BAGGOT SECURITIES LIMITED

(*incorporated with limited liability in Ireland*)

€1,300,000,000 10.24 per cent. Perpetual Non-Cumulative Notes

secured over
1,300,000,000 units of non-cumulative Preference Stock
of The Governor and Company of the Bank of Ireland

Issue price: 104.75 per cent.

Re-offer price: 104.75809 per cent. (including an amount of 0.00809 per cent. representing the SPV Coupon Adjustment (as defined herein))

(plus in each case €82.77 per €1,000 principal amount of the Notes in respect of dividends deemed to have accrued on the Preference Stock from and including 20th February, 2013)

The €1,300,000,000 10.24 per cent. Perpetual Non-Cumulative Notes (the **Notes**) will be issued by Baggot Securities Limited (the **Issuer**) and secured over, *inter alia*, 1,300,000,000 units of non-cumulative Preference Stock (the **Acquired Preference Stock**) of The Governor and Company of the Bank of Ireland (the **Bank**) issued on 31st March, 2009. The Notes will be issued in denominations of €100,000 and integral multiples of €1,000 in excess thereof.

The net proceeds of the issue of the Notes will be applied by the Issuer to acquire the Acquired Preference Stock from the National Pensions Reserve Fund Commission, as established by the National Pensions Reserve Fund Act 2000 (the **NPRFC**).

The Notes will bear interest on their outstanding principal amount. Subject as follows, such interest will be paid on 21st February in each year commencing on 21st February, 2014 in an amount equal to the Interest Amount. The Interest Amount is calculated, as more fully described herein, by reference to the net cash dividend (if any) actually received by the Issuer on the Acquired Preference Stock, less the Minimum Expense Amount, and is expected to be €102.40 per €1,000 principal amount. However, (i) if the Issuer does not receive cash dividends under the Acquired Preference Stock in respect of any dividend period, interest for the corresponding interest period under the Notes shall not be payable, accrue or accumulate and (ii) to the extent that a Variable Expense Amount is applicable on an Interest Payment Date, interest payable on such Interest Payment Date under the Notes will be decreased below €102.40 per €1,000 principal amount by an amount equal to such Variable Expense Amount. If the Bank does not pay a cash dividend on the Acquired Preference Stock but does issue Bonus Stock (as defined herein), the Issuer shall deliver or procure payment to each Noteholder of the relevant Bonus Stock Interest Asset Amount or Bonus Stock Interest Cash Amount (each as defined herein), as the case may be, on the relevant Stock Settlement Date (as defined herein). An investment in the Notes involves certain risks. Prospective investors should have regard to the factors described under the heading "*Risk Factors*" on page 19.

The Notes have not been and will not be registered under the United States Securities Act of 1933 as amended (the **Securities Act**) or with any securities regulatory authority of any state or other jurisdiction of the United States. The Issuer has not been and is not intended to be registered under the United States Investment Company Act of 1940, as amended (the **Investment Company Act**), by reason of the exception contained in Section 3(c)(7) thereof. The Notes may not be offered, sold or delivered within the United States or to U.S. Persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Notes are being offered, sold or delivered: (a) in the United States or to U.S. Persons only to qualified institutional buyers (**QIBs**) (as defined in Rule 144A (**Rule 144A**) under the Securities Act) in reliance on, and in compliance with, Rule 144A that are also qualified purchasers (**Qualified Purchasers**) (as defined in Section 2(a)(51) of the Investment Company Act and the rules thereunder for the purposes of Section 3(c)(7) of the Investment Company Act); and (b) to Persons (as defined in Regulation S) other than U.S. Persons outside the United States in reliance on Regulation S. Each purchaser of the Notes will be deemed to have made the representations described in "*Subscription and Sale*" and is hereby notified that the offer and sale of Notes to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A. In addition, until 40 days after the commencement of the offering, an offer or sale of

any of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if the offer or sale is made otherwise than in accordance with Rule 144A. For additional information about eligible offerees and transfer restrictions, see "*Sale and Subscription*", "*United States Legal Investment Considerations*" and "*Transfer Restrictions*" below.

The Notes will be direct, secured and limited recourse obligations of the Issuer payable solely out of the assets secured by the Issuer in favour of the Trustee on behalf of, *inter alios*, the Noteholders, including the Acquired Preference Stock. The Notes will not represent obligations of, nor will they be they insured or guaranteed by, the Bank and the Notes will not confer on Noteholders any recourse to the Bank.

The Notes will be perpetual. However, they shall be redeemed (a) by cash settlement at the Redemption Amount, if the Bank is obliged or elects to redeem the Acquired Preference Stock and does so redeem the Acquired Preference Stock or following an Event of Default as described in Condition 14 (*Events of Default*) (other than where a Noteholder elects to receive physical settlement pursuant to Condition 14.2 (*Optional Physical Delivery*)) and (b) either by physical settlement at the Preference Stock Redemption Asset Amount (subject to the Conditions and as provided in Condition 11 (*Delivery*) including (i) delivery of an Asset Transfer Notice and payment of any applicable Delivery Costs and (ii) confirmation as to Noteholders being outside of the United States and being non-U.S. Persons (as defined in Regulation S (**Regulation S**) under the Securities Act and Qualified Investors (as defined herein)) or by cash settlement at the Preference Stock Redemption Cash Amount, as the case may be, if (x) a Bank Default (as defined herein) occurs, (y) the winding up, bankruptcy, liquidation or examinership of the Bank is commenced, such action having been both (i) sanctioned by the High Court of Ireland; and (ii) approved by the Central Bank of Ireland (the **Central Bank**) to the extent such approval is required under applicable legislation, or (z) Noteholders so elect following acceleration of the Notes as a consequence of an Event of Default in accordance with Condition 14.2 (*Optional Physical Delivery*).

The Bank announced on 4th December, 2013 that, save in certain circumstances (including, without limitation, following a breach of the Waiver Deed, changes in the regulatory capital treatment of the 2009 Preference Stock for any purpose, or taxation events) it does not intend to redeem the Acquired Preference Stock prior to 1st January, 2016. However, there is no assurance that such intention will remain unchanged before 1st January, 2016 or that redemption will occur on or after 1st January, 2016. The Bank has advised the Central Bank that it is not the Bank's intention to recognise the 2009 Preference Stock (including the Acquired Preference Stock) as Common Equity Tier 1 Capital (**CET 1 Capital**) after July 2016, unless the de-recognition of the 2009 Preference Stock would mean that an adequate capital buffer cannot be maintained above applicable regulatory requirements. It is noted that in any event the 2009 Preference Stock would no longer qualify as CET 1 Capital under Article 483 of Regulation (EU) No 575/2013 (commonly referred to as the Capital Requirements Regulation) after 31st December, 2017.

Application has been made to the *Commission de Surveillance du Secteur Financier* (the **CSSF**) in its capacity as competent authority under the Luxembourg Act dated 10th July, 2005 (the **Luxembourg Act**) on prospectuses for securities to approve this document as a prospectus. The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Prospectus or the quality or solvency of the Issuer in accordance with Article 7(7) of the Luxembourg Act. Application has also been made to the Luxembourg Stock Exchange for the listing of the Notes on the Official List of the Luxembourg Stock Exchange and admission to trading on the Luxembourg Stock Exchange's regulated market.

References in this Prospectus to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the Luxembourg Stock Exchange's regulated market and have been admitted to the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

The Notes will initially be represented by two global certificates in registered form (the **Global Certificates**), one of which will be issued in respect of the Notes offered and sold in reliance on Rule 144A (the **Restricted Global Certificate**) and the other of which will be issued in respect of the Notes offered and sold in reliance on Regulation S (the **Unrestricted Global Certificate**), both of which will be registered in the name of a nominee for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**). It is expected that delivery of the Global Certificates will be made on 11th December, 2013 or such later date as may be agreed (the **Closing Date**) by the Issuer and the Joint Bookrunners.

Joint Structuring Advisers and Joint Bookrunners

Credit Suisse ***Deutsche Bank*** ***UBS Investment Bank***

Joint Bookrunners

BofA Merrill Lynch ***Davy***

Financial Advisers to the Bank

Credit Suisse ***IBI Corporate Finance***

The date of this Prospectus is 9th December, 2013.

This Prospectus comprises a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in the relevant Member State of the European Economic Area) (the **Prospectus Directive**) and for the purposes of the Luxembourg Act.

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

The statements:

(a) contained in the risk factor entitled "*Inherent risks arising from macroeconomic conditions in the Group's main markets, particularly in Ireland and the UK*" in the section headed "*Risk Factors*" were obtained from the Department of Finance Statement, 28th November, 2010, the Department of Finance, Ireland Budget 2013 Economic and Fiscal Outlook; the Department of Finance, Ireland Budget 2014 Economic and Fiscal Outlook; and CBI Macro Financial Review, May 2013; and

(b) regarding the current Irish Sovereign ratings contained in the risk factor entitled "*Downgrades to the Irish sovereign or the Group's credit ratings or outlook could further impair the Group's access to private sector funding, trigger additional collateral requirements and weaken its financial position*" were obtained from the NTMA website (http://www.ntma.ie/).

The Issuer confirms that these statements have been accurately reproduced and that, as far as the Issuer is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render these statements inaccurate or misleading.

The Bank accepts responsibility for the information contained in the sections headed "*Annex A: Description of the Acquired Preference Stock, the Preference Stock Purchase Agreement and the Waiver Deed*" and "*Annex B: Description of the Bank*", the risk factors set out under the heading "*Factors that may affect the Bank's ability to make payments and fulfil its obligations under the Acquired Preference Stock*" under the heading "*Risk Factors*", the documents incorporated by reference in the section "*Documents Incorporated by Reference*" and the statements concerning the Bank under the headings "*No significant change and no material adverse change*", "*Litigation*" and "*Auditors*" in the section headed "*General Information*". To the best of the knowledge of the Bank (having taken all reasonable care to ensure that such is the case) the information contained in those sections of the Prospectus for which it accepts responsibility (as outlined above) is in accordance with the facts and does not omit anything likely to affect the import of such information.

None of the Minister for Finance, the Department of Finance, the Government, the NTMA, the NPRFC, or any person controlled by or controlling any such person, or any director, commissioner, officer, official, employee or adviser (including without limitation legal and financial advisers) of any such person (each such person, a **Relevant Person**) accepts any responsibility for the contents of, or makes any representation or warranty as to the accuracy, completeness or fairness of any information in this Prospectus or any document referred to in this Prospectus or any supplement or amendment thereto (each a **Transaction Document**). Each Relevant Person expressly disclaims any liability whatsoever for any loss howsoever arising from, or in reliance upon, the whole or any part of the contents of any Transaction Document. No Relevant Person has recommended or endorsed the merits of the offering of securities or any other course of action contemplated by any Transaction Document.

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

None of Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch or UBS Limited (together, the **Joint Structuring Advisers**); Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, J & E Davy, Merrill Lynch International or UBS Limited (together, the **Joint Bookrunners**); Credit Suisse Securities (Europe) Limited or IBI Corporate Finance Limited (together, the **Financial Advisers to the Bank**); or Deutsche Trustee Company Limited (the **Trustee**) have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and, to the fullest extent permitted by law, no responsibility or liability is accepted by the Joint Bookrunners, the Joint Structuring Advisers, the Financial Advisers to the Bank or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer or the Bank in connection with the offering of the Notes. No Joint Bookrunner, Joint Structuring Adviser, Financial Adviser to the Bank or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer or the Bank in connection with the offering of the Notes or their distribution. Each Joint Bookrunner, Joint Structuring Adviser and Financial Adviser to the Bank accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

No person is or has been authorised by the Issuer, the Bank, the Joint Bookrunners, the Joint Structuring Advisers, the Financial Advisers to the Bank or the Trustee to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied by the Issuer, the Bank, the Joint Bookrunners, the Joint Structuring Advisers or the Financial Advisers to the Bank in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Bank, the Joint Bookrunners, the Joint Structuring Advisers, the Financial Advisers to the Bank or the Trustee.

Neither this Prospectus nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Bank, any of the Joint Bookrunners, any of the Joint Structuring Advisers, either of the Financial Advisers to the Bank or the Trustee that any recipient of this Prospectus or any other information supplied in connection with the offering of the Notes should purchase the Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Issuer, the Bank, the Joint Bookrunners, the Joint Structuring Advisers, the Financial Advisers to the Bank or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Notes shall in any circumstances imply that the information contained herein concerning the Issuer or the Bank is correct at any time subsequent to the date hereof or the date on which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Bookrunners, the Joint Structuring Advisers, the Financial Advisers to the Bank and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer or the Bank during the life of the Notes or to advise any investor in the Notes of any information coming to their attention.

The Issuer is relying on an exemption from registration under the Securities Act for offers and sales of securities that do not involve a public offering and on the exemption from the provisions of Section 8 of the Investment Company Act by Section 3(c)(7) thereof (**Section 3(c)(7)**). By purchasing the Notes, investors

will be deemed to have made the acknowledgements, representations, warranties and agreements set forth under the heading "*Transfer Restrictions*" in this Prospectus. Investors should understand that they will be required to bear the financial risks of their investment for an indefinite period of time. The initial purchasers are relying on exemptions from the provisions of Section 5 of the Securities Act provided by Rule 144A and Regulation S in connection with the initial resale of the Notes and the Section 3(c)(7) exemption. The Notes are subject to restrictions on transferability and resale and may not be transferred or resold in the United States except as permitted under applicable U.S. federal and state securities laws pursuant to a registration statement or an exemption from registration.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Bank, the Joint Bookrunners, the Joint Structuring Advisers, the Financial Advisers to the Bank and the Trustee do not represent that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Bank, the Joint Bookrunners, the Joint Structuring Advisers, the Financial Advisers to the Bank or the Trustee which is intended to permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States, the United Kingdom and Ireland (see "*Subscription and Sale*").

In making an investment decision, investors must rely on their own examination of the Issuer, the Bank and the terms of the Notes being offered, including the merits and risks involved.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

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

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

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

(iv) understands thoroughly the terms of the Notes, including that the receipt by Noteholders of interest on the Notes is conditional upon the Issuer having received dividends on the Acquired Preference Stock in respect of the relevant dividend period and that such interest may be decreased as a result of any applicable Variable Expense Amount, and is familiar with the behaviour of financial markets; and

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

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge 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.

IN CONNECTION WITH THE ISSUE OF THE NOTES, CREDIT SUISSE SECURITIES (EUROPE) LIMITED AS STABILISING MANAGER (THE STABILISING MANAGER)) (OR PERSON(S) ACTING ON BEHALF OF THE STABILISING MANAGER) 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, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

The distribution in the United Kingdom of this Prospectus and any other marketing materials relating to the Notes (A) if effected by a person who is not an authorised person under the Financial Services and Markets Act 2000 (the **FSMA**), is being addressed to, or directed at, only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the **Financial Promotion Order**), and (ii) persons falling within any of the categories of persons described in Article 49(2) (High net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; and (B) if effected by a person who is an authorised person under the FSMA, is being addressed to, or directed at, only the following persons: (i) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the **Promotion of CISs Order**), (ii) persons falling within any of the categories of person described in Article 22(a)-(d) (High net worth companies, unincorporated associations, etc.) of the Promotion of CISs Order and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Promotion of CIS Order. Persons of any other description in the United Kingdom may not receive and should not act or rely on this Prospectus or any other marketing materials in relation to the Notes.

Potential investors in the United Kingdom in the Notes are advised that all, or most, of the protections afforded by the United Kingdom regulatory system will not apply to an investment in the Notes and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme.

The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Prospectus. Any representation to the contrary is unlawful.

This Prospectus is being submitted on a confidential basis in the United States to a limited number of QIBs that are also Qualified Purchasers for informational use solely in connection with the consideration of the purchase of the Notes. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

Each purchaser or holder of interests in the Notes will be deemed, by its acceptance or purchase of any such Notes, to have made certain representations and agreements as set out in "*Subscription and Sale*".

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

UNITED STATES INTERNAL REVENUE SERVICE CIRCULAR 230 NOTICE

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF UNITED STATES FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS PROSPECTUS OR ANY DOCUMENT REFERRED TO HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY PROSPECTIVE INVESTORS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE UNITED STATES INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN FOR USE IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) PROSPECTIVE INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any re-sales or other transfers of Notes that are "restricted securities" within the meaning of the Securities Act, the Bank will undertake in a deed poll to be dated 11th December, 2013 (the **144A Deed Poll**) to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by such holder, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, the Bank is neither a reporting Company under Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended, (the **Exchange Act**) nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a company incorporated with limited liability under the laws of Ireland. All of the officers and directors named herein reside outside the United States and all or a substantial portion of the assets of the Issuer and of such officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside Ireland upon the Issuer or such persons, or to enforce judgments against them obtained in courts outside Ireland predicated upon civil liabilities of the Issuer or such directors and officers under laws other than Irish law, including any judgment predicated upon United States federal securities laws.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Issuer will maintain its financial books and records and prepare its financial statements in euro in accordance with Irish generally accepted accounting principles which differ in certain important respects from generally accepted accounting principles in the United States.

All references in this document to **euro** and **€** refer 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.

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OVERVIEW

The following overview does not purport to be complete and is taken from, and qualified in its entirety by, the remainder of this Prospectus.

This overview must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of this Prospectus as a whole.

Overview of the Notes

Words and expressions defined in "*Conditions of the Notes*" shall have the same meanings in this overview of the Notes unless the context requires otherwise.

Issuer:	Baggot Securities Limited, a special purpose company incorporated in Ireland with limited liability, established solely for the purpose of issuing the Notes and carrying on certain other limited activities in accordance with the Trust Deed.
Description of Notes:	€1,300,000,000 10.24 per cent. Perpetual Non-Cumulative Notes (the **Notes**), to be issued by the Issuer on 11th December, 2013 (the **Issue Date**).
Use of Proceeds:	The net proceeds of the issue of the Notes will be applied by the Issuer to acquire 1,300,000,000 units of perpetual non-cumulative redeemable preference stock of €0.01 each issued by the Bank on 31st March, 2009, credited as fully paid (the **Acquired Preference Stock**), and to pay Irish stamp duty at a rate of one per cent. on the purchase price of the Acquired Preference Stock.
Bank:	The Governor and Company of the Bank of Ireland, being the issuer of the 2009 Preference Stock (which includes the Acquired Preference Stock). See "*Annex B: Description of the Bank*" for a description of the Bank.
Acquired Preference Stock:	The Notes will be secured on, *inter alia*, the Acquired Preference Stock, being 1,300,000,000 units of the 2009 Preference Stock to be acquired by the Issuer on the Issue Date with the net issue proceeds of the Notes. See "*Overview of the Acquired Preference Stock*" and "*Annex A: Description of the Acquired Preference Stock, the Preference Stock Purchase Agreement and the Waiver Deed*" below.
Issue Price:	104.75 per cent. (plus €82.77 per €1,000 principal amount of the Notes in respect of dividends deemed to have accrued on the Acquired Preference Stock from and including 20th February, 2013, being the most recent annual Dividend Payment Date (as defined below)).

Re-offer Price:	104.75809 per cent., which includes an amount of 0.00809 per cent. of the principal amount of the Notes representing the SPV Coupon Adjustment as described below (plus €82.77 per €1,000 principal amount of the Notes in respect of dividends deemed to have accrued on the Acquired Preference Stock from and including 20th February, 2013, being the most recent annual Dividend Payment Date (as defined below)). The expected Interest Amount in respect of the Notes in percentage terms will be 0.01 percentage points lower than the non-cumulative preferential dividend rate in respect of the Acquired Preference Stock. The Re-offer Price incorporates the excess accrued interest of 0.01 per cent. for 291 days, amounting to 0.00809 per cent. of the principal amount of the Notes (such incorporation, the **SPV Coupon Adjustment**).
Form:	The Notes will be issued in registered form in denominations of €100,000, plus integral multiples of €1,000 in excess thereof.
Status:	The Notes will constitute secured, limited recourse obligations of the Issuer.
Interest Payment Date:	21st February in each year commencing on 21st February, 2014 or where such day falls on a day which is not a Business Day, the next Business Day.
Interest:	The Notes will bear interest on their outstanding principal amount. Subject as follows, such interest will be paid on each Interest Payment Date in an amount equal to the Interest Amount. The Interest Amount for each Interest Payment Date is calculated by reference to the net cash dividend (if any) actually received by the Issuer on the Acquired Preference Stock for the corresponding dividend period, less the Minimum Expense Amount, and is expected to be €102.40 per €1,000 in principal amount. However: (a) if the Issuer does not receive dividends under the Acquired Preference Stock in respect of any dividend period, interest for the corresponding interest period under the Notes shall not be payable, accrue or accumulate; and (b) to the extent that a Variable Expense Amount is applicable on an Interest Payment Date, interest payable on such Interest Payment Date under the Notes will be decreased below €102.40 per €1,000 principal amount by an amount equal to such Variable Expense Amount. If the Bank does not pay a cash dividend on the Acquired Preference Stock but does issue Bonus Stock following non-payment of a cash dividend (see "*Overview of the Acquired*

Preference Stock – Bonus Stock" below) the Issuer shall deliver or procure payment to each Noteholder of the relevant Bonus Stock Interest Amount on the relevant Stock Settlement Date.

Redemption:

The Notes will be perpetual. However, they shall be redeemed:

(a) by cash settlement at the Redemption Amount, if the Bank is obliged or elects to redeem the Acquired Preference Stock and does so redeem the Acquired Preference Stock or following acceleration of the Notes as a consequence of an Event of Default (other than where a Noteholder elects to receive physical settlement pursuant to Condition 14.2 (*Optional Physical Delivery*)); and

(b) by physical settlement at the Preference Stock Redemption Amount (subject as provided in Condition 11 (*Delivery*) including in respect of U.S. Persons and non-Qualified Investors), if (i) a Bank Default occurs, (ii) the winding up, bankruptcy, liquidation or examinership of the Bank is commenced, such action having been both (1) sanctioned by the High Court of Ireland; and (2) approved by the Central Bank to the extent such approval is required under applicable legislation or (iii) Noteholders so elect following acceleration of the Notes as a consequence of an Event of Default in accordance with Condition 14.2 (*Optional Physical Delivery*).

Security:

The obligations of the Issuer under the Notes will be secured, *inter alia*:

1. pursuant to the Deed of Charge, by:

(a) a first fixed charge over all of the Issuer's rights, title, benefit and interest in Acquired Preference Stock (other than certain rights waived pursuant to the Waiver Deed) and all assets and sums derived therefrom; and

(b) an assignment by way of first fixed security of all of the Issuer's rights, title, benefit and interest under the Corporate Services Agreement and the Preference Stock Purchase Agreement and any other document (other than the Deed of Charge) to which the Issuer is or may become a party and which is, or is expressed to be, governed by the laws of Ireland;

2. pursuant to the Trust Deed, by:

(a) an assignment by way of first fixed security of all of the Issuer's rights, title and interest:

(i) under the Custody Agreement and the Selling Agency Agreement;

(ii) under the Agency Agreement (including in respect of all funds and/or assets held from time to time by any Paying Agents in relation to the Notes); and

(iii) under the Account and Cash Management Agreement to the extent that it relates to the Transaction Account;

(b) by a first fixed charge over all of the Issuer's rights, title and interest in and to the Transaction Account and each Custody Account; and

(c) by a first floating charge over the whole of the Issuer's undertaking and all of its property and assets (other than (i) any property or assets subject to a security interest pursuant to the Deed of Charge, (ii) amounts paid on subscription for the share capital of the Issuer, (iii) amounts deposited in respect of the Issuer's liquidation expenses and transaction fees paid to the Issuer and (iv) the Issuer's rights in respect of any bank account to which they are credited), whatsoever and wheresoever situated, present and future.

Events of Default: Events of Default under the Notes include non-payment, breach of other obligations under the Notes or the Trust Deed, and certain events related to insolvency or winding up of the Issuer.

Upon the Notes becoming due and repayable following an Event of Default, the Notes shall be redeemed in cash at their Redemption Amount, other than where a Noteholder elects to receive physical settlement pursuant to Condition 14.2 (*Optional Physical Delivery*), in which case the relevant Notes shall be redeemed by delivery of the Preference Stock Redemption Amount in accordance with Condition 11 (*Delivery*).

Enforcement of Security: The Trustee may enforce the security over the Mortgaged Property at any time after the Notes have become due and repayable and have not been repaid.

However, pursuant to the Waiver Deed (see "*Overview of the Acquired Preference Stock – Waiver Deed*" below), any proposed transfer of the Acquired Preference Stock by the Trustee, upon enforcement of the security over the Mortgaged Property, will be subject (in the case of any transfer or delivery which is to take place prior to the Preference Stock Amendment Date) to the relevant transferee(s) executing a Waiver Adherence Deed in relation to all such Acquired Preference Stock to be acquired by it.

Taxation: All payments in respect of the Notes will be made without withholding or deduction for, or on account of, any Taxes unless

	the withholding or deduction of the Taxes is required by law.
Substitution/Modification following certain tax events:	Subject to Condition 12.2 (*Obligation to Substitute the Issuer or amend the terms of the Notes*), if the Issuer becomes aware that it has received or will receive payments in respect of the Acquired Preference Stock subject to withholding or deduction of Taxes or it has or will become obliged to withhold or account for Tax in respect of the Notes, the Issuer shall use all reasonable endeavours either: (a) to arrange for the substitution of an entity approved by the Trustee (which may be incorporated in another jurisdiction) as the principal obligor under the Notes, or to change its domicile or residence for taxation purposes to another jurisdiction approved by the Trustee; or (b) to modify the Conditions of the Notes to the extent required and in a form approved by the Trustee to ensure that payments may be received or paid, as the case may be, by it free of such withholding or deduction, provided that any such substitution or modification shall not, in the opinion of the Trustee, be materially prejudicial to the interests of the Noteholders. Among other exceptions to this obligation of the Issuer that are enumerated in Condition 12.2 (*Obligation to Substitute the Issuer or amend the terms of the Notes*), the requirement to substitute the Issuer as a principal obligor and/or change its domicile or residence for taxation purposes does not apply as a result of deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended (the **Code**), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes. These are set out under "*Risk Factors*" below and include risks relating to the Issuer, risks relating to the terms of the Acquired Preference Stock and the ability of the Bank to make payments and fulfil its obligations under the Acquired Preference Stock, risks relating to the Notes and risks relating to the market generally.
Modification, Waiver and Substitution:	In addition to the provisions following certain specified tax events referred to above, the Trustee may, without the consent of Noteholders, agree to (a) any modification of (subject to certain exceptions), or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (b) the

	substitution in place of the Issuer of another entity as principal debtor under any Notes in place of the Issuer, in each case, in the circumstances and subject to the conditions described in Condition 19 (*Substitution*) and Condition 20 (*Meetings of Noteholders, Modification, Waiver and Authorisation*).
Meetings of Noteholders:	The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions 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.
Further issuances:	The Issuer may, without the consent of Noteholders, create and issue further notes ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon and issue price in respect thereof) so that the same shall be consolidated and form a single series with the outstanding Notes (subject to a corresponding increase in the amount of the Acquired Preference Stock secured pursuant to the Deed of Charge). Such further Notes will be constituted by a deed supplemental to the Trust Deed.
Purchases:	Subject to applicable law and to the prior consent of the Central Bank, a Bank Group Member may at any time purchase Notes, directly or indirectly, at any price in the open market or otherwise. At the option of the relevant Bank Group Member, Notes so purchased may be surrendered by the relevant Bank Group Member to the Issuer pursuant to Condition 10.4 (*Purchase*) of the Notes at any time for cancellation against delivery by any means in accordance with the Waiver Deed (including, but not limited to, by way of redemption by the Bank itself or purchase by any other Bank Group Member) by or on behalf of the Issuer to the order of such Bank Group Member of a *pro rata* amount of Acquired Preference Stock held by the Issuer (subject to rounding) corresponding to the proportion that the aggregate principal amount of such Notes bears to the aggregate principal amount of all Notes then outstanding.
Listing and admission to trading:	Application has been made to the CSSF to approve this document as a prospectus and to the Luxembourg Stock Exchange for the listing of the Notes on the Official List of the Luxembourg Stock Exchange and admission to trading on the Luxembourg Stock Exchange's regulated market.
Issuer Expenses:	An amount of €200,000 will be deposited in the Expense Reserve Account on the Issue Date. A further €130,000 will be available, by way of deduction from cash dividend(s) or from issues of Bonus Stock to the Issuer, subject to the timing of receipt thereof, (as applicable) in priority to payments to Noteholders. This amount will be available in respect of each consecutive period of 12 months (the first such period commencing on the Issue Date), for the purpose of paying the Issuer's expenses including without

	limitation those referred to in paragraphs 6.1(a) to 6.1(d) of Condition 6.1 (*Pre-enforcement*) and paragraphs 6.2(a) to 6.2(c) of Condition 6.2 (*Post-enforcement*). The Issuer may also be required to pay, by way of deduction from cash dividend(s) or from issues of Bonus Stock to the Issuer (as applicable), the Variable Expense Amount in order to pay such amounts as set out in the definition of Variable Expense Amount including restoring the balance of the Expense Reserve Account to €200,000 following such payment. Any such Variable Expense Amount will result in a decrease in the amount of interest payable on the applicable Interest Payment Date under the Notes to below €102.40 per €1,000 principal amount. If the Issuer's actual expenses in any year exceed the amounts standing to the credit of the Expense Reserve Account and any other amounts available to the Issuer to pay such expenses at the relevant time, either as a result of unforeseen expenses and/or as a result of the Bank not paying a dividend and not delivering Bonus Stock (or such Bonus Stock not being capable of realisation), the Issuer will have no other funds available to meet its expenses. In such circumstances, no party is obliged to provide the Issuer with additional funds. However, on the next Interest Payment Date or Stock Settlement Date, such amounts may be paid by the Issuer to the Trustee, the Paying Agents, the Registrar, the Custodian, the Selling Agent, the Account Bank, the Cash Manager or any other applicable service providers by deduction, in priority to payments to Noteholders, of the Variable Expense Amount (which will include such amounts) from cash dividend(s) or issues of Bonus Stock to the Issuer (as applicable).
Governing Law:	The Notes and the Trust Deed will be governed by, and construed in accordance with, English law. The Deed of Charge granted over the Acquired Preference Stock will be governed by, and construed in accordance with, Irish law.
Trustee:	Deutsche Trustee Company Limited
Registrar:	Deutsche Bank Luxembourg S.A.
Principal Paying Agent, Account Bank, Cash Manager and Custodian:	Deutsche Bank AG, London Branch
Selling Agent:	Credit Suisse Securities (Europe) Limited
Joint Bookrunners:	Credit Suisse Securities (Europe) Limited Deutsche Bank AG, London Branch J & E Davy Merrill Lynch International UBS Limited
Joint Structuring Advisers:	Credit Suisse Securities (Europe) Limited Deutsche Bank AG, London Branch UBS Limited

Financial Advisers to the Bank:	Credit Suisse Securities (Europe) Limited IBI Corporate Finance Limited
Selling and Transfer Restrictions:	The Notes have not been and will not be registered under the Securities Act. The Issuer has not been registered and will not be registered as an investment company under the Investment Company Act, in reliance on the exemption set forth in Section 3(c)(7) thereof. The Notes are being offered, sold and delivered in the United States or to U.S. Persons only to "Qualified Institutional Buyers" (as defined under Rule 144A) in reliance on, and in compliance with, Rule 144A that are also "Qualified Purchasers" (as defined in Section 2(a)(51) of the Investment Company Act and the rules thereunder for the purposes of Section 3(c)(7) of the Investment Company Act) and outside the United States to non-U.S. Persons in accordance with Regulation S. Each purchaser of Notes will be deemed, by its acceptance of such Notes, to have made certain representations and agreements intended to restrict transfers of the Notes. The Notes may be sold in other jurisdictions (including the United Kingdom and Ireland) only in compliance with applicable laws and regulations. See "*Subscription and Sale*", "*United States Legal Investment Considerations*" and "*Transfer Restrictions*" below.
ERISA and other considerations:	The Notes (including interests therein) are not designed to be acquired or held by an employee benefit plan that is subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended, (**ERISA**) or Section 4975 of the United States Internal Revenue Code of 1986, as amended or Similar Laws, or an entity whose underlying assets are deemed to include plan assets by reason of the Plan Asset Regulation, as modified by ERISA. See "*ERISA and Other Considerations*".

