect to the specific category of own funds instruments to which Union or national law, institutions' by-laws, or statutes relate; such profits, 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 2019, the Issuer had Distributable Items in excess of €5 billion. As a holding company, the level of the Issuer's Distributable Items is affected by a number of factors, principally its ability to receive funds, directly or indirectly, from its operating subsidiaries in a manner which creates Distributable Items for the Issuer. The Issuer is also reliant on the receipt of funding from its subsidiaries for funding the payment of interest on the Securities. Consequently, the level of the Issuer's Distributable Items and available funding, and therefore

its ability to make interest payments under the Securities, are a function of the Issuer's existing Distributable Items, future profitability of the Group and the ability of the Issuer's operating subsidiaries to distribute or dividend profits up the Group structure to the Issuer. In addition, the Issuer's Distributable Items available for making payments to Holders may also be adversely affected by the servicing of other instruments issued by the Issuer or by Group subsidiaries.

The level of the Issuer's Distributable Items may be further affected 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 its available funding, 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. Adverse changes in the performance of the business of the Group could result in an impairment of the carrying value of the Issuer's investment in the Group, which could affect the level of the Issuer's Distributable Items. In addition, adjustments to earnings, as determined by the Board, may fluctuate significantly and may materially adversely affect Distributable Items.

In addition, the ability of the Issuer's subsidiaries to make distributions and the Issuer's ability to receive distributions and other payments from its investments in other entities is subject to applicable laws and other restrictions, including such subsidiaries' respective regulatory, capital and leverage requirements, statutory reserves, financial and operating performance and applicable tax laws.

***38 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 as amended or replaced, or any applicable analogous provisions relating to the maintenance of capital buffers under the Regulatory Capital Requirements, in each case to the extent then applicable to the Group), the Maximum Distributable Amount (if any) then applicable to 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 (at Article 128 and following) also introduced 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 introduced five 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 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 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. There has been an update to the SREP procedures and methodologies to reflect the updates to the Pillar 2 requirements. This was published on 19 July 2018 and effective 1 January 2019.

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 Group’s combined buffer requirement specifically, 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 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.

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 Group 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.

**39 *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 GEM 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.

**40 *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 Group. 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 Group. 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.

A Trigger Event will occur if the CET1 Ratio of the Group falls below seven per cent. The Issuer intends to calculate and publish the CET1 Ratio on at least a semi-annual basis. As at 30 June 2019, the CET1 Ratio was 20.3 per cent.

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) (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 applicable requirements of Article 21.2(f) of the CRD IV Supplementing Regulation, as amended or replaced or in any applicable analogous provisions relating to the maintenance of capital buffers under the Regulatory Capital Requirements) 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 any member of the Group 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 BRRD contains resolution tools and other measures that may have a material adverse effect on the Group and the Holders*" above.

The market price of the Securities is expected to be affected by fluctuations in the Group's CET1 Ratio. Any indication that 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 or the Group. 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*" below.

#### **41 *The circumstances surrounding or triggering a Write Down are unpredictable, and there are a number of factors that could affect the CET1 Ratio***

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 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 and the Group. Additionally the resolution authority may permanently write down the Securities at the point of non-viability of the Issuer or the Group, and this may occur prior to a Trigger Event (see "*—The BRRD contains resolution tools and other measures that may have a material adverse effect on the Group and the Holders*" above for further information).

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 (including as a result of the operation of any applicable output floors), 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 Group's CET1 Ratio may also be affected by changes in applicable accounting rules, or by changes to regulatory adjustments which modify the regulatory capital impact of accounting rules. 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 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 Group's CET1 Ratio. In August 2019, the EBA advised the European Commission on the introduction of an "output floor", whereby banks constrained by that should be required to use "floored" risk weighted assets to compute capital ratios, including those relevant to the determination of whether or not a Trigger Event has occurred.

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.

***42 The CET1 Ratio 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*" above, the Group's CET1 Ratio could be affected by a number of factors. The Group's CET1 Ratio will also depend on 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.

***43 The Securities are not protected under any deposit protection scheme***

Under the European Communities (Deposit Guarantee Schemes) Regulations 2015, the Central Bank operates a statutory depositor protection scheme. Holders of the Securities will not qualify under the deposit protection scheme.

***44 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.

***45 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, (i) upon the occurrence of a Tax Event or a Capital Disqualification Event or (ii) on any day falling in the period commencing on (and including) 9 October 2024 and ending on (and including) the First Reset Date, or on any Interest Payment Date thereafter.

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.

***46 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.

***47 Substitution or variation of the Securities***

Following the occurrence of a Tax Event or Capital Disqualification Event, AIB may, subject as provided in Condition 7(f) and without the need for any consent of the Holders, substitute all (but not some only) of the Securities for, or vary the terms of the Securities so that they remain or become, Compliant Securities.

While Compliant Securities must otherwise contain terms that are not materially less favourable to Holders than the original terms of the Securities, there can be no assurance that the terms of any Compliant Securities will be viewed by the market as equally favourable to Holders, or that such Compliant Securities will trade at prices that are equal to the prices at which the Securities would have traded on the basis of their original terms.

No assurance can be given as to whether any of these changes will negatively affect any particular Holder. In addition, the tax and stamp duty consequences of holding such substituted or varied Securities could be different for some categories of Holders from the tax and stamp duty consequences for them of holding such Securities prior to such substitution or variation.

#### **48 *Limitation on gross-up obligation under the Securities***

AIB's obligation to pay additional amounts in respect of any withholding or deduction for or on account of Irish taxes under the terms of the Securities applies only to payments of interest due and payable under the Securities and not to payments of principal (which term, for these purposes, includes the Prevailing Principal Amount and any other amount (other than interest) payable in respect of the Securities). As such, AIB would not be required to pay any additional amounts under the terms of the Securities to the extent any withholding or deduction for or on account of Irish tax is applied to payments of principal. Accordingly, if any such withholding or deduction were to apply to any payments of principal under any Securities, Holders would, upon repayment or redemption of such Securities, be entitled to receive only the net amount of such redemption or repayment proceeds after deduction of the amount required to be withheld. Therefore, Holders may receive less than the full amount due under the Securities, and the market value of the Securities may be adversely affected as a result.

#### **49 *No rights of set-off***

No Holder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by AIB in respect of, arising under or in connection with the Securities and each Holder shall, by virtue of its holding of any such Security, be deemed to have waived all such rights of set-off.

#### **50 *The regulation and reform of "benchmarks" may adversely affect the value of the Securities***

Interest rates and indices which are deemed to be "benchmarks" are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on securities linked to or referencing such a "benchmark". Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**") was published in the Official Journal of the European Union on 29 June 2016 and became applicable from 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities (such as the Issuer) of "benchmarks" of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). The Benchmarks Regulation could have a material impact on the Securities.

The potential elimination of the EURIBOR benchmark, or changes in the manner of administration of the benchmark, could (as it forms part of the calculation for the Reset Reference Rate) require an adjustment to the terms and conditions, or result in other consequences, in respect of the Securities. Such factors may have the following effects: (i) discourage market participants from continuing to administer or contribute to EURIBOR, (ii) trigger changes in the rules or methodologies used in EURIBOR or (iii) lead to the disappearance of EURIBOR. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on the Securities.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to the Securities.

