

THIS PROSPECTUS AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the contents of this Prospectus, or about the action you should take, you are recommended to consult immediately, in the case of Shareholders in Ireland, an organisation or firm authorised or exempted pursuant to the European Communities (Markets in Financial Instruments) Regulations (Nos. 1 to 3) 2007 or the Investment Intermediaries Act 1995 (as amended) and, in the case of Shareholders in the United Kingdom, a firm authorised under the FSMA or from another appropriately authorised independent financial adviser if you are in a territory outside Ireland or the United Kingdom.

The Company and the Directors, whose names are set out in paragraph 6.1 of Part IX ("*Additional Information*") of this Prospectus, accept responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

The distribution of this Prospectus into jurisdictions other than Ireland and the United Kingdom may be restricted by law. Persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws or regulations of any such jurisdiction. In particular, subject to certain exceptions, this Prospectus should not be distributed, forwarded to or transmitted in or into the United States. No action has been taken by the Company that would permit an offer of the New Ordinary Shares or possession or distribution of this Prospectus, or any other offering or publicity material in any jurisdiction where action for that purpose is required, other than in Ireland and the United Kingdom.

This Prospectus has been drawn up in accordance with Part 5 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland, Part 5 of the Irish Prospectus Regulations, the EU Prospectus Regulation and the Prospectus Rules. This Prospectus has been approved by the Financial Regulator as competent authority under the Prospectus Directive. The Financial Regulator only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the New Ordinary Shares which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of the Markets in Financial Instruments Directive 2004/39/EC or which are to be offered to the public in any Member State of the European Economic Area. This Prospectus has been made available to the public in accordance with Part 8 of the Irish Prospectus Regulations by being made available, in electronic form on the Company's website www.aibgroup.com. The Company has requested that the Financial Regulator provides a certificate of approval and a copy of this Prospectus to the competent authority, for the purposes of the Prospectus Directive, in the United Kingdom.

The Ordinary Shares are listed on the Official Lists and are traded on the regulated markets of the Irish Stock Exchange and the London Stock Exchange. Application has been made to the Irish Stock Exchange and the UK Listing Authority for 198,089,847 New Ordinary Shares to be admitted to the Official Lists. Application has been made to the Irish Stock Exchange and the London Stock Exchange for such New Ordinary Shares to be admitted to trading on their respective regulated markets for listed securities. It is expected that such admission will occur at 8.00 a.m. (Dublin time) on 10 September 2010.



Allied Irish Banks, p.l.c.

(incorporated and registered in Ireland under the Companies Act 1963 with registered number 24173)

Admission to trading of 198,089,847 New Ordinary Shares issued to the NPRFC on 13 May 2010

**Morgan Stanley
Sponsor and Joint Financial Adviser**

**AIB Corporate Finance
Joint Financial Adviser**

This Prospectus does not constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell, otherwise dispose of or issue, or any solicitation of any offer to sell, otherwise dispose of, issue, purchase or otherwise acquire or subscribe for any security. No Ordinary Shares have been marketed to, nor are any available for purchase in whole or in part by, the public in Ireland, the United Kingdom or elsewhere in connection with Admission. You should read the whole of this Prospectus and any documents incorporated herein by reference.

Morgan Stanley (as Sponsor and joint financial adviser) (which is authorised and regulated in the United Kingdom by the Financial Services Authority) and AIB Corporate Finance (as joint financial adviser) (which is regulated in Ireland by the Financial Regulator) are acting exclusively for AIB and no one else in connection with Admission and will not regard any other person (whether or not a recipient of this Prospectus) as their respective client in relation to Admission and will not be responsible to anyone other than AIB for providing the protections afforded to their respective clients or for providing advice in relation to Admission or any matters referred to in this Prospectus.

Investors should only rely on the information contained in this Prospectus and any documents incorporated herein by reference. No person has been authorised to give any information or make any representations other than those contained in this Prospectus and any document incorporated by reference herein and, if given or made, such information or representations must not be relied upon as having been so authorised. AIB will comply with its obligation to publish a supplementary prospectus containing further updated information if so required by law or by any regulatory authority but assumes no further obligation to publish additional information.

Apart from the responsibilities and liabilities, if any, which may be imposed by law, none of Morgan Stanley, Morgan Stanley & Co. Limited or AIB Corporate Finance makes any representation or warranty, express or implied, for the contents of this Prospectus including the accuracy, verification or completeness of any information contained in this Prospectus or for any statement made or purported to be made by the Company or on the Company's behalf by Morgan Stanley & Co. International plc, Morgan Stanley & Co. Limited or AIB Corporate Finance or on Morgan Stanley, Morgan Stanley & Co. Limited's or AIB Corporate Finance's behalf in connection with the Company, the New Ordinary Shares or Admission and nothing in this Prospectus shall be relied upon as a representation in that respect. Each of Morgan Stanley, Morgan Stanley & Co. Limited and AIB Corporate Finance accepts no responsibility for, nor do they authorise, the contents of this Prospectus or its issue, including without limitation under section 41 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005, or Regulation 31 of the Irish Prospectus Regulations or any other statement made or purported to be made by the Company, or on their behalf, in connection with Admission, the New Ordinary Shares or any of the other arrangements described in this Prospectus, and accordingly disclaims to the fullest extent permitted by law and under the Prospectus Rules all and any liability whatsoever whether arising in tort, contract or otherwise which it might otherwise have in respect of this Prospectus or any such statement.

None of the Minister for Finance, the Department of Finance, the Government, the NTMA, the NPRFC or any person controlled by or controlling any such person, or any entity or agency of or related to the State, or any director, officer, official, employee or adviser of any such person (each such person, a "**Relevant Person**") accepts any responsibility for the contents of, or makes any representation or warranty as to the accuracy, completeness or fairness of any information in, this Prospectus or any document referred to in this Prospectus or any supplement or amendment thereto (each a "**Transaction Document**"). Each Relevant Person expressly disclaims any liability whatsoever for any loss howsoever arising from, or in reliance upon, the whole or any part of the contents of any Transaction Document. No Relevant Person has authorised or will authorise the contents of any Transaction Document, or has recommended or endorsed any transaction or any course of action contemplated by any Transaction Document.

This Prospectus is not and does not constitute an invitation or offer of New Ordinary Shares to any persons, including persons in the United States. The New Ordinary Shares have not been and will not be registered under the US Securities Act or under any securities laws of any state or other jurisdiction of the United States and may not be offered or sold directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with the securities laws of any state or other jurisdiction of the United States. There will be no public offer in the United States.

The contents of this Prospectus and the information incorporated herein by reference should not be construed as legal, business or tax advice. This Prospectus is for your information only and nothing in this Prospectus is intended to endorse or recommend a particular course of action.

Capitalised terms have the meanings ascribed to them in Part XI ("*Definitions*") of this Prospectus.

Dated: 9 September 2010

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SUMMARY

The following summary information should be read as an introduction to this Prospectus. Any decision to invest in the Ordinary Shares should be based on consideration by the investor of this Prospectus as a whole. Where a claim relating to the information contained in this Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff investor may, under the national legislation of that Member State, have to bear the costs of translating this Prospectus before legal proceedings are initiated. Civil liability attaches to those persons responsible under law for the contents of this Prospectus, including any translation of this summary but only if this summary is misleading, inaccurate or inconsistent when read together with other parts of this Prospectus.

1 Introduction

On 13 May 2010, AIB allotted 198,089,847 New Ordinary Shares to the NPRFC by way of the Bonus Issue. Application has been made to the Irish Stock Exchange, the UK Listing Authority and the London Stock Exchange for the New Ordinary Shares to be admitted to the Official Lists and to trading on the respective regulated markets of the Irish Stock Exchange and London Stock Exchange. It is expected that Admission will occur and that dealings in the New Ordinary Shares on the Irish Stock Exchange and the London Stock Exchange will commence at 8.00 a.m. on 10 September 2010.

2 Background to and reasons for the Bonus Issue and Admission

In May 2009, AIB issued the 2009 Preference Shares to the NPRFC as part of the Government's recapitalisation of AIB. The dividend on those shares, the 2009 Preference Dividend, is a non-cumulative cash dividend at a fixed rate of 8 per cent. per annum of the subscription price, payable annually in arrears, at the sole and absolute discretion of the Directors of AIB.

Under the terms of the Articles, if AIB does not pay the 2009 Preference Dividend in full on the Annual Dividend Payment Date in any particular year, the holders of 2009 Preference Shares shall be allotted and issued new Ordinary Shares by way of a bonus issue during the Bonus Shares Settlement Period, unless AIB is prohibited by law from doing so. If the Bonus Shares are issued by AIB on the Annual Dividend Payment Date in the particular year, the Bonus Shares will comprise such number of new Ordinary Shares as is equal to the aggregate cash amount of the 2009 Preference Dividend that was not paid in that particular year, based on the average price of an Ordinary Share in the 30-day trading period immediately preceding the Annual Dividend Payment Date. If the issue of Bonus Shares is deferred by AIB beyond the Annual Dividend Payment Date, the number of Bonus Shares to be issued will be increased and will be equal to the unpaid dividend amount on the Preference Shares divided by 95 per cent. of the average price of an Ordinary Share in the 30-day trading period immediately preceding the Annual Dividend Payment Date.

In accordance with the European Commission's policy relating to European Union state aid rules on restructuring aid to banks, AIB agreed not to pay discretionary coupons on its Tier 1 Capital instruments and Tier 2 Capital instruments. This had the result that the coupon due on the LP3 Securities, which would otherwise have been payable on 14 December 2009, was not paid by AIB. The effect of this non-payment was to trigger the "dividend stopper" provision in the LP3 Securities, which precludes AIB from declaring and paying any distribution or dividend on certain securities, including the 2009 Preference Shares, for a period of one calendar year. AIB was accordingly precluded from paying, and resolved not to pay, the 2009 Preference Dividend to the NPRFC on 13 May 2010 in respect of its holding of 2009 Preference Shares. As a result, pursuant to the terms of its Articles of Association, AIB allotted 198,089,847 New Ordinary Shares to the NPRFC by way of the Bonus Issue on 13 May 2010.

The Subscription Agreement between AIB, the Minister for Finance and the NPRFC provides that AIB must apply for any Bonus Shares that are issued by AIB to be admitted to the Official Lists and to trading on the main markets for listed securities of the Irish Stock Exchange and the London Stock Exchange. In addition, under the Listing Rules of the Irish Stock Exchange and the UK Listing Authority, when shares of the same class as shares that are currently listed are allotted, which the New Ordinary Shares are, an application for Admission to listing must be made.

3 Relationship with the Government

In response to the significant challenges facing the Irish banking sector arising from the deterioration in international financial markets that began in 2008, the Government took steps to reassure the markets of the stability of the Irish banking industry. These steps included the CIFS Scheme, the ELG Scheme, the NPRFC Investment and the NAMA Programme.

3.1 CIFS Scheme

The CIFS Scheme was announced on 30 September 2008, under which the Minister guaranteed specific categories of liabilities of certain systemically important Irish credit institutions (including AIB and certain of its subsidiaries) for a two-year period from 30 September 2008 to 29 September 2010. If AIB defaults in respect of a guaranteed liability during the period of the guarantee, the Minister commits to pay to the creditor an amount equal to that liability. There is no monetary cap on the guarantee and it covers all guaranteed liabilities of AIB which become due for payment up to 29 September 2010.

3.2 ELG Scheme

The Government introduced the ELG Scheme on 9 December 2009 to supplement and ultimately replace the CIFS Scheme, and AIB and certain of its subsidiaries joined that new scheme on 21 January 2010. The ELG Scheme is intended to facilitate the ability of certain participating credit institutions in Ireland to issue debt securities and take deposits with a maturity after 29 September 2010 (being the date of expiry of the CIFS Scheme) on either a guaranteed or un-guaranteed basis. The ELG Scheme amended certain aspects of the CIFS Scheme, but each liability guaranteed under the CIFS Scheme as at the date an institution joins the ELG Scheme will remain unconditionally and irrevocably guaranteed under and in accordance with the terms of the CIFS Scheme (i.e. until 29 September 2010).

An eligible liability under the ELG Scheme must not have a maturity in excess of five years and must be incurred during an “issuance window”. The ELG Scheme is subject to a six-monthly review and approval by the European Commission under EU state aid rules. On 28 June 2010, following a request by the Minister, the European Commission approved a modification of the ELG Scheme to provide for a prolongation of the issuance period from 29 September 2010 to 31 December 2010 (subject to the introduction of new pricing rates for participating institutions) for (a) debt liabilities of between three months’ and five years’ duration (other than inter-bank deposits), (b) retail deposits of any duration up to five years and (c) corporate deposits with a maturity of between three months and five years. The statutory instruments to give effect to these extensions are not yet available.

On 7 September 2010, the Minister announced that, subject to further approval by the European Commission under EU state aid rules, the ELG Scheme would also be amended to extend the “issuance window” in respect of inter-bank deposits and short-term liabilities (zero to three months) (including corporate deposits) of a participating institution, from 29 September 2010 to 31 December 2010. If European Commission approval is given for this further change, and if both this proposed change and the change approved on 28 June 2010 are implemented, the “issuance window” in respect of every eligible liability of a participating institution under the ELG Scheme (including retail deposits over €100,000 for any duration up to five years and corporate and inter-bank deposits for any duration up to five years) would be extended from 29 September 2010 to 31 December 2010. Retail deposits of an amount up to €100,000 remain outside the ELG Scheme but continue to be guaranteed indefinitely under the Deposit Guarantee Scheme.

3.3 NPRFC Investment

On 13 May 2009, the Government implemented a recapitalisation of AIB pursuant to which the NPRFC made a direct capital investment in AIB by way of a €3.5 billion subscription by the NPRFC for the 2009 Preference Shares and 294,251,819 warrants to subscribe for Ordinary Shares (the “**2009 Warrants**”). As mentioned above, the resolution, in accordance with European Union state aid rules and the “dividend stopper” provisions of the LP3 Securities, by AIB not to pay the 2009 Preference Dividend due to the NPRFC on 13 May 2010 in respect of its holding of 2009 Preference Shares resulted in the issue by AIB, in accordance with its Articles of Association, of 198,089,847 New Ordinary Shares to the NPRFC by way of a bonus issue on 13 May 2010.

3.4 NAMA Programme

Under the NAMA Programme, NAMA is, on a phased basis, acquiring certain eligible assets from AIB, including performing and non-performing loans. The NAMA Programme is expected to remove from the Group’s balance sheet certain loans, primarily relating to land and development. AIB has transferred two tranches of NAMA Assets (comprising loans with a nominal value of €6.0 billion) to NAMA in April 2010 and July 2010. In return, AIB received payment for these assets by way of NAMA Bonds (amounting to 95 per cent. of the nominal value of the consideration received) and Subordinated NAMA Bonds (amounting to 5 per cent. of the nominal value of the consideration received) with an aggregate nominal value of €3.3 billion, representing a discount of approximately 45 per cent. to the gross value of the assets transferred. As at 30 June 2010, AIB’s total eligible NAMA Assets following the transfer of the first tranche of NAMA Assets amounted to €20.4 billion. This included €3.2 billion of eligible NAMA Assets of AIB Group (UK) p.l.c. which were not classified as held for sale to NAMA in the

unaudited Half-Yearly Financial Report 2010, as they may, subject to certain conditions specified by NAMA, be included in the sale of AIB Group (UK) p.l.c. Accordingly, the loans classified as held for sale to NAMA as at 30 June 2010 amounted to €17.2 billion, of which €2.7 billion were transferred to NAMA in the second tranche in July 2010.

3.5 State aid and EU restructuring plan

AIB's strategic objectives and priorities are reflected in the restructuring plan, which AIB prepared and the Department of Finance submitted to the European Commission in November 2009 as a result of the state aid provided to AIB in connection with the NPRFC Investment. AIB, through the Department of Finance, is involved in detailed negotiations and discussions with the European Commission in relation to the terms of the restructuring plan, and substantive engagement and progress has been achieved. The European Commission will require AIB to undertake structural measures, including measures relating to the planned disposals announced by AIB on 30 March 2010 and behavioural measures, including measures to support the development of competition in the Irish market and certain restrictions on discretionary dividend and coupon payments. These measures are reflected in the updated restructuring plan that was submitted to the European Commission on 4 May 2010. AIB expects the decision regarding approval of the proposed measures, including the terms of the restructuring plan, to be taken by the European Commission in the last quarter of 2010. AIB expects that the European Commission will not have any major objections to the terms and measures set out in the AIB restructuring plan, however at this stage, there can be no certainty as to the final outcome of the European Commission's proceedings.

Further details of the CIFS Scheme, the ELG Scheme, the NPRFC Investment and the NAMA Programme, and powers granted to the Minister and the Financial Regulator in respect of AIB thereunder, are contained in paragraph 16 of Part IX ("*Additional Information*") of this Prospectus. Further details of the EU restructuring plan are contained in (i) the paragraph entitled "The AIB Group is subject to risks relating to the European Commission restructuring plan" in the section entitled "Risk Factors" of this Prospectus and (ii) paragraph 2.2.5 of Part V ("*Capitalisation and Indebtedness*") of this Prospectus.

4 AIB's capital raising initiatives

On 30 March 2010, following publication of the PCAR, AIB announced a series of capital raising initiatives to meet the increased capital requirement determined by the Financial Regulator.

These capital raising initiatives include plans to sell AIB's shareholding in M&T, its shareholding in BZWBK and its UK business, which comprises "Allied Irish Bank (GB)" in Great Britain and "First Trust Bank" in Northern Ireland. Discussions in relation to those disposals are on-going. In addition, AIB also intends to dispose of its 49.99 per cent. shareholding in BACB.

AIB intends to undertake an equity capital raising in 2010 to seek to fulfil the remaining capital requirement following its other capital raising actions. AIB's intention is that this equity issue would be underwritten either by international investment banks and/or the Government.

The structure, timing and terms of that equity capital raising will be considered further by the Company in conjunction with the Government. Any residual capital requirement from these and other actions is intended to be met by a conversion of some of the 2009 Preference Shares held by the NPRFC into Ordinary Shares.

Further details of AIB's capital raising initiatives are contained in (i) the section entitled "*Risk Factors*" of this Prospectus, (ii) paragraphs 3 and 4 of Part II entitled ("*Information on the Group*") and (iii) paragraph 2 of Part V ("*Capitalisation and Indebtedness*").

5 Selected financial information in relation to the AIB Group

The selected historical financial information in relation to the AIB Group in this summary has, unless otherwise stated, been extracted without material adjustment from, and should be read together with, the unaudited financial statements in the Half-Yearly Financial Report 2010 and the audited financial statements in the Annual Report 2009, the Annual Report 2008 and the Annual Report 2007, which are incorporated by reference into this Prospectus.

Business performance and operating and financial review

	As at and for the six months ended 30 June		As at and for the year ended 31 December		
	2010 ⁽¹⁾	2009 ⁽¹⁾	2009 ⁽¹⁾	2008 ⁽¹⁾⁽²⁾	2007 ⁽¹⁾⁽²⁾
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	<i>(Audited)</i>	
	<i>(€ million)</i>				
Key income statement data					
Total operating income	385	2,175	3,540	5,068	4,868
Total operating expenses	717	746	1,308	2,357	2,521
Operating (loss)/profit before provisions	(332)	1,429	2,232	2,711	2,347
(Loss)/profit before taxation	(2,363)	(707)	(2,624)	1,034	2,511
(Loss)/profit after taxation	(2,034)	(610)	(2,266)	890	2,069
Profit/(loss) after taxation from discontinued operations	303	(176)	(68)	—	—
(Loss)/profit for the period attributable to owners of the parent	(1,766)	(829)	(2,413)	772	1,952
Key balance sheet data					
Total assets	169,195	179,540	174,314	182,174	177,888
Total liabilities	159,729	167,431	162,979	171,861	166,684
Total shareholders' equity including non-controlling interests	9,466	12,109	11,335	10,313	11,204
Shareholders' equity	8,830	11,553	10,709	8,969	9,853
Other key financial data					
Basic (loss)/earnings per share	(163.7)c	(43.2)c	(215.2)c	83.4c	218.3c
Diluted (loss)/earnings per ordinary share	(163.7)c	(43.2)c	(215.2)c	83.3c	216.8c
Dividends per ordinary share paid	—	—	—	81.8c	74.3c
Core Tier 1 Capital Ratio	6.9%	8.5%	7.9%	5.8%	6.0%
Tier 1 Capital Ratio ⁽³⁾	6.0%	7.8%	7.2%	7.4%	7.5%
Total Capital Ratio ⁽³⁾	9.0%	10.7%	10.2%	10.5%	10.1%

Notes:

- (1) As described in the "Basis of presentation" on page 33 and in note 14 on pages 55 to 58 of the Half-Yearly Financial Report 2010, AIB Group (UK) p.l.c., BZWBK, M&T and BACB are treated as discontinued operations for the six months ended 30 June 2010. Discontinued operations are presented in the income statement for the six months ended 30 June 2010 as a separate line item, comprising the total of the post tax profit or loss of the discontinued operations for the period together with any post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on disposal of the assets/disposal groups. The comparatives for the six months ended 30 June 2009 and the year ended 31 December 2009 reflect this treatment while the presentation of the amounts for the years ended 2008 and 2007 have not been amended.
- (2) As described on page 127 of the Annual Report 2009, the Group changed its accounting policy for insurance and investment contracts. The change in accounting policy has been accounted for retrospectively and the comparative financial statements have been restated. The change in accounting policy had the effect of increasing investment in associates, total assets, retained earnings and total liabilities, shareholders' equity and non-controlling interests by €26 million at 31 December 2007 and by €31 million at 31 December 2008. Share of income from associated undertakings and profit before tax each increased by €5 million in the year ended 31 December 2008 and by €3 million in the year ended 31 December 2007. The change in accounting policy increased basic earnings per share for the year ended 31 December 2008 by 0.5 cent to 83.4 cent and diluted earnings per share by 0.5 cent to 83.3 cent. The change in accounting policy increased basic earnings per share for the year ended 31 December 2007 by 0.3 cent to 218.3 cent and diluted earnings per share by 0.4 cent to 216.8 cent.
- (3) The Tier 1 Capital Ratios and Total Capital Ratios as at 30 June 2010, 31 December 2009, 30 June 2009, 31 December 2008 and 31 December 2007 have been prepared under the Capital Requirements Directive.

6 Working capital

The global markets for short and medium-term sources of funding on which banks rely to support their business activities remain constrained. As a result, support by the Minister for Finance to directly supplement existing sources of funding and create the environment for an improvement in the availability of other traditional sources of funding remains necessary. Due to the uncertainty surrounding the implementation and/or continuation of the Government schemes, the Financial Regulator has agreed that a statement regarding the adequacy of working capital for at least the next 12 months should not be required in this Prospectus. There is, therefore, no working capital statement in this Prospectus.

7 Current trading and outlook

On 4 August 2010, AIB released its Half-Yearly Financial Report 2010 (which is incorporated by reference herein) containing a condensed set of financial statements and an interim management report, which includes a review of the important events that have occurred during the first six months of 2010 and their impact on the condensed consolidated financial statements and the principal risks and uncertainties affecting AIB for the remaining months of 2010. This also includes some key operating business targets over the next three years.

Trading conditions since 30 June 2010 with respect to AIB's margins and funding remain substantially the same as those experienced in the second quarter of 2010. Asset quality remains challenging, with no significant trends beyond those evident in the first half of the year. In addition, an estimated after tax loss attributable to Shareholders was realised on the transfer of the second tranche of NAMA Assets by AIB on 12 July 2010, as referred to in Part VII ("*Unaudited Pro Forma Financial Information*") of this Prospectus.

8 No significant change

From 30 June 2010 (being the date of the Half-Yearly Financial Report 2010) to the date of this Prospectus, there has been no significant change in the trading or financial position of the Group, save as disclosed in respect of the estimated after tax loss attributable to Shareholders which was realised on the transfer of the second tranche of NAMA Assets by AIB on 12 July 2010, as referred to in Part VII ("*Unaudited Pro Forma Financial Information*") of this Prospectus.

9 Dividend policy

No dividend was declared on the Ordinary Shares in respect of the financial year of the Group ended 31 December 2009. In accordance with the European Commission's policy relating to European Union state aid rules on restructuring aid to banks, AIB has agreed not to pay discretionary coupons on its Tier 1 Capital and Tier 2 Capital instruments. As a result, the coupon due on the LP3 Securities, which would otherwise have been payable on 14 December 2009, was not paid. The effect of this non-payment was to trigger the "dividend stopper" provision in the LP3 Securities, which precludes AIB from declaring and paying any distribution or dividend on the Group's "junior share capital", which includes the Ordinary Shares and the 2009 Preference Shares and any "parity security", which comprises the LPI Securities, the LP2 Securities and the RCI Securities for a period of one calendar year.

Under the terms of the LP3 Securities, AIB is precluded from paying dividends on the Ordinary Shares unless the "dividend stopper" period has expired. In addition, AIB is precluded under its Articles of Association from declaring a dividend on the Ordinary Shares until the cash dividend on the 2009 Preference Shares has been resumed. Because the EU restructuring plan has not yet been approved by the European Commission, the date on which AIB can resume payment of discretionary coupons on its Tier 1 Capital instruments and Tier 2 Capital instruments has not yet been agreed with the European Commission and this may impact on the timing of the ability of AIB to resume the payment of the cash dividend on the 2009 Preference Shares and consequently payments of dividends on its Ordinary Shares.

Under the terms of the CIFS Scheme, AIB must comply with rules governing the declaration and payment of dividends made by the Minister, in consultation with the Governor of the Central Bank and the Financial Regulator, and no new dividends may be declared or paid by AIB before those rules are made (no rules have yet been made by the Minister). Under the terms of the ELG Scheme, the Minister may issue directions to AIB to comply with some or all of the conduct, transparency and reporting requirements of the CIFS Scheme, including those relating to the declaration and payment of dividends, and each participating institution under the ELG Scheme, including AIB is required to comply with such directions, including after the CIFS Scheme has expired or if the participating institution is no longer a covered institution under the CIFS Scheme.

The Directors intend to resume paying dividends on Ordinary Shares after the above conditions have been satisfied and the Group has demonstrated that it can maintain appropriate capital ratios and sustainable profits.

10 Additional Information

For a business overview of AIB, see paragraph 1 of Part II. Information concerning AIB's memorandum and articles of association is set out in paragraph 4 of Part IX. For information on directors, advisers and auditors, see the section entitled "*Directors, Company Secretary, Registered Office and Advisers*". For information on senior executives, see paragraph 6.2 of Part IX. Information on AIB's share capital is set out in paragraph 3 of Part IX. Information on AIB's major shareholder is set out in paragraph 10 of Part IX. Information on capitalisation and indebtedness is set out in Part V. The history and development of the AIB Group is described in paragraph 2 of Part II. AIB's operating

and financial review and prospects are described in Part IV. Related-party transactions are set out in paragraph 18 of Part IX. Documents on display are set out in paragraph 24 of Part IX.

11 Summary of risk factors

Shareholders should carefully consider the following key risks:

Risks relating to AIB

- AIB's businesses, earnings and financial condition have been, and will continue to be, affected by the recent and future economic conditions in Ireland and international economic and sector-specific conditions.
- The default of a major market participant or negative developments affecting one or more Irish financial institutions, in particular, could disrupt the markets and impact AIB's financial condition and results of operations.
- The AIB Group is exposed to the Irish property sector, which has been and remains subject to unfavourable economic and market conditions.
- The AIB Group is subject to the risk of having insufficient capital resources to meet the minimum PCAR requirement. If the AIB Group is not able to raise a substantial part of the additional capital to meet the PCAR capital requirement from the announced capital raising initiatives, it may need to issue further equity capital to the Government. Any issue of further equity capital to the Government will increase the Government's economic interest in the AIB Group and will have a corresponding dilutive effect on other Shareholders.
- If the AIB Group is required to hold a higher level of capital than that currently anticipated by the market and as prescribed by the existing PCAR requirement, then this could have a material adverse impact on the Group's results, financial condition and prospects.
- Constraints on liquidity, uncertainty over the terms of an extension of the ELG Scheme and the market reaction to the removal of Government guarantees may expose the AIB Group to further liquidity risks.
- The AIB Group relies on customer deposits to fund a considerable portion of its loan portfolio, the ongoing availability of which is sensitive to factors outside the Group's control. Loss of consumer confidence in the Group's business or in banking businesses generally, among other things, could result in unexpectedly high levels of customer deposit withdrawals, which could have a material adverse effect on the Group's ability to fund its operations and the Group's liquidity prospects.
- Further downgrades to the Irish sovereign ratings or AIB's credit ratings or outlook could limit the AIB Group's access to funding, trigger additional collateral requirements and weaken its competitive position.
- The AIB Group is exposed to risks relating to other sovereign issuers.
- Increased volatility in financial markets has resulted in, and prolonged volatility may continue to result in, reduced asset valuations and lower fees and commissions and other effects which could further adversely affect the Group's results, financial condition and prospects.
- The AIB Group is subject to inherent risks concerning customer and counterparty credit quality and the actual or perceived failure or worsening credit of customers, other financial institutions and counterparties, which could adversely affect the AIB Group's results of operations, financial condition and future prospects.
- The AIB Group is subject to certain commitments and restrictions in relation to the operation of its business under the CIFS Scheme, the NPRFC Investment, the NAMA Programme and the ELG Scheme, which may serve to limit the AIB Group's operations and impact the interests of Shareholders.
- AIB's participation in the CIFS Scheme, the ELG Scheme and the NAMA Programme entitles the Minister or the Financial Regulator (as appropriate) or NAMA to give directions to the AIB Group in relation to its future conduct, which may serve to limit or expand the AIB Group's operations and commercial results.
- The AIB Group's participation in the NAMA Programme gives rise to important risks given the lack of control by AIB over the nature, number and valuation of its NAMA Assets, and AIB may have to pay a special tax or surcharge in the event that NAMA makes a loss or repay payments received for its NAMA Assets if so required by the European Commission.
- The implementation of the AIB Group's strategic plan and the disposals announced in connection with that plan will significantly alter the structure and size of the AIB Group and involves risks which could materially impact the Group.

- The AIB Group is subject to risks relating to the European Commission restructuring plan.
- The AIB Group's risk management processes may not be fully effective and the risk management framework may leave it exposed to risks that have not been identified by such policies or procedures.
- The AIB Group may face reputational risks.
- The value of certain financial instruments recorded at fair value is determined using financial models incorporating assumptions, judgements and estimates that may change over time or may ultimately not turn out to be accurate, and the value realised by the AIB Group for its assets may be materially different from the current or estimated fair value.
- Change of control may lead to adverse consequences for the Group.
- The AIB Group's businesses and financial condition could be affected by the fiscal, taxation, regulatory or other policies, laws and regulations and other actions of various governmental and regulatory authorities in Ireland, the United Kingdom, the European Union and elsewhere.
- The AIB Group's deferred tax assets are substantially dependent on the generation of future profits over a number of years at, at least, the level currently anticipated by the Group and there being no adverse changes to tax legislation, regulatory requirements or accounting standards.
- The Irish banking system may restructure and change significantly, which could have a material adverse effect on the AIB Group's competitive position.
- The AIB Group may not be able to recruit, retain and develop appropriate senior management and skilled personnel.
- The AIB Group is and may be subject to litigation and regulatory investigations that may impact its business.
- The Group operates in competitive markets (subject to some price regulation) that are subject to significant change and uncertainty, which could have a material adverse effect on its results, financial condition and prospects.
- In Ireland, the United Kingdom and in some other jurisdictions, AIB is liable to contribute to compensation schemes in respect of banks and other authorised financial services firms that are unable to meet their obligations to customers.
- AIB is affected by lending and other activities undertaken by M&T, with limited input on how M&T conducts such activities. Should M&T act contrary to the interests of AIB it could have a material adverse effect upon AIB's business and results of operations.

Risks relating to the Ordinary Shares

- AIB's share price may fluctuate.
- AIB's ability to pay dividends in respect of the Ordinary Shares will depend on its ability to pay discretionary coupons on its Tier 1 and Tier 2 Capital instruments, its ability to declare or pay dividends in accordance with the provisions of the CIFS Scheme and/or the ELG Scheme and the availability of distributable reserves.
- The AIB Group is currently precluded from paying dividends or distributions on certain instruments affected by the terms of the "dividend stopper" provision in the LP3 Securities. In the event that the Group remains, or subsequently becomes, precluded from paying, or elects not to pay, such dividends, the proportionate ownership and voting interests of the existing Shareholders would be diluted, as AIB would, in certain circumstances, be obliged to issue Ordinary Shares if a dividend or coupon is not paid in cash.
- Shareholders outside Ireland and the United Kingdom may not be eligible to participate in pre-emptive capital raisings undertaken by AIB and as a result may be diluted.
- The ability of Overseas Shareholders to bring actions or enforce judgments against AIB or its Directors may be limited.

RISK FACTORS

The following risks should be considered carefully by Shareholders.

This section addresses the existing and future material risks to AIB's business. The risks below are those which the Directors currently believe to be material to the AIB Group. These risks should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Some risks are not yet known and some that are not currently deemed or considered to be material could later turn out to be material. All of these risks could materially affect AIB, its income, operating profits, earnings, net assets, liquidity and capital resources. In such a case, the market price of Ordinary Shares may decline and Shareholders could lose all or part of their investment. The information given is as at the date of this Prospectus and, except as required by the Irish Stock Exchange, the FSA, the Financial Regulator, the London Stock Exchange, the Listing Rules, the Prospectus Rules, the Transparency Rules, or any other law or regulation, will not be updated.

Risks relating to AIB

AIB's businesses, earnings and financial condition have been, and will continue to be, affected by the recent and future economic conditions in Ireland and international economic and sector-specific conditions.

As at 30 June 2010, 68 per cent. of AIB's total assets were located in Ireland and approximately 63 per cent. of its net interest income was generated in Ireland. Ireland is facing an extremely challenging economic period. Unemployment has increased in Ireland, with the standardised unemployment rate in August 2010 reaching 13.8 per cent. (Source: CSO Live Register Report, 1 September 2010) and the property market has suffered a very significant decline, with average national house prices in Ireland falling by 6.4 per cent. in the first half of 2010, 18.5 per cent. in 2009 and 9.1 per cent. in 2008 (Source: Permanent TSB/ERSI House Price Index) and commercial property prices falling by 55.6 per cent. between September 2007 and December 2009 (Source: IPD Irish Commercial Property Index). Following heavy reliance on construction and property-related activity for economic growth, the Irish economy experienced a severe contraction with Irish GDP contracting by 7.1 per cent. for the 2009 calendar year with initial estimates for the first quarter of 2010 showing a marginal increase, on a seasonally adjusted basis, of 2.7 per cent. in GDP compared with the previous quarter (Source: CSO, Quarterly National Accounts, Q1 2010). The Irish public finances have deteriorated sharply since 2007, moving from an estimated surplus of 0.3 per cent. of GDP in terms of general Government balance to a deficit of 11.7 per cent. in 2009. The rise in the deficit is primarily due to the sharp fall in tax revenues largely associated with the downturn in the Irish housing market. See "*The AIB Group is exposed to the Irish property sector, which has been and remains subject to unfavourable economic and market conditions*" for risks relating to the AIB Group's exposure to the Irish property market. Higher unemployment, reduced corporate profitability and personal bankruptcy rates have and will continue to reduce borrowers' ability to repay loans including mortgages. The existing conditions have already materially adversely affected AIB, have exerted downward pressure on share prices, liquidity and availability of credit for financial institutions, including AIB and other corporations, have constrained pricing policies for Irish credit institutions and have left the Irish banking system facing serious structural and funding issues.

While AIB conducts its principal activities in Ireland, the AIB Group also has international businesses, principally in the UK, the United States and in Poland. The deterioration of the economies of the other key geographic markets served by the Group, particularly the UK, adversely affected the Group's financial condition and performance in 2008 and 2009 and continues to present challenges for the AIB Group. Demand for housing and commercial and other property has also fallen considerably in the UK and the United States. A continued deterioration in property prices in AIB's key geographic markets could further adversely affect the AIB Group's financial condition and results of operations.

If unfavourable economic conditions persist or worsen, or in particular if the Irish economy recovers at a slower rate than anticipated, the AIB Group may experience further reductions in business activity, lower demand for its products and services, reduced availability of credit, increased funding costs, decreased asset values, additional write-downs and impairment charges with consequent adverse effects on profitability and financial condition. The AIB Group's financial performance may also be affected by future recovery rates on assets and the historical assumptions underlying asset recovery rates may no longer be accurate given the general economic instability.

The AIB Group's businesses are also subject to inherent risks arising from sector-specific economic conditions in the markets in which they operate. The very severe dislocation of the financial markets around the world, that began in 2007, substantially worsened in 2008 and triggered widespread problems at many large international and Irish banks and other financial institutions. This dislocation severely impacted general levels of liquidity, the availability of credit and the terms on which credit is available. This severe dislocation led the Government and other governments to inject liquidity into the financial system and required the recapitalisation of the banking sector to

reduce the risk of failure of certain large institutions and provide confidence to the market. Measures taken by the Government to enhance the availability of liquidity and improve access to funding for systemically important financial institutions in Ireland include, amongst others, the CIFS Scheme, the ELG Scheme, the NPRFC Investment and the NAMA Programme. See Paragraph 16.1 of Part IX (“*Additional Information*”) for further details of these measures.

Despite these interventions, the volatility and market disruption in the banking sector has continued. While certain recent economic forecasts for the global economy have been revised upwards, there can be no assurance of a return to economic growth and further significant deterioration in Ireland and other economies in which the AIB Group operates will adversely affect the AIB Group’s earnings and financial condition.

The default of a major market participant or negative developments affecting one or more Irish financial institutions, in particular, could disrupt the markets and impact AIB’s financial condition and results of operations.

Within the financial services industry, the default of any one institution could lead to defaults by other institutions. The failure of a sufficiently large and influential institution could disrupt clearance and settlement systems in the markets in which the Group operates and cause market declines or volatility. Such a failure could lead to a chain of defaults that could adversely affect AIB and AIB’s contract counterparties. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions, as occurred after the bankruptcy of Lehman Brothers. Such systemic risk could have a material adverse effect on AIB’s ability to raise new funding and on its business, financial condition, results of operations, liquidity and/or prospects. In addition, the failure of a sufficiently large and influential institution could impact future product sales as a potential result of reduced confidence in the financial services industry.

Negative developments affecting Irish financial institutions (e.g., depleted capital levels of Irish financial institutions), have had a general negative effect on market investor sentiment towards Irish financial institutions and on AIB’s financial condition primarily through access to and cost of wholesale funding.

Systemic risk to the markets in which AIB operates continues to exist, and dislocations caused by the interdependency of financial market participants and the perception of the Irish banking sector in general continues to be a potential source of material adverse change to AIB’s financial condition and results of operations.

The AIB Group is exposed to the Irish property sector, which has been and remains subject to unfavourable economic and market conditions.

The AIB Group is heavily exposed to the Irish property sector which has been adversely affected by unfavourable economic and market conditions. As of 30 June 2010, excluding those loans held for sale to NAMA, approximately 65 per cent. of AIB’s loan portfolio was concentrated in Ireland (68 per cent. as at 31 December 2009) and 40 per cent. was concentrated in the construction and property and residential mortgage sector (41 per cent. as at 31 December 2009). From the late 1990s to 2006, the mortgage market in Ireland expanded rapidly as housing prices soared, driven in part by economic and wage growth. The rapid increase began to contract in 2006 and 2007 as the European Central Bank raised interest rates. In 2008, as the Irish economy started to decline and as interest rates continued to increase, housing oversupply persisted and mortgage delinquencies increased. Declining residential and commercial property prices also led to a significant slowdown in the construction sector in Ireland. As a result, loan impairments in the Irish construction and property and residential mortgage sectors increased substantially. As at 31 December 2007, 2008 and 2009, AIB’s impaired loans in these sectors were €178 million, €1.3 billion and €2.75 billion respectively, and as of 30 June 2010, AIB’s impaired loans in these sectors, excluding loans and receivables held for sale to NAMA, amounted to €3.5 billion (or €13.6 billion including loans and receivables held for sale to NAMA) (as extracted from the Annual Report 2007, Annual Report 2008, Annual Report 2009 or Half-Yearly Financial Report 2010, as applicable).

NAMA has had and is expected to continue to have an impact on the liquidity of property assets in Ireland. Uncertainty as to what effects NAMA will have on the property market has resulted in fewer property transactions. In addition, the discount applied on the transfer of AIB’s NAMA Assets related to property may have a material adverse impact on the values and liquidity of property generally. If this occurs, the value of property collateral on AIB Group’s loans would be reduced which may increase the rate of write-downs and/or impairments.

If unfavourable economic and market conditions persist, with further falls in property prices and increases in unemployment, the risk of further impairments, and consequent adverse impact on the AIB Group’s profitability and financial condition, is exacerbated.

The AIB Group is subject to the risk of having insufficient capital resources to meet the minimum PCAR requirement. If the AIB Group is not able to raise a substantial part of the additional capital to meet the PCAR capital requirement from the announced capital raising initiatives, it may need to issue further equity capital to the Government. Any issue of further equity capital to the Government will increase the Government's economic interest in the AIB Group and will have a corresponding dilutive effect on other Shareholders.

As part of the Financial Regulator's assessment of the Irish banking sector's capital requirements, it announced on 30 March 2010 that the target Equity Tier 1 Capital Ratio for AIB, in common with certain other Irish credit institutions, should be 7 per cent. and the target Core Tier 1 Capital Ratio should be 8 per cent. AIB's capital ratios as at 30 June 2010 were Equity Tier 1 Capital of 3.8 per cent., Core Tier 1 Capital of 6.9 per cent., Tier 1 Capital of 6.0 per cent. and Total Capital of 9.0 per cent. In order to meet the PCAR capital requirement, AIB is required to generate the equivalent of €7.4 billion of new equity capital by 31 December 2010. The additional capital also includes a prudential buffer for additional losses projected by the Financial Regulator of approximately €1.1 billion.

As a result of the crystallisation of loan losses on AIB's NAMA Assets that have transferred, the NAMA Participation has had and will continue to have a negative impact on the capital position of the AIB Group. Those losses will reduce the AIB Group's Equity Tier 1 Capital, Core Tier 1 Capital, Tier 1 Capital and Total Capital, and its corresponding capital ratios. The NAMA Participation will, however, result in a reduction in the Group's risk-weighted assets, which will in turn positively affect the AIB Group's capital ratios. The positive benefit of reducing its risk-weighted assets will, however, be insufficient to offset the negative impact from the crystallisation of loan losses on the transfers of AIB's NAMA Assets to NAMA. In addition, in the period over which losses on AIB's NAMA Assets negatively impact the capital position of the AIB Group and capital raising actions are in progress, there is a risk that AIB may temporarily see a fall in its regulatory capital ratios below current minimum regulatory capital requirements set by the Financial Regulator. In those circumstances, AIB would be required to engage in discussions with the Financial Regulator prior to such an event occurring, with a view to mitigating the effects of such an event. The Financial Regulator is formally empowered in Regulation 70 of S.I. No. 661 of 2006 to agree a period of time and a course of action which would return the credit institution to solvency or, *inter alia*, to suspend a credit institution's deposit taking ability, and in extreme circumstances may exercise its powers in such a situation. Were this power to be exercised it would restrict AIB from temporarily accepting customer deposits, which could adversely affect AIB's profitability and results of operations.

The AIB Group expects that the PCAR capital requirement will be satisfied by AIB's announced capital raising initiatives, a large portion of which it expects to meet from the sale of its interest in M&T, the sale of its interest in BZWBK and the sale of its UK business, each to be undertaken by 31 December 2010. However, the prices achieved for such disposals will be dependent on prevailing economic and market conditions, which may be challenging, and therefore there is no assurance that the AIB Group will be able to find buyers for those businesses at acceptable prices in the stated time period. AIB may be forced to sell those businesses at prices below those which the AIB Group would otherwise have agreed or may not be able to dispose of those businesses at all. Moreover, the AIB Group or potential buyers for those businesses may need to obtain various approvals, including from shareholders, regulators and competition authorities, and the AIB Group and/or potential buyers may be unable to obtain these approvals within a sufficient time or at all.

The AIB Group also intends to undertake an equity capital raising in 2010 to seek to fulfil the remaining capital requirement following AIB's other capital raising actions. AIB's intention is that this equity issue would be underwritten either by international investment banks or the Government. As such a capital raising may be undertaken in difficult economic and market conditions or conditions which are unfavourable to the AIB Group, there is no assurance that the AIB Group will be able to raise the required remaining regulatory capital from existing or new investors. The structure, timing and terms of that equity capital raising will be considered further by the Company in conjunction with the Government. Any residual capital requirement from these and other actions is intended to be met by a conversion of some of the 2009 Preference Shares held by the NPRFC into Ordinary Shares. If that were to occur, or if further capital injections by the Government were to be required, the interests of other Shareholders would be diluted, which may also result in majority Government ownership and control or full nationalisation, with potential for Shareholders to lose some or all of the value of their Ordinary Shares and an increase in the Government's influence over the AIB Group. See "*The AIB Group is subject to certain commitments and restrictions in relation to the operation of its business under the CIFS Scheme, the NPRFC Investment, the NAMA Programme and the ELG Scheme, which may serve to limit the AIB Group's operations and impact the interests of Shareholders*" for risks associated with the Government holding a large shareholding in AIB.

If the AIB Group is required to hold a higher level of capital than that currently anticipated by the market and as prescribed by the existing PCAR requirement, then this could have a material adverse impact on the Group's results, financial condition and prospects.

AIB's level of future capital continues to be driven by (i) changes to the level of RWAs (as a result of NAMA transfers, grade migration and balance sheet deleveraging); (ii) capital changes (as a result of NAMA losses, increased provisions and decreased profitability); and (iii) regulatory restrictions, such as the requirement that Tier 2 Capital should not exceed Tier 1 Capital and restrictions on the amount of dated subordinated debt that may rank as own funds during the five years prior to the repayment date. Furthermore, AIB's level of RWAs may differ depending on the assumptions used in modelling its risks in terms of the internal ratings-based approach under the Capital Requirements Directives. Under this approach, capital requirements are inherently more sensitive to market movements than under previous regimes, and capital requirements will increase if economic conditions impact negatively on the credit quality of the AIB Group's loan portfolio, which may have an adverse effect on the AIB Group's results of operations.

Market expectations and regulatory requirements for banks to hold higher levels of capital continue to evolve. Due to the ongoing uncertainty in financial markets, market expectations may require international banks to hold capital at levels higher than currently expected, any future capital requirement for AIB determined by the Financial Regulator may be more than the existing PCAR requirement, and the definitions of capital may be subject to change. As a consequence, this could require the AIB Group to hold higher levels of capital than the target 7 per cent. Equity Tier 1 Capital and target 8 per cent. Core Tier 1 Capital ratios set by the Financial Regulator in the PCAR. If, among other factors, the total consideration received by the AIB Group for the transfer of the NAMA Assets is less than that assumed by the Financial Regulator in the PCAR, the AIB Group may not have sufficient capital resources to meet future regulatory capital requirements. Such higher expectations and/or regulatory requirements may also adversely impact the AIB Group's operational flexibility, reduce earnings growth and require the issue of additional equity capital to the Government.

Constraints on liquidity, uncertainty over the terms of an extension of the ELG Scheme and the market reaction to the removal of Government guarantees may expose the AIB Group to further liquidity risks.

Liquidity risk is the risk that a bank will be unable to meet its obligations when they fall due and to replace funds when they are withdrawn, with a consequent failure to repay depositors and fulfil commitments to lend, a risk that is inherent in banking operations. At 30 June 2010, 53 per cent. of AIB's funding was sourced from customer accounts, 20 per cent. from deposits by banks and the remainder through a combination of short-term paper, asset covered securities, senior debt, subordinated debt and capital.

AIB's overall liquidity position has improved since December 2009, with the quantum of wholesale funding having reduced from approximately €64 billion at 31 December 2009 to €61 billion at 30 June 2010, and the loan to deposit ratio (including assets held for sale to NAMA) having similarly reduced from 146 per cent. at 31 December 2009 to 143 per cent. at 30 June 2010. The Group however, continues to be subject to liquidity risks that reflect the broader global liquidity difficulties to which all financial institutions have been subject, as well as factors that are specific to the Irish banking industry. The Government's guarantee of specified liabilities through the CIFS Scheme and the ELG Scheme represents a critical element of liquidity support for AIB and, more generally, the Irish banking sector. Although these Government guarantee programmes have helped to significantly ease the liquidity challenges to which the Group and other Irish banks have been subject, there can be no assurance that ongoing challenges will not continue to impact the AIB Group's funding initiatives, whether as a result of factors specific to the AIB Group or factors that apply to borrowers in Europe or elsewhere more generally.

In addition, despite the introduction of the CIFS Scheme and the ELG Scheme, the terms on which funding is available are more onerous and expensive than was the case prior to mid-2007. Should the global economy and global financial system deteriorate further, the Group's cost of funding may rise and access to liquidity may be further constrained, particularly if the cost of customer deposits increases, affecting the AIB Group's margins and profit. See *"The AIB Group relies on customer deposits to fund a considerable portion of its loan portfolio, the ongoing availability of which is sensitive to factors outside the Group's control. Loss of consumer confidence in the Group's business or in banking businesses generally, among other things, could result in unexpectedly high levels of customer deposit withdrawals, which could have a material adverse effect on the Group's ability to fund its operations and the Group's liquidity prospects"* for further risks relating to the availability of customer deposits and AIB's ability to access these deposits. Furthermore, legal challenges to the NAMA system may undermine the confidence of the international markets and consequently result in increased Government borrowing costs which may in turn adversely affect bank funding capacity and AIB's borrowing costs.

On 28 June 2010 following a request by the Minister, the European Commission approved a modification of the ELG Scheme to provide for a prolongation of the issuance period from 29 September 2010 to 31 December 2010 (subject to the introduction of new pricing rates) for participating institutions for (a) debt liabilities of between three months' and five years' duration (other than inter-bank deposits), (b) retail deposits of any duration up to five years and (c) corporate deposits with a maturity of between three months and five years. The Irish statutory instruments required to give effect to the extension of the issuance period have not yet been published.

On 7 September 2010, the Minister announced that, subject to further approval by the European Commission under EU state aid rules, the ELG Scheme would also be amended to extend the "issuance window" in respect of inter-bank deposits and short-term liabilities (zero to three months) (including corporate deposits) of a participating institution, from 29 September 2010 to 31 December 2010. If European Commission approval is given for this further change, and if both this proposed change and the change approved on 28 June 2010 are implemented, the "issuance window" in respect of every eligible liability of a participating institution under the ELG Scheme (including retail deposits over €100,000 for any duration up to five years and corporate and inter-bank deposits for any duration up to five years) would be extended from 29 September 2010 to 31 December 2010. Retail deposits of an amount up to €100,000 remain outside the ELG Scheme but continue to be guaranteed indefinitely under the Deposit Guarantee Scheme.

The Minister for Finance has amended the rules of the ELG Scheme so that the pricing of the ELG Scheme guarantee will increase in line with the recommendations of the Governing Council of the European Central Bank on government guarantees for bank debt dated 20 October 2008, the European Commission DG Competition staff working document entitled "The Application of State Aid Rules to Government Guarantee Schemes Covering Bank Debt to be Issued after 30 June 2010" dated 30 April 2010 and any Eurosystem guidelines in order to bring the funding costs of beneficiary banks closer to market conditions and thereby reduce distortions of competition. The Minister also said, prior to the announcement on 7 September 2010, that progress in relation to the phasing out of the ELG Scheme will be achieved over time, consistent with any requirement for continued support of the funding conditions of participating institutions and the maintenance of financial stability overall. The ELG Scheme remains subject to six-monthly review and approval by the European Commission in accordance with European Union state aid rules. The next review of the ELG Scheme is due to take place before 31 December 2010, although the results of any such review will not affect the status of guaranteed liabilities that are, by then, already in place. There can be no assurance that the ELG Scheme will be extended beyond 31 December 2010.

Furthermore, on 9 November 2009, the European Central Bank highlighted that guarantees of short-term bank debt (maturity profile of less than three months) and interbank deposits should be avoided to the extent possible. Although the changes to the ELG Scheme that the European Commission approved on 28 June 2010 would not cover inter-bank deposits or corporate deposits and debt liabilities of less than three months' maturity, the Minister's announcement of 7 September 2010 proposes that, subject to European Commission approval under the EU state aid rules, all inter-bank deposits for any duration up to five years and short-term liabilities (including corporate deposits) will be brought within the ELG Scheme if they are issued up to 31 December 2010. If the changes that the Minister has announced he proposes to make to the ELG Scheme are not made or if the ELG is withdrawn, it is likely to put increased pressure on AIB's ability to fund itself in the short-term and increase its use of secured funding in the market or in standard central bank facilities, if so required. As at 30 June 2010, AIB's total short-term wholesale bank debt, excluding customer deposits and secured funding (as extracted from AIB's unaudited books and records) amounted to €13 billion. Given AIB's reliance on the ELG Scheme and short-term wholesale bank debt, if the ELG Scheme is revoked or further changed in a manner which diminishes its effectiveness, notwithstanding a pool of liquid assets available to AIB in the form of high quality bonds including NAMA Bonds, AIB may face significant liquidity risks. In respect of the period from 21 January 2010 to 30 June 2010, AIB paid €118.9 million in fees in respect of the ELG Scheme. Increased fees payable by AIB to the Government for the ELG Scheme (including the increased pricing rates required to be imposed on participating institutions as part of the prolongation of the ELG Scheme issuance period to 31 December 2010) may also impact on AIB's profitability and financial condition.

The cancellation or material amendment of the ELG Scheme could introduce systemic weakness to the Irish banking sector and restrict liquidity support across the sector as a whole. The cancellation or material amendment of the ELG Scheme or the removal of the AIB Group from the ELG Scheme prior to its planned expiry could adversely affect the terms on which the AIB Group would be able to access funding.

The AIB Group relies on customer deposits to fund a considerable portion of its loan portfolio, the ongoing availability of which is sensitive to factors outside the Group's control. Loss of consumer confidence in the Group's business or in banking businesses generally, among other things, could result in unexpectedly high levels of customer deposit withdrawals, which could have a material adverse effect on the Group's ability to fund its operations and the Group's liquidity prospects.

At 30 June 2010, 53 per cent. of AIB's funding was sourced from customer accounts (51 per cent. as at 31 December 2009). Growth in the Group's lending activities will depend, in part, on the availability of customer deposits on appropriate terms, for which there is increasing competition. AIB has sought to increase its reliance on customer deposits in the recent past, given the challenges in accessing wholesale funding, and a lack of availability of such deposit funding could affect the Group's future growth. See "*The Group operates in competitive markets (subject to some price regulation) that are subject to significant change and uncertainty, which could have a material adverse effect on its results, financial condition and prospects*" for further risks associated with the AIB Group operating in competitive markets.

The ongoing availability of customer deposits to fund the Group's loan portfolio is subject to potential changes in certain factors outside the Group's control, such as a loss of confidence of depositors in either the Irish economy in general, the financial services industry or the Group specifically, ratings downgrades, significant further deterioration in economic conditions and the availability and extent of deposit guarantees (including as a result of regulatory changes to deposit guarantee schemes and/or changes to the CIFS Scheme and/or the ELG Scheme). These factors could lead to a reduction in the Group's ability to access customer deposit funding on appropriate terms in the future and to sustained deposit outflows, both of which would impact on the Group's ability to fund its operations and meet its minimum liquidity requirements.

Any loss in consumer confidence in the Group's banking businesses, or in banking businesses generally, could significantly increase the amount of retail deposit withdrawals in a short space of time. Should the Group experience an unusually high level of withdrawals, that may have an adverse effect on the Group's results, financial condition and prospects and could, in extreme circumstances, prevent the Group from funding its operations and meeting its minimum liquidity requirements. In such extreme circumstances, the Group may not be in a position to continue to operate without additional funding support, which it may be unable to access.

Further downgrades to the Irish sovereign ratings or AIB's credit ratings or outlook could limit the AIB Group's access to funding, trigger additional collateral requirements and weaken its competitive position.

The sovereign rating of Ireland has a number of effects on the Irish banking sector as a whole. As at 7 September 2010 (being the latest practicable date prior to publication of this Prospectus), the long-term (outlook)/short-term sovereign credit ratings for Ireland were AA-/A1+ from Standard & Poor's, Aa2/P1 from Moody's Investor Service and AA-/F1+ from Fitch Ratings. Further downgrades would also be likely to increase the cost of financing the Irish public debt, which could result in increased taxation, lower Government spending, and an adverse effect on Irish economic conditions all of which could have an adverse effect on the AIB Group.

As the guarantor of certain liabilities of the AIB Group under the CIFS Scheme and the ELG Scheme, recent downgrades in Ireland's sovereign rating have had an adverse impact on the AIB Group's credit rating and cost of funding for certain securities guaranteed under these schemes. Any future downgrades in Ireland's sovereign ratings may similarly adversely affect the AIB Group's credit ratings and could result in a further increase in cost of funding for certain securities guaranteed under these schemes and the withdrawal of deposits from the Group.

In addition, as a result of its NAMA Participation, the AIB Group has received and will receive Government guaranteed bonds and non-guaranteed subordinated bonds issued by NAMA as consideration for the transfer of assets to NAMA. In the normal course of business, the AIB Group also has holdings in Government bonds separate from those issued under NAMA. A further downgrade or series of downgrades in the rating of the Government debt or the Government guaranteed bonds could adversely impact the extent to which the AIB Group can use these bonds as collateral for the purposes of accessing secured borrowing from wholesale markets. A further downgrade or series of downgrades in the sovereign rating of Ireland may affect the marketability of the Government debt or Government guaranteed bonds held by the AIB Group or make it more difficult and/or more expensive for the AIB Group to access private sources of capital and funding.

The AIB Group has suffered rating downgrades that have impacted the Group's operations. Any further downgrades, or a delay in upgrades, in the credit ratings of the AIB Group could have a materially negative impact on the volume and pricing of its funding and its financial position, limit the AIB Group's access to the capital and funding markets, trigger material collateral requirements in derivative contracts or other secured-funding arrangements and weaken the AIB Group's competitive position in certain markets. In addition, the availability of

deposits is often dependent on credit ratings and a series of further downgrades would be likely to lead to significant withdrawals of corporate or retail deposits which would result in a material deterioration in the AIB Group's funding and liquidity position and may have systemic implications for the Irish banking system.

The AIB Group is exposed to risks relating to other sovereign issuers.

The financial problems experienced by other sovereign issuers, including certain European Union member states, concern over sovereign credits and risks associated with lending to other sovereign issuers and financial institutions in the European Union, have recently led to doubts regarding the strength of economic recovery and caused significant falls in equity markets and volatility. The AIB Group has exposures to sovereign debt issued by the Greek, Italian, Portuguese and Spanish local and central governments and is therefore subject to the risk of sovereign debt credit deterioration of these governments. See Note 26 on page 84 of the Half-Yearly Financial Report 2010, incorporated by reference herein, for further details of these exposures. The issuance of significant amounts of debt in European Union member states may result in reduction in demand for debt issued by European financial institutions and corporate borrowings. In addition, European Union member states in which the AIB Group operates may be required to provide further financial assistance to other European Union member states, which may in turn have a negative impact on the financial condition of the European Union member states in which the AIB Group operates. Should such conditions continue or escalate, it could adversely affect the AIB Group's access to capital markets and increase its funding costs which could have a material effect on the AIB Group's financial condition and profitability.

Increased volatility in financial markets has resulted in, and prolonged volatility may continue to result in, reduced asset valuations and lower fees and commissions and other effects which could further adversely affect the Group's results, financial condition and prospects.

The recent volatile market conditions arising from the Eurozone debt crisis have resulted in significant falls in perceived or actual asset values. If such conditions continue and result in further downturns in the capital markets and asset values, as well as significant movements in interest rates or credit spreads, the results of operations of the AIB Group could be subject to significant volatility and there can be no assurance as to the effects of this volatility, particularly if it is prolonged, on the financial condition or results of operations of the AIB Group. Effects may include (i) a general reduction in business activity and market volumes which affects fees, commissions and margins from customer-driven transactions and revenues; (ii) increased impairments and defaults on credit exposures; (iii) losses resulting from falling collateral values; (iv) increased collateral requirements under derivative and other financial instruments; and (v) increased costs of hedging against market risks, such as equity or interest rate exposure. Such volatility could in particular have an impact on the mark-to-market valuations of assets in the Group's "financial assets and financial liabilities held for sale to NAMA", "disposal groups and non-current assets held for sale", "trading portfolio-financial assets" and "financial investments available for sale" portfolios. In addition, any further deterioration in the performance of the assets in the above portfolios could lead to additional impairment losses. The financial investments available for sale portfolio accounted for 13 per cent. of total Group assets as at 30 June 2010 (18 per cent. excluding the "disposal groups and non-current assets held for sale") (as extracted from the Half-Yearly Financial Report 2010).

The AIB Group is subject to inherent risks concerning customer and counterparty credit quality and the actual or perceived failure or worsening credit of customers, other financial institutions and counterparties, which could adversely affect the AIB Group's results of operations, financial condition and future prospects.

Credit risk is defined as the risk that a customer or counterparty will be unable or unwilling to meet a commitment that it has entered into and that pledged collateral does not fully cover the lender's claims. Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of AIB's businesses. AIB's most significant credit risks arise from lending activities to customers and financial institutions, its trading portfolio, available for sale and held to maturity financial investments, derivatives and "off-balance sheet" guarantees and commitments.

The Irish and UK economies, together with other economies in which AIB operates, are in a challenging phase, with uncertainty in relation to the direction of interest and currency exchange rates. Furthermore, unemployment has increased in Ireland, with the standardised unemployment rate in August 2010 reaching 13.8 per cent. (Source: CSO Live Register Report, September 2010) and the property market has suffered a very significant decline, with average national house prices in Ireland falling by 6.4 per cent. in the first-half of 2010, 18.5 per cent. in 2009 and 9.1 per cent. in 2008 (Source: Permanent TSB/ERSI House Price Index) and commercial property prices falling by 55.6 per cent. between September 2007 and December 2009 (Source: IPD Irish Commercial Property Index). Initial estimates for the first quarter of 2010 show a 2.7 per cent. increase in Irish GDP, on a seasonally adjusted basis,

compared with the previous quarter (Source: CSO, Quarterly National Accounts, Q1 2010) and there are increasing signs of the recovery phase having commenced. The consensus expectation, however, is that any recovery will be slow. In particular, as a result of Ireland's significant reliance on the construction industry, economists expect any recovery in its economy to lag behind that of the wider European Union. Ultimately, should these trends persist they may lead to higher impairment charges, higher costs, additional write-downs and lower profitability for the AIB Group, which would negatively impact on the AIB Group's capital position and may result in issue of further equity capital to the Government which, may ultimately result in majority Government ownership and control or full nationalisation, with potential for other Shareholders to lose some or all of the value of their Ordinary Shares. See *"The AIB Group is subject to certain commitments and restrictions in relation to the operation of its business under the CIFS Scheme, the NPRFC Investment, the NAMA Programme and the ELG Scheme, which may serve to limit the AIB Group's operations and impact the interests of Shareholders"* for risks associated with the Government holding a large shareholding in AIB.

AIB's exposure to credit risk is exacerbated when the collateral it holds cannot be realised or is liquidated at prices that are not sufficient to recover the full amount of the loan or derivative exposure that is due to AIB, which is most likely to occur during periods of illiquidity and depressed asset valuations, such as those currently being experienced. Any such losses could have a material adverse effect on the AIB Group's future performance and results of operations. In addition, exposure to particularly vulnerable sectors of the Irish and/or UK economies, such as property and construction, could result in reduced valuations of the assets over which the AIB Group has taken security and reduced recoverability. Furthermore, an increase in interest rates in the Group's main markets may lead to, amongst other things, further declines in collateral and investment, higher repayment costs and reduced recoverability which together with the aforementioned risks may adversely impact the Group's earnings or require an increase in the expected cumulative provision charge for the Group, excluding losses incurred relating to AIB's NAMA Assets.

AIB has been exposed to increased counterparty risk as a result of financial institution failures during the global economic crisis. Defaults by, or even the perceived creditworthiness of or concerns about, one or more corporate borrowers or financial institutions or the financial services industry generally have led to market-wide liquidity problems, losses and defaults and could lead to further losses or defaults by such borrowers and/or institutions, which would adversely affect the AIB Group's results of operations, financial condition and future prospects.

The AIB Group is subject to certain commitments and restrictions in relation to the operation of its business under the CIFS Scheme, the NPRFC Investment, the NAMA Programme and the ELG Scheme, which may serve to limit the AIB Group's operations and impact the interests of Shareholders.

In May 2009, the Government (acting through the NPRFC) subscribed for €3.5 billion of non-cumulative preference shares and warrants to subscribe for Ordinary Shares in AIB (the "**NPRFC Investment**"). Other initiatives taken by the Government to provide support to AIB and certain other Irish credit institutions include the ELG Scheme (which supplemented the CIFS Scheme), which guarantees specified liabilities of the Group, and the NAMA Programme, pursuant to which NAMA will purchase eligible assets of participating Irish credit institutions in accordance with the NAMA Act.

Under the terms of the CIFS Scheme and the NPRFC Investment, AIB is subject to certain commitments and restrictions which have had and will continue to have a significant impact on the manner in which AIB conducts its business. These include: (i) significant additional reporting and consultation requirements with the Minister for Finance and the Financial Regulator; (ii) the appointment of a number of Government-nominated directors to the Board of AIB; (iii) restrictions on the payment of dividends, restrictions on expansion of capital and lending activity, restrictions on the implementation of buy-back and share redemptions and restrictions on balance sheet growth; (iv) restrictions on the acquisition of shares in other credit or financial institutions, restrictions on the establishment of subsidiaries and the entering into of new business; (v) restrictions on changes to AIB's share capital without the approval of the NPRFC, subject to certain exceptions; and (vi) commitments to increase lending to small and medium sized enterprises and first-time buyers of residential property. Compliance with such restrictions may serve to limit the AIB Group's operations and place significant demands on the reporting systems and resources of the AIB Group.

Under the terms of the Articles, if AIB does not pay the 2009 Preference Dividend in full on the Annual Dividend Payment Date in any particular year, the holders of 2009 Preference Shares shall be allotted and issued new Ordinary Shares by way of a bonus issue during the Bonus Shares Settlement Period, unless AIB is prohibited by law from doing so. If the Bonus Shares are issued by AIB on the Annual Dividend Payment Date in the particular year, the Bonus Shares will comprise such number of new Ordinary Shares as is equal to the aggregate cash amount of the 2009 Preference Dividend that was not paid in that particular year, based on the average price of an Ordinary

Share in the 30-day trading period immediately preceding the Annual Dividend Payment Date. If the issue of Bonus Shares is deferred by AIB beyond the Annual Dividend Payment Date, the number of Bonus Shares to be issued will be increased and will be equal to the unpaid dividend amount on the Preference Shares divided by 95 per cent. of the average price of an Ordinary Share in the 30-day trading period immediately preceding the Annual Dividend Payment Date. In accordance with the European Commission's policy relating to European Union state aid rules on restructuring aid to banks, AIB has agreed not to pay discretionary coupons on its Tier 1 Capital instruments and Tier 2 Capital instruments. As a result, the coupon due on the LP3 Securities, which would otherwise have been payable on 14 December 2009, was not paid by AIB. The effect of this non-payment was to trigger the "dividend stopper" provision in the LP3 Securities, which precludes AIB from declaring and paying any distribution or dividend on the Group's "junior share capital", which includes the Ordinary Shares and the 2009 Preference Shares, and any "parity security", which includes the LPI Securities, the LP2 Securities and the RCI Securities for a period of one calendar year. AIB was accordingly precluded from paying, and resolved not to pay, the 2009 Preference Dividend due to the NPRFC on 13 May 2010 in respect of its holding of 2009 Preference Shares. As a result, pursuant to the terms of its Articles of Association, AIB issued 198,089,847 New Ordinary Shares to the NPRFC by way of the Bonus Issue, which resulted in a dilution of the interests of the existing Shareholders by 18.33 per cent., and the Government (through the NPRFC) becoming the largest holder of Ordinary Shares (holding 18.61 per cent. of the issued Ordinary Shares, excluding Treasury Shares). If AIB is further precluded from paying any future annual dividend on the 2009 Preference Shares, it could result in the issuance of further Ordinary Shares by way of a bonus issue to the NPRFC. The New Ordinary Shares issued by way of the Bonus Issue to the NPRFC carry voting rights. The NPRFC will be entitled to exercise the full voting rights attaching to these New Ordinary Shares in its capacity as Ordinary Shareholder.

