Base Prospectus dated 2 April 2019

AIB Group plc

(a company incorporated with limited liability in Ireland)

U.S.$10,000,000,000
Global Medium Term Note Programme

AIB Group plc (the "Issuer") may from time to time issue Notes denominated in such currencies as may be agreed with the Dealers specified in this base prospectus (the "Base Prospectus") (each a "Dealer" and together the "Dealers", which expression shall include any additional Dealers appointed under the U.S.$10,000,000,000 Global Medium Term Note Programme described in this Base Prospectus (the "Programme") from time to time, which appointment may be for a specific issue or on a continuing basis). The Notes may be issued as unsubordinated obligations of the Issuer ("Senior Notes") or as subordinated obligations of the Issuer ("Subordinated Notes", together with the Senior Notes, the "Notes"). The Notes may be issued on a continuing basis to one or more of the Dealers. The Notes will have maturities of not less than twelve months from the date of issue. Subject as set out herein, the maximum aggregate nominal amount of all Notes from time to time outstanding will not exceed U.S.$10,000,000,000 (or its equivalent in other currencies at the time of agreement to issue, subject as further set out herein).

Factors which may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme and factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are set out in "Risk Factors".

This Base Prospectus has been approved by the Central Bank of Ireland (the "Central Bank"), as competent authority under Directive 2003/71/EC (as amended or superseded, the "Prospectus Directive"). The Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (as amended, "MiFID II"), to the extent that such amendments have been implemented in the relevant Member State of the European Economic Area. Application has been made to the Irish Stock Exchange plc, trading as Euronext Dublin ("Euronext Dublin") for Notes issued under the Programme for the period of 12 months from the date of the approval of the Base Prospectus by the Central Bank to be admitted to the Official List of Euronext Dublin (the "Official List") and to trading on its regulated market. No assurance can be given that such an application to list and trade the Notes will be accepted. A&L Listing Limited (the "Listing Agent") is acting solely in its capacity as listing agent in connection with the Notes and is not itself seeking admission of the Notes to the Official List or to trading on its regulated market for the purposes of the Prospectus Directive.

Notes which are admitted to the Official List are referred to herein as "Listed Notes". Notice of the aggregate principal amount of, interest (if any) payable in respect of, the issue price of and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Description of the Programme*") of Notes will be set forth in a set of final terms (the "Final Terms") which, with respect to the Listed Notes, will be delivered to Euronext Dublin on or before the date of issue of such Tranche. As required by the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland (as amended) (the "Regulations"), a copy of this Base Prospectus has been filed with the Central Bank and will be filed with the Registrar of Companies within 14 days after its publication. Unlisted Notes and Notes listed on other or additional stock exchanges may also be issued. Any Final Terms in respect of unlisted Notes will not constitute final terms for the purposes of the Prospectus Directive.

Notes issued under the Programme are not guaranteed by the Minister for Finance of Ireland or any other person or entity.

Amounts payable under the Notes may be calculated by reference to the Euro Interbank Offered Rate ("EURIBOR") or the London Interbank Offered Rate ("LIBOR") which are provided by the European Money Markets Institute ("EMMI") and the ICE Benchmark Administration Limited ("ICE"), respectively. As at the date of this Base Prospectus, ICE appears on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) (the "BMR"), but EMMI does not appear. As far as the Issuer is aware, the transitional provisions in Article 51 of BMR apply, such that EMMI is not currently required to obtain authorisation or registration.

Notes that are sold in the United States to "qualified institutional buyers" (each, a "QIB") within the meaning of Rule 144A ("Rule 144A") under the Securities Act ("Restricted Notes") will initially be represented by a permanent registered global certificate (each a "Restricted Global Note"), which may be deposited on the relevant issue date with a custodian (the "Custodian") for, and registered in the name of Cede & Co. as nominee for, The Depository Trust Company ("DTC"). Notes that are sold in an "offshore transaction" within the meaning of Regulation S ("Unrestricted Notes"), will initially be represented by a permanent registered global certificate (each an "Unrestricted Global Note", and, together with the Restricted Global Notes, the "Global Notes"), which may be deposited on the relevant issue date (a) in the case of a Series intended to be cleared through Euroclear Bank S.A./N.V. ("Euroclear") and/or Clearstream Banking, SA ("Clearstream") Clearstream, Luxembourg, with a common depositary on behalf of Euroclear and Clearstream, Luxembourg and (b) in the case of a Series intended to be cleared through a clearing system other than, or in addition to, Euroclear and/or Clearstream, Luxembourg, or delivered outside a clearing system, as agreed between the Issuer and the relevant Dealer.

Arranger

Morgan Stanley

Dealers

Barclays	**BNP PARIBAS**	**BofA Merrill Lynch**
Citigroup	**Deutsche Bank Securities**	**Goldman Sachs & Co. LLC**
HSBC	**J.P. Morgan**	**Nomura**
	UBS Investment Bank	

This Base Prospectus constitutes a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and Regulation 23 of the Regulations.

For the purposes of this Base Prospectus, "AIB" and the "Group" refer to Allied Irish Banks, p.l.c. and its subsidiaries up to 8 December 2017 and, following the Scheme (as defined herein) going into effect, from 8 December 2017 onwards, AIB Group plc and its subsidiaries (including Allied Irish Banks, p.l.c.).

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

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

The Notes may not be a suitable investment for all investors. Each potential investor in any Notes must determine the suitability of that investment for that investor in light of its own circumstances. In particular, each potential investor should:

(i) **have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;**

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

(iii) **have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where the currency for principal or interest payments is different from the potential investor's currency;**

(iv) **understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets;**

(v) **be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect the investor's investment and its ability to bear the applicable risks; and**

(vi) **understand the accounting, legal, regulatory and tax implications of a purchase, holding and disposal of an interest in the relevant Notes.**

Some Notes may be purchased by investors as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in any Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

To the fullest extent permitted by law, none of the Dealers, the Arranger or the Trustee accepts any responsibility for the contents of this Base Prospectus or for any other statement, made or purported to be made by the Arranger, a Dealer or the Trustee or on its behalf in connection with AIB or the issue and offering of Notes under the Programme. The Arranger, each Dealer and the Trustee accordingly disclaim all and any liability, whether arising in tort or contract or otherwise (save as referred to above), which they might otherwise have in respect of this Base Prospectus or any such statement.

Neither the Dealers nor any of their respective affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus or any responsibility for any acts or omissions of AIB or any other person (other than the relevant Dealer) in connection with any issue and offering of the Notes under the Programme.

No person is or has been authorised to give any information or to make any representation other than those contained in this Base Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by AIB, the Arranger or any of the Dealers.

This Base Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of AIB, the Arranger or any of the Dealers that any recipient of this Base Prospectus should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary.

Neither the delivery of this Base Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs the Group since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of AIB and/or the Group since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented. None of the Arranger or the Dealers undertakes to review the financial condition or affairs of AIB or any of its subsidiaries during the life of the arrangements contemplated by this Programme nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arranger or the Dealers.

MiFID II product governance/target market – The Final Terms in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each Tranche about whether, for the purpose of the MiFID Product Governance Rules under EU Delegated Directive 2017/593 (the "MiFID Product Governance Rules"), any Dealer in respect of the relevant Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

IMPORTANT – EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in

the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

AIB and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by AIB or the Dealers which would permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, Notes may not be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

The distribution of this Base Prospectus and the offering or sale of any of the Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Base Prospectus comes are required by AIB, the Arranger and the Dealers to inform themselves about and to observe any such restrictions.

In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be at least €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

The Notes have not been and will not be registered under the United States Securities Act of 1933 (the "Securities Act"). Subject to certain exemptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")). For a description of certain restrictions on offers and sales of Notes and on distribution of this Base Prospectus, see "*Plan of Distribution*".

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S and, in the case of Registered Notes, within the United States to QIBs in reliance on Rule 144A. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of Notes and distribution of this Base Prospectus see "*Plan of Distribution*" and "*Transfer Restrictions*".

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission, any State securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of Notes or the accuracy or the adequacy of this Base Prospectus. Any representation to the contrary is a criminal offence in the United States.

All references in this document to "Ireland" are to the Republic of Ireland, those to the "United Kingdom" or "UK" are to the United Kingdom of Great Britain and Northern Ireland, those to the "United States" or "U.S." are to the United States of America, those to a "Member State" are references to a Member State of the European Economic Area.

This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of AIB or the Dealers to subscribe for, or purchase, any Notes.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) acting as the Stabilising Manager(s) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may

not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

ENFORCEABILITY OF JUDGMENTS

AIB is a company organised under the laws of Ireland. All but one of the directors and executive officers of AIB are non-residents of the United States, and all or a substantial portion of the assets of AIB and such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon AIB or such persons or to enforce against any of them in the United States courts judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any State or territory within the United States.

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OVERVIEW

The following overview is qualified in its entirety by the remainder of this Base Prospectus.

Issuer:	AIB Group plc
Description:	Global Medium Term Note Programme
Size:	Up to U.S.$10,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
Arranger:	Morgan Stanley & Co. LLC
Dealers:	Barclays Capital Inc. BNP Paribas Securities Corp. Citigroup Global Markets Inc. Deutsche Bank Securities Inc. Goldman Sachs & Co. LLC HSBC Securities (USA) Inc. J.P. Morgan Securities LLC Merrill Lynch, Pierce, Fenner & Smith Incorporated Nomura Securities International, Inc. UBS Securities LLC The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Base Prospectus to "Permanent Dealers" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "Dealers" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Trustee:	BNY Mellon Corporate Trustee Services Limited
Paying Agent:	The Bank of New York Mellon, London Branch
New York Paying Agent:	The Bank of New York Mellon
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "Series") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "Tranche") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of

	interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the final terms (the "Final Terms").
Issue Price:	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.
Form of Notes:	The Notes may be issued in registered form only. Notes of a series will initially be represented by a global note or global notes in fully registered form ("Global Notes").
Clearing Systems:	DTC, Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Trustee and the relevant Dealer.
Initial Delivery of Notes:	On or before the issue date for each Tranche, the Global Notes representing Notes may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Global Notes may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Paying Agent, the Trustee and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.
Currencies:	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers.
Maturities:	Subject to compliance with all relevant laws, regulations and directives, any maturity greater than 12 months.
Specified Denomination:	Definitive Notes will be in such denominations as may be specified in the relevant Final Terms save that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in an EEA State in circumstances which require the publication of a prospectus under the Prospectus Directive, in which case the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).
Fixed Rate Notes:	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.
Floating Rate Notes:	Floating Rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. or

	(ii) screen rate determination by reference to LIBOR or EURIBOR, or other specified reference rate, as adjusted for any applicable margin. Interest periods will be specified in the relevant Final Terms.
Zero Coupon Notes:	Zero Coupon Notes (as defined in "*Description of the Notes*") may be issued at their nominal amount or at a discount to it and will not bear interest.
Interest Periods and Interest Rates:	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.
Redemption:	The relevant Final Terms will specify the basis for calculating the redemption amounts payable.
Optional Redemption:	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.
Status of Notes:	The Senior Notes will constitute unsubordinated and unsecured obligations of the Issuer and Subordinated Notes will constitute subordinated obligations of the Issuer, each as described in "*Description of the Notes—Status of Senior Notes*" and "*Description of the Notes—Status and Subordination of Subordinated Notes*".
Negative Pledge:	None
Cross Default:	None
Ratings:	Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Early Redemption:	Except as provided in "*—Optional Redemption*" above, Notes will be redeemable at the option of the Issuer prior to maturity (i) for tax reasons; (ii) upon a Capital Disqualification Event in respect of Subordinated Notes; and (iii) upon a Loss Absorption Disqualification Event, in respect of Loss Absorption Notes except where "Loss Absorption Disqualification Event Redemption" is expressly specified to be not applicable to such Notes. See "*Description of the Notes—Redemption for Tax Reasons*", "*Description of the Notes—Capital Disqualification Event Redemption of Subordinated Notes*" and "*Description of*

	the Notes—Loss Absorption Disqualification Event Redemption of Loss Absorption Notes", respectively.
Withholding Tax:	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of Ireland, as the case may be, unless the withholding is required by law. In such event, the Issuer shall, subject to customary exceptions, pay such additional amounts as shall result in receipt by the Noteholder of such amounts as would have been received by it had no such withholding been required, all as described in "*Description of the Notes—Payment of Additional Amounts*".
Governing Law:	State of New York, except for (i) the subordination provisions in respect of the subordination and ranking of each series of Subordinated Notes, (ii) the waiver of set-off provisions of each series of Subordinated Notes and, if so specified in each such series, of such series of Senior Notes, and (iii) the Irish Statutory Loss Absorption provisions shall, in each case, be governed by and construed in accordance with the laws of Ireland. See "*Description of the Notes—Governing Law*". By acquiring the Notes each Noteholder acknowledges and accepts the non-exclusive jurisdiction of the courts of Ireland in connection with any legal suit, action or proceeding arising out of or based upon the application of any Irish Statutory Loss Absorption Powers.
Listing and Admission to Trading:	Application has been made to list the Notes issued under the Programme on the Official List and to admit them to trading on Euronext Dublin or as otherwise specified in the relevant Final Terms and references to listing shall be construed accordingly. As specified in the relevant Final Terms, a Series of Notes may be unlisted.
Selling Restrictions:	The United States, the EEA, the United Kingdom, Ireland, Italy, Japan, Hong Kong and Singapore. See "*Plan of Distribution*". The Issuer is Category 2 for the purposes of Regulation S and may rely on Rule 144A for sales to QIBs in the United States.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur, and the Issuer is not in a position to express a view on the likelihood of their occurrence or the relative magnitude of their potential impact on the Group's business, financial condition, results of operations and prospects.

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

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

Macro-economic and geopolitical risks

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

The Group's business activities are almost entirely based in the Irish and UK markets. Deterioration in the performance of the Irish economy or in the European Union ("EU"), the United Kingdom ("UK") and/or other relevant economies has the potential to adversely affect the Group's overall financial condition and performance. Such deterioration could result in reductions in business activity, lower demand for the Group's products and services, reduced availability of credit, increased funding costs and decreased asset values.

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

Deterioration in the economic and market conditions in which the Group operates could negatively impact on the Group's income and level of loan impairments, and put additional pressure on the Group to more aggressively manage its cost base. This could have negative consequences for the Group to the extent that strategic investments are de-scoped or de-prioritised and could increase operational risk. Market conditions are also impacted by the competitive environment in which the Group operates.

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

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

Although the overall impact of Brexit remains uncertain, and may remain uncertain for some time, it is expected to have a negative effect on Ireland's GDP growth over the medium term, with the United Kingdom's future trading relationship with the European Union post-Brexit being the key consideration in this regard.

As at the date of this Base Prospectus, there is still no certainty that there will be a ratified withdrawal agreement in place on 12 April 2019 and there is a manifest risk that the United Kingdom will leave the European Union on this date without a deal in place. If the United Kingdom were to leave without a deal, this could have a significant and immediate impact on Ireland's day-to-day interactions with the United Kingdom.

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

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

The United Kingdom's withdrawal from the European Union may also have an impact on labour market conditions in Ireland. In particular, financial institutions and other financial operations currently based in the United Kingdom that rely on the EEA "passport" to access the single EEA market for financial services may seek an alternative base for their operations and relocate such operations to other jurisdictions, including Ireland. This may result in heightened competition for suitably qualified employees, which could adversely affect AIB's ability to attract and retain employees.

The legal and regulatory position of the Group's operations in the UK may also become uncertain following Brexit. If UK regulatory capital rules diverge from those of the EU, as a result of future changes in EU law which are not mirrored by the UK or vice versa, the Group's regulatory burden may increase, which likely would increase compliance costs. Depending on the nature of the agreement reached between the UK and the EU on migration and immigration (if any), the UK's exit from the EU could also result in restrictions on mobility of personnel and could create difficulties for the Group in recruiting and retaining qualified employees, both in the UK and Ireland. In addition, financial institutions and other financial operations currently based in the UK may seek to relocate some operations to Ireland. This may result in heightened competition for suitably qualified employees, which could adversely affect the Group's ability to attract and retain employees. Accordingly, if the UK exits the EU, this could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

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

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

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

indebted Member States, disrupting equity and fixed income markets and resulting in volatile bond yields on the sovereign debt of Member States.

The emergence of anti-EU and anti-establishment political parties and a rise in separatist and protectionist sentiment across the EU may also give rise to further political instability and uncertainty.

Brexit has also resulted in significant volatility within the European political environment, as described in further detail above. In addition, Northern Ireland continues to experience significant political uncertainty from the March 2017 elections and the ongoing failure of the resulting negotiations to form a power sharing executive. If an arrangement cannot be agreed, the current political structures in Northern Ireland may be subject to significant change. The uncertainty resulting from these developments may have an adverse impact on economic conditions in Northern Ireland and the region, which could, in turn, have an adverse effect on the Group, given its operations there.

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

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

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

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

The Group's earnings are exposed to interest rate risk including basis risk, i.e., an imperfect correlation in the adjustment of the rates earned and paid on different products with otherwise similar repricing characteristics. The persistence of exceptionally low interest rates for an extended period could adversely impact the Group's earnings through the compression of net interest margin. Widening credit spreads could adversely impact the value of the Group's hold-to-collect-and-sell bond positions.

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

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

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

Regulatory and legal risks

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

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

The main aims of the SSM are to ensure the safety and soundness of the European banking system and to increase financial integration and stability in Europe.

A Single Resolution Mechanism ("SRM") has been introduced, including a Single Resolution Board ("SRB"), which focuses on resolution planning and enhancing resolvability, to avoid the potential negative impacts of a bank failure on the economy and financial stability. The requirements of the SRM are set out in the Single Resolution Mechanism Regulation (Regulation (EU) No. 806/2014 of 15 July 2014) (the "SRM Regulation") and the Banking Recovery and Resolution Directive (Directive 2014/59/EU), as amended ("BRRD"). The SRM Regulation has been fully applicable from 1 January 2016 and the SRB has also been fully operational since that date. The BRRD has been implemented in Ireland pursuant to the European Union (Bank Recovery and Resolution) Regulations 2015, as amended (the "BRRD Regulations"). The BRRD Regulations, other than regulations 79 to 94, came into effect on 15 July 2015. Regulations 79 to 94 came into effect on 1 January 2016. The establishment of the SRM is designed to ensure that supervision and resolution are exercised at the same level for countries that share the supervision of banks within the SSM. The single resolution fund will be financed by bank levies raised at national level.

The overarching goal of the bank recovery and resolution framework established by the BRRD/SRM package is to break the linkages between national banking systems and sovereigns. The framework is intended to enable resolution authorities to resolve failing banks with a lower risk of triggering contagion to the broader financial system, while sharing the costs of resolution with bank shareholders and creditors and also minimising cost to taxpayers. Among other provisions, the BRRD requires banks to produce a comprehensive recovery plan that sets out detailed measures that could be taken to restore the viability of the institution in the event of extreme stress. Furthermore, one or more of the Group's regulators may require the Group to make changes to the legal structure of the Group pursuant to its implementation of requirements under the SRM Regulation, the BRRD or other applicable law or regulation.

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

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

The legal and regulatory landscape in which the Group operates is constantly evolving and the burden of compliance with laws and regulations is increasing. As new laws or regulatory schemes are introduced, the Group may be required to invest significant resources in order to comply with the new legislation or regulations. For example, the introduction of the 5th EU Anti-Money Laundering Directive will result in the Group being required to introduce significant changes to its systems and processes in order to ensure compliance. Further,

the continuing implementation of the Payment Services Directive ("PSD2") and the Open Banking Standard requires investment in developing application programming interface ("API") infrastructures, as well as increased ongoing compliance costs. Furthermore, the laws and regulations to which the Group is already subject could change as a result of changes in interpretation or practice by courts, regulators or other authorities, resulting in higher compliance costs and resource commitments, and/or a failure by the Group to implement the necessary changes to its business within the time period specified.

The Group is incorporated and has its head office in Ireland, and is deemed authorised as a credit institution in Ireland by the ECB. While the Central Bank continues to regulate certain areas of the Group's business, including consumer protection in Ireland, it is the ECB (together with support from the Central Bank) that has primary responsibility for the prudential supervision of the Group. The Group faces risks associated with an uncertain and rapidly evolving prudential regulatory environment, pursuant to which it is required, among other things, to maintain adequate capital resources and to satisfy specified capital ratios at all times. The Group's borrowing costs and capital requirements could be affected by prudential regulatory developments, including Capital Requirements Directive IV ("CRD IV") and potentially the Capital Requirements Directive V, which include legislative proposals for amendments to the Capital Requirements Regulation ("CRR") and CRD IV. On May 25, 2018, the Council of the EU agreed its stance on the proposals and asked the presidency to start negotiations with the European Parliament. The European Parliament confirmed its position on the proposals at its June 2018 plenary. The European Parliament and the Council of the EU reached agreement on the main elements of the proposals in late 2018, which were endorsed by the Committee of Permanent Representatives ("COREPER") on November 30, 2018 and approved by the Economic and Financial Affairs Council on December 4, 2018. In February 2019, COREPER endorsed the positions agreed with the European Parliament on all elements of the proposals. The agreed text remains subject to formal adoption by the European Parliament and the Council of the EU, which is expected to occur during 2019. Until such time as the proposals are formally approved by the European Parliament and the Council of the EU, there can be no assurance as to whether, or when, the proposed amendments will be adopted and whether they will be adopted in the manner as currently proposed.

Following the ECB's publication of guidance to banks on non-performing exposures in March 2017, credit risk has been identified as a supervisory priority in 2019. The ECB's objective in issuing the guidance was to drive strategic and operational focus on the reduction of non-performing exposures, together with further harmonisation and common definitions of non-performing exposures and forbearance measures. Non-compliance with the guidance may trigger supervisory measures that are not further specified in the guidance. Subsequently the ECB published the "Addendum to the ECB Guidance to banks on non-performing exposures: supervisory expectations for prudential provisioning of non-performing exposures" in March 2018, which could lead to the phasing in of stricter provisioning or capital guidance in any future Supervisory Review and Evaluation Process ("SREP") if the bank does not continue to execute its non-performing exposures deleveraging strategy

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

Additional capital and liquidity requirements or guidance and other requirements, whether based on an interpretation of current rules or the application of new rules or guidance being proposed by EU legislators, could be imposed on the Group, including as a result of the SREP carried out under the SSM or stress testing by the ECB and the European Banking Authority ("EBA"), including a revision of the level of Pillar 2 add-ons as the Pillar 2 add-on requirements or guidance are a point-in-time assessment and therefore subject to change over time. Additional capital and/or liquidity requirements could lead to increased costs for the Group,

limitations on the Group's capacity to lend and further restructuring of the Group which could have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Group.

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

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

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

The MREL requirements imposed on the Group will require the Group to raise additional funds in order to meet its obligations. The Group's binding January 2021 MREL target, expressed as a percentage of risk-weighted assets, is 28.04 per cent., with MREL eligible issuance expected to be in the range of €3 billion to €5 billion. The cost of such funding could be higher than that which the Group might otherwise have incurred in circumstances where it was not subject to the relevant MREL requirements. The MREL requirements could have an impact on the Group's operations, structure, costs and/or capital/funding requirements.

The terms and conditions of the Notes stipulate that the Relevant Resolution Authority may determine that all or part of the principal amount of the Notes, including accrued but unpaid interest, additional amounts and any other amounts due on or in respect thereof, may be written off or converted into shares or other securities or other obligations of the Issuer or another person or otherwise be applied to absorb losses, all as prescribed by the Irish Statutory Loss Absorption Powers (as defined in "*Description of the Notes—Certain Definitions*"). See "*Description of the Notes—Agreement with Respect to the Exercise of Irish Statutory Loss Absorption Powers*".

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

There is also a risk that pressures from the media, consumer groups and/or politicians could influence the agenda of the ECB, the Central Bank, the FCA or the PRA. For instance, a wide-ranging review of competition within the Irish mortgage sector by the Competition and Consumer Protection Commission of Ireland ("CCPC") took place in 2017 as part of the current programme for the government of the Republic of Ireland (the "Irish Government") (a similar review having been completed on the UK banking sector in 2016), and in June 2017, the CCPC published its report on "options for the Irish mortgage market". The report, which followed an extensive public consultation process outlined a range of options and areas for further study to assist the Irish

Government develop a better-functioning, competitive and stable mortgage market. The issues of "mortgage switching behaviour" and "consumer attitudes to switching" were some of the areas identified in the report as requiring further regulatory focus. In this regard, in August 2017, the Central Bank published a consultation paper entitled "Enhanced Mortgage Measures: Transparency and Switching" proposing to amend the Consumer Protection Code 2012 ("CPC") by introducing enhanced transparency measures for fixed rate interest rate mortgage holders. In June 2018, the Central Bank, having considered the responses received from the published consultation paper announced that it proposed to introduce new and amend certain existing provisions of the CPC to give effect to these enhanced protections by publishing an addendum to the CPC which became effective from 1 January 2019.

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

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

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

The Central Bank has, under the Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Housing Loan Requirements) Regulations 2015, as amended (the "LTV/LTI Regulations"), imposed restrictions on Irish residential mortgage lending by lenders that are regulated by the Central Bank (such as AIB Bank, AIB Mortgage Bank, EBS d.a.c. ("EBS"), EBS Mortgage Finance and Haven Mortgages Limited ("Haven") in the case of AIB). The LTV/LTI Regulations aim to increase both bank and borrower resilience and mitigate the risks of credit-house price spirals emerging, by limiting the LTV and LTI ratios that apply to new residential mortgage lending.

In relation to principal dwelling home ("PDH") lending, the Group is required to restrict lending above 90 per cent. LTV of the property to no more than 5 per cent. of the value of mortgages to first time buyers and restrict lending above 80 per cent. LTV to no more than 20 per cent. of the value of mortgages to second and subsequent buyers in a calendar year. Mortgages for non-PDHs have a restriction to lending above 70 per cent. LTV of no more than 10 per cent. of the value of mortgages to buy-to-let buyers in a calendar year.

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

residential mortgage lending, and hence may have a material adverse effect on its business, results of operations, financial condition and prospects.

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

The Group is subject to laws and regulations aimed at preventing money laundering, anti-corruption and the financing of terrorism. Monitoring compliance with anti-money laundering ("AML"), counter-terrorist financing ("CTF") and anti-corruption and sanctions rules can put a significant financial burden on banks and other financial institutions and requires significant technical capabilities. In recent years, enforcement of these laws and regulations against financial institutions has become more intrusive, resulting in several landmark fines against financial institutions. In addition, the Group cannot predict the nature, scope or effect of future regulatory requirements to which it might be subject or the way existing laws might be administered or interpreted.

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

The combined impact of these changes is the 5th EU Anti- Money Laundering Directive ("MLD5"), the final text of which was published on 19 June 2018. Member States have until January 2020 to implement this into domestic law (with certain later transposition dates for some aspects of MLD5), but it is expected to come into force in most Member States by mid-2019. The Group will need to continue to monitor and reflect the changes under MLD4 and MLD5 in its own policies, procedure and practices, and to update its framework to take account of the risk-based approach and the specific manner in which these requirements are transposed into national law by the transposing legislation in Ireland and the UK, together with any related industry guidance from regulators in each jurisdiction.

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

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

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

While the SRB has indicated its Preferred Resolution Strategy ("PRS") for the Group is single point of entry bail-in through AIB Group plc, the BRRD is designed to provide relevant authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing credit institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of a credit institution's failure on the economy and financial system. The BRRD also equips the resolution authority with certain resolution powers (the "Resolution Tools") in circumstances where the credit institution is failing or is likely to fail.

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

The BRRD also provides for a Member State as a last resort, after having assessed and exhausted the above resolution tools to the maximum extent possible while maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilisation tools. These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the EU state aid framework and is subject to the condition that a contribution to loss absorption and recapitalisation equal to an amount not less than 8 per cent. of total liabilities, including own funds of the institution under resolution, has been made by the shareholders and the holders of other instruments of ownership, the holders of relevant capital instruments and other eligible liabilities through writedown, conversion or otherwise.

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

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

Amongst other provisions, the BRRD contains a statutory write-down and conversion power to write down or to convert into equity the Issuer's capital instruments (which would include the Subordinated Notes) if certain conditions are met (the "Write-Down Tool"). The Write-Down Tool would be applicable, in particular, if the resolution authority determines that, unless the Write-Down Tool is applied, the Issuer or the Group will no

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

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

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

The Resolution Tools could be used to impose losses on holders of Senior Notes and could result in holders of Senior Notes losing some or all of their investment. The exercise of any such power or any suggestion or anticipation of such exercise could, therefore, materially adversely affect the value of the Senior Notes.

In addition, the BRRD and the SRM Regulation may severely affect the rights of the holders of Subordinated Notes which may result in the loss of the entire investment represented by the Subordinated Notes in the event of non-viability. The exercise of any such power or any suggestion or anticipation of such exercise could, therefore, materially adversely affect the value of the Subordinated Notes. Furthermore, the exercise of the Write-Down Tool in respect of the Subordinated Notes or any suggestion or anticipation of such exercise could materially adversely affect the value of the Subordinated Notes.

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

SRB role in resolution planning

Pursuant to the SRM Regulation, on 1 January 2016, the SRB became responsible for drawing up the Group's resolution plan providing for resolution actions that may be taken if the Group were to fail or be likely to fail. In drawing up the Group's resolution plan, the SRB identifies any material impediments to the Group's resolvability. Where necessary, the SRB may instruct that actions are taken to remove such impediments.

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

- legal restructuring of the Group, which could lead to high transaction costs, or could make the Group's business operations or its funding mix less optimally composed or more expensive;
- issuing additional liabilities at various levels within the Group to ensure that there is sufficient loss-absorbing and recapitalisation capacity in place and that adequate arrangements are in place to meet the Group's funding and liquidity needs throughout the resolution. This may result in higher capital and funding costs for the Group, and thus adversely affect the Group's profits and its ability to pay dividends;
- reviewing and amending the Group's contracts for the purposes of ensuring (i) continuity of business operations, and (ii) that such contracts do not cause any impediments to the resolvability of the Group. This may result in additional costs and operational complexity for the Group; and
- requiring the Group to enhance its data infrastructure and management information systems to facilitate an expeditious valuation of its assets and liabilities over the course of the resolution event.

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

On 3 February 2017, Allied Irish Banks, p.l.c. ("AIB Bank") announced that it had been notified of a decision by its group-level resolution authority, the SRB, that the PRS for the Group would be a single point of entry via a holding company. Implementation of the PRS would require the introduction of a new holding company, AIB Group plc, to sit at the top of the Group, directly above AIB Bank, and mean that any future bail-in of instruments held by external creditors would be expected to be implemented in the first instance at the level of that holding company. On 2 October 2017, AIB Bank announced a corporate reorganisation to effect the SRB's decision, pursuant to which AIB Group plc would be introduced as the holding company of the Group. The reorganisation was approved in shareholders' meetings on 3 November 2017 and was implemented on 8 December 2017 by means of a scheme of arrangement under Chapter 1 of Part 9 of the Irish Companies Act of 2014 (the "Scheme"). The Issuer was listed on the Irish and London Stock Exchanges in December 2017. Since the Scheme became effective, the Issuer has been the top holding company of the Group. If the SRB were to invoke the PRS, unsecured instruments issued by the Issuer (including the Notes) would rank higher for bail-in than other unsecured instruments issued by AIB Bank or other Group entities. AIB Bank, the principal operating company and previous holding company of the Group, and its operating subsidiaries continue to be the principal trading entities of the Group.

SSM role in Recovery planning

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

- reduce its risk profile;
- enable timely recapitalisation measures;
- review its strategy and structure;

- make changes to its funding strategy so as to improve the resilience of its business lines and critical functions; and/or
- make changes to its governance structure.

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

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

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

The Group monitors potential accounting changes and when these are finalised, it determines the potential impact and discloses significant future changes in its financial statements. For example, the Group has adopted the IFRS 9 *Financial Instruments* ("IFRS 9") methodology from 1 January 2018. This has impacted the Group's reported results of operations, financial position and regulatory capital in the future. For example, the replacement of International Accounting Standard ("IAS") 39 with IFRS 9 required the Group to move from an incurred loss model to an expected loss model, requiring it to recognise not only credit losses that have already occurred but also losses that are expected to occur in the future as is the case for the banking industry as a whole.

12 ***Risk of litigation arising from the Group's activities***

The Group operates in a legal and regulatory environment that exposes it to potentially significant litigation and regulatory risks. Disputes and legal proceedings in which the Group may be involved are subject to many uncertainties, and the outcomes of such disputes are often difficult to predict, particularly in the early stages of a case or investigation. For example, litigation has been served on the Group by customers that are pursuing claims in relation to the Tracker Mortgage Examination and further cases may be served.

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

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

Taxation changes may directly impact the financial performance of the Group through measures such as the bank levy introduced by the Irish Government in 2014 and the restrictions on use of tax losses introduced in the UK in 2015 and 2016. Such taxation changes could have a material adverse effect on the Group's financial position. Changes in Irish or UK taxation will arise from the Organisation for Economic Co-Operation and Development ("OECD") Base Erosion and Profits Shifting ("BEPS") project. The detail of these changes is

not yet clear in all cases and there remains potential for them to have an adverse impact on the Group's financial position.

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

International initiatives in recent years which could have such impacts include the OECD BEPS project, the Decision of the European Commission in the Apple case and various initiatives in relation to the digital economy. In the Apple case, the European Commission ruled that Apple Inc. had received €13 billion of illegal state aid from Ireland in its taxation arrangements. Ireland and Apple are appealing that ruling. During 2018 there were various international initiatives in relation to the taxation of the digital economy, including draft proposals at European Union level for a Digital Services Tax, which if enacted could have a significant impact on a number of digital companies with a large presence in Ireland. These and any other similar actions could result in companies relocating from Ireland or deciding to invest in other jurisdictions, which could have an adverse impact on the Irish economy and, as a result, on the Group's business.

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

Legislation and regulations introduced in 2013 to the Irish mortgage market may have had an effect on the Group's customers' attitudes towards their debt obligations, and hence their interactions with the Group in relation to their mortgages.

Regulations such as the Personal Insolvency Act and the Central Bank's Code of Conduct on Mortgages Arrears ("CCMA") may result in changes in customers' attitudes, where they may be more likely to default even when they have sufficient resources to continue making payments on their mortgages. This could result in delays in the Group's recoveries in respect of its mortgage portfolio and increased impairments which could have a material adverse effect on its business, results of operations, financial condition and prospects. Furthermore, in instances where the Group seeks to enforce security on commercial or residential property (in particular over PDH), the Group may encounter significant delays arising from judicial procedures, which often entail significant legal and other costs. Custom, practice and interpretation of Irish legislation, regulations and procedures may also contribute to delays or restrictions on the enforcement of security. The courts in Ireland may have particular regard to the interests and circumstances of the borrower in disputes relating to the enforcement of security above the custom and practice of courts in other jurisdictions. As a result of these factors, enforcement of security in Ireland may be more difficult, take longer and involve higher costs for lenders as compared to other jurisdictions, or it may not be feasible for the Court to enforce security.

In June 2017, the Mortgage Arrears Resolution (Family Home) Bill 2017 was published as a private members bill, but was not sponsored by the Irish Government, and in February 2019, the Land and Conveyancing Law Reform (Amendment) Bill 2019 was proposed to adopt similar protective measures for home owners as in the Keeping People in their Homes Bill 2017. The purpose of these bills is to provide further protections for home owners in mortgage difficulties. If any of these bills are passed into law in their current forms (or if other similar laws or regulations are introduced), the Group would face restrictions on its ability to collect or enforce mortgages that are in arrears. This could result in delays in the Group's recoveries in respect of its mortgage portfolio and increased impairments. Legislation has also been introduced with regard to loans sold to third parties under the Consumer Protection (Regulation of Credit Servicing Firms) Act 2018, which regulates third party loan acquirers and their loan servicers and may give rise to further implications for future loan sales undertaken by the Group. Further legislation is proposed with regard to loans sold to third parties, such as the

No Consent, No Sale Bill 2019. This Bill seeks to transpose the Central Bank's Code of Practice on Transfer of Mortgages into statute and would restrict banks from selling residential mortgages without the written consent of the borrower, which may give rise to further implications for future loan sales undertaken by the Group.

Furthermore, in instances where the Group seeks to enforce security on commercial or residential property (in particular over PDH), the Group may encounter significant delays arising from judicial procedures, which often entail significant legal and other costs. Custom, practice and interpretation of Irish legislation, regulations and procedures may also contribute to delays or restrictions on the enforcement of security. The courts or legislature in Ireland may have particular regard to the interests and circumstances of borrowers relating to the enforcement of security or sale of their loans which is different to the custom and practice in other jurisdictions. As a result of these factors, enforcement of security or recovery of delinquent loans in Ireland may be more difficult, take longer and involve higher costs for lenders as compared to other jurisdictions.

The Irish Government may also seek to influence how credit institutions set interest rates on mortgages, may amend the Personal Insolvency Act to reduce the entitlements currently afforded to mortgage holders thereunder or may enact other legislation or introduce further regulation that affects the rights of lenders in other ways which could have a material adverse effect on the Group's business, financial condition and prospects. Furthermore, the laws and regulations to which the Group is already subject could change as a result of changes in interpretation or practice by courts, regulators or other authorities.

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

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

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

The Group is exposed to conduct risk, which the Group defines as the risk that inappropriate actions or inactions cause poor or unfair customer outcomes or market instability. Certain aspects of the Group's business may be determined by regulators in various jurisdictions or by courts not to have been conducted in accordance with applicable local or, potentially, overseas laws and regulations, or in a fair and reasonable manner as determined by the local ombudsman. If the Group fails to comply with any relevant laws or regulations, it may suffer reputational damage and may be subject to challenges by customers or competitors, or sanctions, fines or other actions imposed by regulatory authorities. The Group's practices may also be challenged under current regulations and standards. There is also a risk that pressures from the media, consumer groups and/or politicians could influence the agenda of the Central Bank and the FCA.

In September 2015, the Central Bank wrote to the Group to inform the Group that it had embarked on the Tracker Mortgage Examination. In December 2015, the Central Bank confirmed to the affected lenders that the objective of the Tracker Mortgage Examination was to assess compliance with both contractual and regulatory requirements relating to tracker mortgages and in circumstances where customer detriment is identified from the Tracker Mortgage Examination, to provide appropriate redress and compensation in line with the Central Bank's 'Principles for Redress'. Provisions of €135 million were created in the period 2015 to 2017 relating to

customer redress and compensation in respect of the Tracker Mortgage Examination. The Group determined that a further €35 million was required during 2018 for customer redress and compensation, including payments arising on appeals.

In March 2018, AIB Bank and EBS were advised by the Central Bank of the commencement of investigations in connection with the Tracker Mortgage Examination. The investigations relate to alleged breaches of the relevant consumer protection legislation, principally regarding inadequate controls or instances where AIB Bank or EBS acted with a lack of transparency, unfairly or without due skill and care. The outcome of the investigations may result in monetary penalties being imposed on the Group.

Based on the facts currently known and the current stages that the investigation and litigation are at, it is not practicable at this time to predict the final outcome of these investigations and litigation, nor the timing and possible impact, including any monetary penalties, on the Group.

In addition, the Group may be subject to allegations of mis-selling of financial products, including as a result of having sales practices and/or reward structures in place that are subsequently determined to have been inappropriate. This may result in adverse regulatory action (including significant fines) or requirements to amend sales processes, withdraw products or provide restitution to affected customers, any or all of which could result in the incurrence of significant costs, may require provisions to be recorded in the financial statements and could adversely impact future revenues from affected products.

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

Risks relating to business operations, governance and internal control systems

16 *The Group is subject to credit risks in respect of customers and counterparties, including risks arising due to concentration of exposures across its loan book, and any failure to manage these risks effectively could have a material adverse effect on its business, financial condition, results of operations and prospects*

Risks arising from changes in credit quality and the recoverability of loans and other amounts due from customers and counterparties are inherent in a wide range of the Group's businesses. In addition to the credit exposures arising from loans to individuals, small and medium size enterprises ("SMEs") and corporates, the Group also has exposure to credit risk arising from loans to financial institutions, its trading portfolio, investment securities, derivatives and from off-balance sheet guarantees and commitments. Due to the nature of its business, the Group has extensive exposure to the Irish property market, both because of its mortgage lending activities and its property and construction loan book. Accordingly, any development that adversely affects the Irish property market could have a significant impact on the Group.

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

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

The Group has identified several strategic objectives for its business. See "*Information on AIB—Strategy*". There can be no assurance that the Group's strategy is the optimal strategy for delivering returns to shareholders. The various elements of the Group's strategy may be individually unnecessary or collectively incomplete. The

Group's strategy may also prove to be based on flawed assumptions regarding the pace and direction of future change across the banking sector. Finally, the Group may not be successful in implementing its strategy in a cost-effective manner. The Group's business, results of operations, financial condition and prospects could be materially adversely affected if any or all of these strategy-related risks were to materialise.

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

Medium-term competitive risks include:

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

In addition, the Central Bank is focused on the promotion of higher levels of competitive intensity in the banking market, in common with regulators in other European jurisdictions. Mortgage interest rates in Ireland are higher than Eurozone norms and this, together with the low incidence of switching mortgage providers, is an area of focus for the Central Bank. The entry of bank and non-bank competitors into the Group's markets may put additional pressure on the Group's income streams and, consequently, have an adverse impact on its financial performance.

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

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

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

Management of the Group aims to ensure that the Group's brands, which include the AIB, EBS and Haven brands in Ireland, the Allied Irish Bank (GB) brand in Great Britain and the First Trust Bank brand in Northern Ireland, are at the heart of its customers' financial lives by being useful, informative, easy to use and providing an exceptional customer experience. The Group's relationships with its stakeholders, including its customers,

staff and regulators, could be adversely affected by any circumstance that causes real or perceived damage to its brands or reputation. In particular, any regulatory investigations, inquiries, litigation, actual or perceived misconduct or poor market practice in relation to customer-related issues could damage the Group's brands and/or reputation. Any damage to the Group's brands and/or reputation could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

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

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

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

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

A stable and sustainable customer deposit base has allowed the Group to reduce its wholesale funding requirements over the last several years. This, in turn, has facilitated an increase in the Group's unencumbered assets. The Group has also identified certain management and mitigating actions which could be considered on the occurrence of a liquidity stress event. However, in the unlikely event that the Group exhausted these sources of liquidity it would be necessary to seek alternative sources of funding from monetary authorities.

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

AIB Group plc's long-term senior unsecured debt is rated BBB- (with a stable outlook) by S&P Global Ratings Europe Limited ("S&P") (from December 2018), Baa3 (with a positive outlook) by Moody's Investor Service Limited ("Moody's") (from July 2018) and BBB- (with a positive outlook) by Fitch Ratings Limited ("Fitch") (from November 2018). Each of S&P, Moody's and Fitch is registered in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies. Over the longer term, downgrades in the credit ratings of AIB could have an adverse impact on the volume and pricing of its wholesale funding and its financial position, restrict its access to the debt capital and funding markets, trigger material collateral requirements or associated obligations in other secured funding arrangements or derivative contracts, make ineligible or lower the liquidity value of pledged securities and

weaken the Group's competitive position in certain markets. Furthermore, as a consequence of the Group's operations being focused on the Irish market, any downgrade of Ireland's sovereign credit rating or a downgrade of one or more other Irish banks with large shares in the concentrated Irish banking market would be likely to impair the Group's access to private sector funding and weaken its financial position.

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

The Group is exposed to a number of material risks, such as business model risk, capital adequacy risk, funding and liquidity risk, credit risk, financial risk, regulatory compliance risk, operational risk, people and culture risk, restructure execution risk, model risk and conduct risk, that it manages through its risk management framework. Although the Group invests substantially in its risk management strategies and techniques, there is a risk that these fail to fully mitigate the risks in some circumstances. Furthermore, senior management is required to make complex judgements and there is a risk that the decisions made by senior management may not be appropriate or yield the results expected or that senior management may be unable to recognise emerging risks in order to take appropriate action in a timely manner.

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

The Group uses models across many, though not all, of its activities including, but not limited to, capital management, credit grading, loan loss provisioning, valuations, liquidity, pricing and stress testing. The Group also uses financial models to determine the fair value of derivative financial instruments, financial instruments through profit or loss, certain hedged financial assets and financial liabilities and financial assets at fair value through other comprehensive income ("FVOCI"). IFRS 9, which replaced International Accounting Standard 39 ("IAS 39") in 2018, requires the Group to move from an incurred loss model to an expected loss model, requiring it to recognise not only credit losses that have already occurred but also losses that are expected to occur in the future.

Since the Group uses risk measurement models based on historical observations, there is a risk that it underestimates or overestimates exposure to various risks to the extent that future market conditions deviate from historical experience. Furthermore, as a result of evolving regulatory requirements, the importance of models across the Group's business has been heightened and their importance may continue to increase, in particular because of reforms introduced by the Basel Committee on Banking Supervision. If the Group's models do not accurately estimate its exposure to various risks, it may experience unexpected losses. The Group may also incur losses as a result of decisions made based on inaccuracies in these models, including the data used to build them or an incomplete understanding of these models.

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

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

The Group requires approval from the ECB in order to implement new IRB models or to change existing approved IRB models. It is also subject to reviews and inspections from the ECB and other regulatory bodies

in relation to the models, such as the Targeted Review of Internal Models ("TRIM"), a process being undertaken by the ECB to increase harmonisation in approaches to internal models used by banks across the EU.

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

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

As at 31 December 2018, the Group had €6.1 billion in non-performing exposures on its balance sheet, representing 9.6 per cent. of total gross loans to customers. Non-performing exposures are defined by the European Banking Authority ("EBA") to include material exposures which are more than 90 days past due and/or exposures in respect of which the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past due amount or the number of days the exposure is past due.

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

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

The Group processes significant volumes of personal data relating to customers (including name, address, identification and banking details) as part of its business, some of which may also be classified under legislation as special category personal data. The Group therefore must comply with strict data protection and privacy laws and regulations, including the European Communities (Electronic Communications Networks and Services) (Privacy and Electronic Communications) Regulations 2011 (the "ePrivacy Regulations") and Regulation 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the "GDPR"). The GDPR introduced substantial changes to data protection law, including an increased emphasis on businesses being able to demonstrate compliance with their data protection obligations, which required significant investment by the Group in its compliance strategies. In addition, relevant supervisory authorities are given the power to issue fines of up to 4 per cent. of an undertaking's annual global group turnover or €20 million (whichever is the greater) for failure to comply with certain provisions of the GDPR. The EC recently released its proposal for a new European ePrivacy Regulation.

The Group also faces the risk of a breach in security of its systems, for example, from increasingly sophisticated attacks by cybercrime groups. The Group's data protection policy is part of the Compliance Risk Management Framework and defines the Group's approach to the effective management of its data protection risks. The policy aims to ensure that the Group complies with the spirit and the letter of all laws, codes and regulations that apply to the Group in relation to data protection and privacy laws. This policy applies to all staff including

contractors, consultants, agents or other third parties which have access to personal data either directly or indirectly, in the capacity of a data controller and/or data processor. In addition, the Group continues to enhance security measures to help prevent cybercrime. Notwithstanding such efforts, the Group is exposed to the risk that personal customer data could be wrongfully appropriated, lost or disclosed, stolen or processed in breach of data protection and privacy laws and regulations including as a result of human error.

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

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

26 *The Group faces operational risks – including information technology, cyber, change, continuity management, outsourcing and cloud computing, products, and property protection and legal risks*

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

The Group's business is dependent on the accurate and efficient processing and reporting of a high volume of complex transactions across numerous and diverse products and services. This is enabled by a high-performing information technology ("IT") and communications infrastructure, on which the Group relies. Weaknesses or issues, which result in these systems or processes not operating as expected, could have an adverse effect on the Group's results and on its ability to deliver appropriate customer outcomes or to achieve organisational objectives. In addition, any breach in security of the Group's systems (for example from increasingly sophisticated cybercrime attacks), could disrupt its business, result in the disclosure of confidential information or create significant financial and/or legal exposure and the possibility of damage to the Group's reputation and/or brand.

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

The Group is dependent on the performance of third party service providers. For instance, AIB engages in selective outsourcing of certain back office and support functions to manage certain of its infrastructure and systems. If these providers do not perform their services or fail to provide services to the Group or renew their licences with the Group, the Group's business could be disrupted and it could incur unforeseen costs.

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

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

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

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

28 ***The Group may have insufficient capital to meet increased minimum regulatory requirements***

The Group is subject to minimum capital requirements as set out in CRD IV and implemented under the SSM. AIB's minimum requirements for 2019 were set at 11.550 per cent., comprising a Pillar 1 requirement of 4.5 per cent., Pillar 2 requirement ("P2R") of 3.15 per cent., a Capital Conservation Buffer ("CCB") of 2.5 per cent., Other Systemically Important Institutions ("O-SII") buffer of 0.5 per cent. and an expected Countercyclical Capital Buffer ("CCyB") of 0.9 per cent.

As a result of these and other regulatory requirements, banks in the EU have been, and could continue to be, required to increase the quantity and the quality of their regulatory capital. On 5 July 2018 the Central Bank announced the introduction of a CCyB on Irish exposures of 1 per cent. with effect from 5 July 2019, which equates to a 0.7 per cent. requirement for the Group. The UK CCyB requirement is 1.0 per cent., which equates to a 0.2 per cent. requirement for the Group, became effective on 28 November 2018. As the Group is designated as an O-SII a 0.5 per cent. buffer will apply from 1 July 2019, (rising to 1.0 per cent. on 1 July 2020 and 1.5 per cent. on 1 July 2021). Given this regulatory context and the levels of uncertainty in the current economic environment, there is a possibility that the economic output over the Group's capital planning period may be materially worse than expected and/or that losses on the Group's credit portfolio may be above forecast levels. Were such losses to be significantly greater than currently forecast, or capital requirements for other material risks, such as pension risk, to increase significantly, or capital allocations across the Group to change, there is a risk that the Group's capital position could be eroded to the extent that it would have insufficient capital to meet its regulatory requirements.

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

The Group faces the risk that the funding position of its defined benefit pension schemes will deteriorate, requiring it to make additional contributions, adversely affecting its capital position. The Group maintains a number of defined benefit pension schemes for certain current and former employees. These defined benefit

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

For the defined benefit scheme in the United Kingdom, the Group established an asset-backed funding vehicle to provide the required regulatory funding. Nonetheless, a level of volatility associated with pension funding remains due to potential financial market fluctuations and possible changes to pension and accounting regulations. This volatility can be classified as market risk and actuarial risk. Market risk arises because the estimated market value of the pension scheme assets may decline or their investment returns may decrease due to market movements. Actuarial risk arises due to the risk that the estimated value of the pension scheme liabilities may increase due to changes in actuarial assumptions.

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

It has been agreed with the trustee of the AIB UK Pension Scheme to extend the deadline for completing the valuation at 31 December 2017 to 2019. The Group is currently considering funding options for the AIB UK Pension Scheme with the trustee.

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

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

As at 31 December 2018, the Group had €2.7 billion of deferred tax assets on its statement of financial position, substantially all of which related to unused tax losses.

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

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

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

The Group is also subject to various obligations under the placing agreements and minister's letter signed with the government in 2010 and 2011 that relate to: (a) restrictions on reduction of reserves; (b) restrictions on director and senior executive/employee remuneration and termination payments; (c) assisting in the placing, offer to the public or admission to trading of AIB shares owned by the Minister for Finance; and (d) rights to obtain information. These agreements and the letter also impose certain requirements on the Group in relation to its lending activities and remuneration policies, among other areas, including the requirement to continue to provide the Irish Government with certain information and consultation/consent rights.

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

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

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

Risks Related to the Issuance of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

32 *Notes subject to optional redemption by the Issuer*

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, or during any period in which there is an actual or perceived increase in the likelihood that the Issuer may elect to redeem the Notes in the future, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The Issuer may redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor would generally not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate.

33 *Subordinated Notes subject to redemption for regulatory reasons*

Subordinated Notes may be redeemed for regulatory reasons in accordance with provision "*Description of the Notes—Redemption, Repurchase, Substitution and Variation—Capital Disqualification Event Redemption of Subordinated Notes"* upon the occurrence of a Capital Disqualification Event (as defined in "*Description of the Notes—Certain Definitions*"). In the event of a redemption for regulatory reasons, there can be no assurance that an investor will be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Subordinated Notes being redeemed. In addition, there can be no assurance that the market value of the Subordinated Notes immediately prior to notice of the redemption for regulatory reasons being given will not be higher than the price at which they can be redeemed. Conversely, the market price of Subordinated Notes may be affected following the occurrence of a Capital Disqualification Event or as a result of the perception that the right to redeem for regulatory reasons may be triggered in the future.