The Conditions provide for certain fallback arrangements in the event that EURIBOR or other relevant reference rates (including, without limitation, mid-swap rates) and including any page on which such

Benchmark may be published (or any successor service)), becomes unavailable or a Benchmark Event otherwise occurs, including the possibility that the rate of interest could be set by reference to a successor rate or an alternative reference rate and that such successor rate or alternative reference rate may be adjusted (if required), all as determined by the Issuer in consultation with an Independent Adviser, acting in good faith in a commercially reasonable manner. Any adjustment spread could be positive, negative or zero. No Successor Rate or Alternative Rate will be adopted, nor will the applicable Adjustment Spread be applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to cause the then current or future disqualification of the Securities as Additional Tier 1 Capital. In certain circumstances the ultimate fallback for the purposes of calculation of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used, effectively resulting in the application of a fixed rate of interest.

Any such consequences could have a material adverse effect on the trading market for, liquidity of, value of and return on the Securities. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Securities or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Securities. Investors should consider these matters when making their investment decision with respect to the Securities.

***51 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.

***52 Meetings of Holders, modification and substitution***

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.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Securities. Instead, such Holders are permitted to act only to the extent that they are enabled by Euroclear and/or Clearstream, Luxembourg to appoint appropriate proxies.

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, (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 and (iii) the substitution of a successor in business of the Issuer, a subsidiary of the Issuer or a successor in business thereof as principal debtor under the Trust Deed and the Securities in place of the Issuer, in the circumstances described in Condition 12(c).

Further, pursuant to Condition 4(i), certain changes may be made to the interest calculation provisions of the Securities in the circumstances set out in Condition 4 without the requirement for consent of the Holders.

### ***53 European Monetary Union***

The Eurozone sovereign debt crisis has led to continuing and increased speculation that one or more Eurozone countries might abandon the euro as its national currency and even, although generally thought of as an extreme circumstance, the possible disappearance of the euro as a currency. There is a great deal of legal uncertainty surrounding these possibilities but it is likely, in the event that Ireland were to abandon the euro as its national currency, that contracts denominated in euro, including the Securities, would be redenominated into whatever currency replaced the euro as the national currency of Ireland with the possibility of consequent foreign exchange risk and the other uncertainties attendant on such an eventuality constituting risks relating to the Securities.

### ***54 Change of law***

The Conditions 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 Ireland or applicable administrative practice after the date of these Listing Particulars. 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.

### ***55 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.

### ***56 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 Relating to the Market Generally**

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

### ***57 The secondary market generally***

The Securities represent a new security for which no secondary trading market and there can be no assurance that one will develop. If a market does develop, it may not be liquid and may be sensitive to changes in financial markets. 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 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 these Listing Particulars), 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 application has been made for the Securities to be listed and admitted to trading on the GEM, there is no assurance that such application will be accepted or that an active trading market will develop.

### **58 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.

### **59 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.

#### **60 *Credit ratings may not reflect all risks***

The Securities are expected to be rated Ba3 by Moody's. The ratings may not reflect the potential impact of all risks related to structure, market, the additional factors discussed above, and other factors that may affect the value of the Securities. Further, one or more credit rating agencies may from time to time release unsolicited credit ratings reports in relation to the Securities without the consent or knowledge of AIB. AIB does not have any control over such reports or analyses and any adverse credit rating of the Securities could adversely affect the value of the Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

#### **61 *The Issuer is exposed to changing methodology by rating agencies***

The Issuer is exposed to changes in the rating methodologies applied by rating agencies. Any adverse changes of such methodologies may result in a change in the ratings given to AIB or the Securities which in turn may materially and adversely affect AIB's operations or financial condition and capital market standing.

#### **62 *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 "*Prohibition on Marketing and Sales to Retail Investors*" on pages iii and iv of these Listing Particulars for further information.

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

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be incorporated in, and form part of, these Listing Particulars:

- (a) (i) the audited consolidated financial statements of the Issuer prepared in accordance with IFRS for the financial year ended 31 December 2018, together with the audit report thereon as set out on pages 215 to 363, (ii) the sections titled “*Board of Directors*” and “*Executive Committee*” on pages 34 to 37 and (iii) the section entitled “*Operating and Financial Review*” on pages 40 to 56, in each case of the annual financial report of the Issuer for the year ended 31 December 2018, which has been previously published;
- (b) the audited consolidated financial statements of the Issuer prepared in accordance with IFRS for the financial year ended 31 December 2017, together with the audit report thereon as set out on pages 229 to 376 of the annual financial report of the Issuer for the year ended 31 December 2017, which has been previously published;
- (c) the Pillar 3 disclosures of the Group for the year ended 31 December 2018, which have been previously published; and
- (d) (i) the condensed consolidated financial statements of the Issuer for the six months ended 30 June 2019, together with the independent review report thereon as set out on pages 75 to 132, (ii) the section entitled “*Business Review – 1. Operating and financial review*” on pages 18 to 32 and (iii) the section entitled “*Business Review – 2. Capital*” on pages 33 and 34, in each case of the half-yearly financial report of the Issuer for the six months ended 30 June 2019, 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 these Listing Particulars 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 these Listing Particulars.

AIB will provide, without charge, to each person to whom a copy of these Listing Particulars 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 these Listing Particulars.

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

<https://aib.ie/content/dam/aib/investorrelations/docs/resultscentre/annualreport/aib-annual-financial-report-2017.pdf>

<https://aib.ie/content/dam/aib/investorrelations/docs/resultscentre/annualreport/aib-annual-financial-report-2018.pdf>

<https://aib.ie/content/dam/aib/investorrelations/docs/resultscentre/2019/aib-group-half-yearly-financial-report-2019.pdf>

<https://aib.ie/content/dam/aib/investorrelations/docs/se-announcements/2018/Pillar-3-2018.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 AIB Group plc (the “**Issuer**”) was authorised by a resolution of the Board of Directors of the Issuer passed on 19 September 2019. The Securities are constituted by a trust deed (the “**Trust Deed**”) dated 9 October 2019 between the Issuer and BNY Mellon Corporate Trustee Services Limited (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 9 October 2019 relating to the Securities between the Issuer, The Bank of New York Mellon, 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**”), The Bank of New York Mellon, London Branch as the initial agent bank (the person for the time being the agent bank under the Agency Agreement, the “**Agent Bank**”), The Bank of New York Mellon SA/NV, Luxembourg 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 Issuer shall procure to be kept by 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) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), 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 Issuer, with the prior written approval of the Registrar, the Principal Paying Agent, the Transfer Agents 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 Issuer, 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 prior to (and including) any date on which the Securities may be called for redemption by the Issuer at its option pursuant to Condition 7(c), (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, unguaranteed and subordinated obligations of the Issuer 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 Issuer to cancel payments of interest under Condition 5 or Condition 6(a), 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**”).