Overview of the Acquired Preference Stock

Words and expressions defined in "*Annex A: Description of the Acquired Preference Stock, the Preference Stock Purchase Agreement and the Waiver Deed*" shall have the same meanings in this overview of the Acquired Preference Stock unless the context requires otherwise.

Acquired Preference Stock:	1,300,000,000 units of the 2009 Preference Stock.
2009 Preference Stock:	The perpetual non-cumulative redeemable preference stock of €0.01 each issued by the Bank on 31st March, 2009, credited as fully paid.
Issuer of the 2009 Preference Stock:	The Governor and Company of the Bank of Ireland. See "*Annex B: Description of the Bank*" and "*Documents Incorporated by Reference*" for a description of the Bank.
Purchase:	The Acquired Preference Stock will be acquired by the Issuer on the Issue Date with the net issue proceeds of the Notes, pursuant to the Preference Stock Purchase Agreement, from the National Pensions Reserve Fund Commission, as established by the National Pensions Reserve Fund Act 2000 (the **NPRFC**). On 4th December, 2013 the Bank announced a placing with institutional investors of 2,230,769,231 units of new Ordinary Stock, equivalent to approximately 7.4 per cent. of the Bank's existing Ordinary Stock as of immediately prior to such placing, at a price of €0.26 per unit (the **Placing**). See "*Annex B: Description of the Bank – Recent Developments*". It is expected that following the completion of the Placing and the subsequent redemption by the Bank of any units of 2009 Preference Stock which remain held by the NPRFC as at the date of this Prospectus of an equivalent redemption value to the value of the net proceeds of the Placing and which are not proposed to be acquired by the Issuer, the NPRFC will not hold any units of 2009 Preference Stock, but the Placing will not affect the NPRFC's holding of Ordinary Stock. See "*Annex A: Description of the Acquired Preference Stock, the Preference Stock Purchase Agreement and the Waiver Deed – Description of the Preference Stock Purchase Agreement*".
Dividends:	Each unit of Acquired Preference Stock entitles the holder thereof to receive, out of the profits and reserves of the Bank available for distribution and permitted by law to be distributed, a non-cumulative preferential dividend at a fixed rate of 10.25 per cent. per annum, payable (at the discretion of the Bank) annually on 20th February (or on the next Business Day where such date falls on a Saturday, Sunday or public holiday in Ireland) (each a **Dividend Payment Date**).

Limitations on Dividends:

An annual dividend on the Acquired Preference Stock shall only become payable subject to and following a resolution of the Court of Directors of the Bank (the **Bank Directors**) to pay such dividend, provided that the Bank Directors, in their sole and absolute discretion, may:

(a) decline to pass such a resolution; or

(b) resolve that such dividend shall not be payable,

in which case the relevant dividend shall not be payable on the relevant Dividend Payment Date and the Preference Stockholders shall have no further right or claim in respect of that dividend, whether on a subsequent Dividend Payment Date or otherwise (subject as provided below in relation to any Outstanding Dividend).

In addition, in accordance with the Bank's Bye-Laws, a dividend shall not be paid if, in the judgement of the Bank Directors after consultation with the Central Bank, such payment would breach or cause a breach of banking capital adequacy requirements applicable to the Bank or if, in the judgement of the Bank Directors, there are insufficient distributable reserves of the Bank to pay the relevant dividend. Where a dividend on the Acquired Preference Stock is not paid in cash in any particular year, the Bank is precluded from paying dividends on its Ordinary Stock and other preference stock ranking *pari passu* until it resumes the payment of dividends in cash on the Acquired Preference Stock. In addition, if a dividend is not paid on the preference stock of the Bank ranking *pari passu* with the 2009 Preference Stock, the Bank would be precluded from paying a dividend on the 2009 Preference Stock (including the Acquired Preference Stock), until it resumes the payment of dividends in cash on such preference stock. (See "*Annex A: Description of the Acquired Preference Stock, the Preference Stock Purchase Agreement and the Waiver Deed - Dividend Restriction*" for further information.)

Bonus Stock:

If a cash dividend is not paid by the Bank on the Acquired Preference Stock, then, on a date determined by the Bank Directors in their sole and absolute discretion (subject as provided in the Bye-Laws), the Bank must, subject to the Bank not being prohibited by law from doing so and subject to the requirements of the Bye-Laws in relation to the capitalisation of stock (as set out in the risk factor entitled "*Delivery of Bonus Stock may be delayed or (in certain circumstances and subject as provided in the Bye-Laws) not made at all and, if it is made, the issue date is at the discretion of the Bank but such date will not be later than the date on which the Bank subsequently redeems or purchases or pays a dividend on the 2009 Preference Stock or any other class of capital stock of the Bank*"), issue units of Ordinary Stock in the Bank to holders of units of 2009 Preference Stock (the **Bonus Stock**) in an amount to be

calculated by reference to the unpaid dividend amount and the Average Stock Price of one unit of Ordinary Stock on the Irish Stock Exchange for a specified period prior to the originally scheduled Dividend Payment Date, all as more fully described herein.

The Bonus Stock shall be issued at the same nominal value as that of units of Ordinary Stock (as such units of Ordinary Stock may be re-nominalised, consolidated or sub-divided from time to time). As at the date of this Prospectus, the Ordinary Stock has a nominal value of €0.05 each. The Bonus Stock will be issued on a date determined at the discretion of the Bank Directors, provided that the date of issue is not later than the date on which the Bank subsequently redeems or purchases or pays a dividend on the 2009 Preference Stock or any other class of capital stock of the Bank (see the risk factor entitled "*Delivery of Bonus Stock may be delayed or (in certain circumstances and subject as provided in the Bye-Laws) not made at all and, if it is made, the issue date is at the discretion of the Bank but such date will not be later than the date on which the Bank subsequently redeems or purchases or pays a dividend on the 2009 Preference Stock or any other class of capital stock of the Bank*").

The Bonus Stock will be in registered form and will be capable of being held in uncertificated form and title to such stock may be transferred by means of a relevant system, within the meaning of the CREST Regulations. As at the date of this Prospectus, the Ordinary Stock is capable of being held in CREST.

The Bonus Stock will rank *pari passu* in all respects with the Bank's fully paid Ordinary Stock. A more detailed description of the Bonus Stock is set out in the section headed "*Annex A: Description of the Acquired Preference Stock, the Preference Stock Purchase Agreement and the Waiver Deed - Description of the Bonus Stock*".

Redemption and Purchase:

The Acquired Preference Stock has no scheduled maturity date and the holders of Acquired Preference Stock have no right to demand redemption of the Acquired Preference Stock.

However, subject as follows, the Acquired Preference Stock may be:

(a) redeemed (subject to the consent of the Central Bank, given after consultation with the Minister for Finance, if such consultation is required at such time) by the Bank, in whole or in part, from profits available for distribution or from the proceeds of any issue of stock or securities that constitute Core Tier 1 Capital; or

(b) purchased (subject to the consent of the Central Bank, given after consultation with the Minister for Finance if such consultation is required at such time) at the option of

the Bank, in whole or in part, pursuant to the authority granted to the Bank by its stockholders at an Extraordinary General Court of the Bank held on 27th March, 2009, subject to the provisions of the Irish Companies Acts 1963 to 2013 (insofar as they apply to the Bank).

Pursuant to the Bye-Laws of the Bank as at the date of this Prospectus, the Bank is also required to redeem all of the 2009 Preference Stock in the event that the number of units of the 2009 Preference Stock in issue falls below 35 million units (such redemption being subject to the consent of the Central Bank (given after consultation, where required, with the Minister for Finance) and subject to the requirements of Irish company law and the Bye-Laws as to the manner of financing any redemption of redeemable shares).

The Bank announced on 4th December, 2013 that, save in certain circumstances (including, without limitation, following a breach of the Waiver Deed, changes in the regulatory capital treatment of the 2009 Preference Stock for any purpose, or taxation events) it does not intend to redeem the Acquired Preference Stock prior to 1st January, 2016. However, there is no assurance that such intention will remain unchanged before 1st January, 2016 or that redemption will occur on or after 1st January, 2016. The Bank has advised the Central Bank that it is not the Bank's intention to recognise the 2009 Preference Stock (including the Acquired Preference Stock) as CET 1 Capital after July 2016, unless the de-recognition of the 2009 Preference Stock would mean that an adequate capital buffer cannot be maintained above applicable regulatory requirements. It is noted that in any event the 2009 Preference Stock would no longer qualify as CET 1 Capital under Article 483 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 (commonly referred to as the Capital Requirements Regulation) after 31st December, 2017. (See further the risk factor entitled "*The 2009 Preference Stock may be redeemed or purchased at the option of the Bank and any such redemption would result in redemption of the Notes*".)

The Issuer will, pursuant to the Waiver Deed, irrevocably waive any right to receive redemption or purchase monies in respect of the Relevant Stock in excess of €1.00 per unit of Relevant Stock (such amount being the **Waived Amount**). See further "*Waiver Deed*" below.

The consent of the Central Bank is required in respect of any redemption or purchase of the Acquired Preference Stock and such consent is not expected to be provided if it would breach or cause a breach of banking capital adequacy requirements applicable to the Bank.

Waiver Deed: Pursuant to the Waiver Deed, the Issuer will, *inter alia*,

irrevocably waive all rights, claims, interests and entitlements to any Waived Amount.

In addition, the Issuer will agree that no Transfer Event (as defined in the Waiver Deed) shall occur in relation to the Relevant Stock other than:

(a) the charge created pursuant to the Deed of Charge;

(b) upon a redemption of the Notes in accordance with Condition 10.1 of the Notes (*Redemption in relation to the Acquired Preference Stock*) (disregarding any amendment, variation or addition made to the Conditions of the Notes after the date of the Waiver Deed) or in connection with a cancellation of Notes in accordance with Condition 10.4 (*Purchase*) of the Notes;

(c) upon an Event of Default under the Notes (disregarding any amendment, variation or addition made to the Conditions of the Notes after the date of the Waiver Deed);

(d) upon a transfer by the Issuer of Relevant Stock to a substitute company in accordance with Condition 12.2 (*Obligation to Substitute the Issuer or amend the terms of the Notes*) or Condition 19 (*Substitution*) of the Notes; or

(e) with the prior written consent of the Bank.

The Issuer will also agree that any Transfer Event which is to take place prior to the Preference Stock Amendment Date shall be subject to (i) the Issuer having given prior notice of the same and (ii) the proposed transferee acceding to, and agreeing to be bound by the terms of, the Waiver Deed by executing a Waiver Adherence Deed in the form set out in the Waiver Deed in respect of the entire interest in the Relevant Stock to be acquired by the proposed transferee.

The Issuer (i) irrevocably consents that the Bank may in its absolute discretion, decline to register any transfer of Relevant Stock where the proposed transfer is not in compliance with the Waiver Deed and (ii) will irrevocably waive all rights, claims, interests and entitlements to the registration of a transfer of Relevant Stock held by the Issuer from time to time where such registration is in respect of a transfer occurring prior to the Preference Stock Amendment Date that is not in compliance with the Waiver Deed.

The Issuer will irrevocably appoint each director and/or the secretary of the Bank as its proxy to vote on its behalf at any class meeting or General Court of the Bank (at which the Issuer is entitled to vote at such time) convened for the purposes of or in

connection with the Amendment (as set out in the form contained in Schedule 1 to the Waiver Deed and described and defined in "*Annex A: Description of the Acquired Preference Stock, the Preference Stock Purchase Agreement and the Waiver Deed – Description of the Waiver Deed*"), in favour of the Amendment. The Issuer will also agree not to issue, without the prior written consent of the Bank, any consent to the variation, alteration or abrogation of the rights attaching to the 2009 Preference Stock from time to time. The Issuer will also consent to the redemption and/or purchase by the Bank or a subsidiary of the Bank of units of 2009 Preference Stock held by persons other than the Issuer (if any) or any permitted transferee of the Issuer, including in the circumstances where the Bank or a subsidiary of the Bank does not redeem or purchase (or offer to redeem or purchase) the Relevant Stock (either on equivalent terms, in the same proportion or at all). The Issuer will also consent to the redemption and/or purchase by the Bank or a subsidiary of the Bank of units of 2009 Preference Stock held by the Issuer or any permitted transferee of the Issuer, including in circumstances where the Bank or a subsidiary of the Bank does not redeem or purchase (or offer to redeem or purchase) units of 2009 Preference Stock held by persons other than the Issuer (if any) or any permitted transferee of the Issuer (either on equivalent terms, in the same proportion or at all).

See "*Annex A: Description of the Acquired Preference Stock, the Preference Stock Purchase Agreement and the Waiver Deed – Description of the Waiver Deed*".

Rights upon liquidation:

On a winding up of the Bank or other return of capital (other than a redemption of stock of any class in the capital of the Bank) by the Bank, the repayment of the capital paid up (including premium) on the Acquired Preference Stock (being in aggregate €1.00 per unit of Acquired Preference Stock):

(a) shall rank *pari passu* with the repayment of the capital paid up (excluding premium) on the Ordinary Stock (being, as at the date of this Prospectus, €0.05 per unit of Ordinary Stock);

(b) shall rank ahead of the Deferred Stock and ahead of the repayment of the premium (if any) paid up on the Ordinary Stock;

(c) but shall rank behind the repayment of capital on all other classes of stock (including, without limitation, other preference stock).

The Acquired Preference Stockholders shall not be entitled to receive out of the surplus assets available for distribution (if any) any participation in the profits or assets of the Bank beyond the capital paid up thereon (being €1.00 per unit).

Form:	The 2009 Preference Stock is issued in definitive registered form in denominations of €0.01 each fully paid. Any transfer of units of 2009 Preference Stock is subject to a minimum of 50,000 units.
Listing:	None.
Governing Law:	The terms of the 2009 Preference Stock are governed by Irish law.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the CSSF shall be incorporated in, and form part of, this Prospectus:

(a) the announcement of the Bank dated 4th December, 2013 and titled "Results of Placing" in full;

(b) the announcement of the Bank dated 2nd December, 2013 and titled "Bank of Ireland is not required to generate additional capital following the Central Bank of Ireland's Balance Sheet Assessment" in full;

(c) the interim management statement of the Bank dated 1st November, 2013 in full;

(d) the interim report of the Bank and its subsidiaries (together, the **Group**) for the six months ended 30th June, 2013, including the unaudited consolidated interim financial statements for the six months ended 30th June, 2013 and the auditor's review report dated 1st August, 2013 from PricewaterhouseCoopers thereon, including the information set out at the following pages in particular:

(i)	Consolidated Balance Sheet (unaudited)	Page 59
(ii)	Consolidated Income Statement (unaudited)	Page 57
(iii)	Consolidated Condensed Statement of Comprehensive Income (unaudited)	Page 58
(iv)	Consolidated Condensed Statement of Changes in Equity (unaudited)	Pages 60 to 61
(v)	Consolidated Condensed Cash Flow Statement (unaudited)	Page 62
(vi)	Basis of preparation and accounting policies (unaudited)	Pages 63 to 68
(vii)	Notes to the Consolidated Interim Financial Statements (unaudited)	Pages 69 to 112
(viii)	Independent Review Report	Page 56

The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of the Commission Regulation (EC) No 809/2004;

(e) the annual report and accounts of the Group for the financial year ended 31st December, 2012 and the auditor's report dated 1st March, 2013 by PricewaterhouseCoopers thereon, including the information set out at the following pages in particular:

(i)	Consolidated Balance Sheet	Page 142
(ii)	Consolidated Income Statement	Page 140
(iii)	Consolidated Statement of Comprehensive Income	Page 141

(iv)	Consolidated Statement of Changes in Equity	Pages 143 to 145
(v)	Consolidated Cash Flow Statement	Pages 146 to 147
(vi)	Group Accounting Policies and Critical Accounting Estimates and Judgments	Pages 148 to 174
(vii)	Notes to the Consolidated Financial Statements	Pages 175 to 268
(viii)	Independent Auditors' Report	Pages 138 to 139

The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of the Commission Regulation (EC) No 809/2004;

(f) the annual report and accounts of the Group for the financial year ended 31st December, 2011 and the auditor's report dated 19th February, 2012 by PricewaterhouseCoopers thereon including the information set out at the following pages in particular:

(i)	Consolidated Balance Sheet	Page 176
(ii)	Consolidated Income Statement	Page 174
(iii)	Consolidated Statement of other Comprehensive Income	Page 175
(iv)	Consolidated Statement of Changes in Equity	Pages 177 to 179
(v)	Consolidated Cash Flow Statement	Pages 180 to 181
(vi)	Group Accounting Policies and Critical Accounting Estimates and Judgments	Pages 182 to 209
(vii)	Notes to the Consolidated Financial Statements	Pages 210 to 310
(viii)	Independent Auditors' Report	Pages 172 to 173

The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of the Commission Regulation (EC) No 809/2004;

(g) the annual report on Form 20-F of the Group for the financial year ended 31st December, 2012 and the auditors' report dated 27th March, 2013 by PricewaterhouseCoopers thereon (the **2012 20-F**). This document is incorporated by reference in order to provide investors with additional information; and

(h) for information only, the Bye-Laws of the Bank, as adopted by resolution passed by an Extraordinary General Court on 19th May, 2010 and amended by resolution passed by an Extraordinary General Court on 11th July, 2011 and by resolution passed by an Annual General Court on 24th April, 2012.

Following the publication of this Prospectus a supplement may be prepared by the Issuer and approved by the CSSF in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable,

be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus can be obtained from the registered office of the Issuer and from the specified offices of the Paying Agents and are available for viewing on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Prospectus or publish a new Prospectus for use in connection with any subsequent issue of Notes.

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 any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Capitalised terms used herein but not already defined have the same meanings given to them in "Annex A: Description of the Acquired Preference Stock, the Preference Stock Purchase Agreement and the Waiver Deed – Description of the Waiver Deed" and the Conditions.

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

Special Purpose Vehicle Issuer

The Issuer is a special purpose company with no business operations other than the issuance of the Notes and the transactions contemplated by the terms thereof. As such, the Issuer is entirely dependent upon receipt of dividends, Bonus Stock in lieu of dividends and (subject to the provisions of the Waiver Deed) any redemption proceeds from the Acquired Preference Stock (following deduction of amounts required to fund its ongoing expenses) in order to fulfil its obligations under the Notes.

Satisfaction and Priority of Claims

The claims of the Trustee and certain other parties for their fees and expenses rank senior to the claims of the Noteholders, as provided in Condition 6 (*Order of Payments*). The amounts available for the payment of principal and interest in respect of the Notes will depend upon the amounts available for distribution once senior ranking claims have been satisfied. To the extent that such amounts are insufficient, Noteholders may not receive the full (or any) amount in satisfaction of their claim. In particular, prospective investors should note that if a Variable Expense Amount is applicable on an Interest Payment Date or Stock Settlement Date, the aggregate amount of interest payable on such Interest Payment Date or Stock Settlement Date under the Notes will be decreased by an amount equal to such Variable Expense Amount and, as a result, Noteholders will receive less than the expected Interest Amount (assuming the payment of a dividend in cash on the Acquired Preference Stock) on such Interest Payment Date (i.e. less than €102.40 per €1,000 in principal amount of the Notes) or will receive a reduced Bonus Stock Interest Amount on such Stock Settlement Date, as applicable (and this will not be compensated by an additional or increased payment, whether on any subsequent Interest Payment Date, Stock Settlement Date, redemption or otherwise).

Limited Recourse

The Notes are secured, limited recourse obligations of the Issuer and all payments made by the Issuer under the Notes will be made from and to the extent of the sums received from (or recovered from time to time by or on behalf of the Issuer or the Trustee) in respect of the Mortgaged Property (including the Acquired Preference Stock). To the extent that such sums are less than the amount which the Noteholders may have

expected to receive, such shortfall will be borne by the Noteholders and the Noteholders will have no further recourse against the Issuer in respect of the Notes (including petitioning for the winding up of or appointing an examiner in respect of the Issuer) in respect of such shortfall. The Notes do not represent obligations of, nor are they insured or guaranteed by, nor do they afford recourse to, the Group, the Trustee, the Share Trustee, the Joint Bookrunners, the Joint Structuring Advisers, the Financial Advisers to the Bank, the Paying Agents, the Registrar, the Account Bank, the Cash Manager, the Custodian, the Selling Agent, the Corporate Services Provider or any of their respective affiliates. None of the Group, the Trustee, the Share Trustee, the Joint Bookrunners, the Joint Structuring Advisers, the Financial Advisers to the Bank, the Paying Agents, the Registrar, the Account Bank, the Cash Manager, the Custodian, the Selling Agent, the Corporate Services Provider or any of their respective owners, beneficiaries, agents, officers, directors, employees, affiliates, successors or assigns will, in the absence of an express agreement to the contrary or as otherwise provided by law, be obliged to make payments in respect of the Notes.

Payments

No person other than the Issuer will be obliged to make payments on the Notes.

Noteholders do not have the benefit of the charge over the Expense Reserve Account

The Issuer will create a first fixed charge over the Expense Reserve Account in favour of the Trustee. However, the Noteholders and the Bank will not be beneficiaries in respect of this charge.

Factors that may affect the Bank's ability to make payments and fulfil its obligations under the Acquired Preference Stock or otherwise impact the status of the Acquired Preference Stock

Potential investors should make their own investigations in respect of the Bank and the Acquired Preference Stock, including having regard to the risks and investment considerations set out below. It is possible that one or more of the risk factors set out below may affect the Bank's ability to make payments in respect of or otherwise fulfil its obligations under the Acquired Preference Stock. Additionally, while the Bank has announced its intentions in respect of not expecting to redeem the Acquired Preference Stock prior to 1st January, 2016, it has also advised that there are circumstances in which redemption prior to 1st January, 2016 could occur, which would result in a redemption of the Notes in accordance with the Conditions (see further "*Change of Law and Regulation*", "*Perpetual Securities*" and "*The 2009 Preference Stock may be redeemed or purchased at the option of the Bank and any such redemption would result in redemption of the Notes*" below).

A non-payment by the Bank of discretionary cash dividends under the Acquired Preference Stock or a non-delivery of Bonus Stock (where delivery of such Bonus Stock is applicable), or non-payment of the redemption amounts due on redemption of the Acquired Preference Stock will affect the manner, timing and quantum of payment receivable by Noteholders. See further "*Interest on the Notes is subject to receipt of dividends on the Acquired Preference Stock*" and "*The obligations of the Issuer under the Notes may, in certain circumstances, be satisfied by delivery of Bonus Stock or Acquired Preference Stock*" below.

Inherent risks arising from macroeconomic conditions in the Group's main markets, particularly in Ireland and the UK

Reduced growth prospects of Ireland's trading partners could prolong the ongoing downturn in economic conditions, which could further adversely impact the Group's (as defined in "*Annex A: Description of the Acquired Preference Stock, the Preference Stock Purchase Agreement and the Waiver Deed*") results, financial condition and prospects.

Ireland is currently experiencing a challenging economic environment and a period of fiscal adjustment. As part of an EU/IMF aid programme negotiated in late November 2010 the Government is committed to reducing the budget deficit to below 3 per cent. of GDP by 2015 through a combination of public

expenditure reductions and tax increases (*Source: Department of Finance Statement, 28th November, 2010*). This fiscal adjustment is expected to have a continuing dampening effect on economic activity (*Source: Department of Finance, Ireland Budget 2013 Economic and Fiscal Outlook, December, 2012*).

The Central Bank has identified two key risks to the Irish economy as (i) domestic credit risk driven by property price declines, continued economic weakness and over-indebted private and public sectors, and (ii) threats to sovereign solvency due to crisis related bank debt (*Source: CBI Macro Financial Review, May 2013*).

Ireland's general government debt, which includes the cost of the State support to the banking sector, is projected to rise to a peak of 124 per cent. of GDP in 2013 before falling back to an estimated 118.4 per cent. of GDP in 2015 and 114.6 per cent. of GDP in 2016 (*Source: Department of Finance, Budget 2014 Economic and Fiscal Outlook*).

Downward pressure on businesses' profitability and household disposable incomes from fiscal measures, as well as the high level of private sector debt combined with the resulting deterioration in the business environment could depress demand for financial products and increase the Group's impaired loans and impairment provisions. The value of residential and commercial properties may reduce the value of collateral on many of the Group's loans.

On 14th November, 2013, the Government announced its decision to exit as planned, on 15th December, 2013, the Programme of Financial Support for Ireland announced by the EU and the International Monetary Fund (the **IMF**) on 1st December, 2010 (as subsequently updated and supplemented, the **EU/IMF Programme**) without effecting a pre-arranged precautionary credit facility. The Government has assessed that exiting the EU/IMF Programme without a precautionary credit line is the best option for the State for a number of reasons, including current favourable sovereign and market conditions and the current condition of public finances. The considerations assessed by the State (including its assessment of potential risks) are summarised in the related statement of the Minister for Finance dated 20th November, 2013. A contrary outcome to that assessed by the State could have material adverse implications for the State, which could have a material adverse effect on the Group.

Lack of liquidity to fund the Group's business activities

The Group relies on customer deposits to fund a considerable portion of its loan portfolio. The Group's loan to deposit ratio was 121% at 30th June, 2013. The Group's customer deposits represented approximately 70% of total Group funding at 30th June, 2013.

Loss of customer confidence in the Group's business or in banking businesses generally, among other things, could result in unexpectedly high levels of customer deposit withdrawals, which could have a material adverse effect on the Group's results, financial condition and prospects. Liquidity risk can be heightened by an over-reliance on a particular kind of funding and may be exacerbated by any restrictions on the flow of liquidity between jurisdictions and legal entities.

An escalation in concerns regarding the stability of the eurozone could materially adversely impact the Group by increasing its costs of funding, triggering withdrawals of deposits, reducing its access to the wholesale funding markets and/or increasing its usage of funding from Monetary Authorities, which could materially adversely impact the Group's results, financial condition and prospects.

The Group sources funding from Monetary Authorities from time to time and any disruption to access could increase the Group's funding and liquidity risks. The Central Bank prescribes regulatory liquidity ratios for Irish domestic financial institutions. Compliance with these ratios can be adversely impacted by a range of factors, including the stability of customer deposits, the split between unsecured and secured funding and

the concentration of wholesale funding maturity. Failure to comply with these ratios could result in regulatory sanctions and adversely impact the Group's reputation and prospects.

Furthermore the Group will be required to comply with the obligations delivered under the European Commission formal proposals for implementing Basel III in the EU through Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 (the **Capital Requirements Regulation**), which has direct effect in EU member states and Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 (the **CRD** and, together with the Capital Requirements Regulation, **CRD IV**), which EU member states are required to implement through national legislation by 31st December, 2013. The primary liquidity ratios under CRD IV, the Liquidity Coverage Ratio and the Net Stable Funding Ratio, are currently expected to be phased in as regulatory requirements between 2015 and 2018.

The Advanced Monitoring Framework which replaced the Liquidity Assessment Review requirements from September 2012 sets out certain requirements for the Group, under the updated terms of the Memorandum of Understanding and the Memorandum of Economic and Financial Policies between the Irish Authorities and the European Commission, the IMF and the European Central Bank (the **ECB**). The Group, under the Advanced Monitoring Framework, is currently reporting its progress towards achievement of compliance by the proposed implementation dates with requirements for the Liquidity Coverage Ratio and the Net Stable Funding Ratio to the Central Bank. A failure to demonstrate such progress may lead to regulatory sanction.