Furthermore, if the capital raising initiatives announced by AIB on 30 March 2010 are unsuccessful or if AIB is unable to generate a large proportion of the additional capital required from such initiatives, then AIB will have to rely, to a greater extent, on Government support (in the form of an underwriting commitment for an equity capital raising and/or through the conversion of some of the 2009 Preference Shares held by the NPRFC into Ordinary Shares) which will result in further dilution of other Shareholders, which may also result in majority Government ownership and control or full nationalisation, with the potential for Shareholders to lose some or all of the value of their Ordinary Shares. Through the NPRFC's shareholding in AIB (or any other shareholding held by the Government in AIB), the Government is in a position to exert significant influence over the AIB Group and its businesses and there is a risk that the Government may exercise its voting rights in a manner which may not always be aligned with the interests of AIB's other Shareholders. Further details of the CIFS Scheme, the NPRFC Investment, the ELG Scheme and the NAMA Programme, and powers granted to the Minister and the Financial Regulator in respect of AIB under those two schemes, that programme and that investment are contained in paragraph 16 of Part IX ("*Additional Information*") of this Prospectus. See "*The AIB Group is subject to the risk of having insufficient capital resources to meet the minimum PCAR requirement. If the AIB Group is not able to raise a substantial part of the additional capital to meet the PCAR capital requirement from the announced capital raising initiatives, it may need to issue further equity capital to the Government. Any issue of further equity capital to the Government will increase the Government's economic interest in the AIB Group and will have a corresponding dilutive effect on other Shareholders*". for further risks associated with increased support received by AIB from the Government.

AIB's participation in the CIFS Scheme, the ELG Scheme and the NAMA Programme entitles the Minister or the Financial Regulator (as appropriate) or NAMA to give directions to the AIB Group in relation to its future conduct, which may serve to limit or expand the AIB Group's operations and commercial results.

Under the terms of the ELG Scheme, the Minister, in consultation with the Governor of the Central Bank and the Financial Regulator, may issue directions to a participating institution which are necessary to ensure that the objectives of the ELG Scheme are met. Such directions may include directions to comply with some or all of the provisions on conduct, transparency and reporting requirements applicable to covered institutions pursuant to the CIFS Scheme. Each participating institution will be required to comply with such directions, including after the CIFS Scheme has expired or if the participating institution is no longer a covered institution under the CIFS Scheme. In addition, the Minister may, after consultation with the Governor of the Central Bank and the Financial Regulator, direct AIB to prepare a restructuring plan to ensure compliance with the objectives of the ELG Scheme (which is separate from and independent of the European Commission restructuring plan). The Minister, in consultation with the Governor of the Central Bank and the Financial Regulator, may direct AIB to make changes to such restructuring plan(s) and to implement such plan(s). Depending on its content, the implementation of such a restructuring plan could serve to limit the AIB Group's operations and could have a material adverse effect on the AIB Group's results of operations, financial condition and future prospects.

The NAMA Act empowers the Financial Regulator (with the approval of the Minister) to give directions to AIB, which may require it to undertake certain actions for the purposes of achieving the goals of the NAMA Act. Such directions may restrict the AIB Group's balance sheet growth and/or require balance sheet reduction, restrict AIB's ability to take over other credit institutions and require or restrict consolidations and mergers. The NAMA Act also provides that the Minister may, after consultation with the Governor of the Central Bank and the Financial Regulator, direct the AIB Group to prepare a restructuring plan and/or a business plan and to submit a draft of the restructuring plan and/or business plan for the Minister's approval and depending on its content such a restructuring plan could also serve to limit the AIB Group's operations. The NAMA Act also empowers NAMA to direct the AIB Group as to how NAMA Assets are to be managed and to provide certain services to NAMA.

The AIB Group's participation in the NAMA Programme gives rise to important risks given the lack of control by AIB over the nature, number and valuation of its NAMA Assets, and AIB may have to pay a special tax or surcharge in the event that NAMA makes a loss or repay payments received for its NAMA Assets if so required by the European Commission.

The AIB Group's participation in the NAMA Programme was approved by Shareholders on 23 December 2009 and is expected to remove from the AIB Group's balance sheet certain loans, primarily relating to land and development. AIB initially expected that NAMA may acquire from the AIB Group up to approximately €23.1 billion of land, development and associated loans, including the first and second tranches of AIB's NAMA Assets with a total value of €6.0 billion (being the value of the relevant NAMA Assets on a gross loan basis) that AIB transferred to NAMA in April 2010 and July 2010. As at 30 June 2010, AIB's total eligible NAMA Assets amounted to €20.4 billion (following the transfer of the first tranche of AIB's NAMA Assets of €3.3 billion and currency movements since 31 December 2009 of €0.3 billion). However, €3.2 billion of eligible NAMA Assets of AIB Group (UK) p.l.c. were not classified as held for sale to NAMA in the unaudited Half-Yearly Financial Report 2010, as they may be, subject to certain conditions specified by NAMA, included in the sale of AIB Group (UK) p.l.c. Accordingly, the gross loans classified as held for sale to NAMA as at 30 June 2010 amounted to €17.2 billion.

In April 2010, AIB transferred €3.3 billion of assets to NAMA, representing the first tranche of its NAMA Assets. AIB received €1.9 billion in consideration for these assets from NAMA, which represented a discount of approximately 42 per cent. to the gross value of the assets transferred. The transfer of the second tranche of €2.7 billion of AIB's NAMA assets to NAMA occurred in July 2010. AIB received €1.4 billion in consideration for those assets from NAMA, which represented a discount of approximately 48.5 per cent. to the gross value of the assets transferred. This represents an average discount of approximately 45 per cent. being applied to the gross value of NAMA Assets transferred to NAMA in the first and second tranches.

AIB's NAMA Assets will continue to transfer to NAMA in tranches and there may be wide variations in the size of tranches and the actual discount rate for individual tranches. Variations in the discount rate occur due to factors such as the geographic location of the land and developments and the proportion in each tranche of land and development loans relative to investment and other associated loans. Each loan to be transferred to NAMA is to be valued in accordance with the NAMA Act on a loan-by-loan basis and, as NAMA is not required to acquire all of AIB's NAMA Assets, the total consideration that AIB will receive for assets that are eligible to transfer to NAMA will not be known until all the assets have transferred to NAMA. NAMA has stated that its objective is that all of AIB's NAMA Assets transferring to NAMA will be transferred by 31 December 2010 and, in any event, by no later than the end of February 2011.

Given the lack of control by AIB over the nature, number and valuation of NAMA Assets to be transferred to NAMA, there are a number of risks to the AIB Group associated with the AIB Group's participation in the NAMA Programme. These include the possibility of the discount to the aggregate value of AIB's NAMA Assets on a gross loan basis being greater than the 42.8 per cent. assumed by the Financial Regulator in the PCAR requirement to generate the equivalent of €7.4 billion of new equity capital, which includes a €1.1 billion loan loss buffer, the transfer to NAMA of performing assets at an undervalue, the limited ability of the AIB Group to challenge the valuations attached to specified assets being transferred, limitations around the ability of the AIB Group to manage its NAMA Assets, the obligation imposed on the AIB Group to comply with directions from the Minister and/or the Financial Regulator, and the potential credit exposure to NAMA arising from the payment by it for up to 5 per cent. of the acquired NAMA Assets with subordinated debt. As a result, the AIB Group's portfolio of performing loans may be depleted and its asset base reduced. In addition, the transfer of certain loans to NAMA may result in a negative reaction from the relevant borrowers, which could result in a negative impact on future levels of business, potential deposit withdrawals by such borrowers and the threat of litigation from such borrowers. Any of these events may serve to limit the AIB Group's operations and could have a material adverse effect on the AIB Group's results of operations, financial condition and future prospects.

In addition, due to its participation in the NAMA Programme, AIB will only be able to use Irish tax losses carried forward against 50 per cent. of Irish taxable profits in any future years. Also, on a winding-up of NAMA or after ten years since its establishment or on the dissolution, restructuring or material alteration of NAMA, if NAMA has made a loss and the Minister is of the opinion that such underlying loss is unlikely to be otherwise made good, the Government may impose, as a special tax, a surcharge on the Company's profits in order to recover from the Company a proportionate amount of that loss. Although the aggregate of all such surcharges may not exceed the actual loss incurred by NAMA and any such loss would be apportioned between Participating Institutions on the basis of the book value of the bank assets acquired from each institution as a proportion of the total book value of the bank assets acquired from all Participating Institutions, and any surcharge imposed on AIB may not exceed 100 per cent. of the corporation tax (if any) due and payable by AIB in the relevant surcharge period, and no surcharge may be imposed until at least ten years after the passing of the NAMA Act, the winding-up of NAMA and the possibility of a surcharge on the Company's profits to recover a proportionate amount of NAMA's losses could have a material adverse effect on the Group's results of operations, financial condition and future prospects.

The European Commission indicated, in its announcement on 26 February 2010 of its approval of the NAMA Programme, that under EU state aid rules, it will assess the compatibility (and, in particular, the actual transfer price) of the NAMA Assets with state aid rules when it is notified of such transfers by the Government. The European Commission's state aid decision on the NAMA Programme states that NAMA will be required to claw back any excess payment from the relevant Participating Institutions if the actual transfer price paid for NAMA Assets is determined to be too high following the European Commission's assessment of a notified transfer. Section 93 of the NAMA Act allows NAMA to require Participating Institutions to repay overpayments on NAMA Assets. Any such clawbacks and repayments could have an adverse effect on the AIB Group.

See *"The AIB Group is subject to certain commitments and restrictions in relation to the operation of its business under the CIFS Scheme, the NPRFC Investment, the NAMA Programme and the ELG Scheme, which may serve to limit the AIB Group's operations and impact the interests of Shareholders"* and *"AIB's participation in the CIFS Scheme, the ELG Scheme and the NAMA Programme entitles the Minister or the Financial Regulator (as appropriate), or NAMA to give directions to the AIB Group in relation to its future conduct, which may serve to limit or expand the AIB Group's operations and commercial results"* for further risks associated with the AIB Group's participation in the NAMA Programme.

The implementation of the AIB Group's strategic plan and the disposals announced in connection with that plan will significantly alter the structure and size of the AIB Group and involves risks which could materially impact the Group.

The AIB Group's ability to implement its capital raising initiatives, such as asset and business disposals, by the end of this year, depends, in large part, on factors outside AIB's control. In addition to the risks described in *"The AIB Group is subject to the risk of having insufficient capital resources to meet the minimum PCAR requirement. If the AIB Group is not able to raise a substantial part of the additional capital to meet the PCAR capital requirement from the announced capital raising initiatives, it may need to issue further equity capital to the Government. Any issue of further equity capital to the Government will increase the Government's economic interest in the AIB Group and will have a corresponding dilutive effect on other Shareholders"* relating to the effect of challenging economic and market conditions on completion of the planned disposals, the AIB Group may, under the terms of any sale agreement, be liable for any deterioration in businesses being sold between the announcement of the disposal and its completion. In certain cases, the period between the announcement of a transaction and its completion may be lengthy and may span many months. Other risks that may arise out of the disposal of the AIB Group's assets include the AIB Group's liabilities incurred prior to completion of the relevant transaction in respect of the assets and businesses disposed of, commercial and other risks associated with meeting covenants to the buyer during the period up to completion, the risk of employee and customer attrition in the period up to completion, substantive indemnity obligations in favour of the buyer, the risk of liability for breach of warranty, the need to continue to provide transitional service arrangements for potentially lengthy periods following completion of the relevant transaction to the businesses being transferred and redundancy and other transaction costs. Further, the AIB Group may be required to enter into covenants with the buyer of the relevant business agreeing not to compete in certain markets for specific periods of time.

Following the completion of the planned disposals, the AIB Group will be a significantly smaller and less diversified institution focusing on its core activities in the Irish market. The implementation of the strategic plan may strain relations with employees and specific proposals in connection with the implementation may be opposed by labour unions or works councils. This may result in the AIB Group becoming subject to industrial action or other labour conflicts, including strikes, which could result in a disruption to the AIB Group's business, operations, or financial condition. In addition, the implementation of the cost reduction programme being developed by the Group

to re-align its cost base to reflect a more focused and streamlined organisation following the disposals may result in the Group incurring significant additional costs (including redundancy costs), take time to implement and negatively impact margins of the Group in the shorter term.

Any of the above factors, in the context of asset and business disposals and the execution of AIB's strategy as further set out in paragraph 4 of Part II ("*Information on the Group*") of this Prospectus, could affect the AIB Group's ability to implement its strategic plan and could have a material adverse effect on the AIB Group's business, results of operations, financial condition, capital ratios and share price.

The AIB Group is subject to risks relating to the European Commission restructuring plan.

In connection with the European Commission's May 2009 approval of the €3.5 billion capital injection under the NPRFC Investment, AIB was required to prepare a restructuring plan, which was submitted by the Department of Finance to the European Commission in November 2009.

As part of its review, the European Commission is required to consider whether the plan demonstrates that the AIB Group's long-term viability will be assured, that the AIB Group (and its capital holders) make an appropriate contribution to the restructuring costs from their own resources and that measures are taken to limit distortions of competition arising from the financial support provided by the Government to the AIB Group.

Based on a review of the outcomes of similar reviews of the restructuring plans of other European banks under the state aid rules, it appears that the European Commission may impose conditions on the AIB Group in connection with the clearance of the restructuring plan that could include:

- compelling the AIB Group to reduce its balance sheet substantially, including through divestment of certain businesses, brands or the AIB Group's branches in addition to those already announced; and/or
- imposing certain behavioural restrictions on the AIB Group, which could include: (i) prohibiting the AIB Group from doing business on more favourable terms than other market participants; (ii) prohibiting the AIB Group from providing certain products to certain markets or segments of markets; (iii) restricting the Group's ability to pay dividends on shares or interest payments on debt securities, including hybrid capital instruments; (iv) constraining the market share of the AIB Group in certain market segments; or (v) prohibiting proposed mergers or acquisitions by the AIB Group in Ireland, the United Kingdom or in other EU markets.

On 4 May 2010, the Department of Finance submitted AIB's updated restructuring plan to the European Commission. AIB's restructuring plan, originally submitted in November 2009, was updated to reflect AIB's announced capital raising initiatives, which include the intention to raise additional equity capital and undertake a number of asset and business disposals. AIB believes that the updated restructuring plan, in conjunction with the measures set out in its original plan, will meet the European Commission's requirements for the restoration of viability.

The ELG Scheme remains subject to six-monthly review and approval by the European Commission in accordance with European Union state aid rules. The next review of the ELG Scheme is due to take place before 31 December 2010, although the results of any such review will not affect the status of guaranteed liabilities that are, by then, already in place. In its 28 June 2010 approval of the Minister's first proposed amendment of the ELG Scheme, the European Commission stated that initial proposed extension of the ELG Scheme was to be subject to the conditions outlined in its staff working paper dated 30 April 2010. In the announcement of 7 September 2010, the Minister stated that some technical details relating to the implementation of the further extension of the ELG Scheme are to be agreed with the European Commission in the coming days. The European Commission in the DG Competition staff working paper dated 30 April 2010 on the phasing out of EU Member State bank guarantee schemes from 30 June 2010 has indicated that it considers it appropriate that guarantee schemes that are to be extended beyond 30 June 2010 for banks not currently under restructuring obligations should include a threshold concerning the ratio of total guaranteed liabilities outstanding over total liabilities of a bank and the absolute amount of guaranteed liabilities which, if exceeded, would trigger the requirement for the EU Member State concerned to submit a viability review to the European Commission demonstrating the bank's long-term viability within three months of the granting of guarantees. The mechanism does not apply to banks that are already in restructuring, or that are obliged to present a restructuring plan, or that are already subject to a pending viability review, such as AIB, at the time that the relevant scheme is extended. In those scenarios, the working paper indicates that the award of additional state aid will have to be taken into account within the framework of the ongoing restructuring/viability review process.

AIB agreed with the European Commission that, in line with its guidelines on restructuring aid to banks, it will not pay a discretionary coupon on its Tier 1 and Tier 2 Capital instruments. See "*The AIB Group is subject to certain commitments and restrictions in relation to the operation of its business under the CIFS Scheme, the NPRFC*

Investment, the NAMA Programme and the ELG Scheme, which may serve to limit the Group's operations and impact the interests of Shareholders" for further risks in this respect.

AIB expects that the final outcome of the European Commission's assessment of AIB's updated restructuring plan will only become clear in the last quarter of 2010. Furthermore, the ultimate decision taken by the European Commission may be subject to appeal in the EU courts. The European Commission has indicated that government-aided banks should act in accordance with the principles of viability, restoration, burden-sharing and limitation of competition distortions in advance of formal conditions being imposed. Given the possibility of the imposition of conditions by the European Commission in connection with the approval of the restructuring plan, there can be no assurance that the Group will be able to continue to operate all its businesses or divisions in the way they are currently operated and to maintain or improve its revenues and margins, which could adversely affect the Group's results of operations, financial condition and future prospects.

In addition, even if the European Commission does approve the restructuring plan in substantially the same form as submitted by the Group, a third party may challenge that decision in the EU courts. If such a challenge were to emerge and succeed, the European Commission would need to reconsider its decision, which may result in any of the adverse outcomes described above.

The successful implementation of any measures or commitments required in connection with the European Commission's restructuring plan depends on a number of factors outside the AIB Group's control. The AIB Group or potential buyers of assets being divested may need to obtain various approvals, including from shareholders, regulators and competition authorities, and the AIB Group and/or potential buyers may be unable to obtain these approvals within a sufficient time or at all. The implementation of any restructuring plan will be subject to similar risks as outlined in *"The implementation of the AIB Group's strategic plan and the disposals announced in connection with that plan will significantly alter the structure and size of the AIB Group and involves risks which could materially impact the Group"*.

The restructuring plan to be agreed with the European Commission will also give rise to additional costs related to the legal and financial assessment of potential transactions. Its implementation may also result in increased operating and administrative costs.

Any of the above factors in the context of the European Commission restructuring plan could have a material adverse effect on the AIB Group's business, results of operations, financial condition, capital ratios, liquidity and share price.

The AIB Group's risk management processes may not be fully effective and the risk management framework may leave it exposed to risks that have not been identified by such policies or procedures.

While AIB has an established risk management framework, the financial crisis and in particular how it has manifested in substantial credit losses has highlighted the deficiencies in the risk management policies of Irish banks and has led the Group to review its overall approach to identifying, assessing and managing risks. AIB has already taken a number of steps to enhance its risk management framework, including the restructuring of credit functions and the development of significant levels of experienced resources to credit management areas. See paragraph 4 of Part II (*"Information on the Group"*) for further details of these measures. However, there is a risk that the new risk management processes implemented by AIB may not be fully effective and the framework may also not be effective in mitigating AIB's risk exposure in all market environments against all types of risk. Any failure in the AIB Group's risk management framework may have a material adverse effect on its results of operations and financial condition.

Market risk including non-trading interest rate risk: Market risk refers to the uncertainty of returns attributable to fluctuations in market factors, such as adverse movements in the level or volatility of market prices of debt instruments, equities and currencies. Some of the most significant market risks AIB faces are interest rate and foreign exchange price risks. Changes in interest rate levels, yield curves and spreads may affect the interest rate margin realised between lending and borrowing costs, the effect of which may be heightened during periods of liquidity stress, such as those experienced in recent times. A period of prolonged low interest rates could adversely impact the margins that the AIB Group may realise between its lending and borrowing costs and therefore impact its earnings. Changes in currency rates, particularly in the Euro-pound sterling, Euro-US dollar and the Euro-zloty exchange rates, affect the value of assets and liabilities denominated in foreign currencies and the reported earnings of the AIB Group's non-Irish subsidiaries and associates and may affect income from foreign exchange dealing, which could have a material adverse effect on the AIB Group's financial condition and operations.

Non-trading interest rate risk is defined as AIB's sensitivity to earnings volatility in its non-trading activity arising from movements in interest rates. Interest rates are highly sensitive to many factors beyond the AIB Group's

control, including the interest rate and other monetary policies of governments and central banks in the jurisdictions in which it operates. Non-trading interest rate risk in retail, commercial and corporate banking activities can arise from a variety of sources, including when the relevant assets and liabilities and off-balance sheet instruments have different repricing dates and unfavourable movements in interest rates could have a material adverse effect on the AIB Group's financial condition and operations.

Operational risks: Operational risks are present in the AIB Group's businesses and can arise through inadequate or failed internal processes (including financial reporting systems, risk monitoring processes and internal processes to ensure that collateral in respect of relevant loans is correctly valued and is fully enforceable) or from people-related or external events, including the risk of fraud and other criminal acts carried out against the AIB Group. The AIB Group's businesses are dependent on their ability to hire and retain experienced credit and risk management personnel, process and report accurately and efficiently on a high volume of complex transactions across numerous and diverse products and services, in different currencies and subject to a number of different legal and regulatory regimes. Any weakness in the AIB Group's risk controls or loss mitigation action could have a material adverse effect on the AIB Group's financial condition and operations.

Operational risks associated with investments in Eastern Europe: Investments in developing Eastern European economies involve risks that are quite different to the risks associated with AIB's more traditional markets. Such risks result from significant political, legal and economic changes during the last two decades of transition from communist rule and a planned economy to independence and a market economy. As a result, businesses in Eastern Europe in which AIB has an interest are still in the process of adapting to the business standards and practices of the European Union. Should AIB fail to manage the legal, economic or compliance risks associated with its interests in businesses in emerging markets, it could have a negative impact on the AIB Group's reputation, financial condition and results of operations.

Pension risk: Pension risk is the risk that the funding position of the AIB Group's defined benefit plans would deteriorate to such an extent that the AIB Group would be required to make additional contributions to cover its pension obligations towards current and former employees and such contributions could be significant and have a negative impact on the AIB Group's regulatory capital position and results of operations.

The AIB Group may face reputational risks.

Reputational risk is inherent in the AIB Group's business. Negative public or industry opinion can result from the actual or perceived manner in which the AIB Group conducts its business activities or from actual or perceived practices in the banking industry, such as money laundering or mis-selling of financial products. Negative public or industry opinion may adversely affect the AIB Group's ability to keep and attract customers and, in particular, corporate and retail depositors, the loss of whom would in each case adversely affect the Group's business, financial condition and prospects.

The value of certain financial instruments recorded at fair value is determined using financial models incorporating assumptions, judgements and estimates that may change over time or may ultimately not turn out to be accurate, and the value realised by the AIB Group for its assets may be materially different from the current or estimated fair value.

Under IFRS, AIB recognises at fair value: (i) derivative financial instruments; (ii) financial instruments at fair value through profit or loss; (iii) certain hedged financial assets and financial liabilities; and (iv) financial assets classified as available for sale. The best evidence of fair value is quoted prices in an active market. Generally, to establish the fair value of these instruments, AIB relies on quoted market prices or, where the market for a financial instrument is not sufficiently active, internal valuation models that utilise observable market data. Readily available observable market prices and data since the middle of 2008 has diminished due to non-availability and unreliability of quoted prices because of market inactivity, resulting in the Group increasing its use of internal models for its valuations. The absence of quoted prices in active markets increases reliance on valuation techniques and requires AIB to make assumptions, judgements and estimates to establish fair value. In common with other financial institutions, these internal valuation models are complex and the assumptions, judgements and estimates AIB is required to make often relate to matters that are inherently uncertain, such as expected cash flows, the ability of borrowers to service debt, appropriate credit spreads, residential and commercial property price appreciation and depreciation, and relative levels of defaults. Such assumptions, judgements and estimates may need to be updated to reflect changing facts, trends and market conditions. The resulting change in the fair values of the financial instruments has had, and could continue to have, an adverse effect on AIB's results of operations and financial condition.

In the past three years, financial markets have experienced stressed conditions, where steep falls in perceived or actual asset values have been accompanied by a severe reduction in market liquidity. Those stress conditions

resulted in AIB recording significant fair value write-downs on its credit market exposures in 2008 and further fair value write-downs in 2009 and the half-year to 30 June 2010. Valuations in future periods, reflecting then-prevailing market conditions, may result in significant changes in the fair values of AIB's exposures, even in respect of exposures such as credit market exposures, for which AIB has previously recorded fair value write-downs. In addition, the value ultimately realised by AIB may be materially different from the current or estimated fair value. Any of these factors could require the AIB Group to recognise further fair value write-downs or recognise impairment charges, any of which may adversely affect its results of operations, financial condition and future prospects.

Change of control may lead to adverse consequences for the Group.

The Government (through the NPRFC) is currently the largest holder of Ordinary Shares, holding 18.61 per cent. of the issued Ordinary Shares (excluding Treasury Shares). AIB and its subsidiaries are parties to joint ventures, contracts and other agreements containing change of control provisions that may be triggered in the event of a change of control of the relevant Group entity, for example as a result of a major shareholder, such as the NPRFC, obtaining a majority stake in AIB. These include the agreements with respect to the company's joint venture, ALH, in which AIB owns an interest of 24.99 per cent. and where it has an exclusive agreement to distribute the life and pensions products of the joint venture. Agreements with change of control provisions typically provide for, or permit, the termination of the agreement upon the occurrence of a change of control of one of the parties or if the new controlling party does not satisfy certain criteria. The crystallisation of change of control provisions could also result in the loss of contractual rights and benefits, as well as the termination of joint venture agreements. On a change of control of the relevant Group entity, the exercise of such rights or the decision by a counterparty not to waive or vary its rights on a change of control could have a material effect on the Group's results, financial condition and prospects.

The AIB Group's businesses and financial condition could be affected by the fiscal, taxation, regulatory or other policies, laws and regulations and other actions of various governmental and regulatory authorities in Ireland, the United Kingdom, the European Union and elsewhere.

AIB is subject to financial services laws, regulations, regulatory oversight, administrative actions and policies in each jurisdiction in which it operates, and failure to comply with any or all of these constitutes a risk in the financial services industry. Laws, regulations, regulatory oversight, administrative actions and policies are subject to change, particularly in the current market environment, where there have been unprecedented levels of government intervention and changes to the regulations governing financial institutions. These and future regulatory and supervisory developments, which the AIB Group expects to face in Ireland, the United States, the United Kingdom, Poland and other countries in which it operates, could have an adverse effect on how the AIB Group conducts its business and on its results of operations. Areas where laws and regulations and governmental policies could have an adverse impact include, but are not limited to:

- the monetary, interest rate, capital adequacy and other policies of central banks and regulatory authorities;
- general changes in regulatory policy or changes in regulatory regimes that may significantly influence investor decisions in particular markets in which the AIB Group operates or may increase the costs of doing business in those markets;
- changes in the Government's policies with regard to the CIFS Scheme, the NPRFC Investment, the NAMA Programme and the ELG Scheme, or any one of them;
- changes to corporate governance regimes for listed companies (financial institutions in particular) and further developments in corporate governance standards;
- changes to international financial reporting standards and further developments in the financial reporting environment;
- changes in competition and pricing environments;
- differentiation amongst financial institutions by governments with respect to the extension of guarantees to bank customer deposits and the terms attaching to such guarantees, including requirements for the entire AIB Group to accept exposure to the risk of any individual member of the AIB Group, or even third party participants in guarantee schemes, failing;
- implementation of, or costs related to, local customer or depositor compensation or reimbursement schemes;
- expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; and

- other unfavourable political, military or diplomatic developments producing social instability or legal uncertainty which, in turn, may affect demand for the AIB Group's products and services.

The FSA has directed that AIB's UK division must target a reduction in its loan to deposit ratio over the course of 2010 and 2011. Although a progressive reduction in the loan to deposit ratio is already being targeted by the Group, accelerated implementation of the targets within a short time period may negatively impact AIB UK's margins and profitability and have an adverse effect on the Group's financial condition and results of operations.

AIB has engaged, and will continue to engage, in discussions with relevant regulators in Ireland, the United Kingdom, the European Union and elsewhere, on an ongoing and regular basis, informing them of operational, systems and control evaluations and issues as deemed appropriate or required. Accordingly, it is possible that any matters discussed or identified may result in investigatory actions by regulators, increased costs being incurred by the AIB Group, remediation of systems and controls and public or private censure or fines. Any of those events or circumstances could, either individually or in aggregate, have a significant impact on the AIB Group's results of operations, financial condition and future prospects.

In addition to the regulatory capital policy changes announced by the Financial Regulator on 30 March 2010, there is continuing political and regulatory scrutiny of the operation of the retail banking and consumer credit industries in Ireland and elsewhere. In June 2010, the Financial Regulator announced a "new approach" to regulating Irish banks which includes: (i) in-depth reviews of governance and risk management arrangements at banks; (ii) development of a new risk framework for regulating entities on the basis of impact and risk; (iii) review of mortgage credit standards and funding risks; (iv) review of bank strategies, with emphasis on broadening lending capabilities; (v) review of remuneration practices; and (vi) review of liquidity standards. The nature and impact of future changes in policies and regulatory action are not predictable and are beyond AIB's control but could have an adverse impact on the AIB Group's business, earnings and prospects.

As a result of the current banking environment and market events at an international level, the minimum regulatory capital requirements currently imposed on the AIB Group, the manner in which the existing regulatory capital is currently calculated, the instruments that currently qualify as regulatory capital and the capital tier to which those instruments are currently allocated, could be subject to change in the future. A number of regulatory changes in this regard have recently been proposed or made, which would significantly alter the AIB Group's regulatory capital, regulatory liquidity position and liability management, which include (but are not limited to):

- CRD II which must be implemented during 2010 and will, in particular, make changes to the criteria for assessing hybrid capital eligible to be included in Tier 1 Capital and may require the AIB Group to replace, over a staged grandfathering period, existing hybrid capital instruments that do not fall within these revised eligibility criteria;
- CRD III which will introduce a number of changes in response to the recent and current market conditions, which may (among other things) increase the capital requirements for the trading books of credit institutions to ensure that a firm's assessment of the risks connected with its trading book better reflects the potential losses from adverse market movements in stressed conditions and limit investments in re-securitisations and impose higher capital requirements for re-securitisations to ensure that firms take proper account of the risks of investing in such complex financial products. It is anticipated that the CRD III rules will be implemented in various stages during 2011, commencing 1 January and concluding 31 December 2011;
- on 17 December 2009, the Basel Committee published two consultation papers. The first consultation paper on capital contains proposals to strengthen the global capital framework by, among other things, raising the quality of the capital base of credit institutions, strengthening the risk coverage of the capital framework (including a leverage ratio) and, promoting the build up of capital buffers. The paper did not specify changes to the overall quantity of capital required. The second consultation paper on liquidity proposes new quantitative liquidity tests and minimum liquidity standards for the banking sector. Following a consultation on 26 July 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, announced that (bar one) they had reached broad agreement on the overall design on the capital and liquidity reform package and released brief details of such agreement with further details/final proposals expected by the end of 2010. Although implementation was originally expected by the end of 2012, it is clear that certain aspects will not be implemented until 2017/2018 and further details on the overall timetable, transitional and grandfathering arrangements are expected by the end of 2010;
- in July 2010 the Basel Committee published a consultation paper in which it suggested that the countercyclical capital buffer proposal outlined in its December 2009 capital paper could separately also be used as a macro prudential tool by national regulators to manage jurisdictional specific risks and ensure sufficient capital is

maintained against exposures in a particular jurisdiction generally. No details on timetable for implementation have yet been announced; and

- in February 2010, the European Commission launched a public consultation on further possible changes pursuant to the CRD (CRD IV), which is closely aligned with the proposals outlined in the consultation paper dated 17 December 2009 from the Basel Committee referred to above.

Significant uncertainty remains around the final requirements and implementation of these changes and proposals. If certain of these proposed measures were implemented as currently proposed, in particular the changes proposed by the Basel Committee and the CRD IV consultation document relating to the definition of capital instruments and their eligibility to be included within the capital base without transitional and grandfathering arrangements, they would be expected to have a significant impact on the capital and asset and liability management of the AIB Group, which in turn would be expected to have an adverse effect on the Group's results, financial condition and prospects.

The AIB Group's activities are subject to taxes at various rates in jurisdictions in which it has operations and such taxes are computed in accordance with local legislation and practice. Action by governments to increase tax rates or to impose additional taxes would reduce the AIB Group's profitability. Revisions to tax legislation or to its interpretation might also affect the AIB Group's results in the future.

The AIB Group's deferred tax assets are substantially dependent on the generation of future profits over a number of years at, at least, the level currently anticipated by the Group and there being no adverse changes to tax legislation, regulatory requirements or accounting standards.

AIB Group's business performance may not reach the level assumed in the projections that support the carrying value of the deferred tax assets. The impact of any lower than anticipated profitability within Ireland and the United Kingdom would be to lengthen the anticipated period over which AIB's Irish and UK tax losses would be utilised. The value of the deferred tax related to the unutilised tax losses constitutes a substantial portion of the total deferred tax assets recognised on the AIB Group's balance sheet. A significant reduction in anticipated profit or changes in tax legislation, regulatory requirements or accounting standards could adversely affect the basis for full recognition of the value of these losses, which would adversely affect the AIB Group's results of operations, financial condition and future prospects.

The Irish banking system may restructure and change significantly, which could have a material adverse effect on the AIB Group's competitive position.

The banking system in Ireland was impacted by the systemic issues facing the financial sector globally caused by factors such as the collapse of sub-prime mortgage lending in the United States, the failure of a number of high profile financial institutions, such as Lehman Brothers and Bear Stearns, the global credit crisis and rapidly deteriorating economic conditions, particularly in Ireland. Arising from these events, there have been a number of Government and market responses impacting or potentially impacting on the structure of the Irish banking sector, including:

- the Government has taken steps to support or recapitalise substantially certain of the domestic Irish banks and building societies and in doing so has taken significant equity positions in certain of the major domestic Irish banks and building societies, in some cases amounting to majority voting control or nationalisation;
- on 19 January 2010, the Government announced a framework for an investigation into the factors which contributed to the Irish banking crisis within the context of the international economic and financial environment at that time. On 9 June 2010, two independent preliminary reports dealing with aspects of the banking crisis were published and the Government announced the establishment of a Commission of Investigation to investigate certain issues identified in the preliminary reports;
- the Central Bank Reform Act 2010 was signed into law on 17 July 2010. This legislation, once commenced, will establish a new regulatory authority, the Central Bank of Ireland, and it has been indicated that the approach to the manner in which Irish financial institutions are regulated and supervised will change, resulting in the delivery of a more assertive, risk-based and challenging approach to banking supervision carrying a credible threat of enforcement; and
- the Government has indicated that it proposes, as part of a series of legislative amendments following the establishment of the Central Bank of Ireland, to provide broader regulatory powers to the new Central Bank of Ireland, in addition to the wide range of statutory powers that already exist.

The Directors believe it is possible that, arising from these responses to the banking crisis in Ireland, a restructuring of the Irish banking system may occur in addition to the changes that have happened to date. It is unclear the form that any such restructuring might take or over what timeframe it might occur.

It is also unclear whether such restructuring might take place on a market driven basis or whether other factors such as the involvement of the European Commission or the Government would have an impact. As a material part of the AIB Group's business and activities are in Ireland, the competitive position of the Group in the Irish banking system may be materially adversely affected by any such restructuring.

The AIB Group may not be able to recruit, retain and develop appropriate senior management and skilled personnel.

The AIB Group's success depends in part on the availability of skilled management and the continued service of key members of its management team. The Group depends on the availability of skilled management both at its head office and at each of its business units. Failure by the Group to staff its day-to-day operations appropriately, or the loss of one or more key senior executives, and failure to replace them in a satisfactory and timely manner, has had and could have an adverse effect on the Group's results, financial condition and prospects in the future.

Under the terms of the NPRFC Investment and the CIFS Scheme, AIB is also required to comply with certain executive pay and compensation arrangements. As a result of these restrictions, AIB cannot guarantee that it will be able to attract, retain and remunerate highly skilled and qualified personnel competitively with its peers. If the Group fails to attract and appropriately develop, motivate and retain highly skilled and qualified personnel, its business and results of operations may be negatively affected.

When the Central Bank Reform Act 2010 commences, the Group will be required to submit for review and approval, proposed new appointments to some senior management positions. This may have a material adverse effect on the Group if the approval process resulted in delays in filling key positions or impacted the Group's ability to recruit suitable candidates.

The AIB Group is and may be subject to litigation and regulatory investigations that may impact its business.

AIB operates in a legal and regulatory environment that exposes it to potentially significant litigation and regulatory risks. Disputes and legal proceedings in which AIB may be involved are subject to many uncertainties, and their outcomes are often difficult to predict, particularly in the earlier stages of a case or investigation. The Government has established a commission to investigate, *inter alia*, the main causes of the serious failure within each covered institution to implement and adhere to appropriate standards and controls in the context of corporate governance and prudent risk management, more details of which are set out in paragraph 2.7 of Part III ("*Supervision and Regulation*") of this Prospectus. Adverse regulatory action or adverse judgments in litigation could result in restrictions or limitations on AIB's operations or result in a material adverse effect on AIB's reputation or results of operations.

The Group operates in competitive markets (subject to some price regulation) that are subject to significant change and uncertainty, which could have a material adverse effect on its results, financial condition and prospects.

The markets for financial services within which the Group operates are highly competitive. It is anticipated that such competition may intensify in response to regulatory actions, competitor behaviour, consumer demand, technological changes, the impact of consolidation, new market entrants and other factors. In the event that financial markets remain unstable, competitor and market consolidation may accelerate.

In particular, competitive pricing pressures may limit the Group's ability to normalise its deposit rates and increase rates on customer loans, which would prevent the Group restoring its net interest margin to target levels, which is a key driver of future profitability. In addition, the Group could also encounter difficulties in increasing interest rates to borrowers, particularly in respect of residential mortgages, due to the reputational impact such increases could have on the Group in the Irish market, and other consequences that such an impact could have for the Group. Any of these events could have an adverse impact on net interest margins, and consequently on the results and financial condition of the Group.

Intervention by monetary authorities in the banking sector may impact the competitive position of the Group relative to its international competitors, who may be subject to intervention of a different quantum and nature, potentially putting the Group at a competitive disadvantage in certain markets. Competition may increase in some or all of the Group's principal markets and may have an adverse effect on its results, financial condition and prospects.

In Ireland, the United Kingdom and in some other jurisdictions, AIB is liable to contribute to compensation schemes in respect of banks and other authorised financial services firms that are unable to meet their obligations to customers.

In Ireland, the United Kingdom and in other jurisdictions, AIB is liable to contribute to compensation schemes set up to address banks and other authorised financial services firms' inability to meet their obligations to customers. Such schemes include the Deposit Guarantee Scheme, and the Investor Compensation Scheme (the "ICS"). Under the Deposit Guarantee Scheme each licensed bank must contribute to the deposit protection account held by the Central Bank. Currently, the level of contribution required under the Deposit Guarantee Scheme is 0.2 per cent. of eligible deposits (in whatever currency) held at all branches of the licensed bank in the European Economic Area. The Minister for Finance announced on 20 September 2008 that the maximum amount of deposit protection would be increased to €100,000 per depositor per institution. The ICS is administered by the Investor Compensation Company Limited, which was established under the Investor Compensation Act 1998. The ICS is Ireland's statutory fund of last resort for customers of authorised financial services firms, and is funded by levies on firms authorised by the Financial Regulator, including AIB.

In the event that the contributions or levies to be paid by the Group in relation to such schemes are raised more frequently, or should the amounts of contributions or levies to be paid under such schemes be significantly increased, the associated costs to AIB may have a material impact on AIB's results of operations and financial condition.

In addition, to the extent that other jurisdictions where AIB operates have introduced or plan to introduce similar compensation, contributory or reimbursement schemes (such as in the United States with the Federal Deposit Insurance Corporation), AIB may incur additional costs and liabilities, which may negatively impact its results of operations and financial condition.

AIB is affected by lending and other activities undertaken by M&T, with limited input on how M&T conducts such activities. Should M&T act contrary to the interests of AIB it could have a material adverse effect upon AIB's business and results of operations.

The disposal of Allfirst and the consequent acquisition of a 22.5 per cent. (22.4 per cent. at 30 June 2010) shareholding in M&T in 2003 changed the nature of AIB's main operations in the United States from a wholly owned subsidiary to that of an investment in an associated undertaking, with a resulting reduction in control. AIB is not represented on M&T's board and it does not exercise a controlling influence on M&T's operations. Therefore AIB is affected by lending and other activities undertaken by M&T in the United States with limited input on how M&T conducts such activities. Additionally, although AIB has only a minority shareholding in M&T, it continues to have responsibilities to regulators as a source of financial strength and support in respect of M&T. M&T may take action that is not in accordance with AIB's policies and objectives. Should M&T act contrary to the interest of AIB it could have a material adverse effect upon AIB's business and results of operations.

Risks relating to the Ordinary Shares

AIB's share price may fluctuate.

The market price of the Ordinary Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the Ordinary Shares. The fluctuations could result from national and global economic and financial conditions, the plans and proposals of the Irish, UK, US and other governments with respect to the global financial crisis, market perceptions as to when AIB will be able to pay dividends on the Ordinary Shares and various other facts and events, including liquidity of financial markets, regulatory changes affecting AIB's operations, variations in AIB's operating results, business developments of AIB and/or its competitors. Stock markets have recently experienced significant price and volume fluctuations that have affected the market prices for AIB's securities. Furthermore, the operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the Ordinary Shares.

AIB's ability to pay dividends in respect of the Ordinary Shares will depend on its ability to pay discretionary coupons on its Tier 1 and Tier 2 Capital instruments, its ability to declare or pay dividends in accordance with the provisions of the CIFS Scheme and/or the ELG Scheme and the availability of distributable reserves.

In accordance with the European Commission's policy relating to European Union state aid rules on restructuring aid to banks, AIB has agreed not to pay discretionary coupons on its Tier 1 Capital instruments and Tier 2 Capital instruments. As a result, the coupon due on the LP3 Securities, which would otherwise have been payable on

14 December 2009, was not paid by AIB. The effect of this non-payment was to trigger the “dividend stopper” provision in the LP3 Securities, which precludes AIB from declaring and paying any distribution or dividend on the Group’s “junior share capital”, which includes the Ordinary Shares and the 2009 Preference Shares, and any “parity securities”, which include the LPI Securities, the LP2 Securities and the RCI Securities for a period of one calendar year. AIB was accordingly precluded from paying, and resolved not to pay, the 2009 Preference Dividend to the NPRFC on 13 May 2010 in respect of its holding of 2009 Preference Shares. As a result, pursuant to the terms of its Articles of Association, AIB issued 198,089,847 New Ordinary Shares to the NPRFC by way of Bonus Issue on 13 May 2010 which resulted in the Government (through NPRFC) becoming the largest holder of Ordinary Shares (holding 18.61 per cent. of the issued Ordinary Shares, excluding Treasury Shares).

Under the terms of the LP3 Securities, AIB is precluded from paying dividends on the Ordinary Shares unless the “dividend stopper” period has expired. In addition AIB is precluded under its Articles of Association from declaring a dividend on the Ordinary Shares until the cash dividend on the 2009 Preference Shares has been resumed. Because the EU restructuring plan has not yet been approved by the European Commission, the date on which AIB can resume payment of discretionary coupons on its Tier 1 Capital instruments and Tier 2 Capital instruments has not yet been agreed with the European Commission and this may impact on the timing of the ability of AIB to resume the payment of the cash dividend on the 2009 Preference Shares and consequently payments of dividends on its Ordinary Shares.

AIB is also precluded from paying an interim dividend on the Ordinary Shares where the payment of such an interim dividend would reduce the distributable reserves of AIB to such an extent that it would, in the Board’s view, be unable to pay the next dividend due for payment on the 2009 Preference Shares and any other preference shares then in issue.

Under the terms of the CIFS Scheme, AIB must comply with rules governing the declaration and payment of dividends made by the Minister, in consultation with the Governor of the Central Bank and the Financial Regulator, and no new dividends may be declared or paid by AIB before those rules are made (no rules have yet been made by the Minister). Under the terms of the ELG Scheme, the Minister may issue directions to AIB to comply with some or all of the conduct, transparency and reporting requirements of the CIFS Scheme, including those relating to the declaration and payment of dividends, and each participating institution under the ELG Scheme, including AIB, is required to comply with such directions, including after the CIFS Scheme has expired or if the participating institution is no longer a covered institution under the CIFS Scheme.

In addition, AIB’s ability to pay dividends is limited under Irish company law to paying cash dividends only to the extent that it has distributable reserves for this purpose. AIB is also required to hold levels of regulatory capital prescribed by the Financial Regulator and to meet market expectation regarding capital ratios. In addition, AIB’s ability to pay dividends in the future is affected by a number of factors, principally its retained profit after taxation which will be impacted by its ability to receive sufficient dividends from its subsidiaries. The payment of dividends to AIB by its subsidiaries is, in turn, subject to restrictions, including certain regulatory requirements and the existence of sufficient distributable reserves and cash. The ability of these subsidiaries to pay dividends and AIB’s ability to receive distributions from its investments in other entities are subject to applicable local laws and regulatory requirements and other restrictions. These laws and restrictions could limit the payment of future dividends and distributions to AIB by its subsidiaries, which could restrict AIB’s ability to fund other operations or to pay, in due course, a dividend to holders of Ordinary Shares.

The AIB Group is currently precluded from paying dividends or distributions on certain instruments affected by the terms of the “dividend stopper” provision in the LP3 Securities. In the event that the Group remains, or subsequently becomes, precluded from paying, or elects not to pay, such dividends, the proportionate ownership and voting interests of the existing Shareholders would be diluted, as AIB would, in certain circumstances, be obliged to issue Ordinary Shares if a dividend or coupon is not paid in cash.

In accordance with the European Commission’s policy on state aid rules and restructuring aid to banks, AIB agreed not to pay discretionary dividends on its Tier 1 Capital instruments (including the 2009 Preference Shares and the RCI Securities) and Tier 2 Capital instruments for a period of one calendar year from and including 14 December 2009.

Under the terms of the RCI Securities, if the payments of coupons are deferred (payable annually in February at the discretion of AIB) such deferred coupon payments must be satisfied by the issue of Ordinary Shares to the trustee to raise cash to pay the deferred coupons. As announced by AIB on 1 December 2009, in line with the European Commission policy described above, the Group did not pay the coupon otherwise payable on the RCI Securities on 28 February 2010 and the coupon is therefore deferred. A deferral of coupon under the RCI Securities triggers the “dividend stopper” provisions under those securities which prevent any dividend or coupon payments being made

on the Ordinary Shares or preference shares of AIB, including the 2009 Preference Shares, until the deferred coupon on the RCI Securities is satisfied through the issue of Ordinary Shares. The amount of deferred coupon itself bears interest at the applicable rate under the RCI Securities, plus an additional 2 per cent. per annum. Once AIB determines that a deferred coupon can be paid, the obligation to satisfy the deferred coupon plus interest accrued can only be settled through the issue of Ordinary Shares to a trustee on behalf of the holders of the RCI Securities. Those Ordinary Shares will be sold by the trustee for the benefit of the holders of the RCI Securities. When those units of Ordinary Shares are issued, the proportionate ownership and voting interests of the existing Shareholders will be diluted. As at 7 September 2010, the outstanding amount of RCI Securities was €240,035,000. Based on the current net amount outstanding and assuming coupons are stopped until 28 February 2011, Ordinary Shares having a value of €19.7 million (including allowance for interest on deferred coupons) will be required for the unpaid coupons on the RCI Securities that are missed.

The dividend on the 2009 Preference Shares, the 2009 Preference Dividend, is a non-cumulative cash dividend at a fixed rate of 8 per cent. per annum of the subscription price, payable annually in arrears on 13 May, at the sole and absolute discretion of the Directors of AIB, with the next payment date on 13 May 2011.

Under the terms of the Articles, if AIB does not pay the 2009 Preference Dividend in full on the Annual Dividend Payment Date in any particular year, the holders of 2009 Preference Shares shall be allotted and issued new Ordinary Shares by way of a bonus issue during the Bonus Shares Settlement Period, unless AIB is prohibited by law from doing so. If the Bonus Shares are issued by AIB on the Annual Dividend Payment Date in the particular year, the Bonus Shares will comprise such number of new Ordinary Shares as is equal to the aggregate cash amount of the 2009 Preference Dividend that was not paid in that particular year, based on the average price of an Ordinary Share in the 30-day trading period immediately preceding the Annual Dividend Payment Date. If the issue of Bonus Shares is deferred by AIB beyond the Annual Dividend Payment Date, the number of Bonus Shares to be issued will be increased and will be equal to the unpaid dividend amount on the Preference Shares divided by 95 per cent. of the average price of an Ordinary Share in the 30-day trading period immediately preceding the Annual Dividend Payment Date.

As a result of the “dividend stopper” provisions in the LP3 Securities, the AIB Group is currently precluded, for a period of one calendar year from and including 14 December 2009, from paying discretionary dividends on the 2009 Preference Shares. As a result, on 13 May 2010, AIB issued the Bonus Shares to the NPRFC as the Board had resolved not to pay the cash dividend on the 2009 Preference Shares, which was otherwise due on 13 May 2010. This resulted in the dilution of the existing Shareholders’ proportionate ownership by 18.33 per cent. As at 7 September 2010, the latest practicable date prior to the publication of this Prospectus, the NPRFC held 18.61 per cent. of the issued Ordinary Shares (excluding Treasury Shares).

In the event that the Group remains precluded from paying, or elects not to pay coupons or dividends on the RCI Securities and the 2009 Preference Shares, the voting interests of the existing Shareholders would be further diluted as AIB would, in certain circumstances, be obliged to issue Ordinary Shares if a coupon or dividend is not paid in cash.

Shareholders outside Ireland and the United Kingdom may not be eligible to participate in pre-emptive capital raisings undertaken by AIB and as a result may be diluted.

Securities laws of certain jurisdictions may restrict AIB’s ability to allow participation by Shareholders in pre-emptive capital raisings. In particular, holders of Ordinary Shares who are located in the United States may not be able to exercise their pre-emption rights unless a registration statement under the US Securities Act is effective with respect to such rights or an exemption from the registration requirements is available thereunder.

The ability of Overseas Shareholders to bring actions or enforce judgments against AIB or its Directors may be limited.

The ability of an Overseas Shareholder to bring an action against AIB may be limited under law. The rights of Shareholders are governed by Irish law and AIB’s Memorandum and Articles of Association. These rights differ from the rights of shareholders in typical US corporations and some other non-Irish corporations. An Overseas Shareholder may not be able to enforce a judgment against some or all of the Directors and executive officers. It may not be possible for an Overseas Shareholder to effect service of process upon the Directors and executive officers within the Overseas Shareholder’s country of residence or to enforce against the Directors and executive officers judgments of courts of the Overseas Shareholder’s country of residence based on civil liabilities under that country’s securities laws. There can be no assurance that an Overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than Ireland against the Directors or executive officers who are residents of Ireland or countries other than those in which judgment is made. In addition, Irish or other courts may not impose civil liability on the Directors or executive officers in any original action based solely on foreign securities laws brought against AIB or the Directors in a court of competent jurisdiction in Ireland or other countries.

IMPORTANT INFORMATION

PRESENTATION OF FINANCIAL INFORMATION

Save as otherwise indicated, financial data regarding AIB and its subsidiaries is extracted from the Half-Yearly Financial Report 2010 (unaudited), the Annual Report 2009, the Annual Report 2008 or the Annual Report 2007 (as applicable). Where financial data regarding AIB is not extracted from the consolidated financial statements of AIB and its subsidiaries as set out in the Half-Yearly Financial Report 2010, the Annual Report 2009, the Annual Report 2008 and the Annual Report 2007, it is attributable to management's internal financial information.

In this Prospectus, references to "US dollars", "dollars", "US\$", "cents" or "¢" are to US currency, references to "EUR", "Euro", "€" or "c" are to Euro currency, references to "pounds sterling" or "£" are to British currency, references to "zloty", "PLN" or "zł" are to Polish currency and references to "¥" or "Yen" are to Japanese currency. The financial information presented in a number of tables in this Prospectus has been rounded to the nearest whole number or the nearest decimal place. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this Prospectus reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

EXCHANGE RATES

Indicative exchange rates of Euro against the US dollar, comprising the average rate used for income statements and the period-end rate used for balance sheet information, are shown below:

<u>Period</u>	<u>Average rate</u>	<u>Period-end rate</u>
	<i>(US dollar : Euro)</i>	
Year ended 31 December 2007	1.3749	1.4721
Year ended 31 December 2008	1.4707	1.3917
Year ended 31 December 2009	1.3947	1.4406
Six months ended 30 June 2009	1.3333	1.4134
Six months ended 30 June 2010	1.3266	1.2271

On 7 September 2010, being the latest practicable date prior to the publication of this Prospectus, the Euro:US dollar exchange rate was 1.2744, being the daily reference rate set by the European Central Bank for such date.

Indicative exchange rates of Euro against pounds sterling, comprising the average rate used for income statements and the period-end rate used for balance sheet information, are shown below:

<u>Period</u>	<u>Average rate</u>	<u>Period-end rate</u>
	<i>(Pounds sterling : Euro)</i>	
Year ended 31 December 2007	0.6861	0.7334
Year ended 31 December 2008	0.7964	0.9525
Year ended 31 December 2009	0.8908	0.8881
Six months ended 30 June 2009	0.8939	0.8521
Six months ended 30 June 2010	0.8697	0.8175

On 7 September 2010, being the latest practicable date prior to the publication of this Prospectus, the Euro:pounds sterling exchange rate was 0.8316, being the daily reference rate set by the European Central Bank for such date.

Indicative exchange rates of Euro against zloty, comprising the average rate used for income statements and the period-end rate used for balance sheet information, are shown below:

<u>Period</u>	<u>Average rate</u>	<u>Period-end rate</u>
	<i>(zloty : Euro)</i>	
Year ended 31 December 2007	3.7792	3.5935
Year ended 31 December 2008	3.5114	4.1535
Year ended 31 December 2009	4.3269	4.1045
Six months ended 30 June 2009	4.4749	4.4520
Six months ended 30 June 2010	4.0020	4.1470

On 7 September 2010, being the latest practicable date prior to the publication of this Prospectus, the Euro:zloty exchange rate was 3.9371, being the daily reference rate set by the European Central Bank for such date.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

As required by the Companies Acts and Article 4 of the IAS Regulation (Regulation (EC) No 1606/2002), the consolidated financial statements of the AIB Group have been prepared in accordance with IFRS, both as issued by the IASB and adopted by the European Union, and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB.

FORWARD-LOOKING STATEMENTS

This Prospectus contains or incorporates by reference “forward-looking statements”, within the meaning of Section 27A of the US Securities Act and Section 21E of the US Exchange Act, regarding the belief or current expectations of AIB, AIB’s Directors and other members of its senior management about AIB’s businesses and the transactions described in this Prospectus, including statements relating to possible future write downs or impairments. Generally, words such as “may”, “could”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “plan”, “seek”, “continue”, “should”, “assume”, “target” or similar expressions identify forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements.

These forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of AIB and are difficult to predict, that may cause actual results to differ materially from any future results or developments expressed or implied from the forward-looking statements. Factors that could cause actual results to differ materially from those contemplated by the forward-looking statements include, among other factors:

- AIB’s businesses, earnings and financial condition have been, and will continue to be, affected by the recent and future economic conditions in Ireland and international economic and sector-specific conditions.
- The default of a major market participant or negative developments affecting one or more Irish financial institutions, in particular, could disrupt the markets and impact AIB’s financial condition and results of operations.
- The AIB Group is exposed to the Irish property sector, which has been and remains subject to unfavourable economic and market conditions.
- The AIB Group is subject to the risk of having insufficient capital resources to meet the minimum PCAR requirement. If the AIB Group is not able to raise a substantial part of the additional capital to meet the PCAR capital requirement from the announced capital raising initiatives, it may need to issue further equity capital to the Government. Any issue of further equity capital to the Government will increase the Government’s economic interest in the AIB Group and will have a corresponding dilutive effect on other Shareholders.
- If the AIB Group is required to hold a higher level of capital than that currently anticipated by the market and as prescribed by the existing PCAR requirement, then this could have a material adverse impact on the Group’s results, financial condition and prospects.
- Constraints on liquidity, uncertainty over the terms of an extension of the ELG Scheme and the market reaction to the removal of Government guarantees may expose the AIB Group to further liquidity risks.
- The AIB Group relies on customer deposits to fund a considerable portion of its loan portfolio, the ongoing availability of which is sensitive to factors outside the Group’s control. Loss of consumer confidence in the Group’s business or in banking businesses generally, among other things, could result in unexpectedly high levels of customer deposit withdrawals, which could have a material adverse effect on the Group’s ability to fund its operations and the Group’s liquidity prospects.
- Further downgrades to the Irish sovereign ratings or AIB’s credit ratings or outlook could limit the AIB Group’s access to funding, trigger additional collateral requirements and weaken its competitive position.
- The AIB Group is exposed to risks relating to other sovereign issuers.
- Increased volatility in financial markets has resulted in, and prolonged volatility may continue to result in, reduced asset valuations and lower fees and commissions and other effects which could further adversely affect the Group’s results, financial condition and prospects.

It is strongly recommended that investors read the Risk Factors, Part II (“*Information on the Group*”) and Part IV (“*Overview of Business Performance and Operating and Financial Review*”) sections of this Prospectus and the

documents incorporated by reference therein, for a more complete discussion of the factors which could affect the Group's future performance and industries in which it operates. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Prospectus may not occur.

No statement in this Prospectus or any document incorporated by reference therein is intended to constitute a profit forecast or profit estimate for any period. The forward-looking statements speak only as of the date of this Prospectus. Except as required by the Financial Regulator, the Irish Stock Exchange, the FSA, the London Stock Exchange or applicable law, AIB does not have any obligation and expressly disclaims any obligation or undertaking to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise. AIB expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this Prospectus or incorporated by reference to reflect any change in AIB's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

NOTICE TO ALL INVESTORS

Any reproduction or distribution of this Prospectus, in whole or in part, and any disclosure of its contents or use of any information contained in this Prospectus is prohibited.

No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by AIB. The delivery of this Prospectus shall, under no circumstances, create any implication that there has been no change in the affairs of AIB since the date of this Prospectus or that the information in this Prospectus is correct as at any time subsequent to its date.

The contents of the websites of the Group (or any other websites, including the content of any website accessible from hyperlinks on the Group's website) do not form part of this Prospectus.

Capitalised terms have the meanings ascribed to them in Part XI ("*Definitions*") of this Prospectus.

Certain information in relation to the Group is incorporated by reference into this Prospectus as set out in Part X ("*Documentation Incorporated by Reference*") of this Prospectus.

GENERAL INFORMATION

Nothing contained in this Prospectus nor the information incorporated by reference herein is intended to constitute or should be construed as business investment, legal, tax, accounting or other professional advice. This Prospectus is for your information only and nothing in this Prospectus is intended to endorse or recommend a particular course of action. You should consult with an appropriate professional for specific advice rendered on the basis of your situation.

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors

Dan O'Connor	Executive Chairman
Colm Doherty	Group Managing Director (Executive Director) and acting Group Chief Risk Officer
David Pritchard	Chairman, AIB Group (UK) p.l.c. and Senior Independent Non-Executive Director
Declan Collier	Non-Executive Director (Government appointee)
Kieran Crowley	Non-Executive Director
Stephen L. Kingon	Non-Executive Director
Anne Maher	Non-Executive Director
Dr. Michael Somers	Non-Executive Director and Deputy Chairman (Government appointee)
Dick Spring	Non-Executive Director (Government appointee)
Robert G. Wilmers	Non-Executive Director

Each of the Directors' business address is the Company's registered address at Bankcentre, Ballsbridge, Dublin 4, Ireland.

Company Secretary

David O'Callaghan

Group Law Agent

Bryan Sheridan

Registered Office

Bankcentre
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Dublin 4
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Registered in Ireland with number 24173

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BROKER

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FINANCIAL ADVISERS

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E14 4QA

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Dublin 4
Ireland

AUDITORS AND REPORTING ACCOUNTANTS

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Dublin 1
Ireland

LEGAL ADVISERS

To AIB as to Irish law

McCann FitzGerald
Riverside One
Sir John Rogerson's Quay
Dublin 2
Ireland

To AIB as to English and US law

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London
EC2Y 8HQ
United Kingdom

PART I

BACKGROUND TO AND REASONS FOR THE BONUS ISSUE AND ADMISSION

In May 2009, AIB issued the 2009 Preference Shares to the NPRFC as part of the Government's recapitalisation of AIB. The dividend on those shares, the 2009 Preference Dividend, is a non-cumulative cash dividend at a fixed rate of 8 per cent. per annum of the subscription price, payable annually, in arrears at the sole and absolute discretion of the Directors of AIB.

If the Directors pass a resolution to pay the 2009 Preference Dividend, the instalment for that year is paid in arrears on 13 May (or the next business day where applicable), known as the "Annual Dividend Payment Date". However, if the 2009 Preference Dividend is not paid in full in cash on the Annual Dividend Payment Date in any particular year, the holders of 2009 Preference Shares shall be allotted and issued new Ordinary Shares by way of a bonus issue during the Bonus Shares Settlement Period, unless AIB is prohibited by law from doing so. If the Bonus Shares are issued by AIB on the Annual Dividend Payment Date in the particular year, the Bonus Shares will comprise such number of new Ordinary Shares as is equal to the aggregate cash amount of the 2009 Preference Dividend that was not paid in that particular year, based on the average price of an Ordinary Share in the 30-day trading period immediately preceding the Annual Dividend Payment Date. If the issue of Bonus Shares is deferred by AIB beyond the Annual Dividend Payment Date, the number of Bonus Shares to be issued will be increased and will be equal to the unpaid dividend amount on the Preference Shares divided by 95 per cent. of the average price of an Ordinary Share in the 30-day trading period immediately preceding the Annual Dividend Payment Date. The Bonus Shares, when issued, rank *pari passu* in all respects with the existing issued Ordinary Shares, including the right to receive dividends or distributions. The rights attaching to the 2009 Preference Shares are summarised at paragraph 4.2 of Part IX ("*Additional Information*") of this Prospectus.

In accordance with the European Commission's policy relating to European Union state aid rules on restructuring aid to banks, AIB has agreed not to pay discretionary coupons on its Tier 1 Capital instruments and Tier 2 Capital instruments. AIB was accordingly precluded from paying, and resolved not to pay, the 2009 Preference Dividend due to the NPRFC on 13 May 2010 in respect of its holding of 2009 Preference Shares. As a result, pursuant to the terms of its Articles of Association, AIB allotted 198,089,847 New Ordinary Shares to the NPRFC by way of the Bonus Issue on 13 May 2010. The New Ordinary Shares were not offered to the public and were issued to the NPRFC for no consideration, so that no proceeds accrued to AIB.

The Subscription Agreement between AIB, the Minister for Finance and the NPRFC provides that AIB must apply for any Bonus Shares that are issued by AIB to be admitted to the Official Lists and to trading on the main markets for listed securities of the Irish Stock Exchange and the London Stock Exchange. In addition, under the Listing Rules of the Irish Stock Exchange and the UK Listing Authority, when shares of the same class as shares that are currently listed are allotted, which the New Ordinary Shares are, an application for Admission to listing must be made.

Application has therefore been made to the Irish Stock Exchange, the UK Listing Authority and the London Stock Exchange for the New Ordinary Shares to be admitted to the Official Lists and to trading on the Irish Stock Exchange and London Stock Exchange. It is expected that Admission will occur and that dealings in the New Ordinary Shares on the Irish Stock Exchange and the London Stock Exchange will commence at 8.00 a.m. on 10 September 2010.

PART II

INFORMATION ON THE GROUP

The selected historical financial information in relation to AIB in this section has, unless otherwise stated, been extracted without material adjustment from, and should be read together with, the unaudited financial statements in the Half-Yearly Financial Report 2010 and the audited financial statements in the Annual Report 2009, the Annual Report 2008 and the Annual Report 2007 which are incorporated by reference into this Prospectus as set out in Part X (“Documentation Incorporated by Reference”) of this Prospectus.

1 Overview of the Business

The Group, comprising Allied Irish Banks, p.l.c. and its subsidiaries, conducts a broad retail and commercial banking business in Ireland, which, in addition to being one of the leading national branch networks, includes significant corporate lending and capital markets activities conducted from its head office at Bankcentre in Dublin and from Dublin’s International Financial Services Centre. As at 30 June 2010, the Group had total assets of €169.2 billion (€174.3 billion at 31 December 2009), total customer accounts, including customer accounts from discontinued operations, of €82.9 billion (€84.0 billion at 31 December 2009) and shareholders’ equity of €8.8 billion (€10.7 billion at 31 December 2009). Customer accounts amounted to €59.8 billion at 30 June 2010 when discontinued operations are excluded.

2 History and development of the AIB Group

Allied Irish Banks, p.l.c., originally named Allied Irish Banks Limited, was incorporated in Ireland in September 1966 as a result of the amalgamation of three long established banks: the Munster and Leinster Bank Limited (established 1885), the Provincial Bank of Ireland Limited (established 1825) and the Royal Bank of Ireland Limited (established 1836). Since that time, it has grown to become one of the largest Irish-based banking groups based on total assets at 31 December 2009.

Since the early 1970s, the Group has established a presence in a number of countries outside Ireland, including the United Kingdom, Poland and the United States. Approximately 32 per cent. of the Group’s total assets as at 30 June 2010 were held outside the Republic of Ireland (approximately 30 per cent. as at 31 December 2009).

The Group has established retail and corporate banking businesses in the United Kingdom (including Northern Ireland, where it also enjoys bank note issuing powers), Poland and the United States, primarily through its 22.4 per cent. non-consolidated ownership interest in M&T. The Group has overseas branches in the United States, Germany and France among other locations, a subsidiary company in the Isle of Man and Jersey (Channel Islands) and representative offices in a number of states in the United States.

In December 1983, AIB acquired 43 per cent. of the outstanding shares of First Maryland Bankcorp (“FMB”). In 1989, AIB completed the acquisition of 100 per cent. of the outstanding shares of common stock of FMB. During the 1990’s, there were a number of “bolt-on” acquisitions, the most notable being Dauphin Deposit Bank and Trust Company, a Pennsylvania chartered commercial bank which was acquired in 1997. Subsequently, all banking operations were merged into Allfirst Bank. In 2003, Allfirst was integrated with M&T. Under the terms of the agreement AIB received 26.7 million shares in M&T, representing a stake of approximately 22.5 per cent. in the enlarged M&T, together with US\$886.1 million cash, of which US\$865 million was received by way of a pre-sale dividend from Allfirst. M&T is a New York Stock Exchange-listed commercial banking business based in Buffalo, New York, with significant businesses in Maryland, Pennsylvania and other Eastern states. As of 30 June 2010, M&T, on a US GAAP basis, reported unaudited consolidated total assets of US\$68.2 billion (€55.6 billion), total deposits of US\$47.5 billion (€38.7 billion) and shareholders’ equity of US\$8.1 billion (€6.6 billion).

In July 1991, AIB acquired TSB NI, a bank with 56 branches and outlets in Northern Ireland. In October 1996, AIB’s retail operations in the United Kingdom were integrated under the direction of a single board and the enlarged entity was renamed as AIB Group (UK) p.l.c. with two distinct trading names “First Trust Bank” in Northern Ireland and “Allied Irish Bank (GB)” in Great Britain.

The Group entered the Polish market in 1995, when it acquired a non-controlling interest in WBK. In 2001, WBK merged with Bank Zachodni to form BZWBK, following which the Group held a 70.5 per cent. interest in the newly-merged entity. The Group’s interest in BZWBK decreased to its current holding of 70.4 per cent. when BZWBK’s share capital was increased in 2009. Through its interest in BZWBK, the Group is responsible for the management of a retail corporate and investment banking business that had consolidated total assets of PLN 53.6 billion (€12.9 billion), customer accounts of PLN 41.3 billion (€10.0 billion) and shareholders’ equity of PLN 6.1 billion (€1.5 billion) as at 30 June 2010 (Source: Management Board Report on Bank Zachodni WBK Group

Performance in H1 2010). BZWBK, which is Poland's fifth largest bank by loans (fourth largest by total equity), has been a profitable unit for the Group, with net profit for the six months ended 30 June 2010 of PLN 517.0 million (€129.2 million) (Source: Management Board Report on Bank Zachodni WBK Group Performance in H1 2010).

In January 2006, AIB completed a transaction that brought together Aviva Life & Pensions Ireland Limited (an Aviva plc subsidiary) and AIB's life assurance subsidiary Ark Life under a holding company ALH, formerly Hibernian Life Holdings Limited. As a result, AIB owns an interest of 24.99 per cent. in ALH and has entered into an exclusive agreement to distribute the life and pensions products of the joint venture.

On 30 March 2010, the Financial Regulator published details of the PCAR, its assessment of the forward-looking prudential capital requirements of certain Irish credit institutions, including AIB, that are covered by Government guarantee schemes to strengthen and increase their capital bases to help restore confidence in the Irish banking sector. The PCAR concluded that in common with other Irish credit institutions, the target Equity Tier 1 Capital Ratio for AIB would be 7 per cent. and the target Core Tier 1 Capital Ratio would be 8 per cent. In order to meet the target Equity Tier 1 Capital Ratio, the PCAR determined that AIB must generate the equivalent of €7.4 billion of new equity capital by 31 December 2010. On 30 March 2010, following publication of the PCAR, AIB announced a series of capital raising initiatives to meet the increased capital ratios set by the Financial Regulator. These initiatives included plans to sell AIB's shareholding in M&T, as well as its shareholding in BZWBK and its UK business, which comprises "Allied Irish Bank (GB)" in Great Britain and "First Trust Bank" in Northern Ireland. Discussions in relation to these disposals are on-going. In addition, AIB also intends to dispose of its 49.99 per cent. shareholding in BACB, a Bulgarian bank.