In these Conditions, the Issuer 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 Issuer by two Authorised Signatories (or if there is a winding-up or examinership of the Issuer, two authorised signatories of the liquidator or, as the case may be, the examiner of the Issuer) shall be treated and accepted by the Issuer, 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 against the Issuer (and of 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 Issuer in respect of each Security (in lieu of any other payment by the Issuer 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 Issuer (“**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 Issuer which have a preferential right to a return of assets in the Winding-Up over, and so rank ahead of, the holders of all other classes of issued shares for the time being in the capital of the Issuer 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 was an amount equal to the Prevailing Principal Amount of the relevant Security together with 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 Issuer 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 fullest extent permitted under applicable law, to have waived all such rights of set-off, compensation or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Issuer in respect of, or arising under or in connection with the 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 Issuer (or, in the event of its Winding-Up, the liquidator or, as appropriate, examiner of the Issuer) and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer (or the liquidator or, as appropriate, examiner of the Issuer) 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 19.

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 €26.25 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 5.250 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 by the Agent Bank.

(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 Issuer will maintain an Agent Bank and (whenever a function expressed in these Conditions to be performed by Reset Reference Banks falls to be performed) 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 Issuer 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 Issuer 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 manifest error) be binding on the Issuer, 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 Issuer shall attach to the Agent Bank in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

**(i) Benchmark Discontinuation**

If a Benchmark Event occurs in relation to an Original Reference Rate when the Interest Rate (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the following provisions shall apply (with effect from 30 days prior to the first date when such determination is necessary).

**(i) Independent Adviser**

The Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to consult with the Issuer in determining a Successor Rate, failing which an Alternative Rate (in accordance with Condition 4(i)(ii)) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 4(i)(iv)).

In making such determination, the Independent Adviser appointed pursuant to this Condition 4(i) and the Issuer shall act in good faith and in a commercially reasonable manner. In the absence of bad faith or fraud, the Issuer and the Independent Adviser shall have no liability whatsoever to the Issuer, the Trustee, the Principal Paying Agent, the Agent Bank, or the Holders, as applicable, for any determination made by the Issuer and/or for any advice given to the Issuer in connection with any determination made by the Issuer pursuant to this Condition 4(i).

If (i) the Issuer is unable to appoint an Independent Adviser; or (ii) the Issuer fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 4(i) prior to the relevant Reset Determination Date, the Interest Rate applicable to the next succeeding Reset Period shall be equal to the Interest Rate last determined in relation to the Securities in respect of the immediately preceding Reset Period. If there has not been a Reset Date, the Interest Rate shall be the Initial Fixed Interest Rate. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Reset Period only and any subsequent Reset Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 4(i)(i).

**(ii) Successor Rate or Alternative Rate**

If the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines that:

- (A) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Interest Rate (or the relevant component part thereof) for all future payments of interest on the Securities (subject to the operation of this Condition 4(i)) in respect of periods from the current Reset Period onwards or, if the Issuer determines that a Benchmark Event has occurred prior to the first Reset Determination Date, from the First Reset Date onwards;  
or



(B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Interest Rate (or the relevant component part thereof) for all future payments of interest on the Securities (subject to the operation of this Condition 4(i)) in respect of periods from the current Reset Period onwards or, if the Issuer determines that a Benchmark Event has occurred prior to the first Reset Determination Date, from the First Reset Date onwards.

(iii) *Adjustment Spread*

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

(iv) *Benchmark Amendments*

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 4(i) and the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines (i) that amendments to these Conditions and/or the Trust Deed are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the “**Benchmark Amendments**”) and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 4(i)(v) without any requirement for the consent or approval of Holders, vary these Conditions and/or of the Trust Deed to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee of a certificate signed by two Authorised Signatories pursuant to Condition 4(i)(v), the Trustee shall (at the expense of the Issuer), without any requirement for the consent or approval of the Holders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a supplemental trust deed to or amending the Trust Deed), provided that the Trustee shall not be obliged so to concur if in the opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Trustee in the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) in any way.

In connection with any such variation in accordance with this Condition 4(i), the Issuer shall comply with the rules of any stock exchange on which the Securities are for the time being listed or admitted to trading. Any such variation in accordance with this Condition 4(i) is subject to Condition 7(b).

Notwithstanding any other provision of this Condition 4(i), no Successor Rate or Alternative Rate will be adopted, nor will the applicable Adjustment Spread be applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to cause the then current or future disqualification of the Securities as Additional Tier 1 Capital.

(v) *Notices, etc.*

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 4(i) will be notified promptly by the Issuer to the Trustee, the Agent Bank, the Principal Paying Agent and, in accordance with

Condition 15, the Holders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Trustee of the same, the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories:

- (A) confirming (a) that a Benchmark Event has occurred, (b) the Successor Rate or, as the case may be, the Alternative Rate, (c) the applicable Adjustment Spread and (d) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 4(i); and
- (B) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

The Trustee shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Trustee's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Principal Paying Agent, the Agent Bank and the Holders.

(vi) *Survival of Original Reference Rate*

Without prejudice to the obligations of the Issuer under Conditions 4(i)(i), 4(i)(ii), 4(i)(iii) and 4(i)(iv), the Original Reference Rate and the fallback provisions provided for in Condition 4(d) and Condition 4(e), as applicable, will continue to apply unless and until a Benchmark Event has occurred.

## 5 Cancellation of Interest

(a) *Optional cancellation of Interest*

The Issuer may at any time elect (subject to the mandatory cancellation and non-payment of interest pursuant to Conditions 3(b), 5(b) and 6(a)(iii)) in 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 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 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 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, interest otherwise due on an Interest Payment Date will not be due (in whole or, as the case may be, in part), and the Issuer will cancel payment of any interest otherwise scheduled to be paid on an

Interest Payment Date in the event of a Winding-Up or 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 as amended or replaced, or any applicable analogous provisions relating to the maintenance of capital buffers under the Regulatory Capital Requirements, in each case to the extent then applicable to the Group), the Maximum Distributable Amount then applicable to the Group to be exceeded.

“**Maximum Distributable Amount**” means any applicable maximum distributable amount relating to 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 or any applicable analogous provisions relating to the maintenance of capital buffers under the Regulatory Capital Requirements).

The Competent Authority may also direct the Issuer to exercise its discretion to cancel interest (in whole or in part) scheduled to be paid on an Interest Payment Date.

**(c) Notice of cancellation of Interest**

Upon the Issuer 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 Issuer 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 Issuer 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 Issuer 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 Issuer or give rise to any other restriction on the Issuer 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 Issuer 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) or, as appropriate, Condition 6(a) 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 Issuer’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 Issuer for any purpose and the Holders shall have no right thereto whether in a Winding-Up or otherwise. In addition, the Issuer may use such cancelled payments without restrictions to meet its other obligations as they become due.

## 6 Write Down and Write Up

### (a) *Write Down*

If, at any time, the Issuer or the Competent Authority (or any agent appointed for such purpose by the Competent Authority) determines in accordance with the requirements set out in Article 54 of the CRD IV Regulation, that the CET1 Ratio has fallen below seven per cent. (a “**Trigger Event**”), the Issuer shall:

- (i) immediately inform the Competent Authority of the occurrence of the relevant Trigger Event;
- (ii) without delay 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 Issuer (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 CET1 Ratio may be calculated at any time based on information (whether or not published) available to management of the Issuer, including information internally reported within the Issuer pursuant to its procedures for monitoring the CET1 Ratio.