The proposed European Directive establishing a framework for the recovery and resolution of credit institutions and investment firms (the **Recovery and Resolution Directive**) published by the European Commission remains in draft form but is expected to come into force by 2014 and to be transposed into Irish national law thereafter. The draft envisages the potential 'bail-in' of certain senior unsecured and corporate deposits in the circumstance of a bank resolution post 2018. It is as yet unclear how the prospect of 'bail in' will impact on the availability or pricing of bank liabilities (see further "*The Group is subject to extensive regulation and supervision in relation to the levels of capital and liquidity in its business. The minimum regulatory capital requirements, as well as the manner in which existing regulatory capital is calculated, and the minimum liquidity requirements will change in the future, which could materially adversely affect the Group's results, financial conditions and prospects*" below).

Capital adequacy and its effective management, which is critical to the Group's ability to operate its businesses and to pursue its strategy

The Group's business and financial condition would be affected if the Group was insufficiently capitalised. This could be caused by a materially worse than expected financial performance (including, for example, reductions in earnings as a result of impairment charges and increases in risk weighted assets).

The minimum regulatory requirements imposed on the Group, the manner in which the existing regulatory capital is calculated, the instruments that qualify as regulatory capital and the capital tier to which those instruments are allocated, could be subject to change in the future.

A number of regulatory initiatives have recently been proposed or enacted which are expected to significantly alter the Group's capital requirements and expected capital position. These initiatives include Directive 2009/111/EC (**CRD II**), Directive 2010/76/EU (**CRD III**), CRD IV, Basel III and Directive 2009/138/EC (the **Solvency II Directive**). The Group could be subject to increased capital requirements following the results of ongoing stress tests.

Deterioration in the credit quality of the Group's borrowers and counterparties, as well as increased difficulties in relation to the recoverability of loans and other amounts due from such borrowers and counterparties, have resulted in significant increases, and could result in further significant increases, in the Group's impaired loans and impairment provisions. The implementation of the Personal Insolvency Act 2012 and/or the new Central Bank measures to address mortgage arrears may have an impact on the Group's impairment charges

Exposures originated and managed in Ireland and the UK represent a substantial majority of the Group's credit risk. The Group has exposures to residential mortgages, SME and corporate customers in different sectors and investors in commercial property and residential property. Economic conditions may deteriorate further in the Group's main markets, which may lead to, amongst other things, further declines in values of collateral and investments, persistently high unemployment levels, weakened consumer and corporate spending, declining corporate profitability, declining equity markets and bond markets and a further increase in corporate insolvencies. This may give rise to further deterioration in the credit quality of Group's borrowers, counterparties and their guarantors and increased difficulties in relation to the recoverability of loans and other amounts due from such borrowers, counterparties and their guarantors, resulting in further significant increases in the Group's impaired loans and impairment provisions.

The Group has also been exposed to increased counterparty risk as a result of financial institution and corporate failures and nationalisations, and will continue to be exposed to the risk of loss if counterparty financial institutions or other corporate borrowers fail or are otherwise unable to meet their obligations. Continuing uncertainty in the global and eurozone economies could result in further downgrades and deterioration in the credit quality of the Group's Irish and eurozone sovereign and banking exposures.

The Irish Personal Insolvency Act 2012 (the **Personal Insolvency Act**) which became effective in 2013 provides for judicial and non-judicial resolution options for consumers deemed under the provisions of the Personal Insolvency Act to have unsustainable indebtedness levels. The Personal Insolvency Act amends existing bankruptcy provisions by reducing the timescale for discharge from bankruptcy from twelve years to a three year period. The Personal Insolvency Act also introduces several non-judicial resolution options to debt resolution as an alternative to bankruptcy. There is a risk that following the introduction of the regime, unintended behavioural changes of borrowers could arise.

The Central Bank has announced a range of new measures to address mortgage arrears, including the publication of performance targets for the main Irish banks (which include the Group) and proposed changes to the Code of Conduct on Mortgage Arrears. The Central Bank will consider regulatory actions, including the imposition of additional capital requirements, for Irish banks that fail to meet its targets or which demonstrate poor resolution strategies or poor execution of their strategies. The Central Bank has also set out its plans to require more rigorous provisioning for mortgage loans in arrears greater than 90 days which have not been subject to a sustainable solution. The cumulative impact of these measures could adversely impact the Group's results, financial conditions and prospects.

The Group is exposed to the risk of declining property values and a deterioration in the performance of the residential and commercial property markets, particularly in Ireland and the United Kingdom.

Declines in residential and commercial property prices have led to a significant contraction in the construction sector in Ireland, including withdrawal by, or insolvency of, a number of construction firms and a slowdown in the construction sector in the United Kingdom. While there have been recent signs of improvement in residential and commercial property prices in certain regions in Ireland and the United Kingdom, economic and other factors, including general deterioration in the economy and dislocation of the financial system, may lead to further contraction in the residential mortgage and commercial property lending market and further decreases in residential and commercial property prices.

The Group has a material exposure to residential mortgages representing approximately half of the Group's total loans and advances to customers (before impairment provisions) at 30th June, 2013. Continuing challenges facing Ireland and the United Kingdom including, lower levels of employment, constrained disposable income and depressed home prices have and may continue to adversely impact the level of residential mortgage arrears.

The Group has exposure to a range of corporate customers in different sectors in Ireland, the United Kingdom and the rest of the world, in particular, exposures to investors in the commercial and residential property sectors. Interest rates could rise from the current low levels in the Group's main markets which may lead to, amongst other things, further declines in values of collateral and investments, increasing unemployment, weakening consumer and corporate spending, declining corporate profitability and an increase in corporate insolvencies. These developments could materially adversely impact the Group's ability to recover the loans and interest in respect of these commercial property and residential lending portfolios or lead to significant write-downs of the value of these loans.

While the economic outlook has improved, it remains challenging. Further falls in property prices or increases in unemployment could impact the Group's commercial property and residential mortgage lending portfolios exposing the Group to further substantial increases in impairment charges, which could materially affect the Group's results, financial condition and prospects. The effects of any further deterioration in property values and any increases to interest rates payable by borrowers in the wider economy may also contribute to higher default rates and impairment losses on non-property commercial and consumer loans, which could materially adversely affect the Group's results, financial condition and prospects.

Downgrades to the Irish sovereign or the Group's credit ratings or outlook could further impair the Group's access to private sector funding, trigger additional collateral requirements and weaken its financial position

As at the date of this Prospectus, the long-term (outlook)/short term sovereign credit ratings for Ireland are: BBB+ (positive)/A-2 from Standard & Poor's Rating Credit Market Services Europe Limited (**Standard & Poor's**); Ba1 (stable)/NP (Not Prime) from Moody's Investors Services Limited (**Moody's**); BBB+ (stable)/F-2 from Fitch Ratings Limited (**Fitch**); and A (low) (negative trend)/R-1 (low) from DBRS Inc. (Source: NTMA).

As at the date of this Prospectus, the long-term (outlook)/short term (outlook) credit ratings for the Group are BB+ (stable)/B by Standard & Poor's; Ba2 (Deposit Rating Ba1) (negative)/NP (Not Prime) by Moody's; BBB (stable)/F2 by Fitch; and BBB (high) (negative trend)/R-2 (high) (negative trend) from DBRS Inc.

Each of Standard & Poor's, Moody's and Fitch is established in the EU and is registered under the CRA Regulation. DBRS Inc. is not established in the EU and is not registered under the CRA Regulation. The assignment of ratings by DBRS Inc. will be endorsed by DBRS Ratings Limited to allow their use in the EU in accordance with the CRA Regulation.

Downgrades of the Irish sovereign ratings would be likely to delay a return to consistent normal market funding for the State and may impair the Group's access to private sector funding, trigger additional collateral requirements and weaken the financial position of the Group. Downgrades could also adversely impact the funding received from State issued or guaranteed bonds used as collateral for the purposes of accessing the liquidity provision operations offered by Monetary Authorities or secured borrowing from wholesale markets and the value of State issued or guaranteed bonds held by the Group's life assurance business to meet its liabilities.

Downgrades in the credit ratings of the Group could have a negative impact on the volume and pricing of its private sector funding and its financial position, further limit the Group's access to the capital, derivatives 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 encumbered securities and weaken the Group's competitive position in certain markets.

The availability of deposits is often dependent on credit ratings and further downgrades for the Group could lead to withdrawals of corporate and/or retail deposits which could result in deterioration in the Group's funding and liquidity position.

Concerns regarding European sovereign debt

These concerns continue due to the focus in international debt markets on the level of fiscal deficits, requirement for support of the banking system, evolving sovereign debt levels of EU member states, political instability and the potential impact of these on the individual EU member state economies. A material and unexpected escalation of market concern towards Ireland could lead to speculation or further concern about applicability of policy choices that might be applied to resolve those concerns which could ultimately have an adverse impact on the Group's results, financial condition or prospects.

There is no certainty that the new, tighter budgetary rules to enforce economic discipline and deepen economic integration outlined in the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, or any mechanisms available or to be made available within the eurozone, will resolve the current instability in financial markets, political instability, the adverse market sentiment or weak macro-economic conditions.

The quality of the Group's assets, financial condition and results of operations are heavily dependent on macroeconomic and political conditions prevailing in Ireland and the UK. Any adverse consequences for the State, in particular any further downgrades to the Irish sovereign credit rating, would also affect the marketability and pricing of the State issued or guaranteed bonds held by the Group (which amounts to approximately €11 billion), and the Group's ability to use these bonds as collateral or sell them which would make it more difficult and/or more expensive for the Group to access private sources of capital and funding. Any threat to the overall stability of the euro system may have profound recessionary impacts, particularly on a small open economy such as Ireland.

An escalation in concerns regarding the stability of the eurozone could materially adversely impact the Group by increasing its costs of funding, affecting its ability to access the derivatives markets, triggering withdrawals of deposits, reducing its access to the wholesale funding markets and/or increasing its usage of funding from Monetary Authorities, which could materially adversely impact the Group's results, financial condition and prospects.

Deferral or waiver of payments on other obligations of the Bank, insufficiency of reserves or other obligations applicable to the Bank from time to time may prevent or restrict both the payment by the Bank of dividends on, and the redemption or purchase by the Bank of, the 2009 Preference Stock, including the Acquired Preference Stock

The terms of certain other obligations of the Bank contain provisions to the effect that the deferral or waiver of payment on such obligation will result in the Bank being subject to a restriction so that, while the restriction is in effect, the Bank may not pay dividends on, or redeem or purchase, any of the 2009 Preference Stock. These dividend restrictions would not affect the ability of the Bank to issue the Bonus Stock where a cash dividend has not been paid on the 2009 Preference Stock, subject to the requirements of the Bye-Laws in relation to the capitalisation of stock (see further "*Delivery of Bonus Stock may be delayed or (in certain circumstances and subject as provided in the Bye-Laws) not made at all and, if it is made, the issue date is at the discretion of the Bank but such date will not be later than the date on which the Bank*

subsequently redeems or purchases or pays a dividend on the 2009 Preference Stock or any other class of capital stock of the Bank" below).

The terms of certain other obligations issued or entered into from time to time in the future by the Bank may also include terms restricting payments relating to the 2009 Preference Stock, including restrictions on the payment of dividends on the 2009 Preference Stock, and on redemptions, purchases, reductions or other acquisitions of 2009 Preference Stock, in circumstances such as a deferral or non-payment of a dividend or other distribution on such obligation.

If a dividend is not paid in cash on the 2009 Preference Stock for any reason (see further "*Dividends on the 2009 Preference Stock (including the Acquired Preference Stock) are non-cumulative*" below) this would not, of itself, prevent the Bank or any of its subsidiaries from redeeming or purchasing any junior or parity ranking obligations of the Bank or any of its subsidiaries (provided that the date of allocation of Bonus Stock by the Bank is no later than the date of such redemption or purchase) but, if a dividend is not paid in cash on the 2009 Preference Stock, the Bank would be precluded from paying dividends on the Ordinary Stock and the other preference stock of the Bank ranking *pari passu* with the 2009 Preference Stock until after the payment of a dividend in cash on the 2009 Preference Stock. If a dividend is not paid on the preference stock of the Bank ranking *pari passu* with the 2009 Preference Stock, the Bank would be precluded from paying a dividend on the 2009 Preference Stock (including the Acquired Preference Stock), until it resumes the payment of dividends in cash on such preference stock.

The Government, through the NPRFC's stockholding in the Bank, commitments given by the Bank to the Government and the Government's extensive powers under statutory provisions regulating financial institutions, including the Bank, is currently in a position to exert a significant level of influence over the Group. These rights and powers could be exercised in a manner which is not aligned with the interests of the Group or its other Stockholders

The Government (through the NPRFC) is currently the largest holder of Ordinary Stock, holding approximately 15.13% of the existing Ordinary Stock immediately prior to the Placing and expected to hold approximately 14.08% of Ordinary Stock following settlement of the Placing. The Government could exercise its voting rights in a manner which is not aligned with the interests of the Group's other Stockholders. It is expected that following the completion of the Placing and the subsequent redemption by the Bank of any units of 2009 Preference Stock which remain held by the NPRFC as at the date of this Prospectus of an equivalent redemption value to the value of the net proceeds of the Placing and which are not proposed to be acquired by the Issuer, the NPRFC will not hold any units of 2009 Preference Stock, but the Placing will not affect the NPRFC's holding of Ordinary Stock.

The Bank is also subject to the relationship framework with the Minister for Finance pursuant to which the Bank has given a number of commitments to the Minister in respect of its lending, corporate governance and remuneration. These commitments could require the Group to implement operational policies that could adversely affect the Group's results, financial condition and prospects.

In addition to the NPRFC's stockholding in the Bank, the Minister could, subject to satisfying the requirements of the Stabilisation Act (as defined below), petition the High Court to exercise its powers thereunder. The exercise of these powers could result in the Bank being required to issue stock to the Minister or his nominees on terms and at a consideration set by the Minister (notwithstanding any pre-emption rights), apply for a delisting or suspension of the Bank's stock, including the Ordinary Stock from any stock exchange, alter the Bank's Bye-Laws (including the alteration of rights of Stockholders or any class of Stockholder, including Preference Stockholders), transfer assets on terms specified in the order, remove or terminate the employment of any director, officer or employee of the Group and appoint a special manager for a maximum of six months with the power to take over the management of the Group. Orders made under the Stabilisation Act could have a significant impact on Stockholders and on the

Group's operations, carry severe implications for the governance of the Bank and may require the Bank to act in a manner which may not always be aligned with the interests of Stockholders as a whole.

Pursuant to the Stabilisation Act, the Directors of the Bank, in the performance of their functions, are under a duty to have regard to certain of the purposes of the Stabilisation Act (being those set out in section 4(f)), including the need to protect the State's interest in respect of the guarantees given by it under the State Guarantee Schemes. This duty is owed by the Directors to the Minister on behalf of the State and takes priority over any other duty of the Directors to the extent of any inconsistency. Compliance with this duty on the part of the Bank's Directors requires the Directors to act in a manner which is not always aligned with the interests of Stockholders as a whole. The powers of the Minister in relation to the governance of the Group may result in significant disruption to the Group's business, which may impact adversely on its customers and Stockholders, notwithstanding that the objectives of the exercise of such powers may be for the purposes of stabilising the Group or the Irish financial system generally.

By virtue of the CIFS Guarantee Scheme, the payment of any dividends by the Group, including the payment of dividends on the Ordinary Stock and the Preference Stock, requires the consent of the Minister for Finance. Such consent could be withheld even where the payment of a dividend is in the best interests of Stockholders as a whole. The Minister has provided his consent for the payment of dividends on the Bank's preference stock including the Acquired Preference Stock.

By virtue of the Group's participation in the National Asset Management Agency (**NAMA**) scheme, the Group could be subject to additional directions from the Central Bank and/or the Minister for Finance as to the conduct of its business in addition to the restrictions and potential restrictions arising out of the investment by the NPRFC in the Bank (the **NPRFC Investment**) and the Group's participation in the CIFS Guarantee Scheme and the laws and regulations applicable to credit institutions.

The Central Bank may direct the Group to provide any report that the Central Bank considers necessary to monitor the Group's compliance with the obligations under or by virtue of the National Asset Management Agency Act, 2009 (the **NAMA Act**). The Central Bank could also exercise its power under the NAMA Act to require the consolidation or merger of Participating Institutions, including the Group. Under the NAMA Act, the Group may also be required to provide such services as NAMA may direct and to comply with such monitoring of lending and balance sheet management as the Minister for Finance or the Central Bank may direct. A Participating Institution may also be directed by the Minister for Finance to draw up, or amend, a restructuring or business plan; and, if the Minister for Finance approves such plan, the Participating Institution is obliged to take all reasonable steps to implement it. These directions could restrict the Group's balance sheet growth, limit the Group's ability to make acquisitions or require the Group to dispose of assets, including its loan portfolios. Any such directions may materially adversely affect the Group's results, financial condition and prospects.

The Group is subject to extensive regulation and supervision in relation to the levels of capital and liquidity in its business. The minimum regulatory capital requirements, as well as the manner in which existing regulatory capital is calculated, and the minimum liquidity requirements will change in the future, which could materially adversely affect the Group's results, financial conditions and prospects

As a result of the current environment and market events, the minimum regulatory requirements imposed on the Group, the manner in which the existing regulatory capital is calculated, the instruments that qualify as regulatory capital and the capital tier to which those instruments are allocated, could be subject to change in the future. A number of regulatory initiatives have recently been proposed or enacted, which would significantly alter the Group's capital requirements. These initiatives include the following:

- On 16th December, 2010, in addition to the requirements and restrictions of CRD II and CRD III, the Basel Committee on Banking Supervision, a forum for regular co-operation on banking supervisory matters, published a paper entitled "Basel III: A global regulatory framework for more

resilient banks and banking systems", which contains the committee's proposals to strengthen the global capital framework by, among other things, raising the quality of the Core Tier 1 Capital base in a harmonised manner (including through changes to the items which give rise to adjustments to that capital base), strengthening the risk coverage of the capital framework, promoting the build up of capital buffers and introducing global minimum liquidity and funding standards for the banking sector.

- The Basel III rules are being implemented in the EU through CRD IV, in particular the Capital Requirements Regulation, which has direct effect in EU member states and the CRD, which EU member states are required to implement through national legislation by 31 December 2013. CRD IV will also include regulatory and technical standards published by the European Banking Authority (the **EBA**) and certain national discretions and waivers. Many of these have not yet been published or their impact is uncertain. The CRD IV legislation will be implemented on a phased basis from 1st January, 2014, with full implementation by 2019 although national regulators may decide to accelerate phase in of the implementation of various elements of the requirements which could reduce reported capital levels. The current assumption is that the CET 1 Capital regulatory requirement under Basel III/CRD IV will be 10 per cent. for the Group and, on a phased basis, the Group would expect to maintain a buffer above the regulatory requirement.

  The Basel III/CRD IV transition rules will result in a number of new deductions from CET 1 Capital being introduced on a phased basis typically with a 20% impact in 2014 and 40% in 2015 and so on until 2018. In addition, in line with the current Central Bank Consultation paper deferred tax assets related to losses forward will be deducted from CET 1 Capital on a phased basis, with a 10% impact in 2015, 20% in 2016 and so on until 2023. In particular, it is noted that CRD IV requires that state aid capital instruments will no longer count as CET 1 Capital from 1st January, 2018. In addition, CRD IV will prohibit the payment of dividends by the Group if its capital levels do not exceed certain thresholds above the minimum capital requirements.

  As the changes set out in the CRD IV legislation take effect, they are expected to have an impact on the capital and asset and liability management of the Group, which may have a material adverse effect on the Group's results, financial condition and prospects.

- The introduction of CRD IV will also result in the introduction of new liquidity metrics. The first such measure is the liquidity coverage ratio under which the Group will be required to hold a stock of high-quality liquid assets against its total net cash outflows over the following 30 days. The new requirement will become mandatory from 1st January, 2015 when a minimum 60% ratio will be required, rising to a binding minimum standard of 100% by 1st January, 2019. The second measure is the Net Stable Funding Ratio (the **NSFR**) which will require that the amount of long term stable funding held by the Group be relative to the liquidity profiles of the assets funded and the potential for contingent calls on funding liquidity arising from off-balance sheet commitments and obligations. This measure will become mandatory from 1st January, 2018 when a minimum 100% ratio will be required. The basis for calculating the NSFR is being revisited by the Basel Committee, with further proposals due towards the end of 2015.

- The Solvency II Directive, adopted by the European Parliament on 22nd April, 2009 and endorsed by the Council of Ministers on 5th May, 2009, is a fundamental review of the capital adequacy regime for the European insurance industry. As part of the implementation of the Solvency II Directive the capital structure and overall governance of the Group's life assurance business will alter significantly and this may have an impact on the capital structure of the Group.

- Regulatory bodies in the UK and Ireland are introducing new measures in respect of loss absorbency and bail-in rules which may result in further significant changes in the regulatory framework for capital and debt instruments of credit institutions. The Recovery and Resolution

Directive published by the European Commission remains in draft form but is expected to come into force by 2014 and to be transposed into Irish national law thereafter. It envisages certain powers similar to those granted by the Stabilisation Act 2010 and the Resolution Act 2011 and provides for a 'bail-in' option. EU Regulatory Authorities (including the Central Bank) have taken an interim step, pending finalisation of this Directive, and the Group is required to submit a Recovery Plan by 31st December, 2013. The impact of the Directive on the Group is as yet unclear pending finalisation of the measures.

Balance Sheet Assessments

As stated in the announcement of the Bank dated 2nd December, 2013 (see further "*Documents Incorporated by Reference*"), the Central Bank has recently conducted a Balance Sheet Assessment (**BSA**) of certain of the major banks in Ireland, including the Bank, as at 30th June, 2013, as part of the 2013 Financial Measures Program.

The BSA consisted of an assessment by the Central Bank of the Bank's risk classification and provisions against the Central Bank's May 2013 Impairment Guidelines, namely an asset quality review and a review of the appropriateness of risk-weighted assets associated with selected loan portfolios which supported a pro forma point in time capital adequacy assessment (**PiT Capital Assessment**) by the Central Bank in the context of the BSA.

The BSA by the Central Bank confirms that the Bank had adequate capital as at 30th June, 2013 to cover the requirements determined under the BSA and, consequently, the Central Bank does not require the Bank to raise additional capital as a result of the BSA. The BSA was undertaken under the Central Bank's Supervisory Review and Evaluation Process and Full Risk Assessment and, as such, the results may be considered by the Central Bank in determining the Pillar 2 capital requirements of the Bank.

The BSA results and PiT Capital Assessment outcomes remain subject to ongoing engagement between the Central Bank and the Bank, and will inform the Bank's Internal Capital Adequacy Assessment Process, capital planning, financial statements and internal stress testing programmes. While the outcome of this engagement cannot be anticipated with certainty and actions taken following engagement with the Central Bank may adversely impact capital ratios, the Bank continues to expect to maintain a buffer above a CET 1 ratio of 10 per cent. on a Basel III/CRD IV transitional basis.

It is expected that relevant European banks (including the Bank), under the single supervisory mechanism (the **Single Supervisory Mechanism**) established pursuant to the Single Supervisory Mechanism Regulation (Regulation (EU) 1024/2013) (the **SSM Regulation**), will be subject to a comprehensive assessment (**SSM CA**) during 2014. The SSM CA will include a balance sheet and risk assessment and is expected to encompass the EBA and ECB EU-wide stress test. The Central Bank has noted the intention that the significant reviews and outputs of the Central Bank's BSA will be utilised in the SSM CA, although it cannot currently be confirmed that this will be the case.

The outcome of the Central Bank BSA and/or any subsequent SSM CA may adversely impact the Group's financial results, capital and/or liquidity requirements. The Group may be required or may consider it necessary to take appropriate actions to address matters arising from these assessments (see further "*The Group is subject to extensive regulation and supervision in relation to the levels of capital and liquidity in its business. The minimum regulatory capital requirements, as well as the manner in which existing regulatory capital is calculated, and the minimum liquidity requirements will change in the future, which could materially adversely affect the Group's results, financial conditions and prospects*" below).

The Group is subject to extensive regulation and oversight. New regulatory obligations could have a material adverse effect on the Group's results, financial condition and prospects

The Group is subject to a wide variety of banking, insurance and financial services laws and regulations, together with a large number of regulatory and enforcement authorities in each of the jurisdictions in which it operates. All of these are subject to change, particularly in the current market environment, where there have been unprecedented levels of governmental intervention and changes to the regulations governing financial institutions, including nationalisations of financial institutions in Ireland, the United Kingdom and other European countries. In the wake of the current difficult economic conditions and ongoing concerns regarding the regulation of the financial sector, new regulatory provisions may be introduced to which the Group could be subject either at a national, EU or international level. As a result of these and other ongoing and possible future changes in the financial services regulatory landscape (including requirements imposed by virtue of the Group's participation in any government or regulator-led initiatives), the Group expects to face greater regulation in Ireland, the United Kingdom, the United States (at a federal and state level) and other European countries in which it operates. Compliance with such regulations may increase the Group's capital requirements and costs, could materially adversely affect its business, the products and services it offers and the value of its assets or require the Group to change certain of its business practices. As a result, the Group is exposed to regulatory and other risks, including:

- the monetary, interest rate, capital adequacy and other policies of central banks and regulatory authorities;
- the Central Bank's on-going assessment of the Group's capital and liquidity requirements through regular Prudential Capital Assessment Reviews and Prudential Liquidity Assessment Reviews, including prescribed minimum capital ratios under base and stress scenarios, including outcomes from the recent BSA (see further "*Balance Sheet Assessments*" above);
- the Advanced Monitoring Framework which replaced the Liquidity Assessment Review requirements from September 2012 sets out certain requirements for the Group, under the updated terms of the Memorandum of Understanding and the Memorandum of Economic and Financial Policies between the Irish authorities and the European Commission, the IMF and the ECB;
- the monetary, interest rate, capital adequacy and other policies of central banks and regulatory authorities;
- the on-going assessment of the Group's capital and liquidity requirements as part of the European wide reviews carried out by the EBA;
- the impact of revisions to state aid rules for banks, including the changes published by the European Commission that became effective on 1st August, 2013;
- general changes in governmental or regulatory policy or changes in regulatory regimes, e.g. the NPRFC Investment or directions under the NAMA Act that may significantly influence investor decisions, in particular in markets in which the Group operates or may increase the costs of doing business in those markets;
- any orders or directions made under the Stabilisation Act which require the Directors to prioritise objectives other than Stockholder value creation;
- any orders or directions made under the Stabilisation Act which could lead to disruption in the Group's operations;
- measures agreed with the European Commission under the Group's Amended EU Restructuring Plan, including directions from the monitoring trustee;

- any orders made under the Central Bank and Credit Institutions (Resolution) Act 2011 (imposing a requirement on the Group to make compulsory contributions to the statutory fund, or transfer orders), or proposed special management orders in respect of the Group which, subject to High Court approval, could potentially suspend Stockholders' rights and lead to significant disruptions to the Group's operations;

- a proposed strategy should the Group fail, in order to limit the cost to creditors, public funds, regulated subsidiaries of the Group and other disruption and which may require changes to the Group's structure and operations;

- changes to the financial reporting environment and/or standards;

- changes in taxation legislation and its interpretation;

- changes to the type, amount or proportion of assets that the Group is required to hold in order to account for liquidity risk or changes to the way in which the Group is required to fund its operations;

- changes to the amount and quality of regulatory capital that the Group's life assurance business is required to hold;

- the introduction of new measures in respect of loss absorbency and bail-in rules in Ireland and the UK which may result in further significant changes in the regulatory framework for capital and debt instruments of credit institutions;

- impact of the Recovery and Resolution Directive published by the European Commission, which remains in draft form, is expected to come into force by 2014 and to be transposed into Irish national law thereafter;

- other general changes in regulatory requirements, such as prudential rules relating to the capital adequacy framework and the imposition of onerous compliance obligations, restrictions on activities or business growth or pricing, requirements to operate in a way that prioritises objectives other than stockholder value creation and the introduction of the proposed EU banking union which may increase the level of regulatory obligations and/or lead to more stringent sanctions and fines;

- changes in competition and pricing environments, including the requirement under the Group's Amended EU Restructuring Plan to offer third party products to the Group's customers;

- changes in the market for banking sector assets, caused by widespread divestment of assets by financial institutions across the EU in order to comply with EU state aid requirements;

- changes to competition regulation and/or the regulation of the postal sector in the United Kingdom which may affect relationships between the Group and Post Office Limited;

- the application of new, or additional, regulatory regimes arising from a restructuring of the Group's business such as to bring it within the jurisdiction of new or additional regulators;

- UK banking regulatory change;

- the introduction of the Single Supervisory Mechanism to put in place a system of common bank supervision in Eurozone countries including the discharge of a direct supervisory role by the ECB with respect to certain Eurozone banks including the Group, including the outcome of an SSM CA anticipated during 2014 and expected to include a balance sheet and risk assessment and to encompass the EBA and ECB EU-wide stress test (see further "*Balance Sheet Assessments*" above);

- the application of new, or additional, regulatory regimes that may affect the products that the Group may offer to customers and the manner and channels through which products may be offered;

- the application of new, or increased, fines, penalties, sanctions or other actions by regulators by reason of non-compliance with new or existing legal or regulatory requirements;

- impact of the US Dodd-Frank Wall Street Reform and Consumer Protection Act and the regulations adopted thereunder, which will impose wide-ranging US financial regulatory reform by addressing, among other matters: systemic risk oversight; risk-based capital, leverage, liquidity and other prudential standards; over-the-counter derivatives; the ability of banking entities to engage in proprietary trading activities and invest in hedge funds and private equity in the US; corporate governance; and consumer and investor protection;

- implementation of, or costs related to, customer or depositor compensation, guarantee or reimbursement schemes, including in the event a bank becomes unable to meet its obligations to customers, or changes to the funding or compensation limits of such schemes (including potential EU-wide harmonisation of the funding or compensation limits of deposit guarantee schemes as a result of the European Commission's review of EC Directive 94/19/EC relating to such schemes);

- expropriation, nationalisation and confiscation of assets and changes in legislation relating to foreign ownership; and

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

The Group is responsible for contributing to compensation schemes in respect of banks and other authorised financial services firms that may be unable to meet their obligations to customers

The Group is obliged to contribute to investor compensation schemes in certain jurisdictions in which it operates, including Ireland, the United Kingdom and the Isle of Man, which are designed to compensate certain classes of customers of authorised financial services firms where a firm is unable, or deemed likely to be unable, to pay claims against it. The compensation schemes are funded by levies or other forms of contribution from firms authorised by the respective financial regulators. In the event that one or more compensation schemes significantly increase the levies or required contributions to be paid by firms or changes the coverage or funding levels, or that regulators in other jurisdictions in which the Group operates introduce similar schemes, the associated costs to the Group may have a material impact on its profitability, financial condition and prospects.