34 *Certain Senior Notes subject to redemption following a Loss Absorption Disqualification Event*

As the implementation of any amendments to MREL under the BRRD is subject to the adoption of further secondary legislation and implementation in Ireland, there can be no assurance that Loss Absorption Notes will qualify in full towards the Issuer's, or the Regulatory Group's (as defined in "*Description of the Notes—Certain Definitions*"), minimum requirements for (A) own funds and eligible liabilities, and/or (B) loss absorbing capacity instruments, in each case as such minimum requirements are applicable to AIB and/or the Regulatory Group.

Further, if at any time a Loss Absorption Disqualification Event (as defined in "*Description of the Notes—Certain Definitions*") occurs and is continuing in relation to any Series of Loss Absorption Notes, and if the

relevant Final Terms specify that AIB has the option to redeem such Senior Notes upon the occurrence of a Loss Absorption Disqualification Event, AIB may redeem all, but not some only, of the Senior Notes of such Series in accordance with "*Description of the Notes—Redemption, Repurchase, Substitution and Variation—Loss Absorption Disqualification Event Redemption of Loss Absorption Notes*" at the applicable early redemption amount, together with any accrued but unpaid interest up to (but excluding) the date fixed for redemption.

In the event of such a redemption, there can be no assurance that an investor will be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Senior Notes being redeemed. In addition, there can be no assurance that the market value of the Senior Notes immediately prior to notice of the redemption being given will not be higher than the price at which they can be redeemed. Conversely, the market price of Senior Notes may be affected following the occurrence of a Loss Absorption Disqualification Event or as a result of the perception that such right to redeem may be triggered in the future.

35 *Redemption for Taxation Reasons*

On the occurrence of a tax event (as described in "*Description of the Notes—Redemption, Repurchase, Substitution and Variation—Redemption for Tax Reasons*" or, as applicable, the Subordinated Notes), AIB may, at its option (but subject to certain conditions, including, in the case of Subordinated Notes, "*Description of the Notes—Redemption, Repurchase, Substitution and Variation—Preconditions to Redemption and Purchase of Subordinated Notes*" and, in the case of Loss Absorption Notes, "*Description of the Notes—Redemption, Repurchase, Substitution and Variation—Preconditions to Redemption, Purchase, Substitution or Variation of Loss Absorption Notes*") redeem all, but not some only, of any relevant Series of Notes at the applicable early redemption amount, together with any accrued but unpaid interest up to (but excluding) the date fixed for redemption.

36 *Substitution or Variation of Notes*

If, in the case of any series of Subordinated Notes, "Substitution and Variation" is specified as being applicable in the relevant Final Terms, then following the occurrence of a Tax Event or Capital Disqualification Event, AIB may, subject as provided in provision "*Description of the Notes—Preconditions to Redemption and Purchase of Subordinated Notes*" and without the need for any consent of the Noteholders, substitute all (but not some only) of such series of Subordinated Notes for, or vary the terms of such series of Subordinated Notes so that they remain or become, Tier 2 Compliant Notes (as defined in the terms and conditions of the Subordinated Notes, see "*Description of the Notes—Certain Definitions*").

If, in the case of any series of Loss Absorption Notes, "Substitution and Variation" is specified as being applicable in the relevant Final Terms, then following the occurrence of a Loss Absorption Disqualification Event, AIB may, subject as provided in provision "*Description of the Notes—Preconditions to Redemption, Purchase, Substitution or Variation of Loss Absorption Notes*" of the Senior Notes and without the need for any consent of the Noteholders, substitute all (but not some only) of such series of Senior Notes or Loss Absorption Notes, as applicable, for, or vary the terms of such series of Notes so that they remain or become, Loss Absorption Compliant Notes (as defined in the terms and conditions of the Loss Absorption Notes, see "*Description of the Notes—Certain Definitions*"), in the case of Loss Absorption Notes, or Tier 2 Compliant Notes, in the case of Subordinated Notes.

While Tier 2 Compliant Notes or Loss Absorption Compliant Notes, as the case may be, must otherwise contain terms that are not materially less favourable to Noteholders than the original terms of the relevant Notes, there can be no assurance that the terms of any Tier 2 Compliant Notes or Loss Absorption Compliant Notes, as the

case may be, will be viewed by the market as equally favourable to Noteholders, or that such Notes will trade at prices that are equal to the prices at which the Notes would have traded on the basis of their original terms.

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

37 *Fixed/Floating Rate Notes*

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest rate may affect the secondary market in, and the market value of, such Notes. If the Notes are converted from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Notes are converted from a floating rate to a fixed rate, the fixed rate in such circumstances may be lower than then prevailing market rates.

38 *Resettable Notes*

In the case of any Notes that are Resettable Notes, the rate of interest on such Resettable Notes will be reset by reference to the then prevailing Mid-Swap Rate, as adjusted for any applicable margin, on the reset dates specified in the relevant Final Terms. This is more particularly described in "*Description of the Notes—Interest—Interest on Resettable Notes—Fallback Provisions for Resettable Notes*". The reset of the rate of interest in accordance with such provisions may affect the secondary market for, and the market value of, such Resettable Notes. Following any such reset of the rate of interest applicable to Resettable Notes, the new rate may be lower than the previous rate of interest.

39 *Notes issued at a substantial discount or premium*

The market values of Notes issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

40 *The Issuer's obligations under the Subordinated Notes*

The Issuer's obligations under the Subordinated Notes will be unsecured and subordinated and will rank junior in priority to the claims of Senior Creditors (as defined in "*Description of the Notes—Certain Definitions*"). Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is an increased risk that an investor in Subordinated Notes will lose all or some of his investment should the Subordinated Notes become subject to the Write-Down Tool when the Issuer is failing or likely to fail or the Issuer becomes insolvent or subject to the Resolution Tools. See "*—The BRRD contains resolution tools and other measures that may have a material adverse effect on the Group and Noteholders*".

41 *Limited remedies for non-payment in respect of Subordinated Notes and certain Senior Notes*

The sole remedy against AIB available to the Trustee or any Noteholder for recovery of amounts owing in respect of or arising under any Subordinated Notes will be the institution of proceedings for the winding up of AIB in Ireland but not elsewhere and/or proving in any Winding-Up of AIB.

Similarly, in respect of any Senior Notes where the relevant Final Terms specify "Restricted Events of Default" as being applicable, the sole remedy against AIB available to the Trustee or any Noteholder for recovery of amounts owing in respect of or arising under such Senior Notes will be the institution of proceedings for the winding up of AIB in Ireland but not elsewhere and/or proving in any Winding-Up of AIB.

As the remedies available to holders of Subordinated Notes or of Senior Notes with restricted events of default are restricted as described above, the enforcement rights of holders' in respect of these Notes are extremely limited.

42 ***No limitation on issuing senior or pari passu securities***

There is no restriction on the amount of securities or other liabilities which AIB (or other members of the Group) may issue or incur and which rank senior to, or *pari passu* with, Subordinated Notes. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by holders of Subordinated Notes on a Winding-Up of AIB.

43 ***Limitation on gross-up obligation under Subordinated Notes***

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

44 ***No rights of set-off***

Subject to applicable law, no holder of a Subordinated Note or a Senior Note where the relevant Final Terms specify "Waiver of Set-off" as being applicable may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by AIB in respect of, arising under or in connection with such Note and each holder of such Note shall, by virtue of its holding of any such Note, be deemed to have waived all such rights of set-off.

45 ***Notes issued as Green Bonds may not be a suitable investment for all investors seeking exposure to green assets***

The Final Terms relating to any specific Tranche of Notes may provide that it will be AIB's intention to apply the proceeds from an offer of those Notes specifically for projects and activities that promote climate-friendly and other environmental purposes ("Green Projects"). Prospective investors should have regard to the information set out in the relevant Final Terms regarding such use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment in such Notes together with any other investigation such investor deems necessary.

In particular, no assurance is given by AIB that the use of such proceeds for any Green Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Green Projects.

Furthermore, it should be noted that there is currently no clearly-defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green" or "sustainable" or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green" or "sustainable" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Green Projects will meet any or all investor expectations regarding such "green", "sustainable" or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Green Projects.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by AIB) which may be made available in connection with the issue of any Notes and in particular with any Green Projects to fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Base Prospectus. Any such opinion or certification is not, nor should be deemed to be, a recommendation by AIB or any other person to buy, sell or hold any such Notes. Any such opinion or certification is only current as at the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

In the event that any such Notes are listed or admitted to trading on any dedicated "green", "environmental", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by AIB or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Green Projects. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by AIB or any other person that any such listing or admission to trading will be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

While it is the intention of the Issuer to apply the proceeds of any Notes so specified for Green Projects in, or substantially in, the manner described in the relevant Final Terms, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Green Projects will be capable of being implemented in, or substantially in, such manner and/or in accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such Green Projects. Nor can there be any assurance that such Green Projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer. Any such event or failure by the Issuer will not constitute an Event of Default under the Notes.

Any such event or failure to apply the proceeds of any issue of Notes for any Green Projects as aforesaid and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that AIB is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on and/or any such Notes no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of such Notes and also potentially the value of any other Notes which are intended to finance Green Projects and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

46 ***The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks"***

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

The Benchmarks Regulation could have a material impact on any Notes linked to or referencing a "benchmark" (such as Floating Rate Notes and Resettable Notes), in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the "benchmark".

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of "benchmarks", could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. For example, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of regulatory reforms) for market participants to continue contributing to such benchmarks. On 27 July 2017, the Chief Executive of the FCA announced that the FCA will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "FCA Announcement"). The FCA Announcement indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. Subsequent speeches by Andrew Bailey and other FCA officials have emphasised that market participants should not rely on the continued publication of LIBOR after the end of 2021. The potential elimination of the LIBOR benchmark or any other benchmark (including, for example, EURIBOR), or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Notes linked to such benchmark (including but not limited to Floating Rate Notes and Resettable Notes whose interest rates are linked to LIBOR). Such factors may have the following effects on certain "benchmarks": (i) discourage market participants from continuing to administer or contribute to the "benchmark", (ii) trigger changes in the rules or methodologies used in the "benchmark" or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives

or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a "benchmark".

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Notes linked to or referencing a "benchmark".

The "Description of the Notes" provide for certain fallback arrangements in the event that a published benchmark, including an inter-bank offered rate such as LIBOR, EURIBOR or other relevant reference rates (including, without limitation, mid-swap rates), (including any page on which such Benchmark may be published (or any successor service)) becomes unavailable or a Benchmark Event otherwise occurs, including the possibility that the rate of interest could be set by reference to a successor rate or an alternative reference rate and that such successor rate or alternative reference rate may be adjusted (if required), all as determined by the Issuer (acting in consultation with an Independent Adviser). In certain circumstances the ultimate fallback for the purposes of calculation of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page or, in the case of Fixed Rate Reset Notes, the application of the Reset Rate for a preceding Reset Period or the application of the Initial Rate of Interest applicable to such Notes on the Interest Commencement Date. In addition, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of an Independent Adviser, the relevant fallback provisions may not operate as intended at the relevant time.

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

Risks Related to Notes Generally

Set out below is a brief description of certain risks relating to the Notes generally:

47 *The Issuer is a holding company*

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

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

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

48 *Modification, waivers and substitution*

The terms and conditions of the Senior Notes and the Subordinated Notes will contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions will permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) the substitution of a successor in business of the Issuer, a subsidiary of the Issuer or a successor in business thereof as principal debtor under any Notes in place of the Issuer, in the circumstances described in "*Description of the Notes—Waivers*".

In addition, pursuant to the provision "*Description of the Notes—Benchmark Discontinuation*", certain changes may be made to the interest calculation provisions of the Floating Rate Notes or Reset Notes in the circumstances set out in the provision "*Description of the Notes—Interest*", without the requirement for consent of the Trustee or the Noteholders. See "*The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks*" above.

49 *European Monetary Union*

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

50 ***Change of law***

The terms and conditions of the Notes are based on New York law and, in respect of subordination, waiver of set-off (where applicable) and the Loss Absorption Powers on Irish law, in each case in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to New York law or Irish law or administrative practice after the date of issue of the relevant Notes.

Risks Related to the Market Generally

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

51 ***The secondary market generally***

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid and may be sensitive to changes in financial markets. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This may particularly be the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. In addition, liquidity may be limited if the Issuer makes large allocations to a limited number of investors. Illiquidity may have a severe adverse effect on the market value of Notes.

52 ***Exchange rate risks and exchange controls***

The Issuer will pay principal and interest on the Notes in the Specified Currency (as defined in "*Description of the Notes—Certain Definitions*"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes in the Investor's Currency.

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

53 ***Interest rate risks***

Investment in Fixed Rate Notes or Resettable Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes or Resettable Notes, as the case may be.

54 ***Credit ratings may not reflect all risks***

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, the additional factors discussed above and other factors that may affect the value of the Notes. Further, one or more credit rating agencies may from

time to time release unsolicited credit ratings reports in relation to the Notes without the consent or knowledge of AIB. AIB does not have any control over such reports or analyses and any adverse credit rating of the Notes could adversely affect the value of Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

55 ***The Issuer is exposed to changing methodology by rating agencies***

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

56 ***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are investments in which it may legally invest, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to any purchase or pledge by it of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) the audited consolidated financial statements of the Issuer prepared in accordance with IFRS for the financial year ended 31 December 2018, together with the audit report thereon as set out on pages 215 to 363 (the "2018 Financial Statements"), (ii) the sections titled "Board of Directors" and "Executive Committee" on pages 34 to 37, and (iii) the sections listed in the "*Operating and Financial Review and Risk Management*" section of this Base Prospectus, in each case of the annual financial report of the Issuer for the year ended 31 December 2018 (the "2018 Annual Financial Report"), which has been previously published;

(b) the audited consolidated financial statements of the Issuer prepared in accordance with IFRS for the financial year ended 31 December 2017, together with the audit report thereon as set out on pages 229 to 376 (the "2017 Financial Statements" and, together with the 2018 Financial Statements, the "Financial Statements"), and (ii) the sections listed in the "*Operating and Financial Review and Risk Management*" section of this Base Prospectus, in each case of the annual financial report of the Issuer for the year ended 31 December 2017 (the "2017 Annual Financial Report"), which has been previously published;

(c) the Pillar 3 disclosures of the Group for the year ended 31 December 2018, which have been previously published; and

(d) the terms and conditions of the Notes as contained in pages 224 to 263 of the base prospectus dated 2 October 2018 in respect of the Programme,

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

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

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

- https://aib.ie/content/dam/aib/investorrelations/docs/resultscentre/annualreport/aib-annual-financial-report-2018.pdf
- https://aib.ie/content/dam/aib/investorrelations/docs/resultscentre/annualreport/aib-annual-financial-report-2017.pdf
- https://aib.ie/content/dam/aib/investorrelations/docs/se-announcements/2018/Pillar-3-2018.pdf
- https://aib.ie/content/dam/aib/investorrelations/docs/debt-investors/aib-gmtn-2018-final-base-prospectus.pdf

The Issuer's website and its contents are not otherwise incorporated into, and do not form part of, this Base Prospectus.

AVAILABLE INFORMATION

AIB has agreed that, for so long as any Notes are "restricted securities" as defined in Rule 144(a)(3) under the Securities Act, AIB will during any period that it is neither subject to section 13 or 15(d) of the United States Securities and Exchange Act of 1934 (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder furnish, upon request, to any holder or beneficial owner of such restricted securities or any prospective purchaser designated by any such holder or beneficial owner or to the Trustee for delivery to such holder, beneficial owner or prospective purchaser, in each case upon the request of such holder, beneficial owner, prospective purchaser or Trustee, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

SUPPLEMENTARY INFORMATION

If at any time AIB shall be required to prepare a supplement to this Base Prospectus pursuant to Article 16 of the Prospectus Directive, AIB will prepare and make available an appropriate supplement to this Base Prospectus as required by the Central Bank and Article 16 of the Prospectus Directive.

AIB has given an undertaking to the Dealers that if at any time during the duration of the Programme a significant new factor, material mistake or inaccuracy arises or is noted relating to the information included in this Base Prospectus which is capable of affecting an assessment by investors of any Notes and whose inclusion would reasonably be expected by them to be found in this Base Prospectus, for the purpose of enabling them to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of AIB and/or of the rights attaching to such Notes, AIB shall update or prepare an amendment or supplement to this Base Prospectus or publish a replacement base prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

PRESENTATION OF INFORMATION

Presentation of financial information

The financial information incorporated by reference in this Base Prospectus consists of the 2018 Financial Statements and the 2017 Financial Statements. The 2018 Financial Statements and the 2017 Financial Statements have been prepared in accordance with IFRS and audited by Deloitte Ireland LLP ("Deloitte").

The 2018 Financial Statements and 2017 Financial Statements incorporate AIB Bank's results for the year ended 31 December 2017 as if it and AIB Group plc had always been combined and reflect both entities' full year results. Therefore, for the purposes of this Base Prospectus, the financial information as at and for the year ended 31 December 2016 relates to AIB Bank, and the financial information as at and for the years ended 31 December 2018 and 31 December 2017 relates to AIB Group plc.

On 1 January 2018, the Group implemented the requirements of IFRS 9 and IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") for the first time. As permitted by IFRS 9 and IFRS 15, the Group did not restate the prior year on their initial application. Accordingly, comparative data for 2017 has been prepared under the previous standards IAS 39 *Financial Instruments: Recognition and Measurement* and IAS 18 *Revenue*, respectively.

Alternative Performance Measures

In addition to the financial information prepared in accordance with IFRS, this Base Prospectus includes certain alternative performance measures ("APMs") as defined in the guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority on 5 October 2015 (ESMA/2015/1415) (the "ESMA APM Guidelines"). The ESMA APM Guidelines define an APM as a financial measure of historical or future performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

AIB uses certain APMs, which have not been audited, for a better understanding of its financial performance. These measures are considered additional disclosures and in no case replace the financial information prepared under IFRS. Moreover, the way AIB defines and calculates these measures may differ from the way similar measures are calculated by other companies. Accordingly, they may not be comparable.

In the "Operating and Financial Review" in the 2018 Annual Financial Report and the 2017 Annual Financial Report, incorporated by reference herein, AIB's results of operations are presented on a management basis with exceptional items reported separately. Exceptional items are items that management believes obscure the underlying performance trends in the business. See "Operating and Financial Review—Alternative performance measures" and "Operating and Financial Review—Reconciliation between IFRS and management performance summary income statements" in the 2018 Annual Financial Report and the 2017 Annual Financial Report, incorporated by reference herein, for a description of exceptional items that management believes obscure the underlying performance trends in the business and a reconciliation to each resulting APM from the most directly reconcilable IFRS line item.

For further information, including a complete list of APMs, including definitions and reconciliations, see "Operating and Financial Review—Alternative performance measures" and "Operating and Financial Review—Reconciliation between IFRS and management performance summary income statements" in the 2018 Annual Financial Report and the 2017 Annual Financial Report, incorporated by reference herein.

Currency presentation

Unless otherwise indicated, all references to the "Euro", "euro" or "€" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the treaty establishing the European Community, as amended. All references in this Base Prospectus to "sterling", "pounds sterling", "GBP", "£" or "pence" are to the lawful currency of the United Kingdom. All references to "dollars", "$" or "U.S.$" are to the lawful currency of the United States.

The Group prepares its financial statements in euro.

Unless otherwise indicated, the financial information contained in this Base Prospectus has been expressed in euro.

Rounding

Percentages and certain amounts in this Base Prospectus, including financial, statistical and operating information, have been rounded. Thus, the figures shown as totals may not be the precise sum of the figures that precede them.

Market, economic and industry data

Certain information in this Base Prospectus has been sourced by the Group from industry publications, data and reports compiled by professional organisations and analysts and data from other external sources. The Company confirms that all third-party information contained in this Base Prospectus has been accurately reproduced and, so far as the Company is aware and able to ascertain from information published by that third-party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Where third-party information has been used in this Base Prospectus, the source of such information has been identified.

Certain of the aforementioned third-party sources may state that the information they contain has been obtained from sources believed to be reliable. However, such third-party sources may also state that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on significant assumptions. As the Group does not have access to the facts and assumptions underlying such market data, statistical information and economic indicators contained in these third-party sources, it is unable to verify such information.

Forward-looking statements

This Base Prospectus contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Group and certain of the plans and objectives of the Group. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as "aim", "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", "may", "could", "will", "seek", "continue", "should", "assume" or other words of similar meaning. Examples of forward-looking statements include, among others, statements regarding the Group's future financial position, capital structure, income growth, loan losses, business strategy, projected costs, capital ratios, estimates of capital expenditures, and plans and objectives for future operations. Because such statements are inherently subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking information. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These are set out in "*Risk Factors*". In addition to matters relating to the Group's business, future performance will be impacted by Irish

or other relevant economies and financial market considerations. Any forward-looking statements made by or on behalf of the Group speak only as of the date they are made. The Group cautions that the list of important factors in "*Risk Factors*" is not exhaustive. Investors and others should carefully consider the foregoing factors and other uncertainties and events when making an investment decision based on any forward-looking statement.

The Company undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Company or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Base Prospectus.

Definitions

Certain terms used in this Base Prospectus, including all capitalised terms and certain technical and other terms, are defined and explained in "*Definitions*" and "*Glossary of Technical Terms*".

No incorporation of website information

The Base Prospectus will be made available to the public in Ireland and the United Kingdom at www.aib.ie. Notwithstanding the foregoing, the contents of the Company's website, any website mentioned in this Base Prospectus or any website directly or indirectly linked to these websites have not been verified and do not form part of this Base Prospectus, and investors should not rely on such information.

USE OF PROCEEDS

The net proceeds of the sale of any Tranche of Notes will be used for the general funding purposes of the Issuer. If in respect of any particular issue of Notes, there is a particular identified use of proceeds, this will be stated in the relevant Final Terms.

In particular, if so specified in the relevant Final Terms, the Issuer will apply the net proceeds from an offer of Notes specifically for projects and activities that promote climate and other environmental purposes. Such Notes may also be referred to as "Green Bonds".

CAPITALISATION AND INDEBTEDNESS

The following table sets out AIB's capitalisation and indebtedness as at 31 December 2018, which have been derived from the 2018 Financial Statements. As at the date of this Base Prospectus, there has been no material change in the Group's capitalisation since 31 December 2018.

	As at 31 December 2018
	(€ millions)
Indebtedness	
***Current Debt*[(1)]**	
Debt securities in issue[(2)]	
Secured	65
Unsecured	500
Total current debt	565
Non current Debt	
Debt securities in issue[(2)]	
Secured	3,025
Unsecured	2,155
	5,180
Subordinated liabilities	
Dated (unsecured)	795
Total non current debt	5,975
Total Indebtedness	6,540
Capitalisation	
Share capital	1,696
Share premium	—
Other reserves	11,668
Additional Tier 1 securities[(3)]	494
Total capitalisation	13,858
Total capitalisation and indebtedness	20,398

Notes:

(1) Maturity up to one year.

(2) Maturity analysis of debt securities in issue is based on expected maturity.

(3) Additional Tier 1 securities with a par value of €500 million.

Indirect and contingent indebtedness, which comprises of (i) guarantees and irrevocable letters of credit, and (ii) other contingent liabilities, totalled €780 million at 31 December 2018. For information on AIB's indirect and contingent indebtedness, see note 48 of the 2018 Financial Statements.

INFORMATION ON AIB

Information in this "Information on AIB" section should be read in conjunction with the more detailed information contained in this Base Prospectus, including the financial and other information contained in "Operating and Financial Review".

Overview

The Issuer is a public limited company incorporated in Ireland on 8 December 2016 under the Companies Act 2014, with registration number 594283. AIB is a financial services group operating predominantly in Ireland, providing a comprehensive range of services to retail, business and corporate customers, and holds market-leading positions in key segments in Ireland using the AIB, EBS and Haven brands. AIB also operates in Great Britain, as Allied Irish Bank (GB), and in Northern Ireland, under the trading name of First Trust Bank.

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

Through 2018, AIB was managed through the following business segments, but beginning in 2019, AIB operates through three vertical business units: Business, Homes and Consumer.

- *Retail & Commercial Banking ("RCB")*: RCB is the leading provider of financial products and services to personal and business customers in Ireland based on its market share across key products. It has approximately 2.4 million personal and SME customers. RCB offers retail banking services through three brands, AIB, EBS and Haven, and commercial banking services through the AIB brand. It has the largest distribution network of any bank in Ireland, comprising 295 locations (including 206 AIB Bank branches, 70 EBS offices and 19 business centres), 967 ATMs and AIB telephone, internet, mobile and tablet banking, as well as a partnership with An Post through which it offers certain banking services at approximately 1,000 locations in Ireland. Complementing its physical infrastructure, RCB has a market-leading digital banking proposition with approximately 1.38 million active digital customers and over 940,000 active mobile customers, with over 60 per cent. of its key products sold via the digital channel.

- *Wholesale, Institutional & Corporate Banking ("WIB")*: WIB provides customer-focused solutions in private and public markets to AIB's largest customers and customers requiring specific sector or product expertise. WIB serves customers via a well-established and diversified business with market-leading position in key sectors. The primary focus of WIB's sector specialised teams is on senior debt origination through Corporate Banking; Real Estate Finance; Energy, Climate Action & Infrastructure. In addition, through its product specialist teams, WIB offers complementing traditional debt offering through Specialised Finance, Syndicated & International Finance and advisory services in Corporate Finance. WIB teams are based in Dublin and New York. WIB's activities in New York comprise syndicated and international finance activities.

- *AIB UK*: AIB UK operates in two distinct markets, providing corporate and commercial banking services in Great Britain, trading as Allied Irish Bank (GB), and retail and business banking services in Northern Ireland trading as First Trust Bank. Allied Irish Bank (GB) is a niche commercial and corporate bank with locations in key cities across Great Britain. Banking services include: lending; treasury; trade facilities; asset finance; invoice discounting; and day-to-day transactional banking. First Trust Bank is a long established bank in Northern Ireland providing a full banking service, including mobile, online, post office and traditional banking to business and personal customers.

AIB UK has just under 306,000 retail, corporate and business customers across Great Britain and Northern Ireland and over 123,000 active digital customers. In addition, it has a distribution network of 29 locations throughout the United Kingdom: (i) Great Britain (14 business centres) and (ii) Northern Ireland (15 branches including six business centres and a centre for small and micro businesses).

- *Group (the "Group Segment")*: The Group Segment comprises wholesale treasury activities, Group control and support functions. Treasury manages the Group's liquidity and funding position and provides customer treasury services and economic research. The Group control and support functions include business and customer services, marketing, risk, compliance, audit, finance, legal, human resources and corporate affairs.

Within the above segments, AIB has migrated the management of the vast majority of its non-performing exposures to the Financial Solutions Group (the "FSG"), AIB's standalone dedicated workout unit which supports personal and business customers in financial difficulty, leveraging on FSG's well-resourced operational capacity, workout expertise and skillset. FSG has developed a comprehensive suite of sustainable solutions for customers in financial difficulty. AIB is moving into the mature stage of managing customers in difficulty and non-performing exposures portfolios.

AIB's profit before taxation from continuing operations was €1,247 million, €1,306 million and €1,682 million for the years ended 31 December 2018, 2017 and 2016, respectively. As at 31 December 2018, AIB had total assets of €91.5 billion and equity of €13.9 billion.

History

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

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

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

AIB Bank's ordinary shares were delisted from both the Main Securities Market of the Irish Stock Exchange and the UK Official List and were subsequently admitted to the Enterprise Securities Market of the Irish Stock Exchange ("ESM") in January 2011. Also in 2011, AIB's American Depositary Shares were delisted and ceased to be traded on the New York Stock Exchange.

During 2012, AIB made significant progress in restructuring its balance sheet and also introduced a series of cost reduction programmes, including a voluntary severance scheme and an early retirement scheme. For the year ended 31 December 2014, AIB announced a pre-tax profit of €1,111 million, its first annual profit since 2008. AIB has since continued its positive momentum and in December 2015 met all of the medium-term targets it had set in December 2012.

Initial Public Offering

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

Scheme of Arrangement

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

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

Key Strengths

Management believe that AIB has the following key strengths.

Leading bank in a fast-growing European economy with attractive banking dynamics

AIB is the leading retail bank in Ireland, holding leading market shares in primary current accounts, personal, mortgage and business lending based on its market share across key products, according to Ipsos MRBI AIB Personal Financial Tracker Q4 2018 and Ipsos MRBI AIB SME Financial Services Monitor, February 2019. Moreover, it holds a disproportionately large share of the youth demographic which is expected to drive credit market growth over the medium-term.

The Irish economy has been one of the fastest growing Eurozone economies in each of the past three years. Despite uncertainties as to the potential impact of Brexit, the Irish economy is expected to continue to grow at attractive rates over the next several years, with the Irish Department of Finance forecasting real GDP growth of 4.2 per cent. in 2019, 3.6 per cent. in 2020 and 2.5 per cent. growth in 2021 (Source: DoF Budget 2019).

This compares to expected Eurozone average annual GDP growth of 1.1 per cent. in 2019, 1.6 per cent. in 2020 and 1.5 per cent. in 2021 (Source: ECB Staff Macroeconomic Projections – March 2019).

Irish employment, wages and consumer confidence have risen significantly in the post-financial crisis period, which has resulted in growth in new personal, mortgage and business lending, and the gradual recovery of performing credit market stock after a sustained period of deleveraging. Household indebtedness levels have fallen, with the household debt to disposable income ratio standing at 125.8 in the third quarter of 2018 compared with a peak of 212.5 for the third quarter of 2011 (Source: Central Bank of Ireland – Quarterly Financial Accounts Q3 2018). There is continuing strong evidence of significant pent-up demand for housing, with the associated rate of recovery in mortgage lending rising in line with the availability of supply, which has positive momentum. As in the personal lending market, new business lending has also been increasing post-financial crisis although credit stock levels have been slower to recover reflecting non-performing exposure deleveraging as well as Brexit-related uncertainty.

Re-engineered, simplified, digitally enabled business model with "Customer first" strategy driving the commercial agenda

AIB has re-engineered its business model to focus on a "Customer first" strategy based on understanding customer needs and meeting these needs through simple and innovative products delivered through its omni-channel distribution network. AIB has invested significantly as part of its three-year €870 million investment programme, which completed in 2017, in order to achieve these aims. The programme included investments in a resilient and agile technology platform, customer and data analytics and strategic initiatives to improve the customer experience. Enhanced customer experiences are reflected in strong improvements in both personal and SME customer relationship and transactional net promoter score ("NPS") scores, with particularly strong performance registered in journeys such as personal loans where there has been end-to-end digitisation.

Innovating to achieve better customer outcomes is an area of continued focus for AIB. In December 2016, AIB launched Android Pay followed by Apple Pay in July 2017 and Fitbit Pay in December 2018, which offer personal and business customers the latest technology in payments via their mobile phones. Android Pay, since rebranded as Google Pay in 2018, Apple Pay and Fitbit Pay are part of AIB's digital enablement strategy and are intended to make banking more convenient and secure for AIB's customers. AIB is committed to making continuous improvements to its digital platforms, with the customer's mortgage journey and business banking a particular focus.

AIB's focus on its people has also led to higher levels of engagement across AIB's employee base, based on surveys conducted in 2018, which management believe in turn leads to better engagement with customers, from in-person interactions at branches to customer service calls at AIB's contact centres.

Strong risk management framework resulting in improved asset quality and a reduction in non-performing exposures

In the aftermath of the global financial crisis, AIB's risk function was significantly reorganised and enhanced through a formal Risk Enhancement Programme. As part of the programme, a revised risk appetite and risk management approach have been fully embedded in AIB. The risk appetite framework has been significantly strengthened, with the Board leading the determination of AIB's risk appetite, an extensive suite of qualitative and quantitative risk appetite statement ("RAS") metrics across material risks, and monthly monitoring and reporting of the risk profile against AIB's risk appetite. Senior management's objectives are tied explicitly to the RAS. In addition, AIB has introduced a controlled delegation of credit approval authorities and enhanced reporting to the Board and senior management.

AIB's focus on reducing non-performing exposures and its strong arrears management capabilities, along with the positive effect of the momentum of the Irish economy, have helped it to achieve a significant reduction in non-performing exposures, with gross non-performing exposures decreasing from €18.0 billion as at 31 December 2015 to €6.1 billion as at 31 December 2018. This has also contributed to net credit provision writebacks of €204 million, €113 million and €294 million in 2018, 2017 and 2016, respectively.

Stable funding model and significant capital generation, delivering robust capital ratios

AIB has a strong funding profile, with a low cost of funding, stable current accounts and deposit base, the ability to access funding in the wholesale market and strong capital and liquidity ratios.

Its average cost of funds has been declining, from 126 basis points in 2015 (excluding the ELG Scheme charge) to 51 basis points in 2018 due to a number of factors, including the redemption of the CCNs in 2016 and changes in the funding mix, with the maturity of higher-yielding debt securities and the roll-off of deposits at higher rates. AIB's most significant source of funding continues to be customer accounts, which accounted for 76 per cent. of its funding base as at 31 December 2018.

It has a strong and stable loan to deposit ratio, which was 90 per cent. as at 31 December 2018. This has provided AIB with the capacity to meet increased demand for lending. In the wholesale market, AIB has successfully completed covered bond and senior unsecured issuances at favourable pricing. AIB's funding and liquidity ratios are comfortably above requirements with the LCR at 128 per cent. and the NSFR at 125 per cent. as at 31 December 2018.

Following notification from the SRB, the Group established AIB Group plc as its holding company in 2017. Subsequently, the Group received its MREL target of 28.04 per cent. resulting in a MREL debt issuance requirement of approximately €4 billion, representing the mid-point of the expected €3 billion to €5 billion range. In 2018, AIB Group plc successfully completed its first three senior unsecured bond issuances on the path to meeting the MREL target. In March 2018, the first issuance of €500 million for a 5-year term garnered significant interest from the market. The second issuance of €500 million in June was for a longer 7-year term and was successfully executed during more challenging external market conditions. The third issuance, a 5-year U.S.$750 million bond, was well received by U.S. investors in October 2018.

AIB Group plc's long-term debt is considered investment grade following rating agency action in 2018. Moody's initially assigned AIB Group plc a rating of Ba2 with a positive outlook in March 2018. In July 2018, they upgraded AIB Group plc by two notches to Baa3 (investment grade), remaining on positive outlook reflecting its MREL execution ability and significant improvement in asset quality. S&P initially assigned AIB Group plc a rating of BB+ with a positive outlook in March 2018 and reaffirmed this in July 2018. In December 2018, post the Banking Industry Country Risk Assessment review, S&P upgraded AIB Group plc one notch to BBB- (investment grade). Fitch initially assigned AIB Group plc a rating of BBB- (investment grade) with a positive outlook in March 2018. In November 2018, Fitch reaffirmed the rating.

AIB has a robust capital structure, with a fully loaded CET1 ratio of 17.5 per cent. as at 31 December 2018, compared to 13.0 per cent. as at 31 December 2015. The increase in AIB's capital ratios has been driven by organic capital generation underpinned by a return to profitability. AIB's fully loaded capital ratios (including the UK CCyB) are significantly above the transitional minimum requirements effective from the end of 2018 of 9.725 per cent. for the CET1 ratio (rising to 11.550 per cent. in 2019) and 13.225 per cent. for the total capital ratio (rising to 15.050 per cent. in 2019). This requirement excludes Pillar 2 guidance that is not publicly disclosed. AIB's increasing capital levels are supportive of its aim to grow lending volumes and provide potential for future distributions to shareholders.

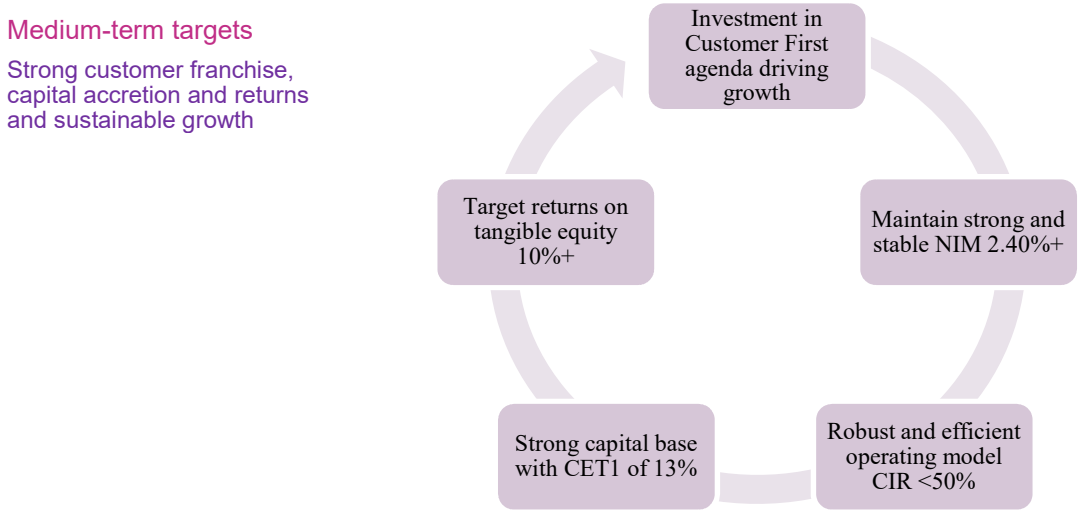
Sustainable financial performance underpinning strong momentum to achieve attractive returns and capital return to shareholders

On 5 March 2015, AIB announced a pre-tax profit of €1,111 million for the year ended 31 December 2014, its first annual profit since 2008. AIB has since continued its positive momentum, achieving a pre-tax profit of €1,247 million, €1,306 million and €1,682 million for the years ended 31 December 2018, 2017 and 2016, respectively. AIB's net interest margin increased from 2.23 per cent. in 2016 to 2.47 per cent. in 2018. It has

also maintained its cost/income ratio with this standing at 53 per cent. for the year ended 31 December 2018 compared to 52 per cent. for the year ended 31 December 2016.

AIB's strong financial position and stable capital base, which is comfortably above minimum regulatory requirements, give AIB the ability to support its customers, grow its business and reward its shareholders. A dividend of €250 million on AIB Bank shares for the financial year ended 31 December 2016 was paid in 2017, a dividend of €326 million for the financial year ended 31 December 2017 was paid in 2018, and a dividend of €461 million for the financial year ended 31 December 2018 was proposed by the Board and will be voted on by shareholders at the 2019 AIB Group plc annual group meeting. To date, including this dividend, AIB has returned approximately €10.8 billion in capital, fees, dividends, coupons and levies to the State.

Management believe that AIB is well positioned to continue to achieve a strong return on tangible equity (as defined in "*Presentation of Information—Alternative Performance Measures*") and to return capital to shareholders, having set the medium-term targets below.



Management believe that AIB's achievement of the above medium-term targets will be underpinned by a sustainable net interest margin, which, along with improvements in AIB's cost/income ratio and a normalisation of the credit cycle, is expected to underpin its achievement of the above return on tangible equity target as well as strong organic capital generation. Given the expected capital generation and current robust capital ratios, Management expect to maintain a strong capital base with CET1 of at least 13 per cent. while returning capital to shareholders.

Experienced and proven senior management

AIB has an experienced and proven senior management team, with a broad range of complementary experience, as set out in "*Management*", and a clear strategy in relation to the future of AIB. AIB's most senior executive committee (the "Executive Committee") is led by the CEO and comprises senior executives who establish the business strategy, managing the associated risks of that strategy and AIB's risk appetite, within which the business operates.

Many members of senior management joined AIB following the global financial crisis, including CEO, Colin Hunt, who joined AIB in 2016 as the Managing Director of Wholesale & Institutional Banking and became its CEO in March 2019, and Donal Galvin, who joined AIB in 2013 as Group Treasurer and became its CFO in March 2019. A core strength of the Executive Committee is the diversity of its experience, with several members having significant non-banking experience, including the Chief People Officer and Managing Director, Homes.

Individuals who have progressed to the Executive Committee during their careers with AIB have overseen the successful turnaround of AIB's business over the past several years, which was accomplished notwithstanding the challenges posed by compensation constraints, a rapidly changing regulatory environment and volatility in the political and economic environment globally.

Strategy

AIB's strategic ambition is focused on leveraging its significant investment in the business and the technology it has deployed in order to meet evolving customer needs and deliver an exceptional customer experience. AIB capitalises on its domestic franchise strengths and growth opportunities to deliver sustainable returns within a balanced, transparent and controlled risk framework.

AIB's strategic framework is set out below:

Four Pillars

Customer first

AIB is focused on leveraging its omni-channel distribution network to offer its customers simple and innovative products and services. AIB's local markets approach forms a key part of that strategy, and Management believe the completion of the four-year branch refresh programme, together with its enhanced analytical capabilities allows AIB to differentiate itself in the areas of retail excellence and sales effectiveness.

In order to successfully embed a customer first culture, AIB continuously strives to apply the customer lens to all phases of new product development, aiming to maintain its position at the heart of customers' financial lives.

Equally, customer relationship and transaction NPS is measured quarterly.

AIB's Customer First pillar also includes a focus on the pricing of its products – exemplified in the pricing of standard variable rate mortgages and a policy of not distinguishing between front and back-book rates.

In 2016 and 2017, AIB has continued to share the reduction in its funding costs by reducing SVRs for AIB Bank, AIB Mortgage Bank, EBS, EBS Mortgage Finance and Haven mortgage customers.

This resulted in an overall cut of up to 100 basis points in SVRs for those customers since late 2014, and a further cut of 25 basis points in September 2017 for AIB Bank and AIB Mortgage Bank customers and in

October 2017 for Haven customers. Overall, AIB utilises a multi-proposition approach to the mortgage market offering customer choice and competitive pricing.

AIB has improved its complaint-handling policies and processes by using the Customer First approach. The complaints team successfully completed a pilot programme where complex complaints were handled by one small central team. This focussed team has more than halved the average time to resolve a complex complaint. AIB looks at complaints from a customer perspective and is developing root cause analysis capability to deal with the underlying issues and reduce the number of complaints.

Simple & Efficient

The simple & efficient pillar involves the simplification of AIB's business, focusing efforts in areas that will have the greatest impact on improving customer experience, operating model efficiency and risk management.

A key focus of the simple & efficient pillar has been investment in a resilient and agile technology platform.

In 2014, AIB assessed its technology estate, identifying key replacement programmes, including replacement of its treasury, retail payments engine and internet business banking platform. A lower risk, modular approach to renew, replace and sustain the entire IT architecture was employed over the three-year €870 million investment programme from 2015-2017. AIB enhanced its capability and agility by entering into strategic partnerships with IT service providers and has developed capabilities to leverage its relationship with these partners to improve efficiency. After this significant programme and investment in digital transformation, AIB has transitioned to a modernised technology architecture.

Another key element of the simple and efficient pillar is "making processes simple" to deliver better experiences to customers and more efficient processes to AIB. To achieve this, AIB has established a customer-led design approach which has entailed significant customer journey research aimed at identifying customer needs, which informs the investments AIB needs to make in order to address those needs.

AIB has also made investments in data and customer analytics, which it views as central to the delivery of customer experience in a digitally enabled bank. AIB has built capability to capture all interactions across all channels in order to provide a better customer experience.

Additionally, significant investments have been made in business process management, scanning, remote working capability and other productivity tools to drive internal efficiencies.

AIB continues to invest in its technology with ongoing annual investment of approximately €225 million from 2019.

Risk & Capital

AIB has developed an effective and dynamic RAS that informs its business strategy and approach to risk taking. AIB balances robust risk governance embedded across all functions with a risk appetite that is fully aligned with its ambition. AIB has taken the key lessons learned during the global financial crisis and used them to transform its credit risk culture, philosophy and operating model.

In the context of its ICAAP, AIB aims to allocate capital consistently across the organisation to optimise sustainable risk-adjusted returns. AIB has also taken steps to ensure that individual lending, pricing and investment decisions are taken based on consistent AIB group-wide standards and models. A key initiative in the area of risk management is AIB's use of the risk-adjusted return on capital ("RAROC") measure, which is used in new lending decisions.

Talent & Culture

AIB aims to foster a vibrant, risk aware, diverse and progressive culture across the organisation that consistently puts the customer first while attracting and retaining the best talent. It is also focused on ensuring that its

workforce is highly engaged, inspired and talented in order to deliver an exceptional customer experience. AIB aims to ensure that the right people are in the right roles, including through effective capability assessments and an emphasis on expertise and experience.

A comprehensive system of performance management is in place across the bank, with indicators such as high performer attrition, gender diversity and intra-organisational mobility systematically monitored. Additionally, AIB partners with Gallup to conduct iConnect, an employee engagement survey using a standard set of 12 questions that employees answer annually on a scale of one to five. AIB's iConnect employee engagement ranking increased from the fifth percentile of the worldwide Gallup database in 2013 to the 72nd in 2018. Management believe that the improvements in employee engagement have played, and will continue to play, a key role in AIB's growth.

AIB is committed to seeking to better align the reward of the senior management team with the objectives of creating long-term sustainable value for customers and shareholders, simultaneously safeguarding AIB's capital, liquidity and risk positions. AIB will ensure that any strategy is in full compliance with current EBA protocols and is aligned with investor appetite.

AIB's Business

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

Since 1 January 2017, AIB has been managed through the following business segments: RCB, WIB, AIB UK and Group Segment. Beginning in 2019, AIB operates through three vertical business units: Business, Homes and Consumer.

Retail & Commercial Banking (RCB)

RCB is the leading provider of financial products and services to personal and business customers in Ireland based on market share across key products. RCB has approximately 2.4 million personal and SME customers. Its key business lines include: mortgages; consumer lending; SME lending; asset-backed lending; wealth management; daily banking; and general insurance. Retail banking services are offered through three brands, AIB, EBS and Haven, while commercial banking services are offered though the AIB brand. The three core markets in which RCB operates are mortgages, business banking and personal banking, as discussed below:

Mortgages

AIB is the number one mortgage provider, based on 2018 BPFI monthly published mortgage data, in a growing market enabled via AIB's multi-brand strategy, including EBS and Haven. The multi-brand strategy offers customers choice, value and fairness. The AIB brand offer focuses on long term value via the lowest standard variable rate (SVR) in the market. AIB has applied five consecutive SVR reductions since 2014, benefitting both new and existing customers. Another advantage in the market place is AIB's leading market share for personal customers aged under 35 (Source: Ipsos MRBI Personal Financial Tracker Q4 2018), providing opportunities to meet the demand for home ownership from existing AIB customers. EBS is a challenger brand, focusing on competitive low fixed rate mortgage products. In addition to this offer, new EBS mortgage customers obtain a back in cash offer. This equates to 2 per cent. of the mortgage as cash back to the mortgage holders upon drawdown. The Haven brand within the multi-brand strategy is targeted at the intermediary/broker market. This offering includes competitive low variable mortgage rates and appeals to customers who value the

broker channel when seeking a mortgage. AIB has focused on automation to improve customer experience, reduce turnaround times and increase efficiency.

AIB has also invested in a digital origination proposition which delivers channel flexibility for customers and supports the Group's existing distribution networks. AIB continues to invest in its mortgage journey to deliver an optimal customer experience.

Business Banking

Offering a full suite of products and services, AIB combines a sector led strategy with local market expertise to deliver number one market share position across key SME banking products, including main business loans, main business current accounts and main leasing agreements based on number of products held (Source: Ipsos MRBI AIB SME Financial Services Monitor, February 2019). Products and services are delivered to personal customers via distribution channels including the Local Market Network and Direct Banking. AIB recognises that supporting its SME customers requires a detailed understanding of the challenges and opportunities facing specific sectors within the market and the businesses which operate within those sectors. AIB has a sectoral-led team comprising experts who previously worked in the relevant sectors, which include retail, exports, agriculture and technology. These experts support staff in dealing with customers and potential transactions within these sectors. In addition, AIB offers "Outlook Reports", providing sector specific insights and trends to assist SME's in their business planning. AIB is also focused on providing asset-based lending to its SME/business customers, with a dedicated specialist Asset Finance Sales team working with AIB's Local Market Network.

To support SME customers, AIB has a commitment to a decision within 48 hours on all SME credit up to €60,000. AIB also provides end to end online SME loans and overdrafts to sole traders.

Through AIB Merchant Services, in partnership with First Data, AIB offers the largest merchant acquiring platform in the market.

AIB continues to provide a range of initiatives to support customers through the challenge of Brexit, including; 26 Brexit Advisors across the country to support our business customers with the decisions and challenges that Brexit presents, the quarterly AIB Brexit Sentiment Index to provide insights to SMEs (in Ireland and Northern Ireland) on the impact of Brexit and associated sentiment, and AIB Brexit readiness seminars across the country to bring practical and useful tools and resources to SMEs. In addition to the above initiatives, AIB has committed to providing a fund of €122 million as part of the Strategic Banking Corporation of Ireland (SBCI) 2018 Brexit Loan Guarantee Scheme. This scheme is open to eligible businesses with up to 499 employees and provides flexible and affordable capital financing to SMEs that may be impacted by Brexit. AIB's latest support to business customers is the AIB Brexit Ready Check. This interactive online questionnaire allows customers to check if their business is Brexit ready in less than 5 minutes and on completion, the customer receives a tailored report of areas for them to consider in preparing for Brexit.

In 2018, AIB completed its first Women in Enterprise Programme launched to support female business owners by providing financial support, mentoring masterclasses and enterprise growth academies.

Personal Banking

AIB is the leading bank by market share position across key personal banking products including current accounts and personal loans (excluding car loans) based on number of products held (Source: Ipsos MRBI Personal Financial Tracker Q4 2018). This is achieved via digital innovation and relationship management expertise. AIB offers a full suite of services including daily banking, consumer credit, wealth management, savings and investments and general insurance. Products and services are delivered to personal customers via distribution channels including the Local Market Network and Direct Banking (phone, internet, mobile and tablet banking).

As a result of AIB's youth and personal market offerings, AIB has an advantage by market share for personal customers aged under 35 (Source: Ipsos MRBI Personal Financial Tracker Q4 2018). AIB is also the number one card issuer in the market. Investing in digital innovation has resulted in over 60 per cent. of key products purchased online in 2018. Over 70 per cent. of personal loans were applied for online (excludes loan applications originating from Intermediary channel and loan applications from FSG customers).

AIB continues to reward loyalty via the AIB Everyday Rewards programme, offering customers cash back on a range of different purchases with selected retail partners. Since launching in 2017, over 230,000 customers have registered for the programme. In 2018, approximately €1.5 million has been rewarded in cash back savings to customers.

In June 2018, AIB launched new to bank account opening capability via the AIB mobile app. This unique capability means that new customers can now open an AIB account in minutes via their smartphone, resulting in a seamless on-boarding experience. This initiative extends AIB's leading digital technology from existing customers to new customers.

AIB also has dedicated wealth management services that deliver wealth propositions to AIB's customers. These propositions are tailored to the needs of specific customer segments, including a private banking offering for high net worth clients.

Distribution Channels

Branch network and physical distribution

In conjunction with its digital channels, AIB continues to maintain the largest physical distribution network in Ireland, based on management information and publicly available information from competitor banks. AIB operates in 295 locations (including 206 AIB branches, 70 EBS offices and 19 business centres). AIB's branch network is designed to ensure accountability, provide local expertise and increased market responsiveness. The goal of AIB's branch network is to be the best bank in the community. In addition to the 295 locations, AIB has a strategic partnership with the An Post network of approximately 1,000 locations nationwide. This partnership allows AIB customers to carry out daily transactions through post offices, such as lodgements, withdrawals, bill payment etc. AIB also offers 967 ATMs nationwide, offering customers a range of services.

As part of a four year investment programme which concluded in 2017, AIB branches underwent a refurbishment programme, including the implementation of new technology to allow for increased customer interaction as well as higher efficiency. As at end December 2018, there are 415 Cash and Cheque Lodgement (CCL) devices available through the branch network, allowing customers to deposit cash and cheques amongst other services. This has contributed to a large migration of transactions from over the counter to self-service devices.

Direct Banking

AIB's direct channels include telephone, internet, mobile and tablet banking, offering a wide range of products and services to personal and business banking customers. The Direct Banking phone team operate from two locations with the service including direct relationship management for personal and SME customers.