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 Issuer 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 Issuer for any purpose or cause a breach of the Issuer’s obligations or duties or be a failure by the Issuer 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 the CET1 Ratio 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 Ratio 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.

In calculating any amount in connection with Condition 6(b)(i) above, the Common Equity Tier 1 Capital (if any) generated as a result of any cancellation of interest pursuant to Condition 6(a)(iii) shall not be taken into account.

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 Ratio 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 Issuer 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 Issuer 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 Issuer'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 Issuer, in accordance with Condition 6(d).

Following the giving of a Trigger Event Notice which specifies a Write Down of the Securities, the Issuer 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 Issuer 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 Issuer 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 Issuer 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 applicable requirements of Article 21.2(f) of the CRD IV Supplementing Regulation, as amended or replaced or in any applicable analogous provisions relating to the maintenance of capital buffers under the Regulatory Capital Requirements, in each case to the extent then applicable to the Group).

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 Loss Absorbing 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 Consolidated Net Income multiplied by the sum of the aggregate Initial Principal Amount of the outstanding Securities and the aggregate initial principal amount of all outstanding 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.

“**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 Issuer having taken a formal decision confirming such final profits after tax and (c) the Issuer obtaining any Supervisory Permission of the Competent Authority therefor (provided at the relevant time such Supervisory Permission is required to be given).

If the Issuer 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 Issuer, 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 Issuer 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 Issuer obtaining prior Supervisory Permission therefor;
- (ii) in the case of any redemption or purchase, 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, save in the case of Condition 7(b)(v)(A) below, (B) the Issuer having demonstrated to the satisfaction of the Competent Authority that the own funds and eligible liabilities of the Group would, following such redemption or purchase, exceed its applicable minimum capital and eligible liabilities requirements (including any applicable 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 upon the occurrence of a Tax Event, the Issuer 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;



- (iv) in the case of any redemption prior to the fifth anniversary of the Issue Date upon the occurrence of a Capital Disqualification Event, the Issuer 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;
- (v) in the case of a purchase pursuant to Condition 7(g) prior to the fifth anniversary of the Issue Date, either (A) the Issuer having, before or at the same time as such purchase, replaced the Securities with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer, and the Competent Authority having permitted such action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances or (B) the relevant Securities are being purchased for market-making purposes in accordance with applicable Regulatory Capital Requirements; and
- (vi) 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 redemption, 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 Issuer shall, in the alternative or in addition to the foregoing (as required by the Regulatory Capital Requirements), comply with such other and/or, as appropriate, additional pre-condition(s).

In addition, if the Issuer 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 Issuer 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.

Any refusal by the Competent Authority to give its Supervisory Permission as contemplated above shall not constitute a default for any purpose.

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 Issuer 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 19 and the Trustee shall be entitled to accept (and if so accepted by the Trustee, shall be so accepted by the Holders) 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) *Issuer's Call Option***

Subject to Condition 7(b), the Issuer 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:

(i) on any day falling in the period commencing on (and including) 9 October 2024 and ending on (and including) the First Reset Date; or

(ii) on any Interest Payment Date thereafter,

in each case 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 Issuer 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 Issuer 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 Issuer 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 Issuer 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 Issuer 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 Issuer 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 9 October 2024) 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 Issuer 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 Issuer 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 Issuer may, subject as provided above, redeem the Securities as provided in, as appropriate, Condition 7(c), (d) or (e).

In connection with any substitution or variation in accordance with this Condition 7(f), the Issuer 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 Issuer or any of its subsidiaries may, subject to Condition 7(b), in those circumstances permitted by Regulatory Capital Requirements, 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 Issuer, shall not entitle the Holder to vote at any meetings of the Holders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Holders or for the purposes of Condition 9(c).

The Issuer or any agent on its behalf shall have the right, subject to Condition 7(b), to purchase Securities for market making purposes provided that the total principal amount of the Securities so purchased does not exceed the limits prescribed by applicable Regulatory Capital Requirements from time to time.

**(h) Cancellation**

All Securities redeemed or substituted by the Issuer pursuant to this Condition 7 will forthwith be cancelled. All Securities purchased by or on behalf of the Issuer may, subject to obtaining any Supervisory Permission therefor, be held, reissued, resold or, at the option of the Issuer, 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 Issuer in respect of any such Securities shall be discharged.

**(i) Trustee Not Obligated 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 Issuer 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 Issuer 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 Issuer shall be deemed to be in default (a “**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 Issuer.

In the event of a Winding-Up of the Issuer (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, prove and/or claim in such Winding-Up of the Issuer, 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 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 of the Issuer 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 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 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 Issuer, and/or proving and/or claiming in any Winding-Up of the Issuer in respect of any payment obligations of the Issuer arising from the Securities or the Trust Deed (including any damages awarded for breach of any obligations) in the circumstances provided in, as appropriate, Conditions 3(c) 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 Issuer to enforce the terms of the Trust Deed or the Securities or any other action under or pursuant to the Trust Deed 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 Prevaling 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 Issuer or to institute proceedings for the winding-up of the Issuer or prove or claim in any Winding-Up of the Issuer unless the Trustee, having become so bound to proceed or to prove or claim in such Winding-Up, fails to do so within 60 days 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 Issuer 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 Issuer, 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 Issuer 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 Issuer 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 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 (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) 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; or
- (c) in respect of which the Certificate representing it is presented by, or by a third party on behalf of, a Holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Security (or the Certificate representing it) is presented for payment.

References in these Conditions to 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.

Notwithstanding any other provision of the Trust Deed, all payments of principal, interest and any other amount by or on behalf of the Issuer 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 Issuer nor any other person will be required to pay any Additional Amounts in respect of FATCA Withholding.

## 11 Prescription

Claims against the Issuer 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 Issuer, 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 or varying the method of calculating 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). In addition, the Trustee shall be obliged to effect such modifications to these Conditions and/or the Trust Deed as may be required to give effect to Condition 4(i) in connection with effecting any Benchmark Amendments, subject to the provisions thereof, without the requirement for the consent of Holders.

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. The Trustee may, without the consent of the Holders, determine that any Default should not be treated as such, provided that, in the opinion of the Trustee, the interests of Holders are not materially prejudiced thereby.

**(c) *Substitution***

The Trust Deed contains provisions permitting the Trustee, subject to the Issuer 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 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 Issuer (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, determination 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 subdivision thereof and the Trustee shall not be entitled to require, nor shall any Holder be entitled to claim, from the Issuer, 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 and Supervisory Permission**

Any such modification, waiver, authorisation, determination 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.

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 Issuer 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).

### **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 Issuer 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 Issuer 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 Issuer 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 Issuer and/or any of the Issuer's subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of the Issuer'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 required to be given to the Holders pursuant to the Conditions 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 Issuer shall also ensure that all such 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 Issuer 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 Issuer 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 Issuer and do not assume any obligation or relationship of agency or trust for or with any Holder. The Issuer 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; and
- (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.

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 Issuer 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 Issuer, 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 Ireland.

### (b) *Jurisdiction*

The courts of Ireland are to have jurisdiction to settle any disputes that may arise out of or in connection with the Trust Deed or the Securities 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 Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of the courts of Ireland in respect of any such Proceedings.