Adverse change to tax rates, legislation and practice in the various jurisdictions in which the Group operates

In accordance with applicable accounting rules, the Group has recognised deferred tax assets on losses available to relieve future profits to the extent that it is probable that such losses will be utilised. Failure to demonstrate convincing evidence of the availability of future taxable profits, changes in tax legislation or government policy may reduce the recoverable amount of the deferred tax assets currently recognised in the financial statements, and result in a material adverse impact on the Group's results, financial condition and prospects.

The taxation charge accounts for amounts due to fiscal authorities in the various territories in which the Group operates and includes estimates based on a judgement of the application of law and practice in certain cases to determine the quantification of any liabilities arising. In arriving at such estimates, management assesses the relative merits and risks of tax treatments assumed, taking into account statutory, judicial and regulatory guidance and, where appropriate, external advice.

Other changes in tax rates, legislation and practice could also adversely impact the results, financial condition and prospects of the Group.

Increased volatility in financial markets has resulted in, and may continue to result in, reduced asset valuations and higher pension deficits which could further adversely affect the Group's results, financial condition (including capital position under CRD IV) and prospects

Significant declines in perceived or actual asset values have resulted from previous market events. Increased volatility and further dislocation affecting certain financial markets and asset classes could further impact the Group's results, financial condition (including its capital position under CRD IV) and prospects. In the future, these factors could have an impact on the mark-to-market valuations of assets in the Group's available for sale (**AFS**) (which under CRD IV will be reflected in changes in the capital position of the Group) trading portfolios and assets and liabilities designated at fair value through the profit and loss account. In addition, any further deterioration in the performance of the assets in the Group's AFS portfolio could lead to additional impairment losses. The AFS portfolio accounted for 9% of total Group assets as at 30th June, 2013.

In addition, whereas under current capital rules volatility in the assets and liabilities of the Group's pension schemes does not directly impact on the reported regulatory capital of the Group, under CRD IV movements in the value of scheme assets and liabilities will have a direct impact on its capital position.

During the transitional implementation period for CRD IV the impact of volatility will phase in during the period to full implementation.

The Group is exposed to market risks such as changes in interest rates, interest rate spreads (or bases) and foreign exchange rates

A range of market risks are inherent to the Group's business including, *inter alia*, the interest rate risks that arise from the presence of non-interest related assets and liabilities on the balance sheet, the exposure of Group earnings to basis risk and the exposure of the Group's net worth and its principal capital ratios to exchange rate movements. Whilst the Group engages in a range of hedging strategies, the Group remains potentially exposed to adverse movements in interest rates, interest rate bases (the differential between variable interest rates), cross currency bases (primarily the cost of borrowing in euro to fund assets in sterling) and exchange rates.

The Group is exposed to structural interest rate and structural foreign exchange risk. Structural interest rate risk arises from the existence of non-interest bearing assets and liabilities on the Group's balance sheet. These consist mainly of non-interest bearing current accounts plus equity less fixed assets. Due to this structural risk exposure, changes in interest rates and the volatility of such changes may affect the net assets and earnings reported by the Group. Structural foreign exchange risk is defined as an entity's non-trading net asset position in an entity's non-domestic currencies. Structural foreign exchange risk arises primarily from the Group's net investment in those of its subsidiaries which report in Sterling. Changes in foreign exchange rates affect the euro value of assets and liabilities denominated in other currencies. Such changes and the degree of volatility of such changes may affect the net assets and earnings reported by the Group.

Fundamental changes are underway in derivatives markets, in particular the mandatory clearing of most forms of interest rate swap and other standardised derivatives. The Group will access clearing through a number of appointed clearing brokers. The move to clearing brings with it concentration risks for many banks, including the Group, arising from the fact that access to clearing through central exchanges will be controlled by a relatively small number of counterparties. This compares with the bilateral OTC markets where no such concentration exists. The deterioration in the credit standing of the Group or credit appetite of one or more clearing brokers could impact on the Group's ability to execute new, or to clear existing, derivatives.

The persistence of exceptionally low interest rates for an extended period into the future could adversely affect the Group's financial condition and prospects through, among other things, the compression of net interest margin, the low absolute level of yields at which certain liabilities are invested together with the rate at which pension liabilities are discounted. Significant changes including centralised clearing are underway in derivatives markets which may give rise to risks in respect of the Group's derivatives portfolio.

The Group's life assurance business is subject to inherent risks involving claims, as well as market conditions generally

Life assurance risk is the potential volatility in the amount and timing of insurance claims caused by unexpected changes in mortality, longevity and morbidity. Mortality risk is the risk of deviations in timing and amounts of cash flows paid to policy holders (premiums and benefits) due to the occurrence or non-occurrence of death. Longevity risk is the risk of such deviations due to increasing life expectancy trends among policy holders and pensioners, resulting in payout ratios higher than originally accounted for. Morbidity risk is the risk of deviations in timing and amount of claims by policy holders due to the occurrence or non-occurrence of disability and sickness. A material change in relation to any of these risks could materially and adversely affect the results, financial condition and prospects of the Group's life assurance business.

The Group's life assurance business is also subject to persistency risk which is the risk that policyholders may not continue with their insurance for the full term of the contract, or may do so at a reduced level, in which case the Group's life assurance business will receive less fees from the provision of insurance services than envisaged at the inception of the contract.

In addition, the Group's life assurance business is subject to risks relating to the volatility in the value of the underlying assets held to meet its liabilities.

The Group may be required to make further contributions to its pension schemes if the value of pension fund assets is not sufficient to cover potential obligations

The Group's pension funds are subject to market fluctuations and changes in the value of underlying assets, as well as to interest rate risk, mortality risk and changes to actuarial assumptions. These fluctuations could impact on the value of the schemes' asset portfolios and result in returns on the pension funds being less than expected and/or result in there being a greater than expected increase in the estimated value of the schemes' liabilities. Due to adverse market conditions impacting the value of liabilities, deficits exist in the majority of the Group's defined benefit schemes. As the pension funds continue to be subject to market fluctuations, interest rate and inflation risks, a level of volatility associated with pension funding remains. The impact of material volatility could be exacerbated under the new Basel III/CRD IV capital rules under which defined benefit pension deficits will be a deduction from capital ratios over time.

The implementation of existing, or introduction of new, statutory funding standards for pension schemes (including those introduced in Ireland in 2012) could have an adverse impact on the Group's financial condition and prospects.

In addition, the introduction of new taxes or levies, or the implementation of existing taxes and levies, on private sector pension funds (such as the 0.6 per cent. stamp duty levy on pension fund assets introduced in Ireland in 2011) could adversely impact the Group's financial condition and trading performance.

Change of Law and Regulation

Capital Requirements Regulation

The Central Bank has confirmed to the Bank that, in line with the 31st October, 2013 communication published by the EBA on its website, it will recognise the Acquired Preference Stock for grandfathering

purposes as CET 1 Capital (within the meaning of the Central Bank's requirements) under Article 483 of the Capital Requirements Regulation from 1 January, 2014. If the grandfathering requirements or the definition of CET 1 Capital are subsequently amended or if new qualification requirements are introduced, or if the Central Bank otherwise applies a different approach to its determination of what constitutes CET 1 Capital and/or Core Tier 1 Capital, there is no guarantee that the Acquired Preference Stock will continue to qualify or be recognised as CET 1 Capital and/or Core Tier 1 Capital and this would adversely affect the Bank's ability to meet its regulatory capital obligations and could materially adversely affect the Group's results, financial conditions and prospects. In addition, the Group may be required or may consider it necessary to take appropriate actions to address such matters, such as the redemption of 2009 Preference Stock (see further "*The 2009 Preference Stock may be redeemed or purchased at the option of the Bank and any such redemption would result in redemption of the Notes*" below).

The Bank announced on 4th December, 2013 that, save in certain circumstances (including, without limitation, following a breach of the Waiver Deed, changes in the regulatory capital treatment of the 2009 Preference Stock for any purpose, or taxation events) it does not intend to redeem the Acquired Preference Stock prior to 1st January, 2016. However, there is no assurance that such intention will remain unchanged before 1st January, 2016 or that redemption will occur on or after 1st January, 2016. The Bank has advised the Central Bank that it is not the Bank's intention to recognise the 2009 Preference Stock (including the Acquired Preference Stock) as CET 1 Capital after July 2016, unless the de-recognition of the 2009 Preference Stock would mean that an adequate capital buffer cannot be maintained above applicable regulatory requirements. It is noted that in any event the 2009 Preference Stock would no longer qualify as CET 1 Capital under Article 483 of the Capital Requirements Regulation after 31st December, 2017. (See further "*The 2009 Preference Stock may be redeemed or purchased at the option of the Bank and any such redemption would result in redemption of the Notes*" below.)

Credit Institutions (Stabilisation) Act 2010

The Credit Institutions (Stabilisation) Act 2010 (the **Stabilisation Act**) was commenced by the Minister for Finance on 21st December, 2010. The Stabilisation Act provides a legislative basis for the reorganisation and restructuring of the banking system agreed in the EU/IMF Programme. The Stabilisation Act provides broad powers to the Minister for Finance (in consultation with the Governor of the Central Bank) to act on financial stability grounds to effect the restructuring actions and recapitalisation measures envisaged in the EU/IMF Programme.

The Stabilisation Act applies to "relevant institutions", which are, for the most part, Irish banks who have received financial support from the State (which would include the Bank), Irish building societies and their holding companies and subsidiaries.

The Stabilisation Act gives the Minister for Finance very significant powers to recapitalise and restructure the Irish banking industry. Pursuant to the Stabilisation Act, the Minister for Finance is entitled to make certain proposed orders and to then petition the High Court to make formal orders and directions, including a direction order (to take or refrain from any action); special management order (appointing a person as special manager of the relevant institution); a subordinated liabilities order modifying the rights of subordinated bondholders in a relevant institution (including rights to interest and the repayment of principal, events of default, timing of obligations and may facilitate potential debt for equity swap restructuring of subordinated liabilities) or a transfer order (transfer of assets or liabilities of relevant institutions).

The Stabilisation Act restricts subordinated creditors from instituting a petition to wind up an institution on the basis of failure to honour the terms of a subordinated liability where the institution in question is in compliance with the terms of an order. In addition once an order is made, no subordinated creditor of the relevant institution may exercise any right of set-off in respect of any amount in connection with the subordinated liabilities owed to the subordinated creditor by the relevant institution.

On 18th December, 2012, the Oireachtas (the Irish parliament) confirmed that the period of effectiveness of the Stabilisation Act will be extended for a further period of 24 months up to 31st December, 2014. The cessation of the Stabilisation Act, at the expiry of this period (assuming it is not further extended before such expiry), will not affect any order or requirement made under it prior to such expiry.

The Stabilisation Act has been followed by an extensive special resolution regime (see "*The Central Bank and Credit Institutions (Resolution) Act 2011*") that will provide for a comprehensive framework to facilitate the orderly management and resolution of distressed credit institutions. That will become applicable to relevant institutions once the Stabilisation Act ceases to be effective.

The Central Bank and Credit Institutions (Resolution) Act 2011

The introduction of a special resolution regime for credit institutions may impact on the regulation of the Group and on its corporate structure. On 20th October, 2011, the Central Bank and Credit Institutions (Resolution) Act 2011 (the **Resolution Act**) was enacted and was brought into force on 28th October, 2011. The Resolution Act provides that one of its purposes is to make provision for an effective and efficient resolution regime for authorised credit institutions that are failing or likely to fail while minimising the cost to the State.

Under the Resolution Act, the Central Bank has been given sweeping powers to intervene where a credit institution is failing, similar to those granted to the Minister for Finance under the Stabilisation Act. The Resolution Act empowers the Central Bank to:

- establish and manage a Credit Institutions Resolution Fund, financed by a levy on credit institutions and any contribution from the Minister, to provide a source of funding for the resolution of financial instability in, or an imminent serious threat to the financial stability of, an authorised credit institution;

- establish "bridge-banks" to hold assets or liabilities transferred pursuant to a transfer order;

- present a petition to the High Court for the winding up of a credit institution; and

- direct that an authorised credit institution prepare and implement a recovery plan, or to prepare a resolution plan for the institution.

In addition, if certain pre-conditions are met and if it is considered necessary, the Central Bank, following consultation with the Minister, has been given power to make an application to the High Court seeking an order to:

- transfer all or part of the assets and/or liabilities of an authorised credit institution, or subsidiary or holding company of that credit institution, to a designated transferee, including a bridge-bank established to hold such assets and liabilities temporarily; and

- impose a special management regime on a credit institution.

The Resolution Act provides that its application to "relevant institutions" within the meaning of the Stabilisation Act (which would include the Bank) (for so long as the relevant entity concerned is a relevant institution for the purposes of the Stabilisation Act) is restricted to certain matters relating to the winding up of relevant institutions while the Stabilisation Act is in operation (i.e. up to 31st December, 2014 unless this date is further extended by the Oireachtas).

The Resolution Act is untested and it cannot be said for certain what its implications might be for authorised credit institutions to which it applies. No assurance can be given as to the effect of the Resolution Act on the Group or its businesses or operations.

The Recovery and Resolution Directive

Currently, discussions, initiatives and review processes dealing with loss absorbency and bail-in rules have been, and continue to be, on-going with various regulatory bodies including the Basel Committee on Banking Supervision and the European Commission. These initiatives may result in further significant changes in the regulatory framework for capital and debt instruments of credit institutions. The Recovery and Resolution Directive published by the European Commission remains in draft form but is expected to come into force by 2014 and to be transposed into Irish national law thereafter.

Amongst other proposals, the draft Recovery and Resolution Directive includes proposals to give the competent regulator and/or authority the power to write down the share capital of a credit institution and to write down or to convert into equity its relevant capital instruments (i.e. the own funds instruments of the credit institution) if certain conditions are met (the **write-down tool**). The write-down tool would be applicable in particular if the competent regulator and/or 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 support without which the credit institution will no longer be viable.

The draft Recovery and Resolution Directive further includes proposals to require the competent regulator and/or authority to be given the following resolution powers (the **resolution tools**) if the credit institution is failing or is likely to fail:

- to transfer to an investor shares, other instruments of ownership and/or all specified assets, rights or liabilities of the credit institution (the **sale of business tool**), and/or

- to transfer all or specified assets, rights or liabilities of the credit institution to a bridge institution which is wholly owned by public authorities (the **bridge institution tool**), and/or

- to transfer assets, rights or liabilities to a legal entity which is wholly owned by public authorities for the purpose of sale or otherwise ensuring that the business is wound down in an orderly manner, to be applied in conjunction with another resolution tool (the **asset separation tool**), and/or

- to write down the claims of unsecured creditors of an institution and convert debt to equity, with the first losses being taken by shareholders and thereafter by subordinated and then senior creditors, with the objective of recapitalising an institution (the **general bail-in tool**).

In respect of the write-down tool, expected to be implemented for capital instruments (including the Preference Stock) with effect from 1st January, 2015 and the general bail-in tool expected to be implemented by 1st January, 2018 the competent regulator and/or authority would have the power, upon certain trigger events, to cancel existing shares, to write down eligible liabilities (i.e. own funds instruments and, in the case of the general bail-in tool, other subordinated debt and even senior debt, subject to exceptions in respect of certain liabilities) of a failing credit institution or to convert such eligible liabilities of a failing credit institution into equity at certain rates of conversion representing appropriate compensation to the affected holder for the loss incurred as a result of the write-down and conversion. Where a credit institution meets the conditions for resolution, the competent regulator and/or authority would be required to apply the write-down tool before applying the resolution tools. The further delineation between the write-down tool and the general bail-in tool is subject to further clarification.

Pursuant to the draft Recovery and Resolution Directive, any write-down (or conversion) in accordance with the general bail-in tool or the write-down tool would not constitute an event of default under the terms of the relevant instruments. Consequently, any amounts so written down would be irrevocably lost and the holders of such instruments would cease to have any claims thereunder, regardless whether or not the bank's financial position is restored. Pursuant to the draft Recovery and Resolution Directive, resolution

authorities would ensure that, when applying the resolution tools, creditors however do not incur greater losses than those that they would incur if the credit institution would have been wound down in normal insolvency proceedings.

The proposed legal provisions and/or regulatory measures may severely affect the rights of the holders of capital instruments issued by the Group, including the Acquired Preference Stock where the relevant capital instruments mature or may be redeemed after 1st January, 2015 or any later such date as is finally applicable, may result in the loss of the entire investment in the event of non-viability, and may have a negative impact on the market value of such capital instruments. It is currently unclear to what extent existing statutory powers under the Stabilisation Act (to the extent applicable at the relevant time) and the Resolution Act in respect of such capital instruments will need to change.

However, the draft Recovery and Resolution Directive is not in final form and changes may be made to it in the course of the legislative process. Until fully implemented, the Bank cannot predict the precise effects of the bail-in tool, the write-down tool and their impact in relation to the Acquired Preference Stock (and therefore the Notes).

The Group is subject to a number of risks associated with the Irish banking system and the regulatory environment in the jurisdictions in which it carries out its principal activities, primarily in Ireland and the UK. Regulatory obligations could have a material adverse impact on the Group's results, financial condition and prospects

Irish and UK Banking System

The exercise of powers under existing legislation, in particular (in Ireland) the Stabilisation Act and the Resolution Act, the introduction of new government policies or the amendment of existing policies in Ireland or the UK (including supervision, regulation, capital levels and structure), or the introduction of new regulatory obligations by the Group's regulators, could have an adverse impact on the Group's results, financial condition and prospects.

Basel III / CRD IV

See the risk factors entitled "*Capital adequacy and its effective management, which is critical to the Group's ability to operate its businesses and to pursue its strategy*" and "*Change of Law and Regulation*".

Regulatory obligations

The Group is subject to extensive regulation and oversight. Regulatory obligations are increasing and many regulatory sanctions and fines are increasing globally. Where breaches occur, a sanction or fine requiring public disclosure may be imposed by a regulator, which could adversely impact market sentiment and consequently adversely impact Group results, financial conditions and prospects.

The impact of the proposed EU banking union is not yet clear. Under the terms of the SSM Regulation and the EBA Amending Regulation (Regulation (EU) 1022/2013) the ECB will discharge a direct supervisory role with respect to certain eurozone banks, with the right to scrutinise other banks in the eurozone area. Were the ECB to increase the level of regulatory obligations and/or impose more stringent sanctions and fines, this could adversely impact on the Group's results, financial condition and prospects.

Bank of Ireland (UK) plc

Bank of Ireland (UK) plc is the Group's licensed banking subsidiary in the UK. It comprises the Group's financial services relationship with the UK Post Office, its branch business in Northern Ireland, certain assets from its former intermediary sourced mortgage business, and other parts of its UK business banking

operations. It is regulated by the Prudential Regulation Authority and the Financial Conduct Authority, which replaced the Financial Services Authority on 1st April, 2013.

Banking inquiry

The Government has commissioned and received three preliminary reports into the factors which contributed to the Irish banking crisis, including one report from the Statutory Commission of Investigation. Further inquiry may result from the findings of the Statutory Commission of Investigation, including the possibility of public hearings under the Commissions of Investigation Act, 2004.

In addition, the Government has brought forward legislation to provide a statutory framework for enquiries by the Oireachtas (Houses of the Oireachtas (Inquiries Privileges and Procedures) Act 2013). Under this legislation, the Government is expected to hold an inquiry into the banking crisis.

The scope of any further inquiry (pursuant to the Commissions of Investigation Act, 2004, the new Oireachtas (Houses of the Oireachtas (Inquiries Privileges and Procedures) Act 2013 or otherwise), its costs and potential implications for the Group are currently unknown.

EU Restructuring Plan

On 20th December, 2011, the European Commission approved the revised EU restructuring plan prepared by the Group for the period to 31st December, 2015. The revised EU restructuring plan approved on 20th December, 2011 included additional deleveraging of assets, extension of the period in which to divest New Ireland Irish Assurance Company plc (**NIAC**) by twelve months, together with the deferral of the market opening measures by twelve months and the expansion and extension of other behavioural measures already agreed in the previous EU restructuring plan for the Group for the period to 31st December, 2014 which was approved by the European Commission on 15th July, 2010.

On 9th July, 2013, the European Commission gave approval under the state aid rules to amend the Group's revised EU restructuring plan (**Amended EU Restructuring Plan**), which permitted the retention of NIAC but required a range of substitution measures including the exit from the Group's Great Britain based business and corporate banking activities, the exit from the origination of new mortgages through the intermediary channel in the Republic of Ireland and the expansion and extension of other behavioural measures already agreed in the previous EU restructuring plans for the Group.

The Group could be subject to a variety of risks as a result of implementing the Amended EU Restructuring Plan including the risk that the Group will lose existing customers, deposits and other assets through the sale of businesses and potentially suffer damage to other parts of the Group's business arising from implementing the divestment, deleveraging and behavioural commitments and the Group and its performance could be adversely impacted through the actions of the monitoring trustee. Also, should the Group fail to complete divestments in the Amended EU Restructuring Plan within relevant time periods, a divestiture trustee(s) would be appointed by the European Commission to conduct the sale. In addition, if the Group fails to comply with commitments contained in the Amended EU Restructuring Plan or if the Group materially deviates from the Amended EU Restructuring Plan or needs additional state aid not foreseen in the European Commission's decision approving the Amended EU Restructuring Plan, the European Commission may reopen the state aid control procedure and/or open a new procedure and reassess the aid measures in their entirety, which may result in an adverse outcome for the Group.

Other

The Government, through the NPRFC (as established by the National Pensions Reserve Fund Act 2000) and through the Relationship Framework could exert a significant level of influence over the Group. The NPRFC could exercise its voting rights in a manner which is not aligned with the interests of the Group or its other stockholders. As previously disclosed, the Group has also given certain undertakings to the

Minister for Finance (the **Undertakings**) in respect of its lending, corporate governance and remuneration. Actions on foot of the NPRFC Investment and the Undertakings could require the Group to implement operational policies that could adversely affect the Group's results, financial condition and prospects.

If the Group becomes subject to employment disputes or industrial action, this could adversely affect its business and the financial condition and prospects of the Group

A significant number of the Group's employees are members of trade unions. The Group currently consults with its employees and their representatives regarding pay, pensions, work practices, organisation change and conditions of employment. The Group recognises that challenges may arise in relation to pay, pensions and terms and conditions of employment which may need to be resolved through established industrial relations fora. In the event that the Group becomes subject to industrial action or other labour conflicts, including strikes or other forms of industrial actions, this may result in a disruption to the Group's business and may adversely affect the financial condition and prospects of the Group.

Reputation risk is inherent in the Group's business

Reputation risk is inherent in the Group's business. Negative public or industry opinion can result from the actual or perceived manner in which the Group conducts its business, actual or perceived practices and behaviours in the banking industry or from issues arising in the external environment. Such activities could, potentially, include necessary commercial decisions that impact on customers, the availability of credit, the treatment of customers in difficulties, the occurrence of cybercrime, allegations of overcharging and mis-selling or mispricing of financial products, noncompliance with legal or regulatory requirements, inadequate or failed internal processes or systems or issues arising from human error or remuneration practices.

Negative publicity may adversely impact the Group's ability to have a positive relationship with key stakeholders, including regulatory authorities, and/or to keep and attract customers, the loss of which may adversely impact the Group's business, financial condition and prospects.

The Group may be subject to litigation and regulatory proceedings which could have a material adverse impact on its results, financial condition and prospects

Disputes, legal proceedings and regulatory investigations in which the Group may be involved are subject to many uncertainties, and their outcomes are often difficult to predict, particularly in the earlier stages of a case or investigation. Adverse judgments in litigation or regulatory proceedings involving the Group or other financial institutions could result in a disruption of Group business and in restrictions or limitations to the Group's operations or result in a material adverse impact on the Group's results, financial condition and prospects, together with its reputation.

The Group's success depends in part on the availability of skilled management and the continued services of key members of its management team, both at its head office and at each of its business units

Failure by the Group to staff its operations appropriately, or the loss of one or more key senior executives and failure to replace them in a satisfactory and timely manner may have a material adverse impact on the Group's results, financial condition and prospects.

In addition, if the Group fails to attract and appropriately train, motivate and retain highly skilled and qualified people, its businesses may also be negatively impacted.

The Group is also subject to restrictions on remuneration arising from the implementation of Irish legislation, agreements with the Government associated with the recapitalisation of the Group and the EBA remuneration guidelines. Restrictions imposed on remuneration by governmental, tax or regulatory authorities, for example CRD III and CRD IV, or other factors outside the Group's control in relation to the

retention and recruitment of key executives and highly skilled and qualified people may also adversely impact on the Group's ability to attract and retain such staff.

A failure in the Group's processes, technology or infrastructure, or those of third parties, or due to the acts of external parties, or impacts of external events could disrupt its normal business activities, adversely impacting the Group's financial condition and prospects, and damaging the Group's reputation

Operational risks are inherent in the Group's businesses, including as a result of potentially inadequate or failed internal processes (as well as financial reporting and risk monitoring processes), information technology or equipment failures or the failure of external systems and controls, including those of the Group's suppliers or counterparties, or from people-related or external events, such as cyber-crime or the risk of fraud and other criminal acts carried out against the Group.

The Group processes and monitors on a daily basis a large number of transactions, some of which are highly complex, across different products and services, in diverse markets and currencies subject to a number of different legal and regulatory regimes. The Group faces the risk that cyber-attacks may adversely affect the Group's ability to process these transactions or provide services. Any weakness in these controls or actions could result in an adverse impact on the Group's results and financial condition, and could give rise to regulatory penalties.

The Group is required to implement and adhere to a significant body of existing and new regulatory and legal requirements. The implementation of these requirements and the ongoing adherence to their associated obligations pose various risks, including the potential for non-compliance and direct operational impacts on existing processes and systems and on the continuity of services provided to customers.

The Group also faces the risk of operational disruption, failure and termination or capacity constraints of any third parties that facilitate the Group's business activities.

If one or more of these events occurs, it could potentially jeopardise the confidentiality, integrity and availability of the Group's computer systems and networks, or otherwise cause interruptions or malfunctions in the Group's, as well as its clients' or third parties', operations.

The occurrence of one or more of the above, or any weakness in the Group's internal control structures and procedures, could result in a material adverse impact on the Group's results, financial condition and prospectus, as well as reputational damage which could exacerbate such adverse impact, and could give rise to regulatory penalties.

Delivery of Bonus Stock may be delayed or (in certain circumstances and subject as provided in the Bye-Laws) not made at all and, if it is made, the issue date is at the discretion of the Bank but such date will not be later than the date on which the Bank subsequently redeems or purchases or pays a dividend on the 2009 Preference Stock or any other class of capital stock of the Bank

If a cash dividend is not paid by the Bank, then the Bank must, subject to the Bank not being prohibited from doing so by law and subject to the requirements of the Bye-Laws in relation to the capitalisation of stock (as set out below), issue units of Ordinary Stock in the Bank to holders of units of 2009 Preference Stock (the **Bonus Stock**).

However, the Bank Directors may determine the date of such issue in their sole and absolute discretion, provided such date is no later than the first in time of either (i) payment of cash dividends on the 2009 Preference Stock or any other capital stock of the Bank or (ii) the date of redemption or purchase for cash by the Bank of the 2009 Preference Stock or any other capital stock of the Bank. Consequently, the Issuer (and, subsequently, the Noteholders) may not receive the Bonus Stock until a much later date than the corresponding Interest Payment Date. Furthermore, such Bonus Stock will not be issued if the settlement

date determined by the Bank Directors in respect of such issue falls on a date on or after an order being made or petition presented or resolution passed for the insolvent winding up or insolvent dissolution of the Bank or the appointment of a liquidator or examiner to it.

Bye-Laws 4(F), 5(F) and 6(F) of the Bank provide that prior to the allotment of certain preference stock, the Bank Directors may determine that the Bank is restricted under the terms of such preference stock from capitalising any stock of the Bank out of the Bank's reserves if such payment would result in such reserves falling below an amount equal to a multiple, to be determined by the Bank Directors prior to the allotment of such preference stock, of the aggregate amount of the annual dividends payable on the preference stock of the Bank. As at the date of this Prospectus, the Bank Directors have determined (in accordance with Bye-Law 5(F) and 6(F)) that this restriction applies under the terms of the 1992 Preference Stock and as a result, the Bank may not, without the consent of the holders of the 1992 Preference Stock, pay up any part of the Bonus Stock out of the Bank's reserves if such payment would result in the Bank's reserves falling below an amount equal to four times the aggregate amount of the annual dividends payable on the 1992 Preference Stock and any other preference stock ranking *pari passu* with or in priority to such stock as regards the rights to receive dividends or the rights on winding up, or other return of capital, by the Bank. This would not restrict the Bank from issuing Bonus Stock paid (by the holders of the 2009 Preference Stock) up to the nominal value of such stock under Bye-Law 6(I)(4)(a) (see further the description of the 2009 Preference Stock in the section headed "*Annex A: Description of the Acquired Preference Stock, the Preference Stock Purchase Agreement and the Waiver Deed - Dividend Entitlement*".