AIB has over 1.38 million active digital customers and over 60 per cent. of key products sold via digital channels. In particular, investment in mobile banking has witnessed significant growth of both customer adoption and levels of engagement. As at December 2018, over 940,000 customers are active on the AIB mobile app. Recent capability enhancements to AIB Mobile banking include: Touch ID, enabling customers to log in to the app by using their fingerprint, Face ID login, Quick Balance, enabling customers to view multiple account balances without the need to login, Mobile Open Payments up to €1,000 to a new third party within the mobile app, without the need for any additional overt security, including the card reader amongst others. In terms of

products, customers can now open the following products: personal current accounts (including new to bank), personal loans, credit cards, overdrafts and savings/deposits accounts – on the AIB mobile app.

AIB launched Voice ID (voice biometrics) in October 2018, becoming the first Irish bank to launch this innovative technology which has proven popular across a number of other markets. Customers can opt-in to use their voice to quickly and securely identify themselves when they call AIB, offering a more seamless process and enhanced customer experience.

AIB also launched Ireland's first industry-standard open application programming interfaces ("APIs") that allows trusted third parties to interface with the AIB platform to offer services to customers. Open APIs are a way to allow trusted third parties to access customer's financial data, should the customer choose so, to offer new banking services directly, meaning innovative new solutions can be developed by external partners. AIB's API channel will increase the agility and speed with which we can deliver greater digital customer experiences.

iBB is an online service for AIB's business and corporate customers. These customers can access services such as payroll and supplier payments, multi-user access, higher value transactions and enhanced audit trails.

AIB also provides Google Pay, Apple Pay and in December 2018, AIB also launched Fitbit Pay. These offerings provide customers with the latest technology in payments via their mobile phones and further add to AIB's leading digital wallet capability.

EBS

EBS is a wholly owned subsidiary of AIB. AIB operates EBS as a standalone challenger brand with its own distribution network of tied branch agents with an incentive-based model. EBS operates in Ireland and has a nationwide network of 70 offices and a direct telephone-based distribution division, EBS Direct. EBS primarily offers mortgages, although it also offers insurance, savings and investments, financial planning and current accounts. As part of its more targeted offerings to new customers, EBS features its "mortgage masters" proposition, showcasing the specialism and expertise of EBS agents.

Haven

AIB also distributes mortgages through Haven, an indirect wholly owned subsidiary of AIB, to independent mortgage intermediaries. AIB employs a selective approach to establishing and operating its mortgage intermediary panel in order to maintain the high quality of its intermediary relationships and customer service, and employs a team of experienced business development managers to manage its relationships with mortgage intermediaries. In particular, the Haven brand exclusively distributes AIB mortgages through intermediaries.

Products and Services

Mortgages

AIB offers a range of mortgage products across the different categories of mortgage customers, including first time buyers, movers, switchers and top ups, as well as buy-to-let mortgages. The product range includes variable and fixed rate products, as well as split rates, which gives customers the option of dividing their borrowings between fixed and variable rates. Existing AIB tracker mortgage customers that are selling their existing home can also apply for a tracker retention mortgage product. AIB offers top up mortgages for expenditure on mortgaged properties.

Finance and loans

AIB offers personal loans including loans for specified purposes, such as car loans, home improvement loans, wedding loans, travel loans and education loans. Existing customers of AIB who bank online can apply for personal loans for one to five years for amounts between €1,000 and €30,000. AIB aims to provide decisions on personal loans within three business hours and, once the decision is made, the amount is immediately

disbursed to the customer's account. New customers, customers who do not bank online or customers who want to apply for a loan in excess of €30,000 need to visit an AIB branch to apply for the loan.

AIB has a further range of finance offerings for its business customers, including business loans, business overdrafts, start-up loans, asset finance, invoice discounting, prompt pay (which permits borrowers to spread the cost of one-off payments over a longer period), insurance premium finance and farmer/business credit lines.

Credit cards

AIB offers a range of credit cards, including AIB Click Visa Card, "be" Visa Card, and the Platinum Visa Card which provides a free and exclusive cashback loyalty programme. AIB also offers the AIB Student MasterCard. The minimum required salary for the AIB Click Visa Card and the "be" Visa Card is €16,000 and for the Platinum Visa Card is €40,000. The Click Visa Card is only offered online. AIB also offers Visa business credit cards that are tailored to the needs of its business customers, including premier and executive Visa corporate credit cards.

Current accounts

AIB offers a range of current accounts, including its standard AIB Personal Current Account, the AIB Student Account, AIB Student Plus Account, AIB Graduate Account, AIB Advantage Account and AIB Basic Bank Account, as well as a range of business current accounts, including accounts in foreign currencies. AIB also offers AIB debit cards alongside its current accounts.

Insurance

AIB has developed strategic partnerships with a range of providers to offer general insurance and life insurance offerings to customers.

On the general insurance side, AIB offers personal customers home insurance and car insurance in partnership with AXA and travel insurance in partnership with Chubb Insurance. EBS offers personal customers home insurance in partnership with Allianz. AIB's home insurance policies cover main residence, investment or rental properties, holiday homes and homes under construction. AIB also offers buildings and contents insurance.

On the life insurance side, AIB and EBS offer life insurance, mortgage protection, income protection and illness cover through a relationship with Irish Life pursuant to a distribution agreement. In addition, AIB offers inheritance tax planning products, business protection and succession planning services to business customers. AIB does not carry the risk associated with the insurance products on its statement of financial position given the receipt of profit share and commission structure contained in the distribution agreement.

Savings and investing

AIB offers a range of savings accounts, including online saver products, demand/regular saver products, fixed term products, junior saver/student saver products and deposits in foreign currencies to its personal customers.

AIB offers pensions products through a relationship with Irish Life pursuant to a distribution agreement. AIB offers all of its personal customers a free personalised financial review with a financial adviser to help them to plan for future financial goals such as retirement or children's education.

AIB offers its business customers deposit accounts, including demand and fixed accounts, as well as foreign currency deposits; investments; and retirement and pensions products, including group pension schemes. All life and pension products are offered through AIB's relationship with Irish Life pursuant to a distribution agreement through specialist advisers within AIB's local markets and direct channels. AIB also offers high net worth customers an open architecture bespoke investment offering through a private banking channel.

Merchant services

AIB Merchant Services accepts and processes debit and credit card payments through a joint venture with First Data and is Ireland's largest provider of card acceptance services. AIB Merchant Services enables customers to accept credit and debit card payments in-store, over the phone or online in multiple currencies. AIB Merchant Services also offers Clover, a next generation electronic point of sale solution that replaces the standard card payments terminal with a smart touchscreen and comes with a wide range of apps that enable businesses to handle anything from gift cards and loyalty schemes to employee management and inventory tracking.

Payments

AIB offers a range of electronic payment services for its business customers, including direct debit originator, Single European Payments Area ("**SEPA**") direct debit originator, funds transfer, same day value and standing orders.

Wholesale, Institutional & Corporate Banking (WIB)

WIB serves AIB's larger customers and customers requiring specific sector or product expertise. AIB's vision is to be the wholesale bank of choice serving multiple industry sectors through the provision of an integrated suite of products, services and technology and supported by superior customer service with a focus on revenue growth and diversity.

WIB has pursued a lending model which is aimed at ensuring that learnings from past economic cycles are consistently applied. It is focused on a selective and risk-aware approach to new business origination using sector experts and multi-disciplinary teams.

Within WIB, experienced sector teams work closely with customers to structure bespoke financing solutions using a range of financing options from senior debt through to mezzanine finance and in certain instances, debt capital markets issuances or equity investments.

Distribution Channels

WIB operates a relationship management model with the objective of developing a deep and comprehensive understanding of its customers and their sectors and markets, enabling AIB to identify opportunities to meet a broader range of customer financial needs. WIB provides a full suite of products and services across Ireland and selected products in the United Kingdom and United States. Staff are based in Dublin, London and New York. The UK activities include providing mezzanine and uni-tranche financing. The U.S. Syndicated & International Finance team participate in public market loan syndications, while the smaller New York Branch comprises a treasury function and a corporate loan portfolio.

Sector and Product Teams

To best support customer needs and provide the necessary product and service expertise, WIB's business is organised into three sector-focused teams (Corporate Banking, Real Estate Finance and the Energy, Climate Change & Infrastructure Unit) and three product teams (Syndicated & International Finance, Specialised Finance and Corporate Finance), which are described below.

Corporate Banking

Corporate Banking is the cornerstone of the WIB customer franchise. It is primarily focused on domestic corporate customers with a senior debt requirement of at least €10 million. Corporate Banking teams provide senior debt and core banking products to a diversified portfolio of domestic companies. Within the corporate banking market, AIB targets a broad range of sectors, including hotels and leisure, food and agriculture, healthcare and student accommodation. Foreign direct investment is also an important segment of the corporate banking market for AIB.

AIB's customer relationship management teams are divided into specialist sector teams which work closely with its customers to gain a deep understanding of their banking requirements. AIB's Corporate Banking relationship management teams directly manage the end-to-end delivery of traditional credit facilities and leverage the expertise of the other customer facing units within WIB (e.g., foreign exchange and mezzanine financing) and RCB (e.g., transactional banking and leasing), to provide the full range of solutions to AIB's corporate customers.

Corporate Banking's customer base is segmented with a differentiated service approach, with a mix of core institutional and portfolio corporate customers.

In addition to its relationship management teams, Corporate Banking has a dedicated new business team that targets customers to which AIB does not currently provide banking services. Once an opportunity has been identified and the customer's needs are understood, the prospective customer is transferred to the relevant relationship management team.

Real Estate Finance

AIB's Real Estate Finance team provides finance for commercial property investment and for property development and construction to domestic and international property investors. AIB's multi-disciplinary team, which comprises property lenders, chartered surveyors and engineers, has deep knowledge in providing finance to this specialist asset class. AIB has a strong customer relationship model, adding value through its expertise, dependability and professionalism. From an origination perspective, the Real Estate Finance team is primarily focussed on commercial real estate investors with senior debt requirements of greater than €10 million and land and development customers with senior debt requirements of greater than €1 million.

Energy, Climate Change & Infrastructure

In 2017, AIB introduced a new centre of expertise providing integrated capital solutions with a focus on renewable energy. Management believe that this sector is both commercially and strategically important, given Ireland's 2020 and beyond sustainability targets and the growth potential of renewable energy.

Syndicated & International Finance

The Syndicated & International Finance team participates in public U.S. and European loan markets to provide senior secured debt to large and selected mid-capitalisation corporates. It also has a team based in the United States with Dublin-based governance. The team takes a highly selective approach to lending and has strong risk-adjusted returns from a well-diversified portfolio.

Specialised Finance

The Specialised Finance team's activities include mezzanine finance, structured finance and equity investments. AIB has a dedicated mezzanine team, enabling it to fulfil SME and corporate customers' subordinated finance requirements. AIB also specialises in providing bespoke structured finance solutions to its corporate customers and structured finance to support institutional clients' portfolio financing requirements.

AIB is a significant seed, venture and growth capital fund investor in the Irish marketplace with commitments totalling €170 million to 14 active funds as at 30 June 2018. These funds have a combined fund size of approximately €1 billion, a large part of which is providing equity finance to Irish SMEs with high growth potential particularly across the technology, fintech and life sciences sectors. AIB also has the ability to deploy equity on a selective basis to Irish SMEs to help support the Irish economy and generate a commercial return for AIB.

Corporate Finance

The Corporate Finance team is a long-standing Irish corporate finance adviser with a proven track record of advising on mergers and acquisitions transactions in the Irish market. AIB offers a wide range of services,

including advice in relation to disposals, acquisitions, fundraisings, management buy-outs and strategic shareholder advice. AIB has in-depth experience on complex private and public transactions and an internationally experienced team of professionals with a strong understanding of the underlying market dynamics in Ireland, which enables it to deliver significant value for clients. It is focused on the core SME/mid-capitalisation Irish corporate customer base.

Products and Services

WIB directly manages the end-to-end delivery of traditional credit facilities and provides the following range of solutions to AIB's corporate and institutional customers. WIB continuously reviews and adapts its product offering to ensure that evolving customer needs are met.

- *Senior and subordinated term debt* – a range of bespoke debt solutions for corporate customers both directly and through syndicated deals.
- *Revolving credit facilities* – revolving credit facilities for corporate and institutional customers.
- *Equity investments* – equity investments provided either directly or through third-party funds.
- *Advisory* – advisory services for disposals, acquisitions, fundraisings, management buy-outs and strategic shareholder advice.
- *Foreign exchange services and interest rate risk management* – a range of products to help protect customers from adverse interest rate and foreign exchange rate movements, including interest rate swaps, spot foreign exchange, forward foreign exchange contracts, foreign exchange options, foreign exchange orders and foreign currency accounts.
- *Trade finance* – trade finance products to help customers manage the risks associated with international trade, including letters of credit and documentary collections as well as a range of guarantees such as bid/tender guarantees, performance guarantees and advance payment guarantees.
- *Cash management* – a complete payment solution for companies trading internationally and domestically. The service includes the provision of a range of currency accounts to support efficient and streamlined payments and collections, a file upload service for supplier payments in euro and other currencies, processing of SEPA direct debits and reconciliation reports as well as the ability to deliver bank account information abroad.
- *Invoice discounting* – a solution for customers' working capital needs, providing a confidential debt financing facility, which may also be used to fund transactions such as mergers, acquisitions, management buy-outs, management buy-ins and capital expenditure programmes.
- *Economic research* – financial research in the foreign exchange and fixed income markets, as well as research on Irish and international economics.

AIB UK

AIB UK comprises two distinct trading brands operating in two distinct markets with different economies and operating environments: (i) Allied Irish Bank (GB) which offers full banking services to predominantly business customers across Great Britain, and (ii) First Trust Bank, which offers full banking services to business and personal customers across Northern Ireland. Both brands are supported by a single operations function. AIB UK has almost 306,000 retail, corporate and business customers across Great Britain and Northern Ireland, and over 123,000 active digital customers. In addition, AIB UK has units in Belfast, Birmingham and London dedicated to managing customers experiencing financial difficulty, as described below under "*—Customers in Financial Difficulty*".

AIB UK is a bank registered in the United Kingdom and regulated by the FCA and the PRA. Although it is subject to a separate regulatory regime and has its own governance, AIB UK is closely aligned to AIB Bank in order to achieve the most efficient operating model.

AIB UK underwent significant changes in 2017 with the implementation of the OneUK transformation programme. This programme involved material changes to AIB UK's distribution and support platform, investing in a new sustainable business model that, based on changing customer demands, should enable AIB UK to continue to grow its business and compete successfully in its principal markets.

AIB UK's markets

Great Britain

AIB's operations in Great Britain are conducted under the Allied Irish Bank (GB) trading name.

Allied Irish Bank (GB) is an established commercial and corporate bank, supporting businesses in Great Britain for over 40 years. It operates out of 14 locations in key cities across Great Britain, providing a full clearing and day-to-day transactional banking service to customers.

Allied Irish Bank (GB)'s strategy is to be a specialist commercial and corporate bank, with recognised expertise in particular sectors and markets, targeting mid-tier corporates and larger SMEs in local geographies who value a high-touch relationship model. Dedicated relationship management teams work closely with customers to establish and find solutions to their banking needs.

Allied Irish Bank (GB) offers a full range of banking services, including lending, treasury, trade finance facilities, asset finance, invoice discounting and day-to-day transactional banking. In addition, Allied Irish Bank (GB) has a committed focus on British-Irish trade, meeting the needs of companies in Ireland and the United Kingdom who are operating, or want to set up operations, in either jurisdiction.

Allied Irish Bank (GB) has less than 1 per cent. of the business lending market in Great Britain, according to Charterhouse, 2016. Given the size of this market share, together with a targeted growth strategy and the benefits of rationalisation, this business has clear opportunities to increase its presence and market share through its sector focused strategy.

Northern Ireland

First Trust Bank is a long-established bank in Northern Ireland, providing a full banking service, including mobile, online, post office and traditional banking to business and personal customers. It operates out of 15 branches including six business centres and a centre for small and micro businesses.

First Trust Bank aims to be a focussed challenger bank in Northern Ireland, offering business banking with a local market presence, digitally enabled personal products and services, and a competitive mortgage proposition via intermediary and direct channels. The overall proposition includes simplified products and improved digital capability, with closer alignment over time to that offered by the retail operations of AIB in Ireland.

In 2017, First Trust Bank brought professional business banking closer to customers by establishing four new regional business centres, two satellite offices and a centralised small-business centre, ensuring 98 per cent. of Northern Ireland's business activity is within 30 miles of a First Trust Bank business location.

In parallel, the distribution model for personal customers was re-shaped to provide broader, multi-channel access to simple products and services at a lower cost-to-serve. The retail branch footprint was rationalised to reflect changing customer behaviours (including the closure of 15 of First Trust Bank's 30 branches, the final of which completed in August 2017). At the same time, a new agreement was entered into with the Post Office that now allows customers to carry out over the counter transactions at over 11,500 cash counters throughout the UK.

Products and Services

Allied Irish Bank (GB) provides full service business banking, including term loans, revolving credit facilities, overdrafts, asset finance and invoice finance; senior and subordinated debt and equity investments for corporate customers; business current accounts; card services (Visa business and Visa debit card); merchant services; payments (including iBB, BACS and DD Originator); savings and deposit accounts; treasury services (including foreign exchange contracts and foreign exchange options, interest rate products and interest rate options) and trade finance (including letters of credit and documentary credits). Allied Irish Bank (GB) also has a small centralised unit which manages all personal and small SME banking. This unit also manages a large proportion of the deposit base in Allied Irish Bank (GB). The orderly closure of the UK Private Banking business commenced in late 2018 and is due to conclude in early 2019.

First Trust Bank provides a full range of transactional banking services. For retail customers, the core products offered include current accounts; ATM network (LINK); telephone, internet, tablet and mobile banking; savings and deposit accounts; personal loans (secured and unsecured) and overdrafts; mortgages; private banking and financial services (as the appointed representative of Legal & General). For business and corporate customers, it offers current accounts, iBusiness Banking ("iBB"), deposit and treasury accounts, secured loans and overdrafts; asset finance and invoice discounting; customer treasury services; business credit and debit cards and merchant services.

Customers in Financial Difficulty

Within the segments set out in *"—Overview"* above, AIB has migrated the management of the vast majority of its non-performing exposures to FSG, AIB's standalone dedicated workout unit which supports personal and business customers in financial difficulty, leveraging on FSG's well-resourced operational capacity, workout expertise and skillset. FSG has developed a comprehensive suite of sustainable solutions for customers in financial difficulty and has devised a holistic "One Customer" approach through its customer treatment strategies. The "One Customer" debt management strategy is in recognition of the fact that AIB's distressed portfolio is weighted towards customers who hold multiple asset types and associated debt obligations.

AIB is moving into the mature stage of managing its customers in difficulty and non-performing exposure portfolios. FSG has continued to evolve its standalone operating model to support AIB's objective to reduce its non-performing exposures to more normalised European banking norms, whilst continuing to support its customers. FSG has placed increased focus on the performance of restructured customers in terms of compliance with asset disposal targets and covenants while managing the significant complexity and lengthy timeframes to support customers who are yet to be restructured. This has been supplemented by non-performing exposure portfolio sales:

Reflecting its strategic importance, scale of execution required, areas of specialisation and to build towards a future state model, FSG comprises two areas:

FSG Customer

- Retail Arrears Credit and Collections : Retail arrears for multiple products for smaller exposures in the retail, personal and SME segments;
- Customer Management & Recovery:
    - Loan Recovery - Restructuring activities for cooperating customers; managing non-cooperating customers through legal enforcement where AIB is not able to find a consensual resolution;
    - Customer Management - Post restructuring case management to ensure adherence with agreed solutions including asset disposals for all asset classes; and
- UK: Retail and business customers in difficulty for the United Kingdom with teams located in Belfast, Birmingham and London.

FSG Strategy

- Portfolio Management Unit: Business performance reporting and analysis;
- Business Services: Operational review and centralised activity, including fulfilment;
- Transactions: Responsible for the execution of the Bank's NPE Deleveraging initiatives; and
- Transformation: Responsible for end to end ownership and execution of FSG's Change portfolio.

For further detail regarding AIB's forbearance solutions and loans subject to forbearance solutions, see the Risk Management Section of the 2018 Financial Statements, which are incorporated by reference herein.

Group

The Group Segment comprises wholesale treasury activities, Group control and support functions. Treasury manages the Group's liquidity and funding position and provides customer treasury services and economic research. The Group control and support functions include business and customer services, marketing, risk, compliance, audit, finance, legal, human resources and corporate affairs.

Competitive Landscape

The competitive landscape of the Irish banking sector has changed dramatically since the global financial crisis. Under Irish Government ownership, Anglo Irish Bank and Irish Nationwide Building Society were merged in June 2011 to form IBRC, which was subsequently put into special liquidation in February 2013. In 2011 AIB acquired EBS. Also, several foreign banks exited the Irish market. For example, Bank of Scotland (Ireland), a member of Lloyds Group, announced its withdrawal from the Irish market. Similarly, Danske Bank and ACC Bank (owned by Rabobank) closed their retail businesses in Ireland (although Danske Bank remains open to new corporate and institutional business).

The Irish banking sector is concentrated in the two largest banks in terms of total assets, AIB and Bank of Ireland, based on their publicly available financial statements. This compares to the situation in Northern Ireland and the United Kingdom, where the banking sectors are more fragmented. Other significant banks in the Irish banking sector include Ulster Bank, KBC and permanent tsb. Ulster Bank is a subsidiary of the RBS Group, which is in turn majority owned by the UK Government. KBC is a subsidiary of the Belgian bank, KBC Bank, which was previously a recipient of state aid from the Belgian government. permanent tsb also received state aid and the Irish Government currently has a 75 per cent. shareholding, according to its publicly available financial statements.

A number of Fintech companies have entered the Irish market recently, providing services such as online transaction and payments, currency trading, mobile banking, crowdfunding and peer-to-peer lending. Examples of Fintech companies operating in the Irish market include CurrencyFair, LinkedFinance, Fundit, Realex, Revolut and PayPal. Other parties such as non-bank lenders have also become active in the Irish market, providing niche funding solutions to customers. Examples of non-bank lenders in the Irish market include Finance Ireland, Volkswagen Bank, BlueBay, the Strategic Business Corporation of Ireland ("SBCI"), Pepper and Dilosk.

Mortgages

The value of outstanding mortgages to Irish residents (including securitisations) in January 2019 totalled approximately €97.4 billion, 34.7 per cent. below the high in February 2009 of €149.2 billion (Source: Central Bank of Ireland: Table A.6 Loans to Irish Residents – Outstanding Amounts (Incl. Securitised Loans)).

There are various types of mortgages in the Irish banking market, including SVR based mortgages, tracker mortgages and fixed-rate mortgages. In conjunction with these types of mortgages, certain banks have introduced a cash back offer on new mortgages as an incentive to consumers. As at December 2018 there was

€34.6 billion of SVR based mortgages outstanding, €42.1 billion of tracker based mortgages outstanding and €20.1 billion of fixed rate mortgages outstanding in the Irish market. These figures represented 36 per cent., 43 per cent. and 21 per cent. of the Irish mortgage market (Source: Central Bank of Ireland: Table A.18.1 and Table A.18.2).

New mortgage lending has increased in recent years, with the value of mortgage drawdowns in 2018 having increased by 19.7 per cent. on 2017 levels (Source: BPFI).

Effective interest rates have varied significantly in recent years. The average standard variable mortgage interest rate reached a post-recession peak of 4.26 per cent. in the first quarter of 2015 (Source: Central Bank of Ireland – Table B.3.1 Retail Interest Rates – Mortgage Rates). Irish banks have reduced the standard variable interest rate on mortgages, with the weighted average standard variable interest rate standing on private dwelling mortgage loans at 3.55 per cent. in the fourth quarter of 2018. This represents a decline of 71 basis points from their peak at the start of 2015. The Central Bank data shows that fixed rate mortgages are even lower than this, at around 3.08 per cent. on average in the fourth quarter of 2018. Meanwhile, the average rate on a tracker mortgage was 1.08 per cent. in fourth quarter of 2018 (Source: Central Bank of Ireland – Table B.3.1 Retail Interest Rates – Mortgage Rates). In the Eurozone, the average interest rate on loans to households for house purchase was 2.1 per cent. in January 2019 (Source: ECB – MIR: MFI Interest Rate Statistics).

A combination of decreasing property prices, rising unemployment rates and the downturn in the broader economy from 2008 onwards resulted in a significant increase in the number of mortgage accounts in arrears. The number of mortgage accounts in arrears over 90 days increased from 3.3 per cent. of all outstanding mortgages on principal private residences as at the end of the third quarter of 2009 to a peak of 12.9 per cent. as at the end of the third quarter of 2013. The trend of increasing mortgage arrears has reversed since then, with the number of accounts in arrears over 90 days falling for the twenty-first consecutive quarter in the fourth quarter of 2018 to 6.0 per cent. of outstanding principal private residence mortgages (Source: Central Bank of Ireland – Residential Mortgage Arrears and Repossession Statistics).

SME Lending

SMEs constitute a significant part of the Irish economy and are primarily focused on the domestic economy. The value of loans outstanding to SMEs (excluding financial and property related SMEs), decreased by over 50 per cent. from €33.9 billion in the first quarter of 2010 to €15.1 billion in the fourth quarter of 2018 (Source: Central Bank of Ireland – Table A.14.1).

New lending in 2018 totalled €3.5 billion, representing a 2.8 per cent. decrease compared to 2017, but a 6.1 per cent. increase compared to 2016 (Source: Central Bank of Ireland – Table A.14.1). The softness in borrowing by the SME sector in 2018 is mainly attributed to uncertainty around Brexit. The balance-weighted average annual interest rate on loans to SMEs was 3.9 per cent. in the fourth quarter of 2018 (Source: Central Bank of Ireland – Table A.14.1).

The Central Bank of Ireland compiles loan level data from AIB, Bank of Ireland, Permanent TSB and Ulster Bank, the largest SME lends in Ireland, to describe loan performance. Their SME loan portfolios experienced high levels of default following the onset of the global financial crisis. According to the Central – SME Market Report 2017 H2 and 2018, 22.6% of overall outstanding balances were in default as of December 2017. This represents an increase on the 19% rate recorded in 2016.

Personal Loans

Loans to Irish residents (including securitisations and excluding loans for house purchase) decreased significantly after the global financial crisis. Personal credit outstanding fell from a peak of €35.8 billion in January 2009, and has remained in a tight range just above €15 billion since the start of 2017 (Source: Central Bank of Ireland – Table A.6 Loans to Irish Residents – Outstanding Amounts (Incl. Securitised Loans).

Current Accounts and Deposits

Based on data from the Central Bank, overall household deposit balances in Ireland have been relatively stable, with household deposits in January 2019 at €104.4 billion, up from €99.6 billion in January 2018. This compares to the post-recession low of €90.7 billion seen in November 2011. Non-financial corporation deposits have grown from €29.7 billion in March 2012 to €52.7 billion in January 2019 (Source: Central Bank of Ireland – Table A.1 Summary Irish Private Sector Credit and Deposits).

Distribution Channels

The Irish banking industry is experiencing a shift towards digitisation. Banking has become increasingly omni-channel, as digital channels such as online and mobile banking are increasingly complementing traditional customer channels such as branches and call centres.

Digital

Approximately 2.3 million customers were active users of online banking during the fourth quarter of 2014, while 1.2 million were active users of mobile banking. There were more than 1 million online or mobile banking log-ins per day in 2014 and mobile banking log-ins exceeded online banking log-ins for the first time in the fourth quarter of 2014. Additionally, there were more than five million online or mobile banking payments per month in 2014, rising to almost 6 million per month in the fourth quarter of 2014. (Source: BPFI Online and Mobile Banking Report 2014 – mobile banking data not collected before 2014).

Branch Network

Historically, banks operating in the Irish banking market have used a branch network to distribute financial products. In 2004, Irish banks had a high number of branches per capita (35.7 branches per 100,000 adults) and ranked 18th globally. Recently, however, the number of branches per capita has decreased significantly to 20.7 per 100,000 adults in 2017, placing Ireland in 50th place globally (Source: World Bank).

Intermediaries

Banks operating in the Irish banking market also use intermediaries to distribute financial products. There are over 3,000 regulated intermediaries in operation in Ireland (Source: Central Bank). Intermediaries in Ireland are subject to different regulation, depending on the services they offer. For example, insurance intermediaries are regulated under the European Union (Insurance Distribution) Regulations 20 while mortgage credit intermediaries are regulated under the EU (Consumer Mortgage Credit Agreements) Regulations 2016 and/or under the Consumer Credit Act 1995 (the "CCA") (Source: Central Bank).

Employees

For the years ended 31 December 2018, 2017 and 2016, AIB had an average of 9,801, 10,137 and 10,226 employees on a full-time equivalent ("FTE") basis, respectively. The following table sets forth a breakdown of average employees by segment for the year ended 31 December 2018:

	Year ended 31 December 2018
RCB	5,268
WIB	332
AIB UK	820
Group Segment	3,381

	Year ended 31 December 2018
Total	9,801

Voluntary Severance Programme

Since 2012, AIB has undergone a structured exercise of cost reduction with approximately 4,600 employees on an FTE basis leaving under a voluntary severance programme, which comprised a voluntary severance scheme and an early retirement scheme. The reduction in employees was supported by AIB's transformation strategy which enabled the staff exits.

The voluntary severance terms were consistent with those available to staff in other banks in receipt of state aid and were based on either three weeks annualised salary for each year of service plus statutory redundancy, or four weeks annualised salary for each year of service, inclusive of statutory redundancy, both with an annualised salary cap of €225,000 (£190,000). The scheme was introduced on a phased basis, according to business needs and capacity, with the result that not all areas of the business were immediately within the scope of the voluntary severance scheme. The voluntary severance scheme is still open and has been extended to December 2020.

Unions

AIB has a long-standing history of constructive working relations with all of its employee representative unions, which include the Financial Services Union ("FSU"), Services Industrial Professional and Technical Union ("SIPTU") and Unite. The FSU is the main negotiating partner and represents more than one-third of AIB's employees across Ireland and the UK. A review of the partnership approach to negotiation and collective agreement, which has been instrumental in the introduction of change and transformation took place in 2015. From this review an alliance initiative was established between AIB and the FSU to enhance working relationships between management and union representatives at all levels across the organisation by developing more effective processes of local engagement.

Pay and Benefits Review

In 2013, the Labour Court and Labour Relations Commission issued recommendations on terms and conditions of employment for staff across AIB, which addressed future pay and pension arrangements. The Labour Court recommended that arrangements be put in place to review pay on an annual basis, commencing in January 2014. These annual reviews should consider such matters as cost of living, progression within bands, AIB's financial performance, market movement, performance management and other relevant considerations.

In January 2017, following discussions between AIB and the FSU at the Workplace Relations Commission ("WRC"), it was agreed to implement performance-related pay applicable for 2017 and 2018 ranging from 0 per cent. to 3.25 per cent. with effect from 1 April 2017 and 1 April 2018. It was also agreed that any redundancies will be volunteer led where possible, and paid on the agreed voluntary severance terms until 2019 and that AIB will bear pension management fees until December 2018. The FSU has agreed to ongoing co-operation with AIB's change and restructuring plans.

In January 2019 the Bank and FSU concluded an agreement on Pay and Career Structure in AIB with the assistance of the WRC. This agreement provides for a new streamlined career structure in AIB to replace the legacy grading system currently in place. This new arrangement comes into effect from 1 July 2019. The agreement provides for pay increases for employees based on a two-pot approach. A 1 per cent. fixed rate increase for all employees and a performance-related increase applicable for 2019 from 0 per cent. to 2.55 per cent. with effect from 1 April 2019. The agreement provides for the continuation of payment of the defined

contribution pension scheme management fees by AIB until the end of December 2019. Finally, as part of this agreement the FSU have agreed to ongoing co-operation with AIB's change and restructuring plans.

At the AGM in 2018, a proposal was put forward to implement an Executive Share Plan, consistent with the remuneration philosophy. The proposal was not supported by the Minister of Finance but of the remaining shareholders who voted, 99.77% voted for the recommendation. The Minister of Finance announced his intention to undertake a review on banking remuneration practices, which remains on-going as at the date of this Base Prospectus. AIB does not currently operate any share option scheme pursuant to which employees of AIB can acquire any shares in the capital of AIB. AIB is committed to seeking to better align the reward of the senior management team with the objectives of creating long-term sustainable value for customers and shareholders, simultaneously safeguarding the bank's capital, liquidity and risk positions. AIB will ensure that any strategy is in full compliance with current EBA protocols and is aligned with investor appetite.

Code of Conduct

In 2017, AIB relaunched its code of conduct in relation to business ethics that applies to all employees (the "Code of Conduct") to reflect its three themes of accountability, collaboration and trust. The Code of Conduct sets out the key standards for behaviour and conduct that apply to all employees and includes particular requirements regarding responsibilities of management for ensuring that business and support activities are carried out to the highest standard of behaviour. The application of the Code of Conduct is underpinned by policies, practices and training, which are designed to ensure that the Code of Conduct is understood and that all employees act in accordance with it.

Information Technology

The business of AIB is dependent upon IT infrastructure, services and systems. These systems support customer interactions with AIB and back office functions, including:

- Direct customer and assisted channels: providing sales and services systems for retail and business in-branch banking customers, via direct banking (i.e., internet, tablet and mobile banking) and corporate banking products and services;
- Business and customer services: providing operational systems that support customers from centralised functions, including the customer call centre, operations and technology services;
- Payments and cards: providing processing conducted through a variety of banking systems and schemes, for domestic, international (SWIFT) and Euro (SEPA) payments; and
- Enterprise functions: supporting AIB's finance, risk and analytics and reporting systems.

AIB's focus over the past three years has been on transforming its talent base, building up the flexible capability through its external partners which gives AIB the scalable capacity to execute on its technology strategy.

Core banking systems

AIB's primary core banking systems are mainframe based and internally developed and maintained by AIB. The core systems are used across all areas of AIB's business.

Data Centres

AIB operates dual active-active data centres with resilient infrastructure that deliver high availability to critical business services, located approximately 15 kilometres apart from each other. The technologies within the data centres have been configured to eliminate single points of failure and to provide active-active services or near real-time recovery capabilities in the event of a components failure. Each data centre is operated by a different third-party supplier, with all assets owned and operated by AIB.

Network

AIB operates, through a third party, a secure segmented network which is configured to be highly available with diverse routing. AIB operates a number of security measures across its network and infrastructure, including advance threat detection and intelligence, systems auditing, password security, data loss prevention and attack mitigation.

Infrastructure

AIB's infrastructure solutions have been engineered to provide embedded local and cross site resilience as a common platform available to all services; including core network, content managers and firewalls, virtualisation, clusters and storage.

Mainframe

AIB runs core banking systems on a third-party supported mainframe environment, including proprietary software for core retail banking and third-party software for corporate, treasury and payments.

AIB has a business continuity arrangement in place with a third party that provides for data replication and an offsite backup in the event of an IT failure at the main campus.

IT Investment

AIB has made significant investment in its IT systems to enable a flexible, modern digital architecture. A key enabler of AIB's digital transformation was the acquisition of a set of core digital technologies to transition to a modernised technology architecture.

Additional areas of investment include the:

- Core replacement of its treasury and payments system;
- Continued investment in front end, customer engagement technology;
- Modernised processing and analytical solutions to deliver enhanced capability; and
- Fit for purpose security leveraging industry best practices.

AIB's strategic IT focus is now on harvesting the on-going benefits from the new technology deployed.

SIGNIFICANT SHAREHOLDERS

Interests of significant shareholders

As at 28 February 2019, notifications had been received of the following interests in 3 per cent. or more of the Group's issued ordinary share capital:

Shareholder	Number of Shares	Percentage of Total Voting Rights
Irish Strategic Investment Fund	1,930,436,543	71.12
International Value Advisers, LLC	81,484,742	3.002

Save as disclosed above, the Group Directors are not aware of any person who, as at 28 February 2019, directly or indirectly, has a holding which exceeds the threshold of 3 per cent. of the total voting rights attaching to the issued ordinary share capital of the Group.

Save as disclosed above, as at 28 February 2019, the Group was not aware of any person or persons who directly, indirectly, jointly or severally exercise or could exercise control over the Group, nor is it aware of any arrangements the operation of which may, at a subsequent date, result in a change in control of the Group.

MANAGEMENT

Board of Directors and Executive Officers

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

Name	Title
Richard Pym, CBE	Non-Executive Chairman
Catherine Woods	Senior Independent Non-Executive Director & Deputy Chairman
Simon Ball (1)	Non-Executive Director
Tom Foley	Non-Executive Director
Peter Hagan	Non-Executive Director
Sandy Kinney Pritchard	Non-Executive Director
Carolan Lennon	Non-Executive Director
Brendan McDonagh	Non-Executive Director
Helen Normoyle	Non-Executive Director
Jim O'Hara	Non-Executive Director
Colin Hunt	Chief Executive Officer
Tomás O'Midheach	Chief Operating Officer and Deputy CEO

Note:

(1) Simon Ball has announced he will be standing down at the next annual general meeting on 24 April 2019. A search for a replacement candidate is on-going.

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

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

On 1 March 2019, Mark Bourke resigned from the roles of Executive Director and CFO. Donal Galvin was appointed as CFO with effect from the same date. On 8 March 2019, Colin Hunt was appointed CEO and Executive Director succeeding Bernard Byrne who stepped down from his executive duties and from the Board on 8 March 2019 and leaves the Group on 26 April 2019. On 13 March 2019, Tomás O'Midheach, Deputy CEO and Chief Operating Officer was appointed as an Executive Director.

Biographies

Sandy Kinney Pritchard joined the Board on 22 March 2019 as a non-executive director. She is a University College Dublin graduate, with a distinguished career across the financial services industry. Sandy is an

accountant, previously working as a senior partner at PricewaterhouseCoopers LLP and has held a number of Non-Executive Directorship roles, including at Irish Life and Permanent TSB Plc, Skipton Building Society, the FSCS, TSB Bank Plc and MBNA Ltd. She is currently Non-Executive Director and Chair of the Audit Committee at Credit Suisse (UK) Ltd and Non-Executive Chair of the Board of London & Country Mortgages Ltd.

For biographies of the other Board members, please see pages 34 to 37 of the 2018 Annual Financial Report incorporated by reference herein.

Executive Committee

Name	Title
Colin Hunt	Chief Executive Officer
Tomás O'Midheach	Chief Operating Officer & Deputy CEO
Donal Galvin	Chief Financial Officer & Group Treasurer
Triona Ferriter	Chief People Officer
Deirdre Hannigan	Chief Risk Officer
Vacant(1)	Managing Director, Corporate, Institutional & Business Banking
Tom Kinsella	Managing Director Homes
Robert Mulhall	Managing Director, Consumer Banking
Brendan O'Connor	Managing Director, AIB Group (UK) plc
Jim O'Keeffe	Chief Customer & Strategic Affairs Officer
Helen Dooley	Group Chief Counsel & Head of Legal

Note:

(1) On 1 April 2019, AIB announced that Cathy Bryce has been appointed to lead the Corporate, Institutional & Business Banking and will join the Executive Committee in the coming months.

Helen Dooley began her career in 1992, working principally as a banking and restructuring lawyer with Wilde Sapte solicitors in London, moving to Hong Kong in 1998 to work for Johnson Stokes & Master solicitors, and returning to Ireland in 2001 to work for A&L Goodbody solicitors. Prior to joining AIB, Helen held various executive positions in EBS d.a.c., including Head of Legal, Head of Regulatory Compliance and Company Secretary.

Cathy Bryce will join AIB from the National Treasury Management Agency where she held the position of Director, National Development Finance Agency and NewERA. Prior to that she was AIB's Head of Syndicated & International Finance where she had over 20 years' experience in various capital markets roles. Prior to AIB, Cathy worked in investment banking in London with Morgan Stanley and corporate finance in Dublin with Riada / ABN AMRO. She is a business graduate of Trinity College Dublin and holds an MBA from INSEAD in France.

For biographies of the other Executive Committee members, please see pages 34 to 37 of the 2018 Annual Financial Report incorporated by reference herein.

SELECTED CONSOLIDATED HISTORICAL FINANCIAL AND OPERATING INFORMATION

The tables below set out selected consolidated financial information of AIB as at and for the years ended 31 December 2018 and 2017 and of AIB Bank as at and for the year ended 2016. The selected consolidated financial information of AIB and AIB Bank, to the extent it has been extracted from the 2018 Financial Statements and the 2017 Financial Statements, has been audited by Deloitte. The Financial Statements have been prepared in accordance with IFRS.

The Group adopted IFRS 9 on 1 January 2018. The Group is not restating prior periods as allowed in IFRS 9. However, where prior periods are not restated, any difference arising between IAS 39 carrying amounts and IFRS 9 carrying amounts at 1 January 2018 are recognised in opening retained earnings. IAS 39 applies to comparative data as at and for the years ended 31 December 2017 and 2016.

The selected consolidated financial information presented below should be read in conjunction with "Operating and Financial Review and Risk Management".

Consolidated Income Statement Data

	Year ended 31 December		
	2018	**2017**	**2016**
		(€ millions)	
Continuing operations			
Interest income calculated using the effective interest method	2,289	2,414	n.a.
Other interest income and similar income	77	67	n.a.
Interest and similar income	2,366	2,481	2,611
Interest expense	(266)	(305)	(598)
Net interest income	2,100	2,176	2,013
Dividend income	26	28	26
Fee and commission income	498	436	430
Fee and commission expense	(41)	(45)	(35)
Net trading income	5	97	71
Net gain on other financial assets measured at FVTPL	146	—	—
Net gain on derecognition of financial assets measured at amortised cost	121	32	11
Other operating income	19	277	403
Other income	774	825	906
Total operating income	2,874	3,001	2,919
Administrative expenses	(1,661)	(1,694)	(1,462)

	Year ended 31 December		
	2018	**2017**	**2016**
		(€ millions)	
Impairment and amortisation of intangible assets	(110)	(83)	(70)
Impairment and depreciation of property, plant and equipment	(52)	(58)	(39)
Total operating expenses	(1,823)	(1,835)	(1,571)
Operating profit before impairment losses and provisions	1,051	1,166	1,348
Net credit impairment writeback	204	113	294
Writeback of provisions for liabilities and commitments	—	8	2
Writeback of provisions for impairment on financial investments available for sale	—	—	2
Operating profit	1,255	1,287	1,646
Associated undertakings and joint venture	12	19	35
Profit on disposal of property	2	—	—
(Loss)/profit on disposal of business	(22)	—	1
Profit before taxation from continuing operations	1,247	1,306	1,682
Income tax charge from continuing operations	(155)	(192)	(326)
Profit after taxation from continuing operations	1,092	1,114	1,356

Selected Consolidated Statement of Financial Position Data

	As at 31 December		
	2018	**2017**	**2016**
		(€ millions)	
Assets			
Cash and balances at central banks	6,516	6,364	6,519
Items in course of collection	73	103	134
Disposal groups and non-current assets held for sale	10	8	11
Trading portfolio financial assets	—	33	1
Derivative financial instruments	900	1,156	1,814

	As at 31 December		
	2018	**2017**	**2016**
		(€ millions)	
Loans and advances to banks	1,443	1,313	1,399
Loans and advances to customers	60,868	59,993	60,639
NAMA senior bonds	—	—	1,799
Investment securities	16,861	16,321	18,793
Interests in associated undertakings	90	80	65
Intangible assets	682	569	392
Property, plant and equipment	330	321	357
Other assets	356	418	248
Current taxation	10	5	13
Deferred tax assets	2,702	2,736	2,828
Prepayments and accrued income	454	459	444
Retirement benefit assets	241	183	166
Total assets	91,536	90,062	95,622
Liabilities			
Deposits by central banks and banks	844	3,640	7,732
Customer accounts	67,699	64,572	63,502
Trading portfolio financial liabilities	—	30	—
Derivative financial instruments	934	1,170	1,609
Debt securities in issue	5,745	4,590	6,880
Current taxation	74	68	18
Deferred tax liabilities	107	97	81
Retirement benefit liabilities	49	87	158
Other liabilities	887	824	973
Accruals and deferred income	325	348	484
Provisions for liabilities and commitments	219	231	246
Subordinated liabilities and other capital instruments	795	793	791
Total liabilities	77,678	76,450	82,474
Equity			
Share capital	1,696	1,697	1,696
Share premium	—	—	1,386
Reserves	11,668	11,421	9,572
Total shareholder's equity	13,364	13,118	12,654

	As at 31 December		
	2018	**2017**	**2016**
		(€ millions)	
Other equity interests	494	494	494
Total equity	13,858	13,612	13,148
Total liabilities and equity	91,536	90,062	95,622

Key Financial Ratios

	As at or for the year ended 31 December		
	2018	**2017**	**2016**
		(unaudited)	
		(%, unless otherwise indicated)	
CET1 fully loaded capital ratio[(1)]	17.5%	17.5%	15.3%
CET1 transitional capital ratio[(2)]	21.1%	20.8%	19.0%
Net interest margin[(3)]	2.47%	2.58%	2.23%
Cost/income ratio[(4)]	53%	48%	52%
Loan to deposit ratio[(5)]	90%	93%	95%

Notes:

(1) Based on full implementation of Basel III and CRD IV and includes 2009 Preference Shares. Calculated as set forth in "*Capital*".

(2) Capital calculated in accordance with 'Part Ten—Transitional Provisions, Reports, Review and Amendments' of the CRR.

(3) In 2018, when a financial asset is no longer credit impaired or has been repaid in full (i.e. cured without financial loss), the Group now presents previously unrecognised interest income as a reversal of credit impairment/ recovery of amounts previously written-off. The Group policy prior to the adoption of IFRS 9 was to recognise such income in the interest income. If the 2018 policy had been applied in 2017 and 2016, NIM would be 2.50% and 2.16%.

(4) Calculated as total operating expenses before bank levies, regulatory fees and exceptional items divided by total operating income before exceptional items.

(5) Calculated as loans and advances to customers divided by customer accounts.

Selected Segmental Information

The following tables provide selected segmental incomes statement items for the years ended 31 December 2018, 2017 and 2016:

	Year ended 31 December 2018							
	RCB	WIB	AIB UK	Group	Total	Bank levies and regulatory fees	Exceptional items	Total
				(€ millions)				
Total operating income.....	1,753	386	305	282	2,726	—	148	2,874
Operating profit/(loss) before impairment losses and provisions.....	1,003	286	184	(195)	1,278	(82)	(145)	1,051
Profit/(loss) before taxation from continuing operations ...	1,254	270	168	(278)	1,414	—	(167)	1,247

	Year ended 31 December 2017							
	RCB	WIB	AIB UK	Group	Total	Bank levies and regulatory fees	Exceptional items	Total
				(€ millions)				
Total operating income.....	1,968	316	308	375	2,967	—	34	3,001
Operating profit/(loss) before impairment losses and provisions.....	1,199	225	176	(61)	1,539	(105)	(268)	1,166
Profit/(loss) before taxation from continuing operations ...	1,355	223	164	(168)	1,574	—	(268)	1,306

	Year ended 31 December 2016							
	RCB	WIB	AIB UK	Group	Total	Bank levies and regulatory fees	Exceptional items	Total
				(€ millions)				
Total operating income.....	1,671	320	289	350	2,630	—	289	2,919
Operating profit/(loss) before impairment losses and provisions.....	926	224	150	(47)	1,253	(112)	207	1,348
Profit/(loss) before taxation from continuing operations ...	1,247	201	193	(166)	1,475	—	207	1,682

The following tables provide selected segmental balance sheet information as at 31 December 2018, 2017 and 2016:

	As at 31 December 2018				
	RCB	WIB	AIB UK	Group	Total
			(€ billion)		
Loans and advances to customers	39.7	12.7	8.3	0.1	60.9
Customer accounts.....	50.3	5.7	9.9	1.7	67.7

	As at 31 December 2017				
	RCB	**WIB**	**AIB UK**	**Group**	**Total**
			(€ billion)		
Loans and advances to customers	41.4	10.3	8.2	0.1	60.0
Customer accounts	46.6	5.7	10.1	2.2	64.6

	As at 31 December 2016				
	RCB	**WIB**	**AIB UK**	**Group**	**Total**
			(€ billion)		
Loans and advances to customers	42.7	9.1	8.7	0.1	60.6
Customer accounts	42.9	6.4	10.3	3.9	63.5

OPERATING AND FINANCIAL REVIEW AND RISK MANAGEMENT

The discussion of the financial condition and results of operations of AIB below and incorporated by reference herein should be read in conjunction with the Financial Statements and the information relating to AIB's business included elsewhere in this Base Prospectus. AIB's financial information as at and for the years ended 31 December 2018 and 2017 and AIB Bank's financial information as at and for the year ended 31 December 2016 has been audited by Deloitte.

Some of the information contained in the following discussion contains forward-looking statements that are based on assumptions and estimates and are subject to risks and uncertainties. Investors should read "Presentation of Information—Forward-looking statements" for a discussion of the risks and uncertainties related to these statements. Investors should also read the section entitled "Risk Factors" for a discussion of certain factors that may affect AIB's business, financial condition or results of operations.

The Group's 2018 Annual Financial Report and 2017 Annual Financial Report, which have been previously published, contain financial information about AIB which is relevant to investors. The following list is intended to enable investors to easily identify the relevant items within the Group's 2018 Annual Financial Report and 2017 Annual Financial Report. The list sets out the sections of these documents which are incorporated by reference into, and form part of, this section, "*Operating and Financial Review and Risk Management*", and only the parts of the documents identified in the table below are incorporated into, and form part of, this section, "*Operating and Financial Review and Risk Management*". The parts of these documents which are not incorporated by reference either are not relevant for investors or are covered elsewhere in this document.

2018 Annual Financial Report

The page numbers below refer to the relevant pages of the 2018 Annual Financial Report for:

- *Overview of the Irish Economy:* pages 10 to 11
- *Operating and Financial Review:* pages 40 to 56
- *Risk Management –*
    - *Framework*: pages 69 to 72
    - *Credit Risk*:
        - pages 74 to 77
        - page 79 (*Credit Risk Monitoring* only)
        - pages 100 to 102
        - pages 116 to 121
    - *Restructure Execution Risk*: page 145
    - *Funding and Liquidity Risk*: pages 146 to 147 (only *Risk Monitoring and Reporting*), 148 to 149
    - *Capital Adequacy Risk:* page 154
    - *Financial Risk (Market Risk):* pages 155 to 156
    - *Financial Risk (Pension Risk):* pages 161 to 162
    - *Operational Risk*: pages 162 to 163

- *Regulatory Compliance Risk (including Conduct Risk)*: pages 163 to 164
- *People and Culture Risk*: pages 164 to 165
- *Business Model Risk*: page 165
- *Model Risk*: page 166

2017 Annual Financial Report

The page numbers below refer to the relevant pages of the 2017 Annual Financial Report for:

- *Overview of the Irish Economy:* pages 10 to 11
- *Operating and Financial Review:* pages 36 to 52
- *Risk Management – Credit Risk*:
  - pages 73 to 76
  - pages 96 to 98
  - pages 125 to 129
  - page 132

Key Factors Affecting Results of Operations

Economic Conditions in Ireland and the United Kingdom

AIB's activities in Ireland and the United Kingdom account for the majority of its business. As a result, the performance of the Irish economy is extremely important to it. Its operations in and proximity to the United Kingdom also mean that it is influenced directly by political, economic and financial developments there, as well as indirectly through the impact of such developments in the United Kingdom on the Irish economy.

Ireland's improved economic environment has had a very favourable impact on AIB's performance in the periods under review. Growing GDP, falling unemployment and increased consumer spending have all contributed to Ireland being one of the fastest growing Eurozone economies in each of the past three years, according to data from BMI and CSO Statbank.

The Irish economy experienced strong export led growth and moderate wage and price inflation between 1994 and 2000, with average annual GDP growth of 9.2 per cent. during this period, according to the CSO. Between 2000 and 2007, GDP continued to grow strongly, at an average annual rate of 5.9 per cent., according to the CSO, primarily driven by domestic economic factors. During the latter period, however, there was a systematic shift away from stable and reliable tax sources, such as personal income tax, VAT and excises, and towards cyclically sensitive taxes linked to high levels of construction activity, such as stamp duties and capital gains tax. Furthermore, the loan books of Irish banks became heavily concentrated with construction and property loans and the Irish unit labour costs increased rapidly during this period. This growth was well above the Eurozone average (3.8 per cent. per annum versus 1.5 per cent. in the euro area) (Source: OECD – Compendium of Productivity Indicators), indicating a substantial loss of competitiveness. This loss of competitiveness had a somewhat negative impact on Irish merchandise exports, which decreased from €94.1 billion in 2002 to €90.8 billion in 2007 (Source: CSO – Table TSA01: Value of Merchandise Trade by State, Year and Statistic).