## 19 Definitions

In these Conditions:

“**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;

“**Adjustment Spread**” means either (a) a spread (which may be positive, negative or zero) or (b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate)
- (ii) the Issuer, following consultation with the Independent Adviser, determines is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or (if the Issuer determines that no such spread is customarily applied)
- (iii) in the case of an Alternative Rate, is in customary market usage in the international debt capital markets for transactions which reference the Original Reference Rate, where such rate has been replaced by the Alternative Rate;
- (iv) if no such recommendation or option or replacement has been made (or made available), or the Issuer determines there is no such spread, formula or methodology in customary market usage, the Issuer, following consultation with the Independent Adviser, determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original

Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or

- (v) if the Issuer determines that no such industry standard is recognised or acknowledged, the Issuer, in its discretion, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines to be appropriate;

“**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;

“**Alternative Rate**” means an alternative benchmark or screen rate which the Issuer, following consultation with the Independent Adviser, determines in accordance with Condition 4(i)(ii) is customarily applied in international debt capital markets transactions for the purposes of determining rates equivalent to the Reset Rate of Interest (or the relevant component part thereof) in euro;

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

“**Benchmark Amendments**” has the meaning given to it in the Condition 4(i)(iv);

“**Benchmark Event**” means:

- (i) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist; or
- (ii) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (iii) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or
- (iv) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Securities; or
- (v) it has become unlawful for the Principal Paying Agent, the Agent Bank or the Issuer to calculate any payments due to be made to any Holder using the Original Reference Rate,

provided that in the case of sub-paragraphs (ii), (iii) and (iv), the Benchmark Event shall occur on the date of the cessation of publication of the Original Reference Rate, the discontinuation of the Original Reference Rate, or the prohibition of use of the Original Reference Rate, as the case may be, and not the date of the relevant public statement;

“**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 Issuer), 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 Issuer 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 Group’s Tier 1 Capital or resulting in a reclassification as own funds of lower quality, 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 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, expressed as a percentage;

“**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 Group, as calculated by the Issuer on a consolidated basis, in accordance with the Regulatory Capital Requirements and taking into account any transitional provisions under the Regulatory Capital Requirements 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 Issuer and/or the Group;

“**Compliant Securities**” means securities issued directly by the Issuer that:

- (a) have terms which are not materially less favourable to an investor than the terms of the Securities (as reasonably determined by the Issuer in consultation with an investment bank or financial adviser of international standing (which in either case is independent of the Issuer), and provided that a certification to such effect (including as to such consultation) of two 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 (but subject always to the right by the Issuer subsequently to cancel such accrued interest in accordance with the terms of the securities); and (5) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer 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 Issuer 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 Issuer 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 (including without limitation by Directive (EU) 2019/878) and, as the context permits, any provision of Irish law transposing or implementing such Directive (as it is amended or replaced from time to time);

“**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 (including without limitation by Regulation (EU) 2019/876);

“**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 Issuer;

“**Distributable Items**” has the meaning assigned to such term in the CRD IV Regulation, as interpreted and applied in accordance with the Regulatory Capital Requirements then applicable to the Issuer. As of the date of these Conditions, “**Distributable Items**” means, in respect of any interest payment, 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, any profits which are non-distributable pursuant to provisions in legislation or the Issuer’s by-laws and any sums placed to non-distributable reserves in accordance with applicable national law or the statutes of the Issuer, in each case with respect to the specific category of own funds instruments to which legislation or the Issuer’s by-laws or statutes relate; such profits, losses and reserves being determined on the basis of the individual accounts of the Issuer and not on the basis of the consolidated accounts.

“**€**” 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;

“**Euronext Dublin**” means the Irish Stock Exchange plc trading as Euronext Dublin;

“**Financial Year**” means the financial year of the Issuer (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 9 April 2025;

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

“**Group**” means the Issuer together with each entity within the prudential consolidation of the Issuer (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);

“**Independent Adviser**” means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 4(i)(i);

“**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 9 April and 9 October in each year, starting on (and including) 9 April 2020;

“**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 9 October 2019, being the date of the initial issue of the Securities;

“**Issuer**” has the meaning given to it in the preamble to these Conditions;

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

“**Loss Absorbing Instruments**” means capital instruments or other obligations issued directly or indirectly by any member of the Group (other than the Securities) which qualify as Additional Tier 1 Capital of the Group 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;

“**Margin**” means 5.702 per cent.;

“**Market**” means the EEA Regulated Market of Euronext Dublin as defined by Article 4.1 (21) of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments, as amended;

“**Maximum Distributable Amount**” has the meaning given to it in Condition 5(b);

“**Net Income**” means the profit after tax of the Issuer, as calculated by the Issuer 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 Euronext Dublin;

“**Original Reference Rate**” means the Reset Reference Rate (or any component part thereof) (or any successor or alternative rate (or component part thereof) determined pursuant to Condition 4(i);

“**Other Pari Passu Instruments**” means any obligations of the Issuer 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 Issuer’s obligations in respect of the Securities (for the avoidance of doubt, including any other Additional Tier 1 Capital);

“**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 Issuer;

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

“**Rating Agency**” means Moody’s Investors Service 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 prudential (including resolution) supervision and applicable to the Issuer and/or, as applicable, the Group;

“**Relevant Date**” means (i) in respect of any payment other than a sum to be paid by the Issuer in a Winding-Up of the Issuer, the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Holders that, upon further surrender of the Certificate representing such 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 Issuer in a Winding-Up of the Issuer, the date which is one day prior to the date on which an order is made or a resolution is passed for the winding-up (or, in the case of an 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 Issuer becomes subject in respect of payments made by it of principal and/or interest on the Securities;

“**Relevant Nominating Body**” means:

- (i) the central bank for euro, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for euro, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof;

“**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 Issuer in its discretion after consultation with the Agent 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 Reset 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 -0.405 per cent.;

“**Screen Page**” means ICESWAP2, 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 Group at such time, as calculated by the Issuer 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 Issuer: (a) who are unsubordinated creditors of the Issuer; (b) whose claims are, or are expressed to be, subordinated to the claims of unsubordinated creditors of the Issuer but not further or otherwise; or (c) whose claims are, or are expressed to be, junior to the claims of other creditors of the Issuer, 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);



“**Successor Rate**” means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body;

“**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 Issuer would be obliged to pay Additional Amounts as provided or referred to in Condition 10 and such obligation cannot be avoided by the Issuer taking reasonable measures available to it;

“**Tier 1 Capital**” means, in relation to the Group the sum, expressed in euro, of all amounts that constitute Tier 1 Capital (as such term is defined, from time to time, by the Competent Authority);

“**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 the CET1 Ratio 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 Issuer 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 Issuer or an effective resolution is passed at a general meeting of the shareholders of the Issuer for the appointment of an examiner of the Issuer;

“**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 any member of the Group and qualifying (or which would qualify after any write-up pursuant to its terms) as Additional Tier 1 Capital of the Group 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 these Listing Particulars. 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 GEM 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 and to further strengthen the capital base of the Group.