A failure of the Bank to deliver Bonus Stock for the reasons described in this risk factor will not result in any sanctions for the Bank.

Dividends on the 2009 Preference Stock (including the Acquired Preference Stock) are non-cumulative

The dividends on the 2009 Preference Stock (including the Acquired Preference Stock) are non-cumulative. Accordingly, to the extent that any dividend or any part thereof is on any occasion not resolved to be paid for any reason, holders of 2009 Preference Stock (including holders of the Acquired Preference Stock) will not have a claim in respect of the dividend accrued for the relevant dividend period or for interest on the dividend, whether or not dividends on the 2009 Preference Stock are resolved to be paid for any future dividend period. See further "*Delivery of Bonus Stock may be delayed or (in certain circumstances and subject as provided in the Bye-Laws) not made at all and, if it is made, the issue date is at the discretion of the Bank but such date will not be later than the date on which the Bank subsequently redeems or purchases or pays a dividend on the 2009 Preference Stock or any other class of capital stock of the Bank*".

Dividends on the 2009 Preference Stock (including the Acquired Preference Stock) are discretionary and will only be paid if the Court of Directors so resolves in respect of any dividend period

The Court of Directors of the Bank may resolve, in its absolute discretion, on or before any Dividend Payment Date not to pay the dividend on the 2009 Preference Stock for the dividend period to which that Dividend Payment Date relates in which case holders of 2009 Preference Stock (including holders of Acquired Preference Stock) have no further right or claim in respect of such dividend (save as provided by the Bye-Laws of the Bank). See further "*Delivery of Bonus Stock may be delayed or (in certain circumstances and subject as provided in the Bye-Laws) or not made at all and, if it is made, the issue date is at the discretion of the Bank but such date will not be later than the date on which the Bank subsequently redeems or purchases or pays a dividend on the 2009 Preference Stock or any other class of capital stock of the Bank*".

In any event, under Irish company law and under the Bye-Laws of the Bank, the Bank may pay dividends on the 2009 Preference Stock only if (a) payment can be made in full out of the profits and reserves of the Bank available for distribution and permitted to be distributed and (b) such payment would not breach or cause a breach of the banking capital adequacy requirements from time to time applicable to the Bank.

Illiquidity

At the time of issue of the Notes, the Acquired Preference Stock will be unlisted, will not trade through any clearing system and will be held by a very limited investor base. The Bank is not under any obligation to obtain or maintain any listing of the Acquired Preference Stock or to enable the Acquired Preference Stock to be delivered through a clearing system. There will be no established trading market for the Acquired Preference Stock and one may never develop. If a market does develop, it may not be very liquid. As such, the Acquired Preference Stock generally will have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Acquired Preference Stock.

Further, on the Issue Date of the Notes, it is expected that the only holders of the 2009 Preference Stock will be the Issuer and the NPRFC. The NPRFC will, subject to the requirements of the Bye-Laws, be able to trade any of the 2009 Preference Stock it continues to hold on terms it may determine which may adversely affect the market value of the Relevant Stock. However, it is expected that following the completion of the Placing and the subsequent redemption by the Bank of any units of 2009 Preference Stock which remain held by the NPRFC as at the date of this Prospectus of an equivalent redemption value to the value of the net proceeds of the Placing and which are not proposed to be acquired by the Issuer, the NPRFC will not hold any units of 2009 Preference Stock, but the Placing will not affect the NPRFC's holding of Ordinary Stock. In addition, the Issuer will agree pursuant to the Waiver Deed, to waive all rights, claims, interests and entitlements to any Waived Amount, to irrevocably appoint each director and/or the secretary of the Bank as its proxy to vote on its behalf at any class meeting or General Court of the Bank (at which the Issuer is entitled to vote at such time) convened at any time in the future for the purposes of or in connection with the Amendment (as set out in the form contained in Schedule 1 of the Waiver Deed) in favour of the Amendment and to procure that any transferee of its Relevant Stock will also adhere to this waiver and appointment.

In addition, the Issuer will agree that it shall not sell, transfer, charge, encumber, grant any option over or otherwise dispose of or permit the sale, transfer, charging or other disposition or creation or grant of any other encumbrance or option of or over all or any of the Relevant Stock or any interest (whether legal, beneficial, derivative or otherwise) in the Relevant Stock nor enter into any agreement or arrangement to do any of such things in respect of the Relevant Stock or any interest in the Relevant Stock (each a **Transfer Event**), save: (a) for the charge created pursuant to the Deed of Charge; (b) upon a redemption of the Notes in accordance with Condition 10.1 (*Redemption in relation to the Acquired Preference Stock*) (disregarding any amendment, variation or addition made to the Conditions of the Notes after the date of the Waiver Deed) or in connection with a cancellation of Notes in accordance with Condition 10.4 (*Purchase*); (c) upon an Event of Default under the Notes; (d) upon the transfer by the Issuer of the Relevant Stock to a substitute company in accordance with Condition 12.2 (*Obligation to Substitute the Issuer or amend the terms of the Notes*) or Condition 19 (*Substitution*) of the Notes; or (e) with the prior written consent of the Bank. The Issuer has also agreed that any Transfer Event occurring in advance of the Preference Stock Amendment Date shall also be subject to (i) the Issuer having given five Business Days' notice of the same and (ii) the proposed transferee acceding to, and agreeing to be bound by the terms of, the Waiver Deed by executing a Waiver Adherence Deed in the form set out in the Waiver Deed in respect of the entire interest in the Relevant Stock to be acquired by the proposed transferee. The Bank may, in its absolute discretion, decline to register any transfer of Relevant Stock which is to take place prior to the Preference Stock Amendment Date where the proposed transfer is not in compliance with the terms of the Waiver Deed. The Trustee has also covenanted and agreed with the Bank that in exercising any of its rights pursuant to the Deed of Charge following enforcement of the security, it will perform and be bound by all of the terms of the Waiver Deed expressed to be binding on it. In addition, the Trustee will ensure that, in such circumstances where it is exercising its rights under the Deed of Charge following enforcement of the security, any transfer or delivery of any Relevant Stock by it will (where such transfer or delivery is to take place prior to the Preference Stock Amendment Date) be subject to the relevant transferee executing a Waiver Adherence

Deed in respect of the entire interest in the Relevant Stock to be acquired by the relevant transferee. These commitments may further limit the liquidity in the Relevant Stock.

The NPRFC, as the holder of the 2009 Preference Stock, other than the Acquired Preference Stock, is not party to the Waiver Deed and, as at the date of this Prospectus, the NPRFC has not waived its entitlement to the Waived Amount. The NPRFC is not subject to the above restrictions in relation to Transfer Events in respect of its holding of 2009 Preference Stock. As set out above however, it is expected that following the completion of the Placing and the subsequent redemption by the Bank of any units of 2009 Preference Stock which remain held by the NPRFC as at the date of this Prospectus of an equivalent redemption value to the value of the net proceeds of the Placing and which are not proposed to be acquired by the Issuer, the NPRFC will not hold any units of 2009 Preference Stock, but the Placing will not affect the NPRFC's holding of Ordinary Stock.

No limitation on issuing senior debt securities or pari passu shares

Other than the requirement for the consent of the Minister for Finance in accordance with Bye-Law 71 of the Bye-Laws (but only for so long as the NPRFC holds any units of 2009 Preference Stock), there is no restriction on the amount of securities (including preference stock) which the Bank may incur which ranks senior to the 2009 Preference Stock or on the amount or terms of securities which the Bank may issue or guarantee which obligations rank *pari passu* with the 2009 Preference Stock. The issue of any such securities or creation of such obligations may reduce the amount recoverable by holders of the 2009 Preference Stock on a winding up or other return of capital of the Bank or may increase the likelihood of a suspension of distributions in respect of the 2009 Preference Stock.

Perpetual Securities

The Bank is under no obligation to redeem the Acquired Preference Stock at any time (other than, pursuant to the Bye-Laws as at the date of this Prospectus, in the limited circumstance that the number of units of the 2009 Preference Stock in issue falls below 35 million units of €0.01 each in which case the Bank is obliged to redeem the 2009 Preference Stock (including the Acquired Preference Stock), subject to the consent of the Central Bank (given after consultation, where required, with the Minister for Finance) and subject to the requirements of Irish company law and the Bye-Laws as to the manner of financing any redemption of redeemable shares. The holders of the 2009 Preference Stock (including the Acquired Preference Stock) have no right to call for their redemption.

The Bank announced on 4th December, 2013 that, save in certain circumstances (including, without limitation, following a breach of the Waiver Deed, changes in the regulatory capital treatment of the 2009 Preference Stock for any purpose, or taxation events) it does not intend to redeem the Acquired Preference Stock prior to 1st January, 2016. However, there is no assurance that such intention will remain unchanged before 1st January, 2016 or that redemption will occur on or after 1st January, 2016. The Bank has advised the Central Bank that it is not the Bank's intention to recognise the 2009 Preference Stock (including the Acquired Preference Stock) as CET 1 Capital after July 2016, unless the de-recognition of the 2009 Preference Stock would mean that an adequate capital buffer cannot be maintained above applicable regulatory requirements. It is noted that in any event the 2009 Preference Stock would no longer qualify as CET 1 Capital under Article 483 of the Capital Requirements Regulation after 31st December, 2017. (See further "*The 2009 Preference Stock may be redeemed or purchased at the option of the Bank and any such redemption would result in redemption of the Notes*" below.)

The 2009 Preference Stock may be redeemed or purchased at the option of the Bank and any such redemption would result in redemption of the Notes

Subject to the prior consent of the Central Bank (given after consultation, where required, with the Minister for Finance) and to compliance with Irish company law requirements as to the manner of financing any

redemption of redeemable shares the 2009 Preference Stock may be redeemed at the option of the Bank, in whole or in part, at any time. The Bank may, pursuant to the Bye-Laws as at the date of this Prospectus, redeem or purchase (subject to the provisions of the Irish Companies Acts 1963 to 2012) the 2009 Preference Stock at a price equal to the aggregate of €1.00 (up to 31st March, 2014 and €1.25 thereafter) and any dividends accrued for the then current dividend period. Pursuant to the Waiver Deed, however, the Issuer will irrevocably agree to waive all rights, claims, interests and entitlements to any Waived Amount and to irrevocably appoint each director and/or the secretary of the Bank as its proxy to vote on its behalf at any class meeting or General Court of the Bank (at which the Issuer is entitled to vote at such time) convened at any time in the future for the purposes of or in connection with the Amendment (as set out in Schedule 1 of the Waiver Deed), in favour of the Amendment and to procure that any transferee of its Relevant Stock will also adhere to this waiver and appointment.

The Bank announced on 4th December, 2013 that, save in certain circumstances (including, without limitation, following a breach of the Waiver Deed, changes in the regulatory capital treatment of the 2009 Preference Stock for any purpose, or taxation events) it does not intend to redeem the Acquired Preference Stock prior to 1st January, 2016. However, there is no assurance that such intention will remain unchanged before 1st January, 2016 or that redemption will occur on or after 1st January, 2016. The Bank has advised the Central Bank that it is not the Bank's intention to recognise the 2009 Preference Stock (including the Acquired Preference Stock) as CET 1 Capital after July 2016, unless the de-recognition of the 2009 Preference Stock would mean that an adequate capital buffer cannot be maintained above applicable regulatory requirements. It is noted that in any event the 2009 Preference Stock would no longer qualify as CET 1 Capital under Article 483 of the Capital Requirements Regulation after 31st December, 2017.

Any redemption by the Bank of the Acquired Preference Stock would, in turn, result in a redemption by the Issuer of the Notes for cash.

Among the circumstances where the Bank expects it might redeem the Relevant Stock (and without limitation or prejudice to the generality of the foregoing or the ability of the Bank to redeem the 2009 Preference Stock at any time in accordance with the Bye-Laws, including for any reason not set out below) are the following:

- the 2009 Preference Stock ceasing to qualify or be recognised prior to 1st January, 2014, as Core Tier 1 Capital or on or after 1st January, 2014, as CET 1 Capital, or being no longer, or is likely to be no longer, treated by the Central Bank as equivalent to other instruments of the Bank qualifying as Core Tier 1 Capital or CET 1 Capital, as the case may be, for the purposes of the Bank's capital adequacy requirements or for any other purposes;

- any breach or potential breach of the Waiver Deed, including by any of the Issuer and/or the Trustee;

- any transfers or disposals of units of Relevant Stock (prior to the Amendment Date) which do not (or are likely not to) comply with the requirements of the Waiver Deed;

- the occurrence of an Event of Default in respect of the Notes;

- the Waiver Deed ceasing to be effective or binding on the Issuer for any reason;

- the Waiver Deed ceasing to be binding or effective on any holder of Acquired Preference Stock from time to time;

- any amendment of the rights or terms and conditions of the Acquired Preference Stock or the Notes without the prior written consent of the Bank;

- the Issuer or the Bank suffering any adverse tax consequences which are not envisaged by the Bank at the date of this Prospectus, including changes which could result in the Issuer or the Bank having to withhold or account for any taxes in making payments under the Relevant Stock or the Notes or the Issuer suffering a liability for tax which could result in it being unable to pay the full interest amounts due to Noteholders under the terms of the Notes, in each case which arises from a change in relevant law or interpretation thereof or a change in policy of the Irish Revenue Commissioners, or otherwise;

- the number of units of 2009 Preference Stock in issue falls below 35,000,000 units of €0.01 each and the Bank is required to redeem all of the 2009 Preference Stock, including the Relevant Stock, in accordance with Bye-Law 6(I)(5)(b) of the Bye-Laws; or

- pursuant or subsequent to the issuing of a notice by a Bank Group Member under Condition 10.4 of the Notes of its intention to effect a Note Cancellation Event (see further "*Purchase of Notes by Bank Group Member and related cancellation of Notes*" below).

Any perception that the Notes may be redeemed is likely to affect the market value of the Notes. During any period where such perception exists, the market value may, in general, not rise above the price at which they may be redeemed. This may be the case prior to any perceived redemption period.

The Issuer will agree not to issue, without the prior written consent of the Bank, any consent to the variation, alteration or abrogation of the rights attaching to the 2009 Preference Stock from time to time. The Issuer will also consent to the redemption and/or purchase by the Bank or a subsidiary of the Bank of units of 2009 Preference Stock held by persons other than the Issuer (if any) or any permitted transferee of the Issuer, including in the circumstances where the Bank or a subsidiary of the Bank does not redeem or purchase (or offer to redeem or purchase) the Relevant Stock (either on equivalent terms, in the same proportion or at all). The Issuer will also consent to the redemption and/or purchase by the Bank or a subsidiary of the Bank of units of 2009 Preference Stock held by the Issuer or any permitted transferee of the Issuer, including in circumstances where the Bank or a subsidiary of the Bank does not redeem or purchase (or offer to redeem or purchase) units of 2009 Preference Stock held by persons other than the Issuer (if any) or any permitted transferee of the Issuer (either on equivalent terms, in the same proportion or at all). The covenants within the Waiver Deed will not apply to units of 2009 Preference Stock which remain held by the NPRFC, which therefore are free to be sold by NPRFC on different terms, however, it is expected that following the completion of the Placing and the subsequent redemption by the Bank of any units of 2009 Preference Stock which remain held by the NPRFC as at the date of this Prospectus of an equivalent redemption value to the value of the net proceeds of the Placing and which are not proposed to be acquired by the Issuer, the NPRFC will not hold any units of 2009 Preference Stock, but the Placing will not affect the NPRFC's holding of Ordinary Stock.

Change of law

The terms of the 2009 Preference Stock are based on Irish law and regulatory practice in effect as at the date of their issue. No assurance can be given as to the impact of any possible judicial decision or change to Irish law or regulatory practice after the date hereof (including as to the impact of changes to the applicable taxation regime (see further "*Irish taxes*" below)).

Irish taxes

Dividend withholding tax on payment of dividends on the Acquired Preference Stock will apply depending on the classification of the holder of a Acquired Preference Stock for Irish tax purposes. Irish tax resident companies may be able to avail themselves of an exemption from dividend withholding tax. Stamp tax may be applicable in respect of transfers of the Acquired Preference Stock and the Bonus Stock.

If the Bank is wound up, distributions to holders of the 2009 Preference Stock will be subordinated to the claims of creditors, including other classes of preference stock of the Bank

On a winding up of the Bank or other return of capital (other than a redemption of stock of any class in the capital of the Bank) by the Bank, the repayment of the capital paid up (including premium) on the 2009 Preference Stock ranks *pari passu* with the repayment of the capital paid up (excluding premium) on the Ordinary Stock, ahead of the Deferred Stock and the premium (if any) paid up on the Ordinary Stock, but behind the repayment of capital on all other classes on stock, including other classes of preference stock of the Bank.

On a winding up of the Bank, whether voluntarily or involuntarily and whether in connection with insolvency proceedings or otherwise, holders of 2009 Preference Stock (including the Acquired Preference Stock) will be entitled to distributions in liquidation only after the claims of creditors and other holders of other prior-ranking obligations of the Bank and its subsidiaries have been satisfied.

Risks related to the Notes

Interest on the Notes may be decreased by the Variable Expense Amount

If a Variable Expense Amount (as defined herein) is applicable on an Interest Payment Date, interest payable on such Interest Payment Date under the Notes will be decreased by an amount equal to such Variable Expense Amount to less than €102.40 per €1,000 principal amount and, as a result, Noteholders will receive less than the expected Interest Amount (assuming the payment of a dividend in cash on the Acquired Preference Stock) of €102.40 per €1,000 principal amount on such Interest Payment Date (and this will not be compensated by any additional or increased payment, whether on any subsequent Interest Payment Date, redemption or otherwise).

Interest on the Notes is subject to receipt of dividends on the Acquired Preference Stock

Interest is payable on the Notes only to the extent that a corresponding cash dividend is received by the Issuer in respect of the Acquired Preference Stock (and following deduction of amounts required by the Issuer to fund its ongoing expenses). If the Bank fails to resolve that a dividend shall be paid in cash, or resolves that a dividend shall be paid in cash but does not pay the dividend or fails to issue Bonus Stock in lieu of a cash dividend under the terms of the 2009 Preference Stock, this will not constitute an Event of Default under the Notes and Noteholders will have no recourse against the Issuer or the Bank although if such failure constitutes a Bank Default, the Issuer must, pursuant to the Conditions, redeem the Notes by physical settlement.

The Issuer will waive its rights to receive redemption or purchase monies in excess of €1.00 per unit of Relevant Stock

The Issuer will, pursuant to the Waiver Deed, irrevocably waive all its rights, claims, interests and entitlements to any redemption or purchase monies from the Bank in excess of €1.00 per unit of Relevant Stock (and will agree that if, for any reason, it receives or becomes entitled to such amounts (i) it shall waive its entitlements to such amounts (ii) the Bank may set off any such amounts from amounts payable by the Bank to the Issuer and (iii) it will pay or procure such amounts are paid back to the Bank). As set out in the risk factor entitled "*Illiquidity*", any Transfer Events which are proposed to take place prior to the Preference Stock Amendment Date are subject to the restrictions contained in the Waiver Deed, including the requirement that any transferee of Relevant Stock executes a Waiver Adherence Deed in respect of all such Relevant Stock. In addition, each Noteholder, to the extent that it wishes Acquired Preference Stock to be delivered to it (in the limited circumstances where this is permitted by the Conditions) will be required (in the case of any transfer which is to take place prior to the Preference Stock Amendment Date) to deliver a Waiver Adherence Deed pursuant to which it will accede to, and agree to be bound by the terms of, the

Waiver Deed. Consequently, the amounts which Noteholders may receive upon a redemption or purchase of the Acquired Preference Stock will be limited to the amount agreed in the Waiver Deed. The Issuer will also agree not to issue, without the prior written consent of the Bank, any consent to the variation, alteration or abrogation of the rights attaching to the 2009 Preference Stock from time to time. The Issuer will also consent to the redemption and/or purchase by the Bank or a subsidiary of the Bank of units of 2009 Preference Stock held by persons other than the Issuer (if any) or any permitted transferee of the Issuer, including in the circumstances where the Bank or a subsidiary of the Bank does not redeem or purchase (or offer to redeem or purchase) the Relevant Stock (either on equivalent terms, in the same proportion or at all). The Issuer will also consent to the redemption and/or purchase by the Bank or a subsidiary of the Bank of units of 2009 Preference Stock held by the Issuer or any permitted transferee of the Issuer, including in circumstances where the Bank or a subsidiary of the Bank does not redeem or purchase (or offer to redeem or purchase) units of 2009 Preference Stock held by persons other than the Issuer (if any) or any permitted transferee of the Issuer (either on equivalent terms, in the same proportion or at all). The Bank may decline to register any transfer of Relevant Stock which is to take place prior to the Preference Stock Amendment Date where the proposed transfer is not in compliance with the Waiver Deed.

The obligations of the Issuer under the Notes may, in certain circumstances, be satisfied by delivery of Bonus Stock or Acquired Preference Stock

Subject as follows, if the Bank does not pay a cash dividend on the Acquired Preference Stock but issues Bonus Stock, the Issuer shall (subject to Condition 11 (*Delivery*)) satisfy its obligation to pay interest on the Notes by delivering the Bonus Stock Interest Amount to the Noteholder. In addition, if a Bank Default occurs or, a winding up, bankruptcy, liquidation or examinership of the Bank is commenced (such action having been both (i) sanctioned by the High Court of Ireland; and (ii) approved by the Central Bank to the extent such approval is required under applicable legislation), or if a Noteholder so elects in accordance with Condition 14.2 (*Optional Physical Delivery*), the Issuer shall (subject to Condition 11 (*Delivery*)) redeem the Notes by delivering the Preference Stock Redemption Amount to the Noteholder.

The value of any Bonus Stock Interest Amount may be less than the Interest Amount which would otherwise have been payable by the Issuer had it received the full cash dividend from the Bank, as a result of any delivery expenses and (where such Bonus Stock is sold and the realisation proceeds thereof delivered to Noteholders) the realisation expenses (including the fees of the Selling Agent which are 1.50 per cent. of the sale proceeds (disregarding, for the avoidance of doubt, the effect of such fees of the Selling Agent) of the Acquired Preference Stock or the Bonus Stock sold, as applicable, unless otherwise agreed).

The calculation of the Bonus Stock Interest Amount is determined in part by the number of units of Bonus Stock delivered to the Issuer by the Bank, which is itself determined by reference to the net amount of the unpaid dividend amount divided by:

(i) 100 per cent. of the Average Stock Price (as defined in "*Annex A: Description of the Acquired Preference Stock, the Preference Stock Purchase Agreement and the Waiver Deed - Terms of the Acquired Preference Stock*"), in the event that the Bonus Stock is issued on the originally scheduled dividend payment date; or

(ii) 95 per cent. of the Average Stock Price (as defined in "*Annex A: Description of the Acquired Preference Stock, the Preference Stock Purchase Agreement and the Waiver Deed - Terms of the Acquired Preference Stock*"), in the event that the Bonus Stock is issued later than the originally scheduled dividend payment date.

As set out in the risk factor entitled "*Delivery of Bonus Stock may be delayed or (in certain circumstances and subject as provided in the Bye-Laws) not made at all and, if it is made, the issue date is at the discretion of the Bank but such date will not be later than the date on which the Bank subsequently redeems or purchases or pays a dividend on the 2009 Preference Stock or any other class of capital stock of the*

Bank", the Bank Directors may determine the date of issue of the Bonus Stock in their sole and absolute discretion, provided such date is no later than the first in time of either (i) payment of cash dividends on the 2009 Preference Stock or any other capital stock of the Bank or (ii) the date of redemption or purchase for cash by the Bank of the 2009 Preference Stock or any other capital stock of the Bank.

As the calculation of the number of units of Bonus Stock to be delivered is by reference to the originally scheduled Dividend Payment Date, there is a risk that if the Bonus Stock is issued on a date later than the originally scheduled Dividend Payment Date and there is a decrease in the market value of the units of Ordinary Stock between the originally scheduled Dividend Payment Date and the actual issue date of the Bonus Stock, the value of the Bonus Stock which the Issuer receives may be less than the value which the Issuer would have received had the Bonus Stock been issued on the originally scheduled Dividend Payment Date.

The market price of the units of the Bonus Stock could be subject to significant fluctuations and price decreases in response to various factors, such as a change in sentiment in the market regarding the units of Bonus Stock, national and global economic and financial conditions, including market sentiment towards the financial services sector, the market's response to the issue of the Bonus Stock, market perceptions or other indications as to the Bank's future ability to pay dividends on the units of Ordinary Stock including due to insufficient regulatory capital or due to inadequate distributable reserves and various other facts and events, including liquidity of financial markets, regulatory changes affecting the Group's operations and/or any of the risks outlined in this Prospectus, variations in the Group's operating results, business developments of the Group and/or its competitors. Furthermore, the Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. In addition, the market price of Ordinary Stock (and therefore Bonus Stock) could be materially adversely affected by a significant sale of the Bonus Stock following its issue (whether by the Selling Agent (as defined in the Conditions of the Notes) or holders of the Notes), particularly in the absence of market demand for such stock or in the event of the sale of a large volume of Bonus Stock in a short period of time. Any of these events could result in a decline in the market price of the units of Bonus Stock.

The 2009 Preference Stock (including the Acquired Preference Stock) is not listed, rated or cleared through a clearing system and there can be no assurance of a secondary market for the Acquired Preference Stock or the continued liquidity of such market if one develops. On the Issue Date, it is expected that the only other holder of the 2009 Preference Stock, if any, will be the NPRFC. For so long as the NPRFC holds units of 2009 Preference Stock, this may affect the ability of Noteholders (or, in the circumstances described below, the Issuer) to realise the value of the Acquired Preference Stock, as applicable, at a time or in an amount which it could otherwise achieve if (in the case of the Acquired Preference Stock) it was listed, rated and/or cleared through a clearing system and/or if there was a liquid secondary market. However, it is expected that following the completion of the Placing and the subsequent redemption by the Bank of any units of 2009 Preference Stock which remain held by the NPRFC as at the date of this Prospectus of an equivalent redemption value to the value of the net proceeds of the Placing and which are not proposed to be acquired by the Issuer, the NPRFC will not hold any units of 2009 Preference Stock, but the Placing will not affect the NPRFC's holding of Ordinary Stock.

At the time of issue of the Notes, the Acquired Preference Stock will be unlisted and will not trade through any clearing system. The Bank is not under any obligation to obtain or maintain any listing of the Acquired Preference Stock or to enable the Acquired Preference Stock to be delivered through a clearing system, including if the Notes fall to be redeemed by physical settlement in accordance with Condition 10.1 (*Redemption in relation to the Acquired Preference Stock*) or Condition 14.2 (*Optional Physical Delivery*).

If any Noteholder fails to deliver an Asset Transfer Notice and (in respect of a delivery of Acquired Preference Stock which is to take place prior to the Preference Stock Amendment Date) a duly executed Waiver Adherence Deed and to pay the Delivery Costs attributable to their Notes by the relevant Notice Cut-off Date or is unable to deliver a duly completed Asset Transfer Notice confirming that it is not a U.S.

Person and is a Qualified Investor, the Issuer shall satisfy its obligation to deliver such amounts by arranging for the relevant units to be sold and distributing the actual net amounts received in respect thereof net of expenses due and payable. In such circumstances, the amounts received by the Noteholders will be dependent on the realisable value of such units at the relevant time which may result in the Noteholders receiving less than they otherwise could obtain if they were able to choose to sell such Bonus Stock or Acquired Preference Stock at a later date.

In no event will any Noteholder that is a U.S. Person or is not a Qualified Investor have any right to receive Bonus Stock or Acquired Preference Stock and all Noteholders will be required to certify in the Asset Transfer Notice that they are not a U.S Person and that they are a Qualified Investor.

Limited rights to receive Acquired Preference Stock

The Issuer is only required to deliver Acquired Preference Stock to the Noteholders upon a Bank Default, if winding up, bankruptcy, liquidation or examinership of the Bank is commenced (such action having been both (i) sanctioned by the High Court of Ireland; and (ii) approved by the Central Bank to the extent such approval is required under applicable legislation), or (at the option of Noteholders) following an Event of Default or if a Noteholder elects for physical settlement following an acceleration of Notes as a consequence of an Event of Default in accordance with Condition 14.2 (*Optional Physical Delivery*).

The Noteholders will have no other right to receive delivery of Acquired Preference Stock, including following a breach by the Bank of any of its other obligations in respect of the Acquired Preference Stock (for example, by failing to pay a dividend after having declared such a dividend or breaching any class rights attaching to the Acquired Preference Stock).

In no event will any Noteholder that is a U.S. Person (regardless of where they are located) or who is not a Qualified Investor have any right to receive Acquired Preference Stock and all Noteholders will be required to certify in the Asset Transfer Notice that they provide that they are not a U.S. Person and that they are a Qualified Investor.