A combination of the aforementioned issues, along with wider systemic concerns across the Eurozone and a collapse in the Irish property market, triggered a loss of confidence in Irish sovereign bond markets in 2010. An announcement of further capital requirements for Irish banks in September 2010 triggered a further loss of confidence, pushing Irish Government 10 year bond yields above 9 per cent.

In December 2010, Ireland applied for the EU/IMF Programme, a programme of assistance, which was in place from December 2010 to December 2013. As part of the EU/IMF Programme, the Irish Government received €67.5 billion in exchange for committing to a four year €15 billion fiscal adjustment to apply between 2011 and 2014. This incorporated a number of elements, including public expenditure reductions and tax increases to cut the budget deficit to below 3 per cent. of GDP by 2014.

Since Ireland left the EU/IMF Programme in 2013, GDP grew by 5.0 per cent., 7.2 per cent. and 6.7 per cent. (on a preliminary basis) in 2016, 2017 and 2018 respectively, according to the CSO. However, the data has been skewed by certain one-off factors including companies relocating assets to Ireland from abroad and contract manufacturing. Future GDP figures for Ireland could be similarly affected by one off factors or challenges presented by Brexit. GDP is forecast to grow by 4.0 per cent. in 2019 and by 3.5 per cent. in 2020, according to the Irish Department of Finance (Source: Dept. of Finance – Summer Economic Statement, June 2018). This is significantly higher than the forecasted Eurozone average of 1.8 per cent. and 1.7 per cent. in 2019 and 2020, respectively, according to the European Central Bank (Source: ECB Staff Macroeconomic Projections, September 2018).

As Ireland has demonstrated the strength of its recovery across both macro-economic and fiscal indicators, the cost of borrowing for the Irish Government has fallen materially, with 10-year sovereign bond yields of 1.00 per cent. as at 24 September 2018 (Source: Reuters).

As a result of improving macro-economic conditions in Ireland and the United Kingdom, AIB's new lending volumes have been improving and its impaired loan book has been decreasing. In 2018, AIB had €10.7 billion in new lending across all segments, compared to €8.4 billion in 2016. The asset quality of AIB's loan portfolio has also been improving while maintaining a stable asset yield.

Non-performing Exposures

The Group has achieved significant reduction in its non-performing exposures since 2015. The level of non-performing exposures has reduced from €18.0 billion at 31 December 2015 to €6.1 billion at 31 December 2018. AIB continues to focus on reducing non-performing exposures through sustainable restructuring solutions, write-offs and disposal of distressed loan portfolios.

Loan Restructuring

During recent years, AIB has been focused on restructuring its loan portfolio through the implementation of sustainable solutions for customers in difficulty. AIB's plan to reduce non-performing exposures includes restructuring as well as sales and redemptions, cures, write-offs, portfolio sales and other strategic initiatives. As at 31 December 2018, AIB had €6.1 billion in non-performing exposures on its balance sheet, representing 10 per cent. of total loans, compared to €24.8 billion, representing 35 per cent. of total loans, as at 31 December 2015. Balance sheet provisions have decreased from €6.9 billion as at 31 December 2015 to €2.0 billion as at 31 December 2018 due to the utilisation of provisions as part of sustainable restructure solutions for customers in difficulty and portfolio sales combined with improved economic conditions in Ireland and the United Kingdom. AIB recognised net credit provision writebacks on its income statement of €204 million, €113 million, €294 million and €925 million in 2018, 2017, 2016 and 2015, respectively. Key drivers of the writebacks include increased security values and improved business cash flows due to the stronger economic environment, cases cured from impairment and additional security gained as part of the restructuring process.

During 2016, AIB began to experience an expected slowdown in restructuring momentum as the primary restructuring period concludes and it is now primarily dealing with those cases which are of lower monetary value, more complex, more specific to an individual's circumstances and more protracted in nature. In addition, a larger proportion of the remaining loans being resolved are subject to enforcement and the legal process

associated with these takes more time than a consensual process. Going forward, AIB expects that the level of non-performing exposures will continue to decrease but at a lower rate than has been the case to date.

Portfolio Disposals

AIB's deleveraging strategy includes the sale of certain commercial portfolios where appropriate. In 2018, AIB disposed of a number of distressed loan portfolios amounting to €1.1 billion, resulting in a gain recognised of €147 million. This included the sale of a portfolio of impaired mix use loans, the vast majority of which were in deep long-term arrears, to Everyday Finance DAC ("Everyday") as part of a consortium arrangement with Everyday and affiliates of Cerberus Capital Management. Overall, the transaction, with an approximate €0.6 billion net value, was capital accretive. The continued disposal of distressed loan portfolios will improve AIB's credit quality and reduce the amount needed for impairment provisions, which decreased by €472 million due to disposals in the year ended 31 December 2018.

Capital and Corporate Reorganisations

The impact of the global financial crisis and the deterioration of Ireland's property market commencing in 2008 presented funding and liquidity issues for AIB and led to a rapid deterioration of its capital base. This necessitated several capital investments by the Irish Government in the Company and EBS amounting to a total of €20.8 billion. This was accomplished through the issuance of a variety of instruments by AIB and EBS, including ordinary shares, preference shares, CCNs and "special investment shares".

In December 2015, AIB completed the 2015 Capital Reorganisation, which was designed to enable AIB to return capital to the Irish Government in line with its obligations under the restructuring plan approved by the European Commission on 7 May 2014 in respect of the state aid granted to AIB and EBS (the "Restructuring Plan"), contribute to growth in AIB's business, meet CRD IV regulatory requirements, allow for future dividend payments, align AIB's capital structure with market norms and investor expectations and position AIB for a return to private ownership over time.

Since 2015, AIB's capital ratios have in excess of AIB's regulatory requirements, as communicated by the SSM as part of its SREP.

Furthermore, on 3 February 2017, the Group announced that it had been notified of a decision by the SRB that the PRS for the Group would be a single point of entry via a holding company. Implementation of the PRS would require the introduction of a new holding company to sit at the top of the Group, directly above AIB Bank, and mean that any future bail-in of instruments held by external creditors would be expected to be implemented in the first instance at the level of that holding company. On 2 October 2017, the Group announced a corporate reorganisation to effect the SRB's decision, pursuant to which the Issuer would be introduced as the holding company of the Group. The reorganisation was implemented in December 2017 by means of the Scheme, and the Issuer was listed on the Irish and London Stock Exchanges. Since the time the Scheme became effective, the Issuer has owned 100 per cent. of AIB Bank, the principal operating company and previous holding company of the Group, and AIB Bank and its operating subsidiaries continue to be the principal trading entities of the Group.

Managing Costs and Investing for Efficiency

Since 2012, AIB has undergone a structured programme of cost reduction. This contributed to a reduction in operating expenses (excluding exceptional items) of approximately €290 million from 2012 to 2018. AIB's cost income ratio was 53 per cent., 48 per cent. and 52 per cent. in 2018, 2017 and 2016. The implementation of disciplined cost management involved lowering of costs in all of AIB's key operating segments. Additionally, throughout the periods under review, AIB has engaged in selective outsourcing of certain back office and support functions and with third party resources for use in projects or to facilitate seasonal additional work

demands. Ongoing costs related to this outsourcing activity, and the use of other third party resources, are reported within operating expenses.

ELG Scheme, bank levies and other regulatory costs

ELG Scheme

In December 2009, the Irish Department of Finance established the ELG Scheme, which facilitated participating institutions issuing debt securities and taking deposits during an issuance window and with a maximum maturity of five years. Institutions participating in the ELG Scheme must pay a fee to the Minister for Finance in respect of each liability guaranteed under the ELG Scheme. For the years ended 31 December 2018, 2017 and 2016, AIB paid nil, €7 million and €17 million, respectively, in fees in connection with the ELG Scheme. These charges are included within interest expense. The ELG Scheme charge had a negative impact of nil, 1 and 2 basis points on AIB's net interest margin for the years ended 31 December 2018, 2017 and 2016, respectively.

Bank levies and other regulatory costs

The Irish bank levy fee, payable annually in October, is a form of stamp duty that applies through to 2021. The Deposit Guarantee Scheme, established in 2016, is a statutory deposit protection scheme requiring credit institutions to pay an annual contribution based on their covered deposits and degree of risk ("Deposit Guarantee Scheme"). The Single Resolution Fund fee, introduced in 2016, is a fee imposed pursuant to the SRM as part of the new regulations designed to protect the European banking system.

The Financial Services Compensation Scheme fee, established by FSMA, applies to activities of AIB UK but not those of AIB's branches in the United Kingdom. The Financial Services Compensation Scheme ("FSCS") pays compensation to eligible customers of FCA-authorised financial services firms that are unable, or likely to be unable, to pay claims against them.

In the year ended 31 December 2017, AIB paid bank levies and regulatory fees of €105 million, including the Irish bank levy in the amount of €49 million, the Deposit Guarantee Scheme (including its legacy fund) contribution in the amount of €38 million and the Single Resolution Fund fee in the amount of €20 million, partially offset by a €2 million credit on other regulatory fees. For the year ended 31 December 2018, AIB reported bank levies and regulatory fees of €82 million, including the Irish bank levy in the amount of €49 million, the Deposit Guarantee Scheme (including its legacy fund) contribution in the amount of €16 million (including writebacks of € 16 million in relation to amounts previously expensed under the legacy scheme) and the Single Resolution Fund fee in the amount of €18 million, partially offset by a €1 million credit on other regulatory fees.

Recent Developments

On 1 April 2019, AIB announced that it agreed to sell a further non-performing loan portfolio to Everyday, as part of a consortium arrangement with Everyday and affiliates of Cerberus Capital Management. The Group believes that this is another important step in its non-performing exposures deleveraging strategy and the Group remains on track to reach its target of non-performing exposures of circa 5.0 per cent. of total gross loans by the end of 2019. The loan portfolio disposal had a gross non-performing exposures value of €1.0 billion and a fully-loaded risk-weighted assets position of €0.75 billion. At completion, AIB will receive cash consideration of approximately €0.8 billion. The conclusion of the transaction will be capital accretive.

Return on Tangible Equity

In assessing the capital efficiency of AIB, the return on tangible equity is a better reflection of performance given capital requirements and the nature and quantum of deferred tax assets recognised for unutilised tax losses in equity.

Return on tangible equity is defined as profit after tax from continuing operations plus reductions in the carrying value of deferred tax assets in respect of prior losses, less coupons on other equity instruments, divided by targeted (13 per cent.) CET1 capital on a fully loaded basis plus deferred tax assets recognised for unutilised tax losses in equity. The following table presents the basis of calculation of return on tangible equity for the years ended 31 December 2018, 2017 and 2016:

	As at and for the year ended 31 December 2018	**As at and for the year ended 31 December 2017**	**As at and for the year ended 31 December 2016**
	(IFRS 9)	**(IAS 39)**	**(IAS 39)**
	(€ millions, unless otherwise indicated)		
		(unaudited)	
Profit after taxation	1,092	1,114	1,356
Adjustments:			
AT1 coupon paid	(37)	(37)	(37)
Reduction in carrying value of deferred tax assets in respect of carried forward losses	114	137	97
Adjusted profit attributable to tangible equity (numerator)	**1,169**	**1,214**	**1,416**
Tangible equity			
Targeted CET1 (13% of average risk-weighted assets – €51,439 million)[(1)]	6,712	6,905	7,376
Deferred tax assets—average unutilised tax losses[(1)]	2,730	2,979	3,111
Tangible equity (denominator)	**9,442**	**9,883**	**10,486**
Return on tangible equity (%)	**12.4%**	**12.3%**	**13.5%**

Note:

(1) Average calculated based on period end balance subject to minimal adjustments as at 31 December 2018, 31 December 2017 and 31 December 2016.

Risk Management Update

In January 2019, the Group clarified the role and updated the model of the Group Asset and Liability Management Committee (the "ALCo"). The ALCo is the Group's strategic and business decision making forum

for balance sheet management matters. The ALCo sets policy and is responsible for effective balance sheet management and alignment to Group strategy for funding and liquidity risk, market risk and capital adequacy risk. The ALCo monitors the external economic environment and markets and the performance of the Group, and makes commercial decisions on pricing, investments and funding in response. The ALCo was established by, and is accountable to, the Executive Committee. The ALCo is tasked with decision-making in respect of the Group's balance sheet structure, including capital, funding, liquidity, interest rate risk in the banking book from an economic value and net interest margin perspective, foreign exchange hedging risks and other market risks to ensure it enables the delivery of the Group's strategic plan. The ALCo has oversight responsibility for the UK Group ALCo and receives all of its meeting minutes for review and noting. In turn, the ALCo delegates responsibility to its sub-committee, the Equity Investment Committee, which is the Group's enterprise-wide equity investment and divestment committee and has delegated authority from the ALCo to approve and monitor equity investment and divestment activities, within defined thresholds.

The ALCo's primary responsibilities are:

- to review and manage the balance sheet including funding and capital implications for the Group;
- to review and monitor asset and liability management against approved risk appetite limits;
- to provide oversight of funding and liquidity, capital, market and equity/investments risk in line with the relevant frameworks and policies (approved by the GRC) across the Group in accordance with the Group's risk appetite; and
- to monitor, review and make decisions regarding key legal, regulatory and accounting developments.

CAPITAL

The following table presents AIB's regulatory capital and capital ratios on a CRD IV transitional basis and CRD fully loaded basis as at 31 December 2018 and 2017:

	CRD IV transitional basis[1]		CRD fully loaded basis[2]	
	As at 31 December		As at 31 December	
	2018	2017	2018	2017
	(€ millions, unless otherwise indicated)			
Common equity tier 1 capital				
Equity	13,858	13,612	13,858	13,612
Less AT1 capital	(494)	(494)	(494)	(494)
Less proposed ordinary dividend	(461)	(326)	(461)	(326)
Regulatory adjustments:				
Intangible assets	(682)	(569)	(682)	(569)
Cash flow hedging reserves	(285)	(257)	(285)	(257)
IFRS 9 CET1 transitional addback	298	—	—	—
Investment securities reserves	—	(196)	—	—
Pension	(183)	(150)	(183)	(139)
Deferred tax	(1,079)	(829)	(2,697)	(2,764)
Expected loss deduction	(21)	—	(21)	—
Other	(42)	(23)	(42)	(18)
Total regulatory adjustments	(1,994)	(2,024)	(3,910)	(3,747)
Total common equity tier 1	10,909	10,768	8,993	9,045
Additional Tier 1 capital				
Instruments issued by subsidiaries that are given recognition in Additional Tier 1 capital	235	260	316	291
Total Additional Tier 1 Capital	235	260	316	291
Total Tier 1 Capital	11,144	11,028	9,309	9,336
Tier 2 capital				
Instruments issued by subsidiaries that are given recognition in tier 2 capital	415	442	531	492
Expected loss addback/credit provisions	—	199	—	28
Other	—	3	—	—
Total Tier 2 Capital	415	644	531	520
Total capital	11,559	11,672	9,840	9,856
Risk-weighted assets				
Credit risk	46,209	46,319	46,052	46,414
Market risk	371	360	371	360
Operational risk	4,624	4,248	4,624	4,248

	CRD IV transitional basis[1]		CRD fully loaded basis[2]	
	As at 31 December		As at 31 December	
	2018	2017	2018	2017
	(€ millions, unless otherwise indicated)			
Credit valuation adjustment	392	796	392	796
Other	—	5	—	5
Total risk-weighted assets	51,596	51,728	51,439	51,823
Common equity tier 1 ratio	21.1%	20.8%	17.5%	17.5%
Tier 1 ratio	21.6%	21.3%	18.1%	18.0%
Total capital ratio	22.4%	22.6%	19.1%	19.0%

Notes:

(1) Transitional ratios are calculated applying the transitional provisions set out in Part Ten of CRD IV, which are expected to be allowed to ease the transition for banks to the "fully loaded" capital rules.

(2) Fully loaded ratios are calculated applying all requirements of CRD IV without applying the transitional requirements set out in Part Ten of CRD IV.

Capital Ratios at 31 December 2018

The fully loaded CET1 ratio remained stable at 17.5 per cent. at 31 December 2018, compared to 17.5 per cent. at 31 December 2017. The Group continues to generate capital with profitability contributing 2.1 per cent. offset by a foreseeable charge for dividend payment of 0.9 per cent. The impact of implementing IFRS 9, including the impact on risk-weighted assets and regulatory deductions reduced the fully loaded ratio by 0.5 per cent. Finally, the reduction in the investment debt securities reserves reduced CET1 by 0.6 per cent. with combined other adjustments reducing CET1 by 0.1 per cent.

The amount of Additional Tier 1 Securities recognised on a fully loaded basis is €316 million and the amount of Tier 2 instruments recognised is €531 million at 31 December 2018. The impact of the minority interest restriction calculation is 0.3 per cent. for Additional Tier 1 Securities and 0.6 per cent. for Tier 2 instruments at 31 December 2018.

The amount of Additional Tier 1 Securities recognised on a transitional basis is €235 million and the amount of Tier 2 instruments recognised is €415 million at 31 December 2018. The impact of the minority interest restriction calculation is 0.5 per cent. for Additional Tier 1 Securities and 0.7 per cent. for Tier 2 instruments at 31 December.

The restriction (in respect of minority interests) calculation may require adjustment pending the final communication of the EBA's position on the matter.

IFRS 9 Impact

On 1 January 2018, IFRS 9 transitional capital arrangements were implemented by Regulation (EU) 2017/2395. AIB elected to apply the transitional arrangements at both the consolidated and individual entity levels and will disclose both transitional and fully loaded CET1 ratios until the end of the transitional period. The transitional

benefit is phased out over a 5 year period with 95 per cent. applicable for 2018; 85 per cent. for 2019; 70 per cent. for 2020; 50 per cent. for 2021; 25 per cent. for 2022 with no transitional benefit from 2023 onwards.

The transitional arrangements, implemented under a modified static approach, allow for transitional relief on the 'day 1' impact on adoption of IFRS 9 (static element) and for the increase between 'day 1' and the reporting date (modified element), subject to eligibility. For the static element, all provisions are eligible for transition, whereas for the modified element, credit impaired are excluded.

Separate calculations are performed for standardised and IRB (both Foundation and Advanced) portfolios, reflecting the different ways these frameworks take account of provisions. Under the Standardised Approach, increases in provisions for both the static and the modified elements are eligible for transition. Under the IRB Approach, for both the static and modified elements, provisions are only eligible for transitional relief to the extent that they exceed regulatory expected losses.

Capital requirements

On 5 July 2018, the Central Bank announced the Irish CCyB will increase from 0 per cent. to 1.0 per cent. on 5 July 2019. In November 2018, the UK CCyB increased from 0.5 per cent. to 1 per cent. The Group's minimum capital requirements increased in proportion to its level of Irish and UK exposures. Based on the 31 December 2018 position, the 1 per cent. Irish CCyB requirement in July 2019 equates to a Group capital requirement of approximately 0.7 per cent. and the 1 per cent. UK CCyB requirement equates to approximately 0.2 per cent. Other jurisdictional CCyB in place have a negligible impact on Group capital requirements.

The Group is required to maintain a CET1 ratio of 11.55 per cent. This includes a Pillar 1 requirement of 4.5 per cent., a Pillar 2 requirement of 3.15 per cent., a capital conservation buffer of 2.5 per cent. and 0.9 per cent. in respect of the Irish and UK CCyB requirements and an O-SII buffer of 0.5 per cent. The minimum requirement for the total capital ratio is 15.05 per cent. This requirement excludes Pillar 2 guidance which is not publicly disclosed. The transitional CET1 and total capital ratios at 31 December 2018 are 21.1 per cent. and 22.4 per cent. respectively. Based on these ratios, the Group has a very significant buffer over maximum distributable amount trigger levels.

The Group has been designated as an O-SII. A 0.5 per cent. O-SII buffer will be added to the minimum requirement from 1 July 2019, rising to 1.5 per cent. on 1 July 2021. The capital conservation buffer CET1 requirement is fully phased in at 2.5 per cent. for 2019.

SUPERVISION AND REGULATION

1 Regulation of Banks in Ireland

1.1 General Supervision and Regulation of Banks in Ireland

As a credit institution that is incorporated in Ireland, each of the Company, AIB Mortgage Bank, EBS and EBS Mortgage Finance is (i) authorised by and subject to the regulatory oversight of the Relevant Banking Regulator (as described below under "*—Role of the Relevant Banking Regulator*"); and (ii) subject to regulation under general banking legislation in Ireland (the "Irish Banking Code").

The Irish Banking Code consists primarily of the Central Bank Acts 1942 to 2018 (the "Central Bank Acts"), including the Central Bank and Financial Services Authority of Ireland Act 2003, the Central Bank and Financial Services Authority of Ireland Act 2004 (the "2004 CBI Act"), the Central Bank Reform Act 2010, the Central Bank and Credit Institutions (Resolution) Act 2011 (the "Bank Resolution Act"), the Central Bank (Supervision and Enforcement) Act 2013 (the "2013 CBI Act"), regulations made by the Minister for Finance under the European Communities Act 1972, regulatory notices, regulations and codes of conduct issued by the Central Bank and EU regulations relating to banking regulation.

The Central Bank Acts provide that banking business may only be carried on in Ireland by the holder of a local banking authorisation or a passported EEA banking authorisation on an EEA branch or cross border basis (as described below). The Relevant Banking Regulator may, in its discretion, grant or refuse a local banking authorisation under the Central Bank Acts or, as applicable, SSM Regulation and may attach conditions to any local banking authorisation on its issuance or subsequently. The Relevant Banking Regulator is empowered in specified circumstances, to revoke a local banking authorisation. Under the Central Bank Acts, holders of a local banking authorisation must maintain a minimum deposit with the Central Bank.

The CRD was implemented in Ireland by the European Union (Capital Requirements) Regulations 2014. The European Union (Capital Requirements) (No.2) Regulations 2014 give effect to a number of technical requirements in order that the CRR can operate effectively in Irish law. CRD IV permits a credit institution authorised for the purposes of CRD IV in an EEA Member State (its "Home State") to do banking business in any other EEA Member State (the "Host State") without having to obtain an official authorisation from the relevant regulator in the Host State. The authorisation from the competent authority of the Home State operates effectively as a "passport" to do banking business throughout the EEA.

1.2 SSM and SRM

Under the SSM, the ECB is the central prudential supervisor of certain financial institutions in the Eurozone, including AIB, and in those non-Eurozone but EU Member States that have chosen to join the SSM. The aims of the SSM are to ensure the safety and soundness of the European banking system and to increase financial integration and stability in Europe. The EU legislative measures which provide for the SSM are the SSM Regulation and the SSM Framework Regulation, which are given full effect in Irish law under the European Union (SSM) Regulations 2014.

The European institutions have also established the SRM under the SRM Regulation. The SRM applies to credit institutions covered by the SSM. In cases of the failure of a credit institution, the SRM will allow its resolution to be managed effectively through a single resolution board and a single resolution fund, financed by levies raised at national level.

1.3 Capital and Liquidity Requirements

In Ireland, the Relevant Banking Regulator requires credit institutions to manage their liquidity, on a consolidated group-wide basis, by applying a cash-flow maturity mismatch approach. This requires a credit institution to analyse its cash flows on a group-wide basis under various headings and to place them in pre-determined time bands depending on when the cash is received or paid out.

A set of reform measures, known as Basel III, have been developed by the Basel Committee on Banking Supervision to strengthen the regulation, supervision and risk management of the banking sector. The Basel III reforms were implemented in the EU under CRD IV.

The CRD governs, amongst other things, the access by credit institutions to deposit-taking activities, while the CRR establishes the prudential requirements credit institutions need to respect.

The CRR contains detailed prudential requirements for credit institutions and certain investment firms and includes the following measures:

- capital: the CRR sets out the amount of own funds credit institutions need to hold as well as the quality of those funds;
- liquidity: the LCR requires credit institutions to have sufficient HQLAs to withstand a 30-day stressed funding scenario that is specified by the supervisors. The second liquidity measure is the NSFR, which is a longer-term structural ratio designed to address liquidity mismatches;
- leverage ratio: the leverage ratio will be subject to supervisory review by competent authorities of Member States. The proposals (see below) for amendments to the CRR, the CRD and the BRRD and SRM published on 23 November 2016 included proposals for the introduction of a minimum leverage ratio of tier 1 capital (for CRD IV purposes) to total exposures (for CRR purposes) and that a binding CET1 leverage ratio requirement is added to the CRR basic regulatory capital (own funds) requirements which would be applicable to all institutions subject to CRD IV; and
- single rule book: the CRR includes a single set of harmonised prudential rules which credit institutions throughout the EU must follow. These rules removed a large number of national options and discretions that were previously available.

CRD IV includes the following measures with respect to credit institutions such as AIB:

- enhanced governance: CRD IV contains a number of requirements with regard to corporate governance arrangements and processes which include requirements aimed at increasing the effectiveness of risk oversight by boards, improving the status of the risk management function and ensuring effective monitoring by supervisors of risk governance;
- sanctions: CRD IV sets out certain minimum requirements regarding administrative sanctions and contains measures to ensure that supervisors can apply sanctions that are dissuasive, but also effective and proportionate;
- capital buffers: CRD IV specifies a number of capital buffers on top of the minimum capital requirements — a capital conservation buffer (identical for all credit institutions in the EU, subject to transitional arrangements), a buffer in respect of global systemically important institutions, a buffer in respect of O-SII, a systemic risk buffer (not yet transposed into Irish law) and a CCyB (determined at national level);
- remuneration: CRD IV contains requirements regarding the relationship between the variable component of remuneration and the fixed component;

- enhanced transparency: CRD IV makes provision for transparency and disclosure regarding the activities of credit institutions, as regards profits, taxes and subsidies in different jurisdictions in respect of which annual disclosure is required; and
- maximum distributable amount restrictions which limit a credit institution's ability to make distributions on CET1 and additional tier 1 ("AT1") capital instruments or certain payments in respect of pensions and remuneration where a combined requirement as to the level of capital buffers referred to above is not met.

On 23 November 2016, the EC published proposals to amend the CRD and the CRR. These proposals cover multiple areas, including capital add-ons, the introduction of a minimum leverage ratio, the MREL framework and the integration of the FSB's standard on TLAC into EU legislation (in particular, the proposal to incorporate TLAC into the capital requirements framework, as an extension to the own funds requirement). On May 25, 2018, the Council of the EU agreed its stance on the proposals and asked the presidency to start negotiations with the European Parliament. The European Parliament confirmed its position on the proposals at its June 2018 plenary. The European Parliament and the Council of the EU reached agreement on the main elements of the proposals in late 2018, which were endorsed by the Committee of Permanent Representatives ("COREPER") on November 30, 2018 and approved by the Economic and Financial Affairs Council on December 4, 2018. In February 2019, COREPER endorsed the positions agreed with the European Parliament on all elements of the proposals. The agreed text remains subject to formal adoption by the European Parliament and the Council of the EU, which is expected to occur during 2019. Until such time as the proposals are formally approved by the European Parliament and the Council of the EU, there can be no assurance as to whether, or when, the proposed amendments will be adopted and whether they will be adopted in the manner as currently proposed.

1.4 Role of the ECB under the SSM

1.4.1 Framework of Supervision

Under the SSM Framework Regulation, the ECB is the single supervisory authority for all credit institutions, financial holding companies and mixed financial holding companies in the Eurozone and in those other Member States that participate in the EU banking union (the "Banking Union").

In Ireland, the SSM Regulation and the SSM Framework Regulation were given full effect under the European Union (SSM) Regulations 2014, which amended the Central Bank Acts and certain other legislation relating to credit institutions so as to give that effect. The ECB is the direct supervisor of the Company and the Company is deemed to be authorised by the ECB under the SSM Regulation.

Although the ECB has been charged with the critical task of ensuring financial stability, certain functions remain at national level, as described in further detail below.

Under the SSM Framework Regulation, the ECB has established a framework for co-operation within the SSM between the ECB and national competent authorities (which includes the Central Bank) and with national designated authorities (together with national competent authorities, "national supervisory authorities").

1.4.2 Direct and Indirect Supervision

Under the SSM, the ECB supervises any credit institution that meets certain threshold conditions (each a "Significant Credit Institution"):

- In Ireland, the Company, EBS, AIB Mortgage Bank and EBS Mortgage Finance are Significant Credit Institutions for the purposes of the SSM and are subject to supervision and regulation by the ECB under the SSM; and
- A credit institution that is not a Significant Credit Institution is referred to as an "Other Credit Institution".

1.4.3 Powers of the ECB

In performing its prudential supervisory role in respect of every credit institution in the Eurozone and in any other Member State that participates in the Banking Union, the ECB has two principal functions:

- to authorise, and withdraw the authorisation of, credit institutions; and
- to assess applications for the approval of the acquisition and disposal of qualifying holdings in credit institutions, subject to limited exceptions.

In respect of Significant Credit Institutions, the ECB is also empowered to (among other functions):

- impose prudential requirements on the Significant Credit Institution, including in respect of own funds, large exposures, liquidity requirements and other prudential regulatory matters;
- assess "passport" applications by the Significant Credit Institution (i.e., to provide services on a cross-border basis or to establish a branch) in a Member State that is outside the Banking Union;
- carry out supervisory reviews, including stress tests; and
- impose and assess compliance with governance and probity requirements, including "fit and proper" tests.

The ECB is vested under the SSM Regulation and the SSM Framework Regulation with a range of supervisory and investigatory powers for these purposes, including on-site inspections. The ECB is also empowered under those regulations to impose administrative penalties on credit institutions.

1.4.4 The Role of National Supervisory Authorities

Although every credit institution in the Eurozone is subject to the SSM, national supervisory authorities (which include the Central Bank) are responsible for the day-to-day supervision of Other Credit Institutions; the ECB in turn monitors the supervision of Other Credit Institutions by those national supervisory authorities. The ECB may issue general and specific instructions to national supervisory authorities and a national supervisory authority must notify the ECB of any supervisory decision at national level that has material consequences.

National supervisory authorities retain responsibility for every supervisory function that is not transferred specifically to the ECB. In addition, national supervisory authorities have a role in relation to certain macro-prudential tasks and tools, including setting requirements in respect of capital buffers such as the O-SII buffer and CCyB, subject to the power of the ECB under the SSM Regulation to apply higher requirements if the ECB deems it necessary.

1.4.5 Role of the EBA within the SSM

The EBA has a role in **developing** proposals for binding technical standards to build the single rulebook that applies in all Member States participating in the SSM with respect to the CRD IV, the BRRD and the Directive 2014/49/EU on deposit guarantee schemes (the "DGSD") in order to enhance convergence in supervisory practices in the EU/EEA.

1.5 Role of the Relevant Banking Regulator

The role of the Central Bank with respect to the regulation of banking in Ireland is subject to the role of the ECB under the SSM.

The Relevant Banking Regulator is responsible for regulating and supervising a range of banking and financial services entities in Ireland, including credit institutions, and operates on the basis of consolidated regulation. The Relevant Banking Regulator can grant banking licences (ECB authorisations for the purposes of the SSM Regulations) in the case of Irish incorporated credit institutions or local authorisations in the case of Irish branches of credit institutions incorporated outside the EEA. The Relevant Banking Regulator carries out regular review meetings and periodically inspects holders of local banking authorisations. The Relevant Banking Regulator is also empowered by law to carry out inspections of the books and records of local banking authorisation holders and to obtain information from such holders about their banking and bank-related business. The Relevant Banking Regulator has a wide range of statutory powers to enable it to effectively regulate and supervise the activities of credit institutions in Ireland.

The Relevant Banking Regulator may prescribe ratios to be maintained between, and requirements as to the composition of, the assets and liabilities of holders of local banking authorisations, and make a range of regulations for the prudent and orderly conduct of banking business of such holders. CRD IV imposes minimum start-up and ongoing capital requirements for holders of an ECB banking authorisation and requires applicants for such an authorisation to notify the Relevant Banking Regulator of the identity of certain shareholders and the size of their holdings in the applicant.

AIB's operations in overseas locations are subject to the regulations and reporting requirements of the regulatory and supervisory authorities in the overseas locations, with the Relevant Banking Regulator having overall responsibility for their regulation and supervision. The Relevant Banking Regulator is required to supervise AIB on a consolidated basis (i.e., taking account of the activities and relationships of the entire group).

1.6 Competition

Credit institutions in Ireland are subject to supervision and oversight by the CCPC under the Competition Acts 2002 to 2017 and the European Commission under the TFEU and EU competition laws. These regulators have broad powers to launch market studies or conduct investigations.

1.7 Financial Statements

Every holder of an ECB banking authorisation is obliged to draw up and publish its annual accounts in accordance with the European Union (Credit Institutions: Financial Statements) Regulations 2015. AIB has procedures in place which are designed to ensure that the Company's annual accounts are so prepared and published.

1.8 Anti-Money Laundering, Counter Terrorist-Financing and Financial Sanctions

Every credit institution in Ireland is obliged to take the necessary measures to effectively detect and counteract money laundering and terrorist financing. The third anti-money laundering directive, MLD3, repealed and replaced the previous anti-money laundering directives and introduced additional

requirements and safeguards in line with the Forty Recommendations of the OECD-based Financial Action Task Force. The Criminal Justice (Money Laundering and Terrorist Financing) Acts of 2010 and 2018 (the "AML Acts") transpose MLD3, MLD4 and the associated implementing Directive 2006/70/EC into Irish law. The AML Acts contain requirements on the part of designated bodies covered by the AML to identify and verify the identity of customers, to report suspicious transactions and to have specific procedures in place for the prevention of money laundering and terrorist financing. The European Union (Anti-Money Laundering: Beneficial Ownership of Corporate Entities) Regulations 2016, and the European Union (Anti-Money Laundering: Beneficial Ownership of Trusts) Regulations 2019 impose further obligations on Irish incorporated bodies. The text of MLD5 has been published in the Official Journal of the EU. MLD5 will amend MLD4 and must be transposed by member states into national law by 10 January 2020.

Sanctions are legally binding measures that are used as a tool by the United Nations, the European Union, the United States and others to bring about a change in the policy or behaviour of a country, entity or individual. In Ireland, sanctions can be imposed under EU regulations having direct effect in Ireland, orders made by the Minister under the Financial Transfers Act 1992, the Criminal Justice (Terrorist Offences) Acts 2005 and 2015 or the European Communities Act 1972 to 2012, or directions or orders made under the AML Acts.

1.9 Data Protection

The GDPR, adopted on 27 April 2016, came into force across the European Union on 25 May 2018 and replaced the existing Data Protection Directive. The GDPR is the primary piece of legislation regulating the retention and use of data relating to individual customers. The GDPR imposes significant obligations on "data controllers" (including financial institutions which control personal data) and introduces substantial changes to European data protection law, including significantly increasing the scope of financial penalties for non compliance.

1.10 Central Bank Regulatory Codes and Requirements

1.10.1 Consumer Protection Code 2012

The CPC, which replaced the Consumer Protection Code 2006, is designed to protect the interests of customers of regulated entities (as defined in the CPC) and is applicable (in part) to the activities of regulated entities with their customers generally and (in its entirety) their dealings with those of its customers who are consumers within the meaning of the CPC.

1.10.2 Minimum Competency Requirements

The Central Bank applies minimum competency requirements (the "Minimum Competency Requirements") to individuals who, in their own right or on behalf of a regulated firm, arrange or offer to arrange retail financial products for consumers (as defined in the CPC) and/or advise on same. The Company and other members of AIB which are regulated firms are obliged to comply with these requirements to the extent that they apply to their business.

1.10.3 Fitness and Probity

The directors and other senior personnel of a regulated firm (including the Company) are required to be approved by the Relevant Banking Regulator, which exercises its oversight by requiring the completion of a detailed individual questionnaire by each proposed appointee. The Relevant Banking Regulator's fitness and probity assessment seeks to ensure that directors and other senior personnel have the necessary skills to run the entity and also have the necessary personal qualities such as honesty, integrity, diligence, independent-mindedness and fairness to ensure that the

entity is run ethically, in compliance with relevant legislation and in a manner that treats its customers fairly.

The Central Bank Reform Act 2010 gives the Relevant Banking Regulator wide-ranging powers across the financial services industry to, amongst other things: (i) approve or veto the appointment of people to certain positions; (ii) investigate and, where appropriate remove or prohibit, certain position holders; and (iii) set statutory standards of fitness and probity across the financial services industry.

1.10.4 Corporate Governance Code for Credit Institutions and Insurance Undertakings

The Central Bank's Corporate Governance Code for Credit Institutions and Insurance Undertakings (2010) applied to directors and boards of credit and insurance institutions. That Code included provisions on the membership of the board of directors, the role and responsibilities of the chairman and other directors and the operation of various board committees.

The Code is now split into the Corporate Governance Requirements for Insurance Undertakings 2015 and the Corporate Governance Requirements for Credit Institutions 2015 (the "Revised CGC Code") which have applied since 1 January and 11 January 2016, respectively. The Revised CGC Code sets out minimum statutory requirements on how credit institutions should organise the governance of their institutions. The key objective of the Revised CGC Code is to facilitate good corporate governance in institutions which fall within its remit.

1.10.5 Code of Practice on Lending to Related Parties

The Code of Practice on Lending to Related Parties (2013) (the "CPLRP") revised the Code of Practice on Lending to Related Parties (2010). It prescribes requirements in respect of lending by a credit institution to a related party (a director, senior manager or significant shareholder of the credit institution or an entity in which the credit institution has a significant shareholding, as well as a connected person of any of these). Such lending is required to be on an arm's length basis and must be subject to appropriate management oversight and limits.

1.11 Financial Services Ombudsman ("FSO")

The 2004 CBI Act provides for the establishment of the FSO and the Financial Services Ombudsman Council. The FSO has, in respect of complaints regarding financial services provided to consumers and SMEs, a range of powers to investigate complaints and to impose financial or other sanctions on a regulated financial services provider.

1.12 Deposit Guarantee Scheme and Investor Compensation Scheme

The European Union (Deposit Guarantee Schemes) Regulations 2015 (the "DGS Regulations"), give full effect to the DGSD in Irish law. Under the DGS Regulations, the Relevant Banking Regulator operates a statutory deposit protection scheme under which credit institutions authorised by the Central Bank are required to contribute to a deposit guarantee scheme fund annually based on their covered deposits and degree of risk. The deposit guarantee scheme must reach an available financial means of 0.8 per cent. of covered deposits by July 2024.

The DGS Regulations aim to ensure that depositors are protected up to an amount of €100,000 generally in the event of a credit institution being unable to repay deposits. The €100,000 per person per institution cover level is increased to €1,000,000 in the case of deposits held for up to six months and which meet restrictive criteria. The DGS Regulations protect all 'covered deposits' to the applicable aggregate amount.

The Investor Compensation Act 1998 established an independent body called the Investor Compensation Company Limited, now the ("ICCL") to administer and supervise investor compensation schemes. The Investor Compensation Act 1998 requires authorised investment firms (including the Company) 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 level of compensation payable to any one eligible investor is 90 per cent. of net loss or €20,000, whichever is the lower.

AIB has in place policies and procedures designed to comply with the DGS Regulations and its obligations to the ICCL.

1.13 Companies Act 2014

The Companies Act 2014 represented the most significant consolidation and modification of Irish companies legislation in over 50 years. As a company incorporated in Ireland and registered under the Companies Act 2014, the Company and other Irish incorporated members of AIB must comply with the provisions of such legislation. The Director of Corporate Enforcement, an Irish independent statutory officer, is responsible for encouraging compliance with, and for the enforcement of, the Companies Act 2014. AIB has in place policies and procedures designed to comply with requirements under the Companies Act 2014.

1.14 Financial Support Act/NAMA Act

The Financial Support Act permitted, amongst other matters, the Minister for Finance to provide financial support in respect of the borrowings, liabilities and obligations of any credit institution or subsidiary which the Minister for Finance may specify by order. The AIB CIFS Covered Institutions are Covered Institutions for the purposes of the Minister for Finance's guarantee under the CIFS Scheme and the AIB ELG Participating Institutions are participating institutions under the ELG Scheme. In accordance with the Financial Support Act and the terms of the CIFS Scheme and the ELG Scheme (which continue to apply to the Company and other relevant members of AIB), the Minister for Finance has powers to give directions to those members of AIB to regulate their conduct in certain aspects. The Company and certain other members of AIB as participants of the NAMA Programme are also subject to the provisions of the NAMA Act.

1.15 BRRD and SRM Regulation

The BRRD establishes a European framework dealing with pre-resolution and resolution mechanisms, loss absorbency and bail-in rules. The BRRD is designed to provide relevant authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system. The overarching goal of the bank recovery and resolution framework is to break the linkages between national banking systems and sovereigns. The BRRD framework is intended to enable resolution authorities to resolve failing banks with a lower risk of triggering contagion to the broader financial system, while sharing the costs of resolution with bank shareholders and creditors. Among other provisions, the BRRD requires credit institutions to produce a full recovery plan that sets out detailed measures to be taken in different scenarios when the viability of the institution is at risk.

The BRRD introduces the Write-Down Tool. The Write-Down Tool would be applicable in particular if the resolution authority determines that unless the Write-Down Tool is applied, the credit institution will no longer be viable or if a decision has been made to provide the credit institution with extraordinary public financial support without which the credit institution or its group will no longer be viable.

The BRRD also equips the resolution authority with the following Resolution Tools in circumstances where the credit institution meets the conditions for resolution under BRRD:

- the sale of business tool; and/or
- the bridge institution tool; and/or
- the asset separation tool; and/or
- the General Bail-In Tool.

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

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

In respect of the Write-Down Tool, and the General Bail-In Tool, the resolution authority has the power, upon certain trigger events, to cancel existing shares, to write down eligible liabilities (i.e., own funds instruments and, in the case of the General Bail-In Tool, other subordinated debt and even senior debt, subject to exceptions in respect of certain liabilities) of a failing credit institution or to convert such eligible liabilities of a failing credit institution into equity at certain rates of conversion representing appropriate compensation to the affected holder for the loss incurred as a result of the write-down and conversion.

The BRRD also makes provision for the meeting by a credit institution of its MREL as set by its resolution authority based on Regulatory Technical Standards ("RTS") developed by the EBA and set out in a Commission Delegated Regulation. On the basis of the RTS, it is possible that AIB may have to issue a significant amount of additional MREL eligible liabilities in order to meet the requirements within the required timeframes.

Where a credit institution meets the conditions for resolution, the resolution regulator and/or authority will be required to apply the Write-Down Tool before applying the Resolution Tools. The write-down or conversion will follow the ordinary allocation of losses and ranking in insolvency. Equity holders will be required to absorb losses in full before any eligible debt claim is subject to write-down or conversion. After shares and other similar instruments, the write-down or conversion will, if necessary, impose losses evenly on holders of other subordinated debt which rank *pari passu* according to their terms.

Pursuant to the BRRD, resolution authorities must ensure when applying the Resolution Tools, that creditors do not incur greater losses than they would have incurred if the credit institution had been wound down in normal insolvency proceedings. Furthermore, the Relevant Banking Regulator may require AIB to make changes to the legal structures and/or business model of the Group pursuant to its implementation of requirements under the SRM Regulation, the BRRD or other applicable law or regulation. See "*Risk Factors*" for further information.

The main aims of the SSM are to ensure the safety and soundness of the European banking system and to increase financial integration and stability in Europe. A SRM has been introduced, including a SRB

and a single fund for the resolution of credit institutions, which will be funded by levies on credit institutions raised at the national level. The establishment of the SRM is designed to ensure that supervision and resolution is exercised at the same level for Member States that share the supervision of credit institutions within the SSM. The requirements of the SRM are set out in the SRM Regulation and the BRRD. The SRM became fully operational on 1 January 2016.

Pursuant to the SRM Regulation, the SRB is responsible for drawing up AIB's resolution plan providing for resolution actions that may be taken if AIB would fail or would be likely to fail. In drawing up AIB's resolution plan, the SRB identifies any material impediments to AIB's resolvability. Where necessary, the SRB may instruct that actions are taken to remove such impediments.

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

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

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

On 23 November 2016, the EC published proposals to amend the BRRD and the SRM Regulation. These are currently being considered by the European Parliament and the Council of the European Union.

AIB has adopted policies and procedures designed to comply with its obligations under BRRD and the SRM Regulation.

1.16 Consumer-related Regulation

1.16.1 Overview

The provision of credit to natural persons in Ireland requires the lender to be authorised and regulated by the Central Bank as a retail credit firm, unless exempted as in the case of the holder of a local banking authorisation or a passported EEA authorisation. Under the Central Bank Acts, retail credit firms are subject to the CPC and the CCMA in respect of lending activities.

1.16.2 Consumer Credit Act 1995

The extension of credit (including, the making of cash loans, housing loans, and other financial accommodation) as well as hire purchase arrangements to or with, consumers (individuals who act outside their trade, business or profession) in Ireland is principally regulated by the CCA. The CCA imposes a range of obligations and restrictions on lenders and intermediaries.

Relevant obligations imposed by the CCA in respect of the making of housing loans include: (i) rules regulating advertising for housing loans; (ii) a requirement to furnish the borrower with a valuation report concerning the property; (iii) criteria for calculation of APR on housing loans; (iv) a requirement that specified warnings regarding the potential loss of the person's home be included in all key documentation relating to a housing loan and that key, prescribed information be displayed on the front page of a housing loan; (v) obligations to provide prescribed documents

and information to a borrower; (vi) disclosure of certain fees and charges; and (vii) requirements to ensure that the borrower obtains mortgage protection insurance (life cover).

Under section 149 of the CCA, credit institutions must apply to the Central Bank in order to either increase existing fees or introduce any new fee or charge on customers (whether or not consumers) in the case of certain services, including the provision of credit and foreign currency facilities. Section 149(12) entitles the Central Bank to require a credit institution to refrain from using any terms and conditions that the Central Bank considers to be unfair or likely to be regarded as unfair.

Certain members of AIB engage in consumer lending and financing which is subject to the requirements of the CCA. Those Group companies have established internal frameworks, including providing information on products and applicable charges, and drafted customer documentation, which are intended to ensure that they comply with relevant obligations under the CCA.

1.16.3 Unfair Terms in Consumer Contracts Regulations

The UTCCR apply in relation to consumer contracts entered into by consumers (natural persons acting for purposes outside their business) and their related security. A consumer may challenge a term in an agreement on the basis that it is "unfair" within the meaning of the UTCCR and therefore not enforceable against the borrower. If the court finds a term of a contract to be unfair and therefore, not binding on the consumer, the rest of the contract will continue to bind the consumer if the contract is capable of continuing in existence without the unfair term. In addition, the CCPC or an authorised body (as defined in the UTCCR) may seek an injunction preventing the use of specific terms that are unfair.

The UTCCR will not generally affect "core terms" which set out the main subject of the contract, such as, in the context of a loan, a borrower's obligation to repay principal, but may affect terms deemed to be ancillary which may include terms the application of which are in the lender's discretion (such as a term permitting the lender to vary the interest rate or waiver by a borrower of set off rights).

1.16.4 Consumer Protection Code

The CPC, issued by the Central Bank under its statutory powers, contains provisions that cover all aspects of a regulated entity's (meaning firms subject to regulation by the Relevant Banking Regulator when providing financial services, with certain exceptions such as services for the purposes of the MiFID I Directive) relationship with a consumer and certain aspects of a regulated entity's relationship with all of its customers. These range from advertising and marketing, to knowing the consumer and offering suitable products, to ensuring that consumers are treated fairly. In the case of all mortgage products provided to personal consumers (other than those where the interest rate is fixed for a period of five years or more), the CPC requires that a lender test the consumer's ability to repay the instalments on the basis of a two per cent. interest rate increase above the interest rate offered. The general principles of the CPC apply to all customers of the Company.

Relevant obligations of the CPC include: (i) a requirement to supply a written suitability statement before providing certain services or products; (ii) a strict time period for complaint handling; (iii) for consolidation mortgages, an obligation to supply a written comparison detailing the total cost of the consolidated facility on offer versus the cost of maintaining existing loans; (iv) for setting variable mortgage interest rates, an obligation to produce a summary statement of its policy for setting each variable mortgage interest rate that it makes available to personal

consumers and publishes on its website; (v) and a requirement to advise personal consumers how to mitigate/avoid fees and penalties in respect of the chosen product.

The CPC also sets out how regulated entities must deal with and treat personal consumers who are in arrears on a range of loans, including buy-to-let mortgages. However, the provisions of the CPC in relation to arrears do not apply to the extent that the loan is a mortgage loan to which the CCMA applies.

Companies within AIB that are regulated financial service providers are, depending on the services they provide, subject to some or all of the CPC. Those Group companies have in place policies and procedures designed to ensure that those companies comply with their obligations under the CPC when providing financial products and services to consumers (as defined in the CPC) and other customers.

1.16.5 CCMA

The CCMA was issued under the statutory powers of the Central Bank and is to be read together with the CPC. The CCMA sets out the procedures that must be adopted by every regulated entity operating in Ireland as regards mortgage lending and mortgage servicing to a borrower in respect of the borrower's primary residence in Ireland. As such, the CCMA applies to the Company.

The CCMA applies to the mortgage loan of a borrower which is secured on the borrower's "primary residence", which the CCMA defines as:

- the residential property which the borrower occupies as his or her primary residence in Ireland; or
- a residential property which is the only residential property owned by the borrower in Ireland.

In addition to applying to borrowers in arrears, the CCMA also applies to borrowers who notify their lender that they are facing financial difficulties and may be at risk of mortgage arrears (known as "pre-arrears" cases).

The CCMA requires a lender to wait at least eight months from the date the arrears arose before commencing legal proceedings against a co-operating borrower. Separately, a lender is required to give three months' notice to the borrower before a lender may commence legal proceedings where the lender does not offer the borrower an alternative repayment arrangement or the borrower is unwilling to accept an alternative repayment arrangement offered by the lender.

1.16.6 Consumer Protection Act 2007

The Consumer Protection Act 2007 and the Competition and Consumer Protection Act 2014 (together, the "Consumer Protection Acts") apply the Directive on Unfair Commercial Practices in Ireland and prohibit business-to-consumer commercial practices that are unfair, misleading, aggressive or which otherwise are prohibited by the Consumer Protection Acts.

1.16.7 Mortgage Credit Directive

The Mortgage Credit Directive was transposed into Irish law by the European Union (Consumer Mortgage Credit Agreements) Regulations 2016 (the "Mortgage Credit Regulations").

The Mortgage Credit Directive aims to improve consumer protection measures by introducing revised rules for residential mortgage lending which apply across the EU. The Mortgage Credit Directive is designed to create an efficient and competitive single market for consumers, creditors

and credit intermediaries with a high level of consumer protection and to promote financial stability by ensuring that mortgage credit markets operate in a responsible manner.

1.16.8 Consumer Credit Directive

The Consumer Credit Regulations transpose the Consumer Credit Directive into Irish law and broadly apply to agreements for credit in the form of a deferred payment, loan or other similar financial accommodation but do not apply to credit agreements secured by a mortgage on immovable property. The Consumer Credit Regulations impose requirements in relation to relevant consumer credit including with respect to:

- advertising of credit to consumers;
- consumers' rights of withdrawal from credit agreements within 14 calendar days after the relevant day, without providing a reason;
- information to borrowers including borrowing rates and charges;
- pre-financing credit checks; and
- consumers' rights to prepay loans and restrictions on the compensation to be paid to a creditor in the case of prepayment.

Certain members of AIB (including the Company) provide credit to consumers, which is subject to the Consumer Credit Regulations. AIB has in place policies and procedures which are intended to ensure that they comply with their obligations under the Consumer Credit Regulations.

1.17 LTV/LTI related Regulatory Restrictions on Residential Mortgage Lending

The Central Bank has, under the LTV/LTI Regulations imposed restrictions on Irish residential mortgage lending by lenders which are regulated by the Central Bank (such as the Company, AIB Mortgage Bank, EBS, EBS Mortgage Finance and Haven in the case of AIB). The restrictions impose limits on residential mortgage lending by reference to LTV and LTI ceilings, subject to limited exceptions.