## AIB GROUP PLC AND THE GROUP

### Overview

The Issuer is a public limited company incorporated in Ireland on 8 December 2016 under the Companies Act 2014, with registration number 594283. The Group is a financial services group operating predominantly in Ireland, providing a comprehensive range of services to retail, business and corporate customers, and holds market-leading positions in key segments in Ireland using the AIB, EBS and Haven brands. The Group also operates in Great Britain, as Allied Irish Bank (GB), and in Northern Ireland, under the trading name of First Trust Bank. In April 2019, it was announced that First Trust Bank operations, products and services will rebrand as AIB on a phased basis to create a shared and unified brand for the Group's customers across all of its business operations in 2020.

The Group offers a full suite of products for retail customers, including mortgages, personal loans, credit cards, current accounts, insurance, pensions, financial planning, investments, savings and deposits. Its products for business and corporate customers include finance and loans, business current accounts, deposits, foreign exchange and interest rate risk management products, trade finance products, invoice discounting, leasing, credit cards, merchant services, payments and corporate finance.

Since January 2019, the Group has been using a new operating model with the creation of three 'vertical' units responsible for the development of end-to-end customer strategy and propositions for its homes, business and consumer customers. The UK continues to operate, at a customer level, on a stand-alone basis. As a result of the new model, performance is reported across Retail, Corporate Institutional & Business Banking, AIB UK and Group segments.

- *Retail*: Retail comprises of Homes, Consumer and Financial Solutions Group (“**FSG**”). Homes is responsible for meeting the homes needs of customers in Ireland across the AIB, EBS and Haven brands. It delivers sustainable growth in the Group's core mortgages business with a culture of agility and innovation and will transform over time into a full homes customer centric ecosystem. Consumer is focused on defining and delivering innovative and differentiated products, propositions and services to meet the Group's customers' everyday banking needs through an extensive range of physical and digital channels. Consumer's core purpose is to achieve a seamless, transparent and simple customer experience in all of the Group's propositions across current accounts, personal and SME lending, payments and credit cards, deposits, insurance and wealth to maintain and grow the Group's market position. FSG is a standalone dedicated work out unit to which the Group has migrated the management of the vast majority of its non-performing exposures (“**NPEs**”), predominantly consisting of homes and consumer products, with the objective of delivering the Group's NPE strategy to reduce NPEs in line with European standards.
- *Corporate Institutional & Business Banking (“**CIB**”)*: CIB provides institutional, corporate and business banking services to the Group's larger customers and customers requiring specific sector or product expertise. CIB's relationship driven model serves customers through sector specialist teams, including Corporate Banking, Real Estate Finance, Business Banking, Energy, Climate Action & Infrastructure and Private Banking. In addition to traditional credit products, CIB offers customers foreign exchange and interest rate risk management products, cash management products, trade finance, mezzanine finance, structured and specialist finance, equity investments and also provides corporate finance advisory services. CIB also has a syndicated lending team based in Dublin and an office in New York.
- *AIB UK*: AIB UK offers retail and business banking services in two distinct markets, a sector-led corporate and commercial bank supporting businesses in Great Britain trading as Allied Irish Bank (GB), and a retail and business bank in Northern Ireland trading as First Trust Bank. In April 2019, it was

announced that First Trust Bank operations, products and services will rebrand as AIB on a phased basis to create a shared and unified brand for the Group's customers across all of its business operations in 2020.

- *Group:* The Group segment comprises wholesale treasury activities and Group control and support functions. Treasury manages the Group's liquidity and funding positions and provides customer treasury services and economic research. The Group control and support functions include business and customer services, risk, audit, finance, legal and human resources.

The following table provides a breakdown of loans and customer accounts across the Group's four segments as at 30 June 2019 and 31 December 2018.

	30 June 2019		31 December 2018		30 June 2019	31 December 2018
	Loans and advances to customers				Customer Accounts	
	<i>(€ billions)</i>					
	Gross	Net	Gross	Net		
Retail.....	37.7	36.3	39.1	37.3	47.1	45.3
CIB .....	16.0	15.9	15.2	15.2	11.2	10.8
AIB UK <sup>(1)</sup> .....	8.8	8.7	8.5	8.3	9.6	9.9
Group Segment .....	0.2	0.2	0.1	0.1	1.6	1.7
	<u>62.7</u>	<u>61.1</u>	<u>62.9</u>	<u>60.9</u>	<u>69.5</u>	<u>67.7</u>

Note:

- (1) Net loans were €7.7 billion and customer accounts were €8.7 billion as at 30 June 2019. Net loans were €7.4 billion and customer accounts were €8.9 billion as at 31 December 2018. Euro amounts calculated using the pound sterling to euro exchange rate of 0.8966 and 0.8945, being the period end exchange rate of 30 June 2019 and 31 December 2018, respectively.

The Group's profit before taxation from continuing operations was €436 million for the half year ended 30 June 2019. As at 30 June 2019, the Group had total assets of €95.6 billion and equity of €14.0 billion.

## History

The Group has a long history of operating in Ireland, with its predecessor organisations having been part of the Irish banking sector for almost 200 years. The Group's origins date back to the amalgamation in 1966 of three long-established banks: (i) the Munster and Leinster Bank Limited (established 1885), (ii) the Provincial Bank of Ireland Limited (established 1825) and (iii) the Royal Bank of Ireland Limited (established 1836). AIB Bank was incorporated as a limited company on 21 September 1966 and was subsequently re-registered as a public limited company on 2 January 1985.

In 1991, the Group merged its interests in Northern Ireland with those of TSB Northern Ireland to create First Trust Bank. In 1996, the Group's retail operations in the UK were integrated and the resulting entity was renamed AIB Group (UK) p.l.c., with two distinct trading names: Allied Irish Bank (GB) in Great Britain and First Trust Bank in Northern Ireland. During the 1980s and 1990s, the Group entered a phase of international expansion in select markets, acquiring businesses in the United States and Poland.



In the context of the global financial crisis beginning in 2008, the Irish Government recognised the need to stabilise Irish financial institutions and to create greater certainty for all stakeholders. It implemented a number of measures in response to the crisis, including the introduction of the CIFS Scheme and the ELG Scheme and the establishment of NAMA, and several capital investments in AIB Bank and EBS during 2009, 2010 and 2011 amounting to a total of €20.8 billion, which included the National Pensions Reserve Fund Commission making a €3.5 billion investment in the Group by way of a subscription for preference shares (the “**2009 Preference Shares**”) on 13 May 2009. Following these investments the Irish Government owned 99.8 per cent. of the ordinary shares in the capital of AIB Bank. The Group was also required to deleverage approximately €20.5 billion of non-core assets by December 2013.

AIB Bank’s ordinary shares were delisted from both the Main Securities Market of the Irish Stock Exchange (now known as the Regulated Market of Euronext Dublin) and the UK Official List and were subsequently admitted to the Enterprise Securities Market of the Irish Stock Exchange (now known as Euronext Dublin Enterprise Securities Market) (“**ESM**”) in January 2011. Also in 2011, AIB Bank’s American Depositary Shares were delisted and ceased to be traded on the New York Stock Exchange.

During 2012, the Group made significant progress in restructuring its balance sheet and also introduced a series of cost reduction programmes, including a voluntary severance scheme and an early retirement scheme. For the year ended 31 December 2014, the Group announced a pre-tax profit of €1,111 million, its first annual profit since 2008.