Failure to deliver an Asset Transfer Notice or to Pay Delivery Costs or Settlement Disruption

If any Noteholder fails to deliver a duly completed Asset Transfer Notice and (in respect of a delivery of Acquired Preference Stock which is to take place prior to the Preference Stock Amendment Date) a duly executed Waiver Adherence Deed and/or (in the case of delivery of Acquired Preference Stock) fails to pay any applicable Delivery Costs attributable to their Notes and/or a Settlement Disruption Event occurs and the Selling Agent is unable to convert such amount of Bonus Stock Interest Amount or Preference Stock Redemption Amount into cash within 180 days of the relevant Stock Settlement Date, the Issuer shall (subject to a further option of Noteholders to request physical settlement thereof) be discharged from its obligation to pay the Bonus Stock Interest Amount or the Preference Stock Redemption Amount, as the case may be. For the avoidance of doubt, in respect of any such Note for which the Issuer is discharged of its obligation to pay the Preference Stock Redemption Amount, as aforesaid, the Issuer shall have no further obligation or liability whatsoever in respect thereof.

Noteholders are responsible for payment of Delivery Costs including Taxes and completion of stock transfer forms, if applicable

In the event of a physical delivery of the Acquired Preference Stock, Noteholders will be responsible for (a) the payment to the Issuer of any applicable Delivery Costs attributable to their Notes, (b) the payment of, and filing of returns in respect of, any applicable Taxes (including, any applicable stamp duty) payable by the transferee in order to effect the transfer, and (c) if the Acquired Preference Stock is held in definitive registered form, completing the relevant stock transfer form provided by the Issuer (it being noted that prior to the Preference Stock Amendment Date, the Issuer will only deliver a Preference Stock Redemption

Amount if the proposed transferee has also executed and delivered a Waiver Adherence Deed to the Principal Paying Agent) and taking any further actions necessary to ensure such Noteholder's name is entered on the register of Preference Stockholders maintained by the Bank. If the Acquired Preference Stock is in definitive registered form, the Issuer shall only be responsible for providing the stock transfer form to Noteholders and shall have no further responsibility in relation to payment of, or filing of returns in relation to, any transferee Taxes payable by the transferee in order to effect the transfer, the completion of the relevant stock transfer form or for arranging registration of the Noteholder as a Preference Stockholder on the register maintained by the Bank. The Bank may decline to register any transfer of Relevant Stock which is to take place prior to the Preference Stock Amendment Date where the proposed transfer is not in compliance with the terms of the Waiver Deed.

The Issuer's expenses may vary during the life of the Notes and, in certain circumstances, may exceed the funds available to meet its expenses in the Expense Reserve Account

An amount of €200,000 will be deposited in the Expense Reserve Account on the Issue Date. However, to the extent that the Issuer is required to pay the Variable Expense Amount (to make all the payments referred to in the definition of Variable Expense Amount and to restore the balance of the Expense Reserve Account to €200,000 following such payments), the Variable Expense Amount is payable in priority to the Interest Amount and, therefore, interest payable on the applicable Interest Payment Date on each Note will be decreased by an amount equal to the Relevant Proportion of such Variable Expense Amount and, as a result, Noteholders will receive less than the expected Interest Amount (assuming the payment of a dividend in cash on the Acquired Preference Stock) on such Interest Payment Date.

The Minimum Expense Figure has been calculated to reflect the Issuer's expected annual expenses (plus an amount to build up an additional reserve) and will be deducted from dividends received from the Bank (or, in the case of a receipt of Bonus Stock, will be realised from a sale of the necessary proportion of the Bonus Stock). To the extent that the Minimum Expense Figure exceeds the amounts due in respect of the Issuer's expenses on any Interest Payment Date or other date on which a payment is due on the Notes, such excess will be deposited into the Expense Reserve Account.

Any amounts payable in respect of the Issuer's expenses on any Interest Payment Date or other date on which a payment is due on the Notes in excess of the Minimum Expense Figure will be payable out of funds standing to the credit of the Expense Reserve Account.

However, if the Issuer's actual expenses in any year exceed the amounts standing to the credit of the Expense Reserve Account at the relevant time, either as a result of unforeseen expenses and/or as a result of the Bank not paying a dividend and not delivering Bonus Stock (or such Bonus Stock not being capable of realisation), the Issuer will have no other funds available to meet its expenses.

The claims of the Trustee and certain other parties rank senior to the claims of Noteholders. Therefore, the amounts available for payment to Noteholders following an Event of Default will depend upon the amounts available for distribution once senior ranking claims have been satisfied. To the extent that such amounts are insufficient, Noteholders may not receive the full (or any) amount in satisfaction of their claim.

Purchase of Notes by Bank Group Member and related cancellation of Notes

Subject to applicable law and to the prior consent of the Central Bank, a Bank Group Member may at any time purchase Notes, directly or indirectly, at any price in the open market or otherwise. At the option of the relevant Bank Group Member, Notes so purchased may be surrendered by the relevant Bank Group Member to the Issuer pursuant to Condition 10.4 (*Purchase*) of the Notes at any time for cancellation against delivery by any means in accordance with the Waiver Deed (including, but not limited to, by way of redemption by the Bank or purchase by any other Bank Group Member) by or on behalf of the Issuer to the order of such Bank Group Member of a *pro rata* amount of Acquired Preference Stock held by the Issuer

(rounded downwards to the nearest whole unit of Acquired Preference Stock) corresponding to the proportion that the aggregate principal amount of such Notes bears to the aggregate principal amount of all Notes then outstanding. The Issuer will not receive any amounts in respect of the delivery of such Acquired Preference Stock, other than the surrender of the Notes by the Bank Group Member. (See further "*Annex A: Description of the Acquired Preference Stock, the Preference Stock Purchase Agreement and the Waiver Deed - Description of the Waiver Deed*".)

Any such cancellation of Notes will reduce the amount of Notes outstanding, which may adversely affect liquidity in the secondary market for the remaining Notes. Furthermore, the *pro rata* share of each remaining Note of any future costs and expenses that are fixed in nature and rank prior to payments to Noteholders in all or certain circumstances will be increased to the extent of such cancellation.

Enforcement

If the Notes, or any of them, have become due and repayable and have not been repaid, the Trustee may, at its discretion, institute actions, steps or proceedings against the Issuer to enforce repayment thereof (together with any accrued interest), to enforce the provisions of the Notes and/or the Trust Deed and to enforce the security. However, pursuant to the Waiver Deed, any transfer or delivery of Relevant Stock by the Trustee upon enforcement of the security over the Mortgaged Property will (where such transfer or delivery is to take place prior to the Preference Stock Amendment Date) be subject to the relevant transferee executing a Waiver Adherence Deed in relation to all such Relevant Stock to be acquired by it which may limit the ability of the Trustee to realise the value of the Acquired Preference Stock.

The Trustee shall not be bound to take any such actions, steps or proceedings unless it shall have been directed by an Extraordinary Resolution of the Noteholders or so requested in writing by Noteholders of at least one-fifth in principal amount of the Notes then outstanding and only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

No voting rights

As described in "*Annex A: Description of the Acquired Preference Stock, the Preference Stock Purchase Agreement and the Waiver Deed – Voting rights at General Court*", a Government Preference Stockholder is entitled to exercise certain voting rights (its **Limited Voting Rights**) at a meeting of the General Court of the Bank. Holders of the 2009 Preference Stock which are not Government Preference Stockholders are not entitled, in their capacity as Preference Stockholders, to attend, speak or vote at any meeting of the General Court of the Bank, other than in respect of a resolution proposed to increase the authorised capital stock of the Bank in connection with the issue of Bonus Stock. For so long as a Government Preference Stockholder holds 2009 Preference Stock, such holder will be entitled to exercise its Limited Voting Rights in a manner which is adverse to the remaining holders including the Issuer (or, following physical settlement of the Notes, the Noteholders who have taken delivery of the Acquired Preference Stock).

In addition to the Limited Voting Rights, a Government Preference Stockholder holds class voting rights in respect of its holding of 2009 Preference Stock, which may be exercised at any class meeting of the holders of 2009 Preference Stock, including meetings in respect of any proposed amendment to the terms attaching to the 2009 Preference Stock.

As set out above, it is expected that following the completion of the Placing and the subsequent redemption by the Bank of any units of 2009 Preference Stock which remain held by the NPRFC (a Government Preference Stockholder) as at the date of this Prospectus of an equivalent redemption value to the value of the net proceeds of the Placing and which are not proposed to be acquired by the Issuer, the NPRFC will not hold any units of 2009 Preference Stock.

Taxation; No gross-up

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any Taxes, unless the withholding or deduction of the Taxes is required by law. If any such withholding or deduction is required, the Issuer is not obliged to "gross up" payments to the Noteholders and is not required to redeem the Notes. However, in such circumstances (and in the circumstances where the Bank withholds or deducts any amounts in respect of Taxes in respect of payments made on the Acquired Preference Stock), the Issuer is obliged to use all reasonable endeavours either to substitute another entity as principal obligor in respect of the Notes or to modify the terms of the Notes to ensure that payments may be received by Noteholders (or by it in respect of the Acquired Preference Stock) free of any such withholding. However, if the Issuer (having used all reasonable endeavours) is unable to arrange for such substitution or to modify the terms of the Notes as aforesaid, such a withholding or deduction of Taxes will not constitute an Event of Default under Condition 14 (*Events of Default*). In addition, the Issuer may be required to withhold or deduct amounts from payments on the Notes imposed or required pursuant to Sections 1471 through 1474 of the Code (**FATCA**), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code and not only will be under no obligation to "gross up" in respect of such deduction or withholding but also will be under no obligation to substitute another entity as principal obligor or modify the terms of the Notes in such circumstances. Any such withholding or deduction of Taxes pursuant to FATCA will not constitute an Event of Default under Condition 14 (*Events of Default*). (See further "*U.S. Foreign Account Tax Compliance withholding may affect payments on the Notes*" below and the section "*Taxation – Foreign Account Tax Compliance Act*".

Denominations involve integral multiples: definitive Notes

The Notes have denominations consisting of a minimum of €100,000 plus one or more higher integral multiples of €1,000. It is possible that the Notes may be traded in amounts that are not integral multiples of €100,000. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than €100,000 in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to €100,000.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of €100,000 may be illiquid and difficult to trade.

Modification, waivers and substitution

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions 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 conditions of the Notes also provide that 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) determine without the consent of the Noteholders that any Event of Default shall not be treated as such or (iii) the substitution of another company as principal entity under any Notes in place of the Issuer, in the circumstances described in the Conditions.

Change of law

The structure of the issue and the conditions of the Notes are based on English law and regulatory and administrative practice in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or regulatory or administrative practice after the date of this Prospectus.

Potential conflicts of interest

Each of the Bank, the Joint Bookrunners, the Joint Structuring Advisers, the Financial Advisers to the Bank, the Trustee, the Registrar, the Paying Agents, the Selling Agent, the Custodian, the Cash Manager and the Account Bank (together with the Issuer, the **Relevant Parties**) and their affiliates in the course of each of their respective businesses may provide services to other Relevant Parties and to third parties and in the course of the provision of such services it is possible that conflicts of interest may arise between such Relevant Parties and their affiliates or between such Relevant Parties and their affiliates and such third parties. Each of the Relevant Parties (other than the Issuer) and their affiliates may provide such services and enter into arrangements with any person without regard to or constraint as a result of any such conflicts of interest arising as a result of it being a Relevant Party.

Reliance on Euroclear and Clearstream, Luxembourg procedures

The Notes will be represented on issue by the Global Certificates that will be registered in the name of a nominee for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in each Global Certificate, investors will not be entitled to receive Notes in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Certificate held through it. While the Notes are represented by a Global Certificate, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Certificates, the Issuer will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Certificate.

Holders of beneficial interests in a Global Certificate will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

U.S. Foreign Account Tax Compliance withholding may affect payments on the Notes

FATCA imposes a new reporting regime and, potentially, a 30 per cent. withholding tax with respect to payments made to certain non-U.S. financial institutions that do not comply with this new reporting regime and payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. The Issuer may be classified as a financial institution for these purposes. If an amount in respect of such withholding tax were to be deducted or withheld either from amounts due to the Issuer or from amounts paid with respect to the Notes, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive smaller distributions than expected. However, the Issuer expects that such withholding generally should not apply to payments made before 1st January, 2017. Prospective investors should refer to the section "*Taxation – Foreign Account Tax Compliance Act*."

Irish Insolvency Issues

Examiners, Preferred Creditors under Irish law and Floating Charges

The Issuer has its registered office in Ireland. As a result there is a rebuttable presumption that its centre of main interest (**COMI**) is in Ireland and consequently that any main insolvency proceedings applicable to it would be governed by Irish law. In the decision by the European Court of Justice (**ECJ**) in relation to Eurofood IFSC Limited, the ECJ restated the presumption in Council Regulation (EC) No. 1346/200 of 29th May, 2000 on insolvency proceedings that the place of a company's registered office is presumed to be the company's COMI and stated that the presumption can only be rebutted if "factors which are both objective and ascertainable by third parties enable it to be established that an actual situation exists which is different from that which locating it at the registered office is deemed to reflect". As the Issuer has its registered office in Ireland, has Irish directors, is registered for tax in Ireland and has an Irish corporate services provider, the Issuer does not believe that factors exist that would rebut this presumption, although this would ultimately be a matter for the relevant court to decide, based on the circumstances existing at the time when it was asked to make the decision.

An examiner may be appointed to an Irish company in circumstances where it is unable, or likely to be unable, to pay its debts. One of the effects of such an appointment is that during the period of appointment, there is a prohibition on the taking of enforcement action by any creditors of the company.

In an insolvency of the Issuer, the claims of certain preferential creditors (including the Irish Revenue Commissioners for certain unpaid taxes) will rank in priority to claims of unsecured creditors and claims of creditors holding floating charges. In addition, the claims of creditors holding fixed charges may rank behind other "super" preferential creditors (including expenses of any examiner appointed and certain capital gains tax liabilities) and, in the case of fixed charges over book debts, may rank behind claims of the Irish Revenue Commissioners.

The holder of a fixed security interest over the book debts of an Irish company (which would include the Issuer) may be required by the Irish Revenue Commissioners, by notice in writing, to pay to them sums received by it from the company from the time of the issuance of the notice to meet outstanding payroll tax and VAT liabilities of the company. However, where the holder of the security has notified the Irish Revenue Commissioners of certain details regarding the creation of the security within 21 days of its creation (and it is intended that such notification will be made by the Issuer within the required time limit in respect of the security created by the Issuer), the holder's liability to pay the Irish Revenue Commissioners from amounts received by it from the company will be limited to amounts in respect of Irish payroll tax and VAT liabilities arising after the issuance of the notice by the Irish Revenue Commissioners.

The Irish Revenue Commissioners may also attach any debt due to an Irish tax resident company (including the Issuer) by another person in order to discharge any liabilities of the company in respect of outstanding taxes (whether Irish or EU, or pursuant to a treaty or mutual assistance convention), whether the liabilities are due on its own account or as an agent or trustee. The scope of this right of the Revenue Commissioners has not yet been considered by the Irish courts and it may override the rights of holders of security (whether fixed or floating) over the debt in question.

In certain circumstances, a charge (including that purported to be taken under the Deed of Charge) which purports to be taken as a fixed charge may take effect as a floating charge. For a charge to be characterised as a fixed charge, the charge holder is required to exercise the requisite level of control over the assets purported to be charged and the proceeds of such assets including any bank account into which such proceeds are paid.

If the Issuer becomes subject to an insolvency proceeding and the Issuer has obligations to creditors that are treated under Irish law as creditors that are senior relative to the Noteholders, the Noteholders may suffer losses as a result of their subordinated status during such insolvency proceeding.

Regulation of the Issuer by any regulatory authority

Any investment in the Notes does not have the status of a bank deposit in Ireland and is not within the scope of the deposit protection scheme operated by the Central Bank. The Issuer is not required to be regulated by the Central Bank by virtue of the issue of the Notes. Other than as a "financial vehicle corporation" for the purposes of ECB statistical reporting requirements, the Issuer is not required to be licensed, registered or authorised under any current securities, commodities or banking laws of Ireland and will operate without supervision by any authority in any jurisdiction. There is no assurance, however, that regulatory authorities in one or more jurisdictions would not take a contrary view regarding the applicability of any such laws. The taking of a contrary view by such regulatory authority could have an adverse impact on the Issuer or the holders of the Notes.

Irish Taxation

As described in more detail in "*Irish taxation – Withholding Tax*" below there is a general obligation for an Irish company to deduct 20 per cent. withholding tax from interest payments. However, it is anticipated that an exemption will apply to interest payments on the Notes. It is also anticipated that the Issuer will be subject to tax as a qualifying company in accordance with the provisions of section 110 of the Irish Taxes Consolidation Act 1997. The Issuer has received opinions from its tax advisers to support these and other conclusions set out in this Prospectus but these opinions are based on factual assumptions which are subject to change and represent only the best judgement of such advisers at the time the opinions are given.

EU Savings Directive

Under EC Council Directive 2003/48/EC (the **Directive**) on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

ERISA

The initial purchasers and any subsequent transferees of the Notes will be required or deemed, as applicable, to make certain ERISA-related representations and warranties described herein. See "*ERISA and Other Considerations*" and "*Transfer Restrictions*".

The Issuer intends to restrict ownership of the Notes so that no assets of the Issuer will be deemed to be "plan assets" (as such term is defined in the Plan Asset Regulation issued by the United States Department of Labor and found at 29 C.F.R.§2510.3-101, as modified by ERISA) subject to ERISA or Section 4975 of the Code.

The Notes may not be acquired by Plans or certain non-ERISA Plans subject to laws similar to ERISA or Section 4975 of the Code (in each case as defined herein). For these purposes, "Plans" shall include (a) all employee benefit plans which are subject to Title I of ERISA; (b) plans which are subject to Section 4975 of the Code, including individual retirement accounts and Keogh Plans; and (c) entities whose underlying assets are deemed to include "plan assets" by reason of the Plan Asset Regulation, as modified by ERISA.

If the assets of the Issuer were deemed to be assets of a Plan or certain non-ERISA Plans subject to laws similar to ERISA or Section 4975 of the Code, (i) certain transactions that the Issuer enters into in the ordinary course of business could constitute non-exempt prohibited transactions under ERISA or Section 4975 of the Code or Similar Laws and (ii) the Issuer could be subject to the fiduciary responsibility standards of ERISA or Similar Laws. See "*ERISA and Other Considerations*".

Because all or virtually all the assets of the Issuer and the directors and officers are located outside of the United States, it may be difficult to complete service of process and enforce in Ireland any judgment obtained against them in the United States

The Notes will be issued by the Issuer, which is organised under the laws of Ireland. All or virtually all of the directors and officers of the Issuer are non-residents of the United States and all of the assets of the Issuer and the directors and officers are located outside the United States. As a result, it may not be possible to effect service of process within the United States on the Issuer or its directors or officers for any action, including actions arising under the U.S. securities laws, or to enforce judgments of U.S. courts based upon these laws.

In addition, there is doubt as to the enforceability in foreign jurisdictions where most of the directors and officers are located outside the United States of liabilities predicated solely upon United States federal or state securities laws against the Issuer, the' directors, controlling persons or management named in this Prospectus who are not residents of the United States, in original actions or in actions for enforcements of judgments of United States courts.

Risks related to the market generally

Potential limited liquidity

The Notes may not have an established market when issued. There can be no assurance of a secondary market for the Notes or the continued liquidity of such market if one develops. The development or continued liquidity of any secondary market for the Notes will be affected by a number of factors such as the state of credit markets in general and the creditworthiness of the Issuer or the Bank, as well as other factors such as the time remaining to the maturity of the Notes and the requirement for Noteholders to enter into a Waiver Adherence Deed in respect of all Acquired Preference Stock to be delivered to them or to which they become entitled prior to the Preference Stock Amendment Date. Consequently, a purchaser must be prepared to hold such Notes for an indefinite period of time. In addition, with respect to resales to U.S. Persons, the Notes may only be resold to U.S. Persons, who are both QIBs and Qualified Purchasers and transfers of Notes are subject to substantial transfer restrictions. See "*Transfer Restrictions*" below.

Transfers of the Notes are restricted, which may adversely affect the value of the Notes

The Notes have not been and will not be registered under the U.S. Securities Act, any U.S. state securities laws or under any other country's securities laws. The Issuer has not been registered and will not be registered as an investment company under the Investment Company Act, in reliance on the exemption set

forth in Section 3(c)(7) thereof. The Issuer has not agreed to or otherwise undertaken to register the Notes, and the Issuer has no intention to do so. Purchasers may not offer the Notes in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. As the Issuer is relying on the exemption provided for in Section 3(c)(7) of the U.S. Investment Company Act, Notes may initially only be sold to and held in the United States or by U.S. Persons that are "Qualified Purchasers" as defined in Section 2(a)(51) of the U.S. Investment Company Act. It is the obligation of each Noteholder to ensure that offers and sales of their Notes within the United States and other countries comply with all applicable securities laws.

In addition, if, at any time, the Issuer determines that any owner, or any account for which such owners purchased Notes, who is required to be both a QIB and a Qualified Purchaser does not meet these requirements, the Issuer may require that the Notes be sold or transferred to a person designated by or acceptable to the Issuer in accordance with Condition 10.3 (*Forced Transfer of Notes held by U.S. Persons*).

Global economic disruption

Noteholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date hereof), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Notes. The Issuer cannot predict when these circumstances will change and, if and when they do, whether conditions of general market liquidity for the Notes and instruments similar to the Notes will return in the future.

Interest rate risks

The Notes bear interest at a fixed rate and therefore involve the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the euro 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 euro would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

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

THE GLOBAL CERTIFICATES

The Global Certificates contain the following provisions which apply to the Notes in respect of which they are issued whilst they are represented by the Global Certificates, some of which modify the effect of the Conditions. Terms defined in the Conditions have the same meaning in paragraphs 1 to 7 below.

1. **Accountholders**

For so long as all of the Notes are represented by one or both of the Global Certificates and such Global Certificate(s) is/are held on behalf of a clearing system, each person (other than another clearing system) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg (as the case may be) as the holder of a particular aggregate principal amount of such Notes (each an **Accountholder**) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg (as the case may be) as to the aggregate principal amount of such Notes standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Notes (and the expression **Noteholders** and references to **holding of Notes** and to **holder of Notes** shall be construed accordingly) for all purposes other than with respect to payments on such Notes, the right to which shall be vested, as against the Issuer and the Trustee, solely in the nominee for the relevant clearing system (the **Relevant Nominee**) in accordance with and subject to the terms of the Global Certificates. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Relevant Nominee.

2. **Cancellation**

Cancellation of any Note following its redemption or purchase by the Issuer will be effected by reduction in the aggregate principal amount of the Notes in the register of Noteholders and by the annotation of the appropriate schedule to the relevant Global Certificate.

3. **Payments**

Payments of principal and interest in respect of Notes represented by a Global Certificate will be made upon presentation or, if no further payment falls to be made in respect of the Notes, against presentation and surrender of such Global Certificate to or to the order of the Registrar or such Paying Agent as shall have been notified to the holder of the Global Certificate for such purpose. The record date for payments in respect of a Global Certificate shall be the first business day in respect of the relevant clearing system prior to the due date for payment (or such other date that may be required in accordance with the relevant clearing system's rules and procedures).

Distributions of amounts with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Principal Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant clearing system's rules and procedures.

A record of each payment made will be endorsed on the appropriate schedule to the relevant Global Certificate by or on behalf of the Registrar and shall be *prima facie* evidence that payment has been made.

4. **Notices**

So long as all the Notes are represented by one or both of the Global Certificates and such Global Certificate(s) is/are held on behalf of a clearing system, notices to Noteholders may be given by

delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders in substitution for notification as required by the Conditions except that, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that Exchange so require, notices shall also be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Whilst any of the Notes held by a Noteholder are represented by a Global Certificate, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through Euroclear and/or Clearstream, Luxembourg and otherwise in such manner as Euroclear and Clearstream, Luxembourg may approve for this purpose.

5. **Registration of Title**

Registration of title to Notes in a name other than that of the Relevant Nominee will not be permitted unless Euroclear or Clearstream, Luxembourg notifies the Issuer that it is unwilling or unable to continue as a clearing system in connection with a Global Certificate, and a successor clearing system approved by the Trustee is not appointed by the Issuer within 90 days after receiving such notice from Euroclear or Clearstream, Luxembourg. In these circumstances title to a Note may be transferred into the names of holders notified by the Relevant Nominee in accordance with the Conditions, except that Certificates in respect of Notes so transferred may not be available until 21 days after the request for transfer is duly made.

The Registrar will not register title to the Notes in a name other than that of the Relevant Nominee for a period of 1 calendar days preceding the due date for any payment of principal or interest in respect of the Notes.

6. **Transfers**

Transfers of book-entry interests in the Notes will be effected through the records of Euroclear and Clearstream, Luxembourg and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants, as more fully described under "*Clearing and Settlement Arrangements*". The Notes will not be registered under the Securities Act and will therefore be subject to certain transfer restrictions. See "*Transfer Restrictions*" below.

7. **Delivery of Bonus Stock and Acquired Preference Stock**

If the Issuer is required to deliver Bonus Stock and/or Acquired Preference Stock in accordance with the Conditions, each Accountholder will be required to (a) deliver its Asset Transfer Notice and, in respect of any delivery of Acquired Preference Stock, pay the applicable Delivery Costs and any applicable transferee Taxes, in each case, via Euroclear or Clearstream, Luxembourg, as the case may be, in accordance with their respective procedures and (b) in respect of any delivery of Acquired Preference Stock which is to take place prior to the Preference Stock Amendment Date, deliver duly executed Waiver Adherence Deeds to the Principal Paying Agent in respect of each person in whose name the relevant Acquired Preference Stock will be registered on transfer.

Such Asset Transfer Notice must, in addition to the information set out in Condition 11.8 (*Asset Transfer Notice*):

(a) specify:

(i) the postal address to which any stock transfer form should be sent;

(ii) the name and number of the Accountholder's account at Euroclear or Clearstream, Luxembourg, as the case may be;

(iii) if the Bonus Stock or Acquired Preference Stock, as applicable, are deliverable to an account at a clearing system other than Euroclear or Clearstream, Luxembourg, the name and number of the Accountholder's account at such other clearing system; and

(iv) if the Acquired Preference Stock is in definitive registered form, that the relevant Noteholder shall be responsible for the completion of the stock transfer form with, and for taking all other necessary steps to ensure that, their name and such other details required to be specified are entered in the register of Preference Stockholders; and

(b) in respect of a delivery of Acquired Preference Stock, irrevocably instruct and authorise Euroclear or Clearstream, Luxembourg, as the case may be, to debit the relevant Accountholder's account with:

(i) such Notes on the due date for payment in respect of the redemption of the Notes; and

(ii) an amount equal to the applicable Delivery Costs attributable to their Notes and payable by such Accountholder pursuant to the Conditions.

Upon receipt of a duly completed Asset Transfer Notice, the Issuer will via the Principal Paying Agent request Euroclear or Clearstream, Luxembourg, as the case may be, to verify that the person specified therein as the accountholder(s) is/are the holder of the Notes referred to therein according to its books.

CONDITIONS OF THE NOTES

The following, other than the paragraphs in italics, are the Conditions of the Notes which (subject to modification) will be endorsed on the Certificates issued in respect of the Notes in definitive form. Notes in definitive form will only be issued in certain limited circumstances. For a summary of the provisions relating to the Notes while in global form see "The Global Certificates" above.

The €1,300,000,000 10.24 per cent. Perpetual Non-Cumulative Notes (the **Notes**, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 23 (*Further Issues*) and forming a single series with the Notes) of Baggot Securities Limited (the **Issuer**) are constituted by a Trust Deed dated 11th December, 2013 (the **Trust Deed**) made between, *inter alios*, the Issuer and Deutsche Trustee Company Limited (the **Trustee**, which expression shall include its successor(s)) as trustee for the Noteholders.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of, and definitions in, the Trust Deed. Copies of the Trust Deed, the Agency Agreement dated 11th December, 2013 (the **Agency Agreement**) made between the Issuer, Deutsche Bank Luxembourg S.A. as registrar (the **Registrar**), Deutsche Bank AG, London Branch as principal paying agent (the **Principal Paying Agent**), the other paying agents specified therein (together with the Principal Paying Agent, each a **Paying Agent**), the Cash Manager (as defined below) and the Trustee, the other Transaction Documents (as defined below) and the Bye-Laws (as defined below) are available for inspection and collection during normal business hours by the Noteholders at the registered office for the time being of the Trustee, being at the date of issue of the Notes at Winchester House, 1 Great Winchester Street, London EC2N 2DB and at the specified office of each of the Paying Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Deed of Charge and those applicable to them of the other Transaction Documents and the Bye-Laws.

1. DEFINITIONS

In these Conditions:

2009 Preference Stock means the Perpetual Non-Cumulative Redeemable Preference Stock of €0.01 in nominal value each issued, credited as fully paid, on 31st March, 2009 by the Bank to the National Pensions Reserve Fund Commission, 1,837,041,304 units of which were in issue as at the Issue Date;

Account and Cash Management Agreement means the account and cash management agreement dated 11th December, 2013 between the Issuer, the Trustee, the Account Bank and the Cash Manager;

Account Bank means Deutsche Bank AG, London Branch or any successor account bank appointed pursuant to the Account and Cash Management Agreement;

Acquired Preference Stock means the 1,300,000,000 units of 2009 Preference Stock acquired by the Issuer with the net issue proceeds of the Notes, as may be increased pursuant to Condition 23 (*Further Issues*) or decreased pursuant to Condition 10 (*Redemption and Purchase*) and Condition 11 (*Delivery*) (as such 2009 Preference Stock may subsequently be sub-divided, consolidated and/or reclassified);

Aggregate Bonus Stock Liquidation Expense Amount means, in relation to a delivery of Bonus Stock, the aggregate amount of all Bonus Stock Liquidation Expense Amounts in relation to such delivery;

Aggregate Preference Stock Liquidation Expense Amount means, in relation to a delivery of Acquired Preference Stock, a number of units of Acquired Preference Stock, as calculated by the Selling Agent and notified to the Registrar, the Principal Paying Agent, the Cash Manager and the Custodian, with a value equal to any amounts ranking in priority to the Redemption Amount under Condition 6 (*Order of Payments*), other than any Delivery Costs (which are to be paid by the relevant Noteholder in accordance with Condition 11 (*Delivery*)), but only to the extent that amounts available pursuant to Condition 6 (*Order of Payments*) are insufficient to discharge such amounts;

In the event that the Preference Stock Redemption Cash Amount is payable, the amounts payable to Noteholders in respect thereof shall also be net of any fees, costs, charges, Taxes and expenses due and payable in respect of the liquidation of the relevant amount of Acquired Preference Stock attributable to such principal amount of Notes.