The regulations impose different LTV limits for different categories of buyers. A limit of 80 per cent. LTV applies to new mortgage lending for non-first-time buyers of a PDH. For first-time buyers of PDH's, a limit of 90 per cent. LTV applies. For non-PDH purchases (e.g., buy-to-let properties), a limit of 70 per cent. LTV applies.

In relation to these LTV restrictions, financial institutions are required:

- in the case of a loan to a first time buyer for the purpose of purchasing a PDH, to restrict lending beyond the prescribed LTV limits to no more than 5 per cent. of the aggregate value of all such loans;
- in the case of a loan to a non-first time buyer for the purpose of purchasing a PDH, to restrict lending beyond the prescribed LTV limits to no more than 20 per cent. of the aggregate value of all such loans in the relevant period; and
- in the case of loans other than PDH loans, to restrict lending beyond the prescribed LTV limits to 10 per cent. of the aggregate value of all such loans entered into in that relevant period.

The relevant members of AIB (the Company, AIB Mortgage Bank, EBS, EBS Mortgage Finance and Haven) are required to restrict lending above 3.5 times LTI to no more than 20 per cent. of the aggregate value of the PDH loans AIB makes in the relevant period in the case of first time buyers and 10 per cent. for non-first time buyers. Mortgages for non-PDH loans are exempt from the LTI limit. AIB has in place

policies and procedures aimed at ensuring that they do not exceed the prescribed limits and comply with their obligations under the regulations.

1.18 Personal Insolvency Act

1.18.1 General

The Personal Insolvency Act transformed the personal insolvency regimes including through the introduction of three new debt resolution processes, namely:

- a debt relief notice ("DRA") to allow for the write-off of qualifying debts up to €35,000, subject to a three-year supervision period;
- debt settlement arrangement ("DSA") for the settlement of qualifying unsecured debts over a period of up to five years (extendable to six years in certain circumstances) and subject to majority creditor approval; and
- a PIA, which is a personal insolvency arrangement for the agreed settlement or restructuring of qualifying secured debts of up to €3 million (although this cap can be increased with the consent of all secured creditors) and the agreed settlement of qualifying unsecured debt, over a period of up to six years (extendable to seven years in certain circumstances).

These processes are administered by approved intermediaries (in the case of the DRN) and registered personal insolvency practitioners (in the case of a DSA and PIA). The DSA and PIA processes involve the issuance of a protective certificate which precludes enforcement and related actions by creditors. Detailed eligibility criteria and other requirements relating to the processes are set out in the Personal Insolvency Act. The Insolvency Service of Ireland ("Insolvency Service"), amongst other things, processes DRN, DSA and PIA applications in the first instance. The application for a DRN, DSA or PIA and protective certificates ultimately needs to be approved by a court (the Circuit Court for debts below €2.5 million, the High Court for debts above €2.5 million) before it can come into effect.

The PIA is capable of settling and/or restructuring secured debt, including residential mortgage debt. Subject to certain mandatory requirements and minimum protections for a debtor and his or her secured creditors, the Personal Insolvency Act provides flexibility as to how a PIA treats a secured debt. For example, a PIA may provide for an adjustment of the interest rate, interest basis or maturity of the debt, a capitalisation of arrears, a debt-for-equity swap or a principal write-down to a specified amount equal to or greater than the value of the security.

The Insolvency Service of Ireland was established to oversee and operate the measures under the Personal Insolvency Act.

AIB has in place policies and procedures, and have engaged with impacted customers, in a manner which seeks to ensure compliance with the Personal Insolvency Act.

1.18.2 Bankruptcy

Bankruptcy law in Ireland is set out in the Bankruptcy Act 1988 (the "Bankruptcy Act"). The Personal Insolvency Act (in Part 4) provides for a number of amendments to the Bankruptcy Act. The bankruptcy regime has been further amended by the Bankruptcy (Amendment) Act 2015. Amongst other things, the Bankruptcy (Amendment) Act 2015 provides for a reduction of the bankruptcy period from three years to one year so that every bankruptcy will be automatically discharged on the first anniversary of the date of the making of the adjudication order in respect of that bankruptcy (unless the court extends the period of bankruptcy, typically when there has

been non-cooperation by the bankrupt or other irregular actions). The Bankruptcy (Amendment) Act 2015 also reduces the normal maximum duration of a bankruptcy payment order (a court order requiring a bankrupt individual to make payments for the benefit of his or her creditors from any surplus income or assets after the deduction of reasonable living expenses for him or her and any dependents) from five to three years, although it retains the maximum five-year duration in cases of non-cooperation or asset concealment. The Bankruptcy (Amendment) Act 2015 also provides that a bankrupt person's legal interest in his or her home will revest in him or her after three years (subject to any outstanding mortgage), if the official assignee has neither sold it, nor applied to the High Court for an order permitting the sale of the house, before that date.

AIB has in place policies and procedures which are intended to ensure compliance with the Bankruptcy Act.

1.19 Asset Covered Securities Legislation

The ACS Act provides for a statutory framework for the issuance of Irish covered bonds known as ACS. ACS can only be issued by Irish credit institutions that are registered under the ACS Act and restrict their principal activities to public sector or property financing. Those credit institutions that are registered under the ACS Act and restrict their principal activities for the main part to residential property sector financing, are called "designated mortgage credit institutions" and issue ACS known as mortgage covered securities.

The ACS Act provides, among other things, for the registration of eligible credit institutions, the maintenance by such credit institutions of a defined pool, known as a cover assets pool, of prescribed mortgage credit assets (including mortgage credit assets in securitised form) and limited classes of other assets (known as cover assets), and the issuance by such credit institutions of mortgage covered securities which are secured by a statutory preference under the ACS Act on those cover assets.

The ACS Act also makes provision for the inclusion in the cover assets pool as cover assets of certain hedging contracts which are called cover assets hedge contracts. The ACS Act also varies the general provisions of Irish insolvency law which would otherwise apply with respect to an eligible credit institution, cover assets, cover assets hedge contracts and mortgage covered securities on the insolvency of the eligible credit institution and replaces them with a special insolvency regime applicable to such institutions.

AIB Mortgage Bank and EBS Mortgage Finance which are subsidiaries of AIB are registered as designated mortgage credit institutions under the ACS Act. AIB has in place policies and procedures aimed at ensuring that they comply with the registration, monitoring, reporting and other obligations imposed on them under the ACS Act.

1.20 SME lending regulation

The SME Regulations apply to a regulated financial service provider when providing certain credit products to an SME operating within Ireland. The protections set out in the SME Regulations differ depending on whether the credit is provided to micro and small enterprises or to medium-sized enterprises.

When providing in-scope financing to SMEs, certain Group companies which are regulated financial service providers (as defined in the SME Regulations) are subject to the requirements of the SME Regulations. AIB has in place policies and procedures which are aimed at ensuring that those Group companies comply with their obligations under the SME Regulations.

1.21 Other EU Legislation

1.21.1 Benchmark Regulation

The Benchmark Regulation regulates the production and use of benchmarks. Among other things, it imposes requirements on a supervised entity, (including a credit institution), that uses a benchmark. Specifically, a supervised entity is restricted as to the types of benchmarks it may use. In addition, a supervised entity that uses a benchmark must produce and maintain robust written plans setting out the actions it would take in the event that a benchmark materially changes or ceases to be provided. It must also provide its relevant competent authority with those plans on request and reflect them in the contractual relationship with clients. Standard variable rates offered by credit institutions will not be considered benchmarks when used in mortgage or consumer credit contracts.

1.21.2 EMIR Regulations

Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC Derivatives, Central Counterparts and Trade Repositories (the "EMIR Regulations") imposes obligations on derivatives market participants operating within the EEA in three principal areas: (i) the clearing of certain standardised OTC derivative contracts, (ii) reporting and (iii) the employment of certain risk mitigation techniques in respect of, certain derivative contracts, with its provisions taking effect on a phased basis. The EMIR Regulations impose certain obligations on, and leaves certain discretions to, Member States of the EEA. The European Union (European Markets Infrastructure) Regulations 2014 were made by the Minister for Finance to discharge those obligations and exercise those discretions with respect to Ireland. Those regulations designate the Central Bank as Ireland's national competent authority for EMIR Regulations purposes, confer on the Central Bank functions (including supervisory and investigatory powers) and establish Ireland's sanctions regime for infringements of obligations imposed by the EMIR Regulations and those Irish transposed regulations.

1.21.3 Distance Marketing Regulations

The Distance Marketing of Financial Services Directive was implemented in Ireland by way of the DM Regulations. The DM Regulations apply to, *inter alia*, credit agreements entered into on or after 31 October 2014 by means of distance communication (i.e., without any substantive simultaneous physical presence of the originator and the borrower).

The DM Regulations require suppliers of financial services by way of distance communication to provide certain information to consumers. This information generally must be provided within a reasonable time before the consumer is bound by a distance contract for the supply of the financial services in question and includes, but is not limited to, general information in respect of the supplier and the financial service, contractual terms and conditions (including the price to be paid by consumers to the supplier of financial services) and whether or not there is a right of cancellation.

1.21.4 Markets in Financial Instruments Directive

The MiFID II Directive governs the provision of investment services in financial instruments by credit institutions and investment firms and the operation of traditional stock exchanges and alternative trading venues.

The MiFID II Directive was implemented in Ireland by the MiFID II Regulations, replacing the MiFID I Directive and MiFID Regulations. The Central Bank is the competent authority in Ireland for the purposes of the MiFID II Directive and the MiFID II Regulations.

The MiFID I Directive and the MiFID Regulations established a regulatory framework for the provision of investment services in Ireland in relevant financial instruments (such as brokerage, advice, dealing, portfolio management, underwriting of relevant financial instruments by credit institutions and investment firms), for the operation of regulated markets by market operators and established the powers and duties of the Irish competent authority, the Central Bank, in relation to these activities.

The revised framework under the MiFID II Directive and EU MiFID Regulation encompasses a broader range of financial instruments than that to which the MiFID I Directive framework applied, requiring more trading to take place on regulated platforms and providing for more types of such platforms. It introduced rules on algorithmic and high frequency trading. It imposes additional requirements in respect of transparency in trades and established a harmonised EU regime for non-discriminatory access to trading venues, clearing counterparties and benchmarks for trading and clearing purposes. Building on the rules in place under the MiFID I Directive, the new framework is intended to strengthen the protection of clients by introducing additional organisational and conduct requirements and increasing the responsibilities of management bodies of the entities subject to regulation thereunder. The revised framework also increases the role and supervisory powers of regulators and establishes powers to prohibit or restrict the marketing and distribution of certain financial products. It also established a harmonised regime for firms established in non-EEA countries to access EU "professional" markets, based on an equivalence assessment of the relevant country's jurisdiction by the EC.

1.21.5 Payment services and related matters regulation

The Payment Services Regulations 2018 transposed the PSD2 into Irish law. PSD2 is the main EU legislative measure governing payment services in the EU. It covers all electronic and non-cash payments in the EU and provides common rules, obligations and rights for payment service providers and users. Among other things, the Payment Services Regulations 2018 set out certain prudential and conduct of business requirements for payment services providers as well as requirements on items such as the time-frames for payments, the provision of information to consumers and refunds on unauthorised transactions. PSD2 also introduced a number of key changes to the existing regulatory framework for payment services.

1.21.6 Packaged Retail Investment and Insurance Products Regulation

The PRIIPs Regulation seeks to promote investor protection by enhancing transparency over the key features and risks of packaged retail investment and insurance products ("PRIIPs") sold to retail investors.

The term "PRIIPs" covers two types of products, namely packaged retail investment products and insurance-based investment products. In both cases, the key feature of the product is that the amount repayable to the investor is subject to fluctuation because of exposure to reference values, or subject to the performance of one or more assets that are not directly purchased by the retail investor. Among other things, the PRIIPs Regulation requires a "PRIIP manufacturer" (any person that manufacturers a PRIIP), including credit institutions, to prepare and produce a standardised fact sheet, known as a Key Information Document, or "KID", in accordance with a prescribed format and content. The person advising on or selling the PRIIP must then provide the KID to retail investors.

2 Current Regulation of Credit Institutions in the United Kingdom

AIB Group (UK) p.l.c.

AIB Group (UK) p.l.c. is a company incorporated in Northern Ireland and is authorised by the PRA and regulated by the FCA and the PRA under the Financial Services and Markets Act 2000 as amended from time to time ("FSMA") to carry on a wide range of regulated activities (including, among other things, accepting deposits and entering into a regulated mortgage contract as lender).

The Company

The Company is incorporated and has its head office in Ireland, and is authorised as a credit institution in Ireland by the ECB. Pursuant to the Banking Consolidation Directive (Directive 2006/48/EC), the Company has exercised its EU "passport" rights to provide banking, treasury and corporate treasury services in the UK through its London branch.

Whilst in Ireland the Central Bank continues to regulate the Company in certain areas, including consumer protection, the ECB (together with support from the Central Bank) has primary responsibility for the prudential supervision of AIB. However, AIB must comply with the FCA's and PRA's rules in so far as they apply to its activities carried out in the UK. In addition, the PRA has a responsibility to co-operate with the ECB and the Central Bank in ensuring that branches of Irish credit institutions in the United Kingdom (such as the Company's London branch) maintain adequate liquidity and take sufficient steps to cover risks arising from their open positions on financial markets in the United Kingdom. See "*—Regulation of Banks in Ireland—General Supervision and Regulation of Banks in Ireland*" above for details of passporting.

2.1 Regulatory Oversight by the PRA and the FCA

FSMA is the principal piece of legislation governing the establishment, supervision and regulation of financial services and markets in the UK. The PRA and the FCA are the regulators in the UK responsible for the authorisation and supervision of regulated activities as defined in FSMA including as to restricted and prohibited conduct.

The FCA supervises the activities of banks, building societies, credit unions, insurers, investment firms and intermediaries, insurance and mortgage intermediaries, fund managers and consumer credit firms. It has a single strategic objective to ensure that the markets for financial services function well, underpinned by the following operational objectives:

- securing an appropriate degree of protection for consumers;
- protecting and enhancing the integrity of the UK financial system; and
- promoting effective competition in the interests of consumers.

"Consumers" in this context has a wide meaning, covering any person who uses or may use financial services.

The PRA is responsible under FSMA for the authorisation and prudential supervision of certain banks, building societies, credit unions, insurers and major investment firms.

The PRA has two primary objectives: (i) a general objective to promote the safety and soundness of the firms it regulates, focusing on the adverse effects that they can have on the stability of the UK financial system; and (ii) an objective specific to insurance firms, to contribute to ensuring that policyholders are appropriately protected. Since 2014, the PRA has also had a secondary objective: to promote effective competition in the markets for services provided by PRA-authorised firms.

Both regulators have powers to make rules and guidance to which regulated firms must adhere. They also have a number of supervisory and enforcement powers which have been given to them under FSMA. The FCA and PRA will seek to use their resources most efficiently, and so will in general seek to deploy their resources in relation to firms in a manner consistent with the perceived threat that such firms pose to the regulatory bodies' statutory objectives. For the larger regulated firms – including all banks – this supervisory approach will include regular meetings with the firm's management, the requirement on firms to report certain information on a regular basis (including providing a regular set of returns giving levels of capital and liquidity, balance sheet and consolidated statements of income data, material on the maturity structure of assets and liabilities, sector-analysis of business and details of concentration of risk in assets and deposits).

2.1.1 Threshold conditions

Authorised firms must at all times meet certain "threshold conditions" specified by FSMA. Dual-regulated firms, such as AIB Group (UK) plc, must meet both the PRA and FCA threshold conditions.

At a high level, the threshold conditions for dual-regulated firms require that (amongst other things) (i) the firm is capable of being effectively supervised by the FCA and the PRA; (ii) the firm's head office and, in particular, its mind and management is in the UK if it is incorporated in the UK; (iii) the firm has appropriate financial and non-financial resources; (iv) the firm itself is fit and proper, having regard to the FCA's and the PRA's objectives; (v) the firm's business model is suitable for the regulated activities it carries on or seeks to carry on; and (vi) the firm's business is conducted in a prudent manner.

2.1.2 PRA and FCA rules and guidance

The detailed rules and guidance made by the PRA and the FCA under the powers given to them by FSMA are contained in various parts of their respective handbooks (the "PRA Handbook" and the "FCA Rulebook" respectively).

2.1.3 Senior managers and certification regime

Persons who hold PRA- or FCA-designated senior management functions such as certain specified key roles or having overall responsibility for any of the activities, business areas or management of banks, building societies, credit unions, large PRA-regulated investment banks and branches of foreign banks operating in the UK must be approved by the PRA or the FCA under the "senior managers regime". Those persons must meet ongoing standards of conduct and fitness and propriety. The "certification regime" requires firms to assess the fitness and propriety of certain employees who, by virtue of their role, could pose a risk of significant harm to the firm or any of its customers. The "certification functions" include functions that are subject to qualification requirements (for example mortgage and retail investment advisors), client dealing functions, algorithmic traders and, in certain circumstances, material risk takers. All staff employed by AIB UK are subject to specified rules of professional conduct with the exception of only a narrow group of people such as cleaners, caterers and security guards, etc.

2.1.4 Enforcement

The PRA and the FCA each have the power to take a wide range of disciplinary actions against regulated firms and any approved persons, including private warnings, public censure, the imposition of fines, the variation, suspension or termination of the firm's authorisation or the removal of approved status from individuals. The PRA and the FCA can, at their discretion, utilise their information gathering powers under section 165 FSMA to require specified information to be provided, and their powers under section 166 FSMA to require the commission of a "skilled

persons" report. As part of this process, the skilled person is required to report his or her findings and recommendations directly to the regulator.

2.1.5 Mortgages

The regulated activities of entering into, administering and advising on regulated mortgage contracts under FSMA are in relation to contracts which broadly meet the following conditions:

- a lender provides credit to a borrower (either an individual or trustees);
- the repayment is secured by a first legal mortgage on land (other than timeshare accommodation) in the United Kingdom; and
- at least 40% of that land is used, or is intended to be used, as or in connection with a dwelling by the borrower.

2.2 UK Banking Act 2009

Under the Banking Act 2009, substantial powers have been granted to the HM Treasury, the Bank of England and the PRA (the "UK Authorities") as part of a special resolution regime ("SRR"). These powers enable the UK Authorities to deal with a UK bank (such as AIB Group (UK) p.l.c.), building society or other UK institution with permission to accept deposits pursuant to FSMA (each, a "relevant entity") in circumstances in which the UK Authorities consider it is failing or is likely to fail and a threat is posed to the public interest or stability of the UK financial systems. The SRR consists of five pre-insolvency stabilisation options, an insolvency procedure and an administration procedure applicable to relevant entities which may be commenced by the UK Authorities. The stabilisation options provide for: (i) private sector transfer of all or part of the business of the relevant entity; (ii) transfer of all or part of the business of the relevant entity to a bridge bank established by the Bank of England; (iii) transfer of all or part of the business to an asset management vehicle; (iv) bail-in and recapitalisation (for example, by cancelling, reducing or deferring the equity liabilities of a relevant entity); and (v) temporary public ownership (nationalisation) of the relevant entity. In each case, the UK Authorities have been granted wide powers under the Banking Act 2009, including powers to modify contractual arrangements in certain circumstances and powers for HM Treasury to disapply or modify laws (with possible retrospective effect) to enable the powers under the Banking Act to be used effectively.

The purpose of the stabilising options is to address the situation where all or part of a business of a relevant entity has encountered, or is likely to encounter, financial difficulties, giving rise to wider public interest concerns. Accordingly, the stabilisation options may only be exercised if (i) the PRA is satisfied that a relevant entity (such as AIB Group (UK) p.l.c.) is failing, or is likely to fail; (ii) it is not reasonably likely that (other than potentially through the stabilising options) action will be taken that will result in the relevant entity no longer failing or likely to fail; and (iii) the UK Authorities consider the exercise of the stabilisation options to be necessary, having regard to certain public interest considerations (such as the stability of the UK financial systems, public confidence in the UK banking system and the protection of depositors). It is therefore possible that one of the stabilisation options could be exercised prior to the point at which any insolvency proceedings with respect to the relevant entity could be initiated.

HM Treasury or the Bank of England may exercise extensive share transfer powers (applying to a wide range of securities) and property transfer powers (including powers for partial transfers of property, rights and liabilities subject to certain protections made under the Banking Act 2009 (Restrictions of Partial Property Transfers) Order 2009) in respect of AIB Group (UK) p.l.c. Exercise of these powers could involve taking various actions in relation to any securities issued by AIB Group (UK) p.l.c. (including Ordinary Shares) without the consent of the Company (as its sole shareholder), including (among other things): (i) transferring the shares notwithstanding any restrictions on transfer and free

from any trust, liability or encumbrance; (ii) converting the shares into another form or class; (iii) modifying or disapplying certain terms of the shares; and/or (iv) where property is held on trust, removing or altering the terms of such trust.

2.3 The Financial Services Compensation Scheme ("FSCS")

FSMA established the FSCS, which pays compensation to eligible customers of authorised financial services firms that are unable, or likely to be unable, to pay claims against them. The jurisdiction of the FSCS includes eligible customers of AIB Group (UK) p.l.c. but does not include customers of the Company's London branch (which is covered by the Irish compensation scheme arrangements summarised above under *"—Deposit Guarantee Scheme and Investor Compensation Scheme"*). The maximum levels of compensation below are, for example, for claims against firms declared in default on or after 1 January 2010 (except for deposits), per eligible customer, per firm and per type of claim:

(a) for deposits, 100 per cent. of the first £85,000 for firms declared in default from 30 January 2017;

(b) for mortgage advice and arranging, 100 per cent. of the first £50,000; and

(c) for insurance, long-term insurance benefits, claims under compulsory insurance, professional insurance and certain claims for injury, sickness or infirmity of the policy holder are protected at 100% with no upper limit. Other claims are protected at 90 per cent. of the claim with no upper limit.

Claims on the FSCS are funded by loans from the Bank of England and by levies on PRA/FCA-authorised firms.

2.4 Financial Ombudsman Service

FSMA established the UK Financial Ombudsman Service (the "FOS"), which determines complaints by eligible complainants in relation to authorised financial services firms, consumer credit licensees and certain other businesses, in respect of activities and transactions within its jurisdiction. The jurisdiction of the FOS includes eligible complainants of AIB Group (UK) p.l.c. and the Company's London branch.

The FOS determines complaints on the basis of what, in its opinion, is fair and reasonable in all the circumstances of the case. The maximum level of financial award by the FOS, for claims received after 1 January 2012, is £150,000 plus interest and costs. The FOS may also make directions awards, which direct the business to take steps as the FOS considers just and appropriate.

3 United States

AIB is subject to federal and state banking and securities law supervision and regulation in the United States as a result of the banking activities conducted by its branch in New York.

Under the U.S. International Banking Act of 1978, as amended (the "IBA"), AIB is a foreign banking organisation and is treated as a bank holding company, as such terms are defined in the statute, and, as such, is subject to regulation by the Federal Reserve Board (the "FRB"). The Bank Holding Company Act of 1956, as amended (the "BHCA"), imposes significant restrictions on AIB's U.S. non-banking operations and on its holdings of equity in companies which directly or indirectly operate in the United States. As a bank holding company that has not elected to be a "financial holding company", AIB is generally required to limit its direct and indirect activities in the United States to banking activities and activities that the FRB has determined to be "so closely related to banking as to be a proper incident thereto". Under the BHCA, AIB is required to obtain the approval of the FRB before acquiring, directly or indirectly, the ownership or control of 5 per cent. or more of any class of voting securities of, among other things, any U.S. bank or bank holding company.

AIB continues to conduct limited corporate lending, treasury and other operations through its New York branch. AIB's New York branch is supervised by the FRB and the New York State Department of Financial Services (the "NYDFS"). Under the IBA, AIB's New York branch is subject to reporting and examination requirements of the FRB similar to those imposed on domestic banks, and most U.S. branches and agencies of foreign banks, including AIB's New York branch, are subject to reserve requirements on deposits. Further, under the IBA, the FRB may terminate the activities of any U.S. branch or agency if it finds that:

- the foreign bank is not subject to comprehensive supervision on a consolidated basis in its home country and the home country supervisor is not making demonstrable progress in establishing arrangements for the consolidated supervision of the foreign bank;
- there is reasonable cause to believe that such foreign bank, or an affiliate, has violated the law or engaged in an unsafe or unsound banking practice in the United States and, as a result, continued operation of the branch or agency would be inconsistent with the public interest and purposes of the federal banking laws; or
- for a foreign bank that presents a risk to the stability of the U.S. financial system, the home country of the foreign bank has not adopted, or made demonstrable progress toward adopting, an appropriate system of financial regulation to mitigate such risk.

Also, under the New York Banking Law (the "NYBL"), the NYDFS may take possession of the business and property of a New York state-licensed branch under certain circumstances, including:

- violation of any law;
- conduct of business in an unauthorized or unsafe manner;
- capital impairments;
- suspension of payment obligations;
- initiation of liquidation proceedings against the foreign bank; or
- reason to doubt the foreign bank's ability to pay in full certain claims of its creditors.

Pursuant to the NYBL, when the superintendent takes possession of a New York branch of a foreign bank, it succeeds to the branch's assets, wherever located, and the non-branch assets of the foreign bank located in New York. In liquidating or dealing with a branch's business after taking possession of the branch, the Superintendent will accept for payment out of the branch's assets only the claims of creditors (unaffiliated with the foreign bank) that arose out of transactions with the branch (without prejudice to the rights of such creditors to be satisfied out of the other assets of the foreign bank) and only to the extent those claims represent an enforceable legal obligation against such branch as if such branch were a separate legal entity. After such claims are paid, together with any interest thereon, and the expenses of liquidation have been paid or properly provided for, the Superintendent would turn over the remaining assets to the foreign bank, or to its duly appointed liquidator or receiver.

Under U.S. federal banking laws, state-licensed branches (such as AIB's New York branch) may not, as a general matter, engage as a principal in any type of activity not permissible for their federally licensed counterparts, unless the FRB determines that the additional activity is consistent with sound banking practices. U.S. federal and state banking laws also generally subject state branches to the same single-borrower lending limits that apply to federal branches or agencies, which are substantially similar to the lending limits applicable to national banks. These single-borrower lending limits are based on the worldwide capital of the entire foreign bank.

Anti-money laundering, anti-terrorism and economic sanctions regulations have become a major focus of U.S. 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-U.S. and private banking customers (especially for so-called politically exposed persons); and (iv) develop new anti-money laundering programmes, due diligence policies and controls to ensure the detection and reporting of money laundering. Such required compliance programmes are intended to supplement any existing compliance programmes under the Bank Secrecy Act and OFAC regulations.

OFAC administers and enforces economic and trade sanctions against targeted foreign countries, terrorists and international narcotics traffickers to carry out U.S. 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 U.S. 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 programmes to combat money laundering and terrorist financing could have serious legal and reputational consequences for the institution. AIB has implemented AML/CTF controls which aim to ensure that AIB and its employees adhere to the applicable AML/CTF obligations.

Other more recent federal laws and regulations, including the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank"), include provisions that place potentially significant limitations on non-U.S. banks operating in the United States, and also impact activity conducted outside the U.S.. AIB monitors its ongoing business activities to ensure continued compliance with the applicable requirements under Title VII of Dodd-Frank with respect to OTC derivatives. AIB's swap trading activity as at 31 December 2016 with U.S. persons was below the thresholds required for AIB to register as a swap dealer or major swap participant. In addition, the New York branch has submitted annual resolution plans under Section 165(d) of Dodd-Frank, most recently in December 2016. Final rules for implementing Section 619 of Dodd-Frank (the "Volcker Rule") which implements restrictions on both (i) proprietary trading, and (ii) investments in "covered funds" such as private equity and hedge funds by financial institutions were issued in December 2013 by regulatory authorities. Banking organisations covered by the Volcker Rule, including AIB, were required to conform their activities to the Volcker Rule's requirements by 21 July 2015, though AIB has until 21 July 2017 to conform its investments in and relationships with covered funds established prior to 2014.

TAXATION

The following is a summary of certain Irish tax consequences of the purchase, ownership and disposal of Notes. It applies to the absolute beneficial owners of Notes (including all amounts payable by the Issuer in respect of their Notes). However, it does not apply to certain classes of persons such as dealers in securities. The summary is not a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of Notes. The summary is based upon Irish laws and the practice of the Revenue Commissioners of Ireland, in effect on the date of this Base Prospectus. The summary does not constitute tax or legal advice and is of a general nature only. Prospective holders should consult their own tax adviser with respect to the applicable tax consequences of the purchase, ownership and disposal of Notes.

1 Irish Taxation

1.1 Withholding tax

There are two different types of Irish withholding tax relevant to payments on the Notes, namely Irish interest withholding tax and Irish encashment tax. However, there are broad exemptions available from these withholding taxes, which are described in the following paragraphs. As the Issuer is not a "relevant deposit taker" as defined in Section 256 of the Taxes Consolidation Act 1997, Irish deposit interest retention tax ("DIRT") is not applicable to payments of interest made by it.

By way of background, Irish interest withholding tax can apply to interest payments at a rate of 20 per cent., unless an exemption is available. This interest withholding tax can also apply to any premium paid on notes (but does not apply to any discount on notes). An encashment tax at a rate of 20 per cent. can apply to certain categories of listed notes issued by companies.

1.1.1 Listed Notes

Listed Notes are Notes which have been admitted to the Official List of Euronext Dublin. Payments of interest in respect of Listed Notes may be made without any deduction of Irish tax by the Issuer, provided the Listed Notes remain quoted on Euronext Dublin and remain held in Euroclear and Clearstream, Luxembourg.

If Notes are quoted on another "recognised" stock exchange (instead of Euronext Dublin) but remain held in Euroclear and Clearstream, Luxembourg, the same treatment should apply. Broadly, a "recognised" stock exchange is understood to mean a stock exchange in a jurisdiction which is regulated by the appropriate regulatory authority of that jurisdiction and has substantially the same level of recognition in that jurisdiction as Euronext Dublin has in Ireland. If Notes are held in another "recognised" clearing system (instead of Euroclear and Clearstream, Luxembourg), the same treatment should apply. A list of "recognised" clearing systems for these purposes is included in Irish tax legislation and this list includes the Depositary Trust Company of New York.

Irish encashment tax may apply where a collecting agent in Ireland obtains payment of interest (whether in Ireland or elsewhere) on Listed Notes. In these circumstances, the collecting agent may be required to deduct Irish encashment tax from such interest or realisation proceeds at the standard rate of tax. An exemption from this Irish encashment tax is available if the holder is not tax resident in Ireland and has provided a declaration in the prescribed form to the collecting agent. Therefore, holders should note that, if they appoint an Irish collecting agent in respect of their Listed Notes, it may result in Irish encashment tax being deducted by their collecting agent from payments made in respect of their Listed Notes.

1.1.2 Unlisted Notes

The Issuer may issue Notes which are not quoted on Euronext Dublin (or another "recognised" stock exchange). Payments in respect of such Notes may be made without any deduction of Irish tax by the Issuer, provided one of the following exemptions from each of Irish interest withholding tax and Irish encashment tax is available:

(a) no Irish interest withholding tax will be deducted by the Issuer on payments in respect of such Notes, if one of the following applies:

(i) the Notes qualify for the "commercial paper" exemption (see below); or

(ii) interest on the Notes is not "yearly interest" (generally, interest on Notes would not be considered to be "yearly interest" if the Notes had a maturity of 364 days or less and there was no intention to extend the maturity of the Notes beyond 364 days); and

(b) no Irish encashment tax will be deducted, provided the Notes are not quoted on any "recognised" stock exchange (see above).

Other exemptions from Irish withholding tax may also be available in certain circumstances. For example, an exemption is available from Irish interest withholding tax where the holder of Notes is a company resident in an EU jurisdiction (other than Ireland) or in a jurisdiction with which Ireland has a double tax treaty, provided a number of conditions are satisfied. The terms of a double tax treaty may also provide relief from Irish withholding tax.

1.1.3 What is the "commercial paper" exemption?

As described above, one of the exemptions from Irish interest withholding tax is the "commercial paper" exemption. Notes will qualify as "commercial paper" if the relevant Notes mature within two years, recognise an obligation to pay a stated amount and carry a right to interest or are issued at a discount or at a premium.

Where Notes qualify as "commercial paper", an exemption from Irish interest withholding tax will be available on payments of interest in respect of such Notes where the Notes have a denomination of not less than €500,000 (or its currency equivalent) or U.S.$500,000 and the Notes are held in Euroclear and Clearstream, Luxembourg (or another recognised clearing system).

Other exemptions for "commercial paper" may be available where holders of Notes provide certain specified information or declarations to the Issuer.

1.2 Taxation of Noteholders

1.2.1 Noteholders resident in Ireland

Generally, if holders are tax resident in Ireland, they will be subject to Irish tax on their worldwide income, including their return on the Notes. They will be obliged to account for any Irish tax on a self-assessment basis. There is no requirement for the Revenue Commissioners to issue or raise an assessment on them.

1.2.2 Noteholders not resident in Ireland

If holders are not tax resident in Ireland, they will generally only be subject to Irish tax on their Irish source income (on a self-assessment basis). A corporate recipient that carries on a trade in Ireland through a branch or agency in respect of which the Notes are held or attributed may have a liability to Irish corporation tax on the interest.

Interest payable on the Notes may be regarded as Irish source income, as the Issuer is resident in Ireland.

However, where the Notes are Listed Notes (and continue to be held in Euroclear and Clearstream, Luxembourg) or the "commercial paper" exemption (see above) applies, a holder should nevertheless be exempt from Irish income tax on interest paid on the Notes if it is:

(a) a person (including a company) who is not tax resident in Ireland and is regarded (for the purposes of section 198 of the Taxes Consolidation Act 1997 of Ireland) as being a resident of a EU member state (other than Ireland) or a territory with which Ireland has a double tax treaty that has the force of law;

(b) a company which is under the control (whether directly or indirectly) of a person or persons who, by virtue of the laws of a "relevant territory", is or are tax resident in the "relevant territory" and who is or are (as the case may be) not under the control (whether directly or indirectly) of a person, or persons who are, not so resident. A "relevant territory" for these purposes means (i) a member state of the EU (other than Ireland), (ii) a territory with which Ireland has a double tax treaty that has the force of law or (iii) a territory with which Ireland has signed a double tax treaty, which has yet to have the force of law; or

(c) a company the principal class of shares of which, or:

(i) where the company is a 75 per cent. subsidiary of another company, of that other company; or

(ii) where the company is wholly-owned by two or more companies, of each of those companies,

is substantially and regularly traded on a stock exchange in Ireland, or on one or more recognised stock exchanges in a "relevant territory" (see just above) or on such other stock exchange as may be approved of by the Minister for Finance of Ireland for these purposes.

If the Notes are neither Listed Notes nor Notes to which the "commercial paper" exemption (see above) applies, a holder should nevertheless be exempt from Irish income tax on interest paid on the Notes if the interest is paid by the Issuer in the ordinary course of its trade or business and it is:

(a) a company which is not tax resident in Ireland and which is regarded (for the purposes of section 198 of the Taxes Consolidation Act 1997 of Ireland) as being a resident of a EU member state (other than Ireland) or a territory with which Ireland has a double tax treaty that has the force of law provided, in either case, that the relevant territory imposes a tax that generally applies to interest receivable in that territory by companies from sources outside that territory; or

(b) a company and the interest paid on the Notes is exempted from the charge to Irish income tax under a double tax treaty in force on the date the interest is paid, or would be exempted from the charge to Irish income tax if a double tax treaty which has been signed but is not yet in force had the force of law on the date the interest is paid.

If a holder earns a discount on Notes, it will not be chargeable to Irish income tax on such discount if the Notes were issued by the Issuer in the ordinary course of its trade or business and it is a person (including a company) who is not tax resident in Ireland and who is regarded (for the purposes of section 198 of the Taxes Consolidation Act 1997 of Ireland) as being a resident of a

EU member state (other than Ireland) or a territory with which Ireland has a double tax treaty that has the force of law.

If the above exemptions do not apply, and the terms of a double tax treaty do not fully relieve Irish income tax payable on income earned on the Notes, the terms of a double tax treaty may provide for relief for Irish income tax paid, against a foreign tax liability arising on the same income.

1.3 Irish capital gains tax

If a holder is a tax resident or ordinarily resident in Ireland, it may be subject to Irish tax on capital gains (currently 33 per cent.) on gains arising on a disposal of Notes.

If a holder is not tax resident or ordinarily resident in Ireland, it should not be subject to Irish tax on capital gains arising on a disposal of the Notes, provided the Notes are or were not held for the use of or for the purposes of an Irish branch or agency.

1.4 Irish capital acquisitions tax

Irish capital acquisitions tax applies to gifts and inheritances. The rate of capital acquisitions tax is currently 33 per cent. A gift or inheritance of the Notes may be subject to capital acquisition tax if:

(a) the disponer is tax resident or ordinarily resident in Ireland (or, in the case of value settled in a discretionary trust established before 1 December 1999, was then or later became domiciled in Ireland) on the relevant date;

(b) the donee (or successor) is tax resident or ordinarily resident in Ireland on the relevant date; or

(c) the Notes are regarded as property situated in Ireland.

1.5 Irish stamp duty

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

The transfer of interests in the Notes may, in certain circumstances, result in a charge to Irish stamp duty. However, a transfer of the Notes by physical delivery only (and not otherwise) should not give rise to a charge to Irish stamp duty.

A transfer of Notes satisfying the terms of the loan capital exemption will be exempt from stamp duty. There are four conditions that must be satisfied to avail of this exemption:

(a) the Notes must not carry a right of conversion into shares or marketable securities (other than loan capital) of an Irish incorporated company or into loan capital having such a right;

(b) the Notes must not carry rights similar to those attaching to shares, including voting rights, entitlement to a share of profits or a share in surplus on liquidation of the Issuer;

(c) the Notes must be issued for a price which is not less than 90 per cent. of the nominal value of the Notes; and

(d) the Notes must not carry a right to a sum in respect of repayment or interest which is related to certain movements in an index or indices (based wholly or partly and directly or indirectly on stocks or marketable securities) specified in any document relating to the Notes.

2 Certain U.S. Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). This summary does not address the material U.S. federal income tax consequences of every type of Note which may be issued under the Programme and the

relevant Pricing Supplement may contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Note as appropriate. This summary deals only with purchasers of Notes that are U.S. Holders and that will hold the Notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors (including consequences under the alternative minimum tax or net investment income tax), and does not address state, local, non-U.S. or other tax laws (such as the estate and gift tax laws). This summary also does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, investors holding the Notes in connection with a trade or business conducted outside of the United States, U.S. citizens or lawful permanent residents living abroad or investors whose functional currency is not the U.S. dollar). Moreover, the summary deals only with Notes with a term of 30 years or less. The U.S. federal income tax consequences of owning Notes with a longer term will be discussed in the relevant Final Terms.

As used herein, the term "U.S. Holder" means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States; (ii) a corporation created or organised under the laws of the United States, any state thereof or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes should consult their tax adviser concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Notes by the partnership.

Under recently enacted legislation, U.S. Holders that maintain certain types of financial statements and use the accrual method of accounting for U.S. federal income tax purposes generally will be required to include certain amounts in income no later than the time such amounts are reflected on their financial statements. The application of this rule may require U.S. Holders that maintain such financial statements to include certain amounts realized in respect of the Notes in income earlier than would otherwise be the case under the rules described below, although the precise application of this rule is unclear at this time. This rule generally will be effective for tax years beginning after December 31, 2018 if the Notes are treated as issued with original issue discount ("OID"). U.S. Holders that use the accrual method of accounting should consult with their tax advisers regarding the potential applicability of this rule to their particular situation.

This summary is based on the tax laws of the United States including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

Bearer Notes are not being offered. A U.S. Holder who owns a Bearer Note may be subject to limitations under United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the United States Internal Revenue Code.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. IT IS NOT INTENDED TO BE RELIED UPON BY

PURCHASERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE U.S. INTERNAL REVENUE CODE. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

2.1 Payments of Interest

2.1.1 General

Interest on a Note, whether payable in U.S. dollars or a currency other than U.S. dollars (a "foreign currency"), other than interest on a "Discount Note" that is not "qualified stated interest" (each as defined below under "*—Original Issue Discount—General*"), will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on such holder's method of accounting for U.S. federal income tax purposes, reduced by the allocable amount of amortisable bond premium, subject to the discussion below. Interest paid by the Issuer on the Notes and OID, if any, accrued with respect to the Notes (as described below under "*—Original Issue Discount*") generally will constitute income from sources outside the United States.

2.1.2 Effect of Irish Withholding Taxes

As discussed in "*Taxation—Irish Taxation—Withholding tax*", under current law payments of interest and OID on the Notes to foreign investors may be subject to Irish withholding taxes. As discussed under "*Description of the Notes—Payment of Additional Amounts*", the Issuer may be liable for the payment of additional amounts to U.S. Holders so that U.S. Holders receive the same amounts they would have received had no Irish withholding taxes been imposed. For U.S. federal income tax purposes, U.S. Holders will be treated as having actually received the amount of any Irish taxes withheld by the Issuer with respect to a Note, and as then having actually paid over the withheld taxes to the Irish taxing authorities. As a result, the amount of interest income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of interest or OID may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Issuer with respect to the payment.

Subject to certain limitations, a U.S. Holder generally will be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for Irish income taxes withheld by the Issuer. Interest generally will constitute "passive category income" for purposes of the foreign tax credit. The rules governing foreign tax credits are complex. Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of Irish withholding taxes.

2.2 Original Issue Discount

2.2.1 General

The following is a summary of the principal U.S. federal income tax consequences of the ownership of Notes issued with OID. The following summary does not discuss Notes that are characterised as contingent payment debt instruments for U.S. federal income tax purposes. In the event the Issuer issues contingent payment debt instruments the relevant Final Terms may describe the material U.S. federal income tax consequences thereof.

A Note, other than a Note with a term of one year or less (a "Short-Term Note"), will be treated as issued with OID (a "Discount Note") if the excess of the Note's "stated redemption price at maturity" over its issue price is equal to or more than a *de minimis* amount (0.25 per cent. of the Note's stated redemption price at maturity multiplied by the number of complete years to its

maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an "instalment obligation") will be treated as a Discount Note if the excess of the Note's stated redemption price at maturity over its issue price is equal to or greater than 0.25 per cent. of the Note's stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note's weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note's stated redemption price at maturity. Generally, the issue price of a Note will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Note is the total of all payments provided by the Note that are not payments of "qualified stated interest". A qualified stated interest payment generally is any one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described below under "*—Variable Interest Rate Notes*"), applied to the outstanding principal amount of the Note. Solely for the purposes of determining whether a Note has OID, the Issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Note.

U.S. Holders of Discount Notes must include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includible in income by a U.S. Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Discount Note. The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Note as long as (i) no accrual period is longer than one year, and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note's adjusted issue price at the beginning of the accrual period and the Discount Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Note allocable to the accrual period. The "adjusted issue price" of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments.

2.2.2 Acquisition Premium

A U.S. Holder that purchases a Discount Note for an amount less than or equal to the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being "acquisition premium") and that does not make the election described below under "*—Election to Treat All Interest as Original Issue Discount*", is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder's adjusted basis in the Note immediately

after its purchase over the Note's adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note's adjusted issue price.

2.2.3 Short-Term Notes

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (as specially defined below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight-line basis or, if the U.S. Holder so elects, under the constant-yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realised on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realised.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Note. This election will apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the Internal Revenue Service (the "IRS").

2.2.4 Fungible Issue

The Issuer may, without the consent of the Noteholders of outstanding Notes, issue additional Notes with identical terms. These additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such a case, the additional Notes may be considered to have been issued with OID even if the original Notes had no OID, or the additional Notes may have a greater amount of OID than the original Notes. These differences may affect the market value of the original Notes if the additional Notes are not otherwise distinguishable from the original Notes.

2.2.5 Market Discount

A Note, other than a Short-Term Note, generally will be treated as purchased at a market discount (a "Market Discount Note") if the Note's stated redemption price at maturity or, in the case of a Discount Note, the Note's "revised issue price", exceeds the amount for which the U.S. Holder purchased the Note by at least 0.25 per cent. of the Note's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Note's maturity (or, in the case of a Note that is an instalment obligation, the Note's weighted average maturity). If this excess is not sufficient to cause the Note to be a Market Discount Note, then the excess constitutes "*de minimis* market discount". For this purpose, the "revised issue price" of a Note generally equals its issue price, increased by the amount of any OID that has accrued on the Note and decreased by the amount of any payments previously made on the Note that were not qualified stated interest payments.

Any gain recognised on the sale or retirement of a Market Discount Note (including any payment on a Note that is not qualified stated interest) generally will be treated as ordinary income to the extent of the accrued market discount on the Note. Alternatively, a U.S. Holder of a Market Discount Note may avoid such treatment by electing to include market discount in income currently over the life of the Note. This election applies to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year for which the election is made. This election may not be revoked without the consent of the IRS.

A U.S. Holder of a Market Discount Note that does not elect to include market discount in income currently may be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note. Such interest is deductible when paid or incurred to the extent of income from the Note for the year. If the interest expense exceeds such income, such excess is currently deductible only to the extent that such excess exceeds the portion of the market discount allocable to the days during the taxable year on which such Note was held by the U.S. Holder.

Market discount will accrue on a straight-line basis unless the U.S. Holder elects to accrue the market discount on a constant-yield method. This election applies only to the Market Discount Note with respect to which it is made and is irrevocable.

2.2.6 Variable Interest Rate Notes

Notes that provide for interest at variable rates ("Variable Interest Rate Notes") generally will bear interest at a "qualified floating rate" and thus will be treated as "variable rate debt instruments" under Treasury regulations governing accrual of OID. A Variable Interest Rate Note will qualify as a "variable rate debt instrument" if (a) its issue price does not exceed the total noncontingent principal payments due under the Variable Interest Rate Note by more than a specified *de minimis* amount, (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate and (c) it does not provide for any principal payments that are contingent (other than as described in (a) above).

A "qualified floating rate" is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65, but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Note (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Note's issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate.

An "objective rate" is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate

will not qualify as an objective rate if it is based on information that is within the control of the Issuer (or a related party) or that is unique to the circumstances of the Issuer (or a related party), such as dividends, profits or the value of the Issuer's stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Issuer). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Note will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Note's term. A "qualified inverse floating rate" is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Note's issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a "current value" of that rate. A "current value" of a rate is the value of the rate on any day that is no earlier than 3 months prior to the first day on which that value is in effect and no later than 1 year following that first day.

If a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a "variable rate debt instrument", then any stated interest on the Note which is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a "variable rate debt instrument" generally will not be treated as having been issued with OID unless the Variable Interest Rate Note is issued at a "true" discount (i.e., at a price below the Note's stated principal amount) in excess of a specified *de minimis* amount. OID on a Variable Interest Rate Note arising from "true" discount is allocated to an accrual period using the constant yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate; or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note.

In general, any other Variable Interest Rate Note that qualifies as a "variable rate debt instrument" will be converted into an "equivalent" fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the Variable Interest Rate Note. Such a Variable Interest Rate Note must be converted into an "equivalent" fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Note's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Note is converted into a fixed rate that reflects the

yield that is reasonably expected for the Variable Interest Rate Note. In the case of a Variable Interest Rate Note that qualifies as a "variable rate debt instrument" and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Note provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Note as of the Variable Interest Rate Note's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the "equivalent" fixed rate debt instrument by applying the general OID rules to the "equivalent" fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the "equivalent" fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the "equivalent" fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

If a Variable Interest Rate Note, such as a Note the payments on which are determined by reference to an index, does not qualify as a "variable rate debt instrument", then the Variable Interest Rate Note will be treated as a contingent payment debt obligation. The proper U.S. federal income tax treatment of Variable Interest Rate Notes that are treated as contingent payment debt obligations will be more fully described in the relevant Final Terms.

2.2.7 Notes Purchased at a Premium

A U.S. Holder that purchases a Note for an amount in excess of its principal amount, or for a Discount Note, its stated redemption price at maturity, may elect to treat the excess as "amortisable bond premium", in which case the amount required to be included in the U.S. Holder's income each year with respect to interest on the Note will be reduced by the amount of amortisable bond premium allocable (based on the Note's yield to maturity) to that year. Any election to amortise bond premium will apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also "*—Original Issue Discount—Election to Treat All Interest as Original Issue Discount*".

2.2.8 Election to Treat All Interest as Original Issue Discount

A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant-yield method described above under "*—Original Issue Discount—General*," with certain modifications. For purposes of this election, interest includes stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium (described above under "*—Notes Purchased at a Premium*") or acquisition premium. This election generally will apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. If the election to apply the

constant-yield method to all interest on a Note is made with respect to a Market Discount Note, the electing U.S. Holder will be treated as having made the election discussed above under "—*Market Discount*" to include market discount in income currently over the life of all debt instruments having market discount that are acquired on or after the first day of the first taxable year to which the election applies. U.S. Holders should consult their tax advisers concerning the propriety and consequences of this election.

2.3 Substitution of Issuer

The terms of the Notes provide that, in certain circumstances, the obligations of the Issuer under the Notes may be assumed by another entity. Any such assumption might be treated for U.S. federal income tax purposes as a deemed disposition of Notes by a U.S. Holder in exchange for new notes issued by the new obligor. As a result of this deemed disposition, a U.S. Holder could be required to recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new notes (as determined for U.S. federal income tax purposes), and the U.S. Holder's tax basis in the Notes. U.S. Holders should consult their tax advisers concerning the U.S. federal income tax consequences to them of a change in obligor with respect to the Notes.

2.4 Sale and Retirement of Notes

A U.S. Holder generally will recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and the U.S. Holder's adjusted tax basis of the Note. A U.S. Holder's adjusted tax basis in a Note generally will be its cost, increased by the amount of any OID or market discount included in the U.S. Holder's income with respect to the Note and the amount, if any, of income attributable to *de minimis* OID and *de minimis* market discount included in the U.S. Holder's income with respect to the Note, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortisable bond premium applied to reduce interest on the Note. The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. Except to the extent described above under "—*Original Issue Discount—Market Discount*" or "—*Original Issue Discount—Short-Term Notes*" or attributable to changes in exchange rates (as discussed below), gain or loss recognised on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period in the Notes exceeds one year.

Gain or loss realised by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source. Prospective purchasers should consult their tax advisers as to the foreign tax credit implications of the sale or retirement of Notes.

2.5 Foreign Currency Notes

2.5.1 Interest

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognised by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognised with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an

accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note) denominated in, or determined by reference to, a foreign currency, the accrual basis U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

2.5.2 OID

OID for each accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment on the Note or a sale or disposition of the Note), a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

2.5.3 Market Discount

Market discount on a Note that is denominated in, or determined by reference to, a foreign currency, will be accrued in the foreign currency. If the U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder's taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognise U.S. source exchange gain or loss (which will be taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognise, upon the sale or retirement of the Note, the U.S. dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

2.5.4 Bond Premium

Bond premium (including acquisition premium) on a Note that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income (or OID) in units of the foreign currency. On the date bond premium offsets interest income (or OID), a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the amount offset multiplied by the difference between the spot rate in effect on the date

of the offset, and the spot rate in effect on the date the Notes were acquired by the U.S. Holder. A U.S. Holder that does not elect to take bond premium (other than acquisition premium) into account currently will recognise a market loss when the Note matures.

2.5.5 Sale or Retirement

As discussed above under "*—Sale and Retirement of Notes*", a U.S. Holder generally will recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and its tax basis in the Note, in each case as determined in U.S. dollars. U.S. Holders should consult their tax advisers about how to account for proceeds received on the sale or retirement of a Note that are not paid in U.S. dollars.

A U.S. Holder will recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the Note (as adjusted for amortized bond premium, if any) on (i) the date of sale or retirement, and (ii) the date on which the U.S. Holder acquired the Note. Any such exchange rate gain or loss will be realised only to the extent of total gain or loss realised on the sale or retirement (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest).

2.5.6 Disposition of Foreign Currency

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. dollar value at the time the foreign currency is received. Foreign currency that is purchased generally will have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

2.6 Information Reporting and Backup Withholding

In general, payments of principal and interest and accruals of OID on, and the proceeds of a sale or retirement of, the Notes, by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments, including payments of accrued OID, if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise fails to comply with applicable certification requirements. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers about these rules and any other reporting obligations that may apply to the ownership or disposition of Notes, including requirements related to the holding of certain "specified foreign financial assets".