3 Recent Developments

3.1 Relationship with the Government

In response to the significant challenges facing the Irish banking sector arising from the deterioration in international financial markets that began in 2008, the Government took steps to reassure the markets of the stability of the Irish banking industry. Those steps included:

- the CIFS Scheme, announced in September 2008, and the ELG Scheme, announced in December 2009, under which the Minister guaranteed specific categories of liabilities of certain systemically important Irish credit institutions (including AIB and some of its subsidiaries);
- direct capital investments by the Government in certain Irish financial institutions, including AIB. On 13 May 2009, AIB issued to the NPRFC €3.5 billion of preference shares and 294,251,819 warrants to subscribe for Ordinary Shares; and
- the NAMA Programme, under which NAMA acquires certain eligible bank assets from AIB which include performing and non-performing loans. The NAMA Programme is expected to remove from the Group's balance sheet certain loans, primarily relating to land and development.

The Government measures referred to above have had a significant impact on the manner in which the Group conducts its business. The most significant restriction relates to the manner in which the Group can deal with its NAMA Assets. As a result of the ELG Scheme and the CIFS Scheme and subscription for the 2009 Preference Shares, three non-executive directors have been nominated by the Minister for Finance and appointed to the Board. There are also Government measures that influence the manner in which the Group extends credit to first time buyers of residential premises, SMEs and to other customers. Further details of the CIFS Scheme, the ELG Scheme, the NPRFC Investment and the NAMA Programme, and powers granted to the Minister and the Financial Regulator and restrictions and measures put in place by these schemes, in respect of AIB, are contained in paragraph 16 of Part IX ("*Additional Information*") of this Prospectus.

3.2 The PCAR, AIB's capital raising initiatives and state aid

On 30 March 2010, the Financial Regulator announced the results of the PCAR, its assessment of the forward-looking prudential capital requirements of certain Irish credit institutions, including AIB, that are covered by the Government guarantee schemes to strengthen and increase their capital bases to help restore confidence in the Irish banking sector.

The PCAR assessed the capital requirement of AIB and other Irish credit institutions in the context of expected losses and other financial developments, under both base and stress-case scenarios. The PCAR concluded that in common with other Irish credit institutions, the target Equity Tier 1 Capital Ratio for AIB would be 7 per cent. and the target Core Tier 1 Capital Ratio would be 8 per cent. In order to meet the target Equity Tier 1 Capital Ratio, the PCAR determined that AIB must generate the equivalent of €7.4 billion of new equity capital by 31 December 2010.

The capital requirement also includes a prudential buffer for additional losses projected by the Financial Regulator of approximately €1.1 billion. Further details of the PCAR methodology are set out in Part III (“*Supervision and Regulation*”) of this Prospectus.

In addition to the PCAR described above, AIB was subject to the 2010 EU-wide stress testing exercise co-ordinated by the CEBS in cooperation with the European Central Bank and carried out under the supervision of the Central Bank and the Financial Regulator, which was additional to the PCAR undertaken by the Financial Regulator described above. The objective of the 2010 EU-wide stress testing exercise was to assess the overall resilience of the EU banking sector and the banks’ ability to absorb further possible shocks on credit and market risks, including sovereign risks. For the purposes of the CEBS stress test published on 23 July 2010, inclusive of its PCAR requirement, AIB achieves a capital level in excess of the CEBS threshold of 6 per cent. Tier 1 Capital Ratio in all cases. The exercise was conducted using the scenarios, methodologies and key assumptions provided by CEBS. In completing the CEBS stress test, the Central Bank and the Financial Regulator applied higher loan loss rates to both the NAMA Assets and the non-NAMA Assets than were required by CEBS. In each of these loan categories, the relevant exposures were assessed by reference to the PCAR assumptions, which resulted in a more demanding stress test than was prescribed by CEBS. As set out in the published results, under the adverse scenario, the Financial Regulator estimated the consolidated Tier 1 Capital Ratio for AIB in 2011 was 7.2 per cent., while the additional sovereign risk scenario would result in a further reduction bringing the Tier 1 Capital Ratio to 6.5 per cent. at the end of 2011. Further details of the CEBS stress test are set out in Part III (“*Supervision and Regulation*”) of this Prospectus.

On 30 March 2010, following publication of the PCAR, AIB announced a series of capital raising initiatives to meet the increased capital requirement determined by the Financial Regulator. These initiatives included plans to sell AIB’s shareholding in M&T, as well as its shareholding in BZWBK and its UK business, which comprises Allied Irish Bank (GB) and First Trust Bank in Northern Ireland. Discussions in relation to these disposals are on-going. In addition, AIB also intends to dispose of its 49.99 per cent. shareholding in BACB, a Bulgarian bank. AIB has also undertaken to complete an equity capital raising prior to the end of 2010 to meet the remaining capital requirement following the planned disposals, together with any other capital raising actions that may be taken before then, which include, for example, a capital exchange offering, such as a further exchange of outstanding bonds for cash or equity. The structure, timing and terms of that equity capital raising will be further considered by the Company in conjunction with the Government. The Company’s current intention is for that equity capital raising to be underwritten by international investment banks or the Government, with any residual capital requirement to be met by a conversion of some of the 2009 Preference Shares, which are held by the NPRFC, into Ordinary Shares. The announced capital raising initiatives form an integral part of AIB’s corporate strategy. Further details of AIB’s corporate strategy are set out in paragraph 4 below.

AIB’s participation in the CIFS Scheme, the ELG Scheme, the NPRFC Investment and the NAMA Programme have also resulted in the need for a restructuring plan to be submitted to the Minister for Finance, which ultimately requires approval by the European Commission. AIB’s restructuring plan, originally submitted in November 2009, was updated to reflect AIB’s announced capital raising initiatives, which include the intention to raise additional equity capital and undertake a number of asset and business disposals as described above. On 4 May 2010, the Department of Finance submitted AIB’s updated restructuring plan to the European Commission. AIB believes that the updated restructuring plan, in conjunction with the measures set out in its original plan, will meet the European Commission’s requirements for the restoration of viability. The above-mentioned Government measures, and the ability of the European Commission to influence the future composition of the Group’s business, are significant factors that may influence the Group’s future results and financial condition.

4 Strategy

AIB aims to restore its credibility and ensure its viability within a 1,000 day period that commenced on 2 December 2009. Central to this strategy is the positioning of AIB as a customer and people led credit institution which AIB expects will over this period have a significant positive impact on its culture and profitability.

The strategy sets out a “back to basics” approach for AIB. Key objectives of AIB’s strategy include:

Rebuilding the business on solid foundations

- raising capital; and
- improving AIB’s funding profile.

Restoring AIB to a path of sustainable profit

- increasing product pricing and margins;

- improving risk governance and management;
- reducing costs; and
- supporting customers.

AIB has developed a capital, funding and liquidity strategy aimed at enhancing its capital base and extending the maturity profile of its funding base, in the context of reducing its reliance on Government guaranteed funding schemes. See Part V (“*Capitalisation and Indebtedness*”) for further information relating to AIB’s capital, funding and liquidity strategy.

On 30 March 2010, AIB announced a series of capital raising initiatives to meet the increased capital requirement determined by the Financial Regulator following the PCAR, which included plans to sell its shareholdings in M&T and BZWBK, as well as its UK business. AIB has also undertaken to complete an equity capital raising prior to the end of 2010 to seek to fulfil the remaining capital requirement under PCAR, following the planned disposals, together with any other capital raising actions taken before then.

As part of its funding and liquidity strategy, subject to market conditions, AIB aims to extend the average duration of its funding, which would positively impact the overall profile of the Group’s funding base. Since 31 December 2009, AIB has issued €6.3 billion in term funding under the ELG Scheme, with a significant bias towards maturities ranging from two to five years. While AIB has accessed the un-guaranteed market for funding, it retains a reliance on the continuation of the ELG Scheme. In addition, AIB continues to have access, if required, to central bank liquidity schemes. As market conditions allow, AIB will access un-guaranteed sources of funds in order to reduce the Group’s reliance on guaranteed funding. See Part V (“*Capitalisation and Indebtedness*”) of this Prospectus for further information on AIB’s capital and current funding position.

The Group is fully engaged in the NAMA Programme, with two tranches of AIB NAMA Assets (comprising loans with a nominal value of €6.0 billion) having transferred to NAMA in April 2010 and July 2010.

Over the longer term, the Group is committed to ensuring that its products are priced to commercial levels at a pace consistent with market and economic development. Improvement in overall net interest margins is targeted from 2012.

AIB has initiated the implementation of a much more rigorous credit management framework across the Group which includes amongst other things, new lending disciplines, policies and practices. The Group is also leveraging the strong skills of its existing key relationship and credit personnel in the Capital Markets division, by utilising such expertise for enhanced credit management for the larger cases that have been originated in the Republic of Ireland division (which include corporate banking and all Republic of Ireland exposures greater than €10 million).

Following the integration of all credit functions within the Group, a more coherent strategic approach has been adopted in respect of credit underwriting, risk policies, strategy, best practices and standards which improves the identification and management of credit risk in a timely and effective way. This function reports directly to the Group Managing Director. The Group has targeted an increasingly diversified loan book and progressively reducing loss rate from levels recorded in the first half of 2010.

The cost base will reflect a smaller bank, employing fewer people following the planned disposals and the anticipated business reorganisation. The business reorganisation plan is currently being finalised and will involve the implementation of a cost reduction programme that will progressively target a lower cost/income ratio of around 50 per cent. by 2013. The Group expects to engage with key stakeholders over the coming months in relation to that plan.

AIB as a customer led organisation is committed and positioned to support customers and economic recovery in Ireland. The mortgage market in Ireland remains of strategic importance to AIB. In addition, a number of initiatives have been launched to date to provide support to the small and medium-sized enterprise (“SME”) market. See paragraph 16.3 of Part IX (“*Additional Information*”) for further details of the initiatives taken by AIB in this respect.

AIB’s strategic objectives and priorities are reflected in the restructuring plan, which AIB prepared and the Department of Finance submitted to the European Commission in November 2009 as a result of the state aid provided to AIB in connection with the NPRFC Investment. AIB, through the Department of Finance, is involved in detailed negotiations and discussions with the European Commission in relation to the terms of the restructuring plan, and substantive engagement and progress has been achieved. The European Commission will require AIB to undertake structural measures, including measures relating to the planned disposals announced by AIB on 30 March 2010 and behavioural measures, including measures to support the development of competition in the Irish market and certain restrictions on discretionary dividend and coupon payments. These measures are reflected in the updated restructuring plan that has been submitted to the European Commission on 4 May 2010. AIB expects the

decision regarding approval of the proposed measures, including the terms of the restructuring plan, to be taken by the European Commission in the last quarter of 2010. Therefore, at this stage, while there can be no certainty as to the final outcome of the European Commission's proceedings, AIB expects that the European Commission will not have any major objections to the terms and measures set out in the AIB restructuring plan.

5 The businesses of the AIB Group

The business of the Group is conducted through four major operating divisions — AIB Bank Republic of Ireland (RoI), Capital Markets, AIB Bank UK and Central & Eastern Europe. At 30 June 2010, the AIB Group had consolidated total assets of €169.2 billion (€174.3 billion at 31 December 2009). The AIB Group had 23,855 employees as at 30 June 2010 (24,681 on average for the year ended 31 December 2009). The Group's total criticised loans and receivables to customers, which includes watch loans (credit exhibiting weakness but with the expectation that existing debt can be fully repaid from normal cashflow), vulnerable loans (credit where repayment is in jeopardy from normal cashflow and may be dependent on other sources) and impaired loans, amounted to €42.2 billion at 30 June 2010 (€38.2 billion at 31 December 2009) of which €14.5 billion (€16.4 billion at 31 December 2009) comprise loans and receivables held for sale to NAMA.

AIB plans to dispose of its shareholdings in M&T, BZWBK and BACB as well as AIB Group (UK) p.l.c. Following the completion of these planned disposals, the Group will no longer have operations in Poland or Bulgaria and will have significantly fewer operations in the United States and the United Kingdom. The only remaining business in the Group's Central & Eastern Europe division will be AmCredit, a mortgage lender, which consists of three branches of Allied Irish Banks, p.l.c., operating in Lithuania, Latvia and Estonia. The only remaining operations in the United States will be the New York branch and the Los Angeles representative office, and the only remaining operations in the United Kingdom will be through the Group's Capital Markets division. There will be no remaining operations in the AIB Bank UK division following the planned disposal of AIB Group (UK) p.l.c., which comprises Allied Irish Bank (GB) in Great Britain and First Trust Bank in Northern Ireland. Following the Group's planned disposals, the Group is expected to focus its activities primarily in the Republic of Ireland. See note 1 of the Half-Yearly Financial Report 2010 for further information on the disposals. As set out in the "Basis of presentation" on page 33 of the Half-Yearly Financial Report 2010 (which is incorporated by reference herein), the profit after taxation for the operations which AIB intends to dispose of is presented separately from the operations which will remain a part of the Group following the completion of the planned disposals.

The Group Executive Committee, as AIB's chief operating decision maker, in managing the Group's businesses, relies primarily on the management accounts to assess the performance of the business segments and make decisions about resource allocations. It continues to review the income statement and segmental performance on this same basis, including businesses that are now held for sale, and will continue to do so until such businesses are sold. As a result, AIB believes it is appropriate to provide information on the Group on a total Group basis, including discontinued operations and the remainder of this paragraph 5 is presented accordingly.

5.1 AIB Bank Republic of Ireland (RoI) division

AIB Bank RoI division, with total assets of €72.4 billion at 30 June 2010 (€76.8 billion at 31 December 2009), includes retail and commercial banking operations in the Republic of Ireland, Channel Islands and the Isle of Man, in addition to AIB Finance and Leasing, AIB Card Services, and Wealth Management which includes its share of ALH. The RoI division supports both business and personal customers and commands a strong presence in all key sectors, including SME, mortgages and personal. It provides customers with choice and convenience through:

- a range of delivery channels consisting of approximately 270 branches and outlets, 15 business centres, 780 ATMs and AIB phone and internet banking, as well as an alliance with An Post which gives AIB's customers banking access at over 1,000 post offices nationwide;
- a wide range of banking products and services; and
- a choice of payment methods including cheques, debit and credit cards, self service and automated domestic and international payments.

AIB is the principal banker to many leading public and private companies and government bodies, and plays an important role in Ireland's economic and social development. AIB is a founding member of the Irish Payment Services Organisation and is a member of the Irish clearing systems for paper, electronic and realtime gross settlement. The main distribution channel for the division is an extensive branch network structured around retail banking and business banking. Retail banking concentrates on the personal market and smaller businesses. Business banking, through a network of business centres, focuses on medium to larger SMEs.

Complementing the AIB branch network services is the AIB Direct Channels operation, offering self service capability through online, telephone, ATM, self service kiosks and automated payments.

AIB Finance and Leasing is the asset financing arm in the Republic of Ireland. Its services include leasing, hire purchase and other asset backed finance delivered via the branch network, a direct sales force, broker intermediaries and the internet.

AIB Card Services provides credit and debit card products to the RoI personal and corporate customer base, supporting their payment and consumer credit requirements. The products are delivered across all available channels, such as the branch network and corporate banking. AIB has a joint venture with First Data International, trading as AIB Merchant Services, which provides access to leading edge technology, enhanced risk management, operational capability and best in class functionality for merchants and partners in the merchant acquiring business.

The AIB Wealth Management unit delivers wealth propositions to AIB customers, which are tailored to the needs of specific customer segments and also encompasses AIB's share of ALH, AIB's venture with Aviva Group Ireland plc.

AIB Bank (CI) Limited, AIB's Jersey (Channel Islands) based subsidiary, with a branch in the Isle of Man, provides a full range of offshore banking services, including lending and internet banking facilities and also offers offshore trust and corporate services through a subsidiary company.

The AIB Mortgage Bank, issues mortgage covered securities for the purpose of financing loans secured on residential property or commercial property, in accordance with the Asset Covered Securities Act, 2001.

As at 30 June 2010, the criticised loans held for sale to NAMA in the AIB Bank RoI division represented 98.2 per cent. (88.8 per cent. at 31 December 2009) of AIB's total criticised loans held for sale to NAMA.

5.2 Capital Markets division

The activities of AIB Capital Markets, with total assets of €56.2 billion at 30 June 2010 (€58.0 billion at 31 December 2009), comprise corporate banking, treasury and investment banking operations, which includes asset management and stockbroking activities. These activities are delivered through the following business units: AIB Corporate Banking; Global Treasury; Investment Banking; and Allied Irish America. BZWBK wholesale treasury and an element of BZWBK investment banking subsidiaries' results are also reported in the Capital Markets division.

As discussed at the beginning of this paragraph 5, AIB intends to dispose of its shareholding in BZWBK to raise part of the additional capital required to meet the PCAR requirement. Following the disposal, the results of BZWBK wholesale treasury and an element of BZWBK investment banking subsidiaries, which amounted to €32 million in the six months ended 30 June 2010 (Source: management accounts (unaudited)) and are currently reported in this division, will no longer be included.

AIB Corporate Banking provides a fully integrated, relationship-based banking service to top-tier companies, both domestic and international, including financial institutions and Irish commercial state companies. AIB Corporate Banking's activities are carried out mainly through Allied Irish Banks, p.l.c. although certain activities are carried out through subsidiary companies, including AIB Capital Markets plc and AIB Debt Management Limited. AIB Corporate Banking's activities also include participating in, developing and arranging acquisition, project, property and structured finance in Ireland, the United Kingdom, North America, Continental Europe, Australia and the Asia Pacific region. Corporate Banking has also originated and manages four collateralised debt obligation funds. The cumulative size of these funds at 30 June 2010 was €1.6 billion (€1.6 billion as at 31 December 2009).

Global Treasury, through its treasury operations, manages on a global basis the liquidity and funding requirements and the interest and exchange rate exposure of the AIB Group. In addition, it undertakes proprietary trading activities, and provides a wide range of treasury and risk management services to corporate, commercial and retail customers of the AIB Group. It also provides import and export related financial services through its international activities.

Investment Banking provides a comprehensive range of services including corporate finance through AIB Corporate Finance Limited; corporate finance and stockbroking through Goodbody Stockbrokers; outsourced financial services through AIB International Financial Services Limited; and asset management through AIB Investment Managers Limited. AIB Investment Managers Limited manages assets principally for institutional and retail clients in the Republic of Ireland. Investment Banking also includes the management of property fund activities (principally in Polish properties).

Allied Irish America's core business activities are aimed at the not-for-profit sector, operating principally from New York and Los Angeles.

AIB Capital Markets is headquartered at Dublin's International Financial Services Centre and has operations in a number of principal UK, US and Polish cities and in Frankfurt, Paris, Luxembourg, Budapest, Zurich and Toronto.

5.3 AIB Bank UK division

The AIB Bank UK division, with total assets of €23.4 billion at 30 June 2010 (€23.5 billion at 31 December 2009), comprises retail and commercial banking in two distinct markets, Great Britain and Northern Ireland, with different economies and operating environments. The division's activities are carried out primarily through AIB Group (UK) p.l.c., a bank registered in the United Kingdom and regulated by the FSA. Banking activities are conducted in Great Britain under the trading name "Allied Irish Bank (GB)" and in Northern Ireland under the trading name "First Trust Bank".

As discussed at the beginning of this paragraph 5, AIB intends to dispose of AIB Group (UK) p.l.c., which includes "Allied Irish Bank (GB)" in Great Britain and "First Trust Bank" in Northern Ireland, to raise part of the additional capital required to meet the PCAR requirement. Following this planned disposal, there will be no remaining operations in the Group's AIB Bank UK division.

Great Britain: In this market, the division operates under the trading name "Allied Irish Bank (GB)" and as at 30 June 2010, the division operated from 31 full service branches and one business development office. The divisional head office is located in Mayfair, London with a significant back office operation in Uxbridge, West London and a divisional processing centre in Belfast.

A full service is offered to business customers, professionals, and high net worth individuals.

Corporate Banking services operate from London, Birmingham and Manchester, with particular emphasis on the commercial property, education, health, horse racing and charity sectors.

Northern Ireland: In this market, the division operates under the trading name "First Trust Bank" and as at 30 June 2010, the division operated from 48 branches and outlets throughout Northern Ireland. The First Trust Bank head office is located in Belfast, together with the divisional processing centre.

A full service is offered to business and personal customers across the range of customer segments, including professionals and high net worth individuals, small and medium sized enterprises, and the corporate sector.

Specialist services, including mortgages, credit cards, invoice discounting and asset finance are based in Belfast and delivered throughout the division.

First Trust Independent Financial Services provides sales and advice on regulated products and services, including protection, investment and pension requirements to the whole of the division.

5.4 Central & Eastern Europe division

The Central & Eastern Europe division was formed in the second half of 2008 and had total assets of €12.4 billion at 30 June 2010 (€12.3 billion at 31 December 2009). This division comprises: (i) BZWBK, in which AIB has a 70.4 per cent. shareholding, together with its subsidiaries and associates which operate in Poland; (ii) BACB, a commercial bank operating as a specialist provider of secured finance to small and medium sized companies through five branches in Bulgaria, in which AIB has a 49.99 per cent. shareholding; and (iii) AmCredit, a mortgage lender acquired in February 2008 with a loan portfolio of €0.1 billion, which consists of three branches of Allied Irish Banks, p.l.c., operating in Lithuania, Latvia and Estonia.

As discussed at the beginning of this paragraph 5, AIB intends to dispose of its shareholding in BZWBK to raise part of the additional capital required to meet the PCAR requirement. In addition, AIB now intends to dispose of its shareholding in BACB, which had been acquired in August 2008. Following the planned disposals, this division will only consist of the Group's investment in AmCredit.

BZWBK is Poland's fifth largest bank by loans, fourth largest bank by total equity and has the third largest branch network in Poland. As at 30 June 2010, BZWBK had total assets of PLN 53.6 billion (€12.9 billion) (PLN 54.1 billion (€13.2 billion) at 31 December 2009), operated through 518 branches, 91 outlets and 1,048 ATMs in Poland. BZWBK's registered office is located in Wroclaw in south-western Poland. Support functions are also located in offices based in Poznan and Warsaw. BZWBK is a universal bank providing a full range of financial services for retail customers, small and medium-sized enterprises and corporate customers. Apart from core banking facilities, the bank provides insurance services, trade finance, transactions in the capital, foreign exchange,

derivatives and money markets. Brokerage services, mutual funds, asset management, leasing and factoring products are delivered to customers through subsidiaries. A wide variety of bank assurance products are offered to customers in co-operation with two joint ventures (general insurance and life insurance ventures) established in 2008 with Aviva plc.

The BZWBK branch network was originally concentrated in the western part of the country while elsewhere in Poland the bank operated primarily in major urban areas. Since 2007, BZWBK has grown its presence in central, northern and southern Poland, thus spanning most of the country. Basic retail products including credit cards, savings accounts, mortgages and leases are also available through a franchise network mainly situated in small towns and residential areas. In 2009, BZWBK's business and corporate service models were revised to ensure better quality of customer relationship management. Three corporate business centres were dedicated to the comprehensive service of large corporate customers and a business banking channel of 15 locations was established across all key markets in Poland to manage the relationships with large SME and mid corporate customers. The BZWBK physical distribution network is complemented by BZWBK24, the electronic banking service, which gives retail and business customers convenient and safe access to their accounts via telephone, mobile phone and the internet. This also facilitates operations such as fund management and purchase of standard products (cash loans, credit cards, savings accounts and insurance).

5.5 Group division

The Group division includes interest income earned on capital not allocated to the other divisions, the impact of interest rate hedge volatility (hedge ineffectiveness and derivative volatility), hedging in relation to the translation of non-Irish locations' profit, unallocated costs of central services and profit on the disposal of property. This division also includes AIB's share of 22.4 per cent. in M&T, a retail and commercial bank, which operates through more than 800 branches along the East coast of the United States.

As discussed at the beginning of this paragraph 5, AIB also intends to dispose its shareholding in M&T in order to raise part of the additional capital required to meet the PCAR requirement.

AIB owns 26,700,000 shares of common stock of M&T, which as at 7 September 2010 (being the latest practicable date prior to publication of this Prospectus) represented approximately 22.4 per cent. of the issued common stock of M&T.

For a description of the principal markets in which AIB competes, including historical financial information for each operational division and geographic market, please see paragraph 6 of this Part II ("*Information on the Group*") and note 1 (segmental information) of notes to the accounts for the year ended 31 December 2009 in the Annual Report 2009 and note 1 (segmental information) of notes to the accounts for the six months ended 30 June 2010 in the Half-Yearly Financial Report 2010, which is incorporated by reference into this Prospectus.

6 Competition

The competition among providers of banking services in the areas in which the Group operates has been significantly affected by the challenging economic environment as well as the crisis in the banking sector. The global banking crisis has reduced the capacity of many institutions to lend and has resulted in the withdrawal of a number of market participants and the consolidation of a significant number of competitors. There has also been substantial government intervention in the banking sector in the form of guarantees, recapitalisation and full nationalisation, particularly in Ireland and the United Kingdom.

6.1 Ireland

Competition in retail banking in Ireland has undergone a significant transformation in light of the recent economic crisis. Government sponsored bank guarantee schemes, the passing of legislation to establish NAMA and the recapitalisation of certain banks operating in Ireland (by both the Government and foreign governments) have contributed to a change in operating models and behaviours.

The focus of competitive activity in retail banking has been in providing enhanced credit support to existing customers as well as in the retention and gathering of deposits. Deposit pricing has been highly competitive between institutions and is currently at an unsustainable loss making level.

The economic downturn has resulted in a fall off in demand for banking products and services in both the personal and business markets. In the personal banking market consumers are repaying debt and saving more, reflected in a reduction in national personal credit levels and an increasing national personal savings ratio. In the mortgage market

there are a limited number of financial institutions actively engaged in supplying credit to first time buyers, while some institutions offer mortgages priced at uncompetitive levels.

During 2009 and 2010, a number of institutions, both domestic and foreign, announced branch closures, head office rationalisations, voluntary redundancy schemes and market withdrawal as business models were realigned to respond to the reduced demand for banking services.

6.2 UK

There has been significant change in the banking industry in the UK as a result of the ongoing financial crisis. The UK government, in common with many governments around the world, has taken steps to stabilise the industry. This has included, *inter alia*, the establishment of the APS which is designed to provide protection to some of the UK's largest banks against future losses on their riskiest assets. The aim of the APS is to enable banks to continue to lend to creditworthy businesses and households. The European Commission has reviewed the restructuring plans of UK banks in receipt of state aid and in some cases has required those banks to dispose of certain assets or businesses in order to preserve competition in the sector.

A large number of independent reviews and enquiries into the banking crisis took place during 2009 with the aim of strengthening the financial system. Recommendations and changes included greater capital and liquidity requirements for banks, reward and remuneration adjustments to avoid excessive risk taking and greater transparency of pricing, terms and products for customers.

The FSA took over the Banking Code and Lending Code at the end of 2009 and introduced new regulations and customer standards including standards to speed up payments between accounts, notice of changes in terms and conditions, and improving procedures for querying unexpected transactions.

The UK Treasury and Bank of England implemented a number of measures to boost the UK economy, with the most significant being the quantitative easing programme which resulted in an additional £200 billion being injected into the financial system in an attempt to boost bank lending. The Bank of England has also maintained interest rates at 0.5 per cent. in the first half of 2010.

Competition for deposits intensified during 2009 and remained very strong during the first half of 2010.

In November 2009, The Supreme Court of the United Kingdom made a ruling in favour of the banks in the test case taken by the OFT on the fairness of unauthorised overdraft charges. The OFT continues to campaign for greater transparency in the operation and charging of bank accounts.

The EU Payment Services Directive came into force in the UK in November 2009 through the PSR, with the FSA implementing wide changes to the transmission of payments and the requirements of payments service providers.

6.3 Poland

Poland's banking sector is the biggest in Central and Eastern Europe and at 31 December 2009 comprised 51 commercial banks and 578 cooperative banks, together with branches of 18 foreign credit institutions operating under the EU "single market" principle. The key market participants include PKO BP, Pekao, BRE Bank, ING Bank Slaski, BZWBK, Citi Handlowy and Millennium Bank.

AIB Group, through its investment in BZWBK, had an approximate 5 per cent. share of the Polish financial services market during 2010. The competitive landscape in Poland is changing as a result of consolidation in the market place. The merger of Fortis bank and Dominet bank has resulted in BNP Paribas Fortis which has been fully operational since August 2009. Three other mergers, namely BPH with GE Money Bank, AIG Bank with Santander Consumer Bank and Noble Bank with Getin Bank were announced in 2009 and 2010.

Competition is intensifying as similar strategies are being pursued by both the large and a number of the medium-sized domestic banks. However, the rapid expansion of new branches, ATM networks and franchising outlets that took place prior to 2009, has now eased.

In 2009, Polish banks focused primarily on adjusting their business models to difficult external conditions. This was reflected in more rigid cost control, tightening lending policies and strong focus on deposit acquisition and retention. Banks with high loan to deposit ratios continued to aggressively price deposits. This price competition for deposits was most intense in late 2008 and early 2009, eroding net interest margins market-wide. However, as the National Bank of Poland reduced interest rates to historical low levels in mid 2009 and banks' access to liquidity and funding improved, the intensity of competition in the deposit market reduced and interest rates for deposits stabilised. However, pricing above inter-bank rates is still a feature of the Polish deposit market.

6.4 United States

AIB Corporate Banking through CBNA competes with foreign and domestic banks focusing on participation in syndicated loans and subordinated debt transactions, primarily within the leverage, real estate and structured finance and energy arenas. A widespread lack of liquidity resulting from the credit crunch and market dislocation caused significant changes to market expectations resulting in improved loan margins and structures. CBNA continues to focus on portfolio quality. In addition, CBNA has been marketing treasury and deposit products to its credit customers.

Allied Irish America offers credit and treasury products, including deposits, to the US not-for-profit and municipal sectors competing with international and domestic banks and credit insurers.

M&T provides commercial and personal financial services, competing with firms in a number of industries, including banking institutions, thrift institutions, credit unions, personal loan companies, sales finance companies, leasing companies, securities firms and insurance companies. Furthermore, diversified financial services companies with financial holding company status, are able to offer a combination of these services to their customers on a nationwide basis.

7 Economic conditions affecting the Group

AIB Group activities in Ireland account for approximately 68.1 per cent. of total Group assets as at 30 June 2010. As a result, the performance of the Irish economy is extremely important to the Group. However, the Group's business operations in the United Kingdom, the Eurozone, Poland and the United States, mean that it is also influenced directly by political, economic and financial developments in those economies.

Since August 2007, global financial markets have experienced significant volatility and turmoil which have caused a breakdown of wholesale banking markets, large write-downs among financial institutions, a major change in the banking landscape and a credit crisis with serious problems for the non-financial sectors. The impact of this crisis has been very damaging. According to the International Monetary Fund, world GDP fell by 0.6 per cent. in 2009 with the advanced economies suffering a decline in real GDP of 3.2 per cent.

The world economy has been recovering since around the middle of last year and world GDP is forecast by the International Monetary Fund in their World Economic Outlook (Update July 2010) to expand by around 4.6 per cent. in 2010 and 4.3 per cent. in 2011. The recovery, though, has been sluggish and uneven in developed economies, where GDP growth is expected to amount to 2.6 per cent. in 2010 and 2.4 per cent. in 2011.

According to the CSO's National Income and Expenditure ("NIE") 2009 publication, real GDP in Ireland fell by 3.5 per cent. in 2008 indicating that the economy had entered recession for the first time since the early 1980s. Real GDP declined by a further 7.6 per cent. in 2009.

The severity of the Irish recession is primarily due to the particularly sharp decline in residential property investment. Based on CSO NIE estimates, new housing output fell by almost 30 per cent. in 2008, resulting in an approximately 3.5 per cent. decline in real GDP. A further fall in residential investment of close to 50 per cent. in 2009 accounted for another 3.5 percentage points off real GDP last year.

While the decrease in residential property investment was the primary cause of the severity of the recession, the recession has been broad-based and other factors have contributed to the declines in real GDP, as shown in the CSO's NIE 2009 publication. There was a large decrease in fixed investment as a result of the sharp contraction in construction activity, with a decline of 14.3 per cent. in 2008 and 31 per cent. in 2009. Consumer spending fell by 1.5 per cent. in 2008 and 7 per cent. in 2009, while Government spending fell by 4.4 per cent. in 2009. Exports declined by 0.8 per cent. in 2008 and 4.1 per cent. in 2009 reflecting the recessionary conditions in Ireland's main trading partners. Imports fell by 2.9 per cent. in 2008 and 9.7 per cent. in 2009.

Due to the very large role played by exports by foreign-owned multinationals in the Irish economy, there is a significant amount of annual profit repatriations which often results in differences in the annual growth in GDP and GNP, since the profits of multinationals are not included in GNP. The latter was smaller in absolute terms in 2009, by the equivalent of 17.7 per cent. of nominal GDP. According to the CSO NIE, real GNP fell by 10.7 per cent. in 2009 compared to the 7.6 per cent. decline in GDP — both declined by 3.5 per cent. in 2008.

Economic conditions in the United States, the United Kingdom and the Eurozone, Ireland's three most important trading partners, deteriorated sharply in 2008 and 2009. Following zero growth in GDP in the United States in 2008, GDP fell by approximately 2.5 per cent. in 2009; GDP growth in the United Kingdom was also close to zero in 2008 and fell by almost 5 per cent. in 2009, while in the Eurozone GDP fell by 4 per cent. in 2009 after a rise of just 0.4 per cent. in 2008. The Polish economy avoided recession but GDP growth did slow to 1.7 per cent. in 2009 from 5 per

cent. in 2008 (Source: European Economic Forecast — Spring 2010, European Economy 2|2010, Directorate-General for Economic and Financial Affairs of the European Commission (“**European Economic Forecast**”)).

As discussed above in this paragraph 7, global real GDP growth has picked up over the past year although the recovery in western economies has been slow and uneven. GDP growth is expected to average close to 3 per cent. in the US in 2010 but in the Eurozone and UK, growth is expected to be well below trend at around 1 per cent. this year according to the European Economic Forecast, although recent strong GDP figures for the second quarter of 2010 would point to a growth figure of around 1.5 per cent. in 2010 in both cases. Growth in Poland is expected to pick up to 2.7 per cent. this year.

In terms of the UK economy, there are many headwinds holding back the recovery after the economy suffered its deepest post war recession in 2008-2009, with a peak to trough decline of 6.3 per cent. in GDP. Household spending is being held back by sluggish wage growth, rising savings, high inflation and unemployment, as well as high debt levels. Credit conditions remain tight, which is also curtailing spending as well as fixed investment and activity levels in the housing market, which remain subdued. Fiscal tightening is an additional factor that will weigh on the pace of recovery. Exports, meanwhile, do not seem to have benefited much from the sharp fall of sterling with expected growth of only 5 per cent. in 2010 after a decrease of approximately 10 per cent. in 2009. Overall, then, economic conditions remain challenging in the United Kingdom, even after the improved GDP data for the second quarter of 2010.

By contrast, the economic performance of Poland has been very impressive. It recorded the only positive growth rate in the EU in 2009 (+1.7 per cent.) and is expected to be the strongest growing EU economy in 2010 (+2.7 per cent.) according to the European Commission. The economy has been helped by its sound financial system, a sharp weakening on the zloty in the second half of 2008, strong FDI flows and the supportive stance of fiscal and monetary policy.

Real GDP growth in Ireland is now forecast by AIB to be broadly flat in 2010. A marked rise of 6.9 per cent. in exports saw GDP rise by a strong 2.7 per cent. in the first quarter of 2010, marking the end of the recession (Source: CSO, Quarterly National Accounts, Q1 2010). However, largely as a result of carryover effects from 2009 and the continuing contraction in Government spending and fixed investment, the economy is unlikely to return to a solid growth path until 2011, since these negative factors are expected to abate considerably over the course of next year.

Not surprisingly, given the deep recession, labour market conditions have weakened significantly in Ireland since 2007. Employment fell by 1.1 per cent. in 2008 and 8.2 per cent. last year according to CSO data and is expected by AIB to decline by a further 3.5 per cent. in 2010. About half the job losses are in construction. While the labour force also contracted, the unemployment rate had risen to 13.8 per cent. by August 2010 (Source: CSO Live Register Report, 1 September 2010) from below 5 per cent. in 2007. A resumption of net outward migration, especially among non-Irish nationals, has curtailed the rise in unemployment to some extent.

Ireland retains many of the fundamental factors that supported strong rates of economic growth in the past two decades (such as a young, highly educated labour force, a relatively competitive personal and corporate tax regime, labour market flexibility, access to European and global markets and continued inward FDI). These factors, as well as gains in competitiveness, will be crucial in restoring the economy to a strong growth path over the next number of years.

Much progress is being made in terms of improving competitiveness. According to the CSO data, the average rate of inflation in 2009, as measured by the CPI, was -4.5 per cent., driven lower in part by a marked decline in mortgage interest costs. The annual rate of inflation in 2009 as measured by the HICP, which excludes mortgages, was -1.7 per cent. CPI is expected to fall by around 1 per cent. in 2010, with the HICP declining by some 1.5 per cent. Weak economic activity, a strengthening of the Euro exchange rate against the pound sterling and the US dollar, increased competitive pressures, declining wages and lower energy and food prices have all contributed to the decline in prices. The fall in Irish prices has been much more pronounced than in other countries, most notably the UK.

Meanwhile, the European Commission has estimated that unit wage costs will decline by close to 10 per cent. in Ireland in the period 2009-2011, while it forecasts that they will rise by 3.5 per cent. and 5 per cent. over the same timeframe in the Eurozone and UK, respectively. The gains in Irish competitiveness as a result of the declining wages and prices have been augmented by a marked depreciation of the Euro against the US dollar and sterling since last autumn, albeit from very elevated levels. Trade with non-Eurozone countries remains important to Ireland, with approximately 55 per cent. of exports going to these countries.

The European Central Bank, which regulates monetary policy for the Euro area as a whole, cut the official refinancing rate to 1 per cent. in May 2009 from a peak of 4.25 per cent. in July 2008. Rates have been kept on hold at this historically low level since then. Given the weak outlook for the Eurozone economy and subdued inflationary pressures, the European Central Bank is expected to keep rates at 1 per cent. until 2011.

The Irish public finances have deteriorated sharply since 2007, moving from an estimated surplus of 0.3 per cent. of GDP in terms of the general Government balance to an underlying deficit of 7.3 per cent. in 2008 and 11.7 per cent. in 2009. The rise in the deficit is due to the sharp fall in tax revenues largely associated with the downturn in the Irish housing market. The Irish budget for 2010 aimed to stabilise the underlying deficit at 11.6 per cent. of GDP before further corrective action is taken in later years to reduce it to more sustainable levels, assisted by a return to economic growth. The Irish exchequer returns for the eight months of 2010 show the public finances are on course to meet the 2010 deficit target. The Government plans to reduce the deficit to below 3 per cent. of GDP by 2014.

As a result of higher budget deficits and falling levels of GDP, Ireland's general Government debt/GDP ratio is estimated by the European Commission to be 64 per cent. in 2009, up from 44 per cent. in 2008. This debt ratio is forecast to rise to over 77 per cent. in 2010 (Source: European Economic Forecast). The debt ratio had fallen steadily from over 95 per cent. in 1991 to 25 per cent. in 2007 (Source: Ireland Information Memorandum published by the NTMA in March 2008). It should be noted that the general Government debt is defined on a gross basis. The 2009 figure does not allow for the equivalent of over 25 per cent. of GDP, in Irish exchequer cash balances (€21.4 billion) and in the value of the NPRF (€22.3 billion), to be offset against the gross position (Source: Ireland Information Memorandum published by the NTMA 2010 page 30, para 2).

The long-term sovereign credit rating for Ireland has recently been downgraded one notch to AA- by Standard & Poor's, who maintain a negative credit watch on the sovereign. According to Standard & Poor's, the downgrade was primarily a result of increased estimates for the cost of the Government's support of the Irish banking sector. The various downgrades in recent times of Ireland's credit rating will continue to have an impact on the availability and cost of funding for borrowers in Ireland going forward.

PART III

SUPERVISION AND REGULATION

1 Current climate of regulatory change

Global financial markets have experienced significant dislocations since August 2007 and have deteriorated significantly since market highs in 2008. The severe volatility in global financial markets, combined with numerous bank failures and widespread regulatory lapses, has fostered an environment that is ripe for regulatory change. In light of this environment, regulators and governments around the world are reassessing their respective country's regulatory regimes and are reacting to an appetite and demand on the part of their various constituencies for significant change in regulatory practice. The changes currently under debate are of a sweeping and far-reaching nature and may substantially affect the regulatory landscape for both national, as well as international banking in ways that AIB is not able to predict.

2 Ireland

2.1 Overview of financial services legislation

There is currently a single regulatory authority for the financial services sector in Ireland, the Central Bank and Financial Services Authority of Ireland. The Financial Regulator is a constituent part of the Central Bank and Financial Services Authority of Ireland with a separate board and is responsible for regulating and supervising a range of banking and financial services entities in Ireland including credit institutions, investment firms, stockbroking firms, payment institutions, insurance companies and credit unions. The Central Bank Reform Act 2010 amends this structure to establish the Central Bank of Ireland as a single fully-integrated structure with a unitary board, the Central Bank Commission, which will replace the boards of the Central Bank and Financial Regulator once the legislation comes into operation. It is likely that the legislation will be brought into operation by the Minister for Finance during the autumn of 2010. Once the legislation comes into operation, the Financial Regulator will cease to exist and its functions will be transferred to the new Central Bank of Ireland which will be responsible and accountable for the prudential supervision and conduct of business of individual financial firms and the stability of the financial system overall. The Central Bank Reform Act 2010 contains a number of provisions which will impact the regulation of credit institutions, including powers for the Central Bank of Ireland to regulate sensitive or influential appointments in financial institutions. This includes the power to prevent the appointment of a person from performing a "controlled function" (to be defined in secondary legislation that the Central Bank of Ireland may make) or to remove or suspend a person from the performance of a controlled function, where the Central Bank of Ireland is satisfied that the person is not a fit and proper person to perform such a function. The 2004 Act established the Financial Services Ombudsman's Bureau to deal with certain complaints about financial institutions.

2.2 The Financial Regulator

The Financial Regulator has a wide range of statutory powers to enable it to effectively regulate and supervise the activities of financial institutions in Ireland including the power to carry out inspections. Features of the regulatory regime include prudential regulation, codes of conduct and restrictions on acquiring transactions, each of which is addressed in more detail below. The Financial Regulator also has wide-ranging powers of inspection: inspectors appointed by the Financial Regulator may enter the relevant premises, take documents or copies, require persons employed in the business to provide information, and order the production of documents. In cases of extreme concern, the Financial Regulator may direct a licence-holder to suspend its business activity for a specified period and may also intervene in the management or operation of an entity. The Government has indicated that it proposes, as part of a series of legislative amendments following the establishment of the Central Bank of Ireland, to provide broader regulatory powers in addition to the wide range of powers that already exist. The Financial Regulator must approve the appointment of all directors and senior management reporting to the board of licensed entities, and it applies a fitness and probity test for such appointments. The Central Bank has indicated that it proposes to issue new corporate governance requirements for credit institutions in October 2010. A consultation paper on this issue was published in April 2010.

In addition, the Financial Regulator has announced a "new approach" to regulating Irish banks which includes: (i) in-depth reviews of governance and risk management arrangements at banks; (ii) development of a new risk framework for regulating entities on the basis of impact and risk; (iii) review of mortgage credit standards and funding risks; (iv) review of bank strategies, with emphasis on broadening lending capabilities; (v) review of remuneration practices; and (vi) review of liquidity standards.

The Financial Regulator has extensive enforcement powers including the ability to impose administrative sanctions directly on financial institutions for failure to comply with regulatory requirements (including codes of conduct and practice), subject to a right of appeal by the affected institution to the Irish Financial Services Appeals Tribunal and a further appeal to the High Court. Such administrative sanctions may include a caution or reprimand, financial penalties (not exceeding €5 million in the case of a firm or €0.5 million in the case of an individual), and a direction disqualifying a person from being concerned in the management of a regulated financial service provider.

2.3 Acquiring Transactions

For prudential reasons, restrictions are imposed generally on “acquiring” transactions involving certain investments over a specified threshold in a credit institution, investment firm or life assurance company. The approval of the Financial Regulator is required for a substantial acquisition in a credit institution. First, the 1992 Regulations provide for restrictions on acquiring and disposing of “qualifying holdings” in credit institutions. A “qualifying holding” for the purposes of the 1992 Regulations means a direct or indirect holding (a) that represents 10 per cent. or more of the capital of, or the voting rights in, the credit institution, or (b) that makes it possible to exercise a significant influence over the management of the credit institution. Under the 1992 Regulations, a proposed acquirer may not, directly or indirectly, acquire (or in certain circumstances, increase the size of) a qualifying holding in a credit institution without previously having notified the Financial Regulator in writing of the intended size of the holding. Similarly, a person may not dispose of a qualifying holding (or in certain circumstances, part of such a holding) without having previously notified the Financial Regulator in writing of the intended size of the holding. The 1992 Regulations provide that where a credit institution becomes aware of such an acquisition or disposal, the credit institution must inform the Financial Regulator in writing without delay. The 1992 Regulations have been amended by the European Communities (Assessment of Acquisitions in the Financial Sector) Regulations 2009 to implement, with respect to credit institutions, Directive 2007/44/EC as regards procedural rules and evaluation criteria for the prudential assessment of acquisitions and increase of holdings in the financial sector. The 1992 Regulations provide that the Financial Regulator’s objective in assessing a proposed acquisition is to ensure the sound and prudent management of the credit institution concerned.

Where the proposed acquirer is an insurance or reinsurance undertaking, credit institution, investment firm, market operator of a regulated market or UCITS management company authorised by the competent authority of an EU member state or where the proposed acquirer is the parent undertaking or a person that controls such an authorised entity, the Financial Regulator must work in full consultation with the competent authority of the relevant EU member state when carrying out its assessment of the proposed acquisition. The Financial Regulator may prohibit acquisitions of credit institutions where there are reasonable grounds for doing so, having regard to the evaluation criteria set out in the 1992 Regulations. Any such decision by the Financial Regulator is subject to appeal to the Irish Financial Services Appeals Tribunal.

Second, the CBA 1989 applies to the acquisition by a person or more than one person acting in concert, of shares or other interests in a credit institution. The CBA 1989 does not apply to acquiring transactions (i) that are subject to notification and prudential assessment under the 1992 Regulations; or (ii) where the acquirer would hold 10 per cent. or less of the total shares or voting rights attaching to shares in the credit institution; or (iii) where the credit institution is incorporated in Ireland, the acquirer would not have a right to appoint or remove some or all of the board of directors or committee of management of the credit institution. The CBA 1989 provides that, where an acquiring transaction is proposed, each of the undertakings involved and having knowledge of the existence of the proposal must notify the Financial Regulator of the proposal. The acquiring transaction shall only be valid once the consent of the Financial Regulator or, where the acquiring transaction involves a credit institution holding 20 per cent. or more of the total assets in Ireland of all credit institutions, the consent of the Minister for Finance, has been obtained.

A credit institution is also restricted in terms of the investments which it may make in third parties. First, the Licensing and Supervision Requirements and Standards for Credit Institutions prohibit a credit institution from acquiring, directly or indirectly, more than 10 per cent. of the shares or other interests in another company without the prior written approval of the Financial Regulator. However, only notification to the Financial Regulator, rather than prior written approval, is required where the acquisition is the result of (i) debt restructuring and the overriding purpose is to maximise the amount of credit that can be recovered and the equity investment is not a significant material investment for the credit institution; or (ii) short-term acquisitions that are held for sale investments; or (iii) indirect acquisitions by independently managed funds where the transaction is in line with the funds objectives; or (iv) activities of nominee companies established by the credit institution that are acting on behalf of the nominees. The credit institution must also notify the Financial Regulator of any disposal of the whole or part of such a holding. Second, the CRD Regulations and the 1992 Regulations prohibit a credit institution from investing an amount of more than 15 per cent. of its own funds in the acquisition of a qualifying holding of any company, other

than another credit institution or financial institution or, in certain circumstances, an EU-authorized insurance company. The total amount of such qualifying holdings should not exceed 60 per cent. of the credit institution's own funds.

2.4 Banking Legislation

The banking regulatory code in Ireland is comprised principally of the Central Bank Acts; regulations made under the European Communities Act 1972; and regulatory notices and codes of conduct issued by the Financial Regulator. Various S.I.s and regulations made by the relevant Government minister and regulatory notices made by the Financial Regulator implement in Ireland the substantial range of European Union directives relating to banking supervision and regulation, including the CRD. To the extent that areas of banking activity in Ireland are the subject of EU regulations or directives, the provisions of Irish banking law reflect the requirements of those EU instruments.

The Central Bank Acts regulate the conduct of banking business in Ireland and provide that banking business may only be carried on by the holder of a banking licence or an EU/European Economic Area entity which exercises "passport rights" to carry on business in Ireland. Every Irish licensed bank is obliged to draw up and publish their annual accounts in accordance with the European Communities (Credit Institutions: Accounts) Regulations, 1992 (as amended by the European Community (Credit Institutions) (Fair Value Accounting) Regulations 2004). As a listed entity AIB is required to prepare its financial statements in accordance with IFRS endorsed by the European Union (as applied by the European Communities (International Financial Reporting Standards and Miscellaneous Amendments) Regulations 2005) and with those parts of the Companies Act 1963 to 2009 that are applicable to companies reporting under IFRS; and with article 4 of the EU Council Regulation 1606/2002 of 19 July 2002.

Allied Irish Banks, p.l.c. holds a banking licence and is authorised as a credit institution. AIB Mortgage Bank holds a banking licence and is registered as a designated mortgage credit institution. There are no conditions attached to AIB's licences or authorisations that are not market standard conditions.

2.5 Capital Requirements

2.5.1 CRD

The Group is subject to applicable EU Directives, including those that relate to capital adequacy. The CRD reflects the Basel II rules on capital measurement and capital standards. It came into force on 1 January 2007 and introduced a revised supervisory framework in the EU designed to promote the financial soundness of credit institutions (banks, building societies, etc.) and investment firms. The CRD governs, among other topics, the amount and quality of capital that credit institutions and investment firms hold against the risks that they take. The CRD has been transposed into Irish law by the CRD Regulations. The Financial Regulator has powers to enforce the CRD Regulations in the context of its prudential supervision of credit institutions and investment firms. The CRD Regulations set the minimum capital requirements for all entities licensed by the Financial Regulator; consequently the Group works with the Financial Regulator on an ongoing basis to ensure that it meets the capital adequacy requirements to which it is subject. The Financial Regulator may, from time to time, require a credit institution or investment firm to maintain a specified ratio, or a certain minimum capital ratio, based on its assets and its liabilities, which may be expressed to apply to all licence-holders of a specified category or categories, to the total assets or total liabilities of the licence-holders concerned, or to specified assets or to assets of a specified kind.

As a result of the current environment and market events, the minimum regulatory requirements imposed on the Group, as well as the manner in which the existing regulatory capital is calculated could change in the future.

CRD II contains preliminary measures which amend the CRD in response to shortcomings revealed by the market crisis. The effective date of changes to be implemented under CRD II is 31 December 2010, the most important of which are as follows:

- rules and regulations to strengthen the co-operation between supervisors in a crisis situation and to strengthen the powers of (host) supervisors to collect information about systemically relevant branches of supervised financial institutions;
- improving the quality of firms' capital by establishing clear EU-wide criteria for assessing the eligibility of hybrid capital to be counted as part of a firm's overall capital;
- restricting the large exposures regime (which prescribes the basis on which a firm can lend to particular parties) by restricting a firm's lending beyond a certain limit to any one party;
- further elaboration of the rules on liquidity risk management; and

- improving the risk management of securitisation, including a requirement to ensure that a firm does not invest in a securitisation unless the originator retains an economic interest.

Proposals to further amend the CRD (CRD III) have been announced by the European Commission. CRD III proposes further changes including:

- strengthening the capital requirements for the trading book to ensure that a firm's assessment of the risks connected with its trading book better reflects the potential losses from adverse market movements in stressed conditions;
- imposing higher capital requirements for re-securitisations to make sure that firms take proper account of the risks of investing in such complex financial products;
- upgrading disclosure standards to increase market confidence; and
- obliging banks and investment firms to have remuneration policies that do not encourage or reward excessive risk-taking.

The current text of CRD III states that the provisions relating to remuneration will take effect in January 2011, but the provisions relating to capital requirements will take effect no later than 31 December 2011. However, these dates may be subject to change.

As discussed in the risk factor "*The AIB Group's businesses and financial condition could be affected by the fiscal, taxation, regulatory or other policies, laws and regulations and other actions of various governmental and regulatory authorities in Ireland, the United Kingdom, the European Union and elsewhere*", there is still uncertainty around the final requirements and the implementation in Ireland of CRD III as it relates to the Group. If implemented as currently proposed both CRD II and CRD III may have a significant impact on the capital and asset and liability management of the Group, which in turn could have a material effect on the Group results, financial condition and prospects.

On 17 December 2009, the Basel Committee published two consultation papers: (i) "Strengthening the resilience of the banking sector" (often referred to as the "Capital Paper") and (ii) "International Framework for liquidity risk measurement, standards and monitoring" (often referred to as the "Liquidity Paper"). These papers contained proposals to strengthen the global capital framework by, among other things, raising the quality of the capital base of credit institutions, strengthening the risk coverage of the capital framework (including a leverage ratio) and promoting the build up of capital buffers. The second consultation paper on liquidity proposes, a tough new authoritative liquidity test and global minimum liquidity standard for the banking sector. Following a consultation, on 26 July 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee, announced that (bar one) they had reached broad agreement on the overall design of the capital and liquidity reform package and released brief details of such agreement, with further details/formal proposals expected by the end of 2010.

In July 2010 the Basel Committee published a consultation paper in which it suggested that the countercyclical capital buffer proposal outlined in its December 2009 capital paper could separately also be used as a macro prudential tool by national regulators to manage jurisdictional specific risks and ensure sufficient capital is maintained against exposures in a particular jurisdiction generally. No details on timetable for implementation have yet been announced.

In February 2010, the European Commission launched a public consultation on further possible changes to the CRD (CRD IV), which is closely aligned with the proposals outlined in the consultation paper dated 17 December 2009 from the Basel Committee (referred to above).

If certain of these proposed measures were implemented as currently proposed, in particular the changes proposed by the Basel Committee and the CRD IV consultation document relating to the definition of instruments and their eligibility to be included within the capital base without transitional and grandfathering arrangements, they may have a significant impact on the capital and asset and liability management of the Group, which in turn could have a material effect on the Group's results, financial condition and prospects.

2.5.2 Solvency II

Solvency II is a fundamental review of the capital adequacy regime for the European insurance industry. It aims to establish a revised set of EU-wide capital requirements and risk management standards for insurers and reinsurers with gross premium income exceeding €5 million or gross technical provisions in excess of €25 million, with the aim of increasing policyholder protection. It will replace the current solvency requirements. The Solvency II Directive is due to be implemented in Irish law by October 2012.

As with Basel I, the central elements of the Solvency II regime include three pillars — Pillar 1 includes demonstration of adequate financial resources (including key quantitative requirements, own funds, technical provisions relating to capital requirements, etc.), Pillar 2 includes demonstration of an adequate system of governance (i.e. effective risk management) and Pillar 3 includes public disclosure and regulatory reporting requirements via annual reports and other disclosures to the Financial Regulator.

2.5.3 *Financial Regulator — PCAR*

The Financial Regulator announced on 30 March 2010 that the Central Bank and the Financial Regulator had carried out an exercise to determine the forward-looking prudential capital requirements of certain Irish credit institutions, including AIB, covered by Government guarantee schemes. The PCAR assessed the capital requirements arising for expected base and potential stressed loan losses, and other financial developments, over the three year period 2010-2012. It involved the Central Bank and the Financial Regulator making an assessment of the capital requirements of the credit institutions in order to satisfy both a base case and stressed target capital requirement.

The PCAR was undertaken to determine the capital requirements of certain Irish credit institutions with reference to both:

- Base case: A target Core Tier 1 Capital Ratio of 8 per cent. after taking account of the realisation of future losses expected by the Financial Regulator and other financial developments under a base case scenario. This test is designed to ensure the credit institutions are capitalised to a level which reflects prudential requirements and current market expectations, after taking into account forecasted loan losses through to 2012. As a further prudential requirement, the capital used to meet the base case target must be principally in the form of equity, the highest quality form of capital, with a 7 per cent. target equity Tier 1 Ratio.
- Stressed scenario: A target level of 4 per cent. Core Tier 1 Capital that should be maintained to meet a stress scenario or a portfolio level sensitivity analysis. This capital test, which is similar to that employed by US and UK supervisory authorities, is designed to ensure that the credit institutions have a sufficient capital buffer to withstand losses under an adverse scenario significantly worse than that currently anticipated.

The Financial Regulator stated that recapitalisation to the target requirements specified in the PCAR will provide market participants with confidence that the credit institutions have a strong capital base after realising forecasted losses expected by the Financial Regulator and that a prudent capital buffer is in place to withstand additional losses in adverse stress conditions.

2.5.4 *Methodology*

The PCAR involved the Central Bank and the Financial Regulator making an assessment of the capital requirements of the credit institutions involved in the exercise in order to satisfy both a base case and stressed target capital requirement. A team of prudential supervisors, credit specialists and treasury specialists in the Financial Regulator, supported by Central Bank economists and financial stability specialists, conducted the PCAR by:

- assessing the provisioning estimates of each relevant credit institution, their Basel capital model outputs, expected loss forecasts, funding costs and projected operating income;
- reviewing independent third party estimates of provisions and expected losses conducted on specific credit institutions' portfolios;
- reviewing likely and stressed scenario loan loss projections for portfolio categories by credit rating agencies and other sources including regulatory agencies;
- reviewing the outcome of modelled base and stress macro-economic scenarios that the Financial Regulator specified and mandated each credit institution to calculate;
- using information received from NAMA in respect of the discounts on the first tranche of AIB's NAMA Assets as the basis for estimating the NAMA loan losses;
- applying prudential buffers to additional losses projected by the Financial Regulator;
- applying prudent adjustments to base case and stress scenario funding costs and treasury asset losses;
- applying knowledge of the quality of loan portfolios gained through the Financial Regulator's more intensive supervisory interaction with the various credit institutions, including observation of AIB's credit committee deliberations; and

- benchmarking the Financial Regulator’s analysis to the approaches taken by other leading international financial supervisors.

The PCAR required the assessment to take account of changes to EU prudential banking capital requirements that have been formally adopted, even if they have yet to be implemented, such as CRD II. This does not include the future changes to the CRD that are still at consultation stage, although the potential changes were noted as part of the Financial Regulator’s overall assessment of target capital levels.

2.5.5 *Stress test*

In stress tests, the capital requirement of 4 per cent. Core Tier 1 Capital is designed to ensure that the relevant credit institutions will be adequately capitalised even after experiencing a hypothetical adverse macroeconomic scenario or unexpected severe losses on particular loan portfolios. This capital level is equivalent to that established by the FSA and similar to that established by the Federal Reserve, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency.

The stress test requirement is based on a severe scenario of hypothetical adverse macroeconomic conditions and therefore involves an element of judgment. The stress test inputs do not represent a forecast of likely economic developments by the Central Bank and the Financial Regulator, instead they are much more adverse than what is considered likely.

The Central Bank and the Financial Regulator required credit institutions to stress test their portfolios to the higher of:

- the institutions’ estimated loan losses in a stress scenario based on a delayed macroeconomic recovery scenario prescribed by the Central Bank and the Financial Regulator¹; or
- application of severe sensitivity shocks to the loan book at a portfolio specific level. This included loan loss rates of 5 per cent. for mortgages in Ireland and non-NAMA developments property loan losses of 60 per cent. in Ireland and 35 per cent. in the United Kingdom.

The Financial Regulator emphasised that these are not forecast or expected loss levels, and are disclosed to show the extent of the stress that has been applied in the stress test and that these loss rates are not based on any macroeconomic scenario and therefore should not be interpreted in that manner. The Financial Regulator also noted that it is the losses established under the portfolio level sensitivity approach that have provided the binding stress case capital requirements, rather than the macroeconomic scenario and that the use of stress testing to benchmark prudential capital requirements will become a part of the regulatory framework operated by the Central Bank and the Financial Regulator.

2.5.6 *Capital raising initiatives*

The Financial Regulator required the credit institutions that have completed the exercise to prepare recapitalisation plans in light of the PCAR results. The amount of capital set by the PCAR process must be in place by the end of 2010 to a level calculated by reference to the base capital target, after taking into account projected losses expected by the Financial Regulator, including institution-specific and other adjustments.

See paragraphs 3 and 4 of Part II for further details relating to AIB’s capital plan announced on 30 March 2010.

2.6 **CEBS stress test**

AIB was subject to the 2010 EU-wide stress testing exercise co-ordinated by the CEBS in co-operation with the European Central Bank and carried out under the supervision of the Central Bank and the Financial Regulator, which was additional to the PCAR undertaken by the Financial Regulator described above. The objective of the EU-wide stress test exercise was to assess the overall resilience of the EU banking sector, and the banks’ ability to absorb further possible shocks on credit and market risks, including sovereign risks. For the purposes of the CEBS stress test published on 23 July 2010, inclusive of its PCAR requirement AIB achieves a capital level in excess of the CEBS threshold of 6 per cent. Tier 1 Capital Ratio in all cases. The exercise was conducted using the scenarios, methodologies and key assumptions provided by CEBS. In completing the CEBS stress test, the Central Bank and the Financial Regulator applied higher loan loss rates to both the NAMA Assets and the non-NAMA Assets than

¹ As the starting point for determining the stress capital requirement, the banks were provided with a specified macroeconomic scenario based on a hypothetical delayed economic recovery, involving negligible GDP growth in 2011 and 2012, persistent unemployment increasing to 14.7 per cent. in 2012, a further cumulative house price decline of 24.8 per cent. in the years 2010-2012 beyond the 31.5 per cent. decline reported and other parameters. The severity of the stress test takes account of the circumstances of the Irish economy and its position in the economic cycle.

were required by CEBS. In each of these loan categories, the relevant exposures were assessed by reference to the PCAR assumptions which resulted in a more demanding stress test than was prescribed by CEBS. As set out in the published results, under the adverse scenario, the Financial Regulator estimated the consolidated Tier 1 Capital Ratio for AIB in 2011 was 7.2 per cent., while the additional sovereign risk scenario would result in a further reduction bringing the Tier 1 Capital Ratio to 6.5 per cent. at the end of 2011.

2.7 Investigation into the banking sector

Following a proposal by the Minister for Finance, the Government announced on 9 June 2010 the establishment of a statutory Commission of Investigation (the “**Commission**”) pursuant to the Commissions of Investigation Act 2004 to investigate certain matters in the banking sector during the period from 1 January 2003 to 15 January 2009. The matters to be investigated include the main causes of the serious failure within each Covered Institution to implement and adhere to appropriate standards and controls in the context of corporate governance and prudent risk management policies and procedures, such as would have avoided the requirement for the provision of exceptional State financial support to those institutions.

The Commission will also investigate the main causes for the failure, during the period from 1 January 2003 to 28 September 2008, in the performance of the statutory roles and responsibilities of the Central Bank and Financial Services Authority of Ireland in respect of the regulation and supervision of the Covered Institutions and the maintenance of financial stability, in particular in relation to the supervision and oversight of corporate governance and risk management policies and practices of those institutions.

The formal order establishing the Commission has been approved by the Irish Parliament, the Oireachtas, but has not yet been signed into law. The Commission is required to complete its report in relation to its investigation within six months from the date of its formal establishment. The Commission will be led by an international independent expert, Mr Peter Nyberg, the former director general for financial services at the Ministry of Finance in Finland.

In addition, the Government has referred to the Oireachtas Committee certain macroeconomic management issues for consideration, including the role of fiscal policy in securing an appropriate alignment of the national business cycle with monetary conditions in the economy and the requirement for the design and conduct of budgetary and taxation policies to take account of the cyclical nature of particular revenues. It is expected that the Oireachtas Committee’s deliberations will be concluded by the end of October 2010 and that it will report back to the Oireachtas (the Irish Parliament) by 4 November 2010.

The steps taken to establish the Commission and the referral of certain matters to the Oireachtas Committee arose following the publication, on 9 June 2010, of two preliminary reports commissioned by the Government in January 2010, which provided an analysis of the crisis in the banking sector in Ireland.

One of the reports, prepared by the Governor of the Central Bank, Mr Patrick Honohan, detailed failures in banking regulatory and supervisory arrangements and certain weaknesses in the evaluation of the stability of banks in Ireland. The report also considered the role played by the Irish banks in contributing to the Irish financial crisis. The report stated that the major responsibility for the emergence of the banking crisis lay with the directors and senior management of the Covered Institutions. It further stated that the largest banks had established reasonable governance structures but their management tolerated a gradual lowering of lending standards, which contributed to a much greater accumulation of risk than the banks envisaged or seemed to recognise. It concluded that there was prima facie evidence of a comprehensive failure of bank management and direction to maintain safe and sound banking practices, instead incurring huge external liabilities in order to support a credit-fuelled property market and substantial increase in construction projects. The report further concluded that the regulatory approach was, and was perceived to be, excessively deferential and accommodating, insufficiently challenging and not sufficiently persistent. The report also concluded that, as a result of that regulatory approach, decisive and effective action against banks with governance issues was not taken.

The second report, prepared by international independent experts, Mr Klaus Regling and Mr Max Watson, reported on the sources of Ireland’s banking crisis and set out policy lessons to be drawn for the future in terms of macroeconomic management in Ireland. The authors found that errors of judgement by bank management and weaknesses in corporate governance within banks contributed centrally to Ireland’s financial crisis and that there were key weaknesses in some banks’ internal risk management in areas such as stress-testing, the assessment of credit risks and in some cases major lapses in the documentation of loans. The policy lessons identified in the report included the need for supervision of financial services to be based on a deeper analysis of the links between risks in different types of assets and liabilities (such as the links between connected borrowers and the economic links between the classes of assets that may deteriorate sharply at the same time) and the requirement for financial stability analysis to be more deeply integrated into supervision of banks.

2.8 Markets in Financial Instruments Directive (“MiFID”)

MiFID was transposed into Irish law by the MiFID Regulations. The MiFID Regulations regulate the provision of MiFID Services in respect of financial instruments and apply both to credit institutions and investment firms (including stockbroking firms).

MiFID Services include the provision of investment advice, portfolio management, execution of client orders and others. A number of financial services that do not come within the definition of MiFID Services (such as the administration of collective investment schemes) are subject to the requirements of the IIA. Each relevant Group company ensures that it fulfils its obligations under MiFID, the MiFID Regulations and the IIA, as appropriate, on an ongoing basis and ensures that it holds the appropriate authorisation for its business at all times. The following subsidiaries of AIB: AIB Capital Markets plc; AIB Investment Managers Limited; AIB Corporate Finance; Goodbody Stockbrokers; Goodbody Corporate Finance; and AIB International Financial Services Limited provide MiFID Services and each is authorised as an investment firm under the MiFID Regulations. Allied Irish Banks, p.l.c. also complies with the MiFID Regulations where it provides MiFID Services.

2.9 Other financial services companies

In addition to the companies listed above, the Group includes a number of other financial services companies, each of which is also regulated by the Financial Regulator. Allied Irish Banks, p.l.c. has a 24.99 per cent. interest in Aviva Life Holdings Ireland Limited, the holding company which brought together Ark Life Assurance Company Limited and Aviva Life & Pensions Ireland Limited (an Aviva plc subsidiary). Both of these companies carry on business as authorised life assurance companies and must comply with the provisions of legislation including the Insurance Acts 1909 to 2000 and the European Communities (Life Assurance) Framework Regulations 1994 (as amended). Further, the European Communities (Insurance Mediation) Regulations 2005 (as amended) have implemented the EU Directive on insurance mediation (Directive 2002/92/EC) and lay down rules for undertaking insurance mediation and reinsurance mediation, as well as prescribing registration requirements for persons who wish to carry out insurance mediation business or act as an insurance intermediary or as a reinsurance intermediary.

AIB Mortgage Bank is a designated mortgage credit institution under the Asset Covered Securities Act 2001 (as amended), and is permitted to issue mortgage covered securities which are secured by a statutory preference over covered assets (principally, residential mortgage loans) comprised in a covered assets pool. In addition to the role of the Financial Regulator, the activities of a credit institution that is designated for the purposes of the Asset Covered Securities Act 2001 (as amended) are subject to close oversight by an independent covered assets monitor appointed by the credit institution and approved by the Financial Regulator. The principal role of the covered assets monitor is to ensure that the assets maintained in the covered assets pool are sufficient to provide adequate security to the holders of the asset covered securities.

2.10 Codes of conduct including Consumer Protection Code

The Financial Regulator has issued a range of codes of conduct, codes of practice and other requirements applicable to credit institutions and other regulated financial services entities (including investment firms authorised under the IIA and MiFID and insurance companies). The codes address a substantial range of requirements including supervisory and reporting requirements; advertising requirements; books and records requirements and disclosure requirements. The Financial Regulator has also issued client asset requirements which apply to financial services entities including credit institutions, IIA firms and MiFID firms. The CPC applies to “non-MiFID” services provided by firms, including credit institutions, insurance undertakings and investment business firms, to consumers within Ireland. The Financial Regulator has indicated its intention to conduct a review of the CPC during 2010. In addition, the Financial Regulator has published a Code of Conduct for Business Lending to Small and Medium Enterprises (in force since 13 March 2009) and a Code of Conduct on Mortgage Arrears (in force since 27 February 2009 and amended on 17 February 2010) which seek to impose minimum lending and arrears management standards for Irish regulated entities with the exception of credit unions. Following recommendations made by the Mortgage Arrears and Personal Debt Expert Group, the Financial Regulator has stated that it will amend the Code of Conduct on Mortgage Arrears and the Financial Regulator issued a consultation paper in this regard on 13 August 2010. The consultation period ends on 3 September 2010. The Financial Regulator has not indicated a date upon which such amendments will be introduced. However, it is expected that there will be an early implementation of such amendments.