Amendments means the amendments to the rights attaching to the 2009 Preference Stock set out in Schedule 1 to the Waiver Deed;

Asset Amount means Bonus Stock Interest Asset Amount and/or Preference Stock Redemption Asset Amount, as the case may be;

Asset Transfer Notice has the meaning given to it in Condition 11.3 (*Delivery of Bonus Stock Interest Asset Amount*);

Bank means The Governor and Company of the Bank of Ireland;

Bank Default means (a) a failure by the Bank to redeem the Acquired Preference Stock either (i) when required pursuant to Bye-Law 6(I)(5)(b) in the event that the number of units of 2009 Preference Stock in issue falls below 35,000,000 units of €0.01 each or (ii) following the expiry of a redemption notice given by the Bank to a holder of 2009 Preference Stock in accordance with Bye-Law 6(I)(5)(d); or (b) a failure by the Bank to comply with its obligations under Bye-Laws 6(I)(4)(a), 6(I)(4)(f), 6(I)(4)(h) and/or 6(I)(4)(i) in respect of the Bonus Stock;

Bank Group Member means each of the Bank and any of its subsidiaries and affiliates from time to time;

Bonus Stock or **units of Bonus Stock** means units of Ordinary Stock the Bank will issue (subject to the provisions of the Bye-Laws) to holders of 2009 Preference Stock if a cash dividend is not paid by the Bank on the 2009 Preference Stock;

Bonus Stock Interest Amount means, in respect of a Relevant Proportion of the Notes and each Stock Settlement Date, a number of units of Bonus Stock, as calculated by the Selling Agent and notified to the Registrar, the Principal Paying Agent, the Cash Manager and the Custodian of an amount equal to:

(a) the Relevant Proportion of the number of units of Bonus Stock actually received by the Issuer in respect of the Acquired Preference Stock on the Bonus Stock Settlement Date immediately preceding such Stock Settlement Date; less

(b) the number of units of such Bonus Stock required to be sold by the Issuer (as calculated by the Selling Agent on behalf of the Issuer) for the purpose of funding the Bonus Stock Liquidation Expense Amount in respect of such Relevant Proportion of Notes,

(rounded down in accordance with Condition 11.9 (*No fraction of a unit to be delivered*));

Bonus Stock Interest Asset Amount means a Bonus Stock Interest Amount other than a Bonus Stock Interest Cash Amount;

Bonus Stock Interest Cash Amount means a Bonus Stock Interest Amount which is to be satisfied by, and paid to Noteholders in, cash in accordance with Condition 11.6 (*Failure of Noteholders to deliver an Asset Transfer Notice and/or Waiver Adherence Deed, U.S. Persons and Non-Qualified Investors*) or Condition 11.7 (*Settlement Disruption*);

Bonus Stock Liquidation Expense Amount means, in relation to a delivery or payment of a Bonus Stock Interest Amount, the sum of:

(a) an amount equal to the Relevant Proportion of all amounts ranking in priority to amounts payable to Noteholders under Condition 6 (*Order of Payments*) but only to the extent amounts available pursuant to Condition 6 (*Order of Payments*) are insufficient to discharge such amounts; and

(b) in respect of a Bonus Stock Interest Asset Amount, the Delivery Costs attributable to such Bonus Stock Interest Asset Amount;

In the event that the Bonus Stock Interest Cash Amount is payable, the amounts payable to Noteholders in respect thereof shall also be net of any fees, costs, charges, Taxes and expenses due and payable in respect of the liquidation of the relevant amount of Bonus Stock attributable to such principal amount of Notes.

Bonus Stock Settlement Date means the date determined by the directors of the Bank in their sole and absolute discretion for the allotment of Bonus Stock (as more fully defined in and subject to the Bye-Laws);

Business Day means (subject as otherwise specified in these Conditions) any day (other than a Saturday or Sunday) on which banks in London and Dublin are open for business and on which foreign exchange dealings may be conducted in London and Dublin;

Bye-Laws means the bye-laws of the Bank, as amended from time to time and any reference to a Bye-Law is to that Bye-Law in the Bye-Laws of the Bank as at the Issue Date as may be renumbered, amended or substituted from time to time;

Cash Manager means Deutsche Bank AG, London Branch or any successor cash manager appointed pursuant to the Account and Cash Management Agreement;

Cash Settlement means redemption of the Notes in cash within the meaning of Condition 10.1 (*Redemption in relation to the Acquired Preference Stock*) or Condition 14.1 (*Events of Default*);

Certificate has the meaning given to it in Condition 2.1 (*Form and Denomination*);

Central Bank means the Central Bank of Ireland and any successor or replacement person that may discharge the functions of determining the capital adequacy requirements applicable to the Bank from time to time or the classifications of regulatory capital applicable to the Bank from time to time;

Clearstream, Luxembourg means Clearstream Banking, *société anonyme*;

Corporate Services Agreement means the corporate services agreement dated 11th December, 2013 between the Issuer and the Corporate Services Provider;

Corporate Services Provider means Deutsche International Corporate Services (Ireland) Limited as corporate services provider or any successor corporate services provider appointed pursuant to the Corporate Services Agreement;

Custody Account means each custody account in the name of the Issuer held at the Custodian;

Custody Agreement means the custody agreement dated 11th December, 2013 between the Issuer, the Trustee, the Custodian and the Selling Agent;

Custodian means Deutsche Bank AG, London Branch or any successor custodian appointed pursuant to the Custody Agreement;

Deed of Charge means a deed of charge and assignment dated 11th December, 2013 between the Issuer and the Trustee in respect of, *inter alia*, the Acquired Preference Stock;

Delivery Costs means, in respect of any delivery of Bonus Stock or Acquired Preference Stock by or on behalf of the Issuer to a Noteholder, the aggregate costs and expenses, payable in respect of such delivery of the relevant Asset Amount to such Noteholder, including any sum necessary to cover any transfer taxes, stamp duty or other Taxes that may be imposed in relation to such delivery;

Distributable Preference Stock means, in respect of any Stock Settlement Date, the Acquired Preference Stock less the number of units of the Acquired Preference Stock required to be sold by the Issuer (as calculated by the Selling Agent on behalf of the Issuer) for the purpose of funding the Aggregate Preference Stock Liquidation Expense Amount;

Dividend Payment Date has the meaning given to it in the Bye-Laws and will be 20th February in each year (or the next Preference Stock Business Day where such date falls on a Saturday, Sunday or public holiday in the Republic of Ireland);

Euroclear means Euroclear Bank S.A./N.V.;

Expense Reserve Account means the expense reserve account in the name of the Issuer held at the Account Bank which, on the Issue Date, will have a balance of €200,000;

Extraordinary Resolution has the meaning given to it in the Trust Deed;

Interest Amount means €102.40 in respect of each €1,000 in principal amount of the Notes less, in respect of each Note, an amount equal to the Relevant Proportion of the Variable Expense Amount, if applicable, on each Interest Payment Date;

Interest Payment Dates means, subject to a dividend on the Acquired Preference Stock being paid in cash and received by the Issuer on the relevant Dividend Payment Date, 21st February in each year or, if such dividend is received later (by reason of the Dividend Payment Date falling on a date other than a Preference Stock Business Day in accordance with the Bye-Laws), one Business Day following receipt by the Issuer of the relevant dividend;

Investment Company Act means the United States Investment Company Act of 1940, as amended;

Issue Date means 11th December, 2013;

Issuer Administrative Expenses means, on any date, the amounts then due and payable in advance in respect of the next consecutive period of 12 months, the first such period commencing on the

Issue Date, by the Issuer to its directors, company secretary, process agent, accounting service providers, auditors, tax compliance service providers, legal counsel and other professional advisers (including any value added tax or similar tax) and any other amounts required to maintain the Issuer in good standing;

Issuer Insolvency Proceedings means (in each case against the Issuer, its directors or officers) any administration, bankruptcy, examination, suspension of payments, moratorium of any indebtedness, winding up, re-organisation, arrangement, insolvency or liquidation proceeding under any applicable law;

Minimum Expense Amount means an amount payable pursuant to paragraphs 6.1(a) to 6.1(d) of Condition 6.1 (*Pre-enforcement*);

Minimum Expense Figure means €130,000 payable in respect of each consecutive period of 12 months, the first such period commencing on the Issue Date (for the purpose of paying and/or funding a reserve for the Issuer's expenses, including without limitation those referred to in paragraphs 6.1(a) to 6.1(d) of Condition 6.1 (*Pre-enforcement*));

Mortgaged Property has the meaning given to it in Condition 5 (*Security*);

Noteholder and **holder** each have the meaning given to them in Condition 2.2 (*Title*);

Notice Cut-off Date means:

(a) in respect of the delivery of a Bonus Stock Interest Amount, the day which is ten Business Days after the date on which notice of the same is given by the Issuer to Noteholders pursuant to Condition 8.2 (*Interest following receipt of Bonus Stock*); and

(b) in respect of the delivery of a Preference Stock Redemption Amount by Physical Settlement pursuant to Condition 10.1 (*Redemption in relation to the Acquired Preference Stock*) or Condition 14.2 (*Optional Physical Delivery*), the day which is thirty days after the date on which notice of the same is given by the Issuer to Noteholders pursuant to Condition 10.1 (*Redemption in relation to the Acquired Preference Stock*) or Condition 14.2 (*Optional Physical Delivery*), as applicable;

Ordinary Stock means ordinary stock of the Bank in units (as at the Issue Date) of €0.05 in nominal amount each;

Payment Day means a day (other than a Saturday or Sunday) on which commercial banks are open for business in London and Dublin and a day on which the TARGET2 System is open and, in the case of presentation of a Certificate, in the place in which the Certificate is presented;

Physical Settlement has the meaning given to it in Condition 10.1 (*Redemption in relation to the Acquired Preference Stock)*;

Preference Stock Amendment Date means the later of (a) the date on which the consent of the holders of the 2009 Preference Stock to the Amendments is obtained; and (b) the date on which the Bye-Laws of the Bank are amended to effect the Amendments, as notified in writing by the Issuer to the Trustee, the Paying Agents and the Noteholders in accordance with Condition 18 (*Notices*). Note that the Amendments will only become effective if each of the following occur: (i) the holders of 75 per cent. or more of the 2009 Preference Stock consent to the Amendment (whether through the exercise of the proxy granted to the Bank by the Issuer pursuant to the Waiver Deed or otherwise); (ii) assuming at least 75 per cent. of the 2009 Preference Stock is acquired by the Issuer, where the Bank exercises its discretion to exercise the proxy rights granted by the Issuer to the

Bank under the Waiver Deed to support the Amendment; and (iii) the holders of a majority of the Ordinary Stock present and voting at a general court of the Bank vote in favour of the Amendment;

Preference Stock Business Day means (subject as otherwise specified in these Conditions) any day (other than a Saturday or Sunday) on which banks in Dublin are open for business and on which foreign exchange dealings may be conducted in Dublin;

Preference Stock Purchase Agreement means the purchase agreement dated 11th December, 2013 between the Issuer and National Pensions Reserve Fund Commission;

Preference Stock Redemption Amount means, in respect of each Note, a number of units of the Distributable Preference Stock, as calculated by the Selling Agent and notified to the Registrar and the Principal Paying Agent, equal to the Relevant Proportion of such Distributable Preference Stock as at the relevant Stock Settlement Date (rounded down in accordance with Condition 11.9 (*No fraction of a unit to be delivered*));

Preference Stock Redemption Asset Amount means a Preference Stock Redemption Amount other than a Preference Stock Redemption Cash Amount;

Preference Stock Redemption Cash Amount means a Preference Stock Redemption Amount which is to be satisfied by and paid in cash to Noteholders in accordance with Condition 11.6 (*Failure of Noteholders to deliver an Asset Transfer Notice and/or Waiver Adherence Deed, U.S. Persons and Non-Qualified Investors*) or Condition 11.7 (*Settlement Disruption*);

Purchase Agreement means the purchase agreement dated 4th December, 2013 between the Issuer, the Bank, the Minister for Finance of Ireland, the National Pensions Reserve Fund Commission, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, J & E Davy, Merrill Lynch International and UBS Limited;

QIB/QP means a person who is both a "qualified institutional buyer" (as defined in Rule 144A) and a "qualified purchaser" (as defined in Section 2(a)(51) of the Investment Company Act and the rules thereunder for purposes of Section 3(c)(7) of the Investment Company Act);

Qualified Investor has the meaning given to it in Section 86(7) of the Financial Services and Markets Act 2000 (as the same may, from time to time, be amended, consolidated or re-enacted);

Receiver has the meaning given to it in the Trust Deed;

Record Date has the meaning given to it in Condition 9.1 (*Payments in respect of Notes*);

Redemption Amount means, in respect of each €1,000 in principal amount of Notes:

(a) in the case of Cash Settlement, the lesser of (i) €1,000 and (ii) an amount equal to the Relevant Proportion of the redemption amount or net proceeds of sale of the relevant Acquired Preference Stock actually received in cash by the Issuer in respect of such Acquired Preference Stock, in each case less the Relevant Proportion of any amounts ranking in priority to the Redemption Amount in accordance with Condition 6 (*Order of Payments*) but only to the extent amounts available pursuant to Condition 6 (*Order of Payments*) are insufficient to discharge such amounts; and

(b) in the case of Physical Settlement in accordance with Condition 10.1(b) (*Redemption in relation to the Acquired Preference Stock*) or Condition 14.2 (*Optional Physical Delivery*), the Preference Stock Redemption Amount,

in each case, together with an amount equal to the Relevant Proportion of any income (including any accrued dividend) which is received by the Issuer in respect of the Acquired Preference Stock which has not otherwise been distributed as interest to the Noteholders and is available for such purpose in accordance with Condition 6 (*Order of Payments*);

As a result of the deduction of Delivery Costs, the value of Acquired Preference Stock received by Noteholders upon Physical Settlement may be less than the cash amounts which would otherwise be received in respect of Cash Settlement. The Delivery Costs attributable to a Noteholder may differ from the liquidation expenses attributable to a Noteholder where Acquired Preference Stock is not delivered to Noteholders but instead sold and the realisation proceeds thereof delivered to Noteholders in accordance with Condition 11 (Delivery).

Regulation S means Regulation S under the Securities Act;

Relevant 2009 Stockholder means:

(i) prior to the Preference Stock Amendment Date, a person holding Relevant Stock from time to time that has executed the Waiver Deed or a Waiver Adherence Deed in respect of all such holdings of Relevant Stock; or

(ii) following the Preference Stock Amendment Date, any person holding Relevant Stock from time to time;

Relevant Date means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 18 (*Notices*);

Relevant Proportion means, in respect of a Note and a redemption, payment or delivery in respect thereof, the proportion which the principal amount of the Note bears to the aggregate principal amount of all Notes that are also subject to such redemption, payment or delivery;

Relevant Stock means each of (a) the Acquired Preference Stock; and (b) each unit of 2009 Preference Stock held by the Issuer from time to time;

Rule 144A means Rule 144A under the Securities Act;

Second Notice Cut-off Date means the day which is thirty days after the date on which notice of the same is given by the Issuer to Noteholders pursuant to Condition 11.6 (*Failure of Noteholders to deliver an Asset Transfer Notice and/or Waiver Adherence Deed, U.S. Persons and Non-Qualified Investors*) or Condition 11.7 (*Settlement Disruption*);

Second Stock Settlement Date means (a) in respect of Bonus Stock and Acquired Preference Stock in dematerialised form and transferable through Euroclear and Clearstream, Luxembourg, five Business Days following the Second Notice Cut-off Date and (b) otherwise, sixty Business Days following the Second Notice Cut-off Date;

Securities Act means the United States Securities Act of 1933, as amended;

Selling Agency Agreement means the selling agency agreement dated 11th December, 2013 between the Issuer, the Trustee and the Selling Agent;

Selling Agent means Credit Suisse Securities (Europe) Limited or any successor selling agent appointed pursuant to the Selling Agency Agreement;

Settlement Disruption Event means an event beyond the control of the Issuer as a result of which the Issuer cannot make delivery of an Asset Amount;

Stock Settlement Date means, subject to Condition 11.7 (*Settlement Disruption*), (a) in respect of Bonus Stock and Acquired Preference Stock in dematerialised form and transferable through Euroclear and Clearstream, Luxembourg, five Business Days following the Notice Cut-off Date and (b) otherwise, 60 Business Days following the Notice Cut-off Date;

TARGET2 System means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System;

Taxes means taxes, duties, assessments or governmental charges of whatever nature;

Transaction Account means the transaction account in the name of the Issuer held at the Account Bank;

Transaction Documents means the Trust Deed, the Deed of Charge, the Agency Agreement, the Selling Agency Agreement, the Account and Cash Management Agreement, the Custody Agreement, the Waiver Deed, the Preference Stock Purchase Agreement and the Corporate Services Agreement;

U.S. Person means a "U.S. person" as defined in Regulation S of the Securities Act;

Variable Expense Amount means an amount equal to all Taxes, fees, costs, charges and expenses due and payable and any liabilities incurred by the Issuer in respect of Issuer Administrative Expenses, the Corporate Services Provider, the Trustee, the Registrar, the Paying Agents, the Account Bank, the Selling Agent, the Cash Manager and the Custodian but not paid pursuant to Condition 6.1(a), 6.1(b) or 6.1(c) (*Pre-enforcement*) together with such amount, following payment of all the foregoing amounts pursuant to Condition 6.4 (*Expense Reserve Account*), as may be necessary to bring the balance of the Expense Reserve Account to €200,000;

Waived Amount means, in respect of each unit of Relevant Stock, all redemption or purchase monies in excess of €1.00 per unit of Relevant Stock (to the extent waived pursuant to the Waiver Deed or any Waiver Adherence Deed) and any reference to a Waived Amount received by the Issuer and/or to which the Issuer becomes entitled for any reason shall be to the aggregate Waived Amount received by the Issuer and/or to which the Issuer becomes entitled in respect of all of the Relevant Stock held by the Issuer;

Waiver Adherence Deed means a deed of adherence in the form set out in the schedule to the Waiver Deed; and

Waiver Deed means the deed of irrevocable waiver, covenant and undertaking dated on or about 10th December, 2013 executed by the Issuer and the Trustee for the benefit of the Bank.

2. FORM, DENOMINATION AND TITLE

2.1 Form and Denomination

The Notes are issued in registered form in amounts of €100,000, plus integral multiples of €1,000 in excess thereof. A note certificate (each a **Certificate**) will be issued to each Noteholder in respect of its registered holding of Notes. Each Certificate will be numbered serially with an

identifying number which will be recorded on the relevant Certificate and in the register of Noteholders which the Issuer will procure to be kept by the Registrar and at the registered office of the Issuer.

The Notes will be evidenced by two Global Certificates on issue. See further "The Global Certificates".

2.2 **Title**

Title to the Notes passes only by registration in the register of Noteholders. The holder of any Note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions **Noteholder** and (in relation to a Note) **holder** mean the person in whose name a Note is registered in the register of Noteholders.

3. **TRANSFERS OF NOTES AND ISSUE OF CERTIFICATES**

3.1 **Transfers**

A Note may be transferred by depositing the Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar or any of the Paying Agents together with any other evidence as the Registrar or the applicable Paying Agent may reasonably require.

3.2 **Delivery of new Certificates**

Each new Certificate to be issued upon a transfer of Notes will, within five business days of receipt by the Registrar or the relevant Paying Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Note to the address specified in the form of transfer. For the purposes of this Condition, **business day** shall mean a day on which banks are open for business in the city in which the specified office of the Paying Agent with whom a Certificate is deposited in connection with a transfer is located.

Where some but not all of the Notes in respect of which a Certificate is issued are to be transferred a new Certificate in respect of the Notes not so transferred will, within five business days of receipt by the Registrar or the relevant Paying Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred to the address of such holder appearing on the register of Noteholders or as specified in the form of transfer.

3.3 **Formalities free of charge**

Registration of transfer of Notes will be effected without charge by or on behalf of the Issuer, the Registrar or any Paying Agent but upon payment (or the giving of such indemnity as the Issuer, the Registrar or any Paying Agent may reasonably require) in respect of any Taxes which may be imposed in relation to such transfer.

3.4 **Closed Periods**

No Noteholder may require the transfer of a Note to be registered during the period of 15 days ending on the due date for any payment of principal or interest on that Note.

3.5 **Regulations**

All transfers of Notes and entries on the register of Noteholders will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests one.

4. **STATUS**

The Notes are secured, limited recourse obligations of the Issuer, secured in the manner described in Condition 5 (*Security*) and recourse in respect of which is limited in the manner described in Condition 16 (*Limited Recourse and Non-Petition*), and rank and will rank *pari passu*, without any preference among themselves.

5. **SECURITY**

The obligations of the Issuer under the Notes are secured by, *inter alia*:

(a) pursuant to the Deed of Charge:

(i) a first fixed charge over all of the Issuer's rights, title, benefit and interest in the Acquired Preference Stock (other than certain rights waived pursuant to the Waiver Deed) and all assets and sums derived therefrom; and

(ii) an assignment by way of first fixed security of all of the Issuer's rights, title, benefit and interest under the Corporate Services Agreement and the Preference Stock Purchase Agreement and any other document (other than the Deed of Charge) to which the Issuer is or may become a party and which is, or is expressed to be, governed by the laws of Ireland;

(b) pursuant to the Trust Deed, an assignment by way of first fixed security of:

(i) all of the Issuer's rights, title and interest under the Custody Agreement and the Selling Agency Agreement;

(ii) all of the Issuer's rights, title and interest under the Agency Agreement (including, without limitation, the rights of the Issuer in respect of all funds and/or assets held from time to time by any Paying Agents for payment of principal or interest in respect of the Notes or otherwise in relation to the Notes); and

(iii) all of the Issuer's rights, title and interest under the Account and Cash Management Agreement to the extent that it relates to the Transaction Account;

(c) pursuant to the Trust Deed, a first fixed charge over all of the Issuer's rights, title and interest in and to the Transaction Account and each Custody Account; and

(d) pursuant to the Trust Deed, by a first floating charge over the whole of the Issuer's undertaking and all of its property and assets (other than (i) any property or assets subject to a security interest pursuant to the Deed of Charge, (ii) amounts paid on subscription for the share capital of the Issuer, (iii) amounts deposited in respect of the Issuer's liquidation expenses and transaction fees paid to the Issuer and (iv) the Issuer's rights in respect of any bank account to which they are credited), whatsoever and wheresoever situated, present and future.

The assets subject to the above security are herein referred to as **Mortgaged Property**.

Pursuant to the Trust Deed and the Deed of Charge, the security over the Bonus Stock and/or Acquired Preference Stock will be automatically released from the security created thereunder, without the need for any action by any person, in order (a) to enable the Selling Agent to liquidate Bonus Stock and/or Acquired Preference Stock in accordance with these Conditions and the Selling Agency Agreement, (b) to enable physical delivery of the Bonus Stock and/or Acquired Preference Stock, in each case pursuant to and in accordance with these Conditions or (c) to allow a redemption of the Acquired Preference Stock or a redemption or cancellation of Notes in accordance with these Conditions, provided, that the proceeds of any liquidation or redemption of Bonus Stock or Acquired Preference Stock (as the case may be) shall remain subject to the security under the Deed of Charge or the Trust Deed, as the case may be, pending distribution in accordance with Condition 6 (*Order of Payments*) and the Transaction Documents.

Pursuant to the Trust Deed, the security created over the Transaction Account and the Expense Reserve Account will be automatically released from the security created thereunder, without the need for any action by any person, to the extent required to make any payment out of such accounts pursuant to and in accordance with these Conditions or the Trust Deed.

The Trust Deed provides that the Trustee may accept without investigation, requisition or objection such right, benefit, title and interest, if any, as the Issuer may have in and to the Mortgaged Property and is not bound to make any investigation into the same or into the Mortgaged Property in any respect.

The Trustee shall not be bound or concerned to make any investigation into the creditworthiness of the Bank, the validity of the Bank's obligations under or in respect of the Acquired Preference Stock or any terms of the Acquired Preference Stock or to monitor the value of the Acquired Preference Stock.

Each Noteholder shall be deemed to acknowledge that the Issuer's rights in respect of the Acquired Preference Stock are, prior to the Preference Stock Amendment Date, subject to the terms of the Waiver Deed and any transfer by the Issuer of the Acquired Preference Stock (either pursuant to a redemption in accordance with Condition 10.1(a) (*Redemption in relation to the Acquired Preference Stock*) or otherwise) shall (where such transfer is to take place prior to the Preference Stock Amendment Date) be subject to the delivery by the relevant transferee of a duly executed Waiver Adherence Deed in respect of the entire interest in the Relevant Stock to be acquired by the relevant transferee.

By purchasing the Notes, the Noteholders authorise and direct the Trustee to enter into the Waiver Deed on or around the Issue Date and the Trustee shall have no liability to any person in respect of its entry into the Waiver Deed pursuant to such authorisation and direction.

In the event that the Issuer receives any notice of a proposal to amend the rights, privileges, limitations or restrictions attached to the Acquired Preference Stock or any other notice from the Bank in respect of the Acquired Preference Stock, it shall notify the Trustee, the Principal Paying Agent and the Noteholders, in accordance with Condition 18 (*Notices*), as soon as practicable thereafter. The Issuer shall not exercise any right to attend any meeting to consider any proposal to amend the rights, privileges, limitations or restrictions attached to the Acquired Preference Stock and/or vote in respect of any such proposal or exercise any other rights in respect of the Acquired Preference Stock unless directed to do so by the Trustee acting on the direction of an Extraordinary Resolution of the Noteholders in accordance with the Trust Deed and, in which case, the Issuer shall (provided the Bank has consented to it voting on the relevant matter, which consent the Issuer shall request) vote in accordance with such Extraordinary Resolution. Nothing in this Condition 5

(*Security*), or otherwise in these Conditions, or any Transaction Document shall require the Issuer (or the Bank) to consult with, or obtain the consent of, the Trustee or any Noteholder in respect of the Amendments or any rights or terms attaching or relating to the Acquired Preference Stock which are waived by the Issuer, or granted to the Bank, in each case under the Waiver Deed.

In the Waiver Deed, the Issuer has warranted and represented that it shall procure that there shall be no amendment, variation, abrogation, substitution of, addition to or waiver of the Notes save with the prior written consent of the Bank and either the consent of the Trustee pursuant to and in accordance with Trust Deed or the approval of the Noteholders acting by way of an Extraordinary Resolution.

6. ORDER OF PAYMENTS

6.1 Pre-enforcement

Prior to the enforcement of the security over the Mortgaged Property, the Issuer shall apply all amounts standing to the credit of the Transaction Account on each Interest Payment Date and such other dates on which a payment is due in respect of the Notes in the following order of priority:

(a) first, in payment of any Taxes due and payable by the Issuer to any taxing authority, subject to Condition 6.3 (*Minimum Expense Figure*);

(b) second, in payment of any fees, costs, charges and expenses due and payable and any liabilities incurred by the Trustee in carrying out its functions under the Trust Deed and the Deed of Charge, subject to Condition 6.3 (*Minimum Expense Figure*);

(c) third, in payment, on a *pro rata* and *pari passu* basis, of any Issuer Administrative Expenses and (to the extent not already paid pursuant to payment of the Issuer Administrative Expenses) any fees, costs, charges and expenses due and payable to and any liabilities incurred by the Registrar and the Paying Agents under the Agency Agreement, the Selling Agent under the Selling Agency Agreement, the Account Bank and the Cash Manager under the Account and Cash Management Agreement, the Custodian under the Custody Agreement and the Corporate Services Provider under the Corporate Services Agreement, subject to Condition 6.3 (*Minimum Expense Figure*);

(d) fourth, other than in the case of a redemption in full of the Notes, if the amounts paid pursuant to paragraphs (a) to (c) above are less than the Minimum Expense Figure, in payment to the Expense Reserve Account of an amount equal to the difference between the Minimum Expense Figure and such amounts paid pursuant to paragraphs (a) to (c) above;

(e) fifth, in payment of the Variable Expense Amount (if any) to the Expense Reserve Account;

(f) sixth, in reimbursement to the Bank of any Waived Amount received by the Issuer;

(g) seventh, in payment to the Issuer (for its own account) of an amount of €750 as its annual profit fee (provided that if, but for this proviso, that fee would be in excess of €750 in any calendar year, the payment to be made under this paragraph (g) shall be reduced so that no such excess arises);

(h) eighth, in payment, on a *pro rata* and *pari passu* basis, to the Noteholders of any interest due and payable in respect of the Notes;

(i) ninth, in payment, on a *pro rata* and *pari passu* basis, to the Noteholders of any principal due and payable in respect of the Notes; and

(j) tenth, in payment of the balance (if any) to the Expense Reserve Account.

To the extent that the sums payable pursuant to limbs (a), (b) and (c) above are not sufficient to meet such Taxes, fees, costs, charges and expenses due and payable and any liabilities incurred by the relevant parties, the Issuer shall apply the amounts standing to the credit of the Expense Reserve Account, to the extent available, to satisfy such claims.