2.7 Reportable Transactions

A U.S. taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS. Under the relevant rules, if the Notes are denominated in a foreign currency, a U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if this loss exceeds the relevant threshold in the regulations (U.S.$50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amounts for other non-individual U.S. Holders), and to disclose its investment by filing Form 8886 with the IRS. A penalty in the amount of U.S.$10,000 in the case of a natural person and U.S.$50,000 in all other cases generally is imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Prospective purchasers are urged to consult their tax advisers regarding the application of these rules.

DESCRIPTION OF THE PROGRAMME

AIB may, from time to time, issue Notes denominated in such currencies as may be agreed with the relevant Dealer(s).

The Notes will be issued in series (each a "Series"). Each Series may be issued in tranches (each a "Tranche") on the same or different issue dates. The issue price, issue date, maturity date, principal amount, interest rate (if any) applicable to any Notes, ranking and any other relevant provisions of such Notes will be agreed between AIB and the relevant Dealer(s) at the time of agreement to issue and will be specified in the Final Terms in respect of such Notes. In accordance with the Regulations and the prospectus rules issued by the Central Bank from time to time under Section 1363 of the Companies Act 2014 of Ireland or any equivalent provision in prior legislation (the "Prospectus Rules"), all Final Terms in respect of Listed Notes will be filed with the Central Bank.

Subject as set out herein, this Base Prospectus and any supplement hereto will only be valid for listing Notes up to an aggregate principal amount of U.S.$10,000,000,000 (or its equivalent in the other currencies specified herein) outstanding at any one time calculated on the basis specified in the Indenture.

DESCRIPTION OF THE NOTES

This section describes the material terms and provisions of the Notes to which any Final Terms may relate. The Issuer will describe in each Final Terms the particular terms of the Notes that the Issuer offer by that Final Terms and the extent, if any, to which the general provisions described below may apply to those notes. Capitalized terms used but not defined in this section have the meanings given to them in the Senior Notes, Loss Absorption Notes, Subordinated Notes or indenture, as the case may be.

General

The Issuer will offer the notes under an indenture, dated as at October 2, 2018 and as supplemented and amended from time to time (the "**Indenture**"), between us (the "**Issuer**") and BNY Mellon Corporate Trustee Services Limited, as trustee (the "**Trustee**"). The notes are limited to an aggregate principal amount of up to U.S.$10,000,000,000 outstanding at any time, including, in the case of notes denominated in one or more other currencies or composite currencies, the equivalent thereof at the Market Exchange Rate in the one or more other currencies on the date on which such note will be issued (the "**Original Issue Date**"), subject to reduction by or pursuant to action of the Issuer's Board of Directors, provided that a reduction will not affect any note already issued or as to which the Issuer has already accepted an offer to purchase. The Issuer may, however, increase these limits without the consent of the Noteholders if in the future the Issuer determines that the Issuer wishes to sell additional notes.

The notes will mature twelve months or more from the date of issue and may be subject to redemption or early repayment at the Issuer's option or the holder's option as further described in the subsection entitled "*—Redemption, Repurchase, Substitution and Variation*." Each note will be denominated in U.S. dollars or in another currency as specified in the applicable Final Terms. For a further discussion, see "*—Payment of Principal, Premium, if any, and Interest, if any*." Each note will be either:

- a Fixed Rate Note; or
- a Resettable Note, which will bear interest at a fixed rate for an initial period, after which the interest rate will be reset by reference to the interest basis plus or minus the relevant Margin (if any) at specified intervals, in each case as specified in the applicable Final Terms; or
- a Floating Rate Note, which will bear interest at a rate determined by reference to the interest rate basis or combination of interest rate bases plus or minus the Margin (if any), in each case as specified in the applicable Final Terms; or
- a Zero Coupon Note, in which case references to interest in these provisions are not applicable; or
- any appropriate combination thereof, depending upon the Interest Basis shown in the applicable Final Terms.

Status of Senior Notes

The Senior Notes constitute direct, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Senior Notes shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least *pari passu* with all its other present and future unsecured and unsubordinated obligations.

Status and Subordination of Subordinated Notes

The Subordinated Notes constitute direct and unsecured obligations of the Issuer, subordinated in the manner set out below and shall at all times rank *pari passu* without any preference among themselves.

If a Winding-Up occurs, the rights and claims against the Issuer of the Noteholders (and of the Trustee on their behalf) in respect of, or arising under, the Notes or the Indenture (including any damages awarded for breach of any obligations) shall be subordinated as provided in this provision and in the Indenture to the claims of all Senior Creditors but shall rank (i) at least *pari passu* with the claims of holders of all other subordinated obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital or that rank or are expressed to rank *pari passu* with the Subordinated Notes and (ii) in priority to the claims of holders of all obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital and all obligations which rank, or are expressed to rank, *pari passu* therewith and to the claims of holders of all classes of share capital of the Issuer.

The subordination provisions apply to amounts payable under the Subordinated Notes and nothing contained therein or in the Indenture shall affect or prejudice any claim by the Trustee against the Issuer in respect of the costs, charges, expenses, liabilities or remuneration of the Trustee.

Waiver of Set-Off

This provision applies in respect of Senior Notes only if "*Waiver of Set-Off*" is specified in the relevant Final Terms as being applicable. This provision applies to all series of Subordinated Notes.

Subject to applicable law, no Noteholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, arising under, or in connection with the Notes relating thereto or the Indenture and each Noteholder shall, by virtue of being the holder of any such Note, be deemed to have waived all such rights of set-off, compensation or retention. Notwithstanding the provision of the foregoing sentence, if any of the amounts owing to any Noteholder by the Issuer in respect of or arising under or in connection with such Notes relating thereto is discharged by set-off, such Noteholder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or in the event of a Winding-Up of the Issuer, the liquidator or other insolvency official of the Issuer) and accordingly such discharge will be deemed not to have taken place, and until such payment is made shall hold an amount equal thereto in trust for the Issuer (or, as the case may be, the liquidator other insolvency official).

Certain Definitions

"**Additional Amounts**" means, with respect to the Notes of any Series, Additional Amounts payable pursuant to provision "*—Payment of Additional Amounts*";

"**Affiliate**" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control", when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing;

"**Agent**" means each Paying Agent and Registrar;

"**Amortized Face Amount**" has the meaning specified in provision "*—Redemption, Repurchase, Substitution and Variation—Early Redemption Amounts Zero Coupon Notes*";

"**Applicable Maturity**" means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity;

"**Auditors**" means the auditors for the time being of the Issuer or, if such persons are unable or unwilling to carry out any action requested of them under the Indenture, such other accountant or firm of accountants as may be nominated or approved in writing by the Trustee for the purpose;

"**Benchmark Duration**" means the duration specified as such in the applicable Final Terms;

"**BRRD**" means the Directive 2014/59/EU of the European Parliament and of the Council of May 15, 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council, as the same may be amended from time to time, pursuant to which liabilities of a credit institution, investment firm, certain of its parent undertakings and/or certain of its affiliates can be cancelled, written down, reduced, modified and/or converted into shares or other securities or obligations of the issuer or any other person;

"**Business Day**" means, any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banks are authorized or required by law, regulation or executive order to close in New York City; *provided*, *however*, that "Business Day" shall also be, (i) with respect to a currency other than U.S. dollar as Specified Currency, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in the Principal Financial Center for such currency; and/or (ii) with respect to euro as the Specified Currency or EURIBOR as an applicable Interest Basis, a TARGET Business Day; and/or (iii) with respect to Sterling as the Specified Currency or LIBOR as an applicable Interest Basis, such day (other than a Saturday or a Sunday) is also a business day in London; and (iv) with respect to another currency and/or one or more Business Centers, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Center(s) or, if no currency is indicated, generally in each of the Business Centers;

"**Calculation Agent**" means the calculation agent specified in the applicable Final Terms;

"**Capital Disqualification Event**" is deemed to occur in the case of any series of Subordinated Notes if the Issuer, after consultation with the Relevant Regulator, determines that there has been a change (which has occurred or which the Relevant Regulator considers to be sufficiently certain) in the regulatory classification of the Notes, in any such case becoming effective on or after the Issue Date, that results, or would be likely to result, in the entire principal amount of such Series of Notes (or if "Capital Disqualification Event for partial exclusion" is specified hereon to be applicable, the entire principal amount of such Series of Notes or any part thereof) being excluded from the Issuer's Tier 2 Capital, whether on a solo or consolidated basis;

"**CRD IV**" means the CRR and the CRD IV Directive;

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

"**CRR**" means Regulation (EU) No 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, as amended or replaced from time to time;

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or Interest Accrual Period, the "Calculation Period"):

(i) if "Actual/Actual" or "Actual/Actual – ISDA" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified hereon, the actual number of days in the Calculation Period divided by 365;

(iii) if "Actual/365 (Sterling)" is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "Actual/360" is specified hereon, the actual number of days in the Calculation Period divided by 360;

(v) if "30/360", "360/360" or "Bond Basis" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

Day Count Fraction = $\frac{[360\times(Y_2-Y_1)]+[30\times(M_2-M_1)]+(D_2-D_1)}{360}$

where:

"Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(vi) if "30E/360" or "Eurobond Basis" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

Day Count Fraction = $\frac{[360\times(Y_2-Y_1)]+[30\times(M_2-M_1)]+(D_2-D_1)}{360}$

where:

"Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30;

(vii) if "30E/360 (ISDA)" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360\times(Y_2 - Y_1)]+[30\times(M_2 - M_1)]+(D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30; and

(viii) if "Actual/Actual – ICMA" is specified hereon, (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and (b) if the Calculation Period is longer than one Determination Period, the sum of: (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year where:

"**Determination Date**" means each date specified hereon or, if none is so specified, each Interest Payment Date; and

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date;

"**EEA regulated market**" means a market as defined by Article 4.1(21) of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments, as amended;

"**EURIBOR**" means Euro Interbank Offered Rate;

"**Event of Default**" means, collectively, Restricted Event of Default and Non-Restricted Event of Default, as each is defined in "*Non-Restricted Events of Default" and "Restricted Events of Default*";

"**First Margin**" means the margin specified as such in the applicable Final Terms;

"**First Reset Period**" means the period from (and including) the First Resettable Note Reset Date to (but excluding) the Second Resettable Note Reset Date or, if no such Second Resettable Note Reset Date is specified pursuant to the applicable Final Terms for any particular series or in the form of Notes of any particular series, the date of Maturity;

"**First Reset Rate of Interest**" means, subject to the provision "*Interest—Interest on Resettable Notes—Fallback Provisions for Resettable Notes*", the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date corresponding to the First Reset Period as the sum of the relevant Reset Rate plus the First Margin (with such sum converted (if necessary) from a basis equivalent to the Benchmark Duration to a basis equivalent to the frequency with which scheduled interest payments are payable on the Notes during the relevant Reset Period (such calculation to be made by the Calculation Agent));

"**First Resettable Note Reset Date**" means the date specified as such pursuant to the applicable Final Terms, provided, however, that if the date specified is not a Business Day, then such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day;

"**Fixed Leg Swap Duration**" has the meaning specified in the applicable Final Terms;

"**Independent Adviser**" means an independent financial institution of international repute or an independent adviser with appropriate expertise (which may include the Calculation Agent) appointed by the Issuer at its own expense;

"**Initial Rate of Interest**" means the initial rate of interest per annum specified in the applicable Final Terms;

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

"**Interest Amount**" means: (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified pursuant to the applicable Final Terms as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period;

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified pursuant to the applicable Final Terms for any particular series or in the Notes of such series;

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified pursuant to the applicable Final Terms for any particular series or in the Notes of such series or, if none is so specified: (i) the first day of such Interest Accrual Period if the Specified Currency is the U.S. dollar or Sterling; (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither U.S. dollar, Sterling nor euro; or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro;

"**Interest Payment Date**", when used with respect to any Note, means the Stated Maturity of an installment of interest on such Note;

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

"**Interest Period Date**" means each Interest Payment Date, unless otherwise specified;

"**Irish Statutory Loss Absorption Powers**" means any write-down, conversion, transfer, modification, suspension or similar or related power existing from time to time under, and exercised in compliance with, any

laws, regulations, rules or requirements in effect in Ireland, relating to (i) Directive 2014/59/EU ("**BRRD**") and/or Irish legislation transposing BRRD into Irish law, in each case as amended or replaced from time to time and (ii) the instruments, rules and standards created thereunder, pursuant to which any obligation of the Issuer (or any affiliate of the Issuer) can be reduced, cancelled, modified, or converted into shares, other securities or other obligations of the Issuer or any other person (or suspended for a temporary period);

"**ISDA Definitions**" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc., unless otherwise specified;

"**Loss Absorption Compliant Notes**" means, in the case of Senior Notes in respect of which "Substitution and Variation" is specified as applicable (pursuant to the Final Terms), securities that comply with the following (which compliance has been certified to the Trustee in an officer's certificate and delivered to the Trustee prior to the relevant substitution or variation):

(i) are issued by the Issuer or any wholly-owned direct or indirect subsidiary of the Issuer with a guarantee of such obligations by the Issuer;

(ii) rank (or, if guaranteed by the Issuer, benefit from a guarantee that ranks) equally with the ranking of the relevant Notes;

(iii) have terms not materially less favorable to Noteholders than the terms of the relevant Notes (as reasonably determined by the Issuer in consultation with an independent adviser of recognized standing);

(iv) (without prejudice to clause (iii) above) (1) contain terms such that they comply with the then applicable Loss Absorption Regulations in order to be eligible to qualify in full towards the Issuer's and/or the Regulatory Group's minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments; (2) bear the same rate of interest from time to time applying to the relevant Notes and preserve the same Interest Payment Dates; (3) do not contain terms providing for mandatory or discretionary deferral of payments of interest and/or principal; (4) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the relevant Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption; (5) do not contain terms providing for loss absorption through principal write-down or conversion to ordinary shares (but without prejudice to any acknowledgement of statutory resolution powers similar to that contained in provision "*—Agreement with Respect to the Exercise of Irish Statutory Loss Absorption Powers*"); and (6) preserve any existing rights to any accrued and unpaid interest and any other amounts payable under the relevant Notes which has accrued to Noteholders and not been paid;

(v) are listed on the same stock exchange or market as the relevant Notes or the regulated market of the London Stock Exchange or another EEA regulated market selected by the Issuer; and

(vi) where the relevant Notes which have been substituted or varied had a published rating solicited by the Issuer from one or more Rating Agencies immediately prior to their substitution or variation, benefit from (or will, as announced by each such Rating Agency, benefit from) an equal or higher published rating from each such Rating Agency as that which applied to the relevant Notes;

"**Loss Absorption Notes**" means any Senior Note where "Loss Absorption Note" is specified as such in the Applicable Final Terms;

"**Loss Absorption Disqualification Event**" shall, in the case of Senior Notes in respect of which Loss Absorption Disqualification Event is specified as applying (pursuant to the Final Terms) be deemed to have occurred in respect of a series of Loss Absorption Notes if, as a result of any amendment to, or change in, any Loss Absorption Regulations, or any change in the application or official interpretation of any Loss Absorption

Regulations, in any such case becoming effective after the Issue Date of the then most recent tranche of such series of Loss Absorption Notes, either:

(i) if "*Loss Absorption Disqualification Event: Full Exclusion*" is specified pursuant to the applicable Final Terms with respect to such series, the entire principal amount of such series of Loss Absorption Notes; or

(ii) if "*Loss Absorption Disqualification Event: Full or Partial Exclusion*" is specified pursuant to the applicable Final Terms with respect to such series, the entire principal amount of such series of Loss Absorption Notes or any part thereof,

is or (in the opinion of the Issuer or the Relevant Regulator) is likely to be excluded from the Issuer's and/or the Regulatory Group's minimum requirements (whether on an individual or consolidated basis) for (A) own funds and eligible liabilities, and/or (B) loss absorbing capacity instruments, in each case as such minimum requirements are applicable to the Issuer and/or the Regulatory Group (whether on an individual or consolidated basis) and determined in accordance with, and pursuant to, the relevant Loss Absorption Regulations; *provided* that a Loss Absorption Disqualification Event shall not occur where the exclusion of the Loss Absorption Notes from the relevant minimum requirement(s) is due to the remaining maturity of such Loss Absorption Notes being less than any period prescribed by any applicable eligibility criteria for such minimum requirements under the relevant Loss Absorption Regulations effective with respect to the Issuer and/or the Regulatory Group on the Issue Date of the then most recent tranche of such series of Loss Absorption Notes;

"**Loss Absorption Regulations**" means, at any time, the laws, regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments of Ireland, any Relevant Regulator and/or of the European Parliament or of the Council of the European Union then in effect in Ireland and applicable to the Issuer and/or the Regulatory Group including, without limitation to the generality of the foregoing, any delegated or implementing acts (such as regulatory technical standards) adopted by the European Commission and any regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments adopted by the any Relevant Regulator from time to time (whether such regulations, requirements, guidelines, rules, standards or policies are applied generally or specifically to the Issuer or to the Regulatory Group);

"**Market Exchange Rate**" means the exchange rate contained in the H.10 release (or its successor) published by the U.S. Federal Reserve Board;

"**Mid-Market Swap Rate**" means for any Reset Period the mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the Fixed Leg Swap Duration specified hereon during the relevant Reset Period (calculated on the day count basis customary for fixed rate payments in the Specified Currency as determined by the Calculation Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (i) has a term equal to the relevant Reset Period and commencing on the relevant Resettable Note Reset Date, (ii) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on (subject as provided pursuant to provision "*—Benchmark Discontinuation*") the Mid-Swap Floating Leg Benchmark Rate for the Mid-Swap Maturity (as specified in the Final Terms) (calculated on the day count basis customary for floating rate payments in the Specified Currency as determined by the Calculation Agent);

"**Mid-Market Swap Rate Quotation**" means a quotation (expressed as a percentage rate per annum) for the relevant Mid-Market Swap Rate;

"**Mid-Swap Floating Leg Benchmark Rate**" means, (i) where the Specified Currency is a currency other than euro, LIBOR; and (ii) where the Specified Currency is euro, EURIBOR;

"**Mid-Swap Rate**" means, in relation to a Reset Determination Date and subject to the provision *"—Interest—Interest on Resettable Notes—Fallback Provisions for Resettable Notes*":

(i) if Single Mid-Swap Rate is specified hereon, the rate for swaps in the Specified Currency:

(a) with a term equal to the relevant Reset Period; and

(b) commencing on the relevant Resettable Note Reset Date,

which appears on the Relevant Screen Page; or

(ii) if Mean Mid-Swap Rate is specified hereon, the arithmetic mean (expressed as a percentage rate per annum and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards) of the bid and offered swap rate quotations for swaps in the Specified Currency:

(a) with a term equal to the relevant Reset Period; and

(b) commencing on the relevant Resettable Note Reset Date,

which appears on the Relevant Screen Page,

in either case, as at approximately 11:00 a.m. in the Principal Financial Center of the Specified Currency on such Reset Determination Date, all as determined by the Calculation Agent;

"**Non-Restricted Default Senior Notes**" has the meaning given in provision "*Non-Restricted Events of Default*";

"**Principal Financial Center**" means the capital city of the country issuing the Specified Currency except, that with respect to U.S. dollars, Canadian dollars and Swiss francs, the "Principal Financial Center" shall be New York City, Toronto and Zurich, respectively;

"**Rate of Interest**" means the rate of interest payable from time to time in respect of a Note and that is either specified or calculated in accordance with the provisions of the Indenture or as specified the applicable Final Terms;

"**Rating Agency**" means each of Standard & Poor's Credit Market Services Europe Limited, Moody's Investor Service Limited or Fitch Ratings Limited and each of their respective affiliates or successors;

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Issuer in consultation with the Calculation Agent or as specified;

"**Reference Bond**" means for any Reset Period, a government security or securities issued by the state responsible for issuing the Specified Currency (which, if the Specified Currency is euro, shall be Germany) selected by the Issuer on the advice of an investment bank of international repute as having an actual or interpolated maturity comparable with the relevant Reset Period that would be used, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the Notes and of a comparable maturity to the relevant Reset Period;

"**Reference Bond Price**" means, with respect to any Reset Determination Date, (i) the arithmetic average of the Reference Government Bond Dealer Quotations for such Reset Determination Date, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (ii) if the Calculation Agent obtains

fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations. If no quotations are provided, the Reference Bond Rate will be (a) in the case of each Reset Period other than the First Reset Period, the Reference Bond Rate in respect of the immediately preceding Reset Period, or (b) in the case of the First Reset Period, the "First Reset Period Fallback" as set out in the Indenture, supplemental indenture, Form of Notes or Applicable Final Terms for any particular series;

"**Reference Bond Rate**" means the annual yield to maturity or interpolated yield to maturity (on the relevant day count basis) of the relevant Reference Bond, assuming a price for such Reference Bond (expressed as a percentage of its nominal amount) equal to the relevant Reference Bond Price, as calculated by the Calculation Agent;

"**Reference Government Bond Dealer**" means each of five banks (selected by the Issuer on the advice of an investment bank of international repute), or their affiliates, which are (i) primary government securities dealers, and their respective successors, or (ii) market makers in pricing corporate bond issues;

"**Reference Government Bond Dealer Quotations**" means, with respect to each Reference Government Bond Dealer and the relevant Reset Determination Date, the arithmetic average, as determined by the Calculation Agent, of the bid and offered prices for the relevant Reference Bond (expressed in each case as a percentage of its nominal amount) at or around the Subsequent Reset Rate Time on the relevant Reset Determination Date quoted in writing to the Calculation Agent by such Reference Government Bond Dealer;

"**Register**" and "**Registrar**" have the respective meanings specified in Section 3.4 of the Indenture;

"**Regulatory Capital Requirements**" means, at any time, the capital adequacy requirements of the Relevant Regulator, or any other regulation, directive or other binding rules, standards or decisions adopted by the institutions of the EU (being the regulatory capital rules applicable to the Issuer at the relevant time) which include the relevant provisions of CRD IV for so long as the same are applicable;

"**Regulatory Group**" means the Issuer, its subsidiary undertakings, participations, participating interests and any subsidiary undertakings, participations or participating interests held (directly or indirectly) by any of its subsidiary undertakings from time to time and any other undertakings from time to time consolidated with the Issuer for regulatory or resolution purposes, in each case in accordance with the rules and guidance of the Relevant Regulator then in effect;

"**Relevant Amounts**" means the outstanding principal amount of the Notes, together with any accrued but unpaid interest and Additional Amounts and any other amounts due on or in respect of the Notes. References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of any Irish Statutory Loss Absorption Powers by the Relevant Resolution Authority;

"**Relevant Date**" means the date on which payment in respect thereof first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date on which notice is duly given to the Noteholders in accordance with the Section "Notices and Communications" of the Indenture, that, upon further presentation of the Note being made in accordance with the Indenture, such payment will be made, provided that payment is in fact made upon such presentation;

"**Relevant Regulator**" means the European Central Bank and/or such successor or other authority having for the time being primary supervisory authority and/or responsibility with regards to prudential, conduct and/or resolution matters in respect of the Issuer and/or its group, as may be relevant in the context and circumstances;

"**Relevant Resolution Authority**" means the resolution authority with the ability to exercise any Irish Statutory Loss Absorption Powers in relation to the Issuer (being, as at the Issue Date, the Single Resolution Board);

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified in the applicable Final Terms (or any successor or replacement page, section, caption, column or other part of a particular information service);

"**Reset Determination Date**" means, in respect of the First Reset Period, the second Business Day prior to the First Resettable Note Reset Date, in respect of the first Subsequent Reset Period, the second Business Day prior to the Second Resettable Note Reset Date and, in respect of each Reset Period thereafter, the second Business Day prior to the first day of each such Reset Period;

"**Reset Period**" means the First Reset Period or a Subsequent Reset Period, as the case may be;

"**Reset Rate**" means (i) the relevant Mid-Swap Rate as specified pursuant to in the applicable Final Terms or (ii) if "Reference Bond" is specified, the relevant Reference Bond Rate;

"**Resettable Note Reset Date**" means the First Resettable Note Reset Date, the Second Resettable Note Reset Date and every Subsequent Resettable Note Reset Date as may be specified; provided, however, that if the date specified pursuant to in the applicable Final Terms, is not a Business Day, then such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day;

"**Restricted Default Senior Notes**" has the meaning given in provision "*Restricted Events of Default*";

"**Second Resettable Note Reset Date**" means the date specified pursuant to the applicable Final Terms; provided, however, that if the date so specified is not a Business Day, then such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day;

"**Senior Creditors**" means (i) unsubordinated creditors of the Issuer and (ii) creditors of the Issuer whose claims are, or are expressed to be, subordinated to the claims of other creditors of the Issuer (other than those whose claims are in respect of obligations which constitute, or would but for any applicable limitation on the amount of such capital, constitute, Tier 1 Capital or Tier 2 Capital or whose claims rank or are expressed to rank *pari passu* with, or junior to, the claims of holders in respect of the Notes);

"**Specified Currency**" means a currency issued and actively maintained as a country's or countries' recognized unit of domestic exchange by the government of any country and such term shall also include the U.S. dollar and the euro (and, in respect of any series of Notes, shall mean the currency specified as such pursuant to the applicable Final Terms);

"**Stated Maturity**", when used with respect to any Note or any installment of principal thereof or interest thereon, means the date specified in such Note as the fixed date on which the principal of such Note or such installment of principal or interest is due and payable;

"**Subsequent Margin**" means the margin(s) specified pursuant to the applicable Final Terms;

"**Subsequent Reset Period**" means the period from (and including) the Second Resettable Note Reset Date to (but excluding) the next Resettable Note Reset Date, and each successive period from (and including) a Resettable Note Reset Date to (but excluding) the next succeeding Resettable Note Reset Date;

"**Subsequent Reset Rate of Interest**" means, in respect of any Subsequent Reset Period and subject to provision "*—Interest—Interest on Resettable Notes—Fallback Provisions for Resettable Notes",* the rate of interest being determined by the Calculation Agent on the relevant Reset Determination Date corresponding to such Subsequent Reset Period as the sum of the relevant Reset Rate plus the applicable Subsequent Margin (with such sum converted (if necessary) from a basis equivalent to the Benchmark Duration to a basis equivalent

to the frequency with which scheduled interest payments are payable on the Notes during the relevant Reset Period (such calculation to be made by the Calculation Agent));

"**Supervisory Permission**" means, in relation to any action, such permission or waiver of the Relevant Regulator or the Relevant Resolution Authority, as the case may be, as is then required for such action under prevailing Regulatory Capital Requirements and/or Loss Absorption Regulations, as the case may be;

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

"**TARGET System**" means the Trans-European Automated Real-time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto;

"**Tax Event**" has the meaning given in "*—Redemption, Repurchase, Substitution and Variation—Redemption for Tax Reasons*";

"**Tier 1 Capital**" has the meaning given thereto (or to a successor or equivalent term) in the Regulatory Capital Requirements;

"**Tier 2 Capital**" has the meaning given thereto (or to a successor or equivalent term) in the Regulatory Capital Requirements;

"**Tier 2 Compliant Notes**" means, in the case of Subordinated Notes in respect of which "Substitution and Variation" is specified as applicable (pursuant to the Final Terms), securities that comply with the following (which compliance has been certified to the Trustee in an officer's certificate delivered to the Trustee prior to the relevant substitution or variation):

(i) are issued by the Issuer or any wholly-owned direct or indirect subsidiary of the Issuer with a subordinated guarantee of such obligations by the Issuer;

(ii) rank (or, if guaranteed by the Issuer, benefit from a guarantee that ranks) at least equally with the ranking of the relevant Notes;

(iii) have terms not materially less favorable to Noteholders than the terms of the relevant Notes (as reasonably determined by the Issuer in consultation with an independent adviser of recognized standing);

(iv) (without prejudice to clause (iii) above) (a) contain terms such that they comply with the applicable Regulatory Capital Requirements in relation to Tier 2 Capital; (b) bear the same rate of interest from time to time applying to the relevant Notes and preserve the same Interest Payment Dates; (c) do not contain terms providing for mandatory deferral of payments of interest and/or principal; (d) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the relevant Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption; (e) do not contain terms providing for loss absorption through principal write-down or conversion to ordinary shares (but without prejudice to any acknowledgement of statutory resolution powers similar to that contained in provision "*—Agreement with Respect to the Exercise of Irish Statutory Loss Absorption Powers*"); and (f) preserve any existing rights to any accrued and unpaid interest and any other amounts payable under the relevant Notes which has accrued to Noteholders and not been paid;

(v) are listed on the same stock exchange or market as the relevant Notes or the regulated market of the London Stock Exchange or another EEA regulated market selected by the Issuer;

(vi) where the relevant Notes which have been substituted or varied had a published rating solicited by the Issuer from one or more Rating Agencies immediately prior to their substitution or variation, benefit

from (or will, as announced by each such Rating Agency, benefit from) an equal or higher published rating from each such Rating Agency as that which applied to the relevant Notes; and

"**Winding-Up**" means:

(i) an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except, in any such case, a winding-up solely for the purpose of, and followed by, a reconstruction, amalgamation, reorganisation, merger or consolidation, the terms of which do not provide that the Notes thereby become redeemable or repayable in accordance with this Indenture); or

(ii) liquidation or dissolution of the Issuer or any procedure similar to that described in paragraph (i) above.

Form, Transfer, Exchange and Denomination

Notes of a series will initially be represented by a global note or global notes in fully registered form ("**Global Notes**"). Notes offered in the United States to qualified institutional buyers in reliance on Rule 144A will be represented by one or more U.S. global notes ("**U.S. Global Notes**"). Notes offered outside the United States to non-U.S. persons in reliance on Regulation S will be represented by one or more international global notes ("**International Global Notes**").

Notes will bear a legend setting forth transfer restrictions and may not be transferred except in compliance with these transfer restrictions and subject to certification requirements. In no event will notes in bearer form be issued.

Unless otherwise specified in the Final Terms relating to a particular series of notes, the Global Note or Global Notes representing a series of notes will be issued to and deposited with, or on behalf of, DTC in New York City and registered in the name of Cede & Co. ("**Cede**"), as DTC's nominee. Interests in a Global Note or Global Notes representing notes of a series will be shown in, and transfers thereof will be effected only through, records maintained by DTC and its participants until such time, if any, as physical registered certificates ("**Definitive Notes**") in respect of such notes are issued, as set forth in the section entitled "*Book-Entry System*".

The Global Note or Global Notes representing a series of notes may be transferred only to a successor of DTC or another nominee of DTC. For additional information, see the section entitled "*Book-Entry System*".

Under the following circumstances, Global Notes of a series may be exchanged for certificated registered notes of such series:

- if at any time the depositary for the Notes is DTC and it notifies the Issuer that it is unwilling or unable to continue as depositary for the Global Notes of such series and the Issuer does not appoint a successor depositary within 90 days after such notification;
- if the depositary is a common depositary for Euroclear or Clearstream, Luxembourg and the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention to permanently cease business or have in fact done so and no successor clearing system is available; and
- if the Issuer determines in the Issuer's sole discretion that the Notes of any series should no longer be represented by such Global Note or notes.

Definitive Notes representing a series of notes, if any, will be exchangeable for other Definitive Notes representing notes of such series of any authorized denominations and of a like aggregate principal amount and tenor. Definitive Notes will be serially numbered.

Definitive Notes may be presented to the Trustee for registration of transfer of exchange at its office in New York, which, at the date hereof, is located at 101 Barclay Street, New York, New York 10286. Definitive Notes may be presented for exchange and transfer in the manner, at the places and subject to the restrictions set forth in the Indenture and the Notes. The Issuer has not registered the Notes under the Securities Act or with any securities regulatory authority of any jurisdiction, and accordingly, transfers of the Notes will be subject to the restrictions set forth in the sections entitled "*Transfer Restrictions*".

Definitive Notes and interests in the U.S. Global Notes may be transferred to a person who takes delivery in the form of interests in an International Global Note only upon receipt by the Trustee of written certifications, in the form provided in the Indenture, to the effect that the transfer is being made in accordance with Regulation S or Rule 144 under the Securities Act and that, if this transfer occurs prior to 40 days after the commencement of the offering of such notes, the interest transferred will be held immediately thereafter through Euroclear Clearstream, Luxembourg, each of which is a participant in DTC.

Until 40 days after the closing date for the offering of a series of notes, interests in an International Global Note may be held only through Euroclear or Clearstream, Luxembourg, which are participants in DTC. Definitive Notes and interests in International Global Notes may be transferred to a person who takes delivery in the form of interests in a U.S. Global Note only upon receipt by the Trustee of written certifications, in the form provided in the Indenture, to the effect that such transfer is being made in accordance with Rule 144A to a person whom the transferor reasonably believes is purchasing for its own account or for an account as to which it exercises sole investment discretion and that such person and such account or accounts are "qualified institutional buyers" within the meaning of Rule 144A and agree to comply with the restrictions on transfer set forth in the sections entitled "*Transfer Restrictions*".

In the event of any redemption of notes, the Registrar will not be required to (i) register the transfer of or exchange the Notes during a period of 15 calendar days immediately preceding the date of redemption; (ii) register the transfer of or exchange the Notes, or any portion thereof called for redemption, except the unredeemed portion of any of the Notes being redeemed in part; or (iii) with respect to notes represented by a Global Note or Global Notes, exchange any such note or notes called for redemption, except to exchange such note or notes for another Global Note or Global Notes of that series and like tenor representing the aggregate principal amount of notes of that series that have not been redeemed.

Unless otherwise specified in the Final Terms relating to a particular series of notes, The Bank of New York Mellon, London Branch is the paying agent (the "**Paying Agent**") for the Notes pursuant to the Indenture. The Issuer may at any time designate additional paying agents or rescind the designation of any paying agent provided that if and for so long as the Notes are listed on any stock exchange which requires the appointment of a paying agent in any particular place, the Issuer shall maintain a paying agent with an office in the place required by such stock exchange or relevant authority.

The Issuer will issue the Notes in minimum denominations of U.S.$200,000, and in integral multiples of U.S.$1,000 in excess thereof, in the case of notes denominated in U.S. dollars. The Issuer will issue notes denominated in a Specified Currency other than U.S. dollars in minimum denominations that are the equivalent of these amounts in any other Specified Currency, and in any other denominations in excess of the minimum denominations as specified in the applicable Final Terms. The Notes will be issued in integral multiples of 1,000 units of any such Specified Currency in excess of their minimum denominations. If the principal, premium, if any, and interest, if any, on any of the Notes not denominated in U.S. dollars, euro or sterling are to be payable at the Issuer's or the holder's option in U.S. dollars, such payment will be made on the basis of the Market Exchange Rate, computed by the Currency Determination Agent in respect of the relevant series of notes and as specified in the applicable Final Terms, on the second Business Day prior to such payment or, if such Market Exchange Rate is not then available, on the basis of the most recently available Market Exchange Rate.

Payment of Principal, Premium, if any, and Interest, if any

Payments of principal, premium, if any, and interest, if any, to owners of beneficial interests in the Global Notes are expected to be made in accordance with those procedures of DTC and its participants in effect from time to time as described in the section entitled "*Book-Entry System*" and, in the case of any note denominated in a Specified Currency other than U.S. dollars, as provided below.

Except as described below, with respect to any Definitive Note, payments of interest, if any, will be made by wire transfer or by mailing a check to the Noteholder at the address of such Noteholder appearing on the register for the Notes on the Regular Record Date. Notwithstanding the foregoing, at the option of the Issuer, all payments of interest on the Notes may be made by wire transfer of immediately available funds to an account at a bank located within the United States or in Ireland as designated by each holder not less than 15 calendar days prior to the relevant Interest Payment Date. A holder of U.S.$10,000,000 (or, if the Specified Currency is other than U.S. dollars, the equivalent thereof in that Specified Currency) or more in aggregate principal amount of notes of like tenor and terms with the same Interest Payment Date may demand payment by wire transfer of immediately available funds to an account maintained by such Holder at a bank located in the United States or Ireland as may have been appropriately designated by such Holder in writing and such instructions received by the Paying Agent with respect to such Notes not less than 15 calendar days prior to the Interest Payment Date. In the event that payment is so made in accordance with instructions of the Noteholder, such wire transfer shall be deemed to constitute full and complete payment of such principal, premium and/or interest on the Notes. Payment of the principal, premium, if any, and interest, if any, due with respect to any Definitive Note at Maturity will be made in immediately available funds upon surrender of such note at the principal office of any paying agent appointed by the Issuer with respect to that Note and accompanied by wire transfer instructions, provided that the Definitive Note is presented to such paying agent in time for such paying agent to make such payments in such funds in accordance with its normal procedures.

Payments of principal, premium, if any, and interest, if any, with respect to any Note to be made in a Specified Currency other than U.S. dollars will be made by check mailed to the address of the person entitled thereto as its address appears in the register for the Notes or by wire transfer to such account with a bank located in a jurisdiction acceptable to the Issuer and the Trustee as shall have been designated at least 15 calendar days prior to the Interest Payment Date or Maturity, as the case may be, by the holder of such Note on the relevant Regular Record Date or at Maturity, provided that, in the case of payment of principal of, and premium, if any, and interest, if any, due at Maturity, the Note is presented to any paying agent appointed by the Issuer with respect to such Note in time for such paying agent to make such payments in such funds in accordance with its normal procedures. Such designation shall be made by filing the appropriate information with the Trustee at its Corporate Trust Office, and, unless revoked, any such designation made with respect to any Note by a Holder will remain in effect with respect to any further payments with respect to such Note payable to such Holder. If a payment with respect to any such Note cannot be made by wire transfer because the required designation has not been received by the Trustee on or before the requisite date or for any other reason, a notice will be mailed to the Noteholder at its registered address requesting a designation pursuant to which such wire transfer can be made and, upon such Trustee's receipt of such a designation, such payment will be made within 15 calendar days of such receipt. The Issuer will pay any administrative costs imposed by financial institutions in connection with making payments by wire transfer, but any tax, assessment or governmental charge imposed upon payments will be borne by the Noteholders of such notes in respect of which such payments are made.

Except as provided below, payments of principal, premium, if any, and interest, if any, with respect to any Note represented by Global Notes that is denominated in a Specified Currency other than U.S. dollars will be made in U.S. dollars, as set forth below. If the holder of such Note on the relevant Record Date or at Maturity, as the case may be, requests payments in a currency other than U.S. dollars, the Noteholder shall transmit a written request for such payment to any paying agent appointed by the Issuer with respect to such Note at its principal

office on or prior to such Record Date or the date 15 calendar days prior to Maturity, as the case may be. Such request may be delivered by mail, by hand, by cable or by telex or any other form of facsimile transmission. Any such request made with respect to any Note by a Holder will remain in effect with respect to any further payments of principal, and premium, if any, and interest, if any, with respect to such Note payable to such Holder, unless such request is revoked by written notice received by such paying agent on or prior to the relevant Record Date or the date 15 calendar days prior to Maturity, as the case may be; *provided*, that (x) in relation to Senior Notes with respect to payments made on any such Senior Note if an Event of Default has occurred with respect thereto, or (y) in relation to any Note of any series, upon the giving of a notice of redemption, no such revocation may be made. Holders of Notes denominated in a currency other than U.S. dollars whose notes are registered in the name of a broker or nominee should contact such broker or nominee to determine whether and how an election to receive payments in a currency other than U.S. dollars may be made.

The U.S. dollar amount to be received by a holder of a note denominated in currency other than U.S. dollars shall be based on the highest indicated bid quotation for the purchase of U.S. dollars in exchange for the Specified Currency obtained by the Currency Determination Agent at approximately 11:00 a.m., New York City time, on the second Business Day immediately preceding the applicable payment date from the bank composite or multicontributor pages of the Quoting Source for three (or two if three are not available) recognized foreign exchange dealers in New York City, selected by the Currency Determination Agent and approved by the Issuer. The first three (or two) such foreign exchange dealers which are offering quotes on the Quoting Source will be used. If fewer than two such bid quotations are available at 11:00 a.m., New York City time, on the second Business Day immediately preceding the applicable payment date, such payment will be based on the Market Exchange Rate as of the second Business Day immediately preceding the applicable payment date. If the Market Exchange Rate for such date is not then available, such payment will be made in the Specified Currency. As used herein, the "**Quoting Source**" means Reuters Monitor Foreign Exchange Service, or if the Currency Determination Agent determines that such service is not available, such comparable display or other comparable manner of obtaining quotations as shall be determined by the Issuer. All currency exchange costs associated with any payment in U.S. dollars on any such notes will be borne by the holder thereof by deductions from such payment.

If the Specified Currency for a note denominated in a currency other than U.S. dollars is not available for the required payment of principal, premium, if any, and/or interest, if any, in respect thereof due to the imposition of exchange controls or other circumstances beyond the Issuer's control, the Issuer will be entitled to satisfy its obligations to the holder of such note by making such payment in U.S. dollars on the basis of the Market Exchange Rate, computed by the Currency Determination Agent, on the second Business Day prior to such payment or, if such Market Exchange Rate is not then available, on the basis of the most recently available Market Exchange Rate, or as otherwise established pursuant to the Final Terms with respect to such Notes. Any payment made in U.S. dollars under such circumstances where the required payment was to be in a Specified Currency other than U.S. dollars will not constitute an Event of Default under the Indenture with respect to the Notes.

All determinations referred to above made by the Currency Determination Agent shall be at its sole discretion and in accordance with its normal operating procedures and shall, in the absence of manifest error, be conclusive for all purposes and binding on all holders and beneficial owners of notes.

Interest

Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in

arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with the provision "*—Calculations and Rounding*" below.

Interest on Resettable Notes

Each Resettable note bears interest on its outstanding amount:

(i) from (and including) the Interest Commencement Date up to (but excluding) the First Resettable Note Reset Date at the Initial Rate of Interest;

(ii) from (and including) the First Resettable Note Reset Date to (but excluding) the Second Resettable Note Reset Date or, if no such Second Resettable Note Reset Date is so specified, the date of Maturity, at the First Reset Rate of Interest; and

(iii) for each Subsequent Reset Period thereafter (if any), at the relevant Subsequent Reset Rate of Interest.

Interest will be payable in arrear on each Resettable Note Interest Payment Date and on the date so specified as the date of Maturity.

Fallback Provisions for Resettable Notes

If on any Reset Determination Date the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page, other than in the circumstances provided for in provision "*—Benchmark Discontinuation*", the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as at approximately 11:00 a.m. in the Principal Financial Centre of the Specified Currency (or, in respect of euro as the Specified Currency, Brussels time) on the Reset Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with Mid-Market Swap Rate Quotations, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period shall be the sum of the arithmetic mean (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards) of the relevant Mid-Market Swap Rate Quotations and the First Margin or Subsequent Margin (as applicable) with such sum converted as set out in the definition of First Reset Rate of Interest or Subsequent Reset Rate of Interest (as applicable), all as determined by the Calculation Agent.

If on any Reset Determination Date only one or none of the Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this provision, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) shall be determined to be the Rate of Interest as at the last preceding Resettable Note Reset Date or, in the case of the first Reset Determination Date, the First Reset Rate of Interest shall be an amount as set out in the applicable Final Terms as the "First Reset Period Fallback".

Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this section "*Interest—Interest on Resettable Notes*") by the Calculation Agent or any agent appointed by the Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Trustee, the Calculation Agent, the other paying agents and all noteholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders shall attach to the Calculation Agent or the Trustee or any agent appointed by the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

Interest on Floating Rate Notes

Interest Payment Dates

Each Floating Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with provision "*—Calculations*". Such Interest Payment Date(s) is/are either specified in the Indenture, supplemental indenture, form of Notes or Applicable Final Terms for any particular series ("**Specified Interest Payment Date**") or, if no Specified Interest Payment Date(s) is/are shown, Interest Payment Date shall mean each date which falls the number of months or other period shown as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Rate of Interest

The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified the applicable Final Terms, and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this provision, "ISDA Rate" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(A) the Floating Rate Option is as so specified;

(B) the Designated Maturity is a period so specified; and

(C) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise so specified.

For the purposes of this sub-paragraph (A), "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity", "Reset Date" and "Swap Transaction" have the meanings given to those terms in the ISDA Definitions.

(ii) Screen Rate Determination for Floating Rate Notes

(A) Where Screen Rate Determination is specified as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below and subject to the provision "*—Benchmark Discontinuation*", be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the specified rate (the "Reference Rate") which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR) or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in applicable Final Terms for any particular series.

(B) If the Relevant Screen Page is not available or if clause (A)(1) above applies and no such offered quotation appears on the Relevant Screen Page or if clause (A)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.

(C) If clause (B) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period) or (ii) if there is no such preceding Interest Determination Date, the Initial Rate of Interest applicable to such Notes on the Interest Commencement Date (though substituting, where a different Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the

Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(iii) Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is so specified as applicable) or the relevant Floating Rate Option (where ISDA Determination is so specified as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period, provided however, that if there is no such rate available for the period of time next shorter or, as the case may be, next longer, then the Issuer shall determine such rate at such time and by reference to such sources as it determines appropriate.

Minimum and/or Maximum Rate of Interest

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then the Rate of Interest for such Interest Period shall in no event be less than such Minimum Rate of Interest and/or if it specifies a Maximum Rate of Interest for any Interest Period, then the Rate of Interest for such Interest Period shall in no event be greater than such Maximum Rate of Interest.

The interest rate on Floating Rate Notes will in no event be higher than the maximum rate permitted by New York law, as the same may be modified, or other applicable law.

Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this subsection, whether by the Paying Agent or the Calculation Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Paying Agent, the Calculation Agent, the Trustee, any other paying agents and all holders and (in the absence as aforesaid) no liability to the Issuer or the Noteholders shall attach to the Paying Agent, the Calculation Agent or the Trustee in connection with the exercise or non-exercise by them of their powers, duties and discretions pursuant to such provisions.

Calculations and Rounding

The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

For the purposes of any required calculations in the terms and conditions of the Notes, (unless otherwise specified in the applicable Final Terms), (i) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up); (ii) all figures shall be rounded to seven significant figures (provided that if the eighth

significant figure is a five or greater, the seventh significant figure shall be rounded up); and (iii) all currency amounts which fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen.

Determination and Notification of Rate of Interest and Interest Amounts

The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or (if applicable) Reset Determination Date or such other time on such date as it may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period or Reset Period, calculate the final redemption amount, early redemption amount or optional redemption amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period or Reset Period and the relevant Interest Payment Date and/or Resettable Note Interest Payment Date and, if required to be calculated, the final redemption amount, early redemption amount or optional redemption amount to be notified to the Issuer, the Trustee, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period or Reset Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any date is subject to adjustment, the Interest Amounts and the Interest Payment Date or Resettable Note Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period or Reset Period.

If the Notes become due and payable as a result of the occurrence of any Event of Default, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this provision and the Indenture, but no publication of the Rate of Interest or the Interest Amount so calculated need be made, unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

Business Day Convention

If any Interest Payment Date which is specified in the applicable Final Terms to be subject to adjustment in accordance with a business day convention would otherwise fall on a day which is not a Business Day, then, if the business day convention specified is:

(i) the "Floating Rate Business Day Convention", such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment;

(ii) the "Following Business Day Convention", such date shall be postponed to the next day which is a Business Day;

(iii) the "Modified Following Business Day Convention", such date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day; or

(iv) the "Preceding Business Day Convention", such date shall be brought forward to the immediately preceding Business Day.

Calculation Agents

If for any reason the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or Reset Period or to calculate any Interest Amount, early redemption amount, final redemption amount or optional redemption amount, as the case may be, or to comply with any other requirements, the Issuer will appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal New York office or any other office actively involved in such market) to act as such in its place.

Benchmark Discontinuation

If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the following provisions shall apply.

Independent Adviser

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

In making such determination, the Independent Adviser appointed pursuant to this provision "*—Benchmark Discontinuation*" and the Issuer shall act in good faith and in a commercially reasonable manner. In the absence of bad faith or fraud, the Issuer and the Independent Adviser shall have no liability whatsoever to the Issuer, the Trustee, the Calculation Agent, the Paying Agents, or the Noteholders, as applicable, for any determination made by the Issuer and/or for any advice given to the Issuer in connection with any determination made by the Issuer pursuant to this provision "*—Benchmark Discontinuation*".

If (i) the Issuer is unable to appoint an Independent Adviser; or (ii) the Issuer fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this provision "*—Benchmark Discontinuation*" prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Accrual Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Accrual Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the Initial Rate of Interest. Where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Accrual Period shall be substituted in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Accrual Period only and any subsequent Interest Accrual Periods are subject to the subsequent operation of, and to adjustment as provided in, this provision "*—Independent Adviser*".

Successor Rate or Alternative Rate

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

(i) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this provision "*—Benchmark Discontinuation*"; or

(ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this provision "*—Benchmark Discontinuation*").

Adjustment Spread

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

Benchmark Amendments

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this provision "*—Benchmark Discontinuation*" and the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines (i) that amendments to the terms and conditions of the Notes and/or the Indenture are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the "Benchmark Amendments") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with the provision below "*—Notices, etc*." without any requirement for the consent or approval of Noteholders, vary the terms and conditions of the Notes and/or of the Indenture to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee of an officer's certificate pursuant to the provision below "*—Notices, etc*.", the Trustee shall (at the expense of the Issuer), without any requirement for the consent or approval of the Noteholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, inter alia, by the execution of a supplemental indenture to or amending the Indenture), provided that the Trustee shall not be obliged so to concur if in the opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Trustee in the Indenture (including, for the avoidance of doubt, any supplemental indenture) in any way.

In connection with any such variation in accordance with this provision "*—Benchmark Discontinuation*", the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

Notwithstanding any other provision of this provision "*—Benchmark Discontinuation*", no Successor Rate or Alternative Rate will be adopted, nor will the applicable Adjustment Spread be applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the then current or future qualification of the Notes as (i) own funds and eligible liabilities or loss absorbing capacity instruments for the purposes of the Relevant Regulator or by the Loss Absorption Regulations, in the case of Senior Notes that are Loss Absorption Notes, and (ii) Tier 2 Capital, in the case of Subordinated Notes.

Notices, etc.

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this provision "*—Benchmark Discontinuation*" will be notified promptly by the Issuer to the Trustee, the Calculation Agent, the Paying Agents and, in accordance with the Section "*Notices and Communications*" of the Indenture, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Trustee of the same, the Issuer shall deliver to the Trustee an officer's certificate:

(i) confirming (a) that a Benchmark Event has occurred, (b) the Successor Rate or, as the case may be, the Alternative Rate, (c) the applicable Adjustment Spread and (d) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this provision "*—Benchmark Discontinuation*"; and

(ii) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

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

Survival of Original Reference Rate

Without prejudice to the obligations of the Issuer under the provisions of this section "*—Benchmark Discontinuation*", the Original Reference Rate and the fallback provisions provided for in "*Interest—Interest on Resettable Notes*" "*Interest on the Notes—Rate of Interest for Floating Rate Notes—ISDA Determination for Floating Rate Notes*" and "*Screen Rate Determination for Floating Rate Notes*", as applicable, will continue to apply unless and until a Benchmark Event has occurred.

Definitions

In this section "*—Benchmark Discontinuation*":

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

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);

(ii) the Issuer, following consultation with the Independent Adviser, determines is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or (if the Issuer determines that no such spread is customarily applied);

(iii) in the case of an Alternative Rate, is in customary market usage in the international debt capital markets for transactions which reference the Original Reference Rate, where such rate has been replaced by the Alternative Rate;

(iv) if no such recommendation or option or replacement has been made (or made available), or the Issuer determines there is no such spread, formula or methodology in customary market usage, the Issuer, following consultation with the Independent Adviser, determines and is recognized or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or

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

"**Alternative Rate**" means an alternative benchmark or screen rate which the Issuer, following consultation with the Independent Adviser, determines in accordance with provision "*—Benchmark Discontinuation—Successor Rate or Alternative Rate*" is customarily applied in international debt capital markets transactions for the purposes of determining Rates of Interest (or the relevant component part thereof) in the same Specified Currency as the Notes.

"**Benchmark Amendments**" has the meaning given to it in the provision "*—Benchmark Discontinuation—Benchmark Amendments*";

"**Benchmark Event**" means:

(i) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist; or

(ii) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(iii) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or

(iv) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes; or

(v) it has become unlawful for any Paying Agent, the Calculation Agent or the Issuer to calculate any payments due to be made to any Holder using the Original Reference Rate;

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

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under provision "*—Independent Adviser*".

"**Original Reference Rate**" means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes.