2.11 Consumer legislation

The provision of credit to consumers is regulated in Ireland by the Consumer Credit Regulations and the 1995 Act. The Consumer Credit Regulations and the 1995 Act are relevant to the Group to the extent that any of its Group

companies provide credit to consumers. The 1995 Act is also relevant to the Group to the extent that any of its Group companies provide credit in the form of housing loans. The Consumer Credit Regulations, which transpose into Irish law the provisions of the Consumer Credit Directive (Directive 2008/48/EC), prescribe a range of detailed requirements to be included in pre-contractual information and consumer credit agreements to be provided to consumers and imposes a number of obligations on the provider of such credit. Where the provision of a particular type of credit does not fall within the scope of the Consumer Credit Regulations, it may fall within the scope of the 1995 Act. The 1995 Act prescribes a range of detailed requirements to be included in consumer credit agreements to be provided to consumers and imposes a number of obligations on the provider of such credit. The 1995 Act also imposes a requirement on all credit institutions to notify the Financial Regulator in advance of imposing on a customer any new charge in relation to the provision of certain specified services; increasing any charge previously notified; or imposing any charge that does not comply with a direction from the Financial Regulator. Irish law contains a wide range of consumer protection provisions, such as the European Communities (Unfair Terms in Consumer Contracts) Regulations 1995, the Consumer Protection Act 2007 and other measures regulating the content of face-to-face and distance marketing contracts made with a consumer.

2.12 Deposit protection and investor compensation

Under the Financial Services (Deposit Guarantee Scheme) Act 2009, the European Communities (Deposit Guarantee Schemes) Regulations 1995 and the European Communities (Deposit Guarantee Schemes) (Amendment) Regulations 2009 which implement in Ireland the Deposit Guarantee Schemes Directives 94/19/EC and 2009/14/EC, a deposit protection scheme is operated under which each licensed bank must contribute to the deposit protection account held by the Central Bank. Currently, the level of contribution required is the greater of €50,000 or 0.2 per cent. of deposits (in whatever currency) held at all branches of the licensed bank in the EEA, including deposits on current accounts but excluding certain funds and commitments such as interbank deposits, negotiable certificates of deposit, debt securities issued by the same institution and promissory notes. The maximum amount of deposit protected has been increased to €100,000 per depositor per institution. The cover applies to 100 per cent. of each individual's deposit.

In October 2008, the AIB CIFS Covered Institutions (some of a number of Irish credit institutions) entered into a legal agreement with the Government that gave effect, *inter alia*, to the Government guaranteeing all retail, commercial, institutional and interbank deposits of the Group, together with dated subordinated liabilities, up to 29 September 2010. The CIFS Scheme was approved by the European Commission as being compatible with EU state aid rules. The AIB ELG Covered Institutions entered into the ELG Scheme on 21 January 2010. The ELG Scheme is intended to facilitate the ability of credit institutions in Ireland to issue debt securities and take deposits with maturity after September 2010 on either a guaranteed or unguaranteed basis.

The 1998 Act provided for the establishment of the ICCL to administer and supervise an investor compensation scheme. The 1998 Act requires authorised investment firms to pay the ICCL such contribution to the fund maintained by the ICCL as the ICCL may from time to time specify. The ICCL is given discretion to specify different rates or amounts of contributions or different bases for the calculation of contributions of different classes or categories of investment firms.

The maximum amount payable under the investor compensation scheme is 90 per cent. of the amount lost by an eligible investor, subject to a maximum compensation payment of €20,000.

2.13 Market Abuse

The Market Abuse Directive (2003/6/EC) has been implemented in Ireland by the Market Abuse (Directive 2003/6/EC) Regulations 2005 and the Investment Funds, Companies and Miscellaneous Provisions Act 2005 (as amended). That act and these regulations prescribe a detailed criminal code to prevent and punish insider dealing and market manipulation. The Financial Regulator, which is the competent authority, has also published Market Abuse Rules setting out rules and guidance on compliance with Irish market abuse law.

2.14 Anti-money laundering

The 2010 Act transposed into Irish law the third EU Anti-Money Laundering Directive. Persons designated under the 2010 Act (including credit institutions, financial institutions, investment firms, IIA firms and life assurance companies) are obliged to take necessary measures to effectively counteract money laundering in accordance with the provisions of the 2010 Act. Draft core and sectoral guidance notes have been published by the Financial Regulator for consultation purposes. Once finalised, it is expected that these guidance notes will be approved by the Minister for Justice and Law Reform, after consulting with the Minister for Finance. The 2010 Act introduced, *inter alia*, an obligation on designated persons to (i) apply customer due diligence procedures to their customers;

(ii) identify and take risk based and adequate measures to verify the beneficial owner of customers; and (iii) identify and apply enhanced customer due diligence requirements to non-resident politically exposed persons. The 2010 Act amended reporting requirements where a suspicious transaction report is necessitated. The 2010 Act also introduced a requirement for the authorisation of trust or company service providers. Analogously, Ireland, by means including the Criminal Justice (Terrorist Offences) Act 2005, applies EU and United Nations mandated restrictions on financial transfers with designated individuals and regimes and prescribes criminal offences for participating in the financing of terrorism.

2.15 Data protection

The DPAs regulate the disclosure and use of data relating to individual customers. The DPAs also require certain categories of “data controllers and data processors”, including financial institutions and insurance companies which process personal data, to register with the Irish Data Protection Commissioner. Each relevant Group company has implemented and monitors appropriate policies and procedures to ensure compliance with its obligations under the DPAs. The European Communities (Electronic Communications Networks and Services) (Data Protection and Privacy) Regulations 2003 (as amended) implement the EU Electronic Privacy Directive (2002/58/EC) and regulate marketing by electronic and other means. A new Personal Data Security Breach Code of Practice was issued by the Irish Data Protection Commissioner on 7 July 2010. That code is not binding and sets out the view of the Irish Data Protection Commissioner of best practise in dealing with security breaches that result in a loss of personal data.

2.16 Companies legislation

Each Irish Group company is incorporated under the Companies Acts or previous legislation having equivalent effect, and must comply with the provisions of such legislation. The Director of Corporate Enforcement, an Irish independent statutory officer, is responsible for ensuring compliance with, and enforcement of, the Companies Acts.

2.17 Certain measures related to recent financial crisis

In response to the recent financial crisis described elsewhere in this Prospectus, the Government adopted a range of measures to provide support to and oversight of AIB and other Irish banks. For further information on the CIFS Scheme, the NPRFC Investment, NAMA and the ELG Scheme, please see paragraph 16 of Part IX (“*Additional Information*”) of this Prospectus.

3 United Kingdom

3.1 Regulation of AIB Group (UK) p.l.c.

AIB Group (UK) p.l.c. is a company incorporated in Northern Ireland and is authorised by the FSA under FSMA to carry on a wide range of regulated activities (including deposit taking, advising on investments (except pension transfers and pension opt outs), arranging deals in investments (including regulated mortgage contracts) and dealing in investments, for both professional and retail clients in the United Kingdom. It carries on business under the trading names “Allied Irish Bank (GB)” and “First Trust Bank” in Great Britain and Northern Ireland, respectively.

FSMA is the principal piece of legislation governing the establishment, supervision and regulation of financial services and markets in the United Kingdom. The FSA is currently the single regulator for the full range of financial business in the United Kingdom; it derives its powers under FSMA and the FS Act, and regulates both the prudential aspects and business conduct (including market conduct) of those businesses. The FSA Handbook contains the rules and guidance issued by the FSA.

The FSA is responsible both for the prudential supervision and for the general supervision of AIB Group (UK) p.l.c.’s business in the United Kingdom. The FSA’s prudential rules include requirements in respect of, among other things, capital adequacy, limits on large exposures and liquidity.

AIB Group (UK) p.l.c. is also required to comply with the other (non-prudential) rules promulgated by the FSA, including rules relating to conduct of business, market conduct (including market abuse), money laundering and systems and controls.

AIB Group (UK) p.l.c. has the statutory power to issue bank notes as local currency in Northern Ireland (it does this under the name “First Trust Bank”). In this connection, it is subject to the provisions of the Bank Charter Act 1844, the Bankers (Northern Ireland) Acts 1845 and 1928, the Currency and Bank Notes Act 1928, the Allied Irish Banks Act 1981, the Allied Irish Banks Act 1993 and the Allied Irish Banks Act 1996.

The “Banking Code” was a voluntary code followed by UK banks (and building societies) in their relations with personal customers in the United Kingdom. It covered current accounts, personal loans, savings and credit cards. The first Banking Code took effect in March 1992 and was revised periodically; the most recent revised edition became effective on 31 March 2008. The “Business Banking Code” covered banks’ relations with small businesses (those with a turnover of up to £1 million a year). The first Business Banking Code took effect on 31 March 2002 and a revised edition became effective on 31 March 2008. AIB Group (UK) p.l.c. had adopted both the Banking Code and the Business Banking Code. Compliance with each of the codes was monitored by the Banking Code Standards Board. On 1 November 2009, responsibility for the regulation of retail banking, i.e. deposit and payment products, transferred to the FSA. In the light of this change the Banking Code Standards Board has changed its name to the Lending Standards Board (LSB). The FSA has introduced BCOBS that introduced a principles-based regulation to personal and micro-enterprise deposit taking products and services. The new regime replaces the non-lending aspects of the “Voluntary Banking Codes for Conducting Retail Banking Practices”. AIB Group (UK) p.l.c. is subject to the new regime.

First Trust Independent Financial Advisers Ltd (a company incorporated in Northern Ireland) is authorised by the FSA to advise on and arrange certain investments, including pensions, insurance, securities and non investment insurance contracts. As in the case of AIB Group (UK) p.l.c., the FSA is responsible both for the prudential supervision and for the general supervision of First Trust Independent Financial Advisers Ltd’s business in the United Kingdom. From 1 December 2009, new liquidity rules came into force in the United Kingdom and are contained in the FSA’s new handbook, Prudential Sourcebook for Banks, Building Societies and Investment firms. The new rules require all UK authorised banks (including UK branches of foreign banks), investment firms and building societies to enforce more rigorous systems and controls, hold greater liquidity safeguards and increase their liquidity reporting.

3.2 Regulation of AIB

Allied Irish Banks, p.l.c. is incorporated and has its head office in Ireland, and is licensed as a credit institution in Ireland by the Financial Regulator. Pursuant to the BCD, AIB has exercised its EU “passport” rights to provide banking, treasury and corporate treasury services in the United Kingdom on a cross-border basis and through the establishment of branches (in the name of AIB).

In accordance with the BCD, the “Home State” regulator (here, the Financial Regulator) has primary responsibility for the prudential supervision of credit institutions incorporated in Ireland. However, credit institutions exercising their “passport” rights must comply with certain requirements (in particular, conduct of business rules) set by the “Host State” regulator (here, the FSA). In addition, the FSA has a responsibility to co-operate with the Financial Regulator in ensuring that branches of Irish credit institutions in the United Kingdom maintain adequate liquidity and take sufficient steps to cover risks arising from their open positions on financial markets in the United Kingdom.

3.3 Regulation of other AIB Group entities

Certain other AIB Group entities are authorised to carry on regulated activities by way of the right to provide cross-border services into the United Kingdom under the EU passport; however, they carry on an insignificant amount of business in the United Kingdom at present.

3.4 Markets in Financial Instruments Directive

MiFID was implemented in the United Kingdom on 1 November 2007. The requirements of MiFID apply to all regulated AIB Group entities in the European Union that carry out a MiFID investment service or activity, for example arranging deals in financial instruments, dealing as agent or principal in financial instruments, providing investment advice, conducting portfolio management activities.

3.5 Insurance mediation

Insurance Mediating Activities are (subject to applicable exemptions) regulated activities under FSMA. Each of AIB Group (UK) p.l.c. and First Trust Independent Financial Advisers Ltd is authorised by the FSA to carry on all Insurance Mediation Activities.

3.6 Mortgage regulation

Entering into, arranging, advising on and administering regulated mortgage contracts, and agreeing to do any of these things, are (subject to applicable exemptions) regulated activities under FSMA. AIB Group (UK) p.l.c. is authorised by the FSA to enter into, arrange and administer (but not advise on) regulated mortgage contracts.

3.7 Deposit protection and investor compensation

The FSCS protects depositors up to a specified maximum level in respect of their deposits with authorised banks in the United Kingdom. From 30 June 2009, the deposit compensation limit is the higher of €50,000 or £50,000 for claims against firms declared in default from 7 October 2008. The FSCS also applies to investments, and covers financial loss arising when an investment business is unable to make payments to investors. Payments under the FSCS for a claim against an investment firm declared in default from 1 January 2010 (including residential mortgage business) are limited to 100 per cent. of the first £50,000 of an investor's total investment. The maximum level of compensation for claims against firms declared in default on or after 1 January 2010 is £50,000 per person per firm.

From 14 January 2008, payments under the FSCS in respect of claims against an insurance mediation firms are calculated on the basis of (i) claims in respect of liabilities subject to compulsory insurance, 100 per cent. of the claim and (ii) other insurance claims, 100 per cent. of the first £2,000 and 90 per cent. of the remainder of the claim against firms declared in default before 1 January 2010. The maximum level of compensation for claims against firms declared in default on or after 1 January 2010 is 90 per cent. of the claim with no upper limit. Both AIB Group (UK) p.l.c. and First Trust Independent Financial Advisers Ltd are covered by the FSCS. AIB, as a bank operating in the United Kingdom under its EU passport, is not covered by the FSCS but, in accordance with the Deposit Guarantee Schemes Directive (EC Directive 94/19/EC), is covered by its home state (Ireland) deposit compensation plan.

3.8 Consumer credit

The CCA regulates the provision of certain secured and unsecured loans and ancillary credit businesses such as credit brokerage and debt collecting. A credit agreement is regulated by the CCA 1974 (as amended by the Consumer Credit Act 2006) where (a) the borrower is or includes an "individual" as defined in the CCA 1974; and (b) the credit agreement is not an exempt agreement under the CCA 1974 (for example, it is a regulated mortgage contract (as defined by the FSMA Regulated Activities Order)). The Consumer Credit Act 2006 removed all limits on the amount of credit provided on or after 6 April 2008. However, if the agreement was made before 6 April 2008 (or in the case of agreements secured by a buy-to-let mortgage, before 31 October 2008) it will only be regulated under the CCA 1974 to the extent that the amount of credit (as defined under the CCA 1974) does not exceed £25,000. The OFT is responsible for the issue of licences under, and the superintendence of the working and the enforcement of the CCA 1974 and other consumer protection legislation. Both AIB and AIB Group (UK) p.l.c. hold current CCA 1974 licences. A new Consumer Credit Directive, adopted by the European Council in May 2008, is due to be implemented into UK legislation via the Consumer Credit (EC Directive) Regulations 2010 (SI 2010/1010). The majority of the provisions will come into force on 1 February 2011, with a small number having come into force on 30 April 2010. This will require some changes to the current CCA regime.

The Unfair Terms in Consumer Contracts 1994 Regulations (as amended in 1999 and 2001) apply to certain contracts for goods and services entered into with consumers, including mortgages and related products and services. The main effect of the Unfair Terms Regulations is that a contractual term covered by the Unfair Terms Regulations (generally new core terms) which is "unfair" will not be enforceable against a consumer.

On 30 June 2010, a private member's bill titled "The Financial Services (Unfair Terms in Consumer Contracts) Bill" received its first reading in the UK House of Commons. There is no debate on the bill at this stage and the text of the bill has not been made available as at 7 September 2010 (being the latest practicable date prior to publication of this Prospectus). However an extract from Hansard indicates that the bill is designed to "ensure that ancillary pricing terms in personal financial services contracts can be assessed for fairness, and for connected purposes". It is unclear whether this bill relates to the UK government's proposals published in the Coalition Agreement on 20 May 2010 to introduce measures to end "unfair bank and financial transaction charges".

3.9 Certain financial services developments during 2009

In response to the financial crisis in the United Kingdom, the UK government has adopted a range of measures to provide support to UK credit institutions. Such support, subject to the fulfilment of certain criteria, could be available to AIB Group (UK) p.l.c. as a FSA authorised deposit-taker. In addition, there has been a strengthening of financial services regulation in the United Kingdom and it is possible that further significant changes to the financial services regulatory regime may be made. On 8 April 2010, the Financial Services Bill became law. The FS Act creates a Council for Financial Stability to co-ordinate the responsibilities and action of the Bank of England, FSA and the UK treasury with respect to financial stability matters and places a duty on the FSA to make rules requiring financial institutions to create and maintain recovery and resolution plans in the event that they become financially vulnerable. In addition the FS Act expands the company law disclosure regime under which companies disclose

details of the remuneration of directors, to include executive remuneration reports and enables the FSA to implement some recommendations of the Walker Review on corporate governance.

The G-20 leaders meeting in Toronto has pledged to co-ordinate actions on the regulation and supervision of over-the-counter derivatives. The declaration also says hedge funds and credit rating agencies require a “consistent and non-discriminatory” international approach. Leaders also agreed the need to develop a system to restructure or resolve financial institutions in crisis, without taxpayers ultimately bearing the burden, and called on the Financial Stability Board to develop recommendations for this before the G-20 summit in Seoul. G-20 leaders stated that they “recognised the bank levy as a useful instrument”. At this time there have been no further developments from this meeting.

From 1 November 2009, for the first time, payment services have been subject to a single, regulatory regime — the PSRs. Credit institutions regulated by the FSA must comply with parts of the PSRs.

4 Poland

4.1 Overview of banking regulation

BZWBK, with its registered office in Wroclaw, is established under Polish law as a joint stock company authorised to carry out banking business in Poland. It is subject to the regulatory framework laid down by the Banking Act, the NBP Act and executive regulations by the NBP, the FMS Act with executive regulations by the FSC, the BGF Law and the Companies Act, which sets out rules including company authorities.

4.2 The Banking Act

The Banking Act is of primary importance as it regulates the operation of the Polish banking system. It defines the principles governing the foundation of banks in Poland, their organisation, activity, turnaround process, liquidation, bankruptcy and supervision. In compliance with its articles, banking business in Poland is restricted to holders of banking licences. After Poland’s accession to the European Union, the amendments to the Banking Act implemented the EU “single market” principle. As a result, credit institutions from other EU Member States may undertake banking business in Poland upon the home state regulator notifying the banking supervisory authority, i.e. the FSC (successor of the BSC effective from 1 January 2008). A branch set up by such a credit institution is subject to supervision by appropriate agencies in the credit institution’s home state. However it must comply with Polish law and the FSC is obliged to monitor its liquidity. The Banking Act and its executive regulations have established various prudential standards, including limits on each bank’s exposures to individual customers, limits on lending concentrations, classification of the quality of bank assets, constraints on equity investments, monthly reporting of liquidity levels and capital adequacy ratios. These requirements are generally in line with international standards.

The Banking Act obliges banks to notify the public prosecutors’ office and other relevant law enforcement agencies of an attempted concealment of criminal or fraudulent activity. Such authorities are also entitled to require access to confidential banking information in order to clarify suspicions arising in the course of their proceedings.

In February 2010, the FSC passed a recommendation for banks in Poland (the “**T Recommendation**”). Recommendations are not law in Poland, however, they are sets of good practices recommended by the FSC to banks and customarily observed by banks. The T Recommendation provides for a detailed set of guidelines regarding retail credit risk management regarding: (a) strategy and governance (policies and reports), (b) organisation (functional separation of sales and underwriting), (c) data collection and databases, (d) portfolio and individual limits, (e) collateral levels and applicable loan to value ratios, (f) credit worthiness calculation requirements (including stress tests for foreign exchange and interest rate risk), document requirements and income verification procedures, (g) portfolio monitoring and reporting obligations and (h) relevant stress tests rules.

4.3 The NBP Act

The NBP Act regulates the Polish central bank, including the MPC. The MPC, which is placed within the NBP, is responsible for the monetary policy of Poland, sets official interest rates and the obligatory reserve rate.

4.4 The Financial Market Supervision Act

Poland adopted a consolidated model of financial market supervision in 2006. The Financial Market Supervision Act of 2006 created a single supervisory authority, the FSC. This replaced the three bodies that had previously regulated separately the stock market, insurance and pension funds market, and finally, banking market.

The objectives of banking supervision in Poland as undertaken by the FSC is to monitor and curtail excessive exposure of banks to various banking risks and thus ensure the safety of customer deposits and the stability of the financial system. Apart from exercising supervision over the financial market, the FSC is also responsible for fostering proper operation, security and transparency of the financial market, promoting its development, preparing drafts of legal acts relating to financial market supervision and taking appropriate educational/informational actions. The committee is a collegial body supervised by the Prime Minister of Poland, to whom its annual reports are submitted.

4.5 Regulatory framework for capital markets

As an issuer of securities trading in the regulated market, BZWBK is subject to the three acts governing capital markets in Poland, namely the Act of 29 July 2005 on Trading in Financial Instruments, the Act of 29 July 2005 on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading and Public Companies and also the Act of 21 July 2006 on Capital Market Supervision. These regulations came into effect on 24 October 2005 and superseded the previous Act on Public Trading in Securities. As a result, harmonisation of the Polish capital markets with the current EU regulations has been achieved. The legislation ensures an adequate level of market protection and provides effective measures against irregularities, such as the ban of financial trading manipulation and the obligation on investment firms to notify the FSC of any suspicious financial transactions. Proper operation, stability and transparency of capital markets are enhanced by the powers vested in the FSC, including sanctioning powers ranging from a monetary penalty to a cease and discontinue order. Based on legal provisions, all market participants are entitled to equal access to reliable information. The issuers of securities trading in the regulated market are required to disclose any circumstances or events that classify as inside information. They are also obliged to make public disclosures in the form of periodic (annual, semi-annual, quarterly) and current reports (on specific events concerning the issuer) which are regulated by the executive ordinance under the Act on Public Offering.

Capital market supervision as performed by the FSC is also governed by the Act on Investment Funds of May 2004. This Act and two others, i.e. the Act on Public Offering and the Act on Trading in Financial Instruments, have been amended to transpose MiFID to Polish law. The Act on Investment Funds and the Act on Public Offering were the first to have been accordingly adjusted and the revised laws became effective from 12 January 2009. The relevant amendments to the Act on Trading in Financial Instruments came into effect on 21 October 2009 and made Poland fully compliant with the MiFID Directive. Under the executive regulations to the aforementioned issued on 20 November 2009 and 23 November 2009, the deadline for implementation of MiFID requirements by banks, brokerage houses and investment firms expired on 17 June 2010. BZWBK, along with its subsidiaries involved in brokerage business, mutual funds and asset management has incorporated the former MiFID-related provisions into the corporate procedures.

4.6 Legal initiatives for financial stability

Amid world-wide financial and economic crisis over the past eighteen months, the NBP and Polish Government have taken a number of measures to strengthen the economy and confidence in the country's inter-bank market. In October 2008, the President of NBP drew up a "Confidence Pact" which puts forward measures aimed to ensure the smooth functioning of the inter-bank market. It focuses on providing banks with liquidity in zloty and foreign currencies through a wider range of open market operations and an increased use of collateral.

Under the anti-crisis package passed by the government in Poland, the State Treasury may provide support to liquidity-constrained financial institutions (banks, mutual funds, investment fund associations, brokerage houses and insurance companies). Such support may take the form of government loan guarantees, loans of Treasury securities and preferential sales of Treasury securities.

As part of the scheme against the implications of the global financial crisis, amendments to the BGF Law were approved which increased the guarantee for bank deposits and allowed the NBP to grant short-term loans to the Banking Guarantee Fund in situations threatening the banking system stability.

Based on the Act on Committee for Financial Stability of 7 November 2008, a committee was set up consisting of the Minister for Finance, the Chairman of the NBP and the Chairman of the FSC. The objective of the Committee for Financial Stability is to ensure smooth co-operation, exchange of information and co-ordinated actions of the decision-making bodies (Ministry of Finance, the Central Bank and the Commission for Financial Supervision) in the event of any threats to the financial system.

The updated version of the “Confidence Pact” was announced whereby effective from 29 May 2009 the NBP could offer foreign exchange swaps and repo operations with longer maturities (up to one month and six months, respectively) and accept a broader range of securities as collateral for repo transactions.

4.7 Deposit protection law

Pursuant to the BGF Law, a banking guarantee fund was created to provide deposit insurance to all bank customers and to assist banks in case of solvency problems. As a result of amendments passed to the bill in 2008, the fund’s operations are financed exclusively by the commercial banks which, among others, are obliged to make annual contributions to the fund. The respective amounts are calculated based on a revised formula which takes into account the risk-measurement and capital requirements defined by the CRD. Similar to other EU member states and in compliance with the directive on Deposit Guarantee Schemes, the currently applicable Polish legislation provides for the full coverage of deposits up to the PLN equivalent of €50,000 held by a single customer with a given bank, irrespective of other banking relationships. The extended guarantee limit became effective from 28 November 2008. Along with the NBP and the Financial Supervision Authority, the BGF conducts detailed analysis of individual banks and industry to ensure early detection of threats to the stability of banks.

4.8 Anti-money laundering law

The Act of 2000, as amended, on Counteracting Money Laundering and Terrorist Financing imposes measures to prevent money laundering and the financing of terrorism. It also defines the scope of entities obliged to register above-threshold (in excess of €15,000) and suspicious transactions and their specific duties with regard to gathering and disclosing information. Reports on both kinds of transactions are required to be filed with the Polish General Inspector of Financial Information, who analyses them and in cases of justified suspicion that a given transaction constitutes a crime, passes information to a prosecutor along with relevant documents. BZWBK has made the organisational and procedural arrangements to ensure compliance with the requirements under the Act. In June 2009, the Polish Parliament adopted amendments to the Act which brought the national legislation into full compliance with the third EU Anti-Money Laundering Directive, allowing the obligated institutions to adjust their internal procedures before being fully enforceable as of April 2010. The required organisational and procedural measures have been implemented across BZWBK to ensure compliance with these legal requirements.

4.9 Data protection law

The Act on Personal Data Protection of 1997, as amended, determines the principles of personal data processing and the rights of natural persons whose data are or can be processed as a part of a data filing system. Under the Act, data controllers are obliged to conform to a number of technical and formal requirements, which include measures to protect the personal data, maintenance of appropriate documentation and a list of persons authorised to carry out the processing. The law is enforced by the Polish Bureau of Inspector General for Protection of Personal Data (GIODO), which, among other duties, maintains a central registry of databases in which personal data is processed. Registration details include the name and address of the data controller, the scope and purpose of the data processing, methods of collection and disclosure, and the security measures. BZWBK complies with the data protection requirements and submits relevant notifications to the Inspector General for Protection of Personal Data.

4.10 Corporate Governance

In July 2007, the WSE adopted the new corporate governance rules compiled in the “Best Practices of WSE Listed Companies”. This includes the Best Practices. The new Best Practices have been effective since 1 January 2008 and superseded the “Best Practices in Public Companies 2005”. The Best Practices were then subsequently amended on 19 May 2010 with effect as of 1 July 2010. They aim at enhanced transparency of listed companies, improved communication with investors and strengthened protection of stockholders’ rights. BZWBK observes corporate governance rules and issues annual reports including statements of compliance along with the required corporate governance information.

5 United States

5.1 Nature of the AIB Group’s activities

AIB conducts operations in the United States directly and also indirectly through its shareholding in M&T. These direct and indirect activities require AIB and its affiliates to comply with a range of US federal and state laws.

5.2 Applicable federal and state banking laws and regulations

The US International Banking Act of 1978 imposes limitations on the types of business that may be conducted by AIB in the United States and on the location and expansion of banking operations in the United States. Because of its 22.4 per cent. shareholding in M&T, AIB is a bank holding company within the meaning of the BHCA and is subject to regulation by the Federal Reserve. As a bank holding company that has not elected to be a “financial holding company” under the BHCA, AIB is generally required to limit its direct and indirect activities in the United States to banking activities and activities that the Federal Reserve has determined to be “so closely related to banking as to be a proper incident thereto.” AIB is also required to obtain the prior approval of the Federal Reserve before acquiring, directly or indirectly, the ownership or control of more than 5 per cent. of any class of voting stock of any US bank or bank holding company and before engaging in, directly or indirectly, certain nonbanking activities.

A fundamental principle underlying the Federal Reserve’s supervision and regulation of bank holding companies is that a bank holding company should act as a source of financial strength to, and commit resources to support, each of its subsidiary banks. Subsidiary banks are in turn to be operated in a manner that protects the overall soundness of the institution and the safety of deposits. While M&T is the first tier holding company for this purpose, AIB also has responsibility for acting as a source of financial strength and support with respect to M&T and its subsidiaries.

The business and activities of M&T and its subsidiaries are subject to regulation by state and federal bank regulatory agencies. Furthermore, there are regulatory limitations on the amount of dividends the banking subsidiaries of M&T may pay without prior regulatory approval. The banking regulators may prohibit the payment of any dividend which would constitute an “unsafe or unsound practice”.

In addition to its indirect operations in the United States through M&T, AIB conducts corporate lending, treasury and other operations directly through various offices in major US cities. In December 2003, AIB sold the retail business at its New York branch to Atlantic Bank of New York. However, AIB maintains its licence for the New York branch and is authorised to conduct certain corporate lending, treasury and other operations. Therefore, the New York branch is still subject to supervision, regulation and periodic examination by the New York State Banking Department and the Federal Reserve. Acting through its various US offices, AIB is subject to a variety of federal and state banking and other laws.

Anti-money laundering, anti-terrorism and economic sanctions regulations have become a major focus of US government policy relating to financial institutions and are rigorously enforced. Regulations applicable to AIB and its affiliates impose obligations to maintain appropriate policies, procedures, and controls to detect, prevent and report money laundering. In particular, Title III of the USA PATRIOT Act, as amended, requires financial institutions operating in the United States to (i) give special attention to correspondent and payable-through bank accounts, (ii) implement enhanced due diligence, and “know your customer” standards for private banking and correspondent banking relationships, (iii) scrutinise the beneficial ownership and activity of certain non-US and private banking customers (especially for so-called politically exposed persons) and (iv) develop new anti-money laundering programs, due diligence policies and controls to ensure the detection and reporting of money laundering. Such required compliance programs are intended to supplement any existing compliance programs for purposes of requirements under the Banks Secrecy Act and OFAC regulations.

OFAC administers and enforces economic and trade sanctions against targets such as foreign countries, terrorists, and international narcotics traffickers to carry out US foreign policy and national security objectives. Generally, the regulations require blocking of accounts and other property of specified countries, entities and individuals, and the prohibition of certain types of transactions (unless OFAC issues a licence) with specified countries, entities and individuals. Banks, including US branches of foreign banks, are expected to establish and maintain appropriate OFAC compliance programmes to ensure compliance with OFAC regulations.

Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing could have serious legal and reputational consequences for the institution.

5.3 Applicable federal and state securities laws and regulations

AIB’s ordinary shares are listed on the New York Stock Exchange in the form of American Depositary Shares which are registered with the SEC. Like other registrants, AIB files reports required under the Exchange Act and other information with the SEC, including Annual Reports on Form 20-F and Current Reports on Form 6-K. On 30 July 2002, the President of the United States signed into law the Sarbanes-Oxley Act. The Sarbanes-Oxley Act imposes significant requirements on AIB and other SEC registrants. These include requirements with respect to the composition of AIB’s Audit Committee, the supervision of AIB’s auditors (and the services that may be provided by such auditors), and the need for personal certification by the chief executive officer and chief (principal) financial

officer of Annual Reports on Form 20-F, as well as the financial statements included in such reports and related matters.

Although subject to such requirements, the Exchange Act and related SEC rules and regulations afford foreign private issuers, including AIB, relief from a number of requirements applicable to US registrants and, in certain respects, defers to the home country requirements of the company in question. AIB's Annual Reports on Form 20-F include disclosure of significant executive compensation and other disclosures applicable to AIB under Irish law, but these disclosures are not fully comparable with disclosure requirements applicable to US registrants. In addition, the SEC's rules under the Sarbanes-Oxley Act are, in some respects, less burdensome on AIB and other foreign private issuers than they are on similarly situated US registrants. AIB's Annual Reports on Form 20-F also reflect compliance with the internal control and auditor attestation requirements applicable to AIB by virtue of Section 404 of the Sarbanes-Oxley Act.

5.4 Certain measures related to the recent financial crisis

On 3 October 2008, in response to the global financial crisis, the President of the United States signed into law the EESA, a statute which, among other things, gave the Treasury Secretary the authority to establish the TARP, which is designed to purchase, and to make and fund commitments to purchase, "troubled assets" from financial institutions, which, with certain limitations, may include US branches of foreign banking organisations. The FDIC has implemented a TLGP with two components, the DGP, under which the FDIC guarantees the payments of certain newly-issued senior unsecured debt, and the Transaction Account Guarantee Program, under which the FDIC guarantees certain non-interest bearing transaction accounts. Eligible entities include, among others, FDIC-insured depository institutions (excluding, in the case of the DGP, FDIC-insured branches of foreign banks) and any US bank holding company or financial holding company that controls at least one chartered and operating insured depository institution. Additional programmes have been established by the Federal Reserve Banks, such as the AMLF and the CPFF. Under the AMLF, eligible borrowers, including US branches and agencies of foreign banks, may borrow funds from the AMLF in order to fund the purchase of eligible asset backed commercial paper from a money market mutual fund under certain conditions. The CPFF is designed to provide a liquidity backstop through a special purpose vehicle that purchases three-month unsecured and asset-backed commercial paper directly from US issuers, including US issuers with a foreign parent company.

Under the authority of EESA, the US Treasury instituted a voluntary CPP to encourage US financial institutions to build capital to increase the flow of financing to US businesses and consumers and to support the US economy. Under the programme, the US Treasury has been purchasing senior preferred shares of financial institutions which will pay cumulative dividends at a rate of 5 per cent. per year for five years and thereafter at a rate of 9 per cent. per year. The terms of the senior preferred shares, as amended by the American Recovery and Reinvestment Act of 2009, provide that shares may be redeemed, in whole or in part, at par value plus accrued and unpaid dividends upon approval of the US treasury and the participating institution's primary regulator. The senior preferred shares are non-voting and qualify as Tier 1 Capital for regulatory reporting purposes. In connection with purchasing senior preferred shares, the US Treasury also receives warrants to purchase the common stock of participating financial institutions having a market price of 15 per cent. of the amount of senior preferred shares on the date of investment with an exercise price equal to the market price of the participating institution's common stock at the time of approval, calculated on a 20-trading day trading average. The warrants have a term of ten years and are immediately exercisable, in whole or in part. For a period of three years, the consent of the US Treasury will be required for Participating Institutions to increase their common stock dividend or repurchase their common stock, other than in connection with benefit plans consistent with past practice. Participation in the CPP also includes certain restrictions on executive compensation. The minimum subscription amount available to a participating institution is 1 per cent. of total risk-weighted assets. The maximum subscription amount is 3 per cent. of risk-weighted assets.

These recent initiatives primarily affect AIB indirectly through its ownership interest in M&T, which has elected to participate in the TLGP and in the CPP. M&T elected to participate in the CPP at an amount equal to approximately 1 per cent. of its risk-weighted assets at the time. Pursuant to that election, on 23 December 2008, M&T issued to the US Treasury US\$600 million of Series A Preferred Stock and warrants to purchase 1,218,522 shares of M&T common stock at US\$73.86 per share.

In the wake of the global financial crisis, the Obama administration and others have proposed a number of initiatives to change the supervision and regulation of the US financial services industry. Both the US House of Representatives and the US Senate have considered measures in the form of various legislative proposals. In December 2009, the US House of Representatives passed a bill entitled the Wall Street Reform and Consumer Protection Act. The Restoring American Financial Stability Act of 2010, was passed in the US Senate in May 2010. A reconciled version of the House of Representatives and Senate proposals was passed by the House of Representatives on 30 June 2010, passed by the Senate on 15 July 2010, and signed into law by the President on 22 July 2010. The new law, amongst other things, imposes certain limitations on banks engaging in proprietary trading activities, increases regulation of the over-the-counter derivatives market, establishes a consumer protection agency and sets up measures for the US government to wind down failing financial firms. In addition, the legislation also delegates authority to US banking and securities regulators to adopt rules imposing additional restrictions. For example, US banking regulators are authorised to, amongst other things, require banks and their holding companies to hold more capital and limit risky activities. The rulemaking process will take place over the process of months and, in some cases, years, and it is uncertain what the final form of the rules will be or whether any rules will be adopted in 2010.

6 Other locations

Smaller operations are undertaken in other locations that are also subject to the regulatory environment in those jurisdictions.

PART IV

OVERVIEW OF BUSINESS PERFORMANCE AND OPERATING AND FINANCIAL REVIEW

1 Business performance and operating and financial review

A review of AIB's financial condition and operating results for the six months ended 30 June 2010 and 2009 can be found on the following pages of its Half-Yearly Financial Report 2010 and is incorporated by reference herein:

Pages 3-32

A review of AIB's financial condition and operating results for the years ended 31 December 2009, 2008 and 2007 can be found on the following pages of its Annual Report 2009 and is incorporated by reference herein:

Pages 24-50

Additional key information on AIB's financial condition and operating results for the years ended 31 December 2009, 2008 and 2007 can be found on the following pages of its Annual Report 2009 and is incorporated by reference herein:

Pages 24-62

A review of AIB's risk management practices can be found on the following pages of its Annual Report 2009 and is incorporated by reference herein:

Pages 63-99

See Part X ("*Documentation Incorporated by Reference*") of this Prospectus for further details about information that has been incorporated by reference into this Prospectus.

2 Commentary on the Group's continuing operations as at and for the six months ended 30 June 2010

On 30 March 2010, following publication of the PCAR, the Group announced that its investments in AIB Group (UK) p.l.c., BZWBK and M&T were for sale, and subsequently decided to dispose of BACB. See paragraph 5 of Part II ("*Information on the Group*") for further details on these disposals. Accordingly, as described in the "Basis of presentation" on page 33 and in note 14 on pages 55 to 58 of the Half-Yearly Financial Report 2010 (which is incorporated by reference herein), AIB Group (UK) p.l.c., BZWBK, M&T and BACB are treated as discontinued operations for the six months ended 30 June 2010 in the Half-Yearly Financial Report 2010.

The continuing group constitutes the businesses AIB will continue to operate following the planned disposals: AIB Bank RoI division, the Capital Markets division and AmCredit within the Central and Eastern Europe division. In addition, the results of the Group's continuing operations do not include the results of BZWBK wholesale treasury and certain of BZWBK investment banking subsidiaries which were historically reported in the Capital Markets division.

2.1 Commentary on the results of the Group's continuing operations for the six months ended 30 June 2010 and 30 June 2009

The commentary on the Group's income statement included in the Half-Yearly Financial Report 2010 was prepared on a total Group basis, including discontinued operations. The presentation of the commentary on a total Group basis reflects the fact that AIB's Group Executive Committee, as AIB's chief operating decision maker, relies primarily on the management accounts to assess the performance of AIB's business and make decisions about resource allocations. The Group Executive Committee continued to review the income statement and segmental performance of the Group on the total Group basis at 30 June 2010, and will continue to do so until such businesses are sold.

In order to provide key additional information regarding the results of the Group's continuing operations, this paragraph 2.1 sets out commentary on the Group's income statement for its continuing operations for the six months ended 30 June 2010 as compared to the six months ended 30 June 2009.

Summary income statement (unaudited) from continuing operations only

	For the six months ended 30 June	
	2010	2009 ⁽¹⁾
	(€ million) (Unaudited)	
Net interest income	851	1,290
Other income	(466)	885
Total operating income	385	2,175
Total operating expenses	717	746
Operating (loss)/profit before provisions	(332)	1,429
Provisions for impairment of loans and receivables	2,092	2,120
Amounts written off financial investments available for sale	3	22
Operating loss	(2,427)	(713)
Associated undertakings	27	(7)
Profit on disposal of property	37	12
Construction contract income	—	1
Loss before taxation from continuing operations	(2,363)	(707)
Income tax from continuing operations	(329)	(97)
Loss after taxation from continuing operations	<u>(2,034)</u>	<u>(610)</u>

Note:

(1) As described in the “Basis of presentation” on page 33 and in note 14 on pages 55 to 58 of the Half-Yearly Financial Report 2010, AIB Group (UK) p.l.c., BZWBK, M&T and BACB are treated as discontinued operations for the six months ended 30 June 2010. Discontinued operations are presented in the income statement for the six months ended 30 June 2010 as a separate line item, comprising the total of the post tax profit or loss of the discontinued operations for the period together with any post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on disposal of the assets/disposal groups. The comparatives for the six months ended 30 June 2009 were represented in the Half-Yearly Financial Report 2010, to reflect this treatment.

On a continuing operations basis, the Group reported a loss after taxation of €2,034 million in the half-year to June 2010, compared with a loss after taxation of €610 million in the half-year to June 2009. Total operating income in the half-year to June 2010 of €385 million included a loss of €956 million on the transfer of the first tranche of assets to NAMA. Excluding this loss, total operating income was €1,341 million compared with €2,175 million in the half-year to June 2009.

Net interest income for continuing operations in the half-year to June 2010 was €851 million compared with €1,290 million in the half-year to June 2009, a decrease of €439 million or 34 per cent. This reduction reflected the impact of the cost of the ELG Scheme (€93 million), higher funding costs and lower deposit income.

	For the six months ended 30 June 2010			For the six months ended 30 June 2009
	Total	NAMA loss	Total excluding NAMA loss	
			(€ million) (Unaudited)	
Other income – continuing operations				
Dividend income	1	—	1	2
Fee and commission income	258	—	258	283
Fee and commission expense	(55)	—	(55)	(67)
Net trading (loss)/income	(148)	—	(148)	32
Gain on redemption of subordinated liabilities and other capital instruments	372	—	372	623
Loss on disposal of financial instruments held for sale to NAMA	(956)	(956)	—	—
Other operating income	62	—	62	12
Total other income	(466)	(956)	490	885

Other income included a gain of €372 million for the six months ended 30 June 2010 on the capital exchange offering completed in March 2010 and €623 million for the six months ended 30 June 2009 on the capital exchange offering completed in June 2009. Excluding these gains, and the loss on disposal of AIB’s NAMA Assets, other

income was €118 million compared with €262 million for the six months ended 30 June 2009; the reduction reflects lower business volumes, and an adverse trading out-turn in 2010 compared to 2009 within the continuing businesses.

	For the six months ended 30 June 2010	For the six months ended 30 June 2009
	<i>(€ million)</i> <i>(Unaudited)</i>	
Operating expenses – continuing operations		
Personnel expenses	443	482
General and administrative expenses	216	205
Depreciation/impairment and amortisation ⁽¹⁾	<u>58</u>	<u>59</u>
Total operating expenses	<u>717</u>	<u>746</u>

Note:

(1) Depreciation of property, plant and equipment, impairment and amortisation of intangible assets.

Operating expenses of €717 million for continuing operations for the six months ended 30 June 2010 compare with €746 million for the six months ended 30 June 2009, a reduction of €29 million or 4 per cent. This decrease is notwithstanding the costs related to NAMA and reflects lower staff numbers and ongoing management of all discretionary spend.

Provisions for impairment of loans and receivables of €2.1 billion for the six months ended 30 June 2010 in continuing operations were broadly in line with the same period in 2009. The six months ended 30 June 2010 included €1.2 billion of provisions relating to loans held for sale to NAMA.

The movements in income statement line items for continuing operations largely reflect the trends of AIB Bank RoI, Capital Markets and Group divisions apart from the contribution of M&T which has been presented as a discontinued operation. Commentaries on these divisions are detailed on pages 24 to 27 and on page 32 of the Half-Yearly Financial Report 2010, which is incorporated by reference herein.

2.2 Profile and trends of the non-NAMA loan portfolio of the Group’s continuing operations

This paragraph 2.2 sets out information with regard to the loans and receivables to customers for the Group’s continuing operations as at 30 June 2010 and 31 December 2009. This information relates to AIB Bank RoI division, Capital Markets division and AmCredit within the Central and Eastern Europe division. This will constitute the continuing group after the proposed disposals that were previously announced and as such represents certain key information with regard to the loan portfolio of the continuing AIB Group and on its performance.

Gross Loans

The following table is an analysis of loans and receivables to customers by sector set out by geographic location and by division as at 30 June 2010. The geographic information in this table has been extracted from Note 22 on pages 72 to 77 of the Half-Yearly Financial Report 2010 while the divisional information has been extracted from the Company's management records.

	Geographic Location ⁽¹⁾				Division				
	Republic of Ireland	United Kingdom	United States of America	Rest of the World	Total	AIB Bank RoI	Capital Markets	Central & Eastern Europe	Total
	(€ million) (Unaudited)								
Agriculture	2,013	—	3	—	2,016	1,862	154	—	2,016
Energy	879	321	239	144	1,583	112	1,471	—	1,583
Manufacturing	2,883	604	125	243	3,855	833	3,022	—	3,855
Construction and property	16,018	1,151	770	620	18,559	12,839	5,720	—	18,559
Distribution	8,171	838	150	72	9,231	5,635	3,596	—	9,231
Transport	898	696	77	—	1,671	377	1,294	—	1,671
Financial	1,585	354	71	—	2,010	145	1,865	—	2,010
Other services	4,746	1,210	919	103	6,978	2,628	4,350	—	6,978
Personal									
— Home mortgages	27,975	72	—	82	28,129	27,127	920	82	28,129
— Other	5,803	37	—	—	5,840	5,754	86	—	5,840
Lease financing	838	37	—	—	875	612	263	—	875
	71,809	5,320	2,354	1,264	80,747	57,924	22,741	82	80,747
Unearned income	(124)	(19)	(8)	(1)	(152)	(81)	(71)	—	(152)
Provisions	(2,792)	(147)	(20)	(28)	(2,987)	(2,588)	(383)	(16)	(2,987)
Total	68,893	5,154	2,326	1,235	77,608	55,255	22,287	66	77,608

Note:

(1) The geographic location attributable to the loan is that of the location of the AIB office recording the transaction.

The following table is an analysis of loans and receivables to customers by sector set out by geographic location and by division as at 31 December 2009. This information has been extracted from the Company's management records.

	Geographic Location ⁽¹⁾				Division				
	Republic of Ireland	United Kingdom	United States of America	Rest of the World	Total	AIB Bank RoI	Capital Markets	Central & Eastern Europe	Total
	(€ million) (Unaudited)								
Agriculture	2,016	41	3	—	2,060	1,871	189	—	2,060
Energy	844	283	435	23	1,585	88	1,497	—	1,585
Manufacturing	3,108	581	161	206	4,056	823	3,233	—	4,056
Construction and property	16,099	978	904	441	18,422	12,843	5,579	—	18,422
Distribution	8,227	820	176	58	9,281	5,577	3,704	—	9,281
Transport	979	492	69	43	1,583	403	1,180	—	1,583
Financial	1,404	359	54	22	1,839	151	1,688	—	1,839
Other services	4,702	1,056	724	213	6,695	2,795	3,900	—	6,695
Personal									
— Home mortgages	27,817	59	—	90	27,966	27,003	873	90	27,966
— Other	6,252	41	—	—	6,293	6,045	248	—	6,293
Lease financing	923	28	—	—	951	682	269	—	951
	72,371	4,738	2,526	1,096	80,731	58,281	22,360	90	80,731
Unearned income	(123)	—	(8)	(2)	(133)	(90)	(43)	—	(133)
Provisions	(2,116)	(118)	(8)	(30)	(2,272)	(1,934)	(319)	(19)	(2,272)
Total	70,132	4,620	2,510	1,064	78,326	56,257	21,998	71	78,326

Note:

(1) The geographic location attributable to the loan is that of the location of the AIB office recording the transaction.

Gross loans for the continuing group have remained at similar levels for both period ends.

Construction and property

The following table further analyses the exposure by division and portfolio sub-sector for the construction and property loans as at 30 June 2010. The information in the table has been extracted from note 22 on pages 72 to 77 of the Half-Yearly Financial Report 2010.

	As at the six months ended 30 June 2010			Total ⁽¹⁾
	AIB Bank RoI	Capital Markets	Central & Eastern Europe	
	(€ million) (Unaudited)			
Investment				
Commercial investment	7,117	4,822	—	11,939
Residential investment	1,653	544	—	2,197
	<u>8,770</u>	<u>5,366</u>	—	<u>14,136</u>
Development				
Commercial development	1,167	156	—	1,323
Residential development	2,297	165	—	2,462
	<u>3,464</u>	<u>321</u>	—	<u>3,785</u>
Contractors	605	33	—	638
Total	<u>12,839</u>	<u>5,720</u>	—	<u>18,559</u>

The following table further analyses the exposure by division and portfolio sub-sector for the construction and property loans as at 31 December 2009. The information for AIB Bank RoI and Capital Markets included in the table below has been extracted from a table in note 22 on pages 72 to 77 of the Half-Yearly Financial Report 2010. The table has been modified to exclude discontinued operations.

	As at the year ended 31 December 2009			Total ⁽¹⁾
	AIB Bank RoI	Capital Markets	Central & Eastern Europe	
	(€ million) (Unaudited)			
Investment				
Commercial investment	7,064	4,607	—	11,671
Residential investment	1,610	525	—	2,135
	<u>8,674</u>	<u>5,132</u>	—	<u>13,806</u>
Development				
Commercial development	1,138	228	—	1,366
Residential development	2,364	184	—	2,548
	<u>3,502</u>	<u>412</u>	—	<u>3,914</u>
Contractors	667	35	—	702
Total	<u>12,843</u>	<u>5,579</u>	—	<u>18,422</u>

Note:

(1) Certain customer relationships span the portfolio sub-sectors and accordingly an element of management estimation has been applied in this sub categorisation.

Loans for property investment comprise loans for investment in commercial, retail, office and residential property (the majority of these loans are underpinned by cash flows from lessees as well as the investment property collateral). Commercial investment by its nature has a strong element of tenant risk.

Further, within its property investment exposures AIB Bank RoI's commercial investment exposure of €7,117 million as at 30 June 2010 is spread across the following property types: 39 per cent. retail; 27 per cent. office; 8 per cent. industrial; and 26 per cent. mixed. The €4,822 million of commercial investment exposure in the Capital Markets division is spread across the following property types: 26 per cent. retail; 47 per cent. office; 3 per cent. industrial; and 24 per cent. mixed. AIB Bank RoI's and the Capital Markets division's commercial investment exposure as at 31 December 2009 was broadly in line with the foregoing.

Construction and property loans for the continuing group have remained at similar levels for both period ends.

Criticised Loans by Division

The following tables show the criticised loans by division, as at 30 June 2010 and as at 31 December 2009, which include watch, vulnerable and impaired loans and are defined below. The information for AIB Bank RoI and Capital Markets included in the tables below has been extracted from tables on pages 12 and 13 of the Half-Yearly Financial Report 2010. However, these tables have been modified to exclude discontinued operations. The information for Central & Eastern Europe reflects the criticised loans for AmCredit and is extracted from the Company's management records.

Watch: credit exhibiting weakness but with the expectation that existing debt can be fully repaid from normal cashflows.

Vulnerable: credit where repayment is in jeopardy from normal cashflow and maybe dependent on other sources.

Impaired: a loan is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a loss event) and that loss event (or events) has an impact such that the present value of future cashflows is less than the current carrying value of the financial asset or group of assets i.e. requires a provision to be raised through the income statement.

As at the six months Ended 30 June 2010					
	<u>Watch loans</u>	<u>Vulnerable loans</u>	<u>Impaired loans</u>	<u>Total criticised loans</u>	<u>% of total divisional non-NAMA gross loans</u>
			(€ million) (Unaudited)		
AIB Bank RoI	6,143	4,838	5,899	16,880	29.1
Capital Markets	339	359	644	1,342	5.9
Central & Eastern Europe	—	4	36	40	49.0
	<u>6,482</u>	<u>5,201</u>	<u>6,579</u>	<u>18,262</u>	<u>22.6</u>

As at the year ended 31 December 2009					
	<u>Watch loans</u>	<u>Vulnerable loans</u>	<u>Impaired loans</u>	<u>Total criticised loans</u>	<u>% of total divisional non-NAMA gross loans</u>
			(€ million) (Unaudited)		
AIB Bank RoI	6,230	3,418	4,506	14,154	24.2
Capital Markets	241	411	559	1,211	5.4
Central & Eastern Europe	—	5	42	47	52.2
	<u>6,471</u>	<u>3,834</u>	<u>5,107</u>	<u>15,412</u>	<u>19.1</u>

AIB Bank RoI criticised loans have increased by €2.7 billion as at 30 June 2010, from €14.2 billion as at 31 December 2009, largely in the vulnerable and impaired categories with the main sectors impacted being the property investment, retail/wholesale, other services and personal sectors. Property sector loans account for 40 per cent. of the divisional criticised loans. The level of arrears in residential mortgages, which impacts the level of criticised loans, are 3.21 per cent. of the RoI book for 90+ days past due. Arrears on the buy-to-let portion of the RoI book are 5.92 per cent. compared to 2.12 per cent. for owner occupied mortgages. See page 12 of the Half-Yearly Financial Report 2010 for corresponding information for the year ended 31 December 2009.

Capital Markets criticised loans increased marginally during the six months ended 30 June 2010 by €0.1 billion compared to the position at 31 December 2009.

Provision for impairment

The following table sets out the provision for impairment of loans and receivables to customers by geographic location, by industry sector and by division of the Group's continuing operations as at 30 June 2010. The geographic location information in this table has been extracted from note 23 on pages 78 to 80 of the Half-Yearly Financial Report 2010, while the divisional information has been extracted from the Company's management records.

	Geographic Location ⁽¹⁾				Total	Division			Total
	Republic of Ireland	United Kingdom	United States of America	Rest of the World		AIB Bank RoI	Capital Markets	Central & Eastern Europe	
					(€ million)				
					(Unaudited)				
Agriculture	62	—	—	—	62	62	—	—	62
Energy	4	—	—	—	4	2	2	—	4
Manufacturing	83	—	2	7	92	53	39	—	92
Construction and property . .	839	49	10	—	898	788	110	—	898
Distribution	421	36	2	5	464	420	44	—	464
Transport	27	9	4	—	40	27	13	—	40
Financial	36	33	—	—	69	4	65	—	69
Other services	140	20	—	—	160	125	35	—	160
Personal									
— Home mortgages	122	—	—	10	132	106	16	10	132
— Other	407	—	—	—	407	398	9	—	407
Leasing financing	93	—	—	—	93	93	—	—	93
Specific	2,234	147	18	22	2,421	2,078	333	10	2,421
IBNR	558	—	2	6	566	510	50	6	566
Total	2,792	147	20	28	2,987	2,588	383	16	2,987

Note:

(1) The geographic location attributed to the loan is that of the location of the AIB office recording the transaction.

The following table sets out the provision for impairment of loans and receivables to customers by geographic location, by industry sector and by division of the Group's continuing operations as at 31 December 2009. The information has been extracted from the Company's management records.

	Geographic Location ⁽¹⁾				Total	Division			Total
	Republic of Ireland	United Kingdom	United States of America	Rest of the World		AIB Bank RoI	Capital Markets	Central & Eastern Europe	
					(€ million)				
					(Unaudited)				
Agriculture	44	—	—	—	44	44	—	—	44
Energy	4	—	—	—	4	1	3	—	4
Manufacturing	58	11	—	6	75	29	46	—	75
Construction and property . .	557	45	2	—	604	516	88	—	604
Distribution	286	22	—	5	313	286	27	—	313
Transport	20	—	—	—	20	20	—	—	20
Financial	48	23	—	—	71	4	67	—	71
Other services	90	17	4	—	111	84	27	—	111
Personal									
— Home mortgages	81	—	—	13	94	75	6	13	94
— Other	303	—	—	—	303	298	5	—	303
Leasing financing	67	—	—	—	67	67	—	—	67
Specific	1,558	118	6	24	1,706	1,424	269	13	1,706
IBNR	558	—	2	6	566	510	50	6	566
Total	2,116	118	8	30	2,272	1,934	319	19	2,272

Note:

(1) The geographic location attributed to the loan is that of the location of the AIB office recording the transaction.

Provision for impairment of loans for the continuing group as at 30 June 2010 has increased as compared to 31 December 2009 due to increases in the AIB Bank ROI division primarily in the construction and property sector.

3 Current trading and outlook

On 4 August 2010, AIB released its Half-Yearly Financial Report 2010 (which is incorporated by reference herein) containing a condensed set of financial statements and an interim management report, which includes a review of the important events that have occurred during the six months ended 30 June 2010 and their impact on the condensed consolidated financial statements and the principal risks and uncertainties affecting AIB for the remaining months of 2010. This also includes some key operating business targets over the next three years.

Trading conditions since 30 June 2010 with respect to AIB's margins and funding remain substantially the same as those experienced in the second quarter of 2010. Asset quality remains challenging, with no significant trends beyond those evident during the six months ended 30 June 2010. In addition, an estimated after tax loss attributable to Shareholders was realised on the transfer of the second tranche of NAMA Assets by AIB on 12 July 2010, as referred to in Part VII ("*Unaudited Pro Forma Financial Information*") of this Prospectus.

4 Working capital

The global markets for short and medium-term sources of funding on which banks rely to support their business activities remain constrained. As a result, support by the Minister for Finance to directly supplement existing sources of funding and create the environment for an improvement in the availability of other traditional sources of funding remains necessary. Due to the uncertainty surrounding the implementation and/or continuation of the Government schemes, the Financial Regulator has agreed that a statement regarding the adequacy of working capital for at least the next 12 months should not be required in this Prospectus. There is, therefore, no working capital statement in this Prospectus.

PART V

CAPITALISATION AND INDEBTEDNESS

1 Capitalisation and indebtedness

The following table sets out the AIB Group's total capitalisation and indebtedness as at 30 June 2010. The information contained in this table is extracted from the Half-Yearly Financial Report 2010, except as otherwise noted. Please read this table together with the financial statements and the notes to those financial statements incorporated by reference in this Prospectus.

	As at 30 June 2010 <i>(Unaudited)</i> <i>(€ million)</i>
Share capital – authorised⁽¹⁾	
Ordinary Shares at €0.32 each	595
Preference shares ⁽²⁾	1,263
	<u>1,858</u>
Share capital – allotted, called up and fully paid	
Ordinary Shares at €0.32 each	357
Preference shares	35
Reserves	8,438
Total owners' equity	<u>8,830</u>
Non-controlling interests ⁽³⁾	636
Total shareholders' equity including non-controlling interests	<u>9,466</u>
Group indebtedness	
Perpetual preferred securities ⁽⁴⁾	140
Undated loan capital	207
Dated loan capital	4,122
Total subordinated liabilities	4,469
Debt securities in issue ⁽⁵⁾	27,965
Total indebtedness ⁽⁶⁾	<u>32,434</u>
Total capitalisation and indebtedness	<u>41,900</u>

There has been no material change in the total capitalisation and indebtedness of the Group since 30 June 2010.

Notes:

- (1) See paragraph 3 of Part IX ("Additional Information") for further detail regarding the authorised share capital.
- (2) As at 30 June 2010, the authorised preference share capital of the Group was €289,000,000, \$500,000,000, £200,000,000 and ¥35,000,000,000, consisting of 3,500,000,000 2009 Preference Shares, 200,000,000 Euro Preference Shares, 20,000,000 Dollar Preference Shares, 200,000,000 Sterling Preference Shares and 200,000,000 Yen Preference Shares.
- (3) These represent the minority interests in BZWBK together with the residual amount outstanding on the LPI Securities.
- (4) These represent the residual amount outstanding on the LP2 Securities and the LP3 Securities.
- (5) €2,765 million of the debt securities in issue are issued under the AIB Mortgage Bank covered bond programme. €1,753 million of the debt securities in issue are issued by Allied Irish Banks North America Inc., and guaranteed by Allied Irish Banks, p.l.c., the remaining debt securities in issue are issued directly by Allied Irish Banks, p.l.c. With the exception of the €2,765 million securities issued under the AIB Mortgage Bank covered bond programme, none of the debt securities in issue is secured.
- (6) With the exception of the undated loan capital, the perpetual preferred securities and the liabilities under the AIB Bank covered bond programme, the indebtedness is subject to various Governmental guarantee schemes, details of which are set out in paragraph 2.2 below.

2 Capital resources

2.1 Capital resources

AIB's policy is to maintain adequate capital resources at all times, having regard to the nature and scale of its business and the risks inherent in its operations. The Group is focused on managing its balance sheet efficiently.

The Board reviews and approves the Group's capital plan on an annual basis. The capital plan identifies the amount and type of capital that the Group requires to support its business strategy and to comply with regulatory requirements, taking into account the results of stress testing in order to arrive at and maintain the Group's desired capital profile. Stress testing, in the context of capital planning, is a technique used to evaluate the potential effect on

an institution's capital adequacy of a specific event or movement in a set of economic variables, and focuses on exceptional but plausible events. This means that the Group's capital requirement can increase significantly during an economic stress despite a decrease in nominal exposures.

The Group manages its capital resources through an Internal Capital Adequacy Assessment Process known as "ICAAP". The overarching principle of ICAAP is the explicit link between capital and risk, and in the application of this approach the adequacy of the Group's capital is assessed on the basis of the risks to which it is exposed. This requires a clear assessment of the material risk profile of the Group, and a consideration of the extent to which identified risks, both individually and in aggregate, require capital to support them. In addition, the level of capital held by the Group is influenced by its target debt rating and minimum regulatory requirements. In order to assist in the management of capital, AIB also assesses both market and internal opportunities that may generate or strengthen the Group's capital position.

AIB's principal sources of capital comprise ordinary shareholders' funds and preference share capital. These sources of capital are supplemented by non-core Tier 1 instruments and Tier 2 instruments.

The following table outlines the Group's capital and key capital ratios as at 30 June 2010 and 31 December 2009. The information contained in this table is extracted from the Half-Yearly Financial Report 2010 and the Annual Report 2009. Other financial information presented in this Part V as at 30 June 2010 has been extracted from the unaudited Half-Yearly Financial Report 2010 and information as at 31 December 2009 has been extracted from the Annual Report 2009. The Pro Forma Financial Information in Part VII ("*Unaudited Pro Forma Financial Information*") of this Prospectus illustrates the effect on a pro forma basis of the transfer of the second tranche of AIB's NAMA Assets as if they had occurred on 30 June 2010.

<u>Capital adequacy information</u>	<u>As at 30 June 2010</u>	<u>As at 31 December 2009</u>
	<i>(€ million)</i>	
Core Tier 1 Capital		
Paid up share capital	392	329
Eligible reserves	8,404	9,952
Equity non-controlling interests in subsidiaries	447	437
Supervisory deductions from Core Tier 1 Capital	<u>(1,478)</u>	<u>(1,187)</u>
Core Tier 1 Capital (after deductions)	7,765	9,531
Non-Core Tier 1 Capital		
Non-equity non-controlling interests in subsidiaries	189	189
Non-cumulative perpetual preferred securities	140	136
RCI Securities	239	239
Non-core Tier 1 Capital (before deductions)	568	564
Supervisory deductions from total Tier 1	<u>(1,593)</u>	<u>(1,425)</u>
Total Tier 1 Capital (after deductions)	<u>6,740</u>	<u>8,670</u>
Upper Tier 2 Capital		
Eligible reserves	228	239
Credit provisions	553	510
Subordinated perpetual loan capital	207	189
Upper Tier 2 – sub-total	988	938
Subordinated term loan capital	4,085	4,261
Total Tier 2 before deductions	5,073	5,199
Supervisory deductions from Tier 2	<u>(1,593)</u>	<u>(1,425)</u>
Total Tier 2 after deductions	<u>3,480</u>	<u>3,774</u>

Capital adequacy information (continued)	As at 30 June 2010	As at 31 December 2009
	<i>(€ million)</i>	
Total eligible capital		
Equity Tier 1 Capital ⁽¹⁾	4,265	6,031
Tier 1 Capital	6,740	8,670
Tier 2 Capital	3,480	3,774
Supervisory deductions from Total Capital	(120)	(129)
Total Capital	10,100	12,315
Risk-weighted assets	112,679	120,380
Key capital ratios		
Equity Tier 1 Capital Ratio	3.8%	5.0%
Core Tier 1 Capital Ratio	6.9%	7.9%
Tier 1 Capital Ratio	6.0%	7.2%
Total Capital Ratio	9.0%	10.2%

Note:

(1) Excludes the €3.5 billion of Core Tier 1 2009 Preference Shares issued to the NPRFC from the Core Tier 1 Capital.

AIB is subject to the regulatory capital and the capital adequacy requirements set by the Financial Regulator. The Financial Regulator follows the provisions of the Capital Requirements Directive (comprising Directive 2006/48/EC and Directive 2006/49/EC) by applying a risk asset ratio framework to the measurement of capital adequacy. The adequacy of the Group's capital is assessed by comparing available regulatory capital resources with capital requirements expressed relative to risk weighted assets. The internationally agreed minimum Total Capital Ratio of 8 per cent. is the base standard from which the Financial Regulator has historically set the individual minimum capital ratio for banks within its jurisdiction. The minimum Tier 1 Capital Ratio set by the Financial Regulator is currently 4.0 per cent.

During 2008, as a result of continuing market uncertainty, regulators and market participants became more focused on the quality of bank capital and the key focus of capital adequacy shifted to the Core Tier 1 Capital Ratio. As a result of the increased focus on Core Tier 1 Capital, and increasing impairments and supervisory deductions arising from the deterioration in the Group's property portfolios in Ireland and the UK, the Group recognised the need to strengthen its capital position.

The Board has taken a number of key steps in order to bolster the Group's Core Tier 1 Capital position. In May 2009, AIB issued €3.5 billion of Core Tier 1 Capital preference shares under the NPRFC Investment.

In June 2009, as part of the commitment announced by AIB on 20 April 2009 to increase its Core Tier 1 Capital beyond the €3.5 billion capital increase pursuant to the NPRFC Investment by the end of 2009, the Group completed an exchange of non-Core Tier 1 Capital instruments (comprising the LPI Securities, the LP2 Securities, the LP3 Securities and the RCI Securities) and upper Tier 2 Capital instruments (comprising subordinated loan notes) for lower Tier 2 Capital instruments (comprising dated subordinated loan notes). The exchange was carried out at discounts to the nominal value but at a premium to the trading prices of the repurchased capital instruments. The discounts ranged from 33 per cent. to 50 per cent. to the nominal value of the repurchased capital instruments, resulting in a gain of approximately €1.2 billion for AIB, thereby generating additional Core Tier 1 Capital for the Group.

On 29 March 2010, AIB completed a further liability management exercise to enhance its Equity Tier 1 and Core Tier 1 Capital positions. The Group accepted offers to exchange €2.2 billion of lower Tier 2 capital instruments denominated in Euro, pounds sterling and US dollar for €1.8 billion of new lower Tier 2 capital instruments (made up of €419 million (Euro denominated), £1,096 million (pounds sterling denominated) and US\$177 million (US dollar denominated)). The exchange was carried out at a discount to the nominal value but at a premium to the trading prices of the repurchased capital instruments. The discount ranged from 9 per cent. to 26 per cent. to the nominal value of the repurchased capital instruments and the average take-up rate was 76 per cent. The liability management exercise generated a net gain of €372 million in both Equity Tier 1 Capital and Core Tier 1 Capital for AIB.

The Group has at all times been in compliance with the minimum Tier 1 Capital Ratio and Total Capital Ratio set by the Financial Regulator. As at 30 June 2010, the Group had an Equity Tier 1 Capital Ratio of 3.8 per cent., a Core Tier 1 Capital Ratio of 6.9 per cent., a Tier 1 Capital Ratio of 6.0 per cent. and a Total Capital Ratio of 9.0 per cent.

On 30 March 2010, the Financial Regulator announced the results of the PCAR of certain Irish credit institutions in the CIFS Scheme. The Financial Regulator's PCAR methodology assessed the capital requirements of AIB and certain other Irish financial institutions in the context of expected base and potential stressed losses, and other financial developments, over a three-year time horizon from 2010 to 2012.

The PCAR concluded that, in common with certain other Irish credit institutions, the target Equity Tier 1 Capital Ratio for AIB would be 7 per cent. and its target Core Tier 1 Capital Ratio would be 8 per cent. In the absence of the planned disposals and a subsequent equity fundraising to be undertaken by the end of 2010, AIB would not be able to fulfil the PCAR capital requirement determined by the Financial Regulator.

Based on the approach adopted under the PCAR review outlined above, the Financial Regulator has determined that AIB must generate €7.4 billion of equity capital in total. The capital requirement also includes a prudential buffer for additional losses projected by the Financial Regulator of approximately €1.1 billion.

In April and July 2010, AIB transferred to NAMA the first and second tranches of its NAMA Assets with a total value of €6.0 billion (being the value of the relevant NAMA Assets on a gross loan basis). In return, AIB received payment for these assets by way of NAMA Bonds (amounting to 95 per cent. of the nominal value of the consideration received) and Subordinated NAMA Bonds (amounting to 5 per cent. of the nominal value of the consideration received) with an aggregate nominal value of €3.3 billion, representing a discount of approximately 45 per cent. to the gross value of the assets transferred. AIB's NAMA Assets transferred in the first and second tranches represent approximately 29 per cent. of the total NAMA Assets expected to be transferred by AIB (being €3.3 billion of its NAMA Assets transferred in the first tranche and the remaining balance of €17.2 billion of its NAMA Assets held for sale as at 30 June 2010).