#### *Initial Public Offering*

On 30 May 2017, the Irish Government and AIB Bank announced an intention to seek admission of the AIB Bank shares to the Official Lists of each of the Irish Stock Exchange (now known as Euronext Dublin) and the FCA and to trading on the main markets of the Irish Stock Exchange (now known as Euronext Dublin) and the London Stock Exchange and to proceed with a secondary offering of ordinary shares in AIB Bank by the Irish Government. Pursuant to this secondary offering in June 2017, the Irish Government sold 780,384,606 ordinary shares in AIB Bank to certain institutional and retail investors (the “**IPO**”), comprising 28.75 per cent. of the issued ordinary share capital of AIB Bank. On completion of this sale the Irish Government holding reduced to 71.12 per cent. Admission to the Official Lists together with admission to trading on the main markets for listed securities on the Irish Stock Exchange (now known as Euronext Dublin) and the London Stock Exchange commenced on 27 June 2017.

#### *Scheme of Arrangement*

Following High Court of Ireland approval in December 2017, AIB Bank completed a corporate reorganisation to effect the SRB’s decision that the preferred resolution strategy for the Group would be a single point of entry via a holding company. The Scheme involved the establishment of a new group holding company, AIB Group plc. The reorganisation had been approved by shareholders’ meetings in November 2017 and was implemented by means of a scheme of arrangement under Chapter 1 of Part 9 of the Irish Companies Act 2014.

In December 2017, the Scheme became effective and AIB Bank’s shares were cancelled, with one share of the Issuer being issued for every AIB Bank share held at such time. On 11 December 2017, the entire issued ordinary share capital of AIB Group plc, comprising 2,714,381,237 ordinary shares, was admitted to the Official Lists of each of the Irish Stock Exchange (now known as Euronext Dublin) and the FCA and to trading on the main markets of the Irish Stock Exchange (now known as Euronext Dublin) and the London Stock Exchange. With effect from the time the Scheme became effective, the Issuer has owned 100 per cent. of AIB Bank. As at 31 December 2018, the Irish Government maintained a 71.12 per cent. shareholding in AIB Group plc.

#### **Capital Position and Requirements**

The ECB supervises the Group from a prudential perspective, including liquidity.

The Group's consolidated minimum CET1 ratio requirement is currently 11.55 per cent. This is the sum of a 4.5 per cent. Pillar 1 requirement plus a 3.15 per cent. Pillar 2 requirement, a 2.5 per cent. Capital Conservation Buffer requirement, a 0.50 per cent. O-SII requirement (rising to 1.0 per cent. on 1 July 2020 and 1.5 per cent. on 1 July 2021) and a 0.90 per cent. Counter-Cyclical Buffer requirement. For further information, see "Risk Factors – 28. The Group may have insufficient capital to meet increased minimum regulatory requirements. Pillar 2 guidance is also applicable but not disclosed and is not binding for the purpose of determining a breach of the Maximum Distributable Amount ("MDA") threshold.

A breach of the minimum requirements would induce constraints, for example in relation to dividend distributions and coupon payments on certain capital instruments, including the Securities (see "Risk Factors – 36. The Issuer may at any time elect, and in certain circumstances shall be required, not to make interest payments on the Securities" and "Risk Factors – 38. 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").

Further, any shortfall in Pillar 1 or Pillar 2 requirements which would otherwise be made up of Additional Tier 1 capital ("AT1") or Tier 2 capital (up to their respective limits in CRR) would have to be met with CET1 (for an AT1 shortfall) and AT1 or CET1 (for a Tier 2 shortfall) in order to avoid a breach of the MDA threshold.

For the purpose of determining if there has been a breach of the MDA threshold, the applicable Pillar 1 and Pillar 2 requirements and the Combined Buffer Requirements are taken into account. Consequently, based on the Group's reported consolidated capital ratios as at 30 June 2019, the applicable buffers to the MDA threshold and to the 7 per cent. Trigger Event in the terms of the Securities (in each case on a phased-in and fully-loaded basis) as at 30 June 2019 are set out below.

	30 June 2019 (all figures expressed on a consolidated basis)					
	<b>CET1 (Phased- in)</b>	<b>Tier 1 (Phased- in)</b>	<b>Total Capital (Phased- in)</b>	<b>CET1 (Fully Loaded)</b>	<b>Tier 1 (Fully Loaded)</b>	<b>Total Capital (Fully Loaded)</b>
Group Ratio.....	20.3%	20.8%	21.7%	17.3%	18.0%	19.0%
MDA Threshold.....	11.55%	13.05%	15.05%	11.55%	13.05%	15.05%
Unfilled AT1/Tier 2 bucket	2.13%	-	-	1.85%	-	-
MDA Buffer* (%).....	6.6%	-	-	3.9%	-	-
MDA Buffer* (€m).....	3,497	-	-	2,076	-	-
Buffer to Trigger Event (%)....	13.3%	-	-	10.3%	-	-
Buffer to Trigger Event (€m)....	7,026	-	-	5,446	-	-

\*The MDA buffer includes an adjustment for minority interests which does not reflect the full value of the AT1 and Tier 2 instruments issued out of Allied Irish Banks, p.l.c.

The Group's risk-weighted assets (on a consolidated basis) amounted to €52.8 billion on a phased-in basis and €52.7 billion on a fully-loaded basis, in each case as at 30 June 2019.

The Issuer has indicated it has a medium-term CET1 ratio target (on a consolidated basis) in excess of 13 per cent. (fully-loaded), which includes a management buffer above regulatory requirements and guidance.

The Issuer will be required to cancel any interest amount if payment of it, when aggregated with certain other payment, exceeds the Distributable Items of the Issuer's issue (see "*Risk Factors – 37. 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 had available Distributable Items as at 30 June 2019 in excess of €5 billion.

## Board of Directors and Executive Officers

The following is a list of directors and officers of the Issuer as at the date of these Listing Particulars. The business address of each of the directors and officers referred to below is c/o Bankcentre, Ballsbridge, Dublin 4. The contact telephone number for the Issuer is: +353 16417803.

<b>Name</b>	<b>Title</b>
Richard Pym	Non-Executive Chairman
Catherine Woods*	Deputy Chairman
Tom Foley	Senior Independent Non-Executive Director
Basil Geoghegan	Non-Executive Director
Sandy Kinney Pritchard	Non-Executive Director
Carolan Lennon	Non-Executive Director
Elaine MacLean	Non-Executive Director
Brendan McDonagh	Non-Executive Director
Helen Normoyle	Non-Executive Director
Jim O'Hara*	Non-Executive Director
Ann O'Brien	Non-Executive Director
Raj Singh	Non-Executive Director
Colin Hunt	Chief Executive Officer
Tomás O'Midheach	Chief Operating Officer and Deputy Chief Executive Officer

\* As announced on 4 September 2019, Catherine Woods and Jim O'Hara will resign as Deputy Chairman and Non-Executive Director, respectively, with effect from 12 October 2019. A successor to the role of Deputy Chairman will be appointed in due course.

As far as is known to AIB, no potential conflicts of interest exist between any duties to AIB of the persons listed under "*Board of Directors and Executive Officers*" above and their private interests and/or other duties.