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

(i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

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

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

Additional Notes

The Issuer may issue additional notes of a series having identical terms to that of a prior series of notes of the same series but for the Original Issue Date, the first interest payment date, initial interest accrual date and the offering price ("**Additional Notes**"). For issuances of additional Notes that will be consolidated and form one series with the Notes of previous issuance, such issuances need not the consent of any Noteholder (however, in the case of Subordinated Notes, such reopening may subject to Supervisory Permission, if required). The Final Terms relating to any Additional Notes will set forth matters related to such issuance, including identifying the prior series of notes, their Original Issue Date and the aggregate principal amount of notes then comprising such series.

Payment of Additional Amounts

All payments of principal and interest in respect of the Notes by the Issuer shall be made free and clear of, and without deduction or withholding for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by Ireland or any authority therein or thereof having power to tax, unless such deduction or withholding is required by law. In such event, the Issuer shall pay such additional amounts ("**Additional Amounts**") in respect of payments of interest and, in the case only of Senior Notes that are not Loss Absorption Notes, principal as will result in receipt by the Noteholders of such amounts as would have been received by them had no such deduction or withholding been required, except that no such additional amounts shall be payable with respect to any Note:

(i) presented (or in respect of which the Certificate representing it is presented) for payment by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with Ireland, other than the mere holding of such Note or the receipt of the relevant payment in respect thereof; or

(ii) presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date, except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment on such 30th day; or

(iii) presented (or in respect of which the Certificate representing it is presented) by, or by a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Note (or the Certificate representing it) is presented for payment.

References in these provisions to (i) "principal" shall be deemed to include any premium payable in respect of the notes, all final redemption amounts, early redemption amounts, optional redemption amounts, amortized face amounts and all other amounts in the nature of principal payable pursuant to provision "*—Redemption, Repurchase, Substitution and Variation*" or any amendment or supplement to it, (ii) "interest" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to "*—Interest and Other Calculations*" or any amendment or supplement to it and (iii) "interest" and, in the case of each series of Senior Notes that are not Loss Absorption Notes, shall be deemed to include any Additional Amounts which may be payable under this provision or any undertaking given in addition to or in substitution for it under the Indenture.

For the avoidance of doubt, payments will be subject in all cases to any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and Ireland facilitating the implementation thereof (or any law implementing such an intergovernmental agreement). Any such amounts withheld or deducted will be

treated as paid for all purposes under the Notes, and no additional amounts will be paid on the Notes with respect to any such withholding or deduction.

Redemption, Repurchase, Substitution and Variation

Final Redemption

Unless previously redeemed, purchased and cancelled or (as provided below), substituted, each Note will be redeemed at its final redemption amount (which, unless otherwise provided, is its nominal amount) in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

Redemption for Tax Reasons

If, as a result of any amendment to, or change in, the laws or regulations of Ireland or any political subdivision thereof or any authority or agency therein or thereof having power to tax or in the officially published application or interpretation or administration of any such laws or regulations which becomes effective on or after the Issue Date,

(i) the Issuer would, on the occasion of the next payment date in respect of the Notes, be required to pay additional amounts as provided in the provision "*—Payment of Additional Amounts*"; or

(ii) in respect to the Subordinated Notes only, any relief from tax in respect of interest paid on the Notes would be withdrawn by Ireland; or

(iii) in respect to the Subordinated Notes only, any payment of interest would be treated as a distribution by Ireland (each, a "**Tax Event**"),

the Issuer may, at its sole discretion, on any Interest Payment Date (if the Note is a Floating Rate Note) or at any time (if the Note is not a Floating Rate Note) on giving not more than 45 nor less than 30 days' notice to the Noteholders in accordance with the notice requirements contained in the Indenture (which notice shall be irrevocable) and subject to the requirements of in accordance with "*—Preconditions to Redemption and Purchase of Subordinated Notes*" or, in the case of Loss Absorption Notes, in accordance with "*—Preconditions to Redemption, Purchase, Substitution or Variation of Loss Absorption Notes*", as applicable, redeem all, but not some only, of the Notes at their early redemption amount as specified in the Final Terms together with interest accrued to the Redemption Date.

Prior to the publication of any notice of redemption pursuant to this provision, the Issuer shall deliver to the Trustee an officer's certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of the facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred. The Trustee shall be entitled to accept such officer's certificate without further inquiry as sufficient evidence of the satisfaction of the conditions precedent referred to above, in which event it shall be conclusive and binding on the Trustee and such Noteholders.

Redemption at Issuer's Option

If so specified in the applicable Final Terms, the Notes of a series will be redeemable at the Issuer's option (but subject, in the case of Subordinated Notes, to compliance with "*—Preconditions to Redemption and Purchase of Subordinated Notes*" or, in the case of Loss Absorption Notes, to compliance with "*—Preconditions to Redemption, Purchase, Substitution or Variation of Loss Absorption Notes*") prior to the stated Maturity Date.

If so specified, and subject to the terms set forth in the applicable Final Terms, the Issuer may, at its sole discretion and subject to, in the case of Subordinated Notes, compliance with "*—Preconditions to Redemption and Purchase of Subordinated Notes"* or, in the case of Loss Absorption Notes, to compliance with "*—Preconditions to Redemption, Purchase, Substitution or Variation of Loss Absorption Notes*", on giving notice to the Noteholders in accordance with the notice requirements contained in the Indenture, redeem prior to the

Stated Maturity all (or, if so provided, some) of the Notes on any Optional Redemption Date, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified on the Notes).

Any such redemption of Notes shall be at their optional redemption amount together with interest accrued to the Redemption Date. Any such redemption must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified in the Final Terms and no greater than the Maximum Redemption Amount to be redeemed so specified.

All Notes in respect of which any such notice of early redemption is given shall be redeemed on the date of early redemption specified in such notice in accordance with this provision "*—Redemption, Repurchase, Substitution and Variation*".

Capital Disqualification Event Redemption of Subordinated Notes

This provision "*—Capital Disqualification Event Redemption of Subordinated Notes*" applies only to Subordinated Notes.

Subject to compliance with "*—Preconditions to Redemption and Purchase of Subordinated Notes*", the Issuer may, in its sole discretion, if a Capital Disqualification Event has occurred and is continuing with respect to a series of Subordinated Notes, redeem at any time (if such Note is not a Floating Rate Note) or on any Interest Payment Date (if such Note is a Floating Rate Note) all (but not some only) such Notes then outstanding at their early redemption amount together, if applicable, with interest accrued to (but excluding) the Redemption Date, on giving not less than 15 nor more than 30 days' notice in accordance with the notice requirements contained in the Indenture.

Prior to the publication of any notice of early redemption pursuant to the paragraph above, the Issuer shall deliver to the Trustee an officer's certificate confirming that a Capital Disqualification Event has occurred. The Trustee shall be entitled, without liability to any person, to accept such officer's certificate without any further inquiry as sufficient evidence of the satisfaction of the relevant conditions precedent, in which event it shall be conclusive and binding on the Trustee and such Noteholders.

Loss Absorption Disqualification Event Redemption of Loss Absorption Notes

This provision "*—Loss Absorption Disqualification Event Redemption of Loss Absorption Notes*" applies to all Loss Absorption Notes except for any series where "Loss Absorption Disqualification Event Redemption" is expressly specified to be not applicable in the applicable Final Terms.

Subject to compliance with "*—Preconditions to Redemption, Purchase, Substitution or Variation of Loss Absorption Notes*", the Issuer may, in its sole discretion, if the Issuer has determined that a Loss Absorption Disqualification Event has occurred and is continuing with respect to a relevant series of Loss Absorption Notes, redeem (at its sole discretion), at any time (if such Note is not a Floating Rate Note) or on any Interest Payment Date (if such Note is a Floating Rate Note) all (but not some only) of the Loss Absorption Notes of such series at their early redemption amount together, if applicable, with interest accrued to (but excluding) the redemption date, on giving not less than 30 nor more than 60 days' notice in accordance with the notice requirements contained in the Indenture (which notice shall be irrevocable).

Prior to the publication of any notice of early redemption pursuant to the paragraph above, the Issuer shall deliver to the Trustee a certificate signed by any two authorized officers of the Issuer confirming that a Loss Absorption Disqualification Event has occurred and is continuing. The Trustee shall be entitled, without liability to any person, to accept such certificate without any further inquiry as sufficient evidence of the satisfaction of the relevant conditions precedent, in which event it shall be conclusive and binding on the Trustee and the Noteholders.

Repayment at the Option of the Noteholders

This provision "*—Repayment at the Option of the Noteholders*" does not apply to Subordinated Notes.

If so specified in the applicable Final Terms with respect to the Notes of a series, such notes will be repayable by the Issuer, in whole or in part at the option of the Noteholders thereof, on their respective optional repayment dates, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified in the Final Terms). Any repayment in part will be by increments of the minimum denomination for such Notes as specified Final Terms (provided that any remaining principal amount thereof shall be at least to such minimum denomination). Unless otherwise specified pursuant in the Final Terms, the repayment price for any Note to be repaid means an amount equal to the sum of the unpaid principal amount thereof for the portion thereof, plus accrued interest to the date of repayment.

Except as otherwise specified in the final terms, exercise of the repayment option pursuant to this section is irrevocable.

Early Redemption Amounts Zero Coupon Notes

The early redemption amount payable in respect of any Zero Coupon Note, upon redemption of such Note pursuant to provisions "*—Redemption for Tax Reasons*", "*—Capital Disqualification Event Redemption of Subordinated Notes*" or "*—Loss Absorption Disqualification Event Redemption of Loss Absorption Notes*", as applicable, or upon it becoming due and payable as a result of the occurrence of any Event of Default shall be the "Amortized Face Amount" (calculated as provided below) of such Note unless otherwise specified in the Final Terms.

Subject to the provisions in the paragraph below, the Amortized Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortization Yield (which, if none is shown in the Indenture, the applicable Final Terms for any particular series or in the Notes of any particular series, shall be such rate as would produce an Amortized Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

If the early redemption amount payable in respect of such Note upon its redemption pursuant to provisions "*—Redemption for Tax Reasons*", "*—Capital Disqualification Event Redemption of Subordinated Notes*" or "*—Loss Absorption Disqualification Event Redemption of Loss Absorption Notes*", as applicable, or upon it becoming due and payable as a result of the occurrence of any Event of Default is not paid when due, the early redemption amount due and payable in respect of such Note shall be the Amortized Face Amount of such Note as described in the paragraph above), except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortized Face Amount in accordance with this provision shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with the Final Terms.

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction so specified.

Early Redemption Amounts Other Notes

The early redemption amount payable in respect of any Note (other than Notes described in provision "*—Early Redemption Amounts Zero Coupon Notes*"), upon redemption of such Note pursuant to provisions "*—Redemption for Tax Reasons*", "*—Capital Disqualification Event Redemption of Subordinated Notes*" or "*—Loss Absorption Disqualification Event Redemption of Loss Absorption Notes*" or upon it becoming due and

payable as a result of the occurrence of any Event of Default, shall be the final redemption amount unless otherwise specified in the Final Terms.

Selection of Notes for Partial Redemption

If less than all the Notes of any series are to be redeemed, the Trustee will select Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which that series of Notes is listed and in compliance with the requirements of the Depositary for such Notes, or if such Notes are not so listed or such exchange prescribes no method of selection and the Depositary for such Notes prescribes no method of selection, on a pro rata basis (which may include the use of a pool factor, subject to the minimum denomination requirements applicable to such Notes), and the Trustee will not be liable for any selections made by it in accordance with this provision.

Repurchase

The Issuer or any of its subsidiaries may (subject, in the case of Subordinated Notes, to compliance with "*—Preconditions to Redemption and Purchase of Subordinated Notes*" and applicable Regulatory Capital Requirements or, in the case of Loss Absorption Notes, to compliance with "*—Preconditions to Redemption, Purchase, Substitution or Variation of Loss Absorption Notes*" and applicable Loss Absorption Regulations) purchase (or otherwise acquire), or procure others to purchase (or otherwise acquire) beneficially for its account, notes in any manner and at any price.

Preconditions to Redemption and Purchase of Subordinated Notes

Any redemption or purchase of Subordinated Notes in accordance with any applicable subsection of this section "*—Redemption, Repurchase, Substitution and Variation*" is subject to:

(i) the Issuer obtaining prior Supervisory Permission for such redemption or purchase (as the case may be);

(ii) in the case of any redemption or purchase, either: (a) the Issuer having replaced the Subordinated Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or (b) the Issuer having demonstrated to the satisfaction of the Relevant Regulator that the own funds of the Issuer would, following such redemption or purchase, exceed its minimum capital requirements (including any capital buffer requirements) by a margin that the Relevant Regulator considers necessary at such time; and

(iii) in the case of any redemption prior to the fifth anniversary of the Issue Date, (a) in the case of redemption upon a Tax Event, the Issuer has demonstrated to the satisfaction of the Relevant Regulator that the change in tax treatment is material and was not reasonably foreseeable as at the Issue Date, or (b) in the case of redemption upon the occurrence of a Capital Disqualification Event, the Issuer having demonstrated to the satisfaction of the Relevant Regulator that the relevant change in the regulatory classification of the Notes was not reasonably foreseeable as at the Issue Date.

Notwithstanding the foregoing, if, at the time of any redemption or purchase, the applicable Regulatory Capital Requirements permit a repayment or purchase only after compliance with one or more additional or alternative preconditions to those set out above in this provision, the Issuer shall comply with such additional and/or, as appropriate, alternative precondition(s).

In addition, in the case of a redemption occurring in respect of a Tax Event pursuant to provision "*—Redemption for Tax Reasons*", the Issuer shall deliver to the Trustee a copy of an opinion of an independent nationally recognized law firm or other tax advisor in Ireland experienced in such matters that a Tax Event has occurred and is continuing.

Prior to the publication of any notice of early redemption pursuant to this provision (other than redemption pursuant to provision "*—Redemption at Issuer's Option*"), the Issuer shall deliver to the Trustee an officer's certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of the facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and the Trustee shall be entitled to accept such certificate without further inquiry as sufficient evidence of the satisfaction of the conditions precedent referred to above, in which event it shall be conclusive and binding on the Trustee and the Noteholders.

Preconditions to Redemption, Purchase, Substitution or Variation of Loss Absorption Notes

Any redemption, purchase, substitution or variation of Loss Absorption Notes in accordance with any applicable subsection of this section "*—Redemption, Repurchase, Substitution and Variation*" is subject to:

(i) the Issuer giving notice to the Relevant Regulator and the Relevant Regulator granting permission to redeem, purchase or modify the relevant Loss Absorption Notes (in each case to the extent, and in the manner, required by the Relevant Regulator and the Loss Absorption Regulations); and/or (as appropriate)

(ii) compliance with any alternative or additional pre-conditions to such redemption, purchase or modification as may be required by the Relevant Regulator or the Loss Absorption Regulations at such time.

Substitution and Variation

This provision "*—Substitution and Variation*" applies only to series of notes if "*Substitution and Variation*" is expressly specified to be applicable in the applicable Final Terms.

If, (i) in the case of Loss Absorption Notes, a Loss Absorption Disqualification Event or, (ii) in the case of Subordinated Notes, a Capital Disqualification Event or a Tax Event has occurred and is continuing or, in the case of any note in respect of which "Substitution and Variation" is so specified as being applicable, in order to ensure the effectiveness and enforceability of provision "*Agreement with Respect to the Exercise of Irish Statutory Loss Absorption Powers*", the Issuer (in its sole discretion but subject to the provisions of this provision), having given not less than 15 nor more than 30 days' notice to the Noteholders in accordance with the notice requirements contained in the Indenture (which notice shall be irrevocable), without any requirement for the consent or approval of the Noteholders, either substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or, as appropriate, become, Loss Absorption Compliant Notes, in the case of Loss Absorption Notes, or Tier 2 Compliant Notes, in the case of Subordinated Notes. Upon the expiry of the notice referred to above, the Issuer shall either vary the terms of or, as the case may be, substitute the Notes in accordance with this provision and, subject as set out in this provision, the Trustee shall agree to such substitution or variation.

In connection with any substitution or variation in accordance with this provision "*Substitution and Variation*", the Issuer shall comply with the rules of any stock exchange on which such Notes are for the time being listed or admitted to trading.

Any substitution or variation in accordance with this provision is subject to the following conditions:

(i) the Issuer shall have obtained the (A) in the case of Senior Notes, the permission from the Relevant Regulator (if then required by the Relevant Regulator or by the Loss Absorption Regulations at such time) or (B) in the case of Subordinated Notes, the prior Supervisory Permission therefor from the Relevant Regulator (if then required by the Relevant Regulator or by the Applicable Regulatory Capital Requirements);

(ii) such substitution or variation must be permitted by, and conducted in accordance with, any other applicable requirement of the Relevant Regulator or under the Loss Absorption Regulations at such time, in the case of the Loss Absorption Notes, or the applicable Regulatory Capital Requirements, in the case of Subordinated Notes;

(iii) such substitution or variation shall not result in any event or circumstance which at or around that time gives the Issuer a redemption right in respect of the Notes; and

(iv) prior to the publication of any notice of substitution or variation, the Issuer shall have delivered to the Trustee the certificate referred to in the definition of "Loss Absorption Complaint Notes", in the case of Loss Absorption Notes, or "Tier 2 Complaint Notes", in the case of Subordinated Notes, and an officer's certificate stating that the Loss Absorption Disqualification Event, in the case of the Loss Absorption Notes, or a Capital Disqualification Event or Tax Event, in the case of the Subordinated Notes, in each case, giving rise to the right to substitute or vary the Notes has occurred and is continuing as at the date of the certificate, that all conditions set out above in clauses (i), (ii) and (iii) have been satisfied, and the Trustee shall be entitled to accept such certificate without any further inquiry as sufficient evidence thereof, in which event it shall be conclusive and binding on the Trustee and the Noteholders.

The Trustee shall, subject to the Issuer's compliance with the foregoing conditions and the provision of the officer's certificates and at the expense and cost of the Issuer, use its reasonable endeavours to assist the Issuer in any substitution or variation of Notes pursuant to this provision, except that the Trustee shall not be obliged to assist in any such substitution or variation if either such substitution or variation itself or the terms of the proposed Loss Absorption Compliant Notes or Tier 2 Compliant Notes would impose, in the Trustee's opinion, more onerous obligations upon it or require the Trustee to incur any liability for which it is not indemnified and/or secured and/or pre-funded to its satisfaction.

Agreement with Respect to the Exercise of Irish Statutory Loss Absorption Powers

Notwithstanding, and to the exclusion of, any other term of the Notes or any other agreements, arrangements or understanding between the Issuer and the Trustee or any Holder, the Trustee and, by its acquisition of any Note, each Holder (which for the purposes of this provision, includes each holder of a beneficial interest in the Notes) acknowledges and accepts that any liability arising under the Notes may be subject to the exercise of Irish Statutory Loss Absorption Powers by the Relevant Resolution Authority and acknowledges, accepts, consents to and agrees to be bound by:

(i) the effect of the exercise of any Irish Statutory Loss Absorption Powers by the Relevant Resolution Authority, which exercise (without limitation) may include and result in any of the following, or a combination thereof:

a. the reduction of all, or a portion, of the Relevant Amounts in respect of the Notes;

b. the conversion of all, or a portion, of the Relevant Amounts in respect of the Notes into shares, other securities or other obligations of the Issuer or another person, and the issue to or conferral on the holder of such shares, securities or obligations, including by means of an amendment, modification or variation of the terms of the Notes;

c. the cancellation of the Notes or the Relevant Amounts in respect thereof; and

d. the amendment or alteration of the Maturity Date of the Notes or amendment of the amount of interest payable on the Notes, or the date on which interest becomes payable, including by suspending payment for a temporary period; and

(ii) the variation of the terms of the Notes as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of any Irish Statutory Loss Absorption Powers by the Relevant Resolution Authority.

No repayment or payment of Relevant Amounts in respect of the Notes will become due and payable or be paid after the exercise of any Irish Statutory Loss Absorption Powers by the Relevant Resolution Authority if and to the extent such amounts have been reduced, converted, cancelled, amended or altered as a result of such exercise.

Neither a reduction or cancellation, in part or in full, of the Relevant Amounts, the conversion thereof into another security or obligation of the Issuer or another person, as a result of the exercise of the Irish Statutory Loss Absorption Powers by the Relevant Resolution Authority with respect to the Issuer, nor the exercise of the Irish Statutory Loss Absorption Powers by the Relevant Resolution Authority with respect to the Notes will be an event of default.

Upon the exercise of the Irish Statutory Loss Absorption Powers by the Relevant Resolution Authority with respect to the Notes, the Issuer will provide a written notice to the Noteholder in accordance with the notice requirements contained in the Indenture as soon as practicable regarding such exercise of the Irish Statutory Loss Absorption Powers. The Issuer will also deliver a copy of such notice to the Trustee for information purposes.

For a discussion of certain risk factors relating to the Irish Statutory Loss Absorption Powers, see "*Risk Factors—Risks Related to the Issuance of the Notes*".

Non-Restricted Events of Default

This provision "*—Non-Restricted Events of Default*" shall apply to each series of Senior Notes (the "**Non-Restricted Default Senior Notes**") unless, pursuant the applicable Final Terms, "Restricted Events of Default" is specified as being applicable (in which case the provision below "*—Restricted Events of Default*" shall apply). This provision "*—Non-Restricted Events of Default*" is not applicable to Subordinated Notes or Loss Absorption Notes (which are instead subject to the provision "*—Restricted Events of Default*").

If any of the following events ("**Non-Restricted Events of Default**") occurs and is continuing, the Trustee, at its discretion may, and if so requested by Noteholders of not less than 20% in principal amount of the Outstanding Notes of that series shall (subject, in each case, to being indemnified and/or secured and/or pre-funded to its satisfaction), give written notice to the Issuer that the Notes are, and they shall immediately become, due and repayable at their early redemption amount together (if applicable) with accrued interest as provided in the Indenture:

(i) Non-Payment: default is made for more than 15 days (in the case of interest) or 7 days (in the case of principal) after the due date for payment of interest or principal in respect of any of the Notes, *provided* that it shall not be an Event of Default if the non-payment is due solely to administrative error (whether by the Issuer or a bank involved in transferring funds to the Paying Agent) and payment is made within 3 business days after notice of that non-payment has been given to the Issuer by the Trustee; or

(ii) Breach of Other Obligations: the Issuer does not perform or comply with any one or more of its other obligations in the Notes or the Indenture (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this provision "*—Non-Restricted Events of Default*" dealt with), which default is not remedied within 60 days after notice of such default has been given to the Issuer by the Trustee or to the Issuer and the Trustee by Noteholders of not less than 20% in principal amount of the Outstanding Notes of such series, *provided however* that the Trustee shall be protected in withholding such notice if and so long as it determines in good faith that the withholding of such notice

is in the interest of the Noteholders, and *provided further* that no such notice to Noteholders shall be given until at least 60 days after the occurrence thereof; or

(iii) Insolvency: the Issuer is (or is, or could be, deemed by law or a court to be) insolvent or is unable or deemed to be unable to pay its debts (within the meaning of section 570 of the Companies Act 2014 of Ireland or Section 28 of the Central Bank Act 1971 of Ireland (as amended)), as the same may be amended, modified or re-enacted, or admits in writing its inability to pay its debts as they mature; or

(iv) Winding-Up: an order is made or an effective resolution passed for the Winding-Up of the Issuer, or the Issuer ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of, and followed by, a reconstruction, amalgamation, reorganization, merger or consolidation on terms approved in writing by the Trustee or the Noteholders.

Restricted Events of Default

The following shall constitute "**Restricted Events of Default**" with respect to each series of Subordinated Notes, Senior Notes that are the Loss Absorption Notes and, pursuant to the applicable Final Terms, other Senior Notes which specify "Restricted Events of Default" as being applicable (the "**Restricted Default Senior Notes**").

The Trustee shall be bound to take action as referred to in this provision "*—Restricted Events of Default*" if (i) the Noteholders of not less than 20% in principal amount of the Outstanding Notes of that series shall have made written request to the Trustee and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

(i) Non-Payment: If the Issuer does not make payment in respect of the Notes (in the case of any payment of principal and/or premium) for a period of 7 days or more after the due date for the same or (in the case of any payment of interest) for a period of 15 days or more after a date upon which the payment of interest is due (provided that it shall not be an Event of Default if such non-payment is due solely to administrative error (whether by the Issuer or a bank involved in transferring funds to the Paying Agent) and payment is made within 3 Business Days after notice of non-payment has been given to the Issuer by the Trustee), the Trustee may, subject as provided in the provision "*—Enforcement*", at its discretion, institute proceedings in Ireland (but not elsewhere) for the Winding-Up of the Issuer but (save as provided in clause (ii) below) may take no further action in respect of such default.

(ii) Winding-Up: In the event of a Winding-Up, whether or not instituted by the Trustee pursuant to clause (i) above, the Trustee may, subject as provided in this provision "*—Restricted Events of Default*", at its discretion, give written notice to the Issuer that the Notes are, and they shall accordingly thereby forthwith become, immediately due and repayable at their early redemption amount, plus accrued interest as provided in the Indenture.

(iii) Enforcement of Obligations: Without prejudice to clauses (i) and (ii) of this provision "*—Restricted Events of Default*", the Trustee may, subject as provided in the provision "*—Enforcement*", at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Notes or the Indenture (other than any obligation for the payment of any principal, premium or interest in respect of the Notes), provided that the Issuer shall not as a consequence of such proceedings be obliged to pay any sum or sums representing or measured by reference to principal or interest in respect of the Notes sooner than the same would otherwise have been payable by it or any damages.

Enforcement

This provision "*—Enforcement*" applies only in respect of Loss Absorption Notes and Subordinated Notes.

No Noteholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and the failure shall be continuing, in which case the Noteholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise pursuant to this provision.

No Holder shall be entitled to institute proceedings for the winding-up of the Issuer, or to prove in any Winding-Up of the Issuer, except that if the Trustee, having become bound to proceed against the Issuer as aforesaid, fails to do so within a reasonable period and the failure shall be continuing or, being able to prove in any Winding-Up of the Issuer, fails to do so, then any such holder may, on giving an indemnity satisfactory to the Trustee, institute proceedings for the winding-up in Ireland (but not elsewhere) of the Issuer and/or prove in any Winding-Up of the Issuer to the same extent (but not further or otherwise) that the Trustee would have been entitled so to do in respect of his Notes.

No remedy against the Issuer, other than as referred to in this provision, shall be available to the Trustee or the Noteholders whether for the recovery of amounts owing in respect of the Notes or under the Indenture or in respect of any breach by the Issuer of any of its obligations under the Indenture or the Notes (other than for recovery of the Trustee's remuneration or expenses).

Collection of Indebtedness and Suits for Enforcement by the Trustee

This provision "*Collection of Indebtedness and Suits for Enforcement by the Trustee*" applies only in respect of Non-Restricted Default Senior Notes.

The Issuer covenants that if a non-payment default is made pursuant to provision "*—Non-Restricted Events of Default—Non-Payment*", the Issuer will, upon demand of the Trustee, pay to it, for the benefit of the such Noteholders, the early redemption amount and interest, if any, and interest on any overdue principal (and premium, if any) and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue interest, at the rate or rates prescribed therefor in such Notes; and Additional Amounts, if any, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If the Issuer fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against such Issuer and or any other obligor upon such Notes and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Issuer or any other obligor upon such Notes, wherever situated.

If a Non-Restricted Event of Default occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of such Noteholders by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in the Indenture or in aid of the exercise of any power granted herein, or to enforce any other legal or equitable right vested in the Trustee by the Indenture or by law.

Judgment Currency

If, for the purposes of obtaining a judgment in any court with respect to any obligation of the Issuer under the Indenture or under any Note, it shall become necessary to convert into any other currency any amount in the currency due hereunder or under such Note, then such conversion shall be made at the Market Exchange Rate prevailing on the date of entry of the judgment.

The Issuer will indemnify any Noteholder and/or the Trustee, as applicable, as a result of any judgment or order requiring payment in a currency (the "**Judgment Currency**") other than the Specified Currency, and as a result

of any variation between (i) the rate of exchange at which the Specified Currency amount is converted into the Judgment Currency for the purposes of the judgment or order, and (ii) the rate of exchange at which such Noteholder, on the date of payment of such judgment or order, is able to purchase the Specified Currency with the amount of the Judgment Currency actually receivable by such Noteholder, as the case may be.

Satisfaction and Discharge

The satisfaction and discharge provisions described below do not apply to any series of notes unless the Issuer has notified the Relevant Regulator or the Relevant Resolution Authority, as the case may be, and, if necessary, obtained Relevant Supervisory Permission therefor.

The Indenture provides that the Issuer will be discharged from its obligations under the Notes of any series (with certain exceptions) at any time prior to the stated Maturity Date, or redemption of such notes when (1) either (i) all Notes of such series have been delivered to the Trustee for cancellation or (ii) the Issuer has deposited with or to the order of the Trustee, in trust, (a) sufficient funds in the currency, currencies, currency unit or units in which such notes are payable (without consideration of any reinvestment thereof) to pay the principal of (and premium, if any, on) and interest, if any, on such notes to the stated Maturity Date (or Redemption Date), or (b) such amount of U.S. Government Obligations (as defined below) as will, together with the predetermined and certain income to accrue thereon (without consideration of any reinvestment thereof), be sufficient to pay when due the principal of (and premium, if any, on) and interest, if any, to the stated Maturity Date (or Redemption Date), on such notes, or, (c) such amount equal to the amount referred to in clause (i) or (ii) of this provision "*—Satisfaction and Discharge*" in any combination of currency or currency unit of U.S. Government Obligations; (2) the Issuer has paid all other sums payable with respect to such notes; (iii) the Issuer delivered to the Trustee an opinion of counsel to the effect that since the date of the Indenture there has been a change in applicable U.S. federal income tax law to the effect that, and based upon which such opinion of counsel shall confirm that, such Noteholders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such discharge and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same time as would have been the case if such discharge had not occurred; and (iv) certain other conditions are met. Upon such discharge, the Noteholders of such a series shall no longer be entitled to the benefits of the terms and conditions of the Indenture and notes, except for certain provisions including registration of transfer and exchange of such notes and replacement of mutilated, destroyed, lost or stolen notes of such series, and shall look for payment only to such deposited funds or obligations.

For purposes of this provision "*—Satisfaction and Discharge*", "**U.S. Government Obligations**" means non-callable (i) direct obligations of the United States for which its full faith and credit are pledged; and/or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States, the timely payment of which is unconditionally guaranteed as a full faith and credit obligation of the United States in each case with a maturity date of 183 calendar days or less from the date of original issue of such U.S. Government Obligations;

Modification; Supplemental Indentures

The Indenture contains provisions permitting the Issuer and the Trustee (i) without the consent of the Noteholders of any notes issued under the Indenture, to execute supplemental indentures for certain enumerated purposes, such as to cure any ambiguity or inconsistency, to make any change that does not have a materially adverse effect on the rights of any holder of such notes or to make Benchmark Amendments as provided in the provision "*—Benchmark Amendments"*, and (ii) with the consent of the Noteholders of not less than a majority in aggregate principal amount of the Outstanding Notes of each series of notes issued under the Indenture and affected thereby, to execute supplemental indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of modifying in any manner the rights of

holders of any such note under the Indenture; provided, that no such supplemental indenture may, without the consent of the holder of each such Outstanding Note affected thereby (a) change the stated Maturity Date or the principal of or interest on any such note, or reduce the principal amount of any such note or the rate of interest thereon, if any, or any premium or principal payable upon redemption thereof, or change any obligation of the Issuer's to pay additional amounts(except as permitted by the Indenture regarding changes without the consent of Noteholders) or reduce the amount of the principal of a Note that would be due and payable upon a declaration of acceleration of the Maturity thereof, or change any Place of Payment where, or change the currency in which, any such note or the interest, if any, thereon is payable, or impair the remedies available to Noteholders to enforce the terms of such note; or (b) reduce the percentage in aggregate principal amount of the Outstanding Notes of any particular series, the consent of whose holders is required for any such supplemental indenture, or the consent of whose holders is required for any waiver (of compliance with certain provisions of the Indenture or certain defaults thereunder and their consequences) provided for in the Indenture; or (c) change any obligation of the Issuer to maintain an office or agency in the places and for the purposes specified in the Indenture; or (d) modify certain of the provisions of the Indenture pertaining to the waiver by holders of such notes of past defaults, supplemental indentures with the consent of holders of such notes and the waiver by holders of such notes of certain covenants, except to increase any specified percentage in aggregate principal amount required for any actions by the Noteholders or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the holder of each such note affected thereby; or (e) in the case of any Subordinated Notes, change, in any manner adverse to the interests of the Noteholders of such Outstanding Notes the subordination or ranking provisions of such notes.

In addition, variations in the terms and conditions of the Subordinated Notes or Loss Absorption Notes of any series, or of provisions in the Indenture in respect of any such notes shall only be made following receipt by the Issuer of the relevant Supervisory Permission (if any), which may then be required for such variation under the Regulatory Capital or Loss Absorption Regulations.

Waivers

The Noteholders of not less than a majority in aggregate principal amount of the Outstanding Notes of a series of notes affected thereby, may on behalf of all the Noteholders of such series waive compliance by the Issuer with certain restrictive provisions of the Indenture as pertain to the maintenance of certain agencies by the Issuer.

The Noteholders of a majority in aggregate principal amount of the Outstanding Notes of a series of notes may waive on behalf of all Noteholders of such series, any past default and its consequences under the Indenture, except a default in the payment of the principal of (or premium, if any, on) or interest, if any, on any such note of that series or a default.

In addition to the Issuer's and the Trustee's rights to modify and amend the Indenture as described above, variations to the terms of the Indenture or the Notes may be made by the Issuer and the Trustee, without the further consent of the Noteholders, as required in the circumstances described in provision "*—Substitution and Variation*" in connection with the variation of the notes and to which the Trustee has agreed pursuant to the relevant portions of such provision.

Notices

Notices to Noteholders will be given by mail to addresses of such holders as they appear in the Notes' Register and in accordance with the notice requirements contained in the Indenture.

Governing Law

The Indenture and the Notes shall be governed by and construed in accordance with the laws of the State of New York; except that (i) Section 10.1(b) of the Indenture ("*Ranking of Subordinated Notes—Status and*

Subordination of Subordinated Notes—Subordination") (which contains the subordination provisions in respect of the Subordinated Notes) and the corresponding subordination and ranking provisions of each series of such Subordinated Notes pursuant to the applicable Final Terms and in the terms of such Subordinated Notes; (ii) Section 10.1(c) of the Indenture ("*Ranking of Subordinated Notes—Status and Subordination of Subordinated Notes—No Set-off*") and Section 11.1(b) of the Indenture ("*Ranking of Senior Notes—Status of Senior Notes—No Set-off*") (which contain waiver of set-off provisions); and (iii) Article XII of the Indenture ("*Irish Statutory Loss Absorption Powers*") shall, in each case, be governed by and construed in accordance with the laws of Ireland.

Consent to Service

The Issuer has designated and appointed Allied Irish Bank plc, New York Branch at 1345 Avenue of the Americas, 10th Floor, New York, NY 10105 as its authorized agent upon which process may be served in any suit or proceeding arising out of or relating to the Notes or the Indenture which may be instituted in any State or Federal court located in the Borough of Manhattan, City of New York, State of New York, and have submitted (for the purposes of any such suit or proceeding) to the jurisdiction of any such court in which any such suit or proceeding is so instituted. The Issuer has agreed, to the fullest extent that it lawfully may do so, that final judgment in any such suit, action or proceeding brought in such a court shall be conclusive and binding upon the Issuer and may be enforced in the courts of Ireland (or any other courts to the jurisdiction of which it is subject).

Notwithstanding the foregoing, any actions arising out of or relating to the Notes or the Indenture may be instituted by the Issuer, the Trustee or the holder of any note in any competent court in Ireland or such other competent jurisdiction, as the case may be.

Furthermore, in the event that any legal action, suit or proceedings with respect to the waiver of set-off provisions described in "*—Waiver of set-off*" of this Base Prospectus (Section 10.1(c) and Section 11.1(b) of the Indenture) and the Irish Statutory Loss Absorption provisions described in "*Agreement with Respect to the Exercise of Irish Statutory Loss Absorption Powers*" of this Base Prospectus (Article XII of the Indenture) are commenced in the courts of Ireland, each Noteholder irrevocably accepts the non-exclusive jurisdiction of such courts and waives any objection to the courts of Ireland on the grounds that they are an inconvenient or inappropriate forum to settle any such dispute.

Concerning the Trustee

The Indenture provides that, except during the continuance of an Event of Default for a series of notes, the Trustee will have no obligations other than the performance of such duties and only such duties as are specifically set forth in the Indenture and no implied covenants or obligations shall be read into the Indenture against the Trustee. If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

DESCRIPTION OF THE NOTES IN GLOBAL FORM

Unless otherwise specified in the Final Terms for a particular series of Notes, DTC will act as securities depository for the Notes. The following discussion relates solely to DTC and Notes for which it is the securities depository.

Global Notes

So long as DTC or its nominee is the holder of the Global Notes, any owner of a beneficial interest in the notes of a series must rely upon the procedures of DTC and institutions having accounts with DTC to exercise or be entitled to any rights of a holder of such Global Notes. See the subsection entitled "*—Book-Entry System*" for a further description of DTC's procedures.

Book-Entry System

The Global Notes will be issued as fully-registered securities registered in the name of Cede (DTC's partnership nominee), unless otherwise specified. No Global Note may be transferred except by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC or any successor thereof.

We have been advised by DTC that upon the deposit of a Global Note with DTC, DTC will immediately credit, on its book-entry registration and transfer system, the respective principal amounts of such beneficial interests in that Global Note to the accounts of the DTC Participants. The accounts to be credited shall be designated by the soliciting Placement Agent or, to the extent that the notes are offered and sold directly, by us.

We understand that DTC is a limited-purpose trust company organized under the laws of the State of New York, a "Banking Organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the clearance and settlement among Participants of transactions in such securities through electronic book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants ("Direct Participants") include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to DTC's system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Ownership of beneficial interests in a Global Note in respect of a series of notes will be limited to DTC Participants, including Clearstream, Luxembourg and Euroclear, or persons who hold interests through DTC Participants. In addition, ownership of beneficial interests will be evidenced only by, and the transfer of that ownership interest will be effected only through, records maintained by DTC or its nominee and DTC Participants until such time, if any, as Definitive Notes are issued, as set forth under "*Description of the Notes—Form, Transfer, Exchange and Denomination*". The laws of some states require that certain purchasers of notes take physical delivery of such notes in certificated form. Such laws may impair the ability to transfer beneficial interests in a Global Note.

Interests held through Clearstream, Luxembourg and Euroclear will be recorded on DTC's books as being held by the U.S. depositary for each of Clearstream, Luxembourg and Euroclear, which U.S. depositaries will in turn hold interests on behalf of their participants' customers' securities accounts.

To facilitate subsequent transfers, all Global Notes deposited with DTC are registered in the name of DTC's partnership nominee, Cede. DTC has no knowledge of the actual owners of beneficial interests in the Global Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such beneficial interests in Global Notes are credited, which may or may not be the beneficial owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede and any subsequent nominee of DTC. If less than all of the notes within a series are being redeemed, DTC's current practice is to determine *pro rata* or by lot the amount of the beneficial interest of each Direct Participant in such issue to be redeemed.

Principal and interest payments on the Global Notes will be made to DTC as the registered holder of the Global Notes. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to beneficial owners will be governed by standing instructions and customary practices, as in the case of securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is our responsibility, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the beneficial owners shall be the responsibility of Direct Participants and Indirect Participants.

A beneficial owner shall give notice to elect to have its beneficial interests in the Global Notes purchased or tendered, through its Participant, to the Trustee for a series of notes, and shall effect delivery of such beneficial interests in the Global Notes by causing the Direct Participant to transfer the Participant's beneficial interest in the Global Notes, on DTC's records, to the Trustee.

DTC may discontinue providing its services as securities depositary with respect to the Global Notes at any time by giving reasonable notice to us and the Placement Agents. Under such circumstances, in the event that a successor securities depositary is not obtained, Definitive Notes in registered form will be printed and delivered in exchange for beneficial interests in the Global Notes as described under "*Description of the Notes—Form, Transfer, Exchange and Denomination* ".

We may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depositary). In that event, Definitive Notes in registered form will be printed and delivered in exchange for beneficial interests in the Global Notes as described under "*Description of the Notes—Form, Transfer, Exchange and Denomination*".

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy thereof.

In no event will Definitive Notes in bearer form representing any series of notes be issued.

None of us, any Trustee, any paying agent, any registrar for the notes or any Placement Agent will have any responsibility or liability for any aspect of DTC's records or any DTC Participant's records relating to or payments made on account of beneficial ownership interests in a Global Note or for maintaining, supervising or reviewing any of DTC's records or any DTC Participant's records relating to such beneficial ownership interests.

The Indenture and the notes require that payments in respect of the notes be made in immediately available funds. Interests in the notes are expected to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in the notes will be required to be settled in immediately available funds. We do not know the effect, if any, of such settlement arrangements on trading activity in the notes or interests in the notes.

Issuance of Definitive Notes

If (i) DTC notifies us and the Trustee that it is unwilling or unable to continue as holder of the Global Notes or if at any time it ceases to be a clearing agency registered under the Exchange Act and, in either case, a successor holder is not appointed by us within 90 days of such notification or of our becoming aware of such ineligibility, (ii) an Event of Default occurs with respect to one or more series of notes, or (iii) we determine in our sole discretion (subject to DTC's procedures) that Definitive Notes of such series will be issued in registered form, then in any such case, upon the written request of the holder of the Global Note, the Trustee will issue certificated registered notes in the names and in the amounts as specified by the holder of the Global Note. The request for Definitive Notes may be made by the holder in the circumstances and subject to the conditions described under "*Description of the Notes—Form, Transfer, Exchange and Denomination*".

The exchange of interests in the Global Note for Definitive Notes of a particular series shall be made free of any fees of the Trustee to the holder, provided, however, that such person receiving notes in certificated form will be obligated to pay or otherwise bear the cost of any tax or other governmental charge as required by the Indenture and any cost of insurance, postage, transportation and the like.

Repayment

If a note becomes repayable at the option of the holder on a date or dates specified prior to its maturity date, if any, and the Trustee is so notified, the Trustee will promptly notify the holder of the Global Note that such note has become repayable. In order for the repayment option on any note to be exercised, the owners of beneficial interests in the Global Note must instruct the broker or other DTC Participant through which it holds an interest in the Global Note to notify the Trustee of its desire to exercise that right to repayment. Different firms have different cut-off times for accepting instructions from their customers and, accordingly, each beneficial owner should consult the broker or other DTC Participant through which it holds its beneficial interest in a Global Note in order to ascertain the cut-off time by which such an instruction must be given in order for timely notice to be delivered to the depositary.

Record Date

Unless we otherwise instruct the Trustee in writing and subject to the provisions in "*Description of the Notes—Payment of Principal, Premium, if any, and Interest, if any*", for so long as the Global Notes remain in book-entry only form, the relevant Regular Record Date for each Interest Payment Date will be the close of business on the Business Day before the applicable Interest Payment Date. If the Notes are not in book-entry only form, the relevant Record Date for each Interest Payment Date will be the close of business on the fifteenth calendar day (whether or not a Business Day) before the applicable Interest Payment Date.

Reports

The Trustee will send promptly to the applicable holders of the Global Notes any notices, reports and other communications from us that are received by the custodian as holder of the Global Notes and that we make generally available to holders of the notes.

PLAN OF DISTRIBUTION

The Dealers have in a Dealer Agreement dated 2 April, 2019 (the "Dealer Agreement") agreed with AIB a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement for any particular purchase will extend to those matters stated under "Description of the Notes" above.

In the Dealer Agreement, AIB has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement may be terminated in relation to all the Dealers or any of them by AIB or, in relation to itself, by any Dealer, at any time on giving not less than 15 days' written notice. The Dealers are entitled in certain circumstances to be released and discharged from their obligations under a subscription agreement prior to the closing of the issue of the relevant Notes.

A Dealer may sell Notes it has purchased from the Issuer as principal to certain other dealers less a concession equal to all or any portion of the discount received in connection with such purchase. The Dealer may allow, and such dealers may re-allow, a discount to certain other dealers. After the initial offering of Notes, the offering price (in the case of Notes to be resold at a fixed offering price), the concession and the reallowance may be changed. The Notes may also be sold at variable prices.

The Dealers and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Dealers and their respective affiliates have provided, and may in the future provide, a variety of these services to the Issuer and to persons and entities with relationships with the Issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Dealers and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Issuer and its affiliates (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Issuer and its affiliates. If any of the Dealers or their respective affiliates have a lending relationship with us, certain of those Dealers or their affiliates routinely hedge, and certain other of those Dealers or their respective affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these Dealers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes offered hereby. The Dealers and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

United States

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

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver the Notes of any identifiable

tranche, (i) as part of their distribution at any time, or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Notes are a part, as determined and certified to the Agent by such Dealer (or, in the case of an identifiable tranche of Notes sold to or through more than one Dealer, by each of such Dealers with respect to Notes of an identifiable tranche purchased by or through it, in which case the Agent shall notify such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells any Notes (other than resales pursuant to Rule 144A) during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States by the Dealers directly or through their respective non-U.S. affiliates or selling agents to non-U.S. persons in reliance on Regulation S. The Dealer Agreement provides that the Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes within the United States only to QIBs in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of Notes within the United States by any dealer that is not participating in the offering of such Notes may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

It is expected that delivery of the Notes will be made against payment therefor on or about the settlement date, which could be more than two business days following the date of pricing of the Notes. Pursuant to Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, in an offering of Notes with a settlement date that is more than two business days, purchasers who wish to trade Notes prior to three business days before settlement will be required to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wish to trade Notes prior to three business days before settlement should consult their own advisor.

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the EEA. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or

  (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "Prospectus Directive"); and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer and, it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom; and

Ireland

Each Dealer has represented and agreed that, and each further Dealer appointed under the Programme will be required to represent and agree that, it has not offered, sold, placed or underwritten and will not offer, sell, place or underwrite the Notes, or do anything in Ireland in respect of the Notes, otherwise than in conformity with the provisions of:

(a) the European Union (Markets in Financial Instruments) Regulations 2017 and any codes or rules of conduct applicable thereunder, Regulation (EU) No 600/2014 and any delegated or implementing acts adopted thereunder and the provisions of the Investor Compensation Act 1998 (as amended);

(b) the Irish Central Bank Acts 1942 – 2018 (as amended) and any codes of practice made under Section 117(1) of the Central Bank Act 1989 (as amended);

(c) the Irish Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended) and any rules and guidance issued under Section 1363 of the Companies Act 2014, by the Central Bank;

(d) the Market Abuse Regulation (EU 596/2014) (as amended), the European Union (Market Abuse) Regulations 2016 (as amended) and any rules and guidance issued under Section 1370 of the Companies Act 2014 by the Central Bank; and

(e) the Companies Act 2014.

Republic of Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("CONSOB") pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Base Prospectus or of any other document relating to any Notes be distributed in Italy, except, in accordance with any Italian securities, tax and other applicable laws and regulations.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered, and will not offer, sell or deliver, any Notes or distribute any copy of this Base Prospectus or any other document relating to the Notes in the Republic of Italy ("Italy") except:

(a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree no. 58 of 24 February 1998 (the "Consolidated Financial Services Act") and Article 34-*ter*, paragraph 1, letter (b) of CONSOB regulation No. 11971 of 14 May 1999 (the "**CONSOB** Regulation"), all as amended from time to time; or

(b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Consolidated Financial Services Act and Article 34-*ter* of the CONSOB Regulation.

In any event, any offer, sale or delivery of the Notes or distribution of copies of this Base Prospectus or any other document relating to the Notes in Italy under (a) and (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Consolidated Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the "Banking Act") and CONSOB Regulation No. 16190 of 29 October 2007, all as amended from time to time;

(ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time pursuant to which the Bank of Italy may request post-offering information on the issue or the offer of securities in Italy; and

(iii) in compliance with any other applicable laws and regulations, including any requirement or limitation which may be imposed from time to time by CONSOB or the Bank of Italy or any other competent authority.

See also "*Transfer Restrictions in Italy*" below.

Transfer Restrictions in Italy

Investors should note that, in accordance with Article 100-*bis* of the Financial Services Act, where no exemption from the rules on public offerings applies under paragraphs (a) and (b) above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and the CONSOB Regulation. Furthermore, where no exemption from the rules on public offerings applies, the Notes which are initially offered and placed in Italy or abroad to professional investors only but in the following year are "systematically" distributed on the secondary market in Italy become subject to the public offer and the prospectus requirement rules provided under the Financial Services Act and CONSOB Regulation. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by purchasers of Notes who are acting outside of the course of their business or profession.

This Base Prospectus and the information contained herein are intended only for the use of its recipient and are not to be distributed to any third-party resident or located in Italy for any reason. No person resident or located in Italy other than the original recipients of this document may rely on it or its contents.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No, 25 of 1948, as amended the "Financial Instruments and Exchange Act"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Canada

Canadian investors who purchase the Notes will be deemed to have represented to the Issuer and the Dealers or any affiliate of the Dealers acting on behalf of the Dealers, and to each dealer from whom a purchase

confirmation is received, that the investors are purchasing the Notes, or deemed to be purchasing, as principals that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in section 1.1 of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations.

No prospectus has been filed with any securities commission or similar regulatory authority in Canada in connection with the offer and sale of the Notes. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this document or on the merits of the Notes and any representation to the contrary is an offence. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws, which may vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with Canadian prospectus requirements, a statutory exemption from the prospectus requirements, in a transaction exempt from the prospectus requirements or otherwise under a discretionary exemption from the prospectus requirements granted by the applicable local Canadian securities regulatory authority. These resale restrictions may under certain circumstances apply to resales of the Notes outside of Canada.

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

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("NI 33-105"), the Dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest pertaining to "connected issuer" and/or "related issuer" relationships in connection with this offering.

Any discussion of taxation and related matters contained in this document does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a Canadian investor when deciding to purchase the Notes and, in particular, does not address any Canadian tax considerations. No representation or warranty is hereby made as to the tax consequences to a resident, or deemed resident, of Canada of an investment in the Notes or with respect to the eligibility of the Notes for investment by such investor under relevant Canadian federal and provincial legislation and regulations.

The Bank Act (Canada): The Issuer is not a member institution of the Canada Deposit Insurance Corporation. The liability incurred by the Issuer through the issuance and sale of the Notes is not a deposit. The Issuer is not regulated as a financial institution in Canada.

Language of Documents: Upon receipt of this document, each Canadian investor hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the Notes described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been, and will not be, registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each

further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six (6) months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-Based Derivatives Contracts) Regulations 2018 of Singapore.

In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products)..

Hong Kong

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong) (the "Companies (Winding Up and Miscellaneous Provisions) Ordinance") or which do not constitute an invitation to the public within the meaning of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "Securities and Futures Ordinance"), or (ii) to "professional investors" as defined in the Securities and Futures Ordinance and

any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" in Hong Kong as defined in the Securities and Futures Ordinance and any rules made thereunder.

General

These selling restrictions may be modified by the agreement of AIB and the relevant Dealer(s) following a change in a relevant law, regulation or directive. Any such modification will be set out in a supplement to this Base Prospectus.

No action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Base Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will (to the best of its knowledge) comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Base Prospectus, any other offering material or any Final Terms.

TRANSFER RESTRICTIONS

Rule 144A Notes

Each purchaser of Restricted Notes within the United States pursuant to Rule 144A, by accepting delivery of this Base Prospectus, will be deemed to have represented, agreed and acknowledged that:

1. It is (a) a QIB within the meaning of Rule 144A, (b) acquiring such Restricted Notes for its own account, or for the account of a QIB and (c) aware, and each beneficial owner of the Restricted Notes has been advised, that the sale of the Restricted Notes to it is being made in reliance on Rule 144A.

2. It understands that such Restricted Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it, and any person acting on its behalf, reasonably believes is a QIB purchasing for its own account or for the account of a QIB, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States.

3. It understands that such Restricted Notes, unless otherwise agreed between AIB and the Trustee in accordance with applicable law, will bear a legend (the "Rule 144A Legend") to the following effect:

   THIS NOTE IN RESPECT HEREOF HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE.

4. AIB, the Registrar, the relevant Dealer(s) and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

5. It understands that the Restricted Notes offered in reliance on Rule 144A will be represented by the Restricted Global Note. Before any interest in the Restricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Indenture) as to compliance with applicable securities laws.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Base Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

(1) It is, or at the time Notes are purchased will be, the beneficial owner of such Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S), and (b) it is not an affiliate of AIB or a person acting on behalf of such an affiliate.