Each loan to be transferred to NAMA is to be valued in accordance with the NAMA Act on a loan-by-loan basis, in accordance with the NAMA valuation methodology, which depends on a large number of factors including loan size, loan grade, loan maturity, the nature and location of the underlying security held and the current market value of the underlying security. In addition, NAMA Assets will continue to transfer to NAMA in tranches and there may be wide variations in the size of the tranches and the actual discount rates for individual tranches. The total consideration that AIB will receive for assets that are eligible to transfer to NAMA will not be known until all such assets have transferred. If, among other factors, the total consideration received by the AIB Group is less than that assumed by the Financial Regulator in the PCAR, any future capital requirement determined by the Financial Regulator may be more than the existing PCAR requirement to generate the equivalent of €7.4 billion of new equity capital by 31 December 2010. NAMA has stated that its objective is that all assets transferring to NAMA will be transferred by 31 December 2010 and, in any event by no later than the end of February 2011.

AIB was also subject to the 2010 EU-wide stress testing exercise co-ordinated by the CEBS in co-operation with the European Central Bank and carried out under the supervision of the Central Bank and the Financial Regulator, which was additional to the PCAR undertaken by the Financial Regulator described above. The objective of the EU-wide stress test exercise was to assess the overall resilience of the EU banking sector, and the banks' ability to absorb further possible shocks on credit and market risks, including sovereign risks.

For the purposes of the CEBS stress test published on 23 July 2010, inclusive of its PCAR requirement AIB achieves a capital level in excess of the CEBS threshold of 6 per cent. Tier 1 Capital Ratio in all cases. The exercise was conducted using the scenarios, methodologies and key assumptions provided by CEBS. In completing the CEBS stress test, the Central Bank and the Financial Regulator applied higher loan loss rates to both the NAMA Assets and the non-NAMA Assets than were required by CEBS. In each of these loan categories, the relevant exposures were assessed by reference to the PCAR assumptions which resulted in a more demanding stress test than was prescribed by CEBS. As set out in the published results, under the adverse scenario, the Financial Regulator estimated the consolidated Tier 1 Capital Ratio for AIB in 2011 was 7.2 per cent., while the additional sovereign risk scenario would result in a further reduction bringing the Tier 1 Capital Ratio to 6.5 per cent. at the end of 2011.

The NAMA Participation has and will have a negative impact on the capital position of the Group as a result of the crystallisation of loan losses on AIB's NAMA Assets. Those losses will reduce the Group's Equity Tier 1 Capital, Core Tier 1 Capital, Tier 1 Capital and Total Capital, and its corresponding capital ratios. That participation will, however, result in a reduction in the Group's risk-weighted assets, which will positively affect the Group's capital ratios. Taking account of both impacts on capital, the positive benefit of reducing its risk-weighted assets will, however, be insufficient to offset the negative impact from the crystallisation of loan losses on the transfer of AIB's NAMA Assets to NAMA.

On 30 March 2010, following publication of the PCAR, AIB announced a series of capital raising initiatives to generate the necessary capital to meet the capital requirement determined by the Financial Regulator under the PCAR. These initiatives included plans to sell AIB's shareholdings in M&T and BZWBK and its UK business, which comprises "Allied Irish Bank (GB)" in Great Britain and "First Trust Bank" in Northern Ireland. Discussions in relation to these disposals are on-going. AIB has also undertaken to complete an equity capital raising prior to the end of 2010 to meet the remaining capital requirement following the planned disposals, together with any other capital raising actions taken before then. AIB also intends to dispose of its 49.99 per cent. shareholding in BACB, a Bulgarian bank. The structure, timing and terms of the equity capital raising will be further considered by the Company in conjunction with the Government. The Company's current intention is for the equity capital raising to be underwritten by international investment banks or the Government, with any residual capital requirement to be met by a conversion of some of the 2009 Preference Shares, which are held by the NPRFC, into Ordinary Shares.

If AIB's planned disposals are unsuccessful or if AIB is unable to generate a large proportion of the additional capital required from such disposals, then AIB would need to rely on the intended equity capital raising to raise a larger proportion of the additional capital required. If such capital raising has to be undertaken in unfavourable market conditions and/or such capital raising is not successful, then there would be a very significant risk that AIB would have to rely, to a greater extent, on Government support (in the form of an underwriting commitment for an equity capital raising and/or through the conversion of some of the 2009 Preference Shares into Ordinary Shares). The Board therefore believes that if AIB is unable to proceed with its planned disposals and/or the equity capital raising are unsuccessful or such actions fail to generate a large proportion of the additional capital required, then it is highly likely that such events would lead to an even greater equity investment in AIB by the Government, which would likely result in majority Government ownership and control or full nationalisation. If this were to occur, Shareholders could lose some or all of the value of their Ordinary Shares and suffer significant dilution.

2.2 Liquidity

2.2.1 Liquidity management and funding strategy

The objective of the Group's liquidity management policy is to ensure that it can at all times meet its obligations as they fall due at an economic price. The Group's funding strategy is designed to anticipate funding requirements, based upon actual and projected balance sheet movements.

This liquidity management policy and funding strategy is implemented through active monitoring of AIB's liability maturity profile, and by maintaining a stock of high-quality liquid assets, at a level considered sufficient to meet the withdrawal of deposits and to cover calls on commitments, in both normal and a range of abnormal trading conditions. In all cases, net cash outflows are monitored on a daily basis.

In accordance with internal policies, AIB actively manages the risks arising from the mismatch of assets and liabilities across its balance sheet by ensuring that it maintains a balanced spread of repayment obligations with a focus on zero to eight-day and nine-day to one-month time periods, which accords with the Financial Regulator's own requirements. The Group continues to operate within all regulatory liquidity ratios imposed on it by the Financial Regulator, and has implemented a series of internal measures that are more restrictive than the regulatory minimum levels.

AIB maintains a diversified funding base across all segments of the markets in which it operates, while focusing on minimising concentration in any single source of funding and maintaining a balance between short-term and long-term funding sources. The Group analyses the structure of its wholesale term funding and the stability of its customer deposit base. Customer deposits represent the largest source of funding, with the Group's retail franchise providing AIB with a stable and predictable source of funds.

The Group manages its funding position with continual focus on the relationship between its deposit base and its loan book through a series of measures, including the industry benchmark customer loan-to-deposit ratio. More refined measures are utilised internally that recognise the capacity of AIB to generate contingent liquidity from its loan book. See "*Government and Central bank funding and liquidity support*" below in this respect. At 31 December 2009, AIB had a customer loan-to-deposit ratio of 146 per cent. (123 per cent. excluding AIB's NAMA Assets), compared to 156 per cent. at 30 June 2009. At 30 June 2010, AIB had a customer-loan-deposit ratio of 143 per cent. (approximately 127 per cent. excluding AIB's NAMA Assets). A progressive reduction in the loan to deposit ratio is targeted by AIB.

2.2.2 Government and central bank funding and liquidity support

Challenging market conditions in 2009 resulted in a contraction of wholesale market appetite for liquidity risk. This manifested itself through a shortening of duration in available wholesale funding, leading to a contraction in the

term funding profile of many institutions, including AIB. As a consequence, AIB had to increase its use of secured funding to offset limited wholesale market access experienced in the first half of 2009. AIB decreased its use of secured funding in the latter part of 2009 as markets became less stressed.

During 2009, AIB increased its Qualifying Liquid Assets and Contingent Funding capacity through the structuring of loan portfolios into central bank eligible assets. Those initiatives helped to increase the Group's capacity to access further liquidity. Over the second half of 2009, the Group reduced its reliance on secured funding from €32.3 billion at 30 June 2009 to €24.3 billion at 31 December 2009 and over that period medium and long-term unsecured funding activity increased. The Group's secured funding levels at 30 June 2010 remained similar at €24.5 billion. As at 30 June 2010, the Group held €49 billion in Qualifying Liquid Assets and Contingent Funding.

As a result of prevailing market conditions and in line with other global financial institutions, AIB has also accessed a range of central bank liquidity facilities. The Group participates in global central bank money market repo operations as part of its normal day-to-day funding activity. These facilities are part of standard central bank operations. AIB continues to avail itself of central bank liquidity facilities as an additional source of liquidity, as required. The Group has also availed itself of certain additional liquidity schemes introduced by central banks for all market participants during the period of dislocation within the funding markets.

The Government, in acknowledging the difficulties experienced by Irish financial institutions in accessing wholesale bank markets and recognising the systemic importance of certain institutions, including AIB, to the wider Irish economy, announced the CIFS Scheme on 30 September 2008. Under the CIFS Scheme, the Minister guaranteed specific categories of liabilities for certain participating institutions (including AIB and certain of its subsidiaries) for the two-year period from 30 September 2008 to 29 September 2010. The liabilities originally covered under the CIFS Scheme comprised all retail and corporate deposits (to the extent not covered by existing deposit protection schemes), inter-bank deposits, senior unsecured debt, asset-covered securities and dated subordinated debt (lower Tier 2). Covered bonds and dated subordinated debt issued by a participating institution after the date it joined the ELG Scheme are not guaranteed by the Minister.

The Government introduced the ELG Scheme on 9 December 2009 to supplement and ultimately replace the CIFS Scheme, and AIB and certain of its subsidiaries joined that new scheme on 21 January 2010. The NTMA was appointed the ELG Scheme operator by the Minister for Finance. The ELG Scheme is intended to facilitate the ability of certain participating credit institutions in Ireland to issue debt securities and take deposits with a maturity after 29 September 2010 (being the date of expiry of the CIFS Scheme) on either a guaranteed or an un-guaranteed basis. All liabilities guaranteed under the CIFS Scheme as at the date an institution joins the ELG Scheme remain unconditionally and irrevocably guaranteed under and in accordance with the terms of the CIFS Scheme. Eligible liabilities under the ELG Scheme comprise any of the following liabilities:

- (a) all deposits (to the extent not covered by deposit protection schemes in Ireland (other than the CIFS Scheme) or in any other jurisdiction);
- (b) senior unsecured certificates of deposit;
- (c) senior unsecured commercial paper;
- (d) other senior unsecured bonds and notes; and
- (e) other forms of senior unsecured debt which may be specified by the Minister, consistent with EU state aid rules and the European Commission's Banking Communication (2008/C 270/02) and subject to prior consultation with the European Commission.

Under the ELG Scheme, eligible liabilities must not have a maturity in excess of five years and must be incurred during the period from the commencement date of the ELG Scheme to 29 September 2010 (the ELG Scheme is subject to a six-monthly review and approval by the European Commission under EU state aid rules). On 28 June 2010, following a request from the Minister, the European Commission approved a modification of the ELG Scheme to provide for a prolongation of the issuance period from 29 September 2010 to 31 December 2010 (subject to the introduction of new pricing rates for participating institutions) for (a) debt liabilities of between three months' and five years' duration (other than inter-bank deposits), (b) retail deposits of any duration up to five years and (c) corporate deposits with a maturity of between three months and five years. The statutory instruments to give effect to these extensions are not yet available. On 7 September 2010 the Minister announced that, subject to further approval by the European Commission under EU state aid rules, the ELG Scheme would also be amended to extend the "issuance window" in respect of inter-bank deposits and short-term liabilities (zero to three months) (including corporate deposits) of a participating institution, from 29 September 2010 to 31 December 2010. If European Commission approval is given for this further change, and if both this proposed change and the change approved on 28 June 2010 are implemented, the "issuance window" in respect of every eligible liability of a participating

institution under the ELG Scheme (including retail deposits over €100,000 for any duration up to five years and corporate and inter-bank deposits for any duration up to five years) would be extended from 29 September 2010 to 31 December 2010. Retail deposits of an amount up to €100,000 remain outside the ELG Scheme but continue to be guaranteed indefinitely under the Deposit Guarantee Scheme.

From the time that a participating institution joins the ELG Scheme, only covered liabilities of that participating institution (as already covered under the CIFS Scheme) in existence or contracted for prior to that time will continue to be guaranteed under the CIFS Scheme. All such existing covered liabilities at that point will remain guaranteed until 29 September 2010 under the CIFS Scheme. From the time that a participating institution joins the ELG Scheme (which, in the case of AIB ELG Covered Institutions, was 21 January 2010), any liabilities incurred or contracted for thereafter by that participating institution may be guaranteed under the ELG Scheme only.

Since the commencement of the CIFS Scheme in September 2008 and since joining the ELG Scheme in January 2010, AIB has issued a series of medium-term notes on a guaranteed basis, totalling €8.25 billion under the CIFS Scheme and €6.3 billion under the ELG Scheme. At 31 December 2009, excluding shareholders' funds, the Group's total funding liabilities of €152.6 billion were split €116.3 billion (or approximately 76 per cent. of the total funding) issued on a guaranteed basis and €36.3 billion (or approximately 24 per cent. of the total funding) issued on an un-guaranteed basis. At 30 June 2010, excluding shareholders' funds, the Group's total funding liabilities of €148.1 billion were split into €108.6 billion (or approximately 73 per cent. of the total funding) issued on a guaranteed basis and €39.5 billion (or approximately 27 per cent. of the total funding) issued on an un-guaranteed basis. Of this guaranteed amount of €108.6 billion, €24.5 billion is guaranteed under the CIFS Scheme, €62.5 billion is guaranteed under the ELG Scheme with a further €21.6 billion guaranteed under the Government deposit scheme. At 30 June 2010, 21 per cent. of the total deposits by banks, 93 per cent. of the total debt securities in issue, 88 per cent. of customer accounts and 49 per cent. of the subordinated debt was held or issued on a guaranteed basis.

The Group issued the following two senior unsecured un-guaranteed bonds in the second half of 2009: (i) €1.0 billion three-year bond issued in September 2009; and (ii) €750 million five-year bond issued in November 2009. In the first half of 2010, the Group issued term funding totalling €6.3 billion under the ELG Scheme with a significant bias towards maturities ranging from two to five years, thereby enhancing the underlying duration of its term debt funding profile. In addition, the Group has commenced a programme of issuing small quantities of shorter-term un-guaranteed commercial paper. Up to 30 June 2010, AIB had balances of €54.5 million under this un-guaranteed commercial paper programme. In addition, since 31 December 2009, the Group issued €25 million in asset covered securities on an un-guaranteed basis outside the remit of the ELG Scheme.

AIB's strategy, subject to market conditions, is to extend the duration of its funding, which would positively impact the overall profile of the Group's funding base. While AIB has been successful in accessing the un-guaranteed market for funding, it continues to rely on the continuation of the ELG Scheme and the CIFS Scheme and has continued access, if required, to certain central bank liquidity schemes. AIB will continue to access un-guaranteed sources of funds in future in order to reduce the Group's reliance on guaranteed funding.

In summary, since September 2008 the Group has been, and continues to be, heavily reliant on the CIFS Scheme, and more recently, on the ELG Scheme, and it has also availed of central bank liquidity facilities in continuing to access funding and liquidity. In 2010, AIB has reduced its reliance on central bank liquidity facilities and has availed of funds on a guaranteed and un-guaranteed basis under the ELG Scheme. On 28 June 2010, the European Commission approved a modification of the ELG Scheme to provide for a prolongation of the issuance period from 29 September 2010 to 31 December 2010 (subject to the introduction of new pricing rates) for participating institutions for (a) debt liabilities of between three months' and five years' maturity (other than inter-bank deposits), (b) retail deposits of any duration up to five years and (c) corporate deposits with a maturity of between three months and five years. The Irish statutory instruments required to give effect to the extension of the issuance period have not yet been published. Nonetheless, if both this proposed change and (subject to European Commission approval) the proposed changes announced on 7 September 2010 are implemented, they would have the combined effect that the "issuance window" in respect of every eligible liability of a participating institution under the ELG Scheme (including inter-bank deposits for any duration up to five years) would be extended from 29 September 2010 to 31 December 2010.

If the "issuance window" of the ELG Scheme is not further extended beyond 31 December 2010, the Group would likely face an increase in its reliance on short-term money market funding, which would materially increase ongoing refinancing risk. In line with its prudent funding strategy, the Group will continue to avail itself of opportunities to replace short-term funds with longer-dated liabilities.

2.2.3 The impact of NAMA on funding and liquidity

AIB has commenced transferring assets to NAMA and the terms of its NAMA Participation will have a significant positive impact on AIB's liquidity profile and funding risk. The NAMA Participation will further reduce the leverage of the Group by removing a significant number of customer loans from the balance sheet, thereby enhancing the Group's loan-to-deposit ratio. At 31 December 2009, AIB had a customer loan-to-deposit ratio of 146 per cent. (123 per cent. excluding loans held for sale to NAMA). At 30 June 2010, AIB had a customer loan-to-deposit ratio of 143 per cent. (127 per cent. excluding loans held for sale to NAMA).

As market conditions allow, AIB will access un-guaranteed sources of funds which will further reduce the level of AIB's reliance on existing Government support (including the CIFS Scheme and the ELG Scheme) and global central bank facilities.

AIB is receiving NAMA Bonds and Subordinated NAMA Bonds in consideration for the sale of its NAMA Assets to NAMA. In respect of the consideration received, 95 per cent. of the nominal value will be in the form of NAMA Bonds and 5 per cent. will be in the form of Subordinated NAMA Bonds. The NAMA Bonds provide AIB with access to additional liquidity and funding, should this be required. AIB may use the NAMA Bonds to finance its ordinary business activities, for example, by entering into liquidity-providing transactions with market counterparties, including the European Central Bank. The NAMA Bonds will materially increase the level of Qualifying Liquid Assets and Contingent Funding held by AIB. At 30 June 2010, the Group held €49 billion in Qualifying Liquid Assets and Contingent Funding, of which approximately €24.5 billion had been pledged. Following the transfer of the second tranche of AIB's NAMA Assets in July 2010, AIB has €3.1 billion of NAMA Bonds and €0.2 billion of Subordinated NAMA Bonds.

A combination of the Group's ongoing focus on de-leveraging its balance sheet, together with the positive impact of the NAMA Participation (as referred to above, resulting from (i) reducing the loan-to-deposit ratio; (ii) increasing certainty regarding the Group's loan losses through the transfer of loans to NAMA, primarily relating to land and development, leading to increased certainty regarding the level of provisions, improved wholesale market access and an improved cost of funds; and (iii) enhancing AIB's Qualifying Liquid Assets and Contingent Funding pool) will reduce AIB's overall funding and liquidity risk in the future.

2.2.4 Funding structure and profile

Sources of Funds

	Total funding as at							
	30 June 2010 ⁽⁴⁾		31 December 2009 ⁽³⁾		30 June 2009 ⁽²⁾		31 December 2008 ⁽¹⁾	
	(€ billion)							
Bank deposits –								
unsecured	8.3	5%	9.0	5%	12.7	8%	17.0	10%
Bank deposits – secured . . .	24.5	15%	24.3	15%	32.3	19%	8.6	5%
Total deposits by banks . . .	32.8	20%	33.3	20%	45.0	27%	25.6	15%
Commercial certificates of								
deposit	1.7	1%	5.4	3%	4.1	2%	15.1	9%
European medium-term								
note programme	20.1	13%	15.6	10%	12.1	7%	9.6	6%
Bonds and other medium-								
term notes	2.8	2%	4.7	3%	4.7	3%	7.2	4%
Commercial paper	3.4	2%	5.0	3%	3.6	2%	5.9	3%
Total debt securities in								
issue	28.0	18%	30.7	19%	24.5	14%	37.8	22%
Total wholesale funding . . .	60.8	38%	64.0	39%	69.5	41%	63.4	37%
Subordinated debt	4.5	3%	4.6	3%	4.7	3%	4.5	3%
Total wholesale funding								
including subordinated								
debt	65.3	41%	68.6	42%	74.2	44%	67.9	40%
Customer accounts	82.9	53%	84.0	51%	82.7	49%	92.6	54%
Total shareholders' equity								
including non-								
controlling interests	9.5	6%	11.3	7%	12.1	7%	10.3	6%
Total Group Funding	157.7	100%	163.9	100%	169.0	100%	170.8	100%

Notes:

(1) The information as at 31 December 2008 has been extracted from the Annual Report 2008.

(2) The information as at 30 June 2009 has been extracted from the unaudited Half-Yearly Financial Report 2009.

(3) The information as at 31 December 2009 has been extracted from the Annual Report 2009.

(4) The information as at 30 June 2010 has been extracted from the unaudited Half-Yearly Financial Report 2010.

Residual Maturity Funding Analysis

— Excluding secured bank deposits

	Total wholesale funding including subordinated debt as at 30 June 2010 ⁽¹⁾		Total wholesale funding including subordinated debt as at 31 December 2009 ⁽¹⁾		Total wholesale funding including subordinated debt as at 30 June 2009 ⁽¹⁾		Total wholesale funding including subordinated debt as at 31 December 2008 ⁽¹⁾	
	(€ billion)							
Less than one year	21.9	54%	31.1	70%	24.9	59%	41.9	71%
One to two years	5.4	13%	1.7	4%	5.5	13%	6.1	10%
Two to five years	7.4	18%	5.2	12%	5.1	12%	5.1	9%
More than five years . . .	6.0	15%	6.3	14%	6.4	15%	6.2	10%
Total wholesale funding including subordinated debt . .	40.7	100%	44.3	100%	41.9	100%	59.3	100%

Note:

(1) The residual maturity funding analysis excluding secured bank deposits has been extracted for the relevant period end, from AIB's books and records and has not been published or audited.

Compared to a six-month decline at 30 June 2009 of 12 per cent., excluding currency factors, the Group's customer deposits recovered in the second half of 2009, with a full year decline of 9 per cent. (11 per cent. excluding currency factors) (as against 31 December 2008). The reduction in deposits was concentrated in the first quarter and the start of the second quarter of 2009, with conditions improving as the second quarter progressed. Retaining and gathering customer deposits was a key focus for the Group in 2009, with good progress made in the second half of that financial year as deposits grew by €1.3 billion over this period despite challenging market conditions. Net customer loans, including AIB's NAMA Assets, decreased by 7 per cent. (excluding currency factors) over 2009, which, when combined with the year-on-year decline in customer deposits, resulted in a loan to deposit ratio of 146 per cent. at 31 December 2009 (156 per cent. at 30 June 2009 and 140 per cent. at 31 December 2008). The loan to deposit ratio was 123 per cent. (excluding loans held for sale to NAMA) as at 31 December 2009 and 127 per cent. (excluding loans held for sale to NAMA) as at 30 June 2010.

The decrease in net customer loans reflected a combination of higher provisions for impairments and successful de-leveraging within AIB's international loan portfolios. The decreases in customer deposits and commercial certificates of deposit between 31 December 2008 and 30 June 2009 was attributable to a number of factors, including the continuing impact of the economic downturn, sovereign and bank credit rating downgrades and negative sentiment towards Ireland, impacting the Group's market activities in general and its overseas franchises in particular in the first quarter of 2009. This negative sentiment receded to a point where the reduction in customer deposits stabilised in the second quarter of 2009. At 31 December 2009, customer deposits represented 51 per cent. of the Group's total funding, up from 49 per cent. at 30 June 2009 (54 per cent. at 31 December 2008). At 30 June 2010, customer deposits increased to 53 per cent. of the Group's total funding.

In a difficult market environment, the Group continued to diversify its funding across currencies, geographies, investor base and products through a range of programmes. During 2009, AIB successfully issued over €6.0 billion under the CIFS Scheme through a series of public and private placements. The Group also issued senior unsecured un-guaranteed bonds totalling €1.75 billion in 2009 and it received a €3.5 billion equity capital injection from the Government in May 2009 under the NPRFC Investment. Over the second half of 2009, AIB reduced its secured funding from €32.3 billion at 30 June 2009 to €24.3 billion at 31 December 2009 and increased its medium and long-term funding activity. Secured funding remained similar at €24.5 billion as at 30 June 2010.

The delivery of NAMA Bonds for AIB's NAMA Assets on the basis of loan transfers undertaken in the first and second tranche of transfers to NAMA by AIB will materially increase the Group's Qualifying Liquid Assets and Contingent Funding. At 30 June 2010, the Group held €49 billion (including pledged assets) in Qualifying Liquid Assets and Contingent Funding. Liquidity levels continue to represent a surplus over the liquidity requirements set for AIB by the Financial Regulator.

The funding profile at 30 June 2010 highlights the ongoing de-leveraging in the Group's balance sheet, with AIB's total funding requirement decreasing by €6.2 billion since 31 December 2009. Term funding increased in the first half of 2010 due to issuances under AIB's European medium-term note programme totalling a net increase of

€4.6 billion. Customer deposits fell €1.1 billion (1.3 per cent.) in the first half of 2010, principally represented by a fall in the capital markets division (primarily driven by concerns in relation to sovereign ratings which resulted in a decrease mainly in deposits from non-bank financial institutions (NBFIs) and international corporates), with an increase in the UK division, while the Republic of Ireland division and Poland were relatively unchanged over the half year to 30 June 2010 in difficult market conditions.

The residual maturity funding position at 30 June 2010 highlights the Group's efforts to increase the duration of its funding with 46 per cent. of wholesale funding (including subordinated debt, excluding secured bank deposits) classified in the greater than one year time period, up from 30 per cent. at 31 December 2009.

From 21 January 2010 to 28 July 2010, the Group issued term bonds totalling €6.3 billion under the ELG Scheme, thereby enhancing the underlying duration of its term debt funding profile. In addition, AIB has commenced issuing shorter-term un-guaranteed paper and it continues to develop contingent collateral and liquidity facilities to further support its ongoing funding requirements.

2.2.5 The potential impact of EU state aid review by the European Commission

In order to comply with EU state aid requirements, a number of European banks that received state aid have been required by the European Commission to commit to a series of restructuring measures. These measures have been reported to include fundamental change (e.g. disposals and market share limitations) and/or certain capital burden sharing measures (e.g. non-payment of hybrid debt coupons). Further details on the issue of EU state aid are outlined in the section entitled "Risk Factors" of this Prospectus.

Once given, the commitments of the banks are recorded in a European Commission decision that will usually set out a time period for implementation. The time period of the commitments is likely to involve a long stop date.

In connection with the European Commission's May 2009 approval of the €3.5 billion capital injection under the NPRFC Investment, AIB was required to prepare a restructuring plan, which was submitted to the European Commission in November 2009. An updated plan was submitted by the Department of Finance to the European Commission on 4 May 2010 to reflect AIB's capital raising initiatives, which include its intention to raise additional equity capital and undertake a number of asset and business disposals.

That assessment is conducted by reference to the basic principles set out in the European Commission's communication on the assessment under the EU state aid rules of restructuring measures in the financial sector in the current crisis. Those principles require, first and foremost, that restructuring aid should lead to the restoration of viability in the longer term without state aid. They also require restructuring aid to be accompanied, to the extent possible, by adequate burden sharing (including the disposal of assets) and by measures that minimise distortions of competition. The updated restructuring plan submitted by the Department of Finance on behalf of AIB reflects these measures. The European Commission, in its working paper dated 30 April 2010 on the phasing out of EU Member State bank guarantee schemes from 30 June 2010, has indicated that, in the case of a bank, such as AIB, that is already obliged to prepare a restructuring plan under EU state aid rules, the award of additional state aid will have to be taken into account within the framework of the ongoing restructuring/viability review process.

AIB, through the Department of Finance, is involved in detailed negotiations and discussions with the European Commission in relation to the terms of the restructuring plan and substantive engagement and progress has been achieved. AIB expects the decision of regarding approval of the proposed measures, including the terms of the restructuring plan to be taken by the European Commission in the last quarter of 2010. Therefore, at this stage, while there can be no certainty as to the final outcome of the European Commission's proceedings, AIB expects that the European Commission will not have any major objections to the terms and measures set out in the AIB restructuring plan.

In accordance with the European Commission's policy relating to EU state aid rules on restructuring aid to banks, AIB agreed not to pay discretionary dividends on its Tier 1 Capital instruments (including the 2009 Preference Shares and the RCI Securities) and Tier 2 Capital instruments.

A deferral of a coupon under the RCI Securities triggers the "dividend stopper" provisions under those securities which prevent any dividend or coupon payments being made on the Ordinary Shares or preference shares of AIB, including the 2009 Preference Shares, until the deferred coupon is satisfied through the issue of Ordinary Shares.

As a result of the "dividend stopper" provisions of the LP3 Securities (and subsequently under the commitments to be made under the EU restructuring plan), the AIB Group is currently precluded, for a period of one calendar year from and including 14 December 2009, from making discretionary payments of coupons or exercising voluntary call options on hybrid capital securities. As a result, on 13 May 2010, the Bank issued the Bonus Shares to the

NPRFC following the Board's decision not to pay the cash dividend on the 2009 Preference Shares on 13 May 2010. This issue resulted in the dilution of the existing Shareholders' proportionate ownership by 18.33 per cent.

At the date of this Prospectus, there can be no certainty as to the outcome of the state aid proceedings involving AIB and the content of the final EU restructuring plan. In the event that the Group determines not to pay coupons on the LP3 Securities, thereby triggering the "dividend stopper" provisions for further one year periods, or AIB otherwise elects not to pay a cash dividend otherwise due on the 2009 Preference Shares, RCI Securities or any other series of securities which include a "dividend stopper" provision within their terms which would preclude payment of coupons under the RCI Securities, AIB would be required to issue further Ordinary Shares to the NPRFC and/or for the purposes of funding deferred coupons on the RCI Securities.

2.2.6 Working capital

The global markets for short and medium-term sources of funding on which banks rely to support their business activities remain constrained. As a result, support by the Minister for Finance to directly supplement existing sources of funding and create the environment for an improvement in the availability of other traditional sources of funding remains necessary. Due to the uncertainty surrounding the implementation and/or continuation of the Government schemes, the Financial Regulator has agreed that a statement regarding the adequacy of working capital for at least the next 12 months should not be required in this Prospectus. There is, therefore, no working capital statement in this Prospectus.

PART VI

HISTORICAL FINANCIAL INFORMATION

HISTORICAL FINANCIAL INFORMATION RELATING TO THE AIB GROUP FOR THE FINANCIAL PERIODS ENDED 30 JUNE 2010, 31 DECEMBER 2009, 31 DECEMBER 2008 AND 31 DECEMBER 2007

1 Basis of financial information

The financial statements of the AIB Group included in the consolidated unaudited Half-Yearly Financial Report 2010 of the Group for the financial period ended 30 June 2010 and the consolidated audited annual reports and accounts of the Group for the financial periods ended 31 December 2009, 31 December 2008 and 31 December 2007 together with the independent auditors' review report and independent auditors' reports (as applicable) are incorporated by reference into this Prospectus. The independent auditors' review report for the financial period ended 30 June 2010 and the independent auditors' reports for the financial periods ended 31 December 2009, 31 December 2008 and 31 December 2007 were unqualified. The financial statements for the periods ended 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007 were prepared in accordance with IFRS, both as issued by the IASB and adopted by the European Union, and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB.

2 Cross reference list

The following list is intended to enable investors to identify easily specific items of information which have been incorporated by reference into this Prospectus.

- (a) Financial Statements for the six months ended 30 June 2010 and Independent Auditors' Review Report thereon.

The page numbers below refer to the relevant pages of the Half-Yearly Financial Report 2010:

- Independent Auditor's Review Report — page 99;
- Condensed consolidated income statement — page 36;
- Condensed consolidated statement of comprehensive income — page 37;
- Condensed consolidated statement of financial position — page 38;
- Condensed consolidated statement of changes in equity — pages 41 to 42;
- Condensed consolidated statement of cash flows — pages 39 to 40;
- Basis of preparation — pages 33 to 34; and
- Notes to the interim financial statements — pages 43 to 96.

- (b) Financial Statements for the period ended 31 December 2009 and Independent Auditors' Report thereon.

The page numbers below refer to the relevant pages of the Annual Report 2009:

- Independent Auditor's Report — pages 287 to 288;
- Consolidated income statement — page 146;
- Consolidated statement of comprehensive income — page 147;
- Consolidated statement of financial position — page 148;
- Statement of financial position of Allied Irish Banks, p.l.c. — page 149;
- Interest income and expense recognition — page 129 to 130;
- Consolidated statement of changes in equity — pages 152 to 153;
- Statement of changes in equity – Allied Irish Banks, p.l.c. — pages 154 to 155;
- Consolidated statement of cash flows — pages 150 to 151;
- Group accounting policies and critical accounting estimates and judgements — pages 125 to 145; and
- Notes to the financial statements — pages 156 to 285.

(c) Financial Statements for the period ended 31 December 2008 and Independent Auditors' Report thereon.

The page numbers below refer to the relevant pages of the Annual Report 2008:

- Independent Auditor's Report — pages 256 to 257;
- Consolidated income statement — page 136;
- Consolidated balance sheet — page 137;
- Balance Sheet Allied Irish Banks, p.l.c. — page 138;
- Statement of recognised income and expense — page 141;
- Consolidated reconciliation of movements in shareholders' equity — pages 142 to 143;
- Reconciliation of movements in shareholders' equity Allied Irish Banks, p.l.c. — pages 144 to 145;
- Statement of cash flows — pages 139 to 140;
- Group accounting policies and critical accounting estimates and judgements — pages 119 to 135; and
- Notes to the financial statements — pages 146 to 254.

(d) Financial Statements for the period ended 31 December 2007 and Independent Auditors' Report thereon.

The page numbers below refer to the relevant pages of the Annual Report 2007:

- Independent Auditor's Report — pages 180 to 181;
- Consolidated income statement — page 79;
- Consolidated balance sheet — page 80;
- Balance sheet Allied Irish Banks, p.l.c. — page 81;
- Statement of recognised income and expense — page 84;
- Consolidated reconciliation of movements in shareholders' equity — page 85;
- Reconciliation of movements in shareholders' equity — Allied Irish Banks, p.l.c. — page 86;
- Statement of cash flows — pages 82 to 83;
- Group accounting policies and critical accounting estimates and judgements — pages 61 to 78; and
- Notes to the financial statements — pages 87 to 178.

PART VII

UNAUDITED PRO FORMA FINANCIAL INFORMATION

Section A: The unaudited Pro Forma Financial Information of the AIB Group as at 30 June 2010

Set out below is unaudited Pro Forma Financial Information of the AIB Group as at 30 June 2010.

The unaudited Pro Forma Financial Information is based on the Half-Yearly Financial Report 2010 and has been prepared on the basis of the notes set out below to illustrate the effect of the transfer of the second tranche of AIB's NAMA Assets on the net assets and regulatory capital ratios of the AIB Group as at 30 June 2010 as if it had occurred on that date.

The unaudited Pro Forma Financial Information has been prepared pursuant to item 20.2 of Annex I of the EU Prospectus Regulation and it is shown for illustrative purposes only to indicate how the transfer of the second tranche of AIB's NAMA Assets might have affected the financial position of the AIB Group as of 30 June 2010 if it had occurred on that date. Due to its nature, the unaudited Pro Forma Financial Information addresses a hypothetical situation and, therefore, does not represent the AIB Group's actual financial position, results, risk weighted assets, or regulatory capital ratios following the transfer of the second tranche of AIB's NAMA Assets.

Shareholders should read the whole of this Prospectus and should not rely solely on the Pro Forma Financial Information contained in this Part VII.

Consolidated Balance Sheet as at 30 June 2010 ⁽¹⁾	Adjustments		Pro forma Consolidated Balance Sheet as at 30 June 2010 ⁽³⁾
	Impact of the second tranche of AIB NAMA Assets ⁽²⁾	Notes	
<i>(€ million)</i>			
Assets			
Cash and balances at central banks	2,619	—	2,619
Items in course of collection	162	—	162
Financial assets held for sale to NAMA	12,446	(1,612)	10,834
Disposal groups and non-current assets held for sale	39,870	(256)	39,614
Trading portfolio financial assets	49	—	49
Derivative financial instruments	5,992	—	5,992
Loans and receivables to banks	4,504	—	4,504
Loans and receivables to customers	77,608	—	77,608
Financial investments available for sale	22,832	1,351	24,183
Interests in associated undertakings	289	—	289
Intangible assets and goodwill	250	—	250
Property, plant and equipment	320	—	320
Other assets	820	—	820
Current taxation	55	—	55
Deferred taxation	925	70	995
Prepayments and accrued income	454	—	454
Total assets	<u>169,195</u>	<u>(447)</u>	<u>168,748</u>
Liabilities			
Deposits by banks	32,043	—	32,043
Customer accounts	59,830	—	59,830
Disposal groups classified as held for sale	25,765	—	25,765
Derivative financial instruments	5,878	—	5,878
Debt securities in issue	27,965	—	27,965
Current taxation	36	—	36
Other liabilities	1,807	—	1,807
Accruals and deferred income	951	—	951
Retirement benefit liabilities	943	—	943
Provision for liabilities and commitments	42	—	42
Subordinated liabilities and other capital instruments	4,469	—	4,469
Total liabilities	<u>159,729</u>	<u>—</u>	<u>159,729</u>

	Adjustments			
	Consolidated Balance Sheet as at 30 June 2010 ⁽¹⁾	Impact of the second tranche of AIB NAMA Assets ⁽²⁾	Notes	Pro forma Consolidated Balance Sheet as at 30 June 2010 ⁽³⁾
				(€ million)
Shareholders' equity				
Share capital	392	—		392
Share premium	4,912	—		4,912
Other equity interests	389	—		389
Reserves	748	—		748
Profit and loss account	2,389	(447)	(2)(e)	1,942
Shareholders' equity	8,830	(447)		8,383
Non-controlling interests in subsidiaries	636	—		636
Total shareholders' equity including non-controlling interests	9,466	(447)		9,019
Total liabilities, shareholders' equity and non-controlling interests	169,195	(447)		168,748

	Adjustments			
	Actual as at 30 June 2010 ⁽¹⁾	Impact of the transfer of the second tranche of NAMA Assets ⁽²⁾	Notes	
				(€ million)
Key Balance Sheet Measures				
Total risk weighted assets	112,679	(1,019)	(2)(f)	111,660
Equity Tier 1 Capital	4,265	(447)	(2)(g)	3,818
Core Tier 1 Capital	7,765	(447)	(2)(g)	7,318
Tier 1 Capital	6,740	(460)	(2)(h)	6,280
Total Capital	10,100	(472)	(2)(i)	9,628
Equity Tier 1 Capital Ratio	3.8%	(0.4)%		3.4%
Core Tier 1 Capital Ratio	6.9%	(0.3)%		6.6%
Tier 1 Capital Ratio	6.0%	(0.4)%		5.6%
Total Capital Ratio	9.0%	(0.4)%		8.6%

Notes:

- (1) The financial information on AIB Group has been extracted, without material adjustment, from the unaudited Half-Yearly Financial Report 2010 of the Group, which is incorporated by reference into this Prospectus.
- (2) This represents the adjustment to reflect the impact of the transfer of the second tranche of AIB's NAMA Assets amounting to €2.7 billion of loans (being the value of the relevant NAMA Assets on a gross loan basis) together with related accrued interest and derivatives of €40 million. €256 million of AIB's NAMA Assets transferred were classified in the balance sheet as at 30 June 2010 within the disposal groups and non-current assets held for sale. The impact of the second tranche shown above illustrates how it would have affected the Group's balance sheet and key balance sheet measures had the transfer taken place on 30 June 2010. No account has been taken of any fees to be paid by NAMA for administrative or servicing work on the second tranche of AIB's NAMA Assets which AIB may undertake on NAMA's behalf in the future. The impact is based on the following:
 - (a) €1,612 million of a reduction in assets held for sale to NAMA represents part of AIB's NAMA Assets transferred under the second tranche, net of existing impairment provisions, but before the application of the NAMA valuation process, and it also includes related derivatives with a fair value of €25 million and related accrued interest of €12 million;
 - (b) €256 million of a reduction in disposal groups and non-current assets held for sale represents the residual of AIB's NAMA Assets transferred under the second tranche, net of existing provisions, but before the application of the NAMA valuation process, and it also includes related derivatives with a fair value of €2 million and related accrued interest of €1 million.
 - (c) €1,351 million adjustment represents an increase in available for sale financial assets reflecting the fair value of the NAMA Bonds (amounting to 95 per cent. of the consideration received by AIB equating to €1,309 million after a fair value adjustment of €24 million) and Subordinated NAMA Bonds (amounting to 5 per cent. of the consideration received by AIB equating to €42 million, after a fair value adjustment of €28 million) issued by NAMA as consideration for the second tranche of AIB's NAMA Assets;
 - (d) €70 million adjustment to deferred tax assets represents the estimated tax benefit arising from the loss attributable to Shareholders on the sale of AIB's NAMA Assets under the second tranche;
 - (e) the loss attributable to Shareholders on the sale of the second tranche of AIB's NAMA Assets is €447 million, which is calculated by taking €1,868 million, being €1,612 million (note 2(a) above) and €256 million (note 2(b) above) and deducting €1,351 million (note 2(c) above) and €70 million (note 2(d) above);
 - (f) this adjustment represents a reduction of €1,019 million in RWAs relating to the transfer of the second tranche of AIB's NAMA Assets;
 - (g) this adjustment represents the negative impact on both Equity Tier 1 Capital and Core Tier 1 Capital amounting to €447 million (the loss attributable to Shareholders) as referred to in note 2(e) above;
 - (h) this adjustment to Tier 1 Capital comprises: (a) the negative impact on Core Tier 1 Capital amounting to €447 million above in note 2(g); and (b) movement in the expected loss deduction in Tier 1 Capital of €13 million, resulting in a net negative impact of €460 million. In this regard, expected loss represents the estimated amount of losses based on probability of default of the underlying loans. Under the regulatory requirements for European banks any excess of expected loss over provisions must be deducted from both Tier 1 Capital (50 per cent. of the excess amount) and Tier 2 Capital (50 per cent. of the excess amount);

- (i) this adjustment to Total Capital comprises: (a) the negative impact on Tier 1 Capital amounting to €460 million as described above in note 2(h); and (b) movement in the expected loss deduction in Tier 2 Capital of €12 million, resulting in a net negative impact of €472 million. In this regard, expected loss represents the estimated amount of losses based on the probability of default of the underlying loans. Under the regulatory requirements for European Banks, any excess of expected loss over provisions must be deducted from both Tier 1 Capital (50 per cent. of the excess amount) and Tier 2 Capital (50 per cent. of the excess amount).
- (3) No adjustment has been made in the unaudited Pro Forma Financial Information to reflect the trading results and performance of the AIB Group since 30 June 2010.

**Section B: Report on the unaudited Pro Forma Financial Information of the AIB Group
as at 30 June 2010**



KPMG
Chartered Accountants
1-2 Harbourmaster Place
International Financial Services Centre
Dublin 1
Ireland

The Directors
Allied Irish Banks, p.l.c.
Bankcentre
Ballsbridge
Dublin 4
Ireland

9 September 2010

Dear Sirs

We report on the unaudited Pro Forma Financial Information of the Allied Irish Banks, p.l.c. (the “**Pro Forma Financial Information**”) set out in Part VII of the Prospectus dated 9 September 2010 (the “**Prospectus**”), which has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the transfer of the second tranche of Allied Irish Banks, p.l.c.’s NAMA Assets might have affected the financial information presented on the basis of the accounting policies adopted by Allied Irish Banks, p.l.c. in preparing the Half-Yearly Report 2010. This report is required by paragraph 20.2 of Annex I of the Commission Regulation (EC) No. 809/2004 (the “**Prospectus Directive Regulation**”) and is given for the purpose of complying with that paragraph and for no other purpose.

Terms defined in this letter shall have the same meaning(s) as given to them in the Prospectus.

Responsibilities

It is the responsibility of the Directors of Allied Irish Banks, p.l.c. to prepare the Pro Forma Financial Information in accordance with paragraph 20.2 of Annex I of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility arising under paragraph 2(2)(f) of Schedule I to the Prospectus (Directive 2003/71/EC) Regulations 2005 (S.I. No 324 of 2005) and the Prospectus Rules of the Irish Financial Services Regulatory Authority to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board of the United Kingdom and Ireland. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors of Allied Irish Banks, p.l.c.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Allied Irish Banks, p.l.c.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the Pro Forma Financial Information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of Allied Irish Banks, p.l.c.

Declaration

For the purposes of paragraph 2(2)(f) of Schedule 1 to the Prospectus (Directive 2003/71/EC) Regulations 2005 (S.I. No. 324 of 2005) and the Prospectus Rules of the Irish Financial Services Regulatory Authority we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG
Chartered Accountants
Dublin, Ireland

PART VIII
TAXATION

PART A

1 Irish law tax summary

The following is a summary based on the laws and published practices of the Revenue Commissioners in force in Ireland, at the date of this Prospectus, regarding the tax position of Shareholders and should be treated with appropriate caution. The summary does not purport to be a complete analysis or listing of all the potential tax consequences of holding New Ordinary Shares. Particular rules may apply to certain classes of Shareholders. This summary is not intended to apply to classes of Shareholders such as brokers or dealers, insurance companies and collective investment schemes.

The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective holders of New Ordinary Shares should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the New Ordinary Shares and the receipt of income thereon under the laws of their country of residence, citizenship or domicile.

Shareholders should be aware that the anticipated tax treatment in Ireland as summarised below may change.

1.1 Payment of Dividends

1.1.1 Withholding tax

The Company is obliged to withhold an amount on account of DWT from cash or other distributions made to Shareholders. DWT is applied at the standard rate of income tax (currently 20 per cent.). However, provided the requisite declarations in the format prescribed by the Revenue Commissioners have been filed with the Company or the Qualifying Intermediary there are a number of exemptions from the requirement to account for DWT, including, but not limited to, distributions made to the following persons:

- (a) companies resident in Ireland;
- (b) Irish approved charities, pension schemes and collective investment undertakings;
- (c) companies not resident in Ireland which are themselves resident in an EU Member State or in a Tax Treaty Country and are not under the control, whether directly or indirectly, of a person or persons resident in Ireland;
- (d) companies, the principal class of whose shares or the shares of its 75 per cent. direct or indirect parent, are substantially and regularly traded on a recognised stock exchange, in a Tax Treaty Country or an EU Member State or on such other stock exchange as may be approved of by the Minister for Finance;
- (e) companies not resident in Ireland which are ultimately controlled by persons who are resident in an EU Member State other than Ireland or Tax Treaty Country;
- (f) a person not being a company who is neither resident nor ordinarily resident in Ireland and is a resident of a Tax Treaty Country or is a resident of an EU Member State (other than Ireland); and
- (g) a Minister of the Government in his or her capacity as such a Minister, the National Pensions Reserve Fund Commission or a Commission investment vehicle within the meaning given by section 2 of the National Pensions Reserve Fund Act 2000.

DWT deducted is available as a credit against Irish income tax arising on the dividend income. Where a Shareholder has no liability to Irish tax any DWT deducted may be refunded on application to the Revenue Commissioners.

1.2 Taxation of the Shareholders

1.2.1 Taxation of dividends

Irish Resident Individuals are liable to Irish income tax in respect of dividends received, together with any DWT suffered, on their shareholding in the Company. Irish Resident Individuals are liable to income tax at their marginal rate of tax.

Irish Resident Individuals may, depending on their circumstances, also be liable to PRSI (Irish social insurance) and to income and health levies in respect of dividends they receive from the Company.

Corporate Shareholders resident in Ireland for tax purposes are not liable to Irish corporation tax in respect of dividends paid on their shareholding in the Company. Corporate Shareholders resident in Ireland for tax purposes which are close companies may be liable to a corporation tax surcharge where the dividends received from the Company are not distributed within a period of 18 months from the end of the accounting period in which the dividends are received.

Irish tax-exempt charities, pension schemes and certain other specified persons are exempt from Irish tax in respect of dividends paid on their shareholding in the Company.

Persons who are not resident in Ireland, depending on their circumstances, may be liable to Irish taxation on their Irish source income. All persons are under a statutory obligation to account for Irish tax on a self-assessment basis and there is no requirement for the Revenue Commissioners to issue or raise an assessment to collect any tax that may be due.

Dividends paid in respect of the New Ordinary Shares will be regarded as Irish source income. Accordingly, unless an exemption from DWT applies, a non-Irish resident person in receipt of such dividends could be liable to Irish income tax. Where an exemption from DWT is available, there should be no further liability to Irish income tax on these dividends for the recipients.

However, Shareholders who do not qualify for an exemption from Irish income tax will suffer DWT and this should represent the full extent of income tax liability due.

1.3 Taxation of capital gains

1.3.1 Shareholders liable to Irish capital gains tax in respect of the disposal of New Ordinary Shares

The Irish tax provisions dealing with capital gains provide that where a Shareholder acquires the New Ordinary Shares in the Company as part of a reorganisation of the Company's share capital (which should include the Bonus Issue), for Irish capital gains tax purposes, the new shareholding, which would comprise the Existing Shares and the New Ordinary Shares acquired, is treated for tax purposes as if it were part of the Existing Shares held by the Shareholder in the Company.

1.4 Liability to Irish capital gains tax

1.4.1 Calculating the capital gain or loss arising on a disposal for shareholders liable to Irish capital gains tax

Where the New Ordinary Shares acquired are treated as being acquired as part of a reorganisation of the Company's share capital, they are treated as having been acquired at the same time as the Existing Shares with any consideration paid for the New Ordinary Shares being treated as enhancement expenditure. If any part of the combined holding of Existing Shares and New Ordinary Shares is subsequently disposed of, the attributable cost of the holding disposal of is calculated by reference to certain part disposal rules.

A gain is treated as arising for capital gains tax purposes where the consideration received on the disposal, less any costs of disposal, exceeds the consideration paid by the shareholder, together with any other costs of acquisition. A loss is treated as arising for capital gains tax purposes where the consideration received on the disposal, less any costs of disposal, is less than the consideration paid by the Shareholder, together with any other costs of acquisition. Losses arising on such a disposal can be offset against a Shareholder's other chargeable gains for tax purposes in that tax year or carried forward and offset against future chargeable gains.

The first €1,270 of an individual's chargeable gain in each year is exempt. This exemption is not transferable between spouses.

The rate of capital gains tax in Ireland is currently 25 per cent.

1.4.2 Irish Resident Individuals

Irish Resident Individuals who are resident or ordinarily resident in Ireland for tax purposes that dispose of New Ordinary Shares and realise a chargeable gain as outlined at 3.1 will be subject to capital gains tax.

1.4.3 Corporate shareholders

Corporate Shareholders who are resident in Ireland for tax purposes and who are not otherwise entitled to an exemption from corporation tax on capital gains in respect of a disposal of their New Ordinary Shares, or where not resident in Ireland and hold or held the New Ordinary Shares in the Company as part of the assets of a trade they carry on in Ireland through a branch, that dispose of New Ordinary Shares and realise a chargeable gain as outlined

at 1.4.1, will be subject to Irish corporation tax such that their liability will be the same as if the chargeable gain were subject to capital gains tax.

1.4.4 Irish tax-exempt investors

Irish tax-exempt charities, pension schemes and certain other specified bodies are exempt from capital gains tax on any gains realised on the disposal of their New Ordinary Shares in the Company.

1.4.5 Other shareholders

Other shareholders who are neither resident nor ordinarily resident in Ireland will normally not be liable to Irish capital gains tax on the disposal of New Ordinary Shares in the Company.

1.5 Stamp duty

No Irish stamp duty should arise on issue of the New Ordinary Shares.

The transfer on sale of the New Ordinary Shares will be liable to Irish stamp duty payable by the purchaser or transferee at the rate of 1 per cent. of the price paid or, in certain circumstances, the market value of the New Ordinary Shares. Certain reliefs would be available for transfers of the New Ordinary Shares between associated companies or where the transfer takes place as part of a reorganisation.

1.6 CAT

CAT is a tax that arises on certain gifts or inheritances. It can apply to gifts or inheritances where the donee or successor is resident or ordinarily resident in Ireland or where the property concerned is situated in Ireland. The rate of CAT is currently 25 per cent. The New Ordinary Shares in the Company are considered property situated in Ireland and therefore a gift or inheritance of the New Ordinary Shares may be subject to CAT even where the donor or donee is not Irish resident. Certain exemptions apply to gifts and inheritances depending on the relationship between the donor and the donee.

PART B

2 UK tax law summary

The comments set out below are based on current United Kingdom law and our understanding of HM Revenue & Customs practice as at the date of this Prospectus, both of which are subject to change, possibly with retrospective effect. They are intended as a general guide and apply only to Shareholders of the Company resident and in the case of an individual, ordinarily resident, for tax purposes in the United Kingdom (except insofar as express reference is made to the treatment of non-United Kingdom residents), who hold shares in the Company as an investment and who are the absolute beneficial owners thereof. The discussion does not address all possible tax consequences relating to an investment in the New Ordinary Shares. Certain categories of Shareholders, such as traders, brokers, dealers, banks, financial institutions, insurance companies, investment companies, collective investment schemes, tax-exempt organisations, persons connected with the Company or Group, persons holding the shares as part of hedging or conversion transactions, Shareholders who are not domiciled or not ordinarily resident in the United Kingdom, Shareholders who have (or are deemed to have) acquired their shares by virtue of an office or employment, and Shareholders who are or have been officers or employees of the Company or any affiliated or associated company, may be subject to special rules and this summary does not apply to such Shareholders. This summary also does not apply to any individual Shareholder who owns 10 per cent. or more of the issued ordinary share capital of the Company.

Shareholders and prospective shareholders who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the United Kingdom, should consult their own professional advisers immediately.

2.1 Taxation of Dividends

Shareholders are referred to the Irish taxation summary above for a description of the Irish dividend withholding tax that may apply to payments of dividends by the Company.

A United Kingdom resident individual shareholder who receives a dividend from the Company will be entitled to a tax credit which may be set off against the shareholder's total income tax liability. The tax credit will be equal to 10 per cent. of the aggregate of the dividend (before deduction of any foreign withholding tax) and the tax credit (the "gross dividend"). Such an individual shareholder who is liable to income tax at the basic rate will be subject to tax

on the dividend at the rate of 10 per cent. of the gross dividend, so that the tax credit will satisfy in full such shareholder's liability to income tax on the dividend. In the case of such an individual shareholder who is liable to income tax at the higher rate, the tax credit will be set against but not fully match the shareholder's tax liability on the gross dividend and such shareholder will have to account for additional income tax equal to 22.5 per cent. of the gross dividend (which is also equal to 25 per cent. of the cash dividend (before deduction of any foreign withholding tax)) to the extent that the gross dividend when treated as the top slice of the shareholder's income falls above the threshold for higher rate income tax. In the case of such an individual shareholder who is subject to income tax at the additional rate, the tax credit will also be set against but not fully match the shareholder's liability on the gross dividend and such shareholder will have to account for additional income tax equal to 32.5 per cent. of the gross dividend (which is also equal to approximately 36 per cent. of the cash dividend received) to the extent that the gross dividend when treated as the top slice of the shareholder's income falls above the threshold for additional rate income tax.

Foreign withholding tax withheld from the payment of a dividend will generally be available as a credit against the income tax payable by an individual shareholder in respect of the dividend.

A United Kingdom resident individual shareholder who is not liable to income tax in respect of the gross dividend and other United Kingdom resident taxpayers who are not liable to United Kingdom tax on dividends, including pension funds and charities, will not be entitled to claim repayment of the tax credit attaching to dividends paid by the Company.

Shareholders who are within the charge to corporation tax in respect of shares in the Company will be subject to corporation tax on the gross amount of any dividends paid by the Company, subject to any applicable credit for foreign withholding tax, unless (subject to special rules for such shareholders that are small companies) the dividends fall within an exempt class and certain other conditions are met.

2.2 Taxation of Capital Gains

Shareholders who are resident or, in the case of individuals, ordinarily resident in the United Kingdom, or who cease to be resident or ordinarily resident in the United Kingdom for a period of less than five years of assessment, may depending on their circumstances (including the availability of exemptions or reliefs) be liable to United Kingdom taxation on chargeable gains in respect of gains arising from a sale or other disposal of shares in the Company.

PART IX

ADDITIONAL INFORMATION

1 Responsibility

The Company and the Directors, whose names are set out in paragraph 6.1 of this Part IX, accept responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 Incorporation and registered office

- 2.1** AIB was incorporated in Ireland on 21 September 1966 under the Companies Act 1963 under the name AIB Limited. On 2 January 1985, AIB Limited changed its name to its present name, Allied Irish Banks, p.l.c., and was registered under the Companies Acts 1963 to 1983 as a public limited company. AIB is registered under company number 24173.
- 2.2** The Company is domiciled in Ireland. Its head office and registered office is at Bankcentre, Ballsbridge, Dublin 4 (Tel. No. 01 660 0311 or, if dialling from outside Ireland, +353 1 660 0311).
- 2.3** The principal laws and legislation under which the Company operates, and under which the Ordinary Shares have been created, are the Companies Acts 1963 to 2009 and regulations made thereunder.

3 AIB's share capital

- 3.1** As at 30 June 2010 (being the date of the most recent published balance sheet of the Company prior to the date of this Prospectus), the authorised, issued and fully paid share capital of the Company was as follows:

Class of Share	Authorised		Issued and fully paid	
	Number	Amount	Number	Amount
Ordinary Shares of €0.32 each	1,860,000,000	€595,200,000	1,116,525,417	€357,288,133.44
2009 Non-cumulative preference shares of €0.01 each	3,500,000,000	€35,000,000	3,500,000,000	€35,000,000
Non-cumulative preference shares of €1.27 each	200,000,000	€254,000,000	—	—
Non-cumulative preference shares of US\$25 each	20,000,000	\$500,000,000	—	—
Non-cumulative preference shares of £1 each	200,000,000	£200,000,000	—	—
Non-cumulative preference shares of Yen 175 each	200,000,000	¥35,000,000,000	—	—

- 3.2** Save as disclosed in paragraphs 3.5 to 3.7 of this Part IX (“*Additional Information*”), since 1 January 2007, there has been no issue of Ordinary Shares, fully or partly paid, either in cash or for other consideration. Other than in connection with the AIB Employee Share Plans or the Warrant Instrument no ordinary share capital of AIB or any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option. As at the date of this Prospectus, AIB held 35,680,114 Treasury Shares.

- 3.3** The number of Ordinary Shares outstanding at the beginning and end of the last financial year was as follows:

Ordinary Share Capital	Authorised		Issued and fully paid	
	1 January 2009	31 December 2009	1 January 2009	31 December 2009
Ordinary Shares of €0.32 each	1,160,000,000	1,860,000,000	918,435,570	918,435,570

3.4 The number of preference shares outstanding at the beginning and end of the last financial year was as follows:

<u>Preference share capital</u>	<u>Authorised</u>		<u>Issued and fully paid</u>	
	1 January 2009	31 December 2009	1 January 2009	31 December 2009
2009 Non-cumulative preference shares of €0.01 each	—	3,500,000,000	—	3,500,000,000
Non-cumulative preference shares of €1.27 each	200,000,000	200,000,000	—	—
Non-cumulative preference shares of £1 each	200,000,000	200,000,000	—	—
Non-cumulative preference shares of US\$25 each	20,000,000	20,000,000	—	—
Non-cumulative preference shares of Yen 175 each	200,000,000	200,000,000	—	—

3.5 History of share capital

3.5.1 Authorised share capital

As at 1 January 2007, the first day covered by the historical financial information incorporated by reference into this Prospectus, the authorised share capital of the Company was €625,200,000, US\$500,000,000, £200,000,000 and Yen 35,000,000,000. It was divided into (i) 1,160,000,000 Ordinary Shares of €0.32 each and 200,000,000 non-cumulative preference shares of €1.27 each; (ii) 20,000,000 non-cumulative preference shares of US\$25 each, (iii) 200,000,000 non-cumulative preference shares of £1 each; and (iv) 200,000,000 non-cumulative preference shares of Yen 175 each. Between 1 January 2007 and 7 September 2010, being the latest practicable date prior to the publication of this Prospectus, the authorised share capital was increased by €259,000,000 on 13 May 2009.

3.5.2 Issued share capital

As at 1 January 2007, the first day covered by the historical financial information incorporated by reference into this Prospectus, 918,435,570 Ordinary Shares of €0.32 each were in issue fully paid or credited as fully paid. Between 1 January 2007 and 7 September 2010, being the latest practicable date prior to the publication of this Prospectus, there have been the following changes in the issued share capital of the Company:

<u>Movements in units of Ordinary Shares</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>1 January 2010 to 7 September 2010</u>
Period Start	918,435,570	918,435,570	918,435,570	918,435,570
Allotment of Ordinary Shares to NPRFC pursuant to the Bonus Issue	—	—	—	198,089,847
Period End	<u>918,435,570</u>	<u>918,435,570</u>	<u>918,435,570</u>	<u>1,116,525,417</u>

On 13 May 2010, New Ordinary Shares were issued to the NPRFC pursuant to the Bonus Issue. This has resulted in the issued ordinary share capital of the Company increasing by approximately 21.57 per cent. At 30 June 2010, the authorised ordinary share capital of the Company was €595,200,000, divided into 1,860,000,000 Ordinary Shares of €0.32 each, of which 1,080,845,303 were issued and fully paid up, excluding 35,680,114 Treasury Shares.

<u>Movements in units of Treasury Shares</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>1 January 2010 to 7 September 2010</u>
Period Start	42,778,079	37,799,004	35,880,114	35,680,114
Shares Reissued in Period				
AIB Share Option Schemes	(2,672,825)	(24,500)	—	—
Allfirst Financial Stock Option Plan	(20,000)	—	—	—
AIB Approved Employee Profit Sharing Scheme	<u>(2,286,250)</u>	<u>(2,094,390)</u>	—	—
Period End	<u>37,799,004</u>	<u>35,680,114</u>	<u>35,680,114</u>	<u>35,680,114</u>

Movements in units of 2009 Non Cumulative Preference Shares	2007	2008	2009	1 January 2010 to 7 September 2010
Period Start	—	—	—	3,500,000,000
Allotment of Shares to NPRFC	—	—	3,500,000,000	—
Period End	—	—	3,500,000,000	3,500,000,000

3.6 Existing Shareholder authorities

3.6.1 At an extraordinary general meeting of the Company held on 13 May 2009, the following ordinary resolutions, amongst others, were passed by shareholders:

- (a) a resolution to increase the authorised share capital of the Company from €625,200,000, US\$500,000,000, £200,000,000 and Yen 35,000,000,000 to €884,200,000, US\$500,000,000, £200,000,000 and Yen 35,000,000,000 by the creation of 700,000,000 Ordinary Shares of €0.32 each and 3,500,000,000 2009 Preference Shares.
- (b) for the purposes of section 20 of the 1983 Act, to authorise the Directors generally and unconditionally for a period of five years to allot relevant securities up to the following nominal amounts: (a) €218,557,672 for Ordinary Shares; (b) €35,000,000 for 2009 Preference Shares; (c) €254,000,000 for euro non-cumulative preference shares of €1.27 each; (d) US\$500,000,000 for dollar non-cumulative preference shares of US\$25.00 each; (e) £200,000,000 for sterling non-cumulative preference shares of £1.00 each; (f) Yen 35,000,000,000 for Yen non-cumulative preference shares of Yen 175 each; and (g) €94,160,528.08 (or, if higher, the aggregate nominal value of the number of Ordinary Shares to be issued to the NPRFC pursuant to the Warrant Instrument).
- (c) a resolution to empower and authorise the Directors generally to appropriate and apply any sum standing to the credit of the Company’s undistributable reserves (including any share premium account) or, subject to there being no contravention of the rights of other shareholders of the Company, the Company’s distributable reserves for the purposes of capitalising new issues of Ordinary Shares in accordance with Article 135 of the Articles of Association.

3.7 NPRFC Investment

Under the terms of the NPRFC Investment, AIB issued to the NPRFC the 2009 Warrants to subscribe for 294,251,819 Ordinary Shares, being a number equal to 25 per cent. of the number of issued Ordinary Shares (excluding Treasury Shares) on 13 May 2009, the date of the NPRFC Investment and computed as if the 2009 Warrants were exercisable and had been exercised in full on that date. The 2009 Warrants issued to the NPRFC comprise 155,780,375 Core Tranche Warrants and 138,471,444 Secondary Tranche Warrants. These warrants are identical in all respects, save in respect of the exercise price and the terms of their cancellation. Each 2009 Warrant entitles the holder to subscribe for one Ordinary Share, subject to certain anti-dilution adjustments upon the occurrence of certain share-capital related events. Each of the Core Tranche Warrants entitles the holder to subscribe for one Ordinary Share at a subscription price of €0.975 per share and each of the Secondary Tranche Warrants entitles the holder to subscribe for one Ordinary Share at a subscription price of €0.375 per share. Those warrants are exercisable, subject to certain conditions, in the period between 13 May 2014 and 12 May 2019. The 2009 Warrants are not transferable, other than to a Government Entity, without the prior written consent of the Company and are not listed or quoted on any stock exchange.

Further details of the 2009 Preference Shares and the NPRFC Investment are set out in paragraphs 4.2.2 and 16.2 of this Part IX (“*Additional Information*”).

4 Memorandum and Articles of Association

The Memorandum and Articles of Association are available for inspection at the addresses specified in paragraph 24 below.

4.1 Registration details and Memorandum of Association

AIB is a public limited company that was incorporated as a limited company in 1966 and was subsequently re-registered as a public limited company in 1985.

The objects and purposes of the Company are set out in its Memorandum of Association. The principal object of the Company (as set out in Clause 3(1) of its Memorandum of Association) is to carry on the business of banking in all or any of its branches and departments and to provide and undertake all manner of financial services. A full description of the objects of the Company is set out in Clause 3 of the Company's Memorandum of Association.

4.2 Articles of Association

The following is a summary of the principal provisions of the Articles of Association adopted by a special resolution passed at the Company's extraordinary general meeting held on 13 May 2009 and certain provisions of Irish law:

4.2.1 Share rights — Ordinary Shares

The following rights attach to the Ordinary Shares:

- (a) the right to receive duly declared dividends, in cash or, where offered by the Directors, by allotment of additional Ordinary Shares;
- (b) the right to attend and speak, in person or by proxy, at general meetings of the Company;
- (c) the right to vote, in person or by proxy, at general meetings of the Company having, in a vote taken by show of hands, one vote, and, on a poll, a vote for each Ordinary Share held;
- (d) the right to appoint a proxy, in the required form, to attend and/or vote at general meetings of the Company;
- (e) the right to receive, (by post or electronically), at least twenty-one days before the AGM, a copy of the Directors' and Auditors' reports accompanied by (a) copies of the balance sheet, profit and loss account and other documents required by the Companies Acts to be annexed to the balance sheet or (b) such summary financial statements as may be permitted by the Companies Acts;
- (f) the right to receive notice of general meetings of the Company;
- (g) in a winding-up of the Company, and subject to payments of amounts due to creditors and to holders of shares ranking in priority to the Ordinary Shares, repayment of the capital paid up on the Ordinary Shares and a proportionate part of any surplus from the realisation of the assets of the Company.

4.2.2 Share rights — 2009 Preference Shares

The following principal rights attach to the 2009 Preference Shares:

(a) General

The 2009 Preference Shares are perpetual securities. Each 2009 Preference Share has a nominal value of €0.01.

(b) Income

- (i) The 2009 Preference Shares entitle the holder to receive the 2009 Preference Dividend, being a non-cumulative cash dividend at a fixed rate of 8 per cent. of the subscription price per annum, payable annually at the sole and absolute discretion of AIB. If the Directors resolve to pay the dividend, it will be paid in arrears on each Annual Dividend Payment Date, which is the anniversary of the date of issue of the 2009 Preference Shares. If the 2009 Preference Dividend is not so paid in any year, then the holder(s) of the 2009 Preference Shares will have a right to receive a bonus issue of Ordinary Shares (described in paragraph (c) below) but will have no right to the 2009 Preference Dividend in respect of that particular year.
- (ii) The dividend ranking of the 2009 Preference Shares is as follows: (a) *pari passu* with other shares (excluding Ordinary Shares) constituting Core Tier 1 Capital; (b) junior to the Preferred Securities; and (c) in priority to the Ordinary Shares.
- (iii) If the 2009 Preference Dividend is not paid in full on the Annual Dividend Payment Date in any particular year, then AIB will be precluded from paying any dividend on the Ordinary Shares until it resumes the payment of the 2009 Preference Dividend. AIB will also be precluded from paying any dividend on the Ordinary Shares where the payment of such dividend would reduce the distributable reserves of the Company to such an extent that it would, in the Board's view, be unable to pay the next instalment of the 2009 Preference Dividend due for payment on the 2009 Preference Shares and any other preference shares in issue.