The Board-approved Code of Conduct and Conflicts of Interest Policy sets out how actual, potential or perceived conflicts of interest are to be evaluated, reported and managed to ensure that Directors act at all times in the best interests of the Group and its stakeholders. Executive Directors, as employees of the Group, are also subject to the Group's Code of Conduct and Conflicts of Interests Policy for employees.

## Executive Committee

<b>Name</b>	<b>Title</b>
Colin Hunt	Chief Executive Officer

<b>Name</b>	<b>Title</b>
Tomás O'Midheach	Chief Operating Officer and Deputy Chief Executive Officer
Vacant <sup>(1)</sup>	Chief People Officer
Donal Galvin	Chief Financial Officer
Helen Dooley	Group General Counsel
Deirdre Hannigan	Chief Risk Officer
Cathy Bryce	Managing Director, Corporate, Institutional & Business Banking
Tom Kinsella	Managing Director, Homes
Robert Mulhall	Managing Director, Consumer Banking
Brendan O'Connor	Managing Director, AIB Group (UK) plc
Jim O'Keefe	Chief Customer and Strategic Affairs Officer

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Note:

- (1) The Chief People Officer position was vacated by Triona Ferriter on 1 May 2019. The recruitment process for the Chief People Officer position has commenced.

## 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 AIB, 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 these Listing Particulars. 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, AIB 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.

#### ***Payments on securities to be treated as interest***

Payments by AIB in respect of the Securities which are not payments of principal are expected to be treated as interest (and not as distributions) for Irish tax purposes. This treatment arises by virtue of specific Irish tax legislation which provides that coupons paid in respect of Additional Tier 1 instruments shall be regarded as interest for Irish tax purposes and not as distributions. In February 2019, the Department of Finance in Ireland issued a public consultation in respect of the Irish tax treatment of Additional Tier 1 instruments following changes to the tax treatment of Additional Tier 1 instruments in certain other Member States of the European Union. The consultation paper raised questions in relation to potential legislative amendments in Finance Act 2019 to ensure that equivalent tax treatment is applied to other instruments which are comparable to Additional Tier 1 instruments.

#### ***Interest Withholding Tax***

AIB 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 Euronext Dublin (quoted Eurobonds). It is intended that the Securities will be listed on Euronext Dublin and will be treated as quoted Eurobonds as a result. The Securities may also be entitled to an equivalent exemption even if they are not listed on a recognised stock exchange, for so long as they are treated as Additional Tier 1 instruments under Article 52 of the CRD IV Regulation.

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).

## **2 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.

## **3 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 AIB 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.

## **4 Taxation of Interest**

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 Member State of the EU (apart from Ireland) or a country with which Ireland has signed a double tax treaty (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.

## **5 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.

## **6 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 disponent or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the disponent is domiciled in Ireland irrespective of his residence or that of the donee/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.

## SUBSCRIPTION AND SALE

The Managers have, pursuant to a subscription agreement dated 7 October 2019, jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe the Securities at 100 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 and to indemnify the Managers against certain liabilities 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 these Listing Particulars (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 these Listing Particulars (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.

The Securities are not intended to be sold and should not be sold to retail clients in the EEA, as defined in the rules set out in MiFID II. Prospective investors are referred to the section headed “*Prohibition on Marketing and Sales to Retail Investors*” in these Listing Particulars for further information.

### 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.



## **Prohibition of Sales to EEA Retail Investors**

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities which are the subject of the offering contemplated by these Listing Particulars to any retail investor in the European Economic Area. For the purposes of this provision, the expression “**retail investor**” means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

## **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 does not 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 and agreed that it has not offered, sold, placed or underwritten and will not offer, sell, place or underwrite the Securities, or do anything in Ireland in respect of the Securities, otherwise than in conformity with the provisions of:

- (a) the European Union (Markets in Financial Instruments) Regulations 2017 (as amended) and any codes or rules of conduct applicable thereunder, Regulation (EU) No 600/2014 and any delegated or implementing acts adopted thereunder and the provisions of the Investor Compensation Act 1998 (as amended);
- (b) the Irish Central Bank Acts 1942 – 2018 (as amended) and any codes of practice made under Section 117(1) of the Central Bank Act 1989 (as amended);
- (c) the Prospectus Regulation, the European Union (Prospectus) Regulations 2019 and any rules and guidelines issued under Section 1363 of the Companies Act 2014 (as amended) by the Central Bank;
- (d) the Market Abuse Regulation (EU 596/2014) (as amended), the European Union (Market Abuse) Regulations 2016 (as amended) and any rules and guidelines issued under Section 1370 of the Companies Act 2014 (as amended) by the Central Bank; and
- (e) the Companies Act 2014 (as amended).

## **Canada**

Each Manager has represented and agreed that it has not offered, sold or placed and will not offer, sell or place the Securities in Canada except to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of

the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Securities must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if these Listing Particulars (including any amendment thereto) contain a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal adviser.

## GENERAL INFORMATION

1. The issue of the Securities was duly authorised by a resolution of the Board of Directors of the Issuer dated 19 September 2019.
2. Application has been made to Euronext Dublin for the Securities to be admitted to trading on the GEM and to be listed on the Official List. The GEM is the exchange regulated market of Euronext Dublin and is not a regulated market for the purposes of MiFID II. It is expected that admission of the Securities to the Official List and to trading on the GEM will be granted on or about 9 October 2019, subject only to the issue of the Securities.

A&L Listing Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Securities and is not itself seeking admission of the Securities to the Official List or to trading on the GEM.

3. The Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for this issue is XS2056697951 and the Common Code is 205669795. 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.

The Classification of Financial Instrument (CFI) code (DBFNPR) and the Financial Instrument Short Name (FISN) (ALLIED IRISH BA/EUR NT PERP) code are each as set out on the website of the Association of National Number Agencies (ANNA).

The Legal Entity Identifier (LEI) of AIB is 635400AKJBGNS5WNQL34.

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 these Listing Particulars, 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 June 2019 and there has been no material adverse change in the prospects of the Issuer since 31 December 2018.
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 London office of the Principal Paying Agent and the office of AIB specified at the end of these Listing Particulars for so long as the Securities remain outstanding:
  - (i) the Memorandum and Articles of Association of AIB;
  - (ii) the Trust Deed (which includes the form of the Global Certificate and the Definitive Certificates);
  - (iii) the Agency Agreement;
  - (iv) the audited annual consolidated financial statements of AIB for the financial years ended 31 December 2017 and 31 December 2018, respectively, in each case together with the audit reports thereon;
  - (v) the unaudited condensed consolidated financial statements of AIB for the six months ended 30 June 2019, together with the independent review report thereon;
  - (vi) all documents incorporated by reference into these Listing Particulars; and
  - (vii) 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 these Listing Particulars.

7. Deloitte Ireland LLP 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 years ended 31 December 2017 and 31 December 2018, 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 5.319 per cent. 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.
9. Certain of the Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial transactions with, and may perform services to the Issuer and/or the Issuer's affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Managers or their affiliates that have a lending relationship with the Issuer and/or the Issuer's affiliates routinely hedge their credit exposure to the Issuer and/or the Issuer's affiliates consistent with their customary risk management policies. Typically, such Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Securities. Any such positions could adversely affect future trading prices of the Securities. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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