(2) It understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB, or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

(3) AIB, the Registrar, the Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

(4) It understands that the Notes offered in reliance on Regulation S will be represented by the Unrestricted Global Note. Prior to the expiration of the distribution compliance period, before any interest in the Unrestricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Restricted Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Indenture) as to compliance with applicable securities laws.

LEGAL MATTERS

Certain legal matters have been passed upon for AIB by Linklaters LLP, its United States counsel, with respect to matters of U.S. federal law and New York law, and A&L Goodbody, with respect to matters of Irish law.

Certain legal matters have been passed upon for the Dealers by Allen & Overy LLP, with respect to matters of U.S. federal law and New York law, and Matheson, with respect to matters of Irish law.

INDEPENDENT AUDITORS

The 2018 Financial Statements and the 2017 Financial Statements, incorporated by reference in this Base Prospectus, have been audited by Deloitte Ireland LLP, independent auditors, as stated in their reports incorporated by reference herein.

APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

Final Terms dated [●]

AIB Group plc

Legal entity identifier (LEI): 635400AKJBGNS5WNQL34

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the U.S.$10,000,000,000

Global Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[MiFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "MiFID II"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "Prospectus Directive"). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Terms used herein shall be deemed to be defined as in the "*Description of the Notes*" in the Base Prospectus dated [●] 2019 [and Supplement[s] dated [●]] [which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented].][1] Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus[, as so supplemented]. The Final Terms and the Base Prospectus [and the Supplement[s]] are available for inspection at the London office of the Agent and the office of the Issuer and in electronic form on the website of the Issuer www.aibgroup.com (access through the "Investor Relations" link)[, the website of the Central Bank, www.centralbank.ie (for so long as the Central

[1] Delete this statement and any other references to the Prospectus Directive in these Final Terms in the case of an issuance of unlisted Notes and an issuance of Notes which will not be admitted to trading on a regulated market.

Bank decides to provide a service of publishing such documents on its website) and on the website of Euronext Dublin at www.ise.ie].

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus (or equivalent) with an earlier date.*

Terms used herein shall be deemed to be defined as in the "*Description of the Notes*" in the Base Prospectus dated [●] [and the Supplement[s] dated [●]]. [This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated [●] [and the Supplement[s] dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive][1]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the [Base Prospectus dated [●]]/[Base Prospectuses dated [●] and [●]] [and the Supplement[s] dated [●] and [●]]. The [Base Prospectus dated [●]]/[Base Prospectuses dated [●]] [and the Supplement[s] are available for inspection at the London office of the Agent and the office of the Issuer.]

1.		**Issuer:**	AIB Group plc
2.	[(i)]	Series Number:	[●]
	[(ii)]	Tranche Number:	[●]
	[(iii)]	Date on which the Notes become fungible:	[Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [*insert description of the Series*] on [*insert date*/the Issue Date].]
3.	**Specified Currency or Currencies:**		[●]
4.	**Aggregate Nominal Amount of Notes:**		[●]
	[(i)]	Series:	[●]
	[(ii)	Tranche:	[●]]
5.	**Issue Price:**		[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date] (in the case of fungible issues only, if applicable)*]
6.	(i)	Specified Denominations:	[●] [and integral multiples of [●] in excess thereof up to and including [●]. No Notes in definitive form will be issued with a denomination above [●]]
	(ii)	Calculation Amount:	[●] *(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7.	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[*specify*/Issue Date/Not Applicable]
8.	**Maturity Date:**		[*specify*/Interest Payment Date falling in or nearest

			[*specify month and year*]][2]
9.	**Interest Basis:**		[[●] per cent. Fixed Rate] [[●] per cent. Resettable Notes] [*[LIBOR/EURIBOR]* +/– [●] per cent. Floating Rate] [Zero Coupon]
10.	**Redemption/Payment Basis:**		Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount
11.	**Change of Interest Basis:**		[Applicable/Not Applicable]
12.	**Put/Call Options:**		[Put (further particulars specified at item 20 below)] [Call (further particulars specified at item 19 below)]
13.	(i)	Status of the Notes:	[Senior/Subordinated]
	[(ii)	Loss Absorption Note:[3]	[Applicable/Not Applicable]]
	[(iii)	Waiver of Set-off:[4]	[Applicable – "No Set-off" applies]/[Not Applicable – "No Set-off" does not apply]]
	[(iv)	Restricted Events of Default:[5]	[Applicable – Restricted Events of Default applies]/[Not Applicable – Restricted Events of Default does not apply]]
	[(v)]	[Date [Board] approval for issuance of Notes obtained:	[●] [and [●], respectively]]
14.	**Method of distribution:**		[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15	**Fixed Rate Note Provisions:**		[Applicable/Not Applicable]
	(i)	Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear] on each Interest Payment Date
	(ii)	Interest Payment Date(s):	[●] in each year
	(iii)	Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(iv)	Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
	(v)	Day Count Fraction:	[Actual/Actual / Actual/Actual – ISDA] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360/360/360 / Bond Basis]

[2] Minimum maturity is 12 months.

[3] Senior Notes only.

[4] Senior Notes only.

[5] Senior Notes only.

			[30E/360 / Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual – ICMA]
	(vi)	Determination Date(s):	[[●] in each year/Not Applicable]
16.	**Resettable Note provisions:**		[Applicable/Not Applicable]
	(i)	Initial Rate of Interest:	[●] per cent. per annum [payable annually/semi-annually/ quarterly/ monthly] in arrear]
	(ii)	First Margin:	[+/-][●] per cent. per annum
	(iii)	Subsequent Margin:	[+/-][●] per cent. per annum
	(iv)	Resettable Note Interest Payment Date(s):	[●] in each year commencing on [●] and ending on [●]
	(v)	First Resettable Note Reset Date:	[●]
	(vi)	Second Resettable Note Reset Date:	[[●]/Not Applicable]
	(vii)	Subsequent Resettable Note Reset Date:	[[●]/Not Applicable]
	(viii)	Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention]
	(ix)	Business Centre(s):	[●]
	(x)	Reset Rate:	[Single Mid-Swap Rate]/[Mean Mid-Swap Rate]/[Reference Bond]
	(xi)	Relevant Screen Page:	[●]
	(xii)	Mid-Swap Maturity:	[●]
	(xiii)	Fixed Leg Swap Duration:	[●]
	(xiv)	Benchmark Duration:	[Fixed Leg Swap Duration/[●]]
	(xv)	Subsequent Reset Rate Time:	[●]
	(xvi)	Day Count Fraction:	[Actual/Actual / Actual/Actual – ISDA] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360 / 360/360 / Bond Basis] [30E/360 / Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual – ICMA]
	(xvii)	First Reset Period Fallback:	[●]
17.	**Floating Rate Note Provisions:**		[Applicable/Not Applicable]
	(i)	Interest Period(s):	[●] in each year, subject to adjustment in accordance with the Business Day Convention set out in (v) below

(ii)	Specified Interest Payment Dates:	[●] in each year, subject to adjustment in accordance with the Business Day Convention set out in (v) below
(iii)	First Interest Payment Date:	[●]
(iv)	Interest Period Date:	[●]
(v)	Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention]
(vi)	Business Centre(s):	[●]
(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(viii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[●]
(ix)	Screen Rate Determination:	
	– Reference Rate:	[EURIBOR/LIBOR]
	– Interest Determination Date(s):	[●]
	– Relevant Screen Page:	[●] (or any replacement page which displays that rate)
(x)	ISDA Determination:	
	– Floating Rate Option:	[●]
	– Designated Maturity:	[●]
	– Reset Date:	[●]
	– ISDA Definitions:	2006
(xi)	Linear Interpolation:	[Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]
(xii)	Margin(s):	[+/-][●] per cent. per annum
(xiii)	Minimum Rate of Interest:	[●] per cent. per annum
(xiv)	Maximum Rate of Interest:	[●] per cent. per annum
(xv)	Day Count Fraction:	[Actual/Actual / Actual/Actual – ISDA] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360 / 360/360 / Bond Basis] [30E/360 / Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual – ICMA]
18.	**Zero Coupon Note Provisions:**	[Applicable/Not Applicable]
(i)	Amortisation Yield:	[●] per cent. per annum

	(ii)	Day Count Fraction:	[Actual/Actual / Actual/Actual – ISDA] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360 / 360/360 / Bond Basis] [30E/360 / Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual – ICMA]

PROVISIONS RELATING TO REDEMPTION

19.	**Call Option:**		[Applicable/Not Applicable]
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note:	[●] per Calculation Amount
	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[●] per Calculation Amount
		(b) Maximum Redemption Amount:	[●] per Calculation Amount
	(iv)	Notice period:	[●]
20.	**Put Option:**[6]		[Applicable/Not Applicable]
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note:	[●] per Calculation Amount
	(iii)	Notice period:	[●]
[21.	**Capital Disqualification Event for partial exclusion:**[7]		[Applicable/Not Applicable]]
[22.	**Loss Absorption Disqualification Event:**		[Applicable/Not Applicable] (*This item may only be expressed to be Applicable where the Notes are Senior Notes. If Not Applicable, delete the remaining subparagraph of this paragraph*)
		– Loss Absorption Disqualification Event for partial exclusion:	[Applicable/Not Applicable]]
23.	**Final Redemption Amount of each Note:**		[●] per Calculation Amount
24.	**Early Redemption Amount:**		
		– Early Redemption Amount(s) per Calculation Amount payable	[●] per Calculation Amount

[6] Senior Notes only.

[7] Subordinated Notes only.

	on redemption for taxation reasons or on event of default [or on redemption for regulatory reasons[8]][or on redemption following a Loss Absorption Disqualification Event[9]]:	
25.	**Substitution and Variation:**	[Applicable/Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

26.	**Form of Notes:**	[Restricted Global Note (U.S.$[●] nominal amount) registered in the name of a nominee for DTC] [Unrestricted Global Note (U.S.$[●] nominal amount) registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg]
28.	**Green Bonds:**	[Yes] [No] *If Not Applicable, delete the remaining subparagraphs of this paragraph*)
[(i)]	[Reviewer(s):]	[*Name of sustainability rating agencies and name of third party assurance agent, if any and details of compliance opinion(s) and availability*]
[(i)]	[Date of Second Party Opinion(s):]	[*Give details*]
29.	**Financial Centre(s):**	[Not Applicable/*give details*. [*Note that this paragraph relates to the date [and place] of payment, and not the end date of the interest period for the purposes of calculating the amount of interest, to which sub-paragraph 17(v) relates*]]

[USE OF PROCEEDS

Give details if different from the "Use of Proceeds" section in the Base Prospectus.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [(*Relevant third party information*) has been extracted from (*specify source*).

The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (*specify source*), no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By:

[8] Subordinated Notes only.

[9] Senior Notes only.

Duly authorised

PART B – OTHER INFORMATION

1. **Listing**

(i)	Listing:	[Euronext Dublin /other(*specify*)/None]
(ii)	Admission to trading:	[Application has been made for the Notes to be admitted to the Official List and to be admitted to trading on the regulated market of Euronext Dublin with effect from [●]. No assurance can be given that such listing will be obtained and/or maintained/Other/Not Applicable].
[(iii)	[Estimate of total expenses related to admission to trading:	[●]

2. **Ratings**

Ratings: [The following ratings reflect the ratings allocated to Notes of this type issued under the Programme generally:]

The Notes are expected to be rated [●] by [●][on or shortly after the Issue Date].

No assurance can be given that such rating will be obtained and/or retained.

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

Insert one (or more) of the following options, as applicable:

Option 1: CRA is (i) established in the EU and (ii) registered under the CRA Regulation:

[Insert legal name of particular credit rating agency entity providing rating] is established in the EU and registered under Regulation (EC) No 1060/2009 (the "CRA Regulation").

Option 2: CRA is (i) established in the EU, (ii) not registered under the CRA Regulation but (iii) has applied for registration:

[Insert legal name of particular credit rating agency entity providing rating] is established in the EU and has applied for registration under Regulation (EC) No 1060/2009 (the "CRA Regulation") although notification of the registration decision has not yet been provided.

Option 3: CRA is (i) established in the EU and (ii) has not applied for registration and is not registered under the CRA Regulation:

[Insert legal name of particular credit rating agency entity providing rating] is established in the EU and is neither registered nor has it applied for registration under Regulation (EC) No 1060/2009 (the "CRA Regulation").

Option 4: CRA is not established in the EU but the relevant rating is endorsed by a CRA which is established and registered under the CRA Regulation:

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EU but the rating it has given to the [Notes] is endorsed by [insert legal name of credit rating agency], which is established in the EU and registered under Regulation (EC) No 1060/2009 (the "CRA Regulation").

Option 5: CRA is not established in the EU and the relevant rating is not endorsed under the CRA Regulation, but the CRA is certified under the CRA Regulation:

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EU but is certified under Regulation (EC) No 1060/2009 (the "CRA Regulation").

Option 6: CRA is neither established in the EU nor certified under the CRA Regulation and the relevant rating is not endorsed under the CRA Regulation:

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EU and is not certified under Regulation (EC) No 1060/2009 (the "CRA Regulation") and the rating it has given to the [Notes] is not endorsed by a credit rating agency under Regulation (EC) No 1060/2009 (the "CRA Regulation").

3. **Interests of Natural and Legal Persons involved in the Issue:**

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business. (*Amend as appropriate if there are other interests*)]

4. **[*Fixed Rate Notes only* – Yield:**

Indication of yield: [●]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

5. [***Floating Rate Notes only* –**
Historic Interest Rates:

Details of historic [LIBOR/EURIBOR/replicate other as specified in the Conditions] rates can be obtained from [Reuters].]

6. **Operational Information:**

ISIN: [●]

Common Code: [●]

CFI: [Not Applicable][●] [As set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively,

		sourced from the responsible Nation Numbering Agency that assigned the ISIN]
	FISN:	[Not Applicable][●] [As set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively, sourced from the responsible Nation Numbering Agency that assigned the ISIN] (*If the CFI and/or FISN is not required, requested or available, it/they should be specified to be "Not Applicable"*)
	CUSIP:	
	[CINS:	
	Any clearing system(s) other than Euroclear Bank SA/NV, Clearstream Banking, S.A. and The Depositary Trust Company and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)[and address(es)]*]
	Delivery:	Delivery [against/free of] payment
	Name and address of additional Paying Agent(s) (if any):	[●]
	Name and address of Registrars:	
7.	**Distribution:**	
	(i) Method of distribution:	[Syndicated/Non-syndicated]
	(ii) If syndicated:	
	(A) Names of Managers:	[Not Applicable/*give names*]
	(B) Stabilising Manager(s) (if any):	[Not Applicable/*give names*]
	(iii) If non-syndicated, name of Dealer:	[Not Applicable/*give name*]
	(iv) U.S. Selling Restrictions:	[Reg. S Compliance Category 2], [Rule 144A]

GENERAL INFORMATION

1 It is expected that approval of the Programme in respect of the Notes will be granted on or before 2 April 2019 subject only to the issue of a temporary Global Note or Global Certificate (as applicable) in respect of each Tranche. Transactions will normally be effected for delivery on the third working day after the day of the transaction. However, Notes may be issued pursuant to the Programme which will not be listed on any stock exchange. The Listing Agent is not seeking admission to listing of the Notes on Euronext Dublin for the purposes of the Prospectus Directive on its own behalf, but as agent on behalf of AIB.

2 The establishment of the Programme and the issue of Notes under the Programme have been authorised by a resolution of the Board of Directors of AIB passed on 28 March 2019.

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

4 There has been no significant change in the financial or trading position of the Group and no material adverse change in the prospects of the Issuer since 31 December 2018, the date of the Issuer's last published audited financial statements.

5 The issue price and the amount of the relevant Notes will be determined before filing of the relevant Final Terms of each Tranche, based on then prevailing market conditions. AIB does not intend to provide any post- issuance information in relation to any issues of Notes.

6 Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within six years from the date on which payment in respect of the principal or interest to which the claim relates was due.

7 The Notes have may be accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). In addition, the Issuer may make an application for any Restricted Notes to be accepted for trading in book-entry form by DTC. Acceptance by DTC of such Notes will be confirmed in the relevant Final Terms. The Common Code and ISIN, the Committee on the Uniform Security Identification Procedure ("CUSIP") number, (and any other relevant identification number for any alternative clearing system) for each Series of Notes will be set out in the relevant Final Terms. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium, the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg, and the address of DTC is 55 Water Street, New York, New York 10041. The address of any alternative clearing system will be specified in the applicable Final Terms.

8 The legal entity identifier of AIB is 635400AKJBGNS5WNQL34.

9 Copies of the following documents (in physical form) will be available for inspection during usual business hours on any weekday (Saturday and public holidays excepted) from the date hereof for so long as the Programme remains in effect or any Notes remain outstanding at the London office of the Agent and the office of AIB specified at the end of this Base Prospectus:

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

(ii) the Indenture;

(iii) the annual financial report of AIB for the year ended 31 December 2018;

(iv) the annual financial report of AIB for the year ended 31 December 2017;

(v) each Final Terms for Notes which are listed on Euronext Dublin or any other stock exchange;

(vi) a copy of this Base Prospectus together with any supplement to this Base Prospectus or further Base Prospectus; and

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

10 Deloitte Ireland LLP of Deloitte & Touche House, Earlsfort Terrace, Dublin (a member of the Institute of Chartered Accountants in Ireland) have audited, without qualifications, the 2018 Financial Statements and the 2017 Financial Statements, in accordance with Auditing Standards issued by the Auditing Practices Board.

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

12 This Prospectus is drawn up in the English language. In case there is any discrepancy between the English text and the French text, the English text stands approved for the purposes of approval under the Prospectus (Directive 2003/71/EC) Regulations 2005.

DEFINITIONS

The following definitions apply throughout this Base Prospectus unless the context requires otherwise.

2004 CBI Act	Central Bank and Financial Services Authority of Ireland Act 2004
2009 Preference Shares	the 3,500,000,000 2009 non-cumulative preference shares of €0.01 each in the capital of the Company issued to the NPRFC on 13 May 2009 pursuant to the subscription agreement entered into on 13 May 2009 between the Company, the Minister for Finance and the NPRFC which subsequently became assets of the ISIF pursuant to section 38 of the NTMA 2014 Act and which subsequently were redeemed and cancelled on 17 December 2015
2012 Relationship Framework	the relationship framework specified by the Minister for Finance in relation to the Company on 29 March 2012
2013 CBI Act	Central Bank (Supervision and Enforcement) Act 2013
2015 Capital Reorganisation	the capital reorganisation approved by Shareholders at an extraordinary general meeting held on 16 December 2015 which comprised, among other things, the conversion and redemption of the 2009 Preference Shares, a consolidation of the then existing ordinary shares in the capital of AIB, the entry into a warrant agreement with the Minister for Finance and amendments to the memorandum and articles of association of the Company and the redemption of the promissory note with an initial principal amount of €250 million provided by the Minister for Finance to EBS Building Society on 17 June 2010
AIB	the Company together with its consolidated subsidiaries and subsidiary undertakings from time to time
AIB Bank	Allied Irish Banks, p.l.c.
AIB CIFS Covered Institutions	AIB, AIB Group (UK) p.l.c., EBS, EBS Mortgage Bank, AIB Mortgage Bank, AIB Bank (CI) Limited and AIB North America Inc.
AIB ELG Participating Institutions	AIB, AIB Group (UK) p.l.c., EBS, AIB North America Inc, and formerly AIB Bank (CI) Limited and AIB International Savings Limited
AIB Irish Pension Scheme	the AIB Group Irish Pension Scheme, a defined benefit pension scheme operated by AIB in respect of its staff employed in Ireland
AIB UK	AIB Group (UK) p.l.c.
AIB UK Pension Scheme	the AIB Group UK Pension Scheme, a defined benefit pension scheme operated by AIB in respect of its staff employed in the United Kingdom
ALCo	Asset and Liability Committee
AML	anti-money laundering

AML Acts	the Criminal Justice (Money Laundering and Terrorist Financing) Acts of 2010 and 2018
Articles	the articles of association of the Company, as contained in the Constitution, as amended from time to time
ARPC	Arrears and Restructuring Priority Committee
Aspire	AIB's internal performance management programme
Audit Committee	the audit committee of the Board of Directors
UK Authorities	HM Treasury, the Bank of England and the PRA
Bank of Ireland	The Governor and Company of the Bank of Ireland
Bank Resolution Act	Central Bank and Credit Institutions (Resolution) Act 2011
Bankruptcy Act	Bankruptcy Act 1988
Bank Secrecy Act	U.S. Bank Secrecy Act of 1970 (31 USC 5311 et seq)
Base Prospectus	this document
Board or **Board of Directors**	the board of directors of the Company
BMI	Business Monitor International
BPFI	Banking and Payments Federation Ireland
BRC	Board Risk Committee
BRRD	Directive 2014/59 establishing a framework for the recovery and resolution of credit institutions and investment firms
Business Day	a day (excluding Saturdays, Sundays and public holidays) on which banks are generally open for business in Dublin and London
Revised CGC Code	the Corporate Governance Requirements for Credit Institutions 2015 issued by the Central Bank
CC	Group Conduct Committee
CCA	Consumer Credit Act 1995
CCMA	Code of Conduct on Mortgage Arrears (2013) issued by the Central Bank
CCNs	the €1.6 billion of convertible contingent tier 2 capital notes issued by the Company to the Minister for Finance on 27 July 2011 and which matured and were repurchased on 28 July 2016
CCPC	Competition and Consumer Protection Commission of Ireland
Central Bank or CBI	Central Bank of Ireland
Central Bank Acts	Central Bank Acts 1942 to 2018
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CFP	Contingency Funding Plan
CIFS Scheme	the credit institutions financial support scheme introduced by the Government on 30 September 2008 pursuant to the Credit

	Institutions (Financial Support) Scheme 2008 (S.I. No. 411 of 2008), which expired on 29 September 2010
CMO	Chief Marketing Officer
COO	Chief Operations Officer
Companies Act	Companies Act 2014
Company	AIB Group plc
Conduct Risk Framework	a framework that is embedded in the organisation and provides oversight of conduct risks at Executive Committee and Board level, including the embedding of a customer centric culture aligned to AIB's Brand Values and Code of Conduct and the promotion of good conduct throughout the organisation
Constitution	the constitution of AIB, incorporating the Memorandum of Association and the Articles
Consumer Credit Directive	Directive 2008/48/EC on credit agreements for consumers
Consumer Credit Regulations	European Communities (Consumer Credit Agreements) Regulations 2010, which give effect to the Consumer Credit Directive in Irish law
Consumer Protection Acts	Consumer Protection Acts 2007 and 2014
CPC	Consumer Protection Code 2012
CPLRP	Code of Practice on Lending to Related Parties (2013)
CRD	Directive 2013/36 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms: Capital adequacy legislation adopted by the EU and implemented by Member States which is designed to ensure the financial soundness of credit institutions and certain investment firms.
CRD IV	CRD and CRR
CRO	Chief Risk Officer
CRR	Regulation 575/2013 on prudential requirements for credit institutions and investment firms
CSO	Central Statistics Office of Ireland
Dáil Éireann	the lower house of the Oireachtas (the Irish legislature)
Data Protection Directive	Directive 95/46 on the protection of individuals with regard to the processing of personal data and on the free movement of such data
Deloitte	Deloitte Ireland LLP of Deloitte & Touche House, Earlsfort Terrace, Dublin
DGSD	Directive 2014/49/EU on deposit guarantee schemes
Distance Marketing of Financial Services Directive	Directive 2002/65 concerning the distance marketing of consumer financial services

Directors	the Executive Directors and Non-Executive Directors of the Company
DM Regulations	European Communities (Distance Marketing of Consumer Financial Services) Regulations 2004 which give effect in Irish law to the Distance Marketing of Financial Services Directive
Dodd-Frank	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
DRN	debt relief notice under the Personal Insolvency Act
DSA	debt settlement arrangement under the Personal Insolvency Act
EAD	Exposure at Default
EBA	the European Banking Authority
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EBS	EBS d.a.c. (formerly EBS Limited and prior to that EBS Building Society), a company incorporated under the laws of Ireland (registered number 500748) and a wholly-owned subsidiary of the Company
ECB	the European Central Bank
ECB banking authorisation	"means: (a) in the case of a licence granted under section 9 of the Central Bank Act 1971 prior to 4 November 2014 (including that issued to and held by AIB), such a licence which is deemed in accordance with the SSM Regulation to be an authorisation granted by the ECB under the SSM Regulation; or (b) in any other case, an authorisation granted under the SSM Regulation on the application therefor under section 9 of the Central Bank Act 1971;
EC	the Commission of the EU (provided for under the provision of Title III of the Treaty on European Union), which operates as the executive body of the EU
EEA	European Economic Area, which consists of the Member States, Iceland, Liechtenstein and Norway
EL	Expected Loss
ELG Scheme	the Eligible Liabilities Guarantee Scheme established under the Financial Support Act and by the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009, which expired for new liabilities on 28 March 2013
E-money Directive	Directive 2009/110 on the taking up, pursuit and prudential supervision of the business of electronic money institutions
ERC	Executive Risk Committee
ESM	the Enterprise Securities Market operated and regulated by Euronext Dublin

EU	the European Union
EU MiFID Regulation	Regulation 600/2014 on Markets in Financial Instruments
EU Prospectus Regulation	Commission Regulation (EC) No. 809/2004 of 29 April 2004
euro or **€**	the official currency of the Eurozone
Euroclear	Euroclear Bank N.V./S.A.
Euronext Dublin	Irish Stock Exchange plc, trading as Euronext Dublin
Eurozone	the eurozone consists of the following 19 EU countries that have adopted the euro as their common currency: Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia and Spain.
EU/IMF Programme	Ireland's bailout programme from the EC, the ECB and the IMF
Exchange Act	U.S. Exchange Act of 1934
Executive Committee	the most senior executive committee of AIB, comprising twelve members, and is responsible for the day-to-day management of the Group's operations
Executive Directors	the executive directors of the Company
FCA	the UK Financial Conduct Authority
Financial Support Act	the Credit Institutions (Financial Support) Act 2008
Financial Conglomerate Directive	Directive 2002/87 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate
FSO/Financial Services Ombudsman	Financial Services Ombudsman established under the Central Bank and Financial Services Authority of Ireland Act 2004
Fitch	Fitch Ratings Limited
FOS	UK Financial Ombudsman Service
FRB	Federal Reserve Board
FSB	Financial Stability Board
FSCS	Financial Services Compensation Scheme
FSG	Financial Solutions Group
FSMA	the UK Financial Services and Markets Act 2000
GCC	Group Credit Committee
GDP	gross domestic product
GDPR	Regulation 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data
General Bail-In Tool	the power, provided by the BRRD to resolution authorities in circumstances where the credit institution is failing or likely to fail, to write down the claims of unsecured creditors of an institution and convert debt to equity or other instruments of ownership, with, in broad terms, the first losses being taken by

	shareholders and thereafter by subordinated creditors and then senior creditors, with the objective of recapitalising an institution
GIA	Group Internal Audit
Government or **Irish Government**	the Government of Ireland
Group	Allied Irish Banks, p.l.c. and its subsidiaries up to 8 December 2017 and, following the Scheme going into effect, from 8 December 2017 onwards, AIB Group plc and its subsidiaries (including Allied Irish Banks, p.l.c.)
Haven	Haven Mortgages Limited
High Court	the High Court of Ireland
HQLA	High Quality Liquid Assets as defined by the Basel III Accord and required to calculate the LCR
IAS 39	International Accounting Standard 39
IBA	U.S. International Banking Act of 1978
iBB	iBusiness Banking, an online service optimised for AIB's business and corporate customers
IBRC	the Irish Bank Resolution Corporation
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	the International Financial Reporting Standards, as adopted by the EU
ILAAP	Internal Liquidity Adequacy Process
IMF	the International Monetary Fund
Insolvency Service	the Insolvency Service of Ireland
IRB	Internal Ratings Based – the Basel II method of calculating regulatory capital
IRRBB	Interest rate risk in the banking book
Ireland	the Republic of Ireland, and the word "Irish" shall be construed accordingly
Irish Life & Permanent	former name of permanent tsb
Irish Stock Exchange or **ISE**	the Irish Stock Exchange plc, trading as Euronext Dublin
ISIF	the Ireland Strategic Investment Fund, a statutory fund owned by the Minister for Finance and managed and controlled, pursuant to directions in writing given to the NTMA by the Minister for Finance from time to time, by the NTMA, which was established under the NTMA 2014 Act
ISIN	international securities identification number
IT	information technology
JST	Joint Supervisory Team
LCR	Liquidity Coverage Ratio – the ratio of the stock of high quality liquid assets to expected net cash outflows over the next 30 days under a stress scenario. CRD IV requires that this ratio exceed

	60 per cent. on 1 January 2015 and 100 per cent. on 1 January 2018.
LGD	Loss given Default
London Stock Exchange	London Stock Exchange plc
MAR	Market Abuse Regulation (Regulation (EU) No 596/2014)
MAC	Market Announcements Committee
Member States	member states of the EU
Memorandum of Association	the memorandum of association of the Company, as amended from time to time
MiFID I Directive	Directive 2004/39 on markets in financial instruments
MiFID II Directive	Directive 2014/65 on markets in financial instruments
Minister for Finance or **Minister**	the Minister for Finance of Ireland
MLD3	Directive 2005/60 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing
MLD4	Directive 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing
Moody's	Moody's Investor Service Limited
Mortgage Credit Directive	Directive 2014/17 on Credit Agreements Relating to Residential Immovable Property which was transposed into Irish law with effect from 21 March 2016 by the Mortgage Credit Regulations
MRA	Material Risk Assessment
MRC	Model Risk Committee
NAMA	the National Asset Management Agency 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
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 for Finance as necessary for the purposes of the NAMA Act for inclusion in the NAMA Programme
NAMA Participating Institution	a credit institution that has been designated by the Minister for Finance 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 for Finance, and (b) the Company and every subsidiary of the Company that is not expressly excluded by the Minister for Finance

NAMA Programme	the programme through which NAMA has acquired NAMA Assets from NAMA Participating Institutions on the terms specified in or pursuant to the NAMA Act
Non-Executive Directors	the non-executive directors of the Company
NPRF	the National Pensions Reserve Fund, a fund owned by the Minister for Finance which was established under the NPRF Act
NPRF Act	the National Pensions Reserve Fund Act 2000
NPRFC	the National Pensions Reserve Fund Commission, as established by the NPRF Act to, *inter alia*, control, manage and invest the assets of the NPRF (or any replacement successor agency or authority), where references in this Base Prospectus to the NPRFC are to the NPRFC acting in its capacity as controller and manager of the NPRF
NSFR	The Net Stable Funding Ratio of available stable funding to required stable funding as set out in the Basel III Accord
NTMA	the National Treasury Management Agency
NTMA 2014 Act	the National Treasury Management Agency (Amendment) Act 2014
OECD	the Organisation for Economic Co-operation and Development
OFAC	Office of Foreign Assets Control
Oireachtas (the Irish legislature)	means the national parliament of Ireland, consisting of the President of Ireland, Dáil Éireann and Seanad Éireann
Operational Risk Framework	a framework that sets out the principles, roles and responsibilities, governance arrangements and processes for ORM across AIB. The Operational Risk Framework is supported by a suite of operational risk policies.
OR	Operational Risk
ORC	Operational Risk Committee
ORM	operational risk management
O-SII	Other Systemically Important Institutions
Payment Accounts Directive	Directive 2014/92 on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features
Payment Services Regulations	European Communities (Payment Services) Regulations 2009 which give effect in Irish law to Directive 2007/64 on payment services in the internal market
PD	Probability of Default
permanent tsb	Permanent TSB p.l.c., formerly Irish Life & Permanent
Personal Insolvency Act	Personal Insolvency Act 2012
PIA	personal insolvency arrangement under the Personal Insolvency Act

PRA	UK Prudential Regulation Authority
PSD2	Directive 2015/2366 on payment services in the internal market
PRIIPs Regulation	Regulation 1286/2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs)
Prospectus Directive	Directive 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading
QIBs	persons who are "qualified institutional buyers" as defined in Rule 144A
RAROC	Risk adjusted return on capital
RAS	Risk Appetite Statement
RCA	Risk and Control Self-Assessment
Regulation S	Regulation S under the Securities Act
regulated financial services provider	has the meaning given by section 2(1) of the Central Bank Act 1942 "(a) a financial services provider whose business is subject to regulation by the Bank under this Act or under a designated enactment or a designated statutory instrument, or (b) a financial service provider whose business is subject to regulation by an authority that performs functions in an EEA country that are comparable to the functions performed by the Bank under this Act or under a designated enactment or designated statutory instrument, or (bb) a financial service provider whose business is subject to supervision by the ECB under a designated enactment, or (c) in relation to Part VIIB only, any other financial service provider of a class specified in the regulations for the purposes of this paragraph" where "Bank" means the Relevant Banking Regulator
Relationship Framework	the relationship framework specified by the Minister for Finance in relation to the Company on 12 June 2017 amending and restating the 2012 Relationship Framework
Relevant Banking Regulator	is a reference to: (a) subject to paragraph (b) below, the Central Bank; and (b) the ECB, but only to the extent that the reference is in respect of functions conferred on the ECB by the SSM Regulation and the SSM Framework Regulation
Remuneration Committee	the remuneration committee of the Board of Directors
Resolution Tools	the power, provided by the BRRD to resolution authorities in circumstances where the credit institution is failing or likely to fail, to (i) transfer to an investor, shares, other instruments of ownership and/or all specified assets, rights or liabilities of the failing institution; (ii) transfer all or specified assets, rights or liabilities of the failing institution to a bridge institution which is wholly or partially owned by public authorities; (iii) transfer assets, rights or liabilities to a legal entity which is wholly owned

	by public authorities for the purpose of sale or otherwise ensuring that the business is wound down in an orderly manner, to be applied in conjunction with another resolution tool; or (iv) write down the claims of unsecured creditors of an institution and convert debt to equity or other instruments of ownership, with, in broad terms, the first losses being taken by shareholders and thereafter by subordinated creditors and then senior creditors, with the objective of recapitalising an institution
Restructuring Plan	the restructuring plan approved by the European Commission on 7 May 2014 in respect of the state aid granted to AIB and EBS
Revenue Commissioners	the office of the Revenue Commissioners of Ireland
Risk Committee	the risk committee of the Board of Directors
Rule 144A	Rule 144A under the Securities Act
SBAC	Sustainable Business Advisory Committee
SBCI	Strategic Business Corporation of Ireland
SBEC	Sustainable Business Executive Committee
Seanad Éireann	the upper house of the Oireachtas (the Irish legislature)
Securities Act	U.S. Securities Act of 1933
Senior Executives	senior managers within the meaning of paragraph 14.1(d) of Annex I of the EU Prospectus Regulation
SME	small- and medium-sized enterprises
SME Regulations	the Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Lending to Small and Medium-Sized Enterprises) Regulations 2015
SRB	a single resolution board under the SRM
SREP	Supervisory Review and Evaluation Process
SRM	Single Resolution Mechanism – a framework for the orderly resolution of failing banks with minimal costs for tax payers. The SRM applies to banks covered by the SSM
SRM Regulation	Regulation 806/2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund
SSM	Single Supervisory Mechanism – a system of financial supervision comprising the ECB and the national competent authorities of participating EU countries which in Ireland is the Central Bank. The main aims of the SSM are to ensure the safety and soundness of the European banking system and to increase financial integration and stability in Europe
SSM Framework Regulation	Regulation 468/2014 of the European Central Bank establishing the framework for cooperation within the SSM between the European Central Bank and national competent authorities and with national designated authorities

SSM Regulation	Council Regulation 1024/2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions
State	the Republic of Ireland
State Aid Decision	the European Commission Decision of 7 May 2014 reference C(2014) 2638 made in connection with the Restructuring Plan
S&P	Standard & Poor's Credit Market Services Europe Limited
SVR	Standard Variable Interest Rate
TFEU	the Treaty on the Functioning of the European Union
TLAC	total loss-absorbing capacity
Tracker Mortgage Examination	the Central Bank's examination of tracker mortgage related issues across Irish lenders (including AIB and Irish subsidiaries of AIB), the commencement of which was announced by the Central Bank in October 2015
Troika	the EC, the ECB and the IMF
UK Code	the UK Corporate Governance Code published by the Financial Reporting Council and dated September 2014, as amended from time to time
UK Government	the Government of the United Kingdom of Great Britain and Northern Ireland
United Kingdom or **UK**	the United Kingdom of Great Britain and Northern Ireland
United States or **U.S.**	the United States of America, its territories and possessions, any State of the United States of America, and the District of Columbia
UTCCR	European Communities (Unfair Terms in Consumer Contracts) Regulations 1995 to 2014 which give effect in Ireland law to Council Directive 93/13 on unfair terms in consumer contracts
VAT	Value added tax – within the EU, such taxation as may be levied in accordance with Directive 2006/112 on the common system of value added tax and, outside the EU, any similar taxation levied by reference to added value or sales
Volcker Rule	final rules implementing Section 619 of Dodd-Frank
Write-Down Tool	in relation to the BRRD and the SRM Regulation, a statutory write-down and conversion power which gives the resolution authority the power to write down or to convert into equity the Company's capital instruments if certain conditions are met

A reference to (i) any enactment, statute, act, statutory instrument, regulation, order, decree, regulatory notice, code of conduct, directions or other legislative measure under the laws of Ireland or the laws of any other jurisdiction, (ii) an EU directive, EU regulation or any other legislative measure made under EU law or applying in respect of the EEA, (iii) any treaty, international agreement or other international legal act whether between Member States of the EU; the EEA or otherwise, or (iv) a provision of any of the foregoing measures referred to at or contemplated by (i) to (iii) above (in this paragraph, a ("Legal Measure") is to that Legal Measure as

extended, amended or replaced as of the date of this Base Prospectus or to any other date indicated and includes any other Legal Measure that is to be read as one therewith.

GLOSSARY OF TECHNICAL TERMS

The following explanations are not intended as technical definitions but, rather, are intended to assist the reader in understanding terms used in this Base Prospectus:

ABS	asset backed securities are securities that represent an interest in an underlying pool of referenced assets. They are typically structured in tranches of differing credit qualities. Some common types of asset backed securities are those backed by credit card receivables, home equity loans and car loans. ABS which are backed by an underlying pool of residential mortgage loans are referred to as RMBS
Advanced IRB	Advanced internal rating based approach to credit risk measurement under the CRR
ALCo	Asset and Liability Committee
Arrears	arrears relates to any interest or principal on a loan which was due for payment, but where payment has not been received. Customers are said to be in arrears when they are behind in fulfilling their obligations with the result that an outstanding loan is unpaid or overdue
ATM	automated teller machine
Banking book	a regulatory classification to support the regulatory capital treatment that applies to all exposures which are not in the trading book. Banking book positions tend to be structural in nature and, typically, arise as a consequence of the size and composition of a bank's balance sheet. Examples include the need to manage the interest rate risk on fixed rate mortgages or rate insensitive current account balances. The banking book portfolio will also include all transactions/positions which are accounted for on an interest accruals basis or, in the case of financial instruments, on an available for sale or hold to maturity basis
Basel Accords	The three series of banking regulations (Basel I, Basel II and Basel III) set by the Basel Committee on Bank Supervision (BCBS), which provides recommendations on banking regulations in regards to capital risk, market risk and operational risk
Basel II	the second of the Basel Accords; an international business standard that requires financial institutions to maintain enough cash reserves to cover risks incurred by operations
Basel III	the third of the Basel Accords; an international business standard that requires financial institutions to maintain enough cash reserves to cover risks incurred by operations
basis point	0.01 per cent., so 100 basis points is 1 per cent. Used in quoting movements in interest rates or yields on securities

basis risk	a type of market risk that refers to the possibility that the change in the price of an instrument (e.g., asset, liability, derivative, etc.) may not match the change in price of the associated hedge, resulting in losses arising in the Group's portfolio of financial instruments
Buy-to-let	a residential mortgage loan approved for the purpose of purchasing a residential investment property to rent out
CET1	common equity tier 1 for the purposes of the CRD
CET1 ratio	a measurement of a bank's core equity capital compared with its total risk-weighted assets
Core Tier 1 Capital	called-up share capital, share premium and eligible reserves plus equity non-controlling interests, less goodwill, intangible assets and supervisory deductions as specified by the Central Bank (this concept has been replaced by CET1 under CRD IV)
Credit risk	the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation
Credit risk mitigation	techniques by lenders used to reduce the Credit risk associated with an exposure by the application of Credit risk mitigants. Examples include: collateral; guarantee; and credit protection
Criticised loans	loans requiring additional management attention over and above that normally required for the loan type
Customer accounts	a liability of the Group where the counterparty to the financial contract is typically a personal customer, a corporation (other than a financial institution) or the government. This caption includes various types of deposits and credit current accounts, all of which are unsecured
CVA	Credit valuation adjustment
Debt securities	assets on the Group's balance sheet representing certificates of indebtedness of credit institutions, public bodies and other undertakings
Debt securities in issue	liabilities of the Group which are represented by transferable certificates of indebtedness of the Group to the bearer of the certificates
Default	when a customer breaches a term and/or condition of a loan agreement, a loan is deemed to be in default for case management purposes. Depending on the materiality of the default, if left unmanaged, it can lead to loan impairment. default is also used in a Basel II context when a loan is either 91+ days past due or impaired, and may require additional capital to be set aside
Deposit Guarantee Scheme	a statutory deposit protection scheme, established in 2016, requiring credit institutions to pay an annual contribution calculated based on their covered deposits and degree of risk

Directive on Unfair Commercial Practices	Directive 2005/29/EC concerning unfair business-to-consumer commercial practices in the internal market
EBITDA	earnings before interest, tax, depreciation and amortisation
Economic capital	the amount of capital which the Group needs to protect against extreme losses from a material risk it is running (e.g., Credit risk, market risk). It is based on internally developed calculation methodologies and estimates, as opposed to regulatory capital, which uses a methodology determined by the Basel Accords and imposed by the Relevant Banking Regulator
EL	expected loss – the loss that can be incurred as a result of lending to a borrower that may default. It is the average expected loss in value over a specified period
Exposure at default or **EAD**	exposure at default is the expected or actual amount of exposure to the borrower at the time of default
Fair value hedge	Hedges of fair value of recognised assets or liabilities or firm commitments
Fintech	Technologies used to support or enable banking and financial services
First lien	where a property or other security is taken as collateral for a loan, first lien holders are paid before all other claims on the property
Forbearance	forbearance is the term that is used when repayment terms of a loan contract have been renegotiated in order to make repayment terms more manageable for borrowers. Forbearance techniques have the common characteristic of rescheduling principal or interest repayments, rather than reducing them. Standard forbearance techniques employed by the Group include: (i) interest only, (ii) a reduction in the payment amount, (iii) a temporary deferral of payment (a moratorium), (iv) extending the term of the mortgage and (v) capitalising Arrears amounts and related interest
Foundation IRB approach	the foundation internal ratings based approach to credit risk measurement under the CRR
FTE	full-time equivalent in relation to employee status
FLP	Funding and Liquidity Plan
Guarantee	an undertaking by the Group/other party to pay a creditor should a debtor fail to do so
HQLA	high quality liquid assets as used in calculating capital ratios
IBNR	Incurred but not reported
ICAAP	Internal capital adequacy assessment process – the Group's own assessment, through an examination of its risk profile from regulatory and Economic capital perspectives, of the levels of capital that it needs to hold
ILAAP	Internal Liquidity Adequacy Assessment Process

Impaired loans	loans are typically internally reported as impaired when interest thereon is 91 days or more past due or where a provision exists in anticipation of loss, except: (i) where there is sufficient evidence that repayment in full, including all interest up to the time of repayment (including costs), will be made within a reasonable and identifiable time period, either from realisation of security, refinancing commitment or other sources; or (ii) where there is independent evidence that the balance due, including interest, is adequately secured. Upon impairment, the accrual of interest income based on the original terms of the claim is discontinued but the increase of the present value of impaired claims due to the passage of time is reported as interest income
IRBA	the Internal Ratings Based Approach allows banks, subject to regulatory approval, to use their own estimates of certain risk components to derive regulatory capital requirements for Credit risk across different asset classes. The relevant risk components are: (i) PD (ii) LGD and (iii) EAD
IRS	Internal Revenue Service of the United States
ISDA	International Swaps and Derivatives Association
Leverage ratio	to prevent an excessive build-up of leverage on institutions' balance sheets, Basel III introduces a non-risk-based leverage ratio to supplement the risk-based capital framework of Basel II. It is defined as the ratio of Tier 1 capital to total exposures. Total exposures include on-balance sheet items, off-balance sheet items and derivatives, and should generally follow the accounting measure of exposure
LGD	the expected or actual loss in the event of default, expressed as a percentage of "Exposure at default"
Liquidity risk	the risk that the Group does not have sufficient financial resources to meet its obligations as they fall due, or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows
Loan to deposit ratio	this is the ratio of loans and receivables compared to Customer accounts as presented in the statement of financial position
LTI	Loan-to-income ratio, calculated as the total loans to income
LTV	Loan-to-value, an arithmetic calculation that expresses the amount of the loan as a percentage of the value of security/collateral. A high LTV indicates that there is less of a cushion to protect the lender against collateral price decreases or increases in the loan-carrying amount if repayments are not made and interest is capitalised onto the outstanding loan balance
MARP	AIB's Mortgage Arrears Resolution Process
MREL	minimum requirement for own funds and eligible liabilities.

Net interest income	the amount of interest received or receivable on assets net of interest paid or payable on liabilities
Net interest margin or **NIM**	net interest margin is a measure of the difference between the interest income generated on average interest-earning financial assets (lendings) and the amount of interest paid on average interest-bearing financial liabilities (borrowings) relative to the amount of interest-earning assets
NPS	net promoter score – a measurement tool that tracks customers' loyalty and advocacy
NSFR	net stable funding ratio – the ratio of available stable funding to required stable funding over a one-year time horizon
Operational Risk	the risk arising from inadequate or failed internal processes, people and systems, or from external events. This includes legal risk – the potential for loss arising from the uncertainty of legal proceedings and potential legal proceedings, but excludes strategic and reputational risk
PCA	principal components analysis is a tool used to analyse the behaviour of correlated random variables. It is especially useful in explaining the behaviour of yield curves. Principal components are linear combinations of the original random variables, chosen so that they explain the behaviour of the original random variables, and so that they are independent of each other. Principal components can, therefore, be thought of as just unobservable random variables. For yield curve analysis, it is usual to perform PCA on arithmetic or logarithmic changes in interest rates. Often the data is "de-meaned": adjusted by subtracting the mean to produce a series of zero mean random variables. When PCA is applied to yield curves, it is usually the case that the majority (>95 per cent.) of yield curve movements can be explained using just three principal components (i.e., a parallel change, a rotation and a change of the curvature). PCA is a very useful tool in reducing the dimensionality of a yield curve analysis problem and, in particular, in projecting stressed rate scenarios
PD	probability of Default, the likelihood that a borrower will Default on an obligation to repay.
PDH	principal dwelling homes
PPI	payment protection insurance
Prime loan	a loan in which both the criteria used to grant the loan (LTV, debt-to-income, etc.) and to assess the borrower's history (no past due reimbursements of loans, no bankruptcy, etc.) are sufficiently conservative to rank the loan as high quality and low-risk
RAROC	risk adjusted return on capital
RAS	risk appetite statement

RCA	risk and control assessment, which is the process for the ongoing identification and evaluation of Operational Risks and related mitigating controls across AIB
Relationship NPS	a measure of the customers overall perception of their relationship with AIB. Measured at an organisational level of everything the customer experiences internally and externally
Relevant Territory	a territory that has signed a double taxation agreement with Ireland
Repo	repurchase agreement – a short-term funding agreement that allows a borrower to create a collateralised loan by selling a financial asset to a lender. As part of the agreement, the borrower commits to repurchase the security at a date in the future repaying the proceeds of the loan. For the counterparty to the transaction, it is termed a reverse repurchase agreement or a reverse repo
Re-pricing risk	re-pricing risk is a form of interest rate risk (i.e., a type of market risk) that occurs when asset and liability positions are mismatched in terms of re-pricing (as opposed to final contractual) maturity. Where these interest rate gaps are left unhedged, it can result in losses arising in the Group's portfolio of financial instruments
RMBS	residential mortgage-backed securities are debt obligations that represent claims to the cash flows from pools of mortgage loans, most commonly on residential property
Second lien	Second lien holders are subordinate to the rights of First lien holders to a property security
Securitisation	securitisation is the process of aggregation and repackaging of non-tradable financial instruments such as loans and receivables, or company cash flow, into securities that can be issued and traded in the capital markets
SEPA	Single European Payments Area, the EU payments integration initiative's single payment market
Single Resolution Fund	The Single Resolution Fund is established by the SRM Regulation, and is composed of contributions from credit institutions and certain investment firms in the 19 participating Member States within the Banking Union. Where necessary, the SRF may be used to ensure the efficient application of resolution tools and the exercise of the resolution powers conferred to the SRB by the SRM Regulation
SLO	Subordinated liabilities order on 14 April 2011, following an application by the Minister for Finance under Section 29 of the Credit Institutions (Stabilisation) Act 2010, the High Court issued a SLO in relation to all outstanding subordinated liabilities and other capital instruments, with the consent of AIB. The High Court declared the SLO effective as of 22 April 2011.

	The effect of the SLO was to amend the terms of certain subordinated liabilities and other capital instruments
SPE	special purpose entity is a legal entity which can be a limited company or a limited partnership created to fulfil narrow or specific objectives. A company will transfer assets to the SPE for management or use by the SPE to finance a large project thereby achieving a narrow set of goals without putting the entire firm at risk. This term is used interchangeably with SPV (special purpose vehicle)
SPV	a special purpose vehicle is a legal entity which can be a limited company or a limited partnership created to fulfil narrow or specific objectives. A company will transfer assets to the SPV for management or use by the SPV to finance a large project thereby achieving a narrow set of goals without putting the entire firm at risk. This term is used interchangeably with SPE (special purpose entity)
Tier 1 capital	a measure of a bank's financial strength defined by the Basel Accords. It captures Core Tier 1 Capital plus other tier 1 securities in issue, but is subject to deductions relating to the excess of EL on the IRBA portfolios over the IFRS provision on the IRBA portfolios, Securitisation positions and material holdings in financial companies
Tier 2 capital	broadly includes qualifying subordinated debt and other tier 2 securities in issue, eligible collective impairment provisions, unrealised available for sale equity gains and revaluation reserves. It is subject to deductions relating to the excess of EL on the IRBA portfolios over the accounting impairment provisions on the IRBA portfolios, Securitisation positions and material holdings in financial companies
Top-up	a further loan extended to an existing borrower
Tracker mortgage	a mortgage with a variable interest rate which tracks the ECB rate, at an agreed margin above the ECB rate and will increase or decrease within five days of an ECB rate movement
Transactional NPS	a measure of a customers' perception of a recent transaction they have completed to seek their feedback on that transaction/journey. Transactional NPS score is an amalgamation of the 17 transaction journey types through which customers engage with AIB
Unfunded exposures	unfunded exposures are those where funds have not yet been advanced to a debtor, but where a commitment exists to do so at a future date or event
USC	universal social charge tax rate introduced by the Irish Government in 2011
VaR	Value at Risk technique, which is the Group's core risk measurement methodology based on an historical simulation

	application of the industry standard VaR technique. The methodology incorporates the portfolio diversification effect within each standard risk factor (interest rate, credit spread, foreign exchange or equity, as applicable). The resulting VaR figures, calculated at the close of business each day, are an estimate of the probable maximum loss in fair value over a one-day holding period that would arise from an adverse movement in market rates. This VaR metric is derived from an observation of historical prices over a period of one year and assessed at a 95 per cent. statistical confidence level (i.e., the VaR metric may be exceeded at least 5 per cent. of the time)
Vulnerable loans	loans where repayment is in jeopardy from normal cash flow and may be dependent on other sources for repayment
Watch loan	loans exhibiting weakness but with the expectation that existing debt can be fully repaid from normal cash flow
WRC	Workplace Relations Commission
Yield curve risk	a type of market risk that refers to the possibility that an interest rate yield curve changes its shape unexpectedly (e.g., flattening, steepening, non-parallel shift), resulting in losses arising in the Group's portfolio of interest rate instruments

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