(c) *Bonus Issue of Ordinary Shares*

- (i) If the 2009 Preference Dividend is not paid in full on the Annual Dividend Payment Date in any particular year, AIB must issue Bonus Shares to the holders of the 2009 Preference Shares by capitalising its reserves, unless it is prohibited by law from doing so. The Bonus Shares will be issued credited as fully paid at an amount equal to the nominal value of the shares.
- (ii) The number of Bonus Shares to be issued will be calculated by dividing the unpaid dividend amount on the 2009 Preference Shares by the average price of an Ordinary Share over the period of 30 trading days immediately preceding the annual dividend payment date.
- (iii) AIB may defer the issue of Bonus Shares beyond the Annual Dividend Payment Date but may not defer it beyond the date on which AIB next: (a) pays a cash dividend on the 2009 Preference Shares, on any other share capital of AIB constituting Core Tier 1 Capital, on the Ordinary Shares or makes a cash distribution on the LPI Securities (or on any replacement securities issued by AIB to fund the redemption of the LPI Securities); or (b) redeems or purchases any of the 2009 Preference Shares, Core Tier 1 Capital, Ordinary Shares or the LPI Securities; or (c) passes a winding-up resolution.
- (iv) If AIB defers the issue of Bonus Shares beyond the Annual Dividend Payment Date, the number of Bonus Shares to be issued will be increased and will be equal to the unpaid dividend amount on the 2009 Preference Shares divided by 95 per cent. of the average price of an Ordinary Share over the period of 30 trading days immediately preceding the Annual Dividend Payment Date.
- (v) If AIB defers the issue of Bonus Shares beyond the Annual Dividend Payment Date, the holders of 2009 Preference Shares will acquire, pending their issue, voting rights at general meetings of AIB equivalent to the voting rights that would have attached to the Bonus Shares if they had been issued on the relevant Annual Dividend Payment Date. These voting rights, known as Provisional Voting Rights, will be exercisable from the relevant Annual Dividend Payment Date until the Bonus Shares are issued.
- (vi) If AIB's authorised share capital is insufficient to enable AIB to issue the Bonus Shares or if the Board does not have sufficient authority to issue shares under section 20 of the 1983 Act, the Board will convene a shareholders' meeting to consider a resolution or resolutions to increase AIB's authorised share capital and/or to provide the Board with the necessary authority to issue the Bonus Shares. Holders of 2009 Preference Shares will be entitled to cast sufficient votes at that meeting to ensure that the resolution or resolutions is/are passed.

(d) *Return of Capital*

On a winding-up of AIB or a return of capital by AIB (other than a redemption or purchase of shares), the holders of 2009 Preference Shares will be entitled to receive a repayment of the capital (including a premium) paid up on the 2009 Preference Shares. The holders of 2009 Preference Shares will not be entitled to any further participation rights in the profits or assets of AIB, except in respect of any entitlement to receive Bonus Shares and any entitlement to receive a proportion of their annual dividend (which may, in a solvent winding-up, be paid in the form of Bonus Shares) for the period from the last dividend payment date to the date of winding-up or return of capital. The entitlements of the holders of 2009 Preference Shares on a winding-up of AIB or a return of capital (other than a redemption or purchase of shares) by AIB, which are described above, will rank as follows: (i) *pari passu* with the repayment of the paid up nominal value on Ordinary Shares; (ii) in priority to the payment of any further amount to holders of Ordinary Shares; and (iii) junior to the repayment of capital on all other classes of shares that rank ahead of the Ordinary Shares.

(e) *Redemption/Purchase*

- (i) The 2009 Preference Shares are not redeemable at the option of the holder.
- (ii) AIB may redeem the 2009 Preference Shares, in whole or in part, at any time provided that the consent of the Financial Regulator is obtained and that the redemption is made from distributable profits and/or the proceeds of an issue of shares constituting Core Tier 1 Capital. AIB may, as an alternative to redeeming 2009 Preference Shares, purchase 2009 Preference Shares out of distributable profits or the proceeds of an issue of shares constituting Core Tier 1 Capital, provided that the consent of the Financial Regulator is obtained.
- (iii) For the first five years after the date of issue of the 2009 Preference Shares, the redemption or purchase price (as the case may be) of each 2009 Preference Share will be €1.00, being the subscription price of each 2009 Preference Share. Thereafter, the redemption or purchase price (as the case may be) of each 2009 Preference Share will be €1.25, being 125 per cent. of the subscription price.

- (iv) AIB will, subject to the prior approval of the Financial Regulator, be required to redeem all of the 2009 Preference Shares if there are less than 35,000,000 2009 Preference Shares in issue (being 1 per cent. of the 2009 Preference Shares issued to the NPRFC on 13 May 2009).
 - (v) AIB may redeem or purchase any 2009 Preference Shares which are held by a Government Entity without being required to redeem or purchase any 2009 Preference Shares held by any other person.
 - (vi) On the redemption or purchase of 2009 Preference Shares, AIB will be required to issue any outstanding Bonus Shares. In addition, it will be required to pay to the holders of the 2009 Preference Shares to be redeemed or purchased a proportion of the 2009 Preference Dividend in respect of the 2009 Preference Shares to be redeemed or purchased equal to the proportion of the 2009 Preference Dividend for the period commencing on the last dividend payment date to the date of redemption or purchase of those shares or, at AIB's election, it may issue Bonus Shares.
- (f) *Voting Rights*
- (i) For so long as a Government Entity owns any 2009 Preference Shares, the Government Preference Shareholder will be entitled to exercise the following voting rights:
 - (A) On a resolution seeking approval for a change of control of the Company or a sale of all or substantially all of its business:

If the Shareholders are asked to vote on a proposed transaction which, if completed, would result in a change of control of the Company or a sale of all or substantially all of its business, the Government Preference Shareholder will be entitled to cast the following votes:

 - (aa) a number of votes equal to 25 per cent. of all votes capable of being cast by shareholders (including the Government Preference Shareholder) on a poll at a general meeting of the Company;
 - (bb) 50 per cent. of the votes attached to any Warrant Shares held by it; and
 - (cc) any votes it holds arising from its entitlement to exercise Provisional Voting Rights or from its holding of Ordinary Shares;
 - (B) On a resolution to appoint, re-appoint or remove directors:
 - (aa) Separately from its right to appoint directors set out in paragraph 4.2.2(h) below, the Government Preference Shareholder will be entitled to cast the number of votes equal to 25 per cent. of all votes capable of being cast by shareholders (including the Government Preference Shareholder) on a poll at a general meeting of AIB on any resolution to appoint, re-appoint or remove directors.
 - (bb) The entitlement in paragraph (aa) above is inclusive of any other voting rights held by a Government Entity or any of its concert parties arising from its holding of any Ordinary Shares, Warrant Shares or Bonus Shares or from its entitlement to exercise Provisional Voting Rights.
 - (C) On a resolution varying the class rights of the 2009 Preference Shares:

No amendment may be made to the Articles of Association which would vary the class rights of the 2009 Preference Shares unless the holders of at least 66.66 per cent. in nominal value of the 2009 Preference Shares consent in writing to the amendment or vote in favour of it by a resolution passed at a class meeting.
 - (D) On other resolutions:
 - (aa) The Government Preference Shareholder will also be entitled to exercise on any other resolution:
 - (AA) 50 per cent. of the voting rights attached to any Warrant Shares held by it; and
 - (BB) the voting rights attached to any Ordinary Shares held by it and any Provisional Voting Rights held by it.
 - (ii) The Provisional Voting Rights may be assigned or transferred by a Government Entity to a person to whom it transfers both its entitlement to receive the Bonus Shares and at least 50,000 2009 Preference Shares. The Provisional Voting Rights will remain exercisable notwithstanding that the

weighted voting rights of the 2009 Preference Shares may cease to be exercisable on a purchase of the 2009 Preference Shares. Provisional Voting Rights may not be exercised to vote against any resolution proposed by the Board providing for any issue by AIB of shares constituting Core Tier 1 Capital for the purpose of redeeming or purchasing all or any of the 2009 Preference Shares or against any resolution relating to anything required to be done by the Company in relation to distributions, dividends or coupon payments pursuant to the terms and conditions of the Preferred Securities.

- (iii) The Government Preference Shareholder will be entitled to requisition a general meeting of AIB for the purpose of exercising any of the voting rights exercisable by the holder of the 2009 Preference Shares or for the purpose of exercising its Provisional Voting Rights (provided its Provisional Voting Rights, together with any Ordinary Shares it holds at that time, amount to at least 10 per cent. of the voting rights of the issued Ordinary Shares).
- (iv) A Government Preference Shareholder will not be entitled to exercise any voting rights on its 2009 Preference Shares or any Bonus Shares or Warrant Shares held by it or any of its Provisional Voting Rights on any resolution having the purpose or effect of authorising or restricting: (i) the declaration of dividends or the redemption or purchase of any shares in AIB; or (ii) the capitalisation of reserves or the issue of Bonus Shares if, in any such case, it would oblige AIB to pay a dividend on the 2009 Preference Shares or to issue on a particular date any Bonus Shares.
- (v) For so long as a Government Entity holds 2009 Preference Shares or (if later) until the 2009 Warrants are exercised in full or lapse, subject to certain exceptions, the prior written consent of the Minister for Finance will be required for the passing of certain share capital resolutions of AIB, being resolutions relating to: (i) an increase in the authorised share capital; (ii) a re-issue of Treasury Shares; (iii) the issue of any shares; or (iv) the redemption, consolidation, conversion or sub-division of the share capital, or the exercise of any shareholder authority granted on or prior to 31 May 2009 for AIB to do any of the preceding matters. The exceptions referred to above include any issue of shares made for the purpose of redeeming or purchasing the 2009 Preference Shares. In addition, the consent of the Minister for Finance is not required in respect of any matter that would require an adjustment to be made to the number of Ordinary Shares that are the subject of 2009 Warrants in favour of the holder of 2009 Warrants in accordance with the Warrant Instrument. The 2009 Preference Shares do not entitle holders to attend or vote at any general meeting of the Company, save as summarised above.

(g) Transfer

The 2009 Preference Shares are freely transferable provided that the minimum number transferred to any one person is not less than 50,000. The weighted voting rights detailed in paragraph 4.2.2(f) cannot be transferred.

(h) Director Appointment Rights

The Government Preference Shareholder will have the following rights relating to the appointment of directors to the Board:

- (i) For so long as a Government Entity is the beneficial holder of any 2009 Preference Shares, it will have the right to appoint the following number of directors to the Board and to maintain the appointment of, and to remove, such directors:
 - (A) four directors, where the total number of directors on the Board (including any directors appointed by the Government Preference Shareholder) is 16, 17 or 18; and
 - (B) 25 per cent. of the directors (including any directors appointed by the Government), rounded up or down to the nearest whole number (with the number 0.5 rounded up to the nearest integer), where the total number of directors on the Board is 15 or less.
- (ii) The appointment and removal rights of the Government Preference Shareholder described above includes the two nominees of the Minister appointed to the Board pursuant to the terms of the CIFS Scheme. On 22 January 2009, Mr Declan Collier and Mr Dick Spring were appointed as nominees of the Minister to the Board. Dr Michael Somers was appointed to the Board under the terms of the NPRFC Investment on 14 January 2010.
- (iii) Any increase in the number of directors to more than 18 will require the prior written consent of the Government Preference Shareholder.

- (iv) No director appointed by the Government Preference Shareholder will be required to retire by rotation. Directors appointed by the Government Preference Shareholder may not serve for more than nine years.
- (v) The director appointment rights of the Government Preference Shareholder will cease if no Government Entity holds any 2009 Preference Shares.

(i) *Reserves*

For so long as a Government Entity holds 2009 Preference Shares, AIB has agreed not to reduce its share premium account and any capital reserve fund (excluding any property revaluation reserves) without the approval of the Government Preference Shareholder, subject to certain exceptions. In addition, for so long as a Government Entity holds any 2009 Warrants, if the subscription price payable per Warrant Share would be less than the nominal value of a Warrant Share (the difference being the “deficit”), AIB has agreed to maintain sufficient of its undistributable reserves and share premium account as is equal to the deficit in respect of each 2009 Warrant then outstanding in respect of which there is such a deficit.

4.2.3 *Share rights — Currency Preference Shares*

(a) *General*

The Currency Preference Shares all have similar terms, except that the nominal value for each respective Currency Preference Share is stated as follows:

- Dollar Preference Share US\$25
- Sterling Preference Share £1
- Euro Preference Share €1.27
- Yen Preference Share ¥175

(b) *Income*

The Currency Preference Shares entitle the holder to receive a non-cumulative preferential cash dividend (in this paragraph 4.2.3, the “**Preference Dividend**”) in priority to any Ordinary Shares in AIB. The rate and payment dates of the Preference Dividend are determined by the Directors prior to allotment. All the denominations of the Currency Preference Shares rank *pari passu* as regards the right to receive the Preference Dividend.

If AIB is unable to make a payment in cash of the Preference Dividend to all of the holders of the Currency Preference Shares out of distributable profits and distributable reserves, then none of the holders of Currency Preference Shares will receive a payment. In the event that AIB could not make a payment in cash for this reason, or for the reason that making such a payment would cause a breach of the Financial Regulator’s capital adequacy requirements, then the Currency Preference Shareholders will be allotted an additional nominal amount of Currency Preference Shares in same denomination as the Currency Preference Shares they already own. The amount of additional shares allotted to them will be determined by multiplying the cash amount of the Preference Dividend they were entitled to receive, by a factor to be determined by the Directors prior to allotment.

The Currency Preference Shares carry no further right to participate in the profits and reserves of the Company beyond the Preference Dividend.

(c) *Return of capital*

On a winding-up of AIB or a return of capital (other than a redemption of shares), the holders of the Currency Preference Shares will be entitled to receive a repayment of capital (including a premium) paid up on the Currency Preference Shares. The holders of the Currency Preference Shares will not be entitled to any further participation in the rights or profits of AIB, except in respect of any entitlement to receive a proportion of their Preference Dividend.

All the holders of Currency Preference Shares rank *pari passu* with the various denominations of the Currency Preference Shares as regards the rights on winding up of, or other return of capital by, the Company. The holders will receive any return of capital in the same currency denomination as the Currency Preference Shares held by them.

(d) *Redemption/Purchase*

On allotting the Currency Preference Shares, the Directors will determine the period during which AIB can redeem the Currency Preference Shares. The amount AIB will pay to redeem the shares will be the sum of the nominal amount together with an amount representing a proportion of the Preference Dividend the holder is entitled to.

(e) *Voting rights*

At a General Meeting, provided AIB has paid the most recent instalment of the Preference Dividend, the holders of the Currency Preference Shares are not entitled to vote or speak upon any resolution except for:

- (i) a resolution for winding up AIB; or
- (ii) a resolution varying, altering or abrogating any of the rights, privileges, limitations or restrictions attached to the class of Currency Preference Shares that holder owns.

If AIB has not paid the most recent instalment of the Preference Dividend in cash, at the following General Meeting the holders of the Currency Preference Shares are entitled to speak and vote on all resolutions proposed. Furthermore, if a majority in shareholding of the Currency Preference Shareholders agree, they can requisition a General Meeting of the Company to be held.

4.2.4 Redeemable shares and purchase of own shares

Subject to the provisions of the Companies Acts, any shares may be issued on the terms that they are, or are liable at the option of the Company or the holder, to be redeemed on such terms and in such manner as may be provided by the Articles, and the Company may convert any of its shares into redeemable shares. Subject to the provisions of the Companies Acts and to any rights conferred on the holders of any class of shares, the Company may purchase all or any of its shares of any class, including any redeemable shares. No purchase by the Company of its own shares may be made unless it has been authorised by special resolution of the Company. The Directors are not obliged to select the shares to be purchased rateably or in any other particular manner as between the holders of shares of the same class or different classes.

Subject to the provisions of the Companies Acts, the Company may cancel any shares which it has redeemed or purchased or may hold them as Treasury Shares and re-issue any such Treasury Shares as shares of any class or classes or cancel them.

4.2.5 Dividends

In addition to the provisions in paragraphs 4.2.2 and 4.2.3 of this Part IX, subject to the provisions of the Companies Acts, the Company may by ordinary resolution declare dividends but no dividend shall be payable except out of distributable profits. No dividend shall exceed the amount recommended by the Directors. No dividend may be declared on the Ordinary Shares unless the dividend on the Currency Preference Shares and the 2009 Preference Shares most recently payable prior to the relevant general meeting shall have been paid in cash.

No dividend or other monies payable in respect of a share shall bear interest against the Company unless otherwise provided by the rights attaching to the share.

Subject to any preferential or other special rights for the time being attached to any class of shares, the income to be distributed by way of dividend is to be applied in payment of dividends upon the shares of the Company in proportion to the amounts paid up thereon.

Subject to the provisions of the Companies Acts, the Company may pay such interim dividends as appear to the Directors to be justified by the income of the Company available for distribution. No interim dividend may be paid on the Ordinary Shares if the dividends on the Currency Preference Shares and the 2009 Preference Shares most recently payable prior to the date of the Directors' resolution to pay such interim dividend shall not have been paid in cash, or where the payment of such interim dividend on the Ordinary Shares would reduce the distributable reserves of the Company to such an extent that the Company would, in the opinion of the Directors, be unable to pay the next dividend due for payment on the Currency Preference Shares and the 2009 Preference Shares.

The Directors may, with the sanction of an ordinary resolution and with the prior consent in writing of the Minister for Finance, offer to the holders of ordinary shares the right to elect to receive an allotment of additional ordinary shares, credited as fully paid, instead of cash in respect of all or part of any cash dividend or dividends specified by such resolution or such part of such dividend or dividends as the Directors may determine.

The holders of Currency Preference Shares are entitled to a non-cumulative preferential dividend which is calculated at such annual rate (whether fixed or variable) and payable on such dates and on such other terms and conditions as may be determined by the Directors prior to the allotment thereof.

The Currency Preference Shares carry no further rights to participate in the profits of the Company and if on any occasion an instalment of the dividend is not paid in cash, holders of the Currency Preference Shares will have no claim in respect of such non-payment (subject to the next paragraph).

If so determined by the Directors prior to the issue of any such preference shares, instalments in respect of dividends may not be payable in cash if, in the judgement of the Directors, after consultation with the Financial Regulator, the payment would breach or cause a breach of the capital adequacy requirements applicable to the Company. If such a payment is not made for such a reason or where there are insufficient distributable income and reserves to enable such a payment to be made, then additional preference shares of the same class may be issued in lieu of such payment (subject to the provisions of the Articles).

The holders of the Currency Preference Shares rank *pari passu* inter se, senior to the 2009 Preference Shares and otherwise in priority to the Ordinary Shares in the capital of the Company as regards the right to receive dividends.

Any dividend which has remained unclaimed for 12 years from the date of its declaration may be forfeited and cease to remain owing by the Company.

4.2.6 *Liquidation rights*

If the Company is liquidated voluntarily or compulsorily by order of court, the liquidator may, with the authority of a special resolution, divide among the members in specie or kind the whole or any part of the assets of the Company. The liquidator may determine how such division is to be carried out as between members or classes of members.

Each of the Currency Preference Shares shall confer on a winding-up or liquidation or other return of capital (other than on a redemption of any shares of any class) the right to receive out of the surplus assets of the Company available for distribution, *pari passu* inter se and in priority to the holders of Ordinary Shares and 2009 Preference Shares, an amount equal to the amount paid up or credited as paid up on the Currency Preference Shares together with any premium paid up on issue and together with an amount equal to accrued and unpaid dividends.

4.2.7 *Voting rights*

Votes at general meetings may be given either personally or by proxy. Voting at any general meeting of the Company is by a show of hands unless a poll is properly demanded. Subject to any special rights or restrictions as to voting attached to any class of shares, on a show of hands, every member who is present in person or by proxy and entitled to vote has one vote regardless of the number of shares held by him and on a poll, subject to the terms of the 2009 Preference Shares described in paragraph 4.2.2 above, every member who is present in person or by proxy has one vote for each share of which he is the holder. A poll may be demanded by the Chairman of the meeting. Other than on the election of the Chairman or on the adjournment of the meeting, a poll may also be demanded by at least five members having the right to vote at the meeting or by a member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or by a member or members holding shares in the Company conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Holders of the Currency Preference Shares are entitled to receive notice of and attend any General Meeting but shall not be entitled to speak or vote at any such meeting unless the business of the meeting includes the consideration of a resolution relating to a winding up of the Company or a resolution varying, altering or abrogating any of the rights, privileges, limitations or restrictions attached to a class of such preference shares, and then in such case only to speak to and vote upon any such resolution. However, if the most recent preference dividend instalment on a class of preference shares has not been paid at the date of such a meeting, the holders of that class of preference shares shall be entitled to speak and vote at such a meeting.

For the voting rights of the 2009 Preference Shares, see paragraph 4.2.2(f) of this Part IX.

4.2.8 *Changes in share capital*

Save as set out in paragraphs 4.2.2(f)(v) of this Part IX, the Company may, by ordinary resolution, increase its share capital by such sum to be divided into shares of such amounts, and denominations in such currencies as prescribed by the resolution.

The Company may also, by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (b) subject to the provisions of the Companies Acts, sub-divide its shares, or any of them, into shares of smaller amount; or
- (c) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.

4.2.9 Pre-emption rights

Under Irish law, if the Company issues equity securities for cash, Shareholders will have pre-emption rights to subscribe for those securities on a pro-rata basis, unless a disapplication is granted by Shareholders.

The Shareholders may, by way of a special resolution, grant authority to the Directors to allot such additional securities as if the pre-emption rights did not apply. This authority may be either specific or general and may not exceed a period of five years. If the Directors wish to seek authority to disapply the pre-emption rights, the Directors must produce a statement to Shareholders detailing their reasons for seeking the disapplication of such pre-emption rights.

4.2.10 Lien and forfeiture

The Company has a lien on every partly paid share for all amounts payable to the Company in respect of that share. The Directors may call any monies unpaid on shares and may sell shares on which call or amounts payable under the terms of issues are not duly paid.

4.2.11 Form, holding and transfer of Shares

Shares may be held in either certificated or uncertificated form.

Shares held in certificated form are evidenced by a certificate and may be transferred by instrument in writing in any usual or common form or any other form which the Directors may approve.

The instrument of transfer of any certificated share shall be executed by or on behalf of the transferor and, in cases where the share is not fully paid, by or on behalf of the transferee. The Directors may decline to register any transfer of a partly-paid share or any transfer to or by a minor or person of unsound mind but this shall not apply to a transfer of such a share resulting from a sale of the share through a stock exchange on which the share is listed.

The Directors may also decline to register any instrument of transfer of any certificated shares unless: (A) it is lodged at the registered office of the Company or at such other place as the Directors may appoint and is accompanied by the certificate of the shares to which it relates and such other evidence as the Directors may reasonably require to prove the title of the transferor; (B) it is in respect of one class of share only; and (C) it is in favour of not more than four persons jointly.

Existing Ordinary Shares held in uncertificated form are held through CREST (the computerised settlement system to facilitate the transfer of title to shares in uncertificated form operated by Euroclear).

Subject to any applicable restrictions in the Articles of Association, any member may transfer all or any of his uncertificated shares by means of a relevant system in the manner provided for in the CREST Regulations and the rules of the relevant system.

The Directors may refuse to register a transfer of uncertificated shares only in such circumstances as may be permitted or required by the CREST Regulations or where the transfer is in favour of more than four persons jointly.

4.2.12 Shareholders' meetings

The Company must hold a general meeting in each year as its AGM in addition to any other meetings it may convene in that year and no more than 15 months may elapse between one AGM and the next. The Directors may at any time call an extraordinary general meeting. Extraordinary general meetings may also be convened on such requisition of shareholders, or in default, may be convened by such requisitionists, as is provided for in the Companies Acts. As set out in paragraph 4.2.2(f) above, the Government Preference Shareholder may also requisition a general meeting for the purpose of exercising any of the voting rights exercisable as holder of the 2009 Preference Shares or for the purposes of exercising its Provisional Voting Rights (where such Provisional Voting Rights together with other Ordinary Shares held by the Government Preference Shareholder, amount to at least 10 per cent. of the voting rights attaching to the issued Ordinary Shares).

In the case of an AGM or of a meeting for the passing of a special resolution or the appointment of a Director, at least 21 clear days' notice must be given. In any other case, subject to compliance with the provisions of the Shareholder Rights (Directive 2007/36/EC) Regulations 2009 at least 14 clear days' notice must be given. A general meeting other than a meeting for the passing of a special resolution may be called on shorter notice provided that the auditors for the time being of the Company and all the members entitled to attend and vote at the meeting agree to the short notice. A resolution may be proposed and passed as a special resolution at a meeting of which less than 21 days' notice has been given provided that a majority in number of the members having a right to attend and vote thereat agree, being a majority holding not less than 90 per cent. in nominal value of the shares giving that right.

Notice of a meeting is required to be in writing in the manner provided for in the Articles to all the members (other than those who, under the provision of the Articles or the conditions of issue of the shares held by them, are not entitled to receive the notice) and to the auditors for the time being of the Company. The accidental omission to give notice to, or the non-receipt of notice of a general meeting by, any person entitled to receive notice shall not invalidate the proceedings at the general meeting.

The holders of the Ordinary Shares and the holders of each of the Currency Preference Shares are entitled to attend any general meeting. The Government Preference Shareholder shall not be entitled to attend any general meeting save for those circumstances described in paragraph 4.2.2(f) of this Part IX.

All business is deemed special that is transacted at an extraordinary general meeting. All business that is transacted at an AGM is also deemed special with the exception of declaring a dividend, receiving the accounts, balance sheets and reports of the Directors and auditors, electing Directors in the place of those retiring, voting additional remuneration for the Directors, appointing auditors and fixing of the remuneration of the auditors.

4.2.13 Quorum

No business may be transacted at any general meeting unless a quorum is present at the time when the meeting proceeds to business. Ten members present in person and entitled to vote at such meeting constitutes a quorum.

4.2.14 Votes required for Shareholder action

A simple majority of Shareholders may pass an ordinary resolution. To pass a special resolution, a majority of not less than three-quarters of the members entitled to vote at the meeting is required.

4.2.15 Amendments affecting Shareholder rights

The Articles of Association provide that whenever the capital of the Company is divided into different classes of shares, the special rights attached to any class may, subject to the provisions of the Companies Acts and subject as otherwise provided in the Articles, be varied or abrogated with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class but not otherwise. The provisions of the Articles relating to general meetings shall apply to such separate class meetings, except that (other than at an adjourned meeting) the necessary quorum shall be at least two persons holding or representing by proxy at least one third in nominal amount of the issued shares of the class, and that any holder of shares present in person or by proxy may demand a poll and on such a poll every holder shall have one vote for every share of the calls held by him.

The rights, privileges, limitations or restrictions attached to the 2009 Preference Shares (or any class thereof) may be varied, altered or abrogated with the written consent of the holders of not less than two-thirds of the nominal value of such class of shares or with the sanction of a resolution passed at a class meeting of holders of such classes of shares provided that the holders of not less than two-thirds of the nominal value of such class of shares vote in favour of such resolution.

The rights, privileges, limitations or restrictions attached to the Currency Preference Shares (or any class thereof) may be varied, altered or abrogated with the written consent of the holders of not less than two-thirds of the nominal value of such class of shares or with the sanction of a resolution passed at a class meeting of holders of such classes of shares provided that the holders of not less than two-thirds of the nominal value of such class of shares vote in favour of such resolution.

4.2.16 Directors

(a) Number of Directors

Unless otherwise determined by ordinary resolution of the Company, the number of Directors shall not be less than seven and shall not be increased to more than eighteen, without the prior written consent of the Government Preference Shareholder. A Director shall not require a share qualification.

(b) Remuneration

The ordinary remuneration of the Directors shall be determined from time to time by an ordinary resolution of the Company. A Director who holds the office of Chairman or Deputy Chairman or who serves on a committee or who otherwise performs services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director may be paid such extra remuneration as the Directors may determine. A Director holding an executive office shall receive such remuneration, whether in addition to or in substitution for his ordinary remuneration as a Director, as the Directors may determine. The Directors may be paid all travelling, hotel and other expenses

properly incurred by them in connection with their attendance at meetings of Directors or of committees of Directors or general meetings or otherwise in connection with the discharge of their duties.

The Directors may provide benefits, whether by way of pensions, gratuities or otherwise, for any person who is or was in the employment or service of the Company or any company which is a subsidiary of the Company or is allied to or associated with the Company and to any member of his family or any person who is or was dependent on him.

(c) Retirement by rotation

At each AGM of the Company, other than Directors appointed by the Government Preference Shareholder, one-third of the Directors for the time being or, if their number is not three or a multiple of three, then not less than one-third shall retire by rotation.

(d) Votes

Questions arising at any meeting of Directors shall be decided by a majority of votes. Where there is an equality of votes, the Chairman of the meeting shall have a second or casting vote.

(e) Disclosure of interests by Directors

Any Director who is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare his/her interest at a meeting of the Directors at which the question of entering into such contract/arrangement first arises, if his interest then exists, or in any other case at the first meeting of the Directors after he becomes so interested.

The Articles of Association require that a Director may not vote in respect of any such contract or arrangement or any other proposal whatsoever in which he has a material interest. Nothing in the Articles shall prevent a Director appointed by the Government Preference Shareholder from participating in any meeting of the Directors or voting on any matter unless such Director has an interest in the matter which concerns him personally. Interests in shares or debentures or other securities of or otherwise in or through the Company are disregarded for the purpose. This prohibition on voting is disappplied in respect of resolutions concerning the following matters (amongst others):

- (i) where a Director is to be given security or indemnified in respect of money lent or obligations incurred by him for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or securities of or by the Company or any of its subsidiaries in which a Director is interested as an underwriter or sub-underwriter;
- (iv) regarding any proposal concerning any other company in which a Director is interested, directly or indirectly, provided that he does not hold or is not beneficially interested in 1 per cent. or more of any class of the equity share capital of that company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed for the purposes of this Article to be a material interest in all circumstances); any proposal concerning the adoption, modification or operation of any superannuation fund or retirement benefits plan under which he might benefit and which has been approved by or is subject to and conditional upon approval by the Revenue Commissioners; and
- (v) relating to any other arrangement for the benefit of employees of the Company or any of its subsidiaries under which a Director benefits or stands to benefit in a singular manner as the employees concerned and which does not accord to any Director as such any privilege or advantage not generally accorded to the employees to whom the arrangement relates.

4.2.17 Borrowing powers

The Directors may exercise all the powers of the Company to borrow or raise money and to mortgage or charge its undertaking, property, assets and uncalled capital or any part thereof and, subject to Part III of the Companies (Amendment) Act 1983, to issue debentures, debenture stock and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

4.2.18 Indemnity of Officers

Every Director and other officer of the Company shall be indemnified out of the assets of the Company against any liability incurred by him in defending any proceedings, whether civil or criminal, in relation to his acts while acting in such office, in which judgement is given in his favour, or in which he is acquitted, or in connection with any application in which relief is granted to him by the Court under the Acts.

4.2.19 Disclosure of holdings exceeding certain percentages

The Transparency Regulations and Transparency Rules require a person to notify both the Company and the Financial Regulator if the voting rights held by such person as a direct holder of shares or through indirect holdings of voting rights reach, exceed or fall below 3 per cent., and each 1 per cent. threshold thereafter up to 100 per cent. as a result of an acquisition or disposal of voting rights in shares. This notification obligation is also applied to a person who holds, directly or indirectly, financial instruments (which include transferable securities, options futures, swaps, forward rate agreements and any other derivative contracts) giving that person the right to acquire already issued voting shares of the issuer. Under the Transparency Regulations and Transparency Rules certain acquisitions of voting rights may be disregarded.

In addition, the Substantial Acquisition Rules, which prohibit substantial acquisitions of shares in the Company except in specified circumstances, require disclosure to the Irish Stock Exchange and the Irish Takeover Panel where a shareholder becomes entitled to 15 per cent. or more of the voting rights in the Company, or, where a shareholder holds 15 per cent. or more but less than 30 per cent. of the voting rights in the Company, where a shareholder's percentage will be increased to or beyond any whole percentage figure.

Pursuant to the Companies Acts, the Company may also send a notice to any person whom the Company knows or believes to be interested in the Company's shares requiring that person to confirm whether he has such an interest and, if so, details of such interest.

Under the Articles of Association, the Directors may by notice in writing sent to any member require such member to inform the Company in writing not more than 14 days after service of the notice of the capacity in which such member holds any share and, if held otherwise than as beneficial owner, to furnish in writing, so far as it is within the member's knowledge, the name and address of the person on whose behalf the member holds such share or, such particulars as will enable or assist in the identification of such person and the nature of the interest of such person in such shares. Failure to respond to such notice within the prescribed period will result in the member not being entitled to attend meetings of the Company or to exercise the voting rights attached to such share, and, if the member holds 0.25 per cent. or more of the issued Ordinary Shares of the Company, the Directors are entitled to withhold payment of any dividend payable on such shares and the member shall not be entitled to transfer such shares except by sale through a stock exchange to a bona fide unconnected third party. These sanctions shall cease to apply not more than seven days after receipt by the Company of notice that the member has sold the shares to an unconnected third party or due compliance to the Company's satisfaction with the disclosure notice.

4.2.20 Ownership of Shares by non-UK/non-Irish persons

There are no provisions in the Articles of Association that restrict non-resident or foreign shareholders from holding Ordinary Shares or from exercising voting rights attaching to Ordinary Shares.

5 Mandatory takeover bids, squeeze-out and sell-out rules and Irish merger control notification

Other than as provided by the Takeover Bids Regulations, the Takeover Rules and the NPRF Act, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules in relation to the Ordinary Shares.

5.1 Mandatory takeover bids

As an Irish incorporated company with Ordinary Shares admitted to trading on the regulated market of the Irish Stock Exchange, the Irish Takeover Panel would monitor and supervise a takeover bid for the Company. The Takeover Rules promulgated by the Irish Takeover Panel regulate acquisitions of the Company's securities.

Rule 9 of the Takeover Rules provides that where a person acquires securities which, when taken together with securities already held by that person and concert parties of that person, amount to 30 per cent. or more of the voting rights in such a company, that person is required under Rule 9 to make a general offer — a "mandatory offer" — to the holders of each class of equity share capital and also to the holders of transferable voting securities of the Company to acquire their securities. The obligation to make a Rule 9 mandatory offer is also imposed on a person who holds securities which, when taken together with securities held by concert parties of that person, confer 30 per

cent. or more of the voting rights in a company and who increases that stake by 0.05 per cent. or more in any 12 month period. In either case, the obligation may also be imposed on concert parties of the person concerned. A single holder of securities (including persons regarded as such under the Takeover Rules) who holds securities conferring in excess of 50 per cent. of the voting rights in a company may purchase additional securities without incurring an obligation to make a Rule 9 mandatory offer.

A related rule, Rule 5 of the Takeover Rules, prohibits a person from acquiring securities or rights over securities of a company, such as the Company, in respect of which the Irish Takeover Panel has jurisdiction to supervise, if the aggregate voting rights carried by the resulting holdings of securities and by the securities the subject of the resulting holding of rights, if any, would amount to 30 per cent. or more of the voting rights in that company. If a person holds securities or rights over securities which in the aggregate carry 30 per cent. or more of the voting rights, that person is also prohibited from acquiring securities or rights representing 0.05 per cent. or more of the voting rights in a 12 month period. Acquisitions by and holdings of concert parties must be aggregated. Amongst other significant exceptions, the prohibition does not apply to acquisitions of securities or rights over securities by a single holder of securities (including persons regarded as such under the Takeover Rules) who already holds securities, or rights over securities, which represent in excess of 50 per cent. of the voting rights; nor to an acquisition of voting securities from a single holder of securities if it is the only acquisition of voting securities in the company concerned made by the acquirer within any period of seven days.

The Substantial Acquisition Rules, which are also administered by the Irish Takeover Panel, are designed to restrict the speed at which a person may increase a holding of voting securities (or rights over such securities) of a company which is subject to the Irish Takeover Rules, including the Company, and prohibit substantial acquisitions of shares in the Company except in specified circumstances. A person may not within any period of seven days acquire securities or rights over securities if the aggregate voting rights represented by such securities would represent 10 per cent. or more of the voting rights in the Company and would, when aggregated with any securities already held by that person and any securities over which rights are already held by that person, carry 15 per cent. or more but less than 30 per cent. of the voting rights in the Company. Acquisitions by and holdings of concert parties are aggregated. The Substantial Acquisition Rules require disclosure to the Irish Stock Exchange and the Irish Takeover Panel where a person exceeds the 15 per cent. threshold above or where the percentage which a person who is at or above the 15 per cent. threshold but below the 30 per cent. threshold is increased to or beyond any whole percentage figure.

The terms of the Investment of the National Pensions Reserve Fund and Miscellaneous Provisions Act 2009 provide that no acquisition by the Minister or by the NPRFC at the direction of the Minister of shares or securities in a listed credit institution, including pursuant to the NPRFC Investment and/or the Bonus Issue, will constitute an offer, a takeover, the acquisition of control or any other takeover transaction for the purposes of the Takeover Panel Act or the Takeover Rules or a takeover bid or bid.

There have been no mandatory takeover bids or any public takeover bids by third parties in respect of the share capital of the Company in the financial year of the Company ended 31 December 2009 or in the current financial year to date.

5.2 Squeeze-out and sell-out

The Takeover Bids Regulations contain a procedure enabling a bidder for an Irish company that has securities admitted to trading on an EU regulated market, such as the Company, to acquire compulsorily the securities of those holders who have not accepted a general offer — the “squeeze-out” right — on the terms of that general offer.

The main condition that needs to be satisfied before the “squeeze out” right can be exercised is that the bidder, pursuant to acceptance of a bid for the beneficial ownership of all the transferable voting securities (other than securities already in the beneficial ownership of the bidder) in the capital of the company, has acquired, or unconditionally contracted to acquire, securities which amount to not less than nine tenths of the nominal value of the securities affected and carry not less than nine tenths of the voting rights attaching to the securities affected.

The Takeover Bids Regulations also provide for rights of “sell-out” for shareholders in Irish companies with securities admitted to trading on an EU regulated market, such as the Company. Holders of securities carrying voting rights in a company who have not accepted a bid by way of general offer for the beneficial ownership of all of the voting securities in such company (other than securities already in the beneficial ownership of the bidder) have a corresponding right to oblige the bidder to buy their securities on the terms of the general offer under which the beneficial ownership of the securities of the assenting security holders was acquired by the bidder. The main condition to be satisfied to enable the exercise of “sell-out” rights is that the bidder has acquired, or unconditionally

contracted to acquire, securities which amount to not less than nine tenths in nominal value of the securities affected and which carry not less than nine tenths of the voting rights attaching to the securities affected.

5.3 Irish Merger Control Legislation

Subject to the provisions of the Credit Institutions (Financial Support) Act 2008 noted below, under Irish merger control legislation, any person or entity proposing to acquire direct or indirect control of AIB through the acquisition of Ordinary Shares or otherwise must, subject to various exceptions and if various financial thresholds are met or exceeded, provide advance notice of such acquisition to the Irish Competition Authority. Failure to notify when obliged to do so is an offence under the Competition Act 2002 (as amended). The Competition Act 2002, as amended, defines “control” as existing if, by reason of securities, contracts or any other means, decisive influence is capable of being exercised with regard to the activities of a company. Under Irish law, any transaction subject to the mandatory notification obligation set out in the legislation (or any transaction which has been voluntarily notified to the Irish Competition Authority) will be void if put into effect before the approval of the Irish Competition Authority is obtained or before the prescribed statutory period following notification of such transaction lapses without the Irish Competition Authority having made an order.

Under the Credit Institutions (Financial Support) Act 2008, the Minister for Finance is entitled to review a proposed merger or acquisition involving a participating institution where he/she believes that it is necessary to maintain the stability of the financial system in Ireland and that there will be a serious threat to the stability of the system if the merger does not proceed. The Minister for Finance, rather than the Irish Competition Authority, will review the proposed merger and he must do so as soon as reasonably practicable. He must clear the merger where it will not result in a substantial lessening of competition. Even if it will so result, he may clear the merger where this is necessary in order to: maintain the stability of the financial system in Ireland; avoid a serious threat to the stability of credit institutions; or remedy a serious disturbance in the economy of Ireland.

In addition, the Investment of the National Pensions Reserve Fund and Miscellaneous Provisions Act 2009 provides that neither certain parts of the Competition Act 2002 nor Section 7 of the Credit Institutions (Financial Support) Act 2008 applies to acquisitions or transfers of an interest in a listed credit institution by the Minister or by the NPRFC or an NPRFC investment vehicle at the direction of the Minister. Accordingly, neither act applied to the Bonus Issue.

6 Directors of the Company

6.1 Directors

The Directors and their principal functions are as follows:

Dan O’Connor	Executive Chairman
Colm Doherty	Group Managing Director (Executive Director) and acting Group Chief Risk Officer
David Pritchard	Chairman, AIB Group (UK) p.l.c. and Senior Independent Non-Executive Director
Declan Collier	Non-Executive Director (Government appointee)
Kieran Crowley	Non-Executive Director
Stephen L. Kingon	Non-Executive Director
Anne Maher	Non-Executive Director
Dr. Michael Somers	Non-Executive Director and Deputy Chairman (Government appointee)
Dick Spring	Non-Executive Director (Government appointee)
Robert G. Wilmers	Non-Executive Director

Under the terms of the CIFS Scheme, AIB must, during the period of the guarantee, at the direction of the Minister for Finance, appoint at least one but not more than two Non-Executive Directors to its Board from a panel approved by the Minister. In compliance with that scheme, Mr Declan Collier and Mr Dick Spring were appointed to the Board on 22 January 2009.

In accordance with the terms of the NPRFC Investment, the NPRFC (or any other Government Preference Shareholder) has the following rights in AIB’s Articles of Association to appoint Directors to the Board: (i) four Directors where the total number of Directors on the Board is 16, 17 or 18 (that number includes any other Directors appointed by the Government (including under the CIFS Scheme); and (ii) 25 per cent. of the Directors (including any Directors appointed by the Government (including under the CIFS Scheme) rounded up or down to the nearest

whole number (with the number 0.5 rounded up to the nearest integer), where the total number of Directors is 15 or fewer. Any increase in the number of Directors to more than 18 will require the prior written consent of the Government Preference Shareholder.

Dr. Michael Somers was appointed to the Board under the terms of the NPRFC Investment on 14 January 2010. The director appointment rights of the Government Preference Shareholder will cease to apply if no Government Entity holds any 2009 Preference Shares. The NPRFC has notified the Company that Mr Declan Collier, Mr Dick Spring and Dr. Michael Somers are, for the purposes of the NPRFC's entitlement to appoint Directors to the Board described above, to be treated as appointees of the NPRFC.

Brief biographical details of the Directors are as follows:

Dan O'Connor B Comm, FCA — Executive Chairman

Mr O'Connor is a Director of CRH p.l.c., former President and Chief Executive Officer of GE Consumer Finance Europe, and former Senior Vice-President of General Electric Company. He joined the Board in 2007 and was appointed Non-Executive Chairman in July 2009. On 18 November 2009, he took on the role of Executive Chairman on a temporary basis in order to oversee the completion of the key tasks of capital raising, the implementation of NAMA and the EU restructuring plan. He will revert to Non-Executive Chairman during 2010. (Age 50)

In addition to his directorship of AIB and any directorships of AIB Group companies, Mr O'Connor holds or has held in the past five years the following directorships. He has not been a partner in any partnership in the past five years.

<u>Company</u>	<u>Status (Current/Previous)</u>
CRH Public Limited Company	Current
Deerfield Farm Services	Current
Garanti Bank	Previous

Colm Doherty B Comm — Group Managing Director (Executive Director) and acting Group Chief Risk Officer

Mr Doherty joined AIB International Financial Services in 1988, and became its Managing Director in 1991. He was appointed Head of Investment Banking in 1994, and became Managing Director of AIB Capital Markets in 1999. He joined the Board in 2003 and was appointed Group Managing Director with effect from 18 November 2009. (Age 52)

In addition to his directorship of AIB and any directorships of AIB Group companies, Mr Doherty holds or has held in the past five years the following directorships. He has not been a partner in any partnership in the past five years.

<u>Company</u>	<u>Status (Current/Previous)</u>
Manufacturers and Traders Trust Company	Previous
M&T Bank Corporation	Previous
AIB/BNY Securities Services (Ireland) Ltd	Previous
Commerzbank Europe (Ireland).	Previous

David Pritchard BSc (Eng) — Chairman, AIB Group (UK) p.l.c. and Senior Independent Non-Executive Director

Mr Pritchard is a Former Group Treasurer, Executive Director, and Non-Executive Deputy Chairman of Lloyds TSB Group p.l.c. and spent two years as a secondee at the Financial Services Authority while employed at Lloyds TSB. He is a former Managing Director of Citicorp Investment Bank, London, and a former General Manager of Royal Bank of Canada Group. He is Non-Executive Chairman of Songbird Estates p.l.c., Non-Executive Director of Euromoney Institutional Investor PLC, The Motability Tenth Anniversary Trust, and a former Non-Executive Director of LCH Clearnet Group. Mr Pritchard joined the Board in 2007 and was appointed Deputy Chairman for the period May to December 2009. (Age 66)

In addition to his directorship of AIB and any directorships of AIB Group companies, Mr Pritchard holds or has held in the past five years the following directorships. He has not been a partner in any partnership in the past five years.

<u>Company</u>	<u>Status (Current/Previous)</u>
Euromoney Institutional Investor PLC	Current
Songbird Acquisition Limited	Current
Songbird Estates p.l.c.	Current
Songbird Finance Limited	Current
Songbird Finance Two Limited	Current
The Motability Tenth Anniversary Trust	Current
Banque Centrale de Compensation SA T/A LCH Clearnet SA	Previous
LCH Clearnet Group Limited	Previous
LCH Clearnet Limited	Previous
Scottish Widows Annuities Limited	Previous
Scottish Widows Group Limited	Previous
Scottish Widows p.l.c.	Previous

Declan Collier BA Mod (Econ), MSc (Econ) — Non-Executive Director

Mr Collier is Chief Executive of the Dublin Airport Authority. He is a Director of Dublin Airport Authority p.l.c., and is Chairman of Aer Rianta International cpt and of DAA Finance p.l.c. Mr Collier joined the Board in January 2009 as a nominee of the Minister for Finance under the CIFS Scheme. (Age 55)

In addition to his directorship of AIB and any directorships of AIB Group companies, Mr Collier holds or has held in the past five years the following directorships. He has not been a partner in any partnership in the past five years.

<u>Company</u>	<u>Status (Current/Previous)</u>
Aer Rianta International Cpt	Current
Aer Rianta International (North America) Inc	Current
Aer Rianta International Middle East	Current
DAA Finance p.l.c.	Current
Delhi Duty Free Services Private Limited	Current
Derryquin Hotels Limited	Current
Derryquin Hotels (Dublin) Limited	Current
Derryquin Hotels (Cork) Limited	Current
Dublin Airport Authority p.l.c.	Current
Skyzone Limited	Current
Dublin Theatre Festival Limited	Current
ASC Airport Services Consolidated Limited	Current
DAA Airport Services Limited	Current
Yalorvin Limited	Current
ARI Sardana JFK Inc	Previous

Kieran Crowley BA, FCA — Non-Executive Director and Corporate Social Responsibility Committee Chairman

Mr Crowley is a Consultant and founder of Crowley Services Dublin Ltd., which operates the Dyno-Rod franchise in Ireland. He is a Director of AIB Group (UK) p.l.c., AIB Mortgage Bank and a former Director of Bank Zachodni WBK S.A., AIB's Polish subsidiary. Mr Crowley is a former Chairman of the Small Firms Association, a former member of the Irish Business and Employers' Confederation (IBEC) National Executive Council and a former member of the Government appointed Advisory Forum on Financial Legislation. He joined the Board in 2004. (Age 58)

In addition to his directorship of AIB and any directorships of AIB Group companies, Mr Crowley holds or has held in the past five years the following directorships. He has not been a partner in any partnership in the past five years.

<u>Company</u>	<u>Status (Current/Previous)</u>
Crowley Environmental Limited	Current
Crowley Services Dublin Limited	Current
Ryecourt Limited	Current

Stephen Kingon CBE, BA, DBA, FCA, FIBC, CMC — Non-Executive Director and Audit Committee Chairman

Mr Kingon is Chairman of Invest Northern Ireland and of the Northern Ireland Centre for Competitiveness and Balcas Limited. He is a member of the Economic Advisory Group, and co-chair of the North/South Roundtable Group. He is a Director of AIB Group (UK) p.l.c., Anderson Spratt (Holdings) Limited, The Baird Group Limited, Mivan Limited, Mivan (UK) Limited, Opera Northern Limited and S.O.S. Bus Limited. He has held the following positions and offices in the recent past: Managing Partner of PricewaterhouseCoopers in Northern Ireland; member of the BT Ireland Advisory Board; President of the Northern Ireland Chamber of Commerce and Industry; Chairman of Business in the Community in Northern Ireland, the Ulster Society of Chartered Accountants, and the Institute of Management Consultants in Northern Ireland; and Joint Secretary for the Institute of Chartered Accountants in Ireland. Mr Kingon joined the Board in 2007. (Age 63)

In addition to his directorship of AIB and any directorships of AIB Group companies, Mr Kingon holds or has held in the past five years the following directorships. In addition, during the past five years, he was, but not longer is, a partner in Pricewaterhouse Coopers LLP.

<u>Company</u>	<u>Status (Current/Previous)</u>
Centre for Competitiveness (NI) Limited	Current
Mivan Limited	Current
Mivan (UK) Limited	Current
The Baird Group Limited	Current
Balcas Limited	Current
Anderson Spratt (Holdings) Limited	Current
Opera Northern Limited	Current
S.O.S. Bus Limited	Current
Pricewaterhouse Coopers (Northern Ireland) Limited	Previous
Pricewaterhouse Coopers Financial Services (NI) Limited	Previous
Pricewaterhouse Coopers Associates (NI) Limited	Previous

Anne Maher FIIPM, BCL — Non-Executive Director

Ms Maher is a Non-Executive Director of Irish Airlines Pensions Limited, Retirement Planning Council of Ireland, Allied Irish Banks Pensions Limited and AIB DC Pensions (Ireland) Limited. She is Chairman of the Medical Professional Competence Steering Committee, Governor of Pensions Policy Institute (UK) and is a member of Chartered Accountants Regulatory Board and of FTSE Policy Group (UK). Former positions and offices she has held include, Chief Executive of The Pensions Board, Chairman of the Irish Association of Pension Funds and member of the Committee for European Insurance and Occupational Pensions Supervisors, member of the Professional Oversight Board (UK), the Actuarial Stakeholder Interests Working Group (UK) and Board member of the Irish Accounting and Auditing Supervisory Authority. Ms Maher joined the Board in 2007. (Age 65)

In addition to her directorship of AIB and any directorships of AIB Group companies, Ms Maher holds or has held in the past five years the following directorships. She has not been a partner in any partnership in the past five years.

<u>Company</u>	<u>Status (Current/Previous)</u>
Irish Airlines Pensions Limited	Current
Allied Irish Banks Pensions Limited	Current
The Retirement Planning Council of Ireland	Current
Health Insurance Authority	Previous
Irish Auditing and Accounting Supervisory Authority	Previous
The Professional Oversight Board Limited	Previous
The Review Board	Previous

Dr. Michael Somers B Comm, M.Econ.Sc Ph.D — Non-Executive Director, Deputy Chairman and Board Risk Committee Chairman

Dr. Somers is former Chief Executive of the National Treasury Management Agency. He is a non-executive director of Willis Group Holdings plc, Hewlett-Packard International Bank plc, Fexco Holdings Limited, the European Investment Bank, St. Vincent's Healthcare Group Ltd, and a member of the Council of the Dublin Chamber of Commerce. He has previously held the posts of Secretary, National Debt Management, in the Department of Finance, and Secretary, Department of Defence. He is a former Chairman of the Audit Committee of the European Investment Bank and former Member of the EC Monetary Committee. Dr. Somers was Chairman of the group that

drafted the National Development Plan 1989-1993 and of the European Community group that established the European Bank for Reconstruction and Development (EBRD). He joined the Board in January 2010 as a nominee of the Minister for Finance under the Government's National Pensions Reserve Fund Act 2000 (as amended). (Age 68)

In addition to his directorship of AIB and any directorships of AIB Group companies, Dr. Somers holds or has held in the past five years the following directorships. He has not been a partner in any partnership in the past five years.

<u>Company</u>	<u>Status (Current/Previous)</u>
Hewlett-Packard International Bank plc	Current
Ulysses Securitisation p.l.c.	Current
St. Vincent's Healthcare Group Limited	Current
Pianora Limited	Current
Institute of Directors in Ireland	Current
Fexco Holdings Limited	Current
European Investment Bank	Current
Willis Group Holdings plc	Current
Irish Stock Exchange Limited	Previous
National Treasury Management Agency	Previous
National Pensions Reserve Fund Commission	Previous
National Development Finance Agency	Previous
The National Theatre Society, Limited	Previous
University College Dublin Foundation Limited	Previous

Dick Spring BA, BL — Non-Executive Director

Mr Spring is a former Tanaiste (Deputy Prime Minister) of the Republic of Ireland, Minister for Foreign Affairs and leader of the Labour Party. He is a Non-Executive Director of Fexco Holdings Ltd., Repak Ltd, The Realta Global Aids Foundation Ltd and Diversification Strategy Fund p.l.c. He is Chairman of International Development Ireland Ltd., Altobridge Ltd., and Alder Capital Ltd. Mr Spring joined the Board in January 2009 as a nominee of the Minister for Finance under the CIFS Scheme. (Age 60)

In addition to his directorship of AIB and any directorships of AIB Group companies, Mr Spring holds or has held in the past five years the following directorships. He has not been a partner in any partnership in the past five years.

<u>Company</u>	<u>Status (Current/Previous)</u>
Alder Capital Limited	Current
Altobridge Limited	Current
Diversification Strategy Fund p.l.c.	Current
Fexco Holdings Limited	Current
Fexco Stockbroking Limited	Current
The Good Juice Company Ad Limited	Current
Gulliver InfoRes Services Limited	Current
International Development Ireland Limited	Current
Online Teetimes Limited	Current
Repak Limited	Current
The Realta Global AIDS Foundation Limited	Current
Airtel ATN Limited	Previous
D.S. Consulting Limited	Previous
Eircom Limited	Previous
Eureto Limited	Previous
Fenit Development Co. Limited	Previous
Flexicom Limited	Previous
IFG Pensco Limited	Previous

Robert G. Wilmers — Non-Executive Director

Mr Wilmers is Chairman and Chief Executive Officer of M&T Bank Corporation (“M&T”), Buffalo, New York State. He served as Chairman of the New York State Bankers’ Association in 2002, and as a Director of the Federal Reserve Bank of New York from 1993 to 1998. He is a former Chairman of the Empire State Development Corporation and a former Director of the Business Council of New York State, Inc. Mr Wilmers joined the Board in 2003, as the designee of M&T, on the acquisition by AIB of a strategic stake in M&T. (Age 76)

In addition to his directorship of AIB and any directorships of AIB Group companies, Mr Wilmers holds or has held in the past five years the following directorships. He has not been a partner in any partnership in the past five years.

<u>Company</u>	<u>Status (Current/Previous)</u>
M&T Bank Corporation	Current
Manufacturers & Traders Trust Company	Current
M&T Financial Corporation	Current
The M&T Charitable Foundation	Current
The Business Council of New York State, Inc.	Current
M&T Bank, National Association	Previous
New York Bankers Association	Previous
The Financial Services Roundtable	Previous

6.2 Senior Executives

The Senior Executives and their principal functions are as follows:

Bernard Byrne	Group Chief Financial Officer
Gerry Byrne	Managing Director, AIB CEE Division
John Conway	Head of Group Human Resources
Robbie Henneberry	Managing Director, AIB Bank Republic of Ireland
Marcel McCann	Head of Operations and Technology
Jerry McCrohan	Managing Director, AIB Capital Markets p.l.c.
Joseph O'Connor	Group Chief Credit Officer
Maelíosa ÓhÓgartaigh	Head of Corporate Development and Government Relations
Nick Treble	Managing Director, AIB Group (UK) p.l.c.

Brief biographical details of the Senior Executives are as follows:

Bernard Byrne FCA — Group Chief Financial Officer

Mr Byrne joined AIB in May 2010 as Group Chief Financial Officer and member of the Group Executive Committee. He began his career as a Chartered Accountant with PricewaterhouseCoopers in 1988 and joined the state owned Electricity Supply Board (“ESB”) International as Commercial Director in 1994. In 1998 he took up the post of Finance Director with IWP International Plc and subsequently re-joined ESB in 2004 as Group Finance Director. (Age 42)

In addition to his positions as Group Chief Financial Officer and member of the Group Executive Committee, Mr Byrne holds, or has held in the past five years, the following directorships outside the AIB Group. He has not been a partner in any partnership in the past five years.

<u>Company</u>	<u>Status (Current/Previous)</u>
Horizons Education Ltd	Current
ESB 1927 Properties Ltd.	Previous
ESB Commercial Properties Ltd	Previous
ESB Networks Ltd	Previous
Novus Modus Ltd	Previous

Gerry Byrne FIB — Managing Director, AIB CEE Division

Mr Byrne was appointed Managing Director of AIB Poland in 2001, and subsequently Managing Director of CEE Division, and has been a member of the Group Executive Committee since that time. He has worked for AIB for over 37 years in numerous management roles in Retail and Commercial banking and as Managing Director of AIB’s Life Assurance operation, Ark Life. (Age 54)

Other than any directorships of AIB Group companies, Mr Byrne does not hold, and has not held, any directorships in the past five years. He has not been a partner in any partnership in the past five years.

John Conway FIB, FCIPD, MBA, B Comm — Head of Group Human Resources

Mr Conway was appointed to his current role, and to the Group Executive Committee, in February 2010. He is a career banker having joined AIB in retail banking in 1973. He has held several positions in front line and functional

areas across the Group, including management roles in Global Treasury Operations, International Banking, Information Technology, Marketing and Corporate Banking. Mr Conway was appointed Head of Human Resources, AIB Capital Markets p.l.c. in 1998. (Age 55)

Other than any directorships of AIB Group companies, Mr Conway does not hold, and has not held, any directorships in the past five years. He has not been a partner in any partnership in the past five years.

Robbie Henneberry FIB, B Comm — Managing Director, AIB Bank Republic of Ireland (“RoI”)

Mr Henneberry was appointed Managing Director of AIB Bank RoI in May 2009 and has been a member of the Group Executive Committee since August 2005, formerly as Managing Director of AIB Group (UK) p.l.c. He joined AIB in 1980 and has worked in a variety of management roles in both Ireland and the UK. Following a period as Regional Director in Dublin, he was appointed General Manager, Branches in AIB Great Britain in January 2004. (Age 47)

In addition to his positions as Managing Director of AIB Bank RoI and member of the Group Executive Committee, Mr Henneberry holds, or has held in the past five years, the following directorships outside the AIB Group. He has not been a partner in any partnership in the past five years.

<u>Company</u>	<u>Status (Current/Previous)</u>
Aviva Group Ireland plc	Current
Aviva Life & Pensions Ireland Limited	Current
Aviva Life Holdings Ireland Limited	Current
Ark Life Assurance Company Limited.	Current

Marcel McCann MSc (Mgt) — Head of Operations and Technology

Mr McCann was appointed to his current role, and to the Group Executive Committee, in February 2010. He joined AIB in retail banking in 1978 and moved to the Information Technology (“IT”) area in 1980 where he held roles in Systems Development and International Division. He was appointed Chief Information Officer, AIB Capital Markets p.l.c. in 2000 and General Manager, Group Business Architecture in 2004. (Age 50)

Other than any directorships of AIB Group companies, Mr McCann does not hold, and has not held, any directorships in the past five years. He has not been a partner in any partnership in the past five years.

Jerry McCrohan FIB, FCIS, MSc (Mgt) — Managing Director, AIB Capital Markets p.l.c.

Mr McCrohan was appointed to his current role in February 2010 and to the Group Executive Committee at that time. He has worked for AIB for over 40 years and his career has spanned a number of senior positions in both Retail Banking and Capital Markets including Regional Director Midlands and North West in Retail Bank, one of the founding directors of Ark Life Assurance Company, Head of International Corporate Banking, Head of AIB Corporate Banking Ireland and Head of Global Corporate Banking. (Age 60)

In addition to his positions as Managing Director of AIB Capital Markets p.l.c., and member of the Group Executive Committee, Mr McCrohan holds, or has held in the past five years, the following directorships outside the AIB Group. He has not been a partner in any partnership in the past five years.

<u>Company</u>	<u>Status (Current/Previous)</u>
Beachrise Properties	Previous
Sutton Park School	Previous
Sutton Park Trust Company.	Previous

Joe O’Connor FIB, B Comm, FCA — Group Chief Credit Officer

Mr O’Connor was appointed to his current role, and to the Group Executive Committee, in February 2010. He joined AIB in 1973 and his career includes roles as Corporate Finance Executive and, at various times, Head of Banking, Risk, Finance and Human Resources of AIB Capital Markets p.l.c. He was appointed Chief Credit Officer, Capital Markets in 1998. (Age 61)

Other than any directorships of AIB Group companies, Mr O’Connor does not hold, and has not held, any directorships in the past five years. He has not been a partner in any partnership in the past five years.

Maelíosa ÓhÓgartaigh B Comm, MSc (Mgt), FCA — Head of Corporate Development and Government Relations

Mr ÓhÓgartaigh was appointed to his current role, and to the Group Executive Committee, in February 2010. He joined AIB in 1989 and has held various senior management roles including Finance Director of AIB Capital Markets, Group Head of Accounting and Finance and Acting Group Chief Financial Officer. Prior to joining AIB he worked with Arthur Andersen for a number of years. (Age 50)

Other than any directorships of the AIB Group companies, Mr ÓhÓgartaigh does not hold, and has not held, any directorships in the past five years. He has not been a partner in any partnership in the past five years.

Nick Treble MBA — Managing Director, AIB Group (UK) p.l.c.

Mr Treble was appointed to his current role in June 2009 and has been a member of the Group Executive Committee since 2008, formerly as Group Chief Risk Officer. He joined AIB in 1982 and has held a variety of senior management positions with the Group including Group Treasurer, General Manager, AIB Capital Markets Britain and Head of Treasury (Britain). (Age 51)

Other than any directorships of AIB Group companies, Mr Treble does not hold, and has not held, any directorships in the past five years. He has not been a partner in any partnership in the past five years.

- 6.3** No AIB Director or Senior Executive has or has had any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Company and which was effected by any member of the AIB Group in the current or immediately preceding financial year or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.
- 6.4** Other than the following, there are no guarantees provided by any member of the AIB Group for the benefit of the Directors or Senior Executives.

On 2 February 2004, AIB Capital Markets plc, a wholly-owned subsidiary, extended the terms of an indemnity previously given to certain former directors, officers and employees of Govett Investment Management Ltd. (“Govett”) — now “AIB Investment Management Limited” — to Mr. Michael Buckley, the former Group Chief Executive, and Mr. Colm Doherty, former Managing Director, AIB Capital Markets now Group Managing Director; Mr. Buckley is a former director of a split capital trust managed by Govett, and Mr. Doherty is a former director of Govett. The aggregate liability of AIB Capital Markets plc under the indemnity is €10 million.

The purpose of the indemnity is to protect the indemnified parties (or any of them) against any civil liability, loss and defence costs which they (or any of them) may suffer by reason of any claim made against them relating to certain split capital or highly leveraged trusts previously managed by Govett and which previously would have been covered by insurance.

Prior to July 2003, AIB’s professional indemnity and directors’ and officers’ liability insurance provided cover in respect of the eventualities mentioned in the previous paragraph. However, on renewal of that insurance on 1 July 2003, and in line with a general change introduced by the insurance industry, exclusions were imposed that removed that cover. By virtue of the terms of the indemnity, the indemnified parties now stand in the position they would have been in if those exclusions had not been imposed, except that the aggregate limit of liability under the indemnity is €10 million rather than the higher amount previously provided by the directors’ and officers’ liability insurance.

Allied Irish Banks, p.l.c. has indemnified the directors of Allied Irish Banks Pensions Limited and AIB DC Pensions (Ireland) Limited, the trustees of the Group’s Republic of Ireland defined benefit pension scheme and defined contribution pension scheme, respectively, against any actions, claims or demands arising out of their actions as directors of the trustee companies, other than by reason of wilful default. Mr Joe O’Connor, Senior Executive, and Ms Anne Maher, a Director of the Company were appointed directors of the above-mentioned trustee companies with effect from 28 August 1997 and 19 November 2007 respectively.

- 6.5** Within the period of five years preceding the date of this Prospectus, none of the Directors or Senior Executives:
- 6.5.1 has had any convictions in relation to fraudulent offences;
- 6.5.2 has been a director or senior manager (who is relevant to establishing that a company has the appropriate expertise and experience for the management of that company) of any company at the time of any bankruptcy, receivership or liquidation of such company; or

6.5.3 has received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

6.6 None of the Directors or Senior Executives has any potential conflicts of interests between their duties to the Company and their private interests or other duties.

6.7 There is no family relationship between any Director or Senior Executives.

7 Directors' and Senior Executives' interests, options and awards

Save as set out in paragraphs 7.1 and 7.2 of this Part IX, no Director or Senior Executive has any interests (beneficial or non-beneficial) in the share capital of the Company or any of its subsidiaries.

7.1 Directors' and Senior Executives' shareholdings

As at 7 September 2010 (being the latest practicable date prior to the publication of this Prospectus), the interests (all of which are beneficial unless otherwise stated) of the Directors and Senior Executives, as well as their spouses and minor children, are as follows:

<u>Directors</u>	<u>As at 7 September 2010 (the latest practicable date prior to the publication of this Prospectus)</u>	
	<u>Number of Existing Shares</u>	<u>Percentage of issued share capital⁽¹⁾</u>
Dan O'Connor	14,000	0.001
Colm Doherty	97,544	0.01
David Pritchard	53,500	0.005
Declan Collier	Nil	—
Kieran Crowley	12,520	0.001
Stephen L. Kingon	4,500	0.0004
Anne Maher	1,600	0.0001
Dr. Michael Somers	13,437	0.001
Dick Spring	Nil	—
Robert G. Wilmers	440,059	0.04

<u>Senior Executives</u>	<u>As at 7 September 2010 (the latest practicable date prior to the publication of this Prospectus)</u>	
	<u>Number of Existing Shares</u>	<u>Percentage of issued share capital⁽¹⁾</u>
Bernard Byrne	Nil	—
Gerry Byrne	38,761	0.004
John Conway	22,417	0.002
Robbie Henneberry	59,245	0.005
Marcel McCann	13,417	0.001
Jerry McCrohan	2,254	0.0002
Joseph O'Connor	62,475	0.006
Maelíosa ÓhÓgartaigh	11,329	0.001
Nick Treble	24,477	0.002

Note:

(1) Excluding Treasury Shares

7.2 Directors' and Senior Executives' options and awards

7.2.1 Share options

As at 7 September 2010 (being the latest practicable date prior to the publication of this Prospectus), the Directors and Senior Executives held options to subscribe for Ordinary Shares under the AIB Group Share Option Scheme as detailed in the table below. Further information on the AIB Group Share Option Scheme, including policy on the granting of options, is contained in paragraph 13.1 of this Part IX. The vesting of these options in the individuals

concerned is dependent on EPS targets being met. Subject thereto, the options outstanding are exercisable at various dates between 2010 and 2015. Details of the Directors' options and awards are shown in the Register of Directors' and Secretary's Interests, which may be inspected by Shareholders at the Company's registered office.

<u>Directors</u>	<u>Date of Grant</u>	<u>Number of Shares</u>	<u>Option price</u> (€)	<u>Vested/ Unvested</u>	<u>Exercise Period</u>
Dan O'Connor	—	—	—	—	—
Colm Doherty	26/04/2001	75,000	11.98	Vested	26/04/2004-25/04/2011
	26/06/2002	75,000	13.55	Vested	26/06/2005-25/06/2012
	28/04/2004	30,000	12.60	Vested	28/04/2007-27/04/2014
	26/04/2005	5,000	16.20	Vested	26/04/2008-25/04/2015
<u>Senior Executives</u>	<u>Date of Grant</u>	<u>Number of Shares</u>	<u>Option price</u> (€)	<u>Vested/ Unvested</u>	<u>Exercise Period</u>
Bernard Byrne	—	—	—	—	—
Gerry Byrne	26/04/2001	25,000	11.98	Vested	26/04/2004-25/04/2011
	26/06/2002	30,000	13.55	Vested	26/06/2005-25/06/2012
	23/04/2003	40,000	13.30	Vested	23/04/2006-22/04/2013
	28/04/2004	20,000	12.60	Vested	28/04/2007-27/04/2014
	26/04/2005	10,000	16.20	Vested	26/04/2008-25/04/2015
John Conway	26/04/2001	10,000	11.98	Vested	26/04/2004-25/04/2011
	26/06/2002	4,000	13.55	Vested	26/06/2005-25/06/2012
	23/04/2003	8,985	13.30	Vested	23/04/2006-22/04/2013
	28/04/2004	10,000	12.60	Vested	28/04/2007-27/04/2014
	26/04/2005	10,000	16.20	Vested	26/04/2008-25/04/2015
Robbie Henneberry	26/04/2005	10,000	16.20	Vested	26/04/2008-25/04/2015
Marcel McCann	26/06/2002	6,000	13.55	Vested	26/06/2005-25/06/2012
	28/04/2004	10,000	12.60	Vested	28/04/2007-27/04/2014
	26/04/2005	7,500	16.20	Vested	26/04/2008-25/04/2015
Jerry McCrohan	26/06/2002	3,000	13.55	Vested	26/06/2005-25/06/2012
	23/04/2003	10,000	13.30	Vested	23/04/2006-22/04/2013
	26/04/2005	10,000	16.20	Vested	26/04/2008-25/04/2015
Joseph O'Connor	26/04/2001	10,000	11.98	Vested	26/04/2004-25/04/2011
	26/06/2002	15,000	13.55	Vested	26/06/2005-25/06/2012
	23/04/2003	10,000	13.30	Vested	23/04/2006-22/04/2013
	28/04/2004	20,000	12.60	Vested	28/04/2007-27/04/2014
	26/04/2005	10,000	16.20	Vested	26/04/2008-25/04/2015
Maelíosa ÓhÓgartaigh	26/04/2001	5,000	11.98	Vested	26/04/2004-25/04/2011
	26/06/2002	5,000	13.55	Vested	26/06/2005-25/06/2012
	23/04/2003	13,000	13.30	Vested	23/04/2006-22/04/2013
	28/04/2004	10,000	12.60	Vested	28/04/2007-27/04/2014
	26/04/2005	10,000	16.20	Vested	26/04/2008-25/04/2015
Nick Treble	26/04/2001	30,000	11.98	Vested	26/04/2004-25/04/2011
	26/06/2002	20,000	13.55	Vested	26/06/2005-25/06/2012
	23/04/2003	16,000	13.30	Vested	23/04/2006-22/04/2013
	28/04/2004	40,000	12.60	Vested	28/04/2007-27/04/2014
	26/04/2005	10,000	16.20	Vested	26/04/2008-25/04/2015

7.2.2 Long-term incentives

Details of the Directors' and Senior Executives' conditional grants of awards of Ordinary Shares under the AIB Group Performance Share Plan 2005 are given at paragraphs 8.2.2 and 8.3.4 of this Part IX. Those conditional awards are subject to certain performance targets being met, in terms of EPS growth and total shareholder return. The conditional grants of awards outstanding as at 7 September 2010 (being the latest practicable date prior to the publication of this Prospectus) may wholly or partly vest between 2010 and 2011, depending on the date of the grant and the grant conditions being met.

8 Remuneration details, Directors' service contracts and letters of appointment

8.1 Remuneration of Directors

8.1.1 In the financial year of AIB ended 31 December 2009, the aggregate total remuneration paid to the Directors was €4.1 million. Under the terms of the NPRFC Investment and the CIFS Scheme, AIB is also required to comply with certain executive pay and compensation arrangements. Details of such restrictions are set out in paragraph 16.2.2(g) of this Part IX.

8.1.2 The following table details the total remuneration of the Directors in office during 2009:

Remuneration	2009					
	Directors' fees — Parent & Irish Subsidiary Cos ⁽¹⁾	Directors' fees — Non-Irish Subsidiary Cos ⁽²⁾	Salary	Taxable Benefits ⁽³⁾	Pension Contributions ⁽⁴⁾	Total
	(€ '000)					
Executive Directors						
Colm Doherty	—	—	622	66	145	833
Donal Forde (remuneration to resignation as Director on 13 May 2009)	—	—	221	23	51	295
Dan O'Connor ⁽⁵⁾ (remuneration as Executive Chairman from 18 November to 31 December 2009)	31	—	—	—	—	31
John O'Donnell (remuneration to retirement as Director on 31 August 2009)	—	—	333	46	86	465
Eugene Sheehy (remuneration to retirement as Director on 30 November 2009)	—	—	638	58	196	892
	<u>31</u>	<u>—</u>	<u>1,814</u>	<u>193</u>	<u>478</u>	<u>2,516</u>
Non-Executive Directors						
Declan Collier (appointed 22 January 2009)	29	—	—	—	—	29
Kieran Crowley	99	34	—	—	—	133
Dermot Gleeson (remuneration to retirement as Director on 30 June 2009)	203	—	—	—	—	203
Stephen L. Kingon	72	37	—	—	—	109
Anne Maher	96	—	—	—	—	96
Dan O'Connor ⁽⁵⁾ (remuneration from 1 January to 17 November 2009)	156	—	—	—	—	156
Sean O'Driscoll ⁽⁶⁾	—	—	—	—	—	—
David Pritchard ⁽⁷⁾	82	69	—	—	—	151
Dick Spring (appointed 22 January 2009)	26	—	—	—	—	26
Michael J. Sullivan (remuneration to retirement as Director on 13 May 2009)	19	—	—	—	—	19
Robert G. Wilmers	—	—	—	—	—	—
Jennifer Winter	<u>48</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>48</u>
	<u>830</u>	<u>140</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>970</u>
Former Directors						
Pensions ⁽⁸⁾	—	—	—	—	—	110
Other ⁽⁹⁾	—	—	—	—	—	488
Total	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,084</u>

Note:

(1) Fees paid to the non-executive directors, other than the Chairman and Deputy Chairman who both receive a flat fee, comprise a basic fee in respect of service as a director, payable at a rate of €36,500 per annum, which was voluntarily reduced to €32,850 per annum from 1 December 2008 and to €27,375 per annum from 9 February 2009, and additional remuneration paid to any non-executive director who: is the Chairman of the Audit Committee, Remuneration Committee, or Corporate Social Responsibility Committee; is the Senior Independent Director or; performs additional services, such as through membership of Board Committees or the board of a subsidiary company. All fees paid to Non-Executive Directors were voluntarily reduced by 10 per cent. from 1 December 2008 and by 25 per cent. from 9 February 2009. A fee of €27,147 was paid to M&T Bank Corporation ("M&T") in the year ended 31 December 2009 (2008: €36,196), in respect of Mr Robert G. Wilmers' directorship of the Company as the designee of M&T, pursuant to the Agreement and Plan of Reorganisation, dated 26 September 2002, by and among the Company, Allfirst Financial Inc. and M&T, as approved by shareholders at the Extraordinary General

Meeting held on 18 December 2002 (the "Agreement"). During 2009, Messrs. Michael Buckley (who retired as Group Chief Executive and Director of AIB on 30 June 2005), Colm Doherty, and Eugene Sheehy (who retired as Group Chief Executive and Director of AIB on 30 November 2009), served as AIB-designated Directors of M&T, pursuant to the Agreement. The aggregate fees payable in this regard, in respect of Messrs. Doherty and Sheehy, amounting to €33,726 (2008: €32,149), were paid to AIB, while €21,925 was paid to Mr Buckley (2008: €20,634);

- (2) Non-Executive Directors of AIB who also serve as Directors of non-Irish subsidiaries are separately paid a flat fee, which is independently agreed and paid by the subsidiaries, in respect of their service as a director of those companies. During 2008 and 2009, Messrs. David Pritchard, Kieran Crowley and Stephen Kingon served as non-executive directors of AIB Group (UK) p.l.c. Mr Pritchard is Chairman of AIB Group (UK) p.l.c. Mr Kingon was a member of the UK Audit Committee until his appointment as Chairman of the Group Audit Committee on 1 September 2009. Mr Jim O'Leary, former director, served as a non-executive director of AIB's Polish subsidiary company, BZWBK, between 1 January 2009 and 21 April 2009 and received fees of €8,624 in respect of his directorship of that company during that period.
- (3) Taxable benefits comprise certain benefits in kind and include the use of a company car or the payment of a car allowance, benefits arising from loans made at preferential rates and medical/life assurance.
- (4) 'Pension contributions' represent payments to defined benefit pension schemes, in accordance with actuarial advice, to provide post-retirement pensions from normal retirement date. The contribution rate in 2009 in respect of the Executive Directors, as a percentage of pensionable emoluments is 23.0 per cent. (2008: 22.3 per cent.). The fees of the non-executive directors are not pensionable.
- (5) Mr Dan O'Connor was appointed Chairman with effect from 1 July 2009. He was paid until 30 June 2009 on the basis of the Non-Executive Directors' fees set out at ⁽¹⁾ above. His flat fee as Chairman was agreed at €276,000 per annum and he was paid a pro-rata equivalent amount for the period from 1 July to 31 December 2009.
- (6) Mr Sean O'Driscoll voluntarily waived his fees as a Non-Executive Director from 1 January 2009 up to the date of his retirement as a Director at the 2010 AGM on 28 April 2010.
- (7) Mr David Pritchard was appointed Deputy Chairman with effect from 13 May 2009. He was paid until 13 May 2009 on the basis of the Non-Executive Directors' fees set out at (1) above. His flat fee as Deputy Chairman was agreed at €82,800 per annum and he was paid a pro-rata equivalent amount for the period from 14 May 2009 to 31 December 2009.
- (8) 'Pensions' represents the payment of pensions to former directors or their dependants granted on an ex-gratia basis and fully provided for in the statement of financial position.
- (9) 'Other' represents Mr Donal Forde's remuneration from the date of his resignation as a Director on 13 May 2009 to 31 December 2009.

8.1.3 No Director received any expense allowances chargeable to Irish income tax or compensation for loss of office/termination payment. The Non-Executive Directors did not receive any bonus payments or benefits.

8.1.4 The pension benefits earned during the year, and accrued at year-end are as follows:

<u>Executive directors</u>	<u>Increase / decrease in accrued benefits during 2009 (above inflation)⁽¹⁾</u>	<u>Accrued benefit at year-end⁽²⁾</u>	<u>Transfer value of increase in accrued benefit during 2009⁽³⁾</u>
		(€ '000)	
Colm Doherty	13.8	303	211
Donal Forde ⁽⁴⁾	3.9	278	50

Note:

- (1) The changes in accrued benefits are after adjustment for inflation and reflect one year's additional pensionable service.
- (2) The figures represent the accumulated total amounts of accrued benefits (i.e., annual pension) payable at normal retirement dates, as at 31 December.
- (3) The figures show the transfer values of the changes in accrued benefits during 2009. These transfer values do not represent sums paid or due, but the amounts that the Company's pension scheme would transfer to another pension scheme, in relation to the benefits accrued in 2009, in the event of the member leaving service.
- (4) Mr Donal Forde resigned as a director on 13 May 2009. The figures quoted refer to the period from 1 Jan 2009 to that date.

The following table details the pension benefits accrued with respect to the Executive Directors who retired during 2009.

<u>Executive directors</u>	<u>Accrued benefit at date of retirement⁽¹⁾</u>	<u>Retirement pension⁽²⁾</u>	<u>Difference in transfer value of retirement benefits⁽³⁾</u>
		(€ '000)	
John O'Donnell (retired 31 August 2009)	324	274	1,816
Eugene Sheehy (retired 30 November 2009)	541	458	1,570

Note:

- (1) The pension benefits accrued to the date of the Executive Directors' retirements, but payable from their normal retirement age.
- (2) The pensions payable at the date of their retirements, calculated and reduced on an actuarial basis which involved no increase in the liability of the AIB Group Irish Pension Scheme as a result of early retirement.
- (3) The difference in transfer value figures at (3) do not represent sums paid or due and are shown in the context of disclosure requirements only. The difference in transfer value represents the amount that the Company's pension scheme would transfer to another pension scheme, in

relation to the difference between the benefits accrued at date of retirement (1), and the pension payable at the date of retirement (2), should such a transfer occur.

8.2 Executive Directors

8.2.1 Short-term annual incentives

No annual incentives will be awarded to any Executive Director in respect of the financial year ended 31 December 2009 or the financial year ended 31 December 2010.

AIB is currently reviewing its incentive structures. This review will take account of the European Commission's Recommendations on Remuneration Policies in the Financial Services Sector published on 30 April 2009 (2009/3159/EC and 2009/3177/EC), CEBS High Level Principles for Remuneration Policies published on 20 April 2009, any requirements or guidance issued by the Financial Regulator (which are expected to be published and implemented in the first quarter of 2011) and other relevant recommendations, guidance or requirements.

8.2.2 Long-term incentives

Details of the Executive Directors' conditional grants of awards of Ordinary Shares under the AIB Group Performance Share Plan 2005 are given below. These conditional awards are subject to onerous performance targets being met, in terms of EPS growth and total shareholder return as set out in paragraph 13.2.6 of this Part IX. These conditional awards were made on 23 April 2008, with the earliest potential vesting date of 23 April 2011 subject to the grant conditions being met.

<u>Directors</u>	<u>As at 7 September 2010 (being the latest practicable date prior to the publication of this Prospectus)</u>
	<u>Conditional Grants of Awards of Ordinary Shares</u>
Colm Doherty	71,606

8.3 Senior Executives

8.3.1 Remuneration

The table below provides an aggregate of the remuneration and benefits of the Senior Executives in the year ended 31 December 2009:

	<u>2009</u>			
	<u>Salary</u>	<u>Taxable Benefits⁽¹⁾</u>	<u>Pension Contributions⁽²⁾</u>	<u>Total</u>
	(€ '000)			
Senior Executives	2,529	690	608	3,827

Note:

- (1) Taxable benefits comprise certain benefits in kind and include the use of a company car or the payment of a car allowance, benefits arising from loans made at preferential rates and medical/life assurance
- (2) "Pension contributions" represent payments to defined benefit pension schemes, in accordance with actuarial advice, to provide post-retirement pensions from normal retirement date.

8.3.2 Pension benefits

The aggregate pension benefits as at 31 December 2009 in respect of the Senior Executives are as follows:

	<u>Increase/ decrease in accrued benefits during 2009 (above inflation)⁽¹⁾</u>	<u>Accrued benefit at year-end⁽²⁾</u>	<u>Transfer value of increase in accrued benefit during 2009⁽³⁾</u>
	(€ '000)		
Senior Executives	133.6	1,187.8	2,273.2

Notes:

- (1) The changes in aggregate accrued benefits are after adjustment for inflation and reflect one year's additional pensionable service.
- (2) The figure represents the aggregate accumulated amounts of accrued benefits (i.e., annual pension) payable at normal retirement dates, as at 31 December.

(3) The figure shows the transfer values of the changes in aggregate accrued benefits during 2009. These transfer values do not represent sums paid or due, but the amounts that the Company's pension scheme would transfer to another pension scheme, in relation to the aggregate benefits accrued in 2009, in the event of the members leaving service.

8.3.3 Short-term annual incentives

No annual incentives will be awarded to any Senior Executive in respect of the financial year ended 31 December 2009 or the financial year ended 31 December 2010.

AIB is currently reviewing its incentive structures. This review will take account of the European Commission's Recommendations on Remuneration Policies in the Financial Services Sector, CEBS High Level Principles for Remuneration Policies, any requirements or guidance issued by the Financial Regulator (which are expected to be published and implemented in the first quarter of 2011) and other relevant recommendations, guidance or requirements.

8.3.4 Long-term incentives

Details of the Senior Executives' conditional grants of awards of Ordinary Shares under the AIB Group Performance Share Plan 2005 are given below. These conditional awards are subject to onerous performance targets being met, in terms of EPS growth and total shareholder return as set out in paragraph 13.2.6 of this Part IX. These conditional awards were made on 23 April 2008, with the earliest potential vesting date of 23 April 2011 subject to the grant conditions being met.

<u>Senior Executives</u>	As at 7 September 2010 (being the latest practicable date prior to the publication of this Prospectus)	
	Conditional Grants of Awards of Ordinary Shares	
Bernard Byrne	—	—
Gerry Byrne	45,248	45,248
John Conway	16,310	16,310
Robbie Henneberry	42,232	42,232
Marcel McCann	18,250	18,250
Jerry McCrohan	23,868	23,868
Joseph O'Connor	—	—
Maelíosa ÓhÓgartaigh	21,870	21,870
Nick Treble	56,561	56,561

8.4 Directors' employment contracts and letters of appointment

Details of the Executive Directors' notice periods under their employment contracts are set out below:

<u>Name</u>	<u>Date of current contract</u>	<u>Notice period — from company</u>	<u>Notice period — from executive</u>
	8 February 1988 (amended 18 November 2009)	12 months	6 months
Colm Doherty			

Mr Colm Doherty is employed under an employment contract which will expire only upon notice from the Company or Mr Doherty. The terms of Mr Doherty's current contract came into effect on 30 November 2009 by virtue of a letter of appointment dated 18 November 2009. In view of the temporary nature of Mr O'Connor's status as Executive Chairman, the Company does not currently intend to issue an employment contract to Mr O'Connor.

The original dates of appointment of the Directors are as follows:

	<u>Date first appointed</u>
Declan Collier (Government appointee)	22/01/2009
Kieran Crowley	24/08/2004
Colm Doherty	13/02/2003
Stephen L. Kingon	06/09/2007
Anne Maher	11/01/2007
Dan O'Connor	11/01/2007
David Pritchard	21/06/2007
Dr. Michael Somers (Government appointee)	14/01/2010
Dick Spring (Government appointee)	22/01/2009
Robert G Wilmers	01/04/2003

Non-Executive Directors are generally appointed for a three-year term, with the possibility of renewal for a further three years; the term may be further extended, in exceptional circumstances, on the recommendation of the Nomination and Corporate Governance Committee. Paragraph 6.1 contains further details relating to schemes pursuant to which the Government appointees have been appointed. Following appointment, all Directors (other than the Government appointees) are required by the Articles of Association to retire at the next AGM and may go forward for reappointment. Subsequently, all Directors (other than the Government appointees) are required to submit themselves for reappointment at intervals of not more than three years. Since 2005, all the Executive and Non-Executive Directors have retired from office at the AGM and offered themselves for reappointment.

8.5 Severance provisions

No Executive Director is entitled to any benefits upon termination of employment. No Non-Executive Director is entitled to any benefits upon termination of his or her appointment.

9 Board practices

Corporate governance is concerned with how companies are managed and controlled. The Board of Directors is committed to the highest standards in that regard.

Since the end of the last financial year and as at the date of this Prospectus, AIB is in compliance with the provisions of the Combined Code, save that since the resignations of Ms Jenny Winter and Mr Sean O'Driscoll from the Board at the 2010 AGM on 28 April, 2010 (i) less than half of the Directors (four of nine), excluding the Chairman, are determined by the Board to be independent; and (ii) only one of the three remaining members of the Remuneration Committee is determined by the Board to be independent. AIB is currently addressing these matters.

AIB is listed on the Irish and London Stock Exchanges and has an American Depositary Receipt listing on the New York Stock Exchange. AIB's corporate governance practices reflect Irish company law, the Listing Rules of the aforementioned Stock Exchanges and the UK Listing Authority, the London Stock Exchange Admission and Disclosure Standards, the principles and provisions of the Combined Code, and certain provisions of the US Sarbanes Oxley Act of 2002.

The Board of Directors

Role

The Board is responsible for the leadership, direction and control of the Company and the Group and is accountable to Shareholders for financial performance. There is a comprehensive range of matters specifically reserved for decision by the Board. At a high level these include:

- determining the Company's strategic objectives and policies;
- appointing the Chairman and the Group Chief Executive (or Group Managing Director) and addressing succession planning;
- monitoring progress towards achievement of the Company's objectives and compliance with its policies;
- approving annual operating and capital budgets, major acquisitions and disposals, and risk management policies and limits; and
- monitoring and reviewing financial performance, risk management activities and controls.

Chairman

Mr Dan O'Connor was appointed Non-Executive Chairman, for a three-year term, with effect from 1 July 2009, renewable for a second three-year term on the Board's approval. On his appointment as Chairman, Mr O'Connor met the independence criteria set out in the Combined Code. The Chairman's responsibilities include the leadership of the Board, ensuring its effectiveness, setting its agenda, ensuring that the Directors receive adequate, accurate and timely information, facilitating the effective contribution of the Non-Executive Directors, ensuring the proper induction of new Directors, and reviewing the performance of individual Directors.

On 18 November 2009, Mr O'Connor was appointed Executive Chairman on a temporary basis in order to oversee the Group's work on the completion of the key tasks of capital raising, the implementation of NAMA and the finalisation of the EU restructuring plan.

The role of the Chairman is separate from the role of the Group Managing Director, with clearly-defined responsibilities attaching to each; these are set out in writing and agreed by the Board.

Group Managing Director

The day-to-day management of the Group has been delegated to the Group Managing Director, Mr Colm Doherty, who took up that position on 18 November 2009. The Group Managing Director is responsible for the day-to-day running of the Group, ensuring an effective organisation structure, the appointment, motivation and direction of senior executive management, and for the operational management of all the Group's businesses.

In November 2009, while announcing the appointments of Mr Dan O'Connor as Executive Chairman on a temporary basis and Mr Colm Doherty as Group Managing Director, AIB stated that, "*following the finalisation of NAMA and the EU restructuring plan (expected in mid-2010), the AIB Board, Executive Chairman and Group Managing Director, in consultation with the Minister for Finance and other stakeholders, will conduct an assessment of the AIB Group Management structure. The purpose of this will be to determine whether the management format announced today remains relevant to the challenges and requirements of the new environment.*" In light of the progress made in relation to the EU restructuring plan and the transfer of the first two tranches of assets to NAMA, the review of the AIB group management structure has commenced. The findings will be presented to the Minister for Finance when the review is complete.

Senior Independent Non-Executive Director

The Senior Independent Non-Executive Director is available to shareholders if they have concerns which contact through the normal channels of Chairman or Group Managing Director have failed to resolve, or for which such contact is considered by the shareholder(s) concerned to be inappropriate. Mr David Pritchard was appointed Senior Independent Non-Executive Director with effect from 13 May 2009.

Company Secretary

The Directors have access to the advice and services of the Company Secretary, Mr David O'Callaghan, who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Meetings

The Chairman sets the agenda for each Board meeting. The Directors are provided in advance with relevant papers to enable them to consider the agenda items, and are encouraged to participate fully in the Board's deliberations. Executive management attend Board meetings and make regular presentations.

The Board held 10 scheduled meetings during 2009, 27 additional out-of-course meetings or briefings, and a full day seminar focussing on issues of strategic importance. During a number of Board meetings, the Non-Executive Directors met in the absence of the Executive Directors, in accordance with good governance standards. In addition to their attendance at Board and Committee meetings, Non-Executive Directors attended Board meetings of overseas subsidiaries and held consultative meetings with the Chairman.

Membership

It is the policy of the Board that a significant majority of the Directors should be Non-Executive. At 31 December 2009, there were nine Non-Executive Directors and two Executive Directors. Non-Executive Directors are appointed so as to maintain an appropriate balance on the Board, and to ensure a sufficiently wide and relevant mix of backgrounds, skills and experience to provide strong and effective leadership and control of the Group.

All Directors are required to act in the best interests of the Company, and to bring independent judgement to bear in discharging their duties as Directors.

Mr Robert G Wilmers serves as a Director of the Company as the designee of M&T Bank Corporation, in which AIB held a 22.7 per cent. interest at 31 December 2009. In these circumstances, Mr Wilmers is not determined to be independent for the purposes of the Combined Code. Mr Declan Collier and Mr Dick Spring were appointed Non-Executive Directors on 22 January 2009 as nominees of the Minister for Finance under the CIFS Scheme. Dr. Michael Somers was appointed Non-Executive Director on 14 January 2010 as a nominee of the Minister for Finance under the terms of the NPRFC Investment. Under the terms of the NPRFC Investment, Messrs. Collier, Somers and Spring are not required to stand for election or regular re-election by Shareholders and are not, therefore, considered independent for the purposes of the Combined Code. The NPRFC, as the holder of the 2009 Preference Shares, has voting rights equal to 25 per cent. of all the votes being cast by Shareholders on a poll at a general meeting of the Company on shareholder resolutions relating to: (i) the appointment, re-appointment or removal of Directors; and (ii) a change of control of AIB or a sale of all or substantially all of its business (in relation to item (i) above, the 25 per cent. voting rights entitlement is inclusive of the voting rights of all Government Entities (including the NPRFC) in respect of any Ordinary Shares they may hold). To the extent the NPRFC holds Ordinary Shares, it is not restricted from exercising its voting rights in respect of those Ordinary Shares at a general meeting of the Company. If the Government Preference Shareholder holds Warrant Shares, the voting rights on those shares will be restricted to 50 per cent. of the voting rights attaching to such shares. If those Warrant Shares are transferred to any person other than a Government Entity, full voting rights will attach to those Warrant Shares.

The Board has determined that all other Non-Executive Directors in office in September 2010 are independent in character and judgement and free from any business or other relationship with the Company or the Group that could affect their judgement. Ms. Jenny Winter resigned from the Board at the 2010 AGM after almost six years of service, and Mr Sean O'Driscoll resigned from the Board at the 2010 AGM after almost four years of service, both due to other business commitments.

There is a procedure in place to enable the Directors to take independent professional advice at the Company's expense.

The Company holds insurance cover to protect Directors and Officers against liability arising from legal actions brought against them in the course of their duties.

Performance Evaluation

Evaluations of the performance of the Board and Board Committees were conducted by Mr Dan O'Connor, Chairman, who held discussions with each of the Directors. The results were presented to the Board. The evaluation of the performance of the individual Directors was conducted by the Chairman. An evaluation of the performance of the Chairman was conducted in his absence by the Non-Executive Directors, under the Chairmanship of Mr David Pritchard, the Senior Independent Non-Executive Director, who also consulted the Group Managing Director. Attendance at Board and Committee meetings is one of a number of important factors considered in evaluating performance.

Terms of Appointment

Non-Executive Directors are generally appointed for a three-year term, with the possibility of renewal for a further three years; the term may be further extended, in exceptional circumstances, on the recommendation of the Nomination and Corporate Governance Committee. Following appointment, Directors (other than Government appointed Directors) are required by the Articles of Association to retire at the next AGM, and may go forward for reappointment. Since 2005, all the Directors retire from office at the AGM and offer themselves for reappointment, except for Dick Spring, Declan Collier and Dr. Michael Somers. Letters of appointment, as well as dealing with appointees' responsibilities, stipulate that a specific time commitment is required from Directors (a copy of the standard terms of the letter of appointment of Non-Executive Directors is available from the Company Secretary).

Induction and Professional Development

There is an induction process for new Directors. Its content varies as between Executive and Non-Executive Directors. In respect of the latter, the induction is designed to familiarise Non-Executive Directors with the Group and its operations, and comprises the provision of relevant briefing material, including details of the Company's strategic and operational plans, and a programme of meetings with the Group Managing Director, the Heads of Divisions and the senior management of businesses and support functions.

Board Committees

The Board has established an Audit Committee, Nomination and Corporate Governance Committee, Corporate Social Responsibility Committee, and Remuneration Committee, each with formally delegated duties and responsibilities which are articulated in the written terms of reference. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.

The Board is currently in the process of establishing a Board Risk Committee, which will assume the risk oversight responsibilities currently delegated to the Audit Committee.

Audit Committee

Current members: Mr Stephen L. Kingon (Chairman); Mr Kieran Crowley; Ms Anne Maher; and Mr David Pritchard.

The role and responsibilities of the Audit Committee are set out in its terms of reference. Those responsibilities are discharged through its meetings and receipt of reports from management, the Auditor, the Group Finance Director, the Group Internal Auditor, the Acting Group Chief Risk Officer, and the Group General Manager, Regulatory and Operational Risk.

The Audit Committee reviews the Group's annual and interim financial statements; the scope of the audit; the findings, conclusions and recommendations of the Group Internal Auditor and the Auditor; reports on compliance; and the effectiveness of internal controls. The Committee is responsible for making recommendations on the appointment, re-appointment and removal of the Auditor, ensuring the cost-effectiveness of the audit, and for confirming the independence of the Auditor, the Group Internal Auditor, and the Group General Manager, Regulatory and Operational Risk, each of whom it meets separately at least once each year, in confidential session, in the absence of management. Each of these parties has unrestricted access to the Chairman of the Audit Committee. There is a process in place by which the Audit Committee reviews the nature and extent of non-audit services undertaken by the Auditor and, if considered appropriate, approves, within parameters approved by the Board, the related fees. This ensures that the objectivity and independence of the Auditor is safeguarded, as well as compliance with related requirements of the Sarbanes-Oxley Act. A report is submitted, annually, to the Board, regarding the activities undertaken and issues considered by the Audit Committee. The Audit Committee met on fourteen occasions during 2009. The following attend the Audit Committee's meetings, by invitation: the Auditor; the Group Finance Director; the Group Chief Financial Officer; the Group Internal Auditor; the Acting Group Chief Risk Officer; and the Group General Manager, Regulatory and Operational Risk.

The Board has determined that Mr Stephen L. Kingon is an "audit committee financial expert" for the purposes of Section 407 of the US Sarbanes-Oxley Act of 2002. Mr Kingon has accepted this determination on the understanding he has not thereby agreed to undertake additional responsibilities beyond those of a member (and Chairman) of the Audit Committee.

Corporate Social Responsibility Committee

Current members: Mr Kieran Crowley (Chairman) and Mr Stephen L. Kingon.

The objectives of the CSR Committee are, on behalf of the Board, to monitor the responsibilities and activities of AIB across all divisions concerning staff, marketplace (including customers, products and suppliers), the environment and the community. The CSR Committee reviews operations, policies and objectives in these matters in the light of changing circumstances and developments in best practice, and recommends improvements. It approves corporate-giving budgets and any substantial philanthropic donations.

The CSR Committee met on four occasions during 2009. Particular focus was directed to compliance with undertakings to the Government on credit, complaint handling, staff welfare and vulnerable customers.

Nomination and Corporate Governance Committee

Current members: Mr Dan O'Connor (Chairman); Mr David Pritchard; Mr Dick Spring; Mr Kieran Crowley; and Ms Anne Maher.

The NCG Committee's responsibilities include: recommending candidates to the Board for appointment as Directors; reviewing the size, structure and composition of the Board and the Board Committees; and reviewing succession planning. The search for suitable candidates for the Board is a continuous process, and recommendations for appointment are made, based on merit and objective criteria, following an appraisal process and interviews. The NCG Committee is also responsible for reviewing the Company's corporate governance policies and practices. The

NCG Committee met once during 2009. Nomination and corporate governance matters of a significant nature were considered by the Board as a whole during 2009.

Remuneration Committee

Current members: Mr David Pritchard; Mr Declan Collier; and Mr Dan O'Connor.

The Remuneration Committee's responsibilities include recommending to the Board: Group remuneration policies and practices; the remuneration of the Chairman of the Board (which matter is considered in his absence); performance-related bonus schemes for Executive Directors, and the operation of the share-based incentive schemes.

The Remuneration Committee also determines the remuneration of the Group Managing Director, and, in consultation with the Group Managing Director, the remuneration of other Executive Directors, when in office, and the other members of the Group Executive Committee, under advice to the Board.

The Remuneration Committee met twice during 2009.

10 Significant shareholdings

10.1 As at 7 September 2010 (being the latest practicable date prior to the publication of this Prospectus), the Company had been notified of or was otherwise aware of the following Shareholders who were directly or indirectly interested in three per cent. or more of the issued Ordinary Shares:

	As at 7 September 2010 (being the latest practicable date prior to the date of this Prospectus)	
	Ordinary Shares	Percentage of issued share capital
The National Pensions Reserve Fund Commission	<u>201,112,776</u>	<u>18.61⁽¹⁾</u>

Note:

(1) Excluding Treasury Shares.

10.2 Save as disclosed in this paragraph 10 and save for the NPRFC in respect of its holding of Ordinary Shares issued pursuant to the Bonus Issue, AIB is not aware of any person who, as at 7 September 2010 (being the latest practicable date prior to the publication of this Prospectus), directly or indirectly, has a holding which exceeds the threshold of three per cent. or more of the total voting rights attaching to its issued share capital.

10.3 Save as disclosed in this paragraph 10 and save for the NPRFC's holding of 2009 Warrants, AIB is not aware of any persons who, as at 7 September 2010 (being the latest practicable date prior to the publication of this Prospectus), directly or indirectly, jointly or severally, exercise or could exercise control over AIB nor is it aware of any arrangement, the operation of which may at a subsequent date result in a change of control of the Company.

10.4 Following the issue of the 2009 Preference Shares and the 2009 Warrants and through the Group's participation in the CIFS Scheme and the ongoing relationship between the Government and the Company, the Government became a related party of AIB under the Listing Rules. As further described in paragraphs 4.2.2(f)(i)(A) and (B) of this Part IX, the NPRFC, acting on the direction of the Minister for Finance, exercises significant influence over the Group.

10.5 Save for the voting rights of the NPRFC, none of the Shareholders referred to in this paragraph 10 has different voting rights from any other holder of Shares in respect of any Shares held by them.

11 Holdings

Members of the AIB Group

Allied Irish Banks, p.l.c. is the parent company of the AIB Group. The following table contains a list of the principal subsidiaries of AIB (each of which is considered by AIB to be likely to have a significant effect on the assessment of the assets, liabilities, the financial position and/or the profits and losses of the AIB Group):

<u>Name</u>	<u>Percentage ownership interest and voting power</u>	<u>Field of activity</u>	<u>Country of incorporation</u>	<u>Registered office⁽¹⁾</u>
AIB Debt Management Limited	100	International Asset Financing Mortgage covered securities	Ireland	Bankcentre, Ballsbridge, Dublin 4
AIB Mortgage Bank	100	Banking and financial services	Ireland	Bankcentre, Ballsbridge, Dublin 4
AIB Group (UK) p.l.c.	100	Banking and financial services	Northern Ireland	4 Queen's Square, Belfast BT1 3DJ
Bank Zachodni WBK S.A.	70.4	Banking and financial services	Poland	Rynek 9/11, 50-950 Wroclaw, Poland

Note:

(1) The registered office of each of AIB's subsidiary undertakings is located in the principal country of operation.

Significant undertakings

The following table contains a list of the undertakings (each of which is considered by AIB to be likely to have a significant effect on the assessment of the assets, liabilities, the financial position and/or the profits and losses of the AIB Group):

<u>Name</u>	<u>Percentage ownership interest and voting power</u>	<u>Field of activity</u>	<u>Country of incorporation</u>	<u>Registered office</u>
M&T Bank Corporation	22.4	Banking and financial services	United States	One M&T Plaza, Buffalo, New York 14203
Bulgarian American Credit Bank AD	49.99	Banking and financial services	Bulgaria	United States 16 Krakra Street, Sofia 1504, Bulgaria

12 Employees

The following table details the employee numbers for AIB (excluding employees on career breaks, long-term absences or any other unpaid leave) by division as at 30 June 2010 and on average for each of the years ended 31 December 2009, 2008 and 2007:

	As at	Average for Year		
	30 June 2010	2009	2008	2007
AIB Bank RoI	6,824	7,284	7,746	8,950
Capital Markets	2,279	2,424	2,562	2,357
AIB Bank UK	2,350	2,507	2,689	2,880
Central & Eastern Europe	9,576	9,596	9,776	8,280
Group	<u>2,826</u>	<u>2,870</u>	<u>3,042</u>	<u>1,792</u>
Group Total	<u>23,855</u>	<u>24,681</u>	<u>25,815</u>	<u>24,259</u>

The following table details the employee numbers for AIB (excluding employees on career breaks, long-term absences or any other unpaid leave) by geographical location as at 30 June 2010 and on average for each of the years ended 31 December 2009, 2008 and 2007:

	As at	Average for Year		
	30 June 2010	2009	2008	2007
Ireland	11,198	11,847	12,619	12,401
United Kingdom	2,553	2,710	2,892	3,050
Central and Eastern Europe	9,682	9,702	9,882	8,386
Rest of the World	<u>422</u>	<u>422</u>	<u>422</u>	<u>422</u>
Group Total	<u>23,855</u>	<u>24,681</u>	<u>25,815</u>	<u>24,259</u>

13 Employee Share Plans

The Company operates the following Plans:

- (a) AIB Group Share Option Scheme;
- (b) AIB Group Performance Share Plan 2005;
- (c) AIB Approved Employees Profit Sharing Scheme 1998;
- (d) AIB SAYE Share Option Scheme UK;
- (e) AIB Share Ownership Plan (UK); and
- (f) BZWBK Long-Term Incentive Scheme.

13.1 AIB Group Share Option Scheme

The Company operates the Option Scheme. The following terms apply to the Option Scheme:

13.1.1 Eligibility

Any person who is a Director or employee of the Group who is required to devote substantially the whole of his/her working time to the business of the Group and who is nominated by the Directors.

13.1.2 Grant of options

The Board may grant options to acquire Ordinary Shares at any time provided there is no prohibition on dealing in the Shares.

No payment is required for the grant of an option.

13.1.3 Individual participation

The aggregate issue price of the Ordinary Shares over which options may be outstanding for each grantee at any time shall not exceed four times his/her total annual emoluments.

13.1.4 Option price

The price per Ordinary Share payable upon exercise of the option will be the middle market quotation of the Company's Shares on the Irish Stock Exchange on the business day preceding the date on which the option is granted.

13.1.5 Performance conditions

The exercise of options granted between 1 January 1996 and 31 December 2000 is conditional on the achievement of EPS growth of at least 2 per cent. per annum, compound, above the increase in the CPI over a period of not less than three and not more than five years from date of grant.

The exercise of options granted since 1 January 2001 is conditional on the achievement of EPS growth of at least 5 per cent. per annum, compound, above the increase in the CPI over a period of not less than three and not more than five years from date of grant.

13.1.6 Exercise of options

Options will normally become capable of exercise only between the third and tenth anniversaries of their grant, to the extent that any performance conditions have been satisfied. An option shall expire on the final option date to the extent that it has not been exercised.

Ordinary Shares will normally be allotted and transferred to participants as soon as practicable after exercise.

13.1.7 Leaving employment and corporate events

An option will lapse and immediately cease to be exercisable upon a participant (a) resigning as an employee or Director of the Group or (b) having his/her employment with the Group terminated.

In the event of a corporate event not being an internal corporate reorganisation, all options will become exercisable early for a limited time. In general, on a winding-up of the Company, all options will cease to be exercisable.

13.1.8 Time limit for option grants

Options may not be granted more than 10 years after the Option Scheme is approved by the Board, following Shareholder approval.

13.1.9 Overall plan limits

In any 10 year rolling period, the Company may not issue (or grant rights to issue) more than 5 per cent. of its issued ordinary share capital under the Option Scheme and any other employee option schemes adopted by the Company. In any three year period, the Company may not issue (or grant rights to issue) more than 3 per cent. of its issued ordinary share capital under all employee option schemes adopted by the Company.

13.1.10 Variation of capital

In general, in the event of any variation in the Company's share capital, participants shall be entitled to surrender every unexercised option and be granted new options in identical terms so as to preserve his/her entitlement. In the event of Shareholders being entitled to subscribe pro rata for new Ordinary Shares, the Directors may exercise discretion in deciding whether to allow participants to surrender unexercised option and be granted new options.

13.1.11 Other features of options

Options are not transferable, except on death, subject to certain conditions. Options are not pensionable.

13.1.12 Rights attaching to Ordinary Shares

Any Ordinary Shares allotted when an option is exercised will rank equally with Ordinary Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

13.1.13 Alterations to the Option Scheme

The Board may vary, amend or revoke the Option Scheme in any respect provided that the prior approval of Shareholders is obtained for the amendment of certain provisions to the advantage of participants.

The requirement to obtain prior approval of Shareholders will not, however, apply to any minor alteration made to benefit the administration of the Option Scheme, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Group.

Alterations to plans approved by the relevant tax authority are generally subject to the prior approval of the relevant tax authority.

The Option Scheme is no longer in operation to the extent that further grants of options may not be made, except in exceptional circumstances. All awards have either vested or lapsed, however there are still outstanding options that have vested but have not yet been exercised.

13.2 AIB Group Performance Share Plan 2005

The Company operates the Performance Plan. The following terms apply to the Performance Plan:

13.2.1 Eligibility

In general, any person, who is a Director (other than a Non-Executive Director) or employee of the Group and who is not within three years of his/her retirement date.

13.2.2 Grant of award

The Remuneration Committee may grant Ordinary Shares within 42 days (or such other period as permitted by the Irish Association of Investment Managers commencing on the dealing day following any of (i) the Company making an announcement of its results for any year, half year or other period or issues any prospectus, listing particulars or other document containing equivalent information relating to the Ordinary Shares or (ii) resolving that exceptional circumstances have arisen which justify the granting of such options.

13.2.3 Individual participation

No Ordinary Shares shall be granted to an eligible employee which, depending on the employee's level of seniority, exceeds 75 per cent., 100 per cent. or 150 per cent. of the employee's basic salary, save for the Group Managing Director who is eligible for a grant of 200 per cent. of his basic salary.

13.2.4 Issue price

The value of an award upon exercise of the option will be the average of the middle market quotations of the Company's Ordinary Shares on the Irish Stock Exchange on the three business days preceding the date of which the award is granted.

13.2.5 Performance conditions

In circumstances where the Remuneration Committee considers that the existing performance conditions have become unfair or impractical, it may, with the exception of certain situations where the prior approval of Shareholders is required, amend such conditions so that such conditions so amended would, in the reasonable opinion of the Remuneration Committee, be no more or less difficult to satisfy than when they were originally imposed.

13.2.6 Rights of vesting

The portion of the Ordinary Shares that vest under the award will depend on the performance conditions set out in the Performance Plan, which include targets linked to both earnings per share and the Company's total shareholder return (the calculation of which is set out in the rules of the Performance Plan), having been satisfied.

During the vesting period, a participant shall not have any right to exercise any voting rights or receive any dividend or other distributions referable to any Ordinary Shares related to the award.

The vesting period shall expire on the later of:

- (a) the third anniversary of the grant of the award; and
- (b) the date on which the employment, performance and retention conditions have been satisfied.

Ordinary Shares will normally be allotted and transferred to participants within three months of the participant having been notified of his/her entitlement to Ordinary Shares.

13.2.7 Leaving employment

The vesting period shall expire if the participant ceases to hold any office or employment with the Group on account of injury, ill-health or disability or death (on or after the second anniversary of the date of grant of the award), redundancy, retirement, his/her employing undertaking being transferred out of the Group or in other circumstances at the discretion of the Remuneration Committee and the Remuneration Committee may, in its absolute discretion, determine the extent to which the performance conditions attaching to the award shall be treated as having been satisfied and what proportionate part of the award shall vest.

13.2.8 Corporate events

The vesting period in relation to the award shall terminate where any person obtains control of the Group or where a proposal for the reorganisation, reconstruction or amalgamation of the Group involves a material change in the nature of the Shares comprised in any award. In these circumstances, the Remuneration Committee may determine the extent to which the performance conditions have been satisfied and what proportionate part, if any, of the Ordinary Shares will vest. In the event of the winding-up of the Company, otherwise than for the purposes of a reconstruction or reorganisation, all awards shall lapse.

13.2.9 Overall plan limits

The maximum number of Ordinary Shares the Company may make available under the Performance Plan (when added to the number of Ordinary Shares issued or issuable under awards made in any ten year period under any other employee Plan adopted by the Company), shall not exceed 5 per cent. of its issued ordinary share capital, provided however, that in any year the maximum number of shares made available shall not exceed 0.5 per cent. of its issued share capital.

13.2.10 Variation of capital

The number of Shares may be adjusted by the Remuneration Committee following any capitalisation issue, subdivision, consolidation or reduction of the ordinary share capital and in respect of any discount element in any rights issue or other variation of the ordinary share capital to the extent that the value of the option shall remain unchanged.

13.2.11 Other features

The Remuneration Committee may in certain circumstances require that Ordinary Shares to which a participant would otherwise be entitled, be held subject to the retention terms set out in the Performance Plan.

The Ordinary Shares issued pursuant to an award are not transferable, except on death, subject to certain conditions. The Ordinary Shares issued pursuant to an award are not pensionable.

13.2.12 Rights attaching to Ordinary Shares

Any Ordinary Shares issued on the exercise of an option shall rank equally with Ordinary Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

13.2.13 Alterations to the plan

The Remuneration Committee may alter, add or extend the rules of the Performance Plan in any respect provided that the prior approval of Shareholders is obtained for the amendment of certain provisions to the advantage of participants.

The requirement to obtain prior approval of Shareholders will not, however, apply to any minor alteration made to benefit the administration of the Performance Plan, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Group.

Alterations to plans approved by the relevant tax authority are generally subject to the prior approval of the relevant tax authority.

13.3 AIB Approved Employees Profit Sharing Scheme 1998

The Company operates the Profit Sharing Scheme. The following terms apply to the Profit Sharing Scheme:

13.3.1 Eligibility

All staff, including Executive Directors, are eligible to participate in the Profit Sharing Scheme if they have been in continuous employment during the course of the financial year to which an award relates (1 January to 31 December), are employed in a participating Group company, continue to be employed at a time when an award is made and are liable for Irish Pay As You Earn deductions.

13.3.2 Grant of Award

At the end of each financial year, the Directors determine what proportion, if any, of profits for that year are to be made available to employees, under the terms of the Profit Sharing Scheme. Currently, the maximum amount that may be allocated in any one year is 5 per cent. of the consolidated pre-tax profits of participating Group companies.

13.3.3 Individual participation

The value of Ordinary Shares to be appropriated to the trustees on behalf of any participant will be expressed as a proportion of the participant's eligible salary or a fixed amount. The maximum market value of Ordinary Shares that may be appropriated to any participant in any one year shall not exceed the amount approved by the Revenue Commissioners from time-to-time.

13.3.4 Notification

Eligible employees are notified of their share of the total allocation (usually in April) and may elect to receive Shares to the appropriate value or a cash alternative (which is taxable and subject to PRSI). The Ordinary Shares held in the name of the trustees for the benefit of each participating employee under the terms of the trust deed and rules. Employees who elect to receive cash alternative receive this amount through payroll (normally in June), with appropriate deductions made for income tax and PRSI.

13.3.5 Issue Price

The market value of each Ordinary Share awarded shall be determined by reference to the middle market price of the Ordinary Shares as observed on the official list of the Irish Stock Exchange on the day prior to the determination of the allocated scheme profits.

13.3.6 Dividends

Shares awarded pursuant to the Profit Sharing Scheme are eligible to receive any dividends declared by the Company. During the period that the Ordinary Shares are held by the trustees, dividends are paid to the trustees and passed on to the participant. The trustees will advise participants of the cash entitlement in relation to each dividend.

13.3.7 Voting rights

For so long as the Shares are registered in the names of the trustees, participants have no right to attend or vote at any General Meeting. However, participants may instruct the trustees as to how they should vote on their behalf.

13.3.8 Leaving employment

Standard rules apply in the event of retirement or resignations, whereby Ordinary Shares cannot be sold or released before the end of a two-year period, and if sold or released during the third year will be subject to income tax. On death before the release date, the stipulated retention period is deemed to come to an end as at the date of death. On production of required legal documents, Ordinary Shares may be released to the estate without any liability to income tax or capital gains tax arising. In the event of injury, disability, statutory redundancy or reaching statutory pensionable age and there are still Ordinary Shares within the Profit Sharing Scheme, the minimum two-year period is deemed to come to an end. However, Ordinary Shares must still be held for the full stipulated period (currently three years) to avail of the tax benefits.

13.3.9 Overall plan limits

The number of Ordinary Shares that may be issued in any year pursuant to the Profit Sharing Scheme shall not exceed 1 per cent. of AIB's issued ordinary share capital at that time. The number of Ordinary Shares that may be

issued pursuant to the Profit Sharing Scheme, when combined with the number of Ordinary Shares that may be issued pursuant to all other Plans, may not exceed 3 per cent. of AIB's issued ordinary share capital in any three-year period, 5 per cent. in any five-year period and 10 per cent. in any 10-year period.

13.3.10 Other features

A participant may elect to forgo an amount of salary, up to a maximum of 7.5 per cent. towards the acquisition of additional Shares by the trustees, provided that the maximum amount foregone in this regard shall not exceed the amount of the appropriation to that participant by AIB under the Profit Sharing Scheme in any year and provided the Revenue Commissioner's limit is not exceeded.

The Ordinary Shares appropriated pursuant to the Profit Sharing Scheme are not pensionable.

13.3.11 Restrictions on sale

Participants are restricted from selling Ordinary Shares appropriated to them pursuant to the Profit Sharing Scheme for a period of two years from the date of appropriation, except where the employment has terminated by reason of injury, disability, redundancy or on the participant reaching pensionable age or on a participant's death. A sale of Ordinary Shares within three years of the date of appropriation will attract a liability to income tax.

13.3.12 Alterations to the Profit Sharing Scheme

The provisions of the Profit Sharing Scheme relating to eligible participants, and the Profit Sharing Scheme limits cannot be altered to the advantage of participants without the prior approval of shareholders in a General Meeting, save for minor amendments to benefit the administration of the Profit Sharing Scheme or to take account of legislative changes or to obtain or maintain favourable tax treatment for participants in the Profit Sharing Scheme. In all other cases, the Directors have the power to amend the terms of the Profit Sharing Scheme.

The Profit Sharing Scheme may be terminated by the Directors.

13.4 AIB SAYE Share Option Scheme UK

The Company operates the AIB SAYE Share Option Scheme UK, which is an all-employee HMRC approved plan.

The AIB SAYE Share Option Scheme UK was launched in 1999 and under the rules of the AIB SAYE Share Option Scheme UK, the Board may not grant any options 10 years after the grant of the first options.

13.4.1 Eligibility

All eligible employees must be invited to participate in any operation of this plan. Any employee or Director (working at least 25 hours a week) of a participating company who:

- (a) has been employed by a participating company at all times during a qualifying period set by the Company (of not more than 12 months);
- (b) and who is subject to UK income tax

is eligible. The Company may invite others to participate at its discretion.

13.4.2 Savings contract

Eligible employees are invited to enter into a savings contract under which they save between £5 and £250 per month over a three year period by deduction from after-tax pay.

13.4.3 Option price

In connection with the savings contract, the participant is granted an option to buy Ordinary Shares at the options price at the end of the savings period. The option price must not be less than a 20 per cent. discount to the market value of Ordinary Shares at that time.

13.4.4 Exercise of options

At the end of the savings period, the options may be exercised or the savings and bonus amounts may be withdrawn. The option may only be exercised once and if the option is exercised in part, the balance will lapse. The options remain exercisable for a period of six months after which they lapse. Once exercised, the Ordinary Shares subject to the options will be transferred to the participant within 30 days.

13.4.5 Leaving employment and corporate events

Options will normally lapse when a participant ceases to be employed by the Group. However, if employment ends because of injury, disability, redundancy, retirement, death or the sale of the employing company or business, or in the event of a change of control of the Company, the options immediately become exercisable to the extent of the related savings at that time. Options remain exercisable for six months (or twelve months in the case of death) and then lapse. On a change of control, options may be exercised to the extent of savings to the date of the change of control or be rolled over into options over shares in the acquiring company.

13.4.6 Time limit for option grants

Option may not be granted more than 10 years after the first grant of options under the AIB SAYE Share Option Scheme UK.

13.4.7 Variation of capital

In the event of a variation in the share capital of the Company, including a rights issue, the number of shares subject to the options and the option price may be adjusted as appropriate.

13.4.8 Other features of options

Options are not transferable, except on death. Options are not pensionable.

13.4.9 Alterations to the AIB SAYE Share Option Scheme UK

The Board may vary, amend or revoke the AIB SAYE Share Option Scheme UK in any respect provided that the prior approval of Shareholders is obtained for the amendment of certain provisions to the advantage of participants.

The requirement to obtain prior approval of Shareholders will not, however, apply to any minor alteration made to benefit the administration of the AIB SAYE Share Option Scheme UK, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Group.

Alterations to plans approved by the relevant tax authority are generally subject to the prior approval of the relevant tax authority.

13.5 AIB Share Ownership Plan (UK)

The Company operates the Share Ownership Plan. The Share Ownership Plan is an all employee HMRC approved share incentive plan and the following terms apply to it:

13.5.1 Structure of Share Ownership Plan

Eligible staff are currently offered three types of shares: “partnership shares”; “free shares”; and “dividend shares”. The Share Ownership Plan also allows for matching shares but these are not currently offered.

Shares acquired by participants are held for them by a trustee who can generally only act in relation to the shares on the instruction of the participant and subject to the rules.

The Share Ownership Plan must be offered to all eligible staff on similar terms. All employees and executive directors of participating companies who have completed such period of qualifying service (generally not exceeding eighteen months) as may be set by the directors and who are (broadly speaking) subject to UK tax are eligible. Others may be allowed to participate at the Company’s discretion.

Benefits under the Share Ownership Plan are not pensionable.

13.5.2 Partnership Shares

Eligible employees may agree to contribute up to £125 per month from monthly gross salary to acquire partnership shares through the Share Ownership Plan, subject to a maximum of 10 per cent. of the payment from which the contribution is made.

Employees can stop making contributions at any stage.

The employees’ contributions may be used to buy partnership shares immediately or accumulated for up to twelve months before they are used to buy shares. Where they are accumulated, the price at which they are acquired is the

lesser of the price at the beginning of the accumulation period and the end. Participants may withdraw the shares from the plan at any time.

13.5.3 Free Shares

The Plan provides for the award of free shares worth up to a maximum set by the legislation (currently £3,000) to each eligible employee each year. The shares must generally be offered on similar terms, but the award may be subject to performance targets. "Similar terms" means the terms may only be varied by reference to remuneration, length of service or hours worked.

Free shares must be held in the plan for a period set by the Company of between three and five years. If a participant leaves employment with the Group, his shares cease to be subject to the Plan. The shares may be forfeited if the participant leaves employment within three years (or such shorter period as the Company may set) of the award other than through death, retirement, redundancy, injury or disability, or his employing company or business being sold out of the Group.

13.5.4 Dividend Shares

Participants are entitled to any dividends on their plan shares. These may be paid in cash or the Company may specify that the trustees of the Share Ownership Plan will use the dividends on behalf of the participants (up to £1,500 per tax year), to acquire new Ordinary Shares to be held in the Share Ownership Plan. These must be held in the plan for at least three years.

13.5.5 Matching Shares

The Plan provides that where employees buy partnership shares, they may be awarded additional free shares by the Company on a matching basis, up to a current maximum of two matching shares for each partnership share. Matching shares must be held in the plan for at least three years.

The terms of an award of matching shares may provide that if a participant withdraws his partnership shares before the end of a period set by the Company of up to three years, he will forfeit the corresponding matching shares. If the participant ceases to be employed within the minimum three year period (or within such shorter period as the Board may decide) other than for a specified reason such as retirement, redundancy or disability, his matching shares may be forfeited.

13.5.6 Overall Share Ownership Plan limits

The aggregate number of shares which can be issued pursuant to the Share Ownership Plan and any other broadly based scheme approved by shareholders of the Company:

- (a) in any three year period, must not exceed 4.5 per cent.;
- (b) in any five year period, must not exceed 7.5 per cent.;
- (c) in any ten year period, must not exceed 15 per cent.,

of the issued ordinary share capital of the Company.

The number of Shares issued pursuant to this Plan and any other profit sharing scheme approved by shareholders of the Company must not exceed 1 per cent. of the issued ordinary share capital of the Company at the relevant award date.

13.5.7 Alterations to the Share Ownership Plan

The Company has powers to amend the rules of the Share Ownership Plan similar to those described in paragraph 13.4.9 above.

13.6 BZWBK Long Term Incentive Scheme

The Company operates the BZWBK Incentive Scheme, to which the following terms apply:

13.6.1 Eligibility

Any person who at the time of the commencement of the BZWBK Incentive Scheme and at the time of the adoption of the BZWBK Incentive Scheme rules is the employee of Bank Zachodni WBK S.A. or its subsidiaries and who has been admitted to the BZWBK Incentive Scheme with the approval of the supervisory board and has signed an

agreement. Employees who do not meet this criteria may also be admitted to BZWBK Incentive Scheme by the BZWBK supervisory board upon the request of BZWBK management board member responsible for human resources. The BZWBK supervisory board has the sole discretion to admit individuals to the BZWBK Incentive Scheme.

13.6.2 Grant of award

The BZWBK Supervisory Board determines the value of each award to each individual award holders. The Committee determines the method in which BZWBK's shares will be awarded. The Committee may also determine a period of up to one year, during which the BZWBK's shares awarded are blocked in the award holder's securities account. The blocking principles are set out in the agreement between BZWBK and the award holder.

13.6.3 Award holders

Only those employees of BZWBK or its subsidiaries who are deemed to have made a significant contribution to the value of the BZWBK shares are eligible to become award holders.

13.6.4 Performance conditions

The value of the award depends on the level of earnings per share growth achieved. Award holders are entitled to:

- (a) 25 per cent. of the maximum award, if BZWBK's cumulative earnings per share growth over the three year performance period is not lower than 8 per cent. per annum plus the annual rate of inflation published by the Polish chief statistics office;
- (b) 100 per cent. of the maximum award, if BZWBK's cumulative earnings per share growth over the three year performance period is not lower than 16 per cent. per annum plus the annual inflation rate published by Polish chief statistics office; or
- (c) proportionally between 25 per cent. and 100 per cent. of the maximum award, if BZWBK's cumulative earnings per share growth over the three year performance period is between 8 per cent. and 16 per cent. per annum plus the annual inflation rate published by the Polish chief statistics office.

13.6.5 Individual participation

The maximum number of shares that can be taken up by an award holder cannot be higher than:

- (a) in the case of award holders who are members of the management board, the amount of shares must not exceed 100 per cent. of annual remuneration in the year in which that person was admitted to the Incentive Scheme and the average market price of BZWBK's shares from 30 trading sessions preceding the date of the resolution approving the award less the issue price of I series shares; and
- (b) in the case of award holders who are not members of the management board, the amount of shares must not exceed 80 per cent. in the year in which that person was admitted to the Incentive Scheme and the average market price of BZWBK's shares from 30 trading sessions preceding the date of the resolution approving the award less the issue price of I series shares.

13.6.6 Corporate events

Award holders will not lose their entitlement in the event of a disposal of the entire banking business or upon the take over of BZWBK by another entity or upon its merger with another entity. If in any of these circumstances, the entitlements cannot be exercised, the award holders will have the right to either cash or non-cash benefits to be provided by BZWBK or its legal successor in a form as close as possible to the entitlements which cannot be exercised.

13.6.7 Cessation of employment

An award holder will lose his or her entitlements if, after the admission to the BZWBK Incentive Scheme and prior to termination date, the award holder ceases to be employed by BZWBK as a result of:

- (a) termination of an employment by way of either an employee's notice or an employer's notice;
- (b) termination of an employment without an employer's notice; or
- (c) expiry of employment contract.

If the employment contract was terminated more than two years following admission to the BZWBK Incentive Scheme due to the death of the award holder, the Committee will determine the part of the award which the award holder is entitled to based on the performance criteria met as at the termination of employment and the amount of time remaining in the performance period.

13.7 Employee Benefit Trusts

The Company has set up two employee benefit trusts: (i) the AIB Group Employee Benefit Trust in Ireland and (ii) the AIB Group Employee Share Ownership Trust in the United Kingdom. The employee benefit trusts may be used to provide Ordinary Shares to some or all employees in connection with some or all of the AIB Employee Share Plans.

14 Pension benefits

The Group operates a number of retirement benefit plans for employees, the majority of which are funded. These include defined benefit and defined contribution plans. In December 2007, the Group introduced a hybrid pension scheme for employees in Ireland who were not members of the defined benefit scheme. The hybrid pension scheme includes elements of both a defined benefit and a defined contribution scheme. During 2009, the Group amended the benefit structures of its main Irish and UK pension schemes. Details of the funding position of the pension schemes are contained in note 11 on page 54 of the Half-Yearly Financial Report 2010, which is incorporated herein by reference. For information on the pension benefits paid by the Group and the impact of the changes to the benefit structures, please see pages 99 and 171-176 in the Annual Report 2009, which are incorporated herein by reference.

15 Litigation

No member of the Group is or has been involved in any governmental, legal or arbitration proceedings, nor so far as AIB is aware, are any such proceedings pending or threatened by or against any member of the Group which may have, or have had in the recent past (covering the 12 months immediately preceding the date of this Prospectus), a significant effect on the Company's or the Group's financial position or profitability.

16 Material contracts

The following are all of the contracts (not being contracts entered into in the ordinary course of business) that have been entered into by members of the AIB Group: (a) within the two years immediately preceding the date of this Prospectus which are, or may be, material to the AIB Group; or (b) at any time and contain obligations or entitlements which are, or may be, material to the AIB Group as at the date of this Prospectus:

16.1 Relationship with the Government

16.1.1 CIFS Scheme acceptance deeds

On 24 October 2008, the AIB CIFS Covered Institutions each executed a guarantee acceptance deed in accordance with the terms of the CIFS Scheme, and were each specified as covered institutions in the Credit Institutions (Financial Support) (Specification of Institutions) Order 2008 in which each of the AIB CIFS Covered Institutions agreed to the terms and conditions of the CIFS Scheme and agreed to indemnify the Minister against any payments the Minister is required to make under the CIFS Scheme in respect of the liabilities of the AIB CIFS Covered Institutions.

The CIFS Scheme gives effect to the bank guarantee announced by the Government on 30 September 2008. Under the CIFS Scheme, the Minister for Finance has guaranteed the following liabilities of certain participating institutions, including AIB and certain of its subsidiaries, for a two-year period from 30 September 2008:

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

excluding any intra-group borrowing and any debt due to the European Central Bank arising from Eurosystem monetary operations.

Covered bonds and dated subordinated debt issued by a participating institution after the date it joined the ELG Scheme are not guaranteed by the Minister.

If AIB defaults in respect of a guaranteed liability during the period of the guarantee, the Minister commits to pay to the creditor an amount equal to that liability. There is no monetary cap on the guarantee and it covers all guaranteed liabilities of AIB which become due for payment up to 29 September 2010. AIB is obliged to pay a quarterly charge to the Government for the guarantee. The cost of the CIFS Scheme to the Group for the year ended 31 December 2009 was €146.4 million. On 8 January 2010, an amount of €58.4 million was paid by AIB to the Minister in respect of fees for the CIFS Scheme. This payment was in respect of (a) the liabilities covered by the CIFS Scheme for the period from 1 January 2010 to 21 January 2010, the date on which AIB joined the ELG Scheme and (b) following AIB joining the ELG Scheme, the liabilities outstanding after 21 January 2010 that continued to have the benefit of the guarantee under the CIFS Scheme, up to 29 September 2010, or their maturity, whichever is the earlier.

Under the CIFS Scheme, the Minister and/or the Financial Regulator may or must (as the case may be) exercise the following rights and powers over AIB:

- (a) AIB must comply with rules governing the declaration and payment of dividends made by the Minister, in consultation with the Governor of the Central Bank and the Financial Regulator, and no new dividends may be declared or paid by AIB before those rules are made (no rules have yet been made by the Minister);
- (b) AIB may not, without the prior approval of the Minister, acquire shares in any other credit institution or financial institution, establish any subsidiaries or enter into or acquire any new business or businesses where that action would, in the opinion of the Minister following consultation with the Governor of the Central Bank and the Financial Regulator, increase the liability of the Government under the guarantee;
- (c) the Minister must impose specific restrictions on AIB in respect of certain dated subordinated debt covered by the guarantee, including the maintenance of solvency ratios during the guarantee period;
- (d) the Minister may, after consultation with the Governor of the Central Bank and the Financial Regulator, direct AIB to prepare a restructuring plan to ensure compliance with the objectives of the CIFS Scheme. The Minister, in consultation with the Governor of the Central Bank and the Financial Regulator, may direct AIB to make changes to such restructuring plan(s) and to implement such plan(s) within a specified timeframe as determined by him;
- (e) the Minister may, during the guarantee period, require AIB to appoint up to two non-executive directors to its board from a panel approved by the Minister. Two such directors have been appointed to the Board. The Minister also has the right to appoint persons to attend all meetings of the remuneration, audit, credit and risk committees of AIB. In addition, the Financial Regulator may require changes to the Board where the Board does not contain an appropriate balance between executive and non-executive directors. AIB must comply with any direction from the Minister or the Financial Regulator or both to take steps to restructure its executive management responsibilities, strengthen its management capacity and improve its corporate governance;
- (f) if, in the opinion of the Minister, AIB is in breach of its obligations under the CIFS Scheme in a manner that is material in the context of the provisions of the guarantee, the Minister may increase the charge payable by AIB (as referred to above), impose additional unspecified conditions on AIB or revoke the guarantee (but may not do so retrospectively);
- (g) the Financial Regulator, in consultation with the Minister, must impose conditions regulating the commercial conduct of AIB, having regard to capital ratios, market share and the Group's balance sheet growth. AIB must take steps to comply with any liquidity, solvency and capital ratios that the Financial Regulator, following consultation with the Minister, may direct;
- (h) to progressively reduce the risk to the Irish exchequer under the guarantee, AIB must: (i) appropriately manage the Group's balance sheet in a manner consistent with the CIFS Scheme and the need to avoid significant distortion of financial flows; (ii) put in place improved structures to ensure long-term stability of funding; (iii) improve liquidity, solvency and capital ratios in circumstances where that is required; and (iv) take measures to minimise any risk of recourse to the guarantee as directed by the Governor of the Central Bank and the Financial Regulator, after consultation with the Minister;
- (i) AIB must comply with targets set for AIB by the Financial Regulator, in consultation with the Minister, such as loan/deposit targets and wholesale funding/total liabilities targets. AIB may also be required to limit its exposure to certain sectors, customers or connected persons where it is in the public interest and in the interests of financial stability and the maintenance of confidence in the banking system;

- (j) AIB may not engage in buy-backs or redemptions of its shares without the approval of the Financial Regulator, given after consultation with the Minister;
- (k) the CIFS Scheme imposes restrictions on guaranteed institutions in relation to directors' and executives' remuneration and termination payments during the guarantee period; and
- (l) the Minister may revoke, in whole or in part, the guarantee to a participating institution in certain circumstances. If the Minister revokes the guarantee provided to AIB, all of AIB's fixed-term guaranteed liabilities outstanding at that time would nevertheless continue to have the full benefit of the guarantee up to 29 September 2010 or their maturity, whichever is earlier, and all guaranteed liabilities, including on-demand deposits, will be protected by notice of at least 90 days prior to any financial institution being removed from the CIFS Scheme.

16.1.2 ELG Scheme agreements

On 20 January 2010, the AIB ELG Covered Institutions each executed an eligible liabilities guarantee scheme agreement with the Minister for Finance in accordance with the terms of the ELG Scheme, and on 21 January 2010 each was issued a participating institution certificate by the NTMA, the ELG Scheme operator, specifying each as a participating institution in the ELG Scheme.

The ELG Scheme commenced on 9 December 2009 and a partial extension of the ELG Scheme to 31 December 2010 was most recently approved by the European Commission on 28 June 2010. On 7 September 2010 the Minister announced that, subject to European Commission approval under EU state aid rules, he would further amend the ELG Scheme as described below. The ELG Scheme is a guarantee scheme designed to facilitate credit institutions in Ireland that wish to issue debt securities and take deposits with a maturity of up to five years after 29 September 2010 on either a guaranteed or an unguaranteed basis. The ELG Scheme also amends certain aspects of the CIFS Scheme, but each liability guaranteed under the CIFS Scheme as at the date an institution joins the ELG Scheme remains unconditionally and irrevocably guaranteed under and in accordance with the terms of the CIFS Scheme.

By entering into an ELG Scheme agreement, each AIB ELG Covered Institution has agreed to be bound by the terms of the ELG Scheme and to indemnify the Minister against all payments which the Minister may be required to make under the ELG Scheme in respect of the liabilities of the AIB ELG Covered Institutions.

Eligible liabilities under the ELG Scheme comprise the following liabilities:

- all deposits (to the extent not covered by deposit protection schemes in Ireland (other than the CIFS Scheme) or in any other jurisdiction);
- senior unsecured certificates of deposit;
- senior unsecured commercial paper;
- other senior unsecured bonds and notes; and
- other forms of senior unsecured debt which may be specified by the Minister, consistent with state aid rules and the European Commission's Banking Communication (2008/C 270/02) and subject to prior consultation with the European Commission,

incurred by a participating institution during the period from the date it joined the ELG Scheme (i.e. 21 January 2010 in the case of AIB ELG Covered Institutions) up to 29 September 2010. However, the European Commission has approved a change in the end date of the issuance period (29 September 2010), in respect of certain types of eligible liability, to 31 December 2010 and, on 7 September 2010, the Minister announced that, subject to European Commission approval under EU state aid rules, that same change to 31 December 2010 would be made in the case of every other type of eligible liability under the ELG Scheme so that, when the changes are implemented, a State guarantee would be available for both short- and long-term liabilities issued up to the end of 2010.

An eligible liability must not have a maturity in excess of five years and must be incurred during an "issuance window". The ELG Scheme is subject to a six-monthly review and approval by the European Commission under EU state aid rules. On 28 June 2010, following a request from the Minister, the European Commission approved a modification of the ELG Scheme to provide for a prolongation of the issuance period from 29 September 2010 to 31 December 2010 (subject to the introduction of new pricing rates for participating institutions) for (a) liabilities of between three months and five years duration (other than inter-bank deposits), (b) retail deposits of any duration up to five years and (c) corporate deposits with a maturity of three months or more. The statutory instruments to give effect to these extensions are not yet available. On 7 September 2010 the Minister announced that, subject to further approval by the European Commission under EU state aid rules, the ELG Scheme would also be amended to extend

the “issuance window” in respect of inter-bank deposits and short-term liabilities (zero to three months) (including corporate deposits) of a participating institution, from 29 September 2010 to 31 December 2010. If European Commission approval is given for this further change, and if both this proposed change and the change approved on 28 June 2010 are implemented, the “issuance window” in respect of every eligible liability of a participating institution under the ELG Scheme (including retail deposits over €100,000 for any duration up to five years and corporate and inter-bank deposits for any duration up to five years) would be extended from 29 September 2010 to 31 December 2010. Retail deposits of an amount up to €100,000 remain outside the ELG Scheme but continue to be guaranteed indefinitely under the Deposit Guarantee Scheme.

The Minister for Finance has amended the rules of the ELG Scheme so that the pricing of the ELG Scheme guarantee will increase in line with the recommendations of the Governing Council of the European Central Bank on government guarantees for bank debt dated 20 October 2008, the European Commission DG Competition staff working document entitled “The Application of State Aid Rules to Government Guarantee Schemes Covering Bank Debt to be Issued after 30 June 2010” dated 30 April 2010 and any Eurosystem guidelines. The Minister also said, prior to the announcement on 7 September 2010, that progress in relation to the phasing out of the ELG Scheme guarantee will be achieved over time consistent with any requirement for continued support of the funding conditions of participating institutions and the maintenance of financial stability overall. The ELG Scheme remains subject to six-monthly review and approval by the European Commission in accordance with EU state aid rules. The next review of the ELG Scheme is due to take place before 31 December 2010, although the result of any such review will not affect the status of guaranteed liabilities that are, by then, already in place.

Under the terms of the ELG Scheme, a participating institution must apply to the Minister for an eligible liability or eligible liabilities issued under a programme to be guaranteed under the ELG Scheme and those eligible liabilities will only be guaranteed if the NTMA, with delegated authority from the Minister, accepts an application from a participating institution for the inclusion of that eligible liability or those eligible liabilities in the ELG Scheme.

From the time that a participating institution is designated as such under the ELG Scheme, only covered liabilities of that participating institution (as a covered institution in the CIFS Scheme) in existence or contracted for prior to that time will continue to be guaranteed under the CIFS Scheme. All those covered liabilities will remain guaranteed until 29 September 2010 under the CIFS Scheme. From the time that a participating institution is designated as such under the ELG Scheme, any liabilities incurred or contracted for thereafter by that participating institution may be guaranteed under the ELG Scheme only.

Dated subordinated debt (lower Tier 2) and asset covered securities (including other forms of covered bonds) issued by a covered institution under the CIFS Scheme before it joined the ELG Scheme will continue to be guaranteed under the CIFS Scheme, but any such subordinated debt issued after a covered institution joined the ELG Scheme will not be guaranteed under the CIFS Scheme or the ELG Scheme.

The Minister, in consultation with the Governor of the Central Bank and the Financial Regulator, may issue directions to a participating institution which are necessary to ensure that the objectives of the ELG Scheme are met. Those directions may include directions to comply with some or all of the provisions on conduct, transparency and reporting requirements applicable to covered institutions pursuant to the CIFS Scheme, including restrictions on the declaration and payment of dividends (summarised in paragraph 16.1 of this Part IX). Each participating institution will be required to comply with such directions, including after the CIFS Scheme has expired or if the participating institution is no longer a covered institution under the CIFS Scheme.

The Minister may, after consultation with the Governor of the Central Bank and the Financial Regulator, direct AIB to prepare a restructuring plan to ensure compliance with the objectives of the ELG Scheme. The Minister, in consultation with the Governor of the Central Bank and the Financial Regulator, may direct AIB to make changes to such restructuring plan and to implement such plan.

As described above, participating institutions must pay a fee to the Minister in respect of each liability guaranteed under the ELG Scheme. Participating institutions will also be required to indemnify the Minister for any costs and expenses of the Minister and for any payments made by the Minister under the ELG Scheme which relate to the participating institution’s guarantee under the ELG Scheme.

In respect of the period from 21 January 2010 to 30 June 2010, AIB paid the Minister €118.9 million in respect of fees for the ELG Scheme.

16.2 Arrangements in relation to the NPRFC Investment

16.2.1 Warrant Instrument

Pursuant to the terms of the Warrant Instrument between the Company and the NPRFC entered into on 13 May 2009, the Company agreed to issue 294,251,819 2009 Warrants to subscribe for Ordinary Shares to the NPRFC on the terms summarised below:

- (a) the 2009 Warrants represented 25 per cent. of the Ordinary Shares (excluding Treasury Shares) in issue on 13 May 2009 (being the date of completion of the NPRFC Investment) computed as if the 2009 Warrants were exercisable and had been exercised in full on that date;
- (b) each of the Core Tranche Warrants (155,780,375 warrants) entitles the holder to subscribe for one Ordinary Share at a subscription price of €0.975 per share and each of the Secondary Tranche Warrants (138,471,444 warrants) entitles the holder to subscribe for one Ordinary Share at a subscription price of €0.375 per share;
- (c) the 2009 Warrants are exercisable in the period between 13 May 2014 and 13 May 2019, or earlier if a third party proposes to acquire control of the Company or ownership of all or substantially all of the Company's business and assets;
- (d) while the Government Preference Shareholder holds Warrant Shares, the voting rights on those shares will be restricted to 50 per cent. of the voting rights attaching to such shares. If those Warrant Shares are transferred to any person other than a Government Entity, full voting rights will attach to those Warrant Shares;
- (e) on issue, each 2009 Warrant will entitle the holder to subscribe for one Ordinary Share. This ratio will be adjusted upon the occurrence of certain share capital-related events in order to adjust the number of Warrant Shares the subject of the 2009 Warrants to compensate the NPRFC for the dilutive effects of such share capital-related events (for example, a bonus issue of shares, certain capital distributions, a consolidation or subdivision of shares and a rights issue of shares at an issue price above a prescribed discount to the market price). If an anti-dilution adjustment would otherwise result in the issue of Ordinary Shares under the Warrant Instrument at a discount to their nominal value, the shortfall between the exercise price and the nominal value of Ordinary Shares will be paid up from AIB's undistributable reserves (including the share premium account) or, subject to there being no contravention of the rights of other Shareholders, from AIB's distributable reserves; and
- (f) the 2009 Warrants are not transferable, except to a Government Entity, without the prior written consent of the Company and are not listed or quoted on any stock exchange.

16.2.2 The Subscription Agreement

- (a) Pursuant to the terms of the Subscription Agreement between AIB, the Minister for Finance and the NPRFC dated 13 May 2009, AIB agreed to issue the 2009 Preference Shares and the 2009 Warrants to the NPRFC at an aggregate subscription price of €3.5 billion;
- (b) AIB gave the NPRFC and the Minister certain warranties relating to the business and operations of the Group. These warranties are considered standard for this type of agreement and cover issues such as the Company's issued share capital, accuracy and completeness of certain information, accuracy of audited financial statements, payment of taxes, possession of all material licences and absence of material litigation;
- (c) AIB provided various undertakings to the NPRFC and the Minister, including agreeing to commit to the Minister's "Bank Customer Package". This includes, *inter alia*, obligations on AIB to:
 - (i) increase lending capacity to small to medium-sized enterprises by 10 per cent. and provide an additional 30 per cent. capacity for lending to first-time buyers during each quarter of the financial year compared to the corresponding quarter in the year commencing 1 January 2008;
 - (ii) establish a €100 million fund to support environmentally-friendly investment and innovations in clean energy;
 - (iii) comply with the Code of Conduct for Business Lending to Small and Medium Enterprises and the Code of Conduct for Mortgage Arrears published by the Financial Regulator;
 - (iv) make every effort to avoid repossessions and, in any case, not commence court proceedings for repossession of a principal private residence within 12 months of arrears appearing, where the customer maintains contact and co-operates reasonably with AIB;
 - (v) fund and co-operate with an "Independent Review of Credit Availability"; and

- (vi) work closely with IDA Ireland, Enterprise Ireland and with other Irish state agencies to ensure the supply of appropriate finance to contractors engaged on major projects sponsored by those agencies.

AIB also agreed to submit a restructuring plan to the Minister, including an assessment of AIB's business model's viability and details of how AIB intends to repay the state aid provided to it by means of the NPRFC Investment. That restructuring plan, which was prepared by the Group, was submitted to the European Commission by the Government in November 2009. A revised plan, prepared by AIB to reflect AIB's capital raising initiatives, which include its intention to raise additional equity capital and undertake a number of asset and business disposals, was submitted by the Government to the European Commission on 4 May 2010. Under the terms of the Subscription Agreement, AIB must consult with the Minister or his nominee prior to taking any material action which may be reasonably expected to have a public interest dimension;

- (d) on 13 May 2009, the NPRFC paid to AIB €3.5 billion (less an arrangement fee of €30 million paid by AIB to the NPRFC) in respect of the issue to it of the 2009 Preference Shares and the 2009 Warrants;
- (e) AIB undertook in the Subscription Agreement that application would be made in due course for any Warrant Shares and Bonus Shares issued by AIB to be admitted to the Official Lists and to trading on the main markets for listed securities of the Irish Stock Exchange and the London Stock Exchange;
- (f) in addition to agreeing to allow the Government Entity to make use of any public offer prospectus issued by the Company for the purposes of placing such Ordinary Shares with investors, the Company also undertook to co-operate in the preparation and issue of a public offer prospectus where this is required for the purposes of an offering to the public, a placing or listing of the 2009 Preference Shares or any Ordinary Shares acquired as a result of holding 2009 Preference Shares or 2009 Warrants; and
- (g) the Subscription Agreement provides that the Company shall ensure that the aggregate remuneration of the Group's senior executives employed by the Group at any time during the financial year ended 31 December 2009 for that year shall be 33 per cent. less than the aggregate remuneration of each of these senior executives for the preceding financial year and the aggregate fees paid to any Non-Executive Director during the year ended 31 December 2009 for that year shall be 25 per cent. less than the aggregate fees paid to that Non-Executive Director during the preceding financial year. The fees payable to any new Non-Executive Director appointed during the year ended 31 December 2009 were also to be adjusted accordingly. The Subscription Agreement also provides that no bonus calculated on the basis of or related to the performance of any individual, any team or department or division of AIB or the Group as a whole shall be paid to any of the Group's senior executives in respect of either of the financial years ended 31 December 2009 or 31 December 2010, and the annual base salary of any employee or services provider or appointee or officer of the Group shall not, for a period of two years from 13 May 2009, exceed a maximum amount equal to the lower of €500,000 and the amount recommended by the Covered Institution Remuneration Oversight Committee in the CIROC Report in any financial year. Further, from 13 May 2011, any proposal to increase base salary for any employee or service provider or appointee or officer of the Group to a level which would otherwise exceed the cap described in the preceding sentence or to pay an annual bonus to any of the Group's senior executives will be subject to agreement between the Company and the NPRFC. No pension augmentation which enhances the retirement benefits of a senior executive under the current rules of the Group's pension scheme of which he is a member may be awarded by AIB without the prior consent of the NPRFC.

16.3 Application to participate in NAMA

On 12 February 2010, the Minister, under section 67 of the NAMA Act, designated AIB as a Participating Institution. In consequence, AIB is subject to a range of constraints and obligations (including in terms of its freedom of commercial action) and is subject to additional powers of (as the case may be) the Financial Regulator and the Minister.

16.3.1 Synopsis of the NAMA Programme

Under the NAMA Programme, NAMA is, on a phased basis acquiring NAMA Assets from AIB. NAMA Assets include performing and non-performing land and development loans, together with associated loans. AIB must identify for NAMA every AIB NAMA Asset and NAMA may then choose which NAMA Assets to acquire from AIB. The NAMA Assets that NAMA acquires from AIB will be valued on a loan-by-loan basis, using the valuation methodology specified in the NAMA Act and in regulations made by the Minister. AIB has a limited right to seek a review of a valuation that has been determined by NAMA. AIB transferred its first and second tranches of NAMA Assets to NAMA on 2 April 2010 and 12 July 2010 respectively.

NAMA has, in the first and second acquisition tranches, acquired the largest systemic exposures to the Irish banking system. In tranches 1 and 2, AIB transferred €6.0 billion of NAMA Assets in total (being the value of those assets on

a gross loan basis) to NAMA, receiving in exchange NAMA Bonds and Subordinated NAMA Bonds with a nominal value of €3.3 billion in total. In tranche 2 (which completed in July 2010) AIB transferred to NAMA €2.73 billion of NAMA Assets (being the value of those assets on a gross loan basis) to NAMA, receiving in exchange NAMA Bonds and Subordinated NAMA Bonds with a nominal value of €1.4 billion. Outline terms and conditions of those NAMA Bonds are provided on NAMA's website at www.nama.ie.

If, on a winding-up of NAMA or after ten years since its establishment or on the dissolution, restructuring or material alteration of NAMA, NAMA has made a loss that the Minister believes is unlikely to be otherwise made good, the Oireachtas (the Irish Parliament) may, at the request of the Minister, impose, as a special tax, a surcharge on the profits of a Participating Institution. Any such surcharge would be:

- applied proportionately to each Participating Institution, on the basis of the book value of the NAMA Assets acquired from each of them as a proportion of the total book value of the NAMA Assets acquired from all Participating Institutions; and
- subject to prescribed ceilings relating to the actual loss incurred by NAMA and to the amount of corporation tax paid by any particular Participating Institution in the relevant surcharge period.

NAMA may specify the terms and conditions that are to apply generally to the acquisition of AIB's NAMA Assets, including a requirement that AIB provides various warranties to NAMA, including warranties as to enforceability of security, good and marketable title, accuracy and completeness of information and other customary warranties. AIB may also be required to indemnify NAMA against various potential third-party claims against NAMA, including claims arising from errors, omissions or misstatements that may have been made by or on behalf of AIB, and redundancy and other employment-related disputes arising from a transfer of any of AIB's NAMA Assets or from the enforcement of any security concerning AIB's NAMA Assets and other matters.

While the NAMA draft business plan provides that a Participating Institution will continue to conduct routine loan administration work in respect of NAMA Assets that NAMA acquires from the relevant institution, NAMA may, under the NAMA Act, terminate any such servicing arrangement if it wishes.

16.3.2 Additional constraints and regulatory powers, procedures and oversight

As a Participating Institution, AIB is subject to a range of constraints and obligations as to the conduct of its business and is subject to additional powers of (as the case may be) the Financial Regulator and the Minister. AIB is also subject to additional regulatory procedures and oversight. These include:

- (a) AIB must act in relation to its NAMA Assets in good faith, having regard to the purposes of the NAMA Act, and must administer, service and deal with its NAMA Assets as would a prudent lender acting reasonably;
- (b) AIB requires the prior written approval of NAMA to do any of a range of things in respect of a NAMA Asset, such as to amend or vary any contract relating to a NAMA Asset, unless contractually obliged to do so;
- (c) following its acquisition of a NAMA Asset from AIB, NAMA may direct AIB to deal in a specified way with any part of that NAMA Asset that is not acquired by NAMA;
- (d) the Financial Regulator may, with the approval of the Minister, give a direction to AIB in order to achieve the purposes of the NAMA Act. Such a direction may restrict balance sheet growth, restrict AIB's ability to take over other credit institutions, require balance sheet reductions, or restrict or require consolidations and mergers of Participating Institutions (including AIB);
- (e) the Financial Regulator may direct AIB in writing to make any report that the Financial Regulator considers necessary to monitor AIB's compliance with the obligations under or by virtue of the NAMA Act;
- (f) the Minister may direct AIB to draw up, or amend, a restructuring or business plan and to take reasonable steps to ensure that any draft business plan submitted to the Minister accurately contains all relevant information. If the Minister approves a draft business plan, AIB must take reasonable steps to implement it; and
- (g) the Minister has, under the NAMA Act, introduced statutory guidelines on lending practices and procedures of Participating Institutions and on the review of their decisions to refuse credit facilities to SMEs (including farmers and sole traders) where the relevant sum is greater than €1,000 and does not exceed €250,000. After exhausting any credit appeal procedures within the Participating Institution, an SME customer may require a review of a decision of a Participating Institution to refuse credit or to reduce an existing credit facility by applying to a Government-appointed "Credit Reviewer" who will investigate the decision and may make a non-binding recommendation to the Participating Institution. The Credit Reviewer may also review the

lending policies (including from the perspective of a particular sector) of a Participating Institution and may issue reports to the Minister following such a review.

Various initiatives taken by AIB to support customers and economic recovery include, amongst others, €3 billion of planned new or additional credit lines to the SME market in 2010 and 2011, a €500 million small business recovery scheme launched in May 2010, the launch of a €100 million fund for personal and business customers to support environmentally friendly initiatives in June 2009 and the provision of wide ranging support facilities to mortgage customers in difficulty.

17 Other contingencies

Additional contingent liabilities arise in the normal course of the Group's business. It is not currently anticipated that any material loss will arise from these transactions.

18 Related party transactions

The related party transactions which must be disclosed in accordance with the standards adopted pursuant to the European Commission Regulation (EC) No. 1606/2002, are set out below.

Other than as disclosed in this Prospectus and the information incorporated by reference herein, no related party transactions were entered into by AIB or any other member of the Group during the financial periods ended 31 December 2007, 31 December 2008, 31 December 2009 or the six-month period ended 30 June 2010 or during the period between 1 July 2010 and 7 September 2010 (being the latest practicable date prior to publication of this Prospectus). A number of banking transactions are entered into between Allied Irish Banks, p.l.c. and its subsidiaries in the normal course of business. These include loans, deposits and foreign currency transactions and the provision of guarantees on an "arm's length" basis.

18.1 Associated undertakings

The Group provides certain banking and financial services for its associated undertakings. These transactions are made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and do not involve more than the normal risk of collectability or present any other unfavourable features. The amounts outstanding as at 7 September 2010 (being the latest practicable date prior to the publication of this Prospectus) are set out below:

	<u>Associates and joint ventures</u>
	<i>(€ million)</i>
Loans and advances to customers	84.8
Customer accounts	1,407.7

18.2 Sale and leaseback of Blocks E, F, G and H Bankcentre to Aviva Life and Pensions Ireland Limited

On 9 June 2006, the Group agreed the sale and leaseback of blocks E, F, G, and H at Bankcentre in Dublin (as set out in note 14 to the financial statements in the Annual Report 2009). The lease is for 20 years. The blocks were sold to Aviva Life and Pensions Ireland Limited for a total consideration of €170.5 million. AIB holds a 24.99 per cent. share of Aviva Life Holdings Ireland Ltd. which is the holding company for Ark Life and Aviva Life Pensions Ireland Limited. The initial annual rent payable on blocks E, F, G and H is €7.1 million. The rent is paid through Wallkav Ltd, a wholly owned subsidiary of AIB.

18.3 Government

The Government, as a result of both the Group's participation in the CIFS Scheme and the NPRFC Investment and the ongoing relationship between the Government and the Company, became a related party of AIB. An amount of €147 million was paid by AIB, to the Government for fees due under the CIFS Scheme for the period from 1 January 2009 to 31 December 2009. This payment was disclosed in the Annual Report 2009 (as set out in note 5 to the financial statements in the Annual Report 2009). On 8 January 2010, an amount of €58.4 million was paid by AIB in respect of the CIFS Scheme. This payment was in respect of (a) the liabilities covered by the CIFS Scheme for the period from 1 January 2010 to 21 January 2010, the date on which AIB joined the ELG Scheme and (b) following AIB joining the ELG Scheme, the liabilities outstanding after 21 January 2010 that continued to have the benefit of the guarantee under the CIFS Scheme, up to 29 September 2010, or their maturity, whichever is the earlier. The payments made in respect of the ELG Scheme (for the period from 21 January 2010 to 30 June 2010) amounted to

€118.9 million. Details of the NPRFC Investment are set out at paragraph 16 of this Part IX and in note 55 to the financial statements in the Annual Report 2009.

From time to time, AIB provides certain banking and financial services to the Irish Government in the normal course of business. AIB may also hold Government securities in both its trading and available for sale investment portfolios.

18.4 Transfer of AIB's NAMA Assets to NAMA

In April 2010, AIB transferred €3.3 billion of assets to NAMA, representing the first tranche of its NAMA Assets. AIB received €1.9 billion in consideration for the assets in the form of NAMA Bonds and Subordinated NAMA Bonds from NAMA which represented a discount of approximately 42 per cent. to the gross value of the assets transferred. The transfer of the second tranche of €2.73 billion of AIB's NAMA Assets to NAMA occurred in July 2010. AIB received €1.4 billion in consideration for these assets in the form of NAMA Bonds and Subordinated NAMA Bonds from NAMA which represented a discount of approximately 48.5 per cent. to the gross value of the assets transferred.

18.5 Pension funds

As at 7 September 2010 (being the latest practicable date prior to the publication of this Prospectus), the Group provided banking and financial services, including asset management and money transmission services, to various pension funds operated by the Group for the benefit of its employees (principally the AIB Group Irish Pension Scheme and the AIB Group UK Pension Scheme), which are conducted on similar terms to third party transactions and are not material to the Group.

18.6 National Asset Management Agency Investment Ltd. ("NAMAIL")

In March 2010, a subsidiary of AIB made an equity investment in 17 million "B" shares of the NAMAIL, a special purpose entity established by NAMA. The total investment amounted to €17 million, of which €12 million was invested on behalf of the AIB Group Irish pension scheme with the remainder invested on behalf of clients.

18.7 Transactions with key management personnel

Key management personnel comprises 23 persons, 16 of whom had loans outstanding as at 7 September 2010, being the latest practicable date prior to publication of this Prospectus, who are or were directors (executive and non-executive) and senior executive officers (namely, members of the Group Executive Committee) of the Company during 2010.

Other than as set out in (i) Notes 57(e) and 57(f) (Related Party Transactions on page 166) and Note 56 (Report on directors' remuneration and interests on page 160) of the Annual Report 2007; (ii) Notes 60(e) and 60(f) (Related Party Transactions on page 240) and Note 59 (Report on directors' remuneration and interests on page 234) of the Annual Report 2008; (iii) Notes 63(e) and 63(f) (Related Party Transactions on page 267) and Note 62 (Report on directors' remuneration and interests on page 262) of the Annual Report 2009); and (iv) Note 43 (Related Party Transactions on page 95) of the Half-Yearly Financial Report 2010, no transactions with key management personnel were entered into by the Group during the financial periods ended 31 December 2007, 31 December 2008 or 31 December 2009, or the six-month period ended 30 June 2010. Other than the changes in loans to key management personnel set out below, no transactions with key management personnel were entered into during the period between 1 July 2010 and 7 September 2010 (being the latest practicable date prior to publication of this Prospectus). AIB maintains information regarding Directors' loans constituting related party transactions, as required by the Financial Regulator's disclosure requirements introduced in March 2009.

The aggregate amounts outstanding, and the number of persons concerned, in respect of all loans between AIB and its key management personnel, as defined above, including businesses influenced by them, together with the disclosure of the balances as at 7 September 2010 (being the latest practicable date prior to publication of this Prospectus) are shown in the table below. Loans to key management personnel, namely executive and non-executive directors and senior executive officers, are made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons of similar standing not connected with the Group, and do not involve more than the normal risk of collectability or present other unfavourable features. Loans to executive directors and senior executive officers are also made, in the

ordinary course of business, on terms available to other employees in the Group generally, in accordance with established policy, within limits set on a case by case basis.

<u>Key management personnel</u>	<u>Balance as at 7 September 2010</u> (€ '000)	<u>Number of persons as at 7 September 2010</u>
Loans outstanding	7,493	16

Since 30 June 2010, there have been no material changes to the terms of loans to key management personnel, including interest rates and collateral, which existed at that time.

Since 30 June 2010, there have been no material changes in guarantees entered into by key management personnel in favour of the Group as existed at that time, and there were no calls on those guarantees since that date.

AIB has not made any provisions in respect of any failure or anticipated failure to repay any of the above loans or interest thereon. There is no interest which, having fallen due on the above loans, has not been paid.

19 Dividend policy and dividends paid

No dividend was declared on the Ordinary Shares in respect of the financial year of the Group ended 31 December 2009. In accordance with the European Commission’s policy relating to European Union state aid rules on restructuring aid to banks, AIB has agreed not to pay discretionary coupons on its Tier 1 Capital and Tier 2 Capital instruments. As a result the coupon due on the LP3 Securities, which would otherwise have been payable on 14 December 2009, was not paid. The effect of this non-payment was to trigger the “dividend stopper” provision in the LP3 Securities, which precludes AIB from declaring and paying any distribution or dividend on the Group’s “junior share capital”, which includes the Ordinary Shares and the 2009 Preference Shares and any “parity security”, which comprises the LPI Securities, the LP2 Securities and the RCI Securities for a period of one calendar year.

Under the terms of the LP3 Securities, AIB is precluded from paying dividends on the Ordinary Shares unless the “dividend stopper” period has expired. In addition AIB is precluded under its Articles of Association from declaring a dividend on the Ordinary Shares until the cash dividend on the 2009 Preference Shares has been resumed. Because the EU restructuring plan has not yet been approved by the European Commission, the date on which AIB can resume payment of discretionary coupons on its Tier 1 Capital instruments and Tier 2 Capital instruments has not yet been agreed with the European Commission and this may impact on the timing of the ability of AIB to resume the payment of the cash dividend on the 2009 Preference Shares and consequently payments of dividends on its Ordinary Shares.

Under the terms of the CIFS Scheme, AIB must comply with rules governing the declaration and payment of dividends made by the Minister, in consultation with the Governor of the Central Bank and the Financial Regulator, and no new dividends may be declared or paid by AIB before those rules are made (no rules have yet been made by the Minister). Under the terms of the ELG Scheme, the Minister may issue directions to an AIB ELG Covered Institution to comply with some or all of the conduct, transparency and reporting requirements of the CIFS Scheme, including those relating to the declaration and payment of dividends, and each participating institution under the ELG Scheme, including each AIB ELG Covered Institution must comply with such directions, including after the CIFS Scheme has expired or if the participating institution is no longer a covered institution under the CIFS Scheme.

The Directors intend to resume paying dividends on Ordinary Shares after the above conditions have been satisfied and the Group has demonstrated that it can maintain appropriate capital ratios and sustainable profits.

The following table sets out the dividend per Ordinary Share paid in each of the financial years ended 31 December 2009, 2008 and 2007:

	<u>Dividend per Share</u> <u>Reported</u>
2009	—
2008	81.8c
2007	74.3c

20 No significant change

From 30 June 2010 (being the date of the Half-Yearly Financial Report 2010) to the date of this Prospectus, there has been no significant change in the trading or financial position of the Group, save as disclosed in respect of the estimated after tax loss attributable to Shareholders which was realised on the transfer of the second tranche of

NAMA Assets by AIB on 12 July 2010, as referred to in Part VII (“*Unaudited Pro Forma Financial Information*”) of this Prospectus.

21 Consents

- 21.1** Morgan Stanley as sponsor and independent adviser, has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion in it of the references to its name in the form and context in which they appear.
- 21.2** AIB Corporate Finance has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of the reference to its name in the form and context in which they appear.
- 21.3** KPMG, Chartered Accountants, has given and has not withdrawn its written consent to the inclusion of its report on the Pro Forma Financial Information set out in Part VII (“*Unaudited Pro Forma Financial Information*”) of this Prospectus and the inclusion in this Prospectus of the references to its name in the form and context in which they appear.

22 General

- 22.1** The financial information concerning the Group contained in this Prospectus does not constitute full accounts within the meaning of section 19 of the Companies (Amendment) Act 1986. Full accounts have been prepared and audited for the financial years 2007, 2008, and 2009 and the Auditor has made unqualified reports under section 193 of the Companies Act 1990 in respect of all such accounts and made no reference to a matter of fundamental uncertainty in such accounts. Statutory accounts of AIB relating to each completed financial period to which the financial information relates have been delivered to the Companies Registration Office in Dublin.
- 22.2** KPMG Chartered Accountants, Ireland, whose registered address is 1 Harbourmaster Place, International Financial Services Centre, Dublin 1, Ireland, is a partnership whose members are Chartered Accountants. The partnership is regulated by the Institute of Chartered Accountants in Ireland. KPMG audited AIB’s consolidated accounts for the three financial years ended 31 December 2009.
- 22.3** The Existing Shares are in registered form, are capable of being held in uncertificated form and are admitted to the Official Lists and are admitted to trading on the regulated market for listed securities of the Irish Stock Exchange and the London Stock Exchange.
- 22.4** The New Ordinary Shares are in registered form and, from Admission, will be capable of being held in uncertificated form and title to such shares may be transferred by means of a relevant system. The New Ordinary Shares have the ISIN IE0000197834, being the ISIN for all Ordinary Shares.

23 Property and environmental

- 23.1** The AIB Group operates from an estate of approximately 970 branches, offices and outlets worldwide. These are held principally in the Republic of Ireland, Northern Ireland, Great Britain and Poland. The majority of the estate (branches and offices) are owned outright, with the remainder being held under a variety of commercial leases.

AIB Group’s headquarters is located at “Bankcentre”, Ballsbridge, Dublin 4. This is a campus style complex of interlinked office buildings on a site of approximately 14 acres. This complex houses most of the AIB’s Group’s support functions and offers approximately 560,000 sq.ft of office space, as well as extensive car parking, meeting and staff welfare facilities. Following a 2006 sale and lease back programme, the AIB Group now leases the Bankcentre campus under three separate lease arrangements. AIB also has a leasehold interest in the “AIB International Centre” located in Dublin’s International Financial Services Centre extending to 120,000 sq.ft. This building is occupied by the Capital Markets division. In addition AIB holds a number of smaller leasehold interests in and around Dublin.

AIB’s UK headquarters are also leased and are located in Mayfair, London. A significant back office operation is located in Uxbridge, West London where AIB occupies approximately 63 per cent. of a building which offers 74,000 sq.ft of office space and is held under a 25 year lease. In Northern Ireland, First Trust Bank is headquartered at the 90,000 sq.ft “First Trust Centre” on Ann Street in Belfast. The Group owns this building, as well as a 32,000 sq.ft facility at 4 Queens Square.

In Poland, BZWBK’s head office estate is primarily located in Wroclaw, Poznan, and Warsaw. In Wroclaw the bank has freehold interests in 8-10 Strzegomska Street (72,000 sq.ft), 9-11 Rynek Street (62,000 sq.ft)

and 38-40 Ofiar Oswiecimskich Street (59,000 sq.ft). In Poznan, the bank owns its head office building at 10 Kozia Street (33,000 sq.ft) and has long leasehold interests in 5 Plac Andersa (112,000 sq.ft) and 4-8 Chlebowa Street (27,000 sq.ft). In Warsaw, BZWBK holds a long leasehold interest in head office buildings at 142 Marszalkowska Street (26,000 sq.ft) and at 5A Grzybowska Street (59,000 sq.ft).

The Group does not have significant property holdings in the US, other than through its ownership interest in M&T.

- 23.2** The Company is of the opinion that there are currently no actual or potential environmental liabilities that affect the Group's utilisation of any property or other tangible fixed assets.

24 Documents available for inspection

Copies of the following documents may be inspected in physical form at the registered office of the Company and at the offices of McCann FitzGerald, Riverside One, Sir John Rogerson's Quay, Dublin 2 and Linklaters LLP, One Silk Street, London EC2Y 8HQ during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of publication of this Prospectus until 10 September 2010, being the date of Admission:

- (a) the Memorandum and Articles of Association;
- (b) the Annual Report 2009, the Annual Report 2008 and the Annual Report 2007;
- (c) the Half-Yearly Financial Report 2010;
- (d) the consent letters referred to in paragraph 21 of this Part IX; and
- (e) the report on the unaudited pro forma financial information by KPMG set out in Part VII ("*Unaudited Pro Forma Financial Information*") of this Prospectus.

25 Sources of information

Certain information has been obtained from external publications and is sourced in this Prospectus where the information is included. Such third party information includes:

- (a) macroeconomic metrics and indicators (such as GDP growth, unemployment, inflation, debt/GDP ratios and wage costs) sourced from the CSO's National Income and Expenditure 2009 publication, the CSO Live Register Report September 2010, the International Monetary Fund, the European Economic Forecast and the Irish Exchequer Returns;
- (b) particular information sourced from Ireland Information Memorandum 2010;
- (c) commercial and residential property price metrics sourced from the Permanent TSB/ERSI House Price Index and the IPD Irish Commercial Property Index;
- (d) the Financial Regulator's PCAR assessment of AIB's capital requirements (such as the target Equity Tier 1 Capital Ratio, the Core Tier 1 Capital Ratio and the total new equity capital requirement);
- (e) credit ratings sourced from Standard & Poor's, Moody's Investor Service and Fitch Ratings;
- (f) the CEBS stress test published on 23 July 2010;
- (g) the Minister's announcement of 7 September 2010 regarding a proposed further amendment of the ELG Scheme; and
- (h) consultation papers of the Basel Committee published on 17 December 2009 (regarding the global capital framework and liquidity) and in July 2010 (regarding capital buffers).

AIB confirms that this information has been accurately reproduced and, so far as AIB is aware and is able to ascertain from the information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Unless otherwise stated, such information has not been audited.

9 September 2010

PART X

DOCUMENTATION INCORPORATED BY REFERENCE

The Annual Report of AIB for each of the financial years ended 31 December 2009, 2008 and 2007 and the Half-Yearly Financial Report 2010 are available for inspection in accordance with paragraph 24 of Part IX (“*Additional Information*”) of this Prospectus and contain information which is relevant to the Bonus Issue and Admission. This Prospectus is also available on AIB’s website at www.aibgroup.com.

The table below sets out the various sections of such documents which are incorporated by reference into this Prospectus so as to provide the information required under the Irish Prospectus Regulations and to ensure that Shareholders and others are aware of all information which, according to the particular nature of AIB and of the New Ordinary Shares, is necessary to enable Shareholders and others to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of AIB.

<u>Document</u>	<u>Section</u>	<u>Page numbers in such document</u>
Half-Yearly		
Financial Report 2010 . . .	Key information — AIB Group interim results 2010	1-2
Half-Yearly		
Financial Report 2010 . . .	Interim management report — Commentary on results	3-23
Half-Yearly		
Financial Report 2010 . . .	Interim management report — Divisional commentary	24-32
Half-Yearly		
Financial Report 2010 . . .	Interim financial statements — Basis of preparation	33-35
Half-Yearly		
Financial Report 2010 . . .	Condensed consolidated income statement (unaudited) for the half-year ended 30 June 2010	36
Half-Yearly		
Financial Report 2010 . . .	Condensed consolidated statement of comprehensive income (unaudited) for the half-year ended 30 June 2010	37
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The information which is incorporated by reference throughout this Prospectus is so incorporated in compliance with Regulations 27 and 28 of the Irish Prospectus Regulations.

The parts of the documents other than those incorporated by reference (as per the table above) are either not relevant or are covered elsewhere in this Prospectus. Information that is itself incorporated by reference in the above documents is not incorporated by reference into this Prospectus. It should be noted that, except as set forth above, no other parts of the above documents are incorporated by reference into this Prospectus.

PART XI

DEFINITIONS

In this Prospectus, the following expressions have the following corresponding meanings unless the context otherwise requires:

the 1983 Act	the Companies (Amendment) Act 1983
the 1990 Act	the Companies Act 1990
the 1992 Regulations	the European Communities (Licensing and Supervision of Credit Institutions) Regulations 1992
the 1995 Act	the Consumer Credit Act 1995 (as amended)
the 1998 Act	the Investor Compensation Act 1998
the 2004 Act	the Central Bank And Financial Services Authority Of Ireland Act 2004
the 2010 Act	Criminal Justice (Money Laundering and Terrorist Financing) Act 2010
2009 Preference Dividend	the non-cumulative cash dividend on the 2009 Preference Shares at the fixed rate of 8 per cent. per annum of the amount paid up on the 2009 Preference Shares (including premium) that is payable annually in arrears on the Annual Dividend Payment Date in each year where the Directors have passed a resolution to pay such a dividend
2009 Preference Shares	the 3,500,000,000 non-cumulative preference shares of €0.01 each in the share capital of the Company issued to the NPRFC on 13 May 2009 pursuant to the Subscription Agreement
2009 Warrants	the 294,251,819 warrants to subscribe for Ordinary Shares issued to the NPRFC on 13 May 2009 pursuant to the Subscription Agreement, as constituted by the Warrant Instrument
Acquisition Schedule	the schedule (of which there may be more than one) by which AIB's NAMA Assets will be acquired by NAMA, which will specify, among other things, AIB's NAMA Assets to be acquired from AIB, the Purchase Price (and the method of NAMA's calculation of the Purchase Price) and the date of acquisition
Act on Public Offering	the US Act on Public Offering, Conditions for Introduction of Financial Instruments to Organised Trading System and on Public Companies
Admission	the admission of the New Ordinary Shares to the Official Lists of the Irish Stock Exchange and the FSA pursuant to Part VI of FSMA becoming effective in accordance with the Listing Rules and the admission of such New Ordinary Shares to trading on the Irish Stock Exchange and the London Stock Exchange's respective regulated markets for listed securities becoming effective in accordance with the Listing Rules and Admission to Trading Rules of the Irish Stock Exchange and the Admission and Disclosure Standards of the London Stock Exchange
Admission and Disclosure Standards	the "Admission and Disclosure Standards" of the London Stock Exchange containing, among other things, the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange's regulated market for listed securities
Admission to Trading Rules	the requirements contained in the publication "Irish Stock Exchange Admission to Trading Rules" containing, amongst other things, the admission requirements to be met by companies seeking admission to trading, or already admitted to trading, on the Irish Stock Exchange's regulated market for listed securities, as amended from time to time

AIB or Company	Allied Irish Banks, p.l.c., a company incorporated under the laws of Ireland (registered under number 24173), with its registered office at Bankcentre, Ballsbridge, Dublin 4
AIB Approved Employees Profit Sharing Scheme 1998	the AIB Approved Employees Profit Sharing Scheme 1998 that was approved by Shareholders at the 1998 AGM of AIB
AIB CIFS Covered Institutions	the Company and its subsidiaries, AIB Group (UK) p.l.c., AIB Mortgage Bank, AIB Bank (CI) Limited and Allied Irish Banks North America Inc.
AIB Corporate Finance	AIB Corporate Finance Limited, a company incorporated under the laws of Ireland (registered under number 120018), with its registered office at 85 Pembroke Road, Ballsbridge, Dublin 4, which is regulated in Ireland by the Financial Regulator
AIB ELG Covered Institutions	the Company and its subsidiaries, AIB Group (UK) p.l.c., AIB Bank (CI) Limited and Allied Irish Banks North America Inc.
AIB Employee Share Plans	the AIB Group Share Option Scheme, the AIB Group Performance Share Plan 2005, the AIB Approved Employees Profit Sharing Scheme 1998, the AIB SAYE Share Option Scheme UK, the AIB Share Ownership Plan (UK) and the BZWBK Long Term Incentive Scheme, described in Part IX (“ <i>Additional Information</i> ”) of this Prospectus
AIB Group or the Group	the Company and each of its subsidiaries and subsidiary undertakings from time to time
AIB Group Irish Pension Scheme	the pension scheme operated by the AIB Group in respect of its staff employed in the Republic of Ireland
AIB Group UK Pension Scheme	the pension scheme operated by the AIB Group in respect of its staff employed in the United Kingdom
AIB Group Performance Share Plan 2005	the AIB Group Performance Share Plan that was approved by Shareholders at the 2005 AGM of AIB
AIB Group Share Option Scheme	the AIB Group Share Option Scheme approved by Shareholders at the 2000 AGM of AIB, which has been replaced by the AIB Group Performance Share Plan 2005, which was approved by Shareholders at the 2005 AGM of AIB
AIB NAMA Assets or AIB’s NAMA Assets	those NAMA Assets of AIB which NAMA proposes to acquire under the NAMA Programme
AIB SAYE Share Option Scheme UK	the AIB Save As You Earn (SAYE) Share Option Scheme UK
AIB UK I LP	AIB UK I LP, a limited partnership organised under the laws of England and Wales (registered under number LP10095), with its registered address at AIB Bankcentre, Belmont Road, Uxbridge, Middlesex UB8 1SA, United Kingdom
AIB UK 2 LP	AIB UK 2 LP, a limited partnership organised under the laws of England and Wales (registered under number LP011367), with its registered address at AIB Bankcentre, Belmont Road, Uxbridge, Middlesex UB8 1SA, United Kingdom
AIB UK 3 LP	AIB UK 3 LP, a limited partnership organised under the laws of England and Wales (registered under number LP011364), with its registered address at AIB Bankcentre, Belmont Road, Uxbridge, Middlesex UB8 1SA, United Kingdom
ALH	Aviva Life Holdings Ireland Limited
Allfirst	Allfirst Financial Inc.
American Depositary Shares	American depositary shares, each representing two Ordinary Shares of AIB

AmCredit	a mortgage lender, which consists of three branches of Allied Irish Banks, p.l.c., operating in Lithuania, Latvia and Estonia.
AMLF	Asset Backed Commercial Paper Money Market Mutual Fund Liquidity Facility
Annual Dividend Payment Date	each anniversary of 13 May 2009 (or on the next business day where such date falls on a Saturday, Sunday or public holiday in Ireland)
AGM	Annual General Meeting
Annual Report 2007	the Company's annual report & accounts 2007 for the 12-month period ended 31 December 2007
Annual Report 2008	the Company's annual report 2008 for the 12-month period ended 31 December 2008
Annual Report 2009	the Company's annual report 2009 for the 12-month period ended 31 December 2009
APS	the Asset Protection Scheme established by Her Majesty's Treasury, details of which are set out in paragraph 6.2 of Part II (" <i>Information on the Group</i> ") of this Prospectus
Articles of Association or Articles	the articles of association of the Company, details of which are set out in paragraph 4 of Part IX (" <i>Additional Information</i> ") of this Prospectus
ATM	automated teller machine
Audit Committee	the audit committee established by the Board
Auditor	KPMG, 1 Harbourmaster Place, International Financial Services Centre, Dublin 1, Ireland
BACB	Bulgarian American Credit Bank, a Bulgarian bank
Banks Secrecy Act	the US Banks Secrecy Act of 1970
Banking Act	Banking Act of 1997, as amended
Banking Code	the voluntary code followed by UK banks (and building societies) in their relations with personal customers in the United Kingdom
Banking Guarantee Fund	the banking guarantee fund created pursuant to the BGF Law
Basel Committee	the Basel Committee on Banking Supervision
Basel I	the July 1988 Basel Capital Accord of the Basel Committee
Basel II	the June 2006 Basel Committee document titled "International Convergence of Capital Measurement and Capital Standards," which is a revised and consolidated version of previous Basel Committee publications and sometimes known as the Basel Capital Accord
BCD	the Banking Consolidation Directive 2006/48/EC (recast)
Best Practices	The four sections of new corporate governance rules compiled in the "Best Practices of WSE Listed Companies": Recommendations for Best Practices of Listed Companies, Best practices of Management Boards of Listed Companies, Best Practices of Supervisory Board members and Best Practices of Shareholders.
BGF Law	the US Law on the Banking Guarantee Fund of 1994, as amended
BHCA	the US Bank Holding Company Act 1956, as amended
Board	the board of Directors of AIB
Bonus Issue	the allotment and issue of 198,089,847 Bonus Shares on 13 May 2010 to the NPRFC in accordance with the Articles of Association

Bonus Shares	the Ordinary Shares issued and to be issued to the holders of 2009 Preference Shares in the event that the 2009 Preference Dividend is not paid in full on the Annual Dividend Payment Date in a particular year, as required by the Articles of Association
Bonus Shares Settlement Period	the period between the Annual Dividend Payment Date and the date on which AIB next: (a) pays a cash dividend on the 2009 Preference Shares, on any other share capital of AIB constituting Core Tier 1 Capital or on the Ordinary Shares or makes a cash distribution on the LPI Securities (or any replacement securities issued by AIB); or (b) redeems or purchases any of the 2009 Preference Shares, Core Tier 1 Capital, Ordinary Shares or the LPI Securities
BSC	Banking Supervision Committee
business day	a day (excluding Saturdays and Sundays or public holidays in Ireland, England and Wales) on which banks generally are open for business in Dublin and London for the transaction of normal business
Business Banking Code	the Banking Code covering banks' relations with small businesses (those with a turnover of up to £1 million a year)
BZWBK	Bank Zachodni WBK S.A., a Polish bank
BZWBK Incentive Scheme	BZWBK Long Term Incentive Scheme, as described in paragraph 13.6 of Part IX (" <i>Additional Information</i> ") of this Prospectus
CAT	Capital acquisitions tax
CBA 1989	Central Bank Act 1989, as amended
CBNA	Corporate Banking North America is a business unit of Global Corporate Banking, a division of AIB Capital Markets
CCA	Consumer Credit Act 1974, as amended by the Consumer Credit Act 2006 and further amended from time to time
CEBS	Committee of European Banking Supervisors
CEE Division	AIB's Central & Eastern Europe division
Central Bank	the Central Bank, as part of the Central Bank and the Financial Services Authority of Ireland
Central Bank Acts	Central Bank and Financial Services Authority of Ireland Acts 1942 to 2009
certificated or in certificated form	where a share or other security is not in uncertificated form
CIFS Scheme	the bank guarantee scheme introduced in Ireland pursuant to the Credit Institutions (Financial Support) Scheme 2008 (S.I. No. 411 of 2008)
CIROC Report	the Covered Institution Remuneration Oversight Committee report to the Minister dated 27 February 2009
Coalition Agreement	the coalition agreement signed in May 2010 relating to the UK coalition government
Combined Code	the UK Combined Code on corporate governance issued by the UK Financial Reporting Council in June 2008
Commission	the Commission of Investigation announced by the Government on 9 June 2010 appointed to investigate certain matters in the banking sector during the period 1 January 2003 to 15 January 2009
the Committee	a committee of the supervisory board of BZWBK
Companies Acts	Companies Acts of Ireland, 1963 to 2009 and the Investment Funds, Companies and Miscellaneous Provisions Act, 2005 and 2006 all statutory instruments which are to be read as one with, or construed

	together as one with, the Companies Act and every statutory modification and re-enactment thereof for the time being in force
Company or AIB	Allied Irish Banks, p.l.c., a company incorporated under the laws of Ireland (registered under number 24173), with its registered office at Bankcentre, Ballsbridge, Dublin 4
Consumer Credit Directive	EC Directive 2008/48/EC on credit agreements for consumers
Consumer Credit Regulations	the European Communities (Consumer Credit Agreements) Regulations 2010
Core Tier 1 Capital	shares and securities that constitute at any given time, under the regulatory framework then applicable to the Company, core tier 1 capital (within the meaning of the Financial Regulator's requirements at such time or equivalent)
Core Tier 1 Capital Ratio	the amount of AIB's Core Tier 1 Capital as a proportion of its RWAs on a consolidated basis
Core Tranche Warrants	warrants to subscribe for 155,780,375 Ordinary Shares at a subscription price of €0.975 per Ordinary Share subject to and with the benefit of the terms and conditions set out in the Warrant Instrument
Covered Institution	an Irish credit institution that has joined the CIFS Scheme and has become a covered institution within the meaning of that scheme
CPC	Consumer Protection Code in force since July 2007
CPFF	Commercial Paper Funding Facility
CPI	official Consumer Price Index
CPP	Capital Purchase Programme
CRD or the Capital Requirements Directive	the Capital Requirements Directive (which comprises Directive 2006/48/EC (recast) and Directive 2006/49/EC (recast))
CRD II	Directive 2009/111 EC and Directive 2009/83/EC which together amend the CRD
CRD III	the proposal for a Directive of the European Parliament and of the Council amending the CRD published by the European Commission on 13 July 2009
CRD IV	the proposals to amend the CRD published by the European Commission in a staff working document in February 2010 supplementing CRD II and CRD III
CRD Regulations	the European Communities (Capital Adequacy of Credit Institutions) Regulations 2006 (SI No. 661 of 2006) and the European Communities (Capital Adequacy of Investment Firms) Regulations 2006 (SI No. 660 of 2006) (as amended)
CREST	the relevant system, as defined in the CREST Regulations (in respect of which Euroclear is the operator as defined in the CREST Regulations)
CREST Regulations	the Companies Act 1990 (Uncertificated Securities) Regulations 1996 (S.I. No. 68 of 1996), as amended
CRM	credit risk mitigation
CSO	Central Statistics Office (Ireland)
CSR	Corporate Social Responsibility
Currency Preference Shares	the Dollar Preference Shares, Sterling Preference Shares, Euro Preference Shares and Yen Preference Shares
Department of Finance	Department of Finance of Ireland

Deposit Guarantee Scheme	the deposit protection scheme operated in accordance with the Financial Services (Deposit Guarantee Scheme) Act 2009, the European Communities (Deposit Guarantee Schemes) Regulations 1995 (as amended) and the European Communities (Deposit Guarantee Schemes) (Amendment) Regulations 2009
DG Competition	the Competition Directorate General of the European Commission
DGP	Debt Guarantee Programme
Directors	the Executive Directors and Non-Executive Directors, whose name appear in paragraph 6.1 of Part IX (“ <i>Additional Information</i> ”) of this Prospectus
Dollar Preference Shares	the non-cumulative preference shares of US\$25 each
DPAs	Data Protection Acts 1988 and 2003
DWT	dividend withholding tax
EESA	Emergency Economic Stabilisation Act 2008
ELG Scheme	the eligible liabilities guarantee scheme introduced in Ireland pursuant to the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (S.I. No. 490 of 2009) and the Rules of the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009
EPS	earnings per share
Equity Tier 1 Capital	the amount of AIB’s Core Tier 1 Capital less the amount (including premium) paid up on the 2009 Preference Shares
Equity Tier 1 Capital Ratio	the amount of AIB’s Equity Tier 1 Capital as a proportion of its RWAs on a consolidated basis
ESB	Electricity Supply Board
EU Anti-Money Laundering Directive	the Money Laundering Directive (Directive 2005/60/EC)
EU Member State	a member state of the European Union
EU Payment Services Directive	Directive of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market, 2007/64/EC
EU Prospectus Regulation	Commission Regulation (EC) No. 809/2004
EU restructuring plan	the EU restructuring plan for the Group to be approved by the European Commission following negotiations based on the draft plan prepared by AIB and submitted by the Department of Finance on 4 May 2010;
European Commission	the Commission of the European Union
European Union or EU	the European Union
Euro Preference Shares	the non-cumulative preference shares of €1.27 each
Euroclear	Euroclear UK & Ireland Limited, the operator of CREST
European Economic Area or EEA	the European Union, Iceland, Norway and Liechtenstein
Eurosystem	the central banking system of the euro area comprising the European Central Bank and the national central banks of the EU Member States whose common currency is the Euro
Euro or €	the lawful currency of the members of the Eurozone
Eurozone	the member states of the European Union which have adopted the Euro as their common currency under the legislation of the European Union or European Monetary Union

Exchange Act	the US Securities Exchange Act 1934
Executive Chairman	the executive chairman of AIB as appointed from time to time
Executive Director	an executive director of AIB
Existing Shares	the Ordinary Shares in issue at the date of this Prospectus other than New Ordinary Shares
Federal Reserve	the Board of Governors of the Federal Reserve System
FDI	foreign direct investment
FDIC	the US Federal Deposit Insurance Corporation
Financial Regulator	the Irish Financial Services Regulatory Authority, as part of the Central Bank and Financial Services Authority of Ireland
Financial Services Authority or FSA	the Financial Services Authority of the United Kingdom
Financial Stability Board	the international body established in April 2009 following the G-20 summit in London to coordinate at the international level the work of national financial authorities and international standard setting bodies in order to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies
FMB	First Maryland Bankcorp
FMS Act	the UK Financial Market Supervision Act 2006
FSA	the UK Financial Services Authority
FSA Handbook	the handbook which sets out all the FSA's rules made under powers given to the FSA pursuant to FSMA
FS Act	the UK Financial Services Act 2010
FSC	the Financial Supervision Commission of Poland
FSCS	UK Financial Services Compensation Scheme
FSMA	the Financial Services and Markets Act 2000 of the United Kingdom, as amended
FSMA Regulated Activities Order	Financial Services and Markets Act 2000 (Regulated Activities) Order 2001
G-7	the meeting of the finance ministers from a group of seven industrialized nations: Canada, France, Germany, Italy, Japan, the United Kingdom and the United States
G-20	the group of Twenty Finance Ministers and Central Bank Governors that was established in 1999 to bring together systemically important industrialised and developing economies to discuss key issues in the global economy.
GDP	gross domestic product
General Meeting	an AGM of the Company or an extraordinary general meeting of the Company
GNP	gross national product
Government	the Government of Ireland
Government Entity	(a) any of the NTMA, the NPRFC, the Minister for Finance and any Minister or Department of the Irish Government; and (b) any custodian or nominee holding 2009 Preference Shares on behalf of the NTMA, the NPRFC (in its capacity as controller and manager of the NPRF), the Minister for Finance or any Minister or Department of

	the Irish Government, and “ Government Entities ” shall be construed accordingly
Government Preference Shareholder	a Government Entity holding 2009 Preference Shares
Group Chief Executive	the chief executive of the Group from time to time
Govett	Govett Investment Management Ltd.
Group Executive Committee	the senior executive committee of the Group, with responsibility for the development and implementation of business strategy, and the financial, risk and operational management of the Group’s businesses
Group of Governors and Heads of Supervision	the oversight body of the Basel Committee on Banking Supervision
Group Managing Director	the group managing director of AIB as appointed from time to time
Half-Yearly Financial Report 2009	the unaudited consolidated report for AIB for the six-month period ended 30 June 2009
Half-Yearly Financial Report 2010	the unaudited consolidated report for AIB for the six-month period ended 30 June 2010
Hansard	the official report of UK House of Commons daily debates
HICP	the EU’s harmonised index of consumer prices
HMRC	UK HM Revenue & Customs
IAS	International Accounting Standard
IASB	the International Accounting Standards Board
ICAAP	Internal Capital Adequacy Assessment Process
ICCL	Investor Compensation Company Limited
ICS	the Investor Compensation Scheme
IDA Ireland	the Industrial Development Agency of Ireland
IFRS	International Financial Reporting Standards as issued by the International Accounting Standards Board
IIA	the Investment Intermediaries Act 1995
Insurance Mediating Activities	arranging, advising on, dealing (as agent) in, assisting in the administration or performance of non-investment insurance contracts and agreeing to do any of these activities
Ireland	the Republic of Ireland, and the word “ Irish ” shall be construed accordingly
Irish Prospectus Regulations	Prospectus (Directive 2003/71/EC) Regulations 2005 (SI No. 324 of 2005)
Irish Resident Individuals	Individual Shareholders resident or ordinarily resident in Ireland for tax purposes
Irish Stock Exchange	The Irish Stock Exchange Limited
Irish Takeover Panel	the takeover panel in Ireland established by the Takeover Panel Act
ISIN	International Securities Identification Number
Joint Financial Advisers	Morgan Stanley & Co. Limited and AIB Corporate Finance Limited
KPMG	KPMG, a firm of chartered accountants registered with the Institute of Chartered Accountants in Ireland
Lehman Brothers	Lehman Brothers Inc. and, where the context permits, its subsidiaries and affiliates

Listing Rules	the Listing Rules of the Irish Stock Exchange and, where appropriate, the Listing Rules made by the FSA under Part IV of the FSMA
London Stock Exchange	London Stock Exchange p.l.c.
LPI Securities	the £1,000,000,000 Fixed Rate/Floating Rate Guaranteed Non-Voting Non-Cumulative Perpetual Preferred Securities issued by AIB UK I LP in 2004
LP2 Securities	the £500,000,000 Fixed Rate/Floating Rate Guaranteed Non-Voting Non-Cumulative Perpetual Preferred Securities issued by AIB UK 2 LP in 2006
LP3 Securities	the £350,000,000 Fixed Rate/Floating Rate Guaranteed Non-Voting Non-Cumulative Perpetual Preferred Securities issued by AIB UK 3 LP in 2006
M&T	M&T Bank Corporation, a company incorporated under the laws of the state of New York, United States with its registered office at One M&T Plaza, Buffalo, New York
Market Abuse Rules	the rules published in May 2009 (under section 34 of the Investment Funds, Companies and Miscellaneous Provisions Act, 2005 of Ireland as amended from time to time by the Financial Regulator) which set out guidance for compliance with Irish market abuse law
Minister or Minister for Finance	the Minister for Finance of Ireland
Member State	a member state of the European Economic Area
Memorandum of Association	the memorandum of association of the Company, details of which are set out in paragraph 4 of Part IX (“ <i>Additional Information</i> ”) of this Prospectus
MiFID	the EU Markets in Financial Instruments Directive (2004/39/EC) and its EU-level implementing instruments, Commission Directive 2006/73/EC and Commission Regulation (EC) No. 1287/2006
MiFID Regulations	the Markets in Financial Instruments and Miscellaneous Provisions Act 2007 and the European Communities (markets in Financial Instruments) Regulations 2007 (S.I. No. 60 of 2007) as amended (included by S.I. Nos 663 and 773 of 2007)
MiFID Services	investment services regulated by MiFID Regulations
Minister for Finance	Minister for Finance of Ireland
Minister for Justice and Law Reform	Minister for Justice and Law Reform of Ireland
Morgan Stanley	Morgan Stanley & Co. International plc
MPC	the Monetary Policy Council
NAMA	the National Asset Management Agency, established by the NAMA Act and, where the context permits, other members of NAMA’s group, including subsidiaries and associated companies
NAMA Act	the National Asset Management Agency Act 2009 (as amended)
NAMA Assets	such classes of assets, including, but not limited to, land and property development loans and certain associated loans, as shall have been prescribed by the Minister as necessary for the purposes of the NAMA Act for inclusion in the NAMA Programme
NAMA Bonds	notes, bills, bonds or other financial instruments to be issued by NAMA or a NAMA Group Entity (whether or not guaranteed by the Minister) or by the Minister to a Participating Institution in consideration for the acquisition of bank assets by NAMA or a NAMA Group Entity in accordance with the NAMA Act

NAMA Group	NAMA and each of its subsidiaries and any other body corporate and any trust, partnership, arrangement for the sharing of profits and losses, joint venture, association, syndicate or other arrangement formed, registered, incorporated or established by NAMA for the purposes of performing any of its functions under the NAMA Act
NAMA Group Entity	a subsidiary of NAMA or any other body corporate established by NAMA for the purpose of performing any of its functions under the NAMA Act
NAMA Participation	participation by AIB in the NAMA Programme
NAMA Programme	the programme through which NAMA has acquired or will acquire NAMA Assets from Participating Institutions on the terms specified in or pursuant to the NAMA Act
NAMAIL	the National Asset Management Agency Investment Ltd.
NBP	the National Bank of Poland
NBP Act	the National Bank of Poland Act 1997, as amended
NCG Committee	the Nomination and Corporate Governance Committee
New Ordinary Shares	the Bonus Shares allotted and issued to NPRFC pursuant to the Bonus Issue on 13 May 2010
New York Exchange	New York Stock Exchange, Inc.
NIC	National Insurance Contributions
NIE	National Income and Expenditure
Non-Executive Director	a non-executive director of AIB
NPRF	the National Pensions Reserve Fund, a fund established under the NPRF Act
NPRF Act	the National Pensions Reserve Fund Act 2000 (as amended by the Investment of the National Pensions Reserve Fund and Miscellaneous Provisions Act 2009)
NPRFC	the National Pensions Reserve Fund Commission, as established by the NPRF Act to, <i>inter alia</i> , control, manage and invest the assets of the NPRF (or any replacement, successor agency or authority). References in this Prospectus to the NPRFC are to the NPRFC acting in its capacity as controller and manager of the NPRF
NPRFC Investment	the May 2009 subscription for €3.5 billion of non-cumulative preference shares and warrants to subscribe for Ordinary Shares in AIB by the Government (acting through the NPRFC)
NTMA	the National Treasury Management Agency as established by the National Treasury Management Agency Act 1990 and appointed, <i>inter alia</i> , manager of the NPRF and to act as agent of the NPRFC
OFAC	the US Office of Foreign Assets Control
Official Lists	the Official List of the Irish Stock Exchange and/or, as appropriate, the Official List of the UK Listing Authority
OFT	the UK Office of Fair Trading
Oireachtas Committee	the Irish Joint Oireachtas Committee on Finance and the Public Service
Option Scheme	AIB Group Share Option Scheme, as described in paragraph 13.1 of Part IX (“ <i>Additional Information</i> ”) of this Prospectus

Ordinary Shares or Shares	the ordinary shares of €0.32 each in the share capital of the Company (including, if the context requires, the New Ordinary Shares)
Overseas Shareholders	Shareholders with registered addresses outside Ireland or the United Kingdom or who are citizens or residents of, or located in, countries or jurisdictions outside Ireland or the United Kingdom
Participating Institution	a credit institution that has been designated by the Minister under section 67 of the NAMA Act as being a participating institution for the purposes of the NAMA Act and, unless otherwise stated or the context otherwise requires, includes (a) every subsidiary of that institution that is not expressly excluded by the Minister, and (b) AIB and every subsidiary of AIB that is not expressly excluded by the Minister
PCAR	the Prudential Capital Assessment Review carried out by the Central Bank and Financial Regulator on the prudential capital requirements of certain Irish credit institutions, including AIB, announced by the Financial Regulator on 30 March 2010
Performance Plan	the AIB Group Performance Share Plan 2005, as described in paragraph 13.2 of Part IX (“ <i>Additional Information</i> ”) of this Prospectus
Plans	AIB Employee Share Plans, as described in paragraph 13 of Part IX (“ <i>Additional Information</i> ”) of this Prospectus.
pounds sterling or £	the lawful currency of the United Kingdom
Preferred Securities	together: <ul style="list-style-type: none"> (i) the €500,000,000 7.5 per cent. Step-Up Callable Perpetual Reserve Capital Instruments, issued by the Company on 5 February 2001; (ii) LPI Securities; (iii) LP2 Securities; (iv) LP3 Securities; (v) any replacement securities issued by the Company in accordance with the terms and conditions of any of the securities referred to in paragraphs (ii) to (iv) above; (vi) the 200,000,000 non-cumulative preference shares of €1.27 each, the 20,000,000 non-cumulative preference shares of US\$25.00 each, the 200,000,000 non-cumulative preference shares of £1.00 each and the 200,000,000 non-cumulative preference shares of Yen 175 each (but only to the extent that such shares do not, upon issue, constitute, under the regulatory framework then applicable to the Company, Core Tier 1 Capital); and (vii) any other preference shares, preferred securities, reserve capital instruments or other securities issued after 13 May 2009 (being the closing date of the NPRFC Investment): (a) directly by the Company and ranking <i>pari passu</i> with any of the securities referred to in paragraphs (i) to (vi) above; or (b) by any subsidiary of the Company or other entity (including, without limitation, a partnership) and entitled to the benefit of a guarantee or support agreement from the Company or from any subsidiary of the Company ranking <i>pari passu</i> with any of the securities referred to in paragraphs (i) to (vi) above
Pro Forma Financial Information	the unaudited pro forma financial information of the AIB Group as at 30 June 2010, set out in Part VII of this Prospectus, illustrating the

	effect of the transfer of the second tranche of NAMA Assets on the net assets and regulatory capital ratios of the AIB Group as at 30 June 2010 as if it had occurred on that date.
Profit Sharing Scheme	AIB Approved Employees Profit Sharing Scheme 1998, as described in paragraph 13.3 of Part IX (“ <i>Additional Information</i> ”) of this Prospectus
Prospectus	this Prospectus issued by the Company in relation to Admission and approved by and filed with the Financial Regulator in accordance with the Prospectus Directive and the Irish Prospectus Regulations, together with the documents incorporated by reference therein
Prospectus Directive	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003
Prospectus Rules	the Prospectus Rules published by the Financial Regulator under section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005, as amended from time to time
Provisional Voting Rights	the voting rights conferred on the holders of 2009 Preference Shares by the Articles of Association in the period between a dividend payment in respect of the 2009 Preference Shares not being paid by the Company and the holders of the 2009 Preference Shares being issued Bonus Shares. Those voting rights entitle the holders of the 2009 Preference Shares to exercise all the voting rights that would attach to the Bonus Shares had they been issued on the dividend payment date
PRSI	pay related social insurance tax
PSR	the UK Payment Services Regulations 2009
Purchase Price	the purchase price of an AIB NAMA Assets, as determined by NAMA and specified in an Acquisition Schedule
Qualifying Intermediary	means a person within the meaning of section 172E of the Taxes Consolidation Act, 1997 authorised by the Revenue Commissioners to be a qualifying intermediary for the purposes of Irish DWT and appearing on the Revenue Commissioners’ authorised list of qualifying intermediaries, authorised withholding agents and associated nominee companies, and in the case of the Company, Computershare Investor Services (Ireland) Limited (and associated nominee companies) of Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland
Qualifying Liquid Assets and Contingent Funding	together, facilities which provide cash funding without incurring a significant loss. Qualifying liquid assets (which include central government securities or securities issued by financial institutions) are assets which can provide liquidity within four working days. Contingent funding includes pre-approved facilities where cash can be accessed subject to certain conditions being met
RCI Securities	the £500,000,000 Step-up Callable Perpetual Reserve Capital Instruments issued by AIB in 2001
Relevant Person	the Minister for Finance, the Department of Finance, the Government, the NTMA, the NPRFC or any person controlled by or controlling any such person, or any entity or agency of or related to the State, or any director, officer, official, employee or adviser of any such person
relevant system	a computer-based system, and procedures, which enable title to units of a security to be evidenced and transferred without a written instrument, and which facilitate supplementary and incidental matters
Remuneration Committee	the remuneration committee established by the Board

Revenue Commissioners	Revenue Commissioners of Ireland
RoI	Republic of Ireland
RWAs	risk weighted assets
Sarbanes-Oxley Act	the US Sarbanes-Oxley Act 2002
SEC	the US Securities and Exchange Commission, being the United States government agency having primary responsibility for enforcing the federal securities laws and regulating the securities industry/stock market
Secondary Tranche Warrants	warrants to subscribe for 138,471,444 Ordinary Shares at a subscription price of €0.375 per Ordinary Share subject to and with the benefit of the terms and conditions set out in the Warrant Instrument
Senior Executives	the senior executives of AIB whose name appear in paragraph 6.2 of Part IX (“ <i>Additional Information</i> ”) of this Prospectus
Share Ownership Plan	AIB Share Ownership Plan (UK), as described in paragraph 13.5 of Part IX (“ <i>Additional Information</i> ”) of this Prospectus
Shareholder	a holder of Ordinary Shares
S.I.s	statutory instruments
S.I. No. 661 of 2006	European Communities (Capital Adequacy of Credit Institutions) Regulations 2006
SME	small- and medium-sized enterprises
Sponsor	Morgan Stanley & Co International plc
State	Ireland excluding Northern Ireland
Sterling Preference Shares	the non-cumulative preference shares of £1 each
sq.ft	square feet
Substantial Acquisition Rules	the Substantial Acquisition Rules 2007, issued by the Takeover Panel pursuant to the Takeover Panel Act
Subordinated NAMA Bonds	subordinated notes, bills, bonds or other financial instruments to be issued by NAMA or a NAMA Group Entity in consideration for the acquisition of bank assets by NAMA or a NAMA Group Entity, in accordance with the NAMA Act
Subscription Agreement	the subscription agreement entered into on 13 May 2009 between the Company, the Minister and the NPRFC in connection with the NPRFC Investment
subsidiary undertakings	a subsidiary undertaking of the Company within the meaning of the European Communities (Companies: Group Accounts) Regulations 1992
Takeover Bids Regulations	the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006
T Recommendation	the recommendation for banks in Poland passed by the FSC in February 2010
Takeover Panel Act	the Irish Takeover Panel Act 1997 (as amended)
Takeover Rules	the Irish Takeover Panel Act 1997, Takeover Rules 2007 to 2008 (as amended from time to time)
TARP	the US Troubled Asset Relief Program

Tax Treaty Country	a country with which Ireland has signed a double tax treaty, or has a double tax treaty in force
Tier 1 Capital	securities that constitute, under the regulatory framework then applicable to the Company, tier 1 capital (within the meaning of the Financial Regulator's requirements at such time or equivalent)
Tier 1 Capital Ratio	the amount of AIB's Tier 1 Capital as a proportion of its RWAs on a consolidated basis
Tier 2 Capital	the undisclosed reserves, revaluation reserves, general provisions, loan loss reserves, hybrid debt-equity instruments and subordinated long-term debt
TLGP	the US Temporary Liquidity Guarantee Program
Total Capital	Tier 1 Capital plus Tier 2 Capital
Total Capital Ratio	AIB's Total Capital as a proportion of its RWAs on a consolidated basis
Transparency Regulations	the Transparency (Directive 2004/109/EC) Regulations 2007 (SI 277 of 2007 of Ireland) as amended from time to time
Transparency Rules	the transparency rules published in September 2009 by the Financial Regulator under section 22 of the Investment Funds, Companies and Miscellaneous Provisions Act 2006 of Ireland, as amended from time to time
Treasury Shares	Ordinary Shares which have been purchased by the Company but not cancelled
TSB NI	TSB Bank Northern Ireland p.l.c.
uncertificated or in uncertificated form	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
Unfair Terms Regulations	the Unfair Terms in Consumer Contracts Regulations 1999 and Unfair Contract Terms Act 1977
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland
UK Listing Authority	the FSA in its capacity as the competent authority for the purposes of Part VI of the FSMA and in the exercise of its functions in respect of the admission to the Official List otherwise than in accordance with Part VI of the FSMA
United States or US	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
USA PATRIOT Act	the US Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act 2001
US Exchange Act	the United States Securities Exchange Act of 1934, as amended
US GAAP	generally accepted accounting principles in the US
US Securities Act	the United States Securities Act of 1933, as amended
Walker Review	the Walker Review of Corporate Governance of UK Banking Industry published in November 2009
Warrant Instrument	the warrant instrument relating to the 2009 Warrants, entered into by AIB and the NPRFC on 13 May 2009
Warrant Shares	the Ordinary Shares to be issued on the exercise of the 2009 Warrants
WBK	Wielkopolski Bank Kredytowy S.A., a Polish bank

WSE

Warsaw Stock Exchange

Yen Preference Shares

the non-cumulative preference shares of Yen 175 each