6.2 **Post-enforcement**

Following the enforcement of the security over the Mortgaged Property, all amounts standing to the credit of the Transaction Account and any proceeds of enforcement shall be applied in the following order of priority:

(a) first, in payment of any fees, costs, charges and expenses due and payable and any liabilities incurred by the Trustee or any Receiver in carrying out its functions under the Trust Deed and the Deed of Charge and any Taxes due and payable by the Issuer to any taxing authority;

(b) second, in payment on a *pro rata* and *pari passu* basis of any Issuer Administrative Expenses and (to the extent not already paid pursuant to payment of the Issuer Administrative Expenses) any fees, costs, charges and expenses due and payable and any liabilities incurred by the Registrar and the Paying Agents under the Agency Agreement, the Selling Agent under the Selling Agency Agreement, the Account Bank and the Cash Manager under the Account and Cash Management Agreement, the Custodian under the Custody Agreement and the Corporate Services Provider under the Corporate Services Agreement;

(c) third, in reimbursement to the Bank of any Waived Amount received by the Issuer;

(d) fourth, in payment, on a *pro rata* and *pari passu* basis, to the Noteholders of any interest due and payable in respect of the Notes;

(e) fifth, in payment, on a *pro rata* and *pari passu* basis, to the Noteholders of any principal due and payable in respect of the Notes; and

(f) sixth, following satisfaction in full of all amounts referred to in paragraphs 6.2(a) to 6.2(e) above, in payment of the balance (if any) to the Issuer.

To the extent that the sums payable pursuant to limbs (a) and (b) above are not sufficient to meet such fees, costs, charges and expenses due and payable and any liabilities incurred by the relevant parties, the Issuer shall apply the amounts standing to the credit of the Expense Reserve Account, to the extent available, to satisfy such claims.

6.3 **Minimum Expense Figure**

The Minimum Expense Amount in each consecutive period of 12 months, the first such period commencing on the Issue Date, may not exceed the Minimum Expense Figure.

6.4 **Expense Reserve Account**

Payments may only be paid out of the Expense Reserve Account on any day in respect of the following (to the extent not already paid out of the Transaction Account in accordance with Condition 6.1 (*Pre-enforcement*) or 6.2 (*Post-enforcement*) and in the following order of priority):

(a) Taxes due and payable by the Issuer to any taxing authority;

(b) fees, costs, charges and expenses due and payable and liabilities incurred by the Trustee in carrying out its functions under the Trust Deed and the Deed of Charge;

(c) any Issuer Administrative Expenses and (to the extent not already paid pursuant to payment of the Issuer Administrative Expenses) fees, costs, charges and expenses due and payable and liabilities incurred by the Registrar and the Paying Agents under the Agency Agreement, the Selling Agent under the Selling Agency Agreement, the Account Bank and the Cash Manager under the Account and Cash Management Agreement, the Custodian under the Custody Agreement and the Corporate Services Provider under the Corporate Services Agreement on a *pro rata* and *pari passu* basis;

(d) any other expenses due and payable by the Issuer;

(e) retention by the Issuer of an amount of €750 per annum as profit; and

(f) following satisfaction in full of all amounts referred to in paragraphs (a) to (e) above and provided no future expenses are expected to become payable, in payment of the balance (if any) to the Issuer.

7. **RESTRICTIONS AND COVENANTS**

7.1 **Restrictions**

So long as any of the Notes remain outstanding, the Issuer will not, without the written consent of the Trustee:

(a) engage in any activity or do anything whatsoever, except enter into and perform the transactions contemplated by (and enforce its rights under) the Trust Deed, the Deed of Charge, the Preference Stock Purchase Agreement, the Agency Agreement, the Account and Cash Management Agreement, the Custody Agreement, the Selling Agency Agreement, the Waiver Deed, the Purchase Agreement, the Corporate Services Agreement and any other agreements relating to the Notes;

(b) have any employees or subsidiaries;

(c) create or permit within its control to subsist any charge, mortgage, lien or other encumbrance over the Mortgaged Property other than those encumbrances created pursuant to, or as referred to in, the Trust Deed or the Deed of Charge;

(d) issue any further shares or declare any dividends or (otherwise than to Noteholders in accordance with these Conditions) make any distributions of any other kind;

(e) take, or permit to be taken, any actions that would require the Issuer to register as an "investment company" under the Investment Company Act; or

(f) without prejudice to any of the above, enter into any transactions other than on an arm's length basis where to do so would cause it to cease to be a qualifying company for the purposes of section 110 of the Irish Taxes Consolidation Act 1997.

7.2 **Covenants**

The Issuer shall procure that:

(a) all amounts (whether dividends, redemption amounts, sale proceeds or otherwise) received by it in respect of the Acquired Preference Stock are paid into the Transaction Account promptly upon receipt thereof;

(b) the number of units of Bonus Stock and/or Acquired Preference Stock required to be sold by the Issuer (as calculated by the Selling Agent on behalf of the Issuer) for the purpose of funding the Aggregate Bonus Stock Liquidation Expense Amount and/or the Aggregate Preference Stock Liquidation Expense Amount, as the case may be, are promptly sold on its behalf by the Selling Agent and all sale proceeds thereof are paid into the Transaction Account promptly upon receipt;

(c) payments are only paid out of the Transaction Account and the Expense Reserve Account, as applicable, in accordance with the orders of priority set out in Condition 6 (*Order of Payments*);

(d) notices specifying the relevant event are delivered to Noteholders in accordance with Condition 18 (*Notices*) upon:

(i) any redemption of the Acquired Preference Stock by the Bank;

(ii) any amendment being made to the terms of the Acquired Preference Stock other than in accordance with the Waiver Deed; and

(iii) any communication of non-payment of dividends or deferred issue of Bonus Stock received from the Bank; and

(e) it shall not make any amendment, variation, abrogation, substitution, addition or waiver of or to the Notes save with each of: (i) the prior written consent of the Bank; and (ii) either (x) the consent of the Trustee, pursuant to and in accordance with the Trust Deed; or (y) the approval of the Noteholders acting by way of an Extraordinary Resolution.

8. **INTEREST**

8.1 **Interest**

Each Note shall bear interest on its outstanding principal amount. Subject to the other provisions of these Conditions, such interest shall be paid on each Interest Payment Date in an amount equal to the Interest Amount.

To the extent that:

(a) the Issuer does not receive dividends in cash under the Acquired Preference Stock pursuant to their terms in respect of any dividend period, subject to Condition 8.2 (*Interest following receipt of Bonus Stock*), interest for the corresponding interest period under the Notes shall not be payable, accrue or accumulate to the extent of such non-receipt;

(b) the Issuer has received any dividend in cash under the Acquired Preference Stock which is subject to withholding or deduction of Taxes, the Interest Amount payable on each Note shall be reduced by an amount equal to the Relevant Proportion of such withholding or deduction (but without prejudice to Condition 12.2 (*Obligation to Substitute the Issuer or amend the terms of the Notes*)); or

(c) the Issuer shall be required to deduct the Variable Expense Amount from the dividends received in cash under the Acquired Preference Stock (or liquidate a sufficient amount of Bonus Stock to pay such Variable Expense Amount) and pay such amount (or such proceeds of such liquidation) into the Expense Reserve Account in order to pay the amounts referred to in the definition of Variable Expense Amount and restore the balance of the Expense Reserve Account to €200,000, the Interest Amount or Bonus Stock Interest Amount due to Noteholders on such Interest Payment Date or Stock Settlement Date shall be reduced accordingly.

The Issuer, shall as soon as practicable, and in any event within three Business Days, after:

(i) receiving a notification from the Bank pursuant to the terms of the Acquired Preference Stock that it has resolved not to pay a dividend on the Acquired Preference Stock;

(ii) receiving or becoming aware that it will (on the occasion of the next payment due to it from the Bank in respect of the Acquired Preference Stock) receive payments in respect of the Acquired Preference Stock subject to withholding or deduction of Taxes; or

(iii) becoming aware that on the next Interest Payment Date a Variable Expense Amount will apply,

notify the Trustee, the Registrar, each Paying Agent and (in accordance with Condition 18 (*Notices*)) the Noteholders.

8.2 **Interest following receipt of Bonus Stock**

If the Bank gives notice to the Issuer of the Bonus Stock Settlement Date following any non-payment of a cash dividend in accordance with the terms of the Acquired Preference Stock, the Issuer shall (a) promptly, and in any event within three Business Days thereof, notify the Trustee, the Registrar, each Paying Agent, the Cash Manager, the Custodian, the Selling Agent and (in accordance with Condition 18 (*Notices*) the Noteholders of the same and (b) satisfy its obligation to pay the Interest Amount to Noteholders in accordance with Condition 8.1 (*Interest*) by instead delivering to each Noteholder the Bonus Stock Interest Amount on or before the relevant Stock Settlement Date in accordance with Condition 11 (*Delivery*).

The Issuer's notification to the Noteholders shall:

(a) be given no later than three Business Days following the date on which the Issuer receives notice from the Bank of the Bonus Stock Settlement Date following any non-payment of a cash dividend;

(b) specify the Bonus Stock Settlement Date on which the relevant amount of Bonus Stock is to be delivered by the Bank to the Issuer;

(c) specify the Notice Cut-off Date and the fact that if a Noteholder fails to deliver an Asset Transfer Notice in accordance with Condition 11 (*Delivery*), such Noteholder will not be entitled to receive Bonus Stock and instead the Selling Agent shall, pursuant to the Selling Agency Agreement, convert such amount of the Bonus Stock to which that Noteholder is

entitled pursuant to this Condition 8.2 (*Interest following receipt of Bonus Stock*) into cash by liquidating the relevant number of units of Bonus Stock and the Issuer shall pay to the relevant Noteholder the net cash amount received by the Issuer from such liquidation (if any) net of any fees, costs, charges, expenses, liabilities and other amounts ranking in priority to amounts payable to Noteholders under Condition 6 (*Order of Payments*) but only to the extent amounts available pursuant to Condition 6 (*Order of Payments*) are insufficient to discharge such amounts;

(d) specify that the Aggregate Bonus Stock Liquidation Expense Amount will be paid by the Selling Agent liquidating a sufficient amount of Bonus Stock in order to fund such Aggregate Bonus Stock Liquidation Expense Amount before the delivery of the Bonus Stock Interest Amount;

(e) specify the expected Stock Settlement Date; and

(f) specify the amount of Bonus Stock to be delivered to the Issuer.

9. PAYMENTS

9.1 Payments in respect of Notes

Payment of principal and interest will be made by transfer to the registered account of the Noteholder or by euro cheque drawn on a bank that processes payments in euro mailed to the registered address of the Noteholder if it does not have a registered account. Payments of principal and interest due otherwise than on an Interest Payment Date will only be made against surrender of the relevant Certificate at the specified office of any of the Paying Agents. Interest on Notes due on an Interest Payment Date will be paid to the holder shown on the register of Noteholders at the close of business on the date (the **Record Date**) being the fifteenth day before the relevant Interest Payment Date.

For the purposes of this Condition, a Noteholder's registered account means the euro account maintained by or on behalf of it with a bank that processes payments in euro, details of which appear on the register of Noteholders at the close of business, in the case of principal and interest due otherwise than on an Interest Payment Date, on the second business day (as defined below) before the due date for payment and, in the case of interest due on an Interest Payment Date, on the relevant Record Date, and a Noteholder's registered address means its address appearing on the register of Noteholders at that time.

9.2 Payments Subject to Fiscal and Other Laws

Payments will be subject in all cases, to (i) any fiscal or other laws and regulations applicable thereto, but without prejudice to the provisions of Condition 12 (*Taxation*), in the place of payment, and (ii) any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended (the **Code**), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code.

9.3 No commissions

No commissions or expenses shall be charged to the Noteholders in respect of any payments made in accordance with this Condition.

9.4 **Payment on Payment Days**

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Payment Day, for value the first following day which is a Payment Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed, on the Payment Day preceding the due date for payment or, in the case of a payment of principal or interest due otherwise than on an Interest Payment Date, if later, on the Payment Day on which the relevant Certificate is surrendered at the specified office of a Paying Agent.

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Payment Day, if the Noteholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

9.5 **Partial Payments**

If the amount of principal or interest which is due on the Notes is not paid in full, the Registrar will annotate the register of Noteholders with a record of the amount of principal or interest in fact paid.

However, for the avoidance of doubt, to the extent that the Issuer does not receive dividends under the Acquired Preference Stock pursuant to their terms in respect of any dividend period, interest for the corresponding interest period under the Notes shall not be payable, accrue or accumulate.

9.6 **Agents**

The names of the initial Registrar and Paying Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Registrar, the Selling Agent, Account Bank, the Cash Manager, the Custodian or any Paying Agent and to appoint another Registrar, Selling Agent, Account Bank, Cash Manager, Custodian or additional or other Paying Agents provided that:

(a) there will at all times be a Principal Paying Agent;

(b) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;

(c) there will at all times be a Registrar;

(d) there will at all times be a Selling Agent;

(e) there will at all times be an Account Bank;

(f) there will at all times be a Cash Manager; and

(g) there will at all times be a Custodian.

Notice of any termination or appointment and of any changes in specified offices of the Registrar or any Paying Agent shall be given to the Noteholders promptly by the Issuer in accordance with Condition 18 (*Notices*).

10. REDEMPTION AND PURCHASE

10.1 Redemption in relation to the Acquired Preference Stock

(a) In the event that the Bank is obliged or elects to redeem the Acquired Preference Stock and does so redeem the Acquired Preference Stock, the Issuer shall (x) promptly notify the Trustee, the Registrar, each Paying Agent, the Cash Manager, the Custodian, the Selling Agent, any stock exchange on which the Notes are listed and the Noteholders of the same; and (y) redeem the Notes by cash settlement (**Cash Settlement**) at the Redemption Amount as soon as reasonably practicable and in any event within five Business Days of notifying the Trustee, the Registrar, each Paying Agent, the Cash Manager, the Custodian, the Selling Agent, any stock exchange on which the Notes are listed and the Noteholders as aforesaid. If the Bank is obliged or elects to redeem some (but not all) of the Acquired Preference Stock and/or redeems some or all of the Acquired Preference Stock in part only (but not in full), the Issuer will redeem all Notes on a *pro rata* basis reflecting such redemption in accordance with the foregoing provisions, *mutatis mutandis*, and the remainder of these Conditions shall be construed accordingly.

(b) In the event (i) of a Bank Default or (ii) the winding up, bankruptcy, liquidation or examinership of the Bank is commenced, such action having been both (1) sanctioned by the High Court of Ireland; and (2) approved by the Central Bank to the extent such approval is required under applicable legislation, the Issuer shall (x) promptly, and in any event within three Business Days thereof, notify the Trustee, the Registrar, each Paying Agent, the Cash Manager, the Custodian, the Selling Agent, any stock exchange on which the Notes are listed and the Noteholders of the same and, (y) redeem the Notes by physical settlement (**Physical Settlement**) at the Redemption Amount in accordance with and subject to Condition 11 (*Delivery*).

Pursuant to the Waiver Deed, the Issuer will waive its entitlement to the Waived Amount in respect of any redemption or purchase of the Relevant Stock (subject as provided below) such that any redemption or purchase by the Bank will be at €1.00 per unit of Relevant Stock. See further "Annex A: Description of the Acquired Preference Stock, the Preference Stock Purchase Agreement and the Waiver Deed - Description of the Waiver Deed".

The Bank announced on 4th December, 2013 that, save in certain circumstances (including, without limitation, following a breach of the Waiver Deed, changes in the regulatory capital treatment of the 2009 Preference Stock for any purpose, or taxation events) it does not intend to redeem the Acquired Preference Stock prior to 1st January, 2016. However, there is no assurance that such intention will remain unchanged before 1st January, 2016 or that redemption will occur on or after 1st January, 2016. The Bank has advised the Central Bank that it is not the Bank's intention to recognise the 2009 Preference Stock (including the Acquired Preference Stock) as CET 1 Capital after July 2016, unless the de-recognition of the 2009 Preference Stock would mean that an adequate capital buffer cannot be maintained above applicable regulatory requirements. It is noted that in any event the 2009 Preference Stock would no longer qualify as CET 1 Capital under Article 483 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 (commonly referred to as the Capital Requirements Regulation) after 31st December, 2017. (See further the risk factor entitled "The 2009 Preference Stock may be redeemed or purchased at the option of the Bank and any such redemption would result in redemption of the Notes".)

In the case of redemption pursuant to Condition 10.1(b), the Issuer's notification to the Noteholders shall also specify (i) the Notice Cut-off Date and (ii) the Stock Settlement Date, and the Issuer shall also notify to Noteholders (whether in the same notice or otherwise) the method by which

Noteholders are required to pay the Delivery Costs attributable to their Notes, as calculated by the Selling Agent.

For so long as the Notes are evidenced by one or more Global Certificate and such Global Certificate(s) is/are held on behalf of Euroclear or Clearstream, Luxembourg, the method of payment of Delivery Costs in respect of a physical delivery of Acquired Preference Stock is expected to be by debit of the participant's Euroclear or Clearstream, Luxembourg account.

10.2 **Cancellations**

All Notes which are redeemed will forthwith be cancelled, and accordingly may not be reissued or resold.

10.3 **Forced Transfer of Notes held by U.S. Persons**

If the Issuer determines at any time that a U.S. Person or person in the United States who has purchased any Notes was not a QIB/QP at the time of acquisition of such Notes, the Issuer will require such Noteholder to sell the Notes held by it within 30 days after notice of the sale requirement is given. If the Noteholder fails to effect the sale within such 30 day period, the Issuer will cause such Noteholder's Notes to be transferred in a "commercially reasonable disposition" with all warranties disclaimed (conducted by the Issuer in accordance with Sections 9-610 and 9-627 of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognised market or that may decline speedily in value) to a person that certifies to the Issuer:

(a) if such person is taking delivery of the Notes pursuant to Rule 144A under the Securities Act, that such person is a both a QIB and QP, together with the other acknowledgments, representations and agreements deemed or required to be made by a transferee of Notes that is a U.S. Person; or

(b) if such person is taking delivery of the Notes pursuant to Regulation S, that such person is not a U.S. Person and is outside the United States.

Neither the Issuer, the Trustee, nor any other party shall be liable to a Noteholder for any loss suffered in connection with any such transfer. No payments will be made on the affected Notes from the date notice of the sale requirement is sent to the date on which the Notes are sold in accordance with the above procedure.

10.4 **Purchase**

Subject to applicable law and to the prior consent of the Central Bank, a Bank Group Member may at any time purchase Notes, directly or indirectly, at any price in the open market or otherwise. At the option of the relevant Bank Group Member, Notes so purchased may be surrendered by the relevant Bank Group Member to the Issuer at any time for cancellation against delivery by any means in accordance with the Waiver Deed (including, but not limited to, by way of redemption by the Bank itself or purchase by any other Bank Group Member) by or on behalf of the Issuer to the order of such Bank Group Member of a *pro rata* amount of Acquired Preference Stock held by the Issuer (rounded downwards to the nearest whole unit of Acquired Preference Stock) corresponding to the proportion that the aggregate principal amount of such Notes bears to the aggregate principal amount of all Notes then outstanding (a **Note Cancellation Event**).

The Bank Group Member (or the Bank on its behalf if different) shall provide the Issuer with not less than two Business Days' notice in writing of the intention of the Bank Group Member to effect a Note Cancellation Event.

The Bank Group Member shall, subject to the Waiver Deed, comply with the requirements of the Issuer and its agents to effect such cancellation of Notes and delivery of Acquired Preference Stock. Any costs and expenses in connection with the related delivery of Acquired Preference Stock (excluding the amounts waived by the Issuer pursuant to the Waiver Deed) shall be notified by the Issuer to the Bank Group Member and paid by or on behalf of the Bank Group Member prior to delivery. Any Notes surrendered for cancellation will be cancelled forthwith and, accordingly, may not be reissued or resold.

11. DELIVERY

11.1 Expenses

The Selling Agent shall in accordance with the Selling Agency Agreement:

(a) in the event of a delivery of Bonus Stock, liquidate a proportion of the Bonus Stock, as calculated by the Selling Agent, with a value equal to the Aggregate Bonus Stock Liquidation Expense Amount; and

(b) in the event of a delivery of Acquired Preference Stock, liquidate a proportion of the Acquired Preference Stock, as calculated by the Selling Agent, equal to the Aggregate Preference Stock Liquidation Expense Amount and, if such delivery is to take place prior to the Preference Stock Amendment Date, only to the extent that the purchaser of the Acquired Preference Stock delivers a duly executed Waiver Adherence Deed to the Selling Agent prior to such sale.

11.2 Applicable Securities Laws

If:

(a) a Bonus Stock Interest Amount is deliverable in respect of the Notes pursuant to Condition 8.2 (*Interest following receipt of Bonus Stock*); or

(b) a Preference Stock Redemption Amount is deliverable in respect of the Notes pursuant to Condition 10.1 (*Redemption in relation to the Acquired Preference Stock*) or Condition 14.2 (*Optional Physical Delivery*),

any delivery of the Bonus Stock Interest Amount or Preference Stock Redemption Amount, as the case may be, shall be effected in accordance with applicable securities laws.

11.3 Delivery of Bonus Stock Interest Asset Amount

In order to obtain delivery of the Bonus Stock Interest Asset Amount in respect of any Note, an Asset Transfer Notice substantially in the form set out in the Agency Agreement (an **Asset Transfer Notice**) must be delivered by or on behalf of the relevant Noteholder in respect of such Note to the Principal Paying Agent not later than the close of business in London on the Notice Cut-off Date.

After delivery of an Asset Transfer Notice, no transfers of the Notes specified therein will be effected by the Issuer.

11.4 Delivery of Preference Stock Redemption Asset Amount

In order to obtain delivery of the Preference Stock Redemption Asset Amount in respect of any Note, an Asset Transfer Notice and (in respect of any delivery of Acquired Preference Stock which

is to take place prior to the Preference Stock Amendment Date) a duly executed Waiver Adherence Deed must be delivered on behalf of the relevant Noteholder (together with the relevant Certificate) in respect of such Note to the Principal Paying Agent not later than the close of business in London on the Notice Cut-off Date. In addition, each Noteholder must pay to the Issuer (by such method as the Issuer shall specify) the Delivery Costs attributable to their Notes, as calculated by the Selling Agent and notified by the Issuer to the Noteholders.

After delivery of an Asset Transfer Notice, no transfers of the Notes specified therein will be effected by the Issuer.

In the event of a physical delivery of the Acquired Preference Stock, Noteholders will be responsible for (a) the payment to the Issuer of any applicable Delivery Costs attributable to their Notes, (b) the payment of, or filing of returns in respect of, any applicable Taxes (including, any applicable stamp duty) payable by the transferee in order to effect the transfer, and (c) if the Acquired Preference Stock is held in definitive registered form, delivering the relevant stock transfer form provided by the Issuer to the Bank and taking any further actions necessary to ensure such Noteholder's name is entered on the register of Preference Stockholders maintained by the Bank. If the Acquired Preference Stock is in definitive registered form, the Issuer shall only be responsible for providing the completed stock transfer form to Noteholders and shall have no further responsibility in relation to payment of, or filing of returns in relation to, any transferee Taxes payable by the transferee in order to effect the transfer, the completion of the relevant stock transfer form or for arranging registration of the Noteholder as a Preference Stockholder on the register maintained by the Bank. The Bank may, in its absolute discretion, decline to register any transfer of Acquired Preference Stock which is to take place prior to the Preference Stock Amendment Date where a duly executed Waiver Adherence Deed has not been provided to the Bank with the relevant stock transfer form in respect of such transfer or where such transfer is otherwise not in compliance with the terms of the Waiver Deed.

For so long as the Notes are evidenced by one or more Global Certificate and such Global Certificate(s) is/are held on behalf of Euroclear or Clearstream, Luxembourg, the method of payment of Delivery Costs is expected to be by debit of the participant's Euroclear or Clearstream, Luxembourg account.

11.5 **Procedure by the Issuer and others**

The relevant Asset Amount will be delivered at the risk of the relevant Noteholder(s) on the relevant Stock Settlement Date, provided that the relevant Asset Transfer Notice and (in respect of any delivery of Acquired Preference Stock which is to take place prior to the Preference Stock Amendment Date) a duly executed Waiver Adherence Deed are delivered and (in respect of any delivery of Acquired Preference Stock) the applicable Delivery Costs attributable to their Notes are paid, in each case not later than the close of business in London on the Notice Cut-off Date.

For the avoidance of doubt:

(a) in relation to the delivery of the Bonus Stock Interest Asset Amount, the Selling Agent shall convert such amount of the Bonus Stock into cash sufficient to cover the Bonus Stock Liquidation Expense Amount (which shall include the Delivery Costs) by liquidating an appropriate number of units of the Bonus Stock; and

(b) in relation to the delivery of the Preference Stock Redemption Asset Amount (i) the Noteholders shall be required to pay to the Issuer (by such method as the Issuer shall specify) the applicable Delivery Costs attributable to their Notes not later than close of business in London on the Notice Cut-off Date and (ii) the Selling Agent shall convert such

amount of the Acquired Preference Stock into sufficient cash to fund the Aggregate Preference Stock Liquidation Expense Amount.

For so long as the Notes are evidenced by one or more Global Certificate and such Global Certificate(s) is/are held on behalf of Euroclear or Clearstream, Luxembourg, the method of payment of Delivery Costs in respect of any Preference Stock Redemption Asset is expected to be by debit of the participant's Euroclear or Clearstream, Luxembourg account.

11.6 **Failure of Noteholders to deliver an Asset Transfer Notice and/or Waiver Adherence Deed, U.S. Persons and Non-Qualified Investors**

If the relevant Noteholder or, as the case may be, the duly authorised representative of the relevant Noteholders fails to deliver an Asset Transfer Notice or (in respect of any delivery of Acquired Preference Stock which is to take place prior to the Preference Stock Amendment Date) a duly executed Waiver Adherence Deed or (in respect of any delivery of Acquired Preference Stock) pay the Delivery Costs attributable to their Notes, in each case not later than close of business in London on the relevant Notice Cut-off Date and/or is unable to deliver a duly completed Asset Transfer Notice confirming that it is not a U.S. Person and is a Qualified Investor, the Selling Agent shall convert the relevant Asset Amount into cash by liquidating the relevant number of units of the Bonus Stock Interest Amount or Preference Stock Redemption Amount, as applicable, (provided that if any such liquidation takes place prior to the Preference Stock Amendment Date, the purchaser of any Acquired Preference Stock shall deliver a duly executed Waiver Adherence Deed to the Selling Agent prior to such sale), and the obligation of the Issuer to deliver the Asset Amount shall be satisfied by distribution of the actual net amounts received by or on behalf of the Issuer in respect thereof net of any fees, costs, charges and expenses due and payable and liabilities incurred which are payable in accordance with Condition 6 (*Order of Payments*) in priority to amounts payable to Noteholders, no later than three Business Days following receipt of the same. Notice of such amounts shall be given to Noteholders pursuant to Condition 18 (*Notices*).

If the Selling Agent is unable to convert such amount of Bonus Stock Interest Amount or Preference Stock Redemption Amount into cash as aforesaid within 180 days of the relevant Stock Settlement Date (including, if the Selling Agent has not received a duly executed Waiver Adherence Deed from a prospective purchaser of an amount of Acquired Preference Stock):

(a) the Issuer shall notify the Noteholders in accordance with Condition 18 (*Notices*) that affected Noteholders may request Physical Settlement of their Notes by delivering an Asset Transfer Notice and (in respect of any delivery of Acquired Preference Stock which is to take place prior to the Preference Stock Amendment Date) a duly executed Waiver Adherence Deed and (in respect of any delivery of Acquired Preference Stock) paying the Delivery Costs attributable to their Notes, in each case, by the close of business in London on the Second Notice Cut-off Date and, subject to receipt thereof, the Issuer shall arrange for delivery of the Bonus Stock Interest Asset Amount or the Preference Stock Redemption Asset Amount to such Noteholder on or before the Second Stock Settlement Date; and

(b) in respect of any Notes:

(i) for which the relevant Asset Transfer Notice and Waiver Adherence Deed (if applicable) is not delivered and Delivery Costs (if applicable) are not paid, in each case by the close of business in London on the Second Notice Cut-off Date; or

(ii) for which delivery of the Asset Amount on the Second Stock Settlement Date is not practicable by reason of a Settlement Disruption Event,

the Issuer shall be discharged from its obligation to make payment or delivery in respect of the Bonus Stock Interest Amount or the Preference Stock Redemption Amount, as the case may be. For the avoidance of doubt, in respect of any such Note for which the Issuer is discharged of its obligation to pay the Preference Stock Redemption Amount, as aforesaid, the Issuer shall have no further obligation or liability whatsoever in respect thereof.

11.7 **Settlement Disruption**

This Condition 11.7 (*Settlement Disruption*) is subject to Condition 11.6 (*Failure of Noteholders to deliver an Asset Transfer Notice and/or Waiver Adherence Deed, U.S. Persons and Non-Qualified Investors*).

If, prior to delivery of the Asset Amount, the Issuer determines that delivery of the Asset Amount is not practicable by reason of a Settlement Disruption Event having occurred and continuing on the Stock Settlement Date then that date shall be postponed to the first following Business Day in respect of which there is no such Settlement Disruption Event; provided, however, that, subject as provided below, in no event shall delivery be made later than the eighth Business Day after the originally scheduled date.

If in respect of such eighth Business Day the delivery of the Asset Amount is not practicable by reason of a Settlement Disruption Event, then the Selling Agent shall convert the relevant amount of the Asset Amount, as the case may be, into cash by liquidating the relevant number of units of the Bonus Stock Interest Amount or Preference Stock Redemption Amount, as applicable, and the obligation of the Issuer to deliver the Asset Amount, as the case may be, shall be satisfied by distribution of the actual net amounts received by or on behalf of the Issuer (net of any fees, costs, charges, expenses, liabilities and other amounts ranking in priority to amounts payable to Noteholders in accordance with Condition 6 (*Order of Payments*) but only to the extent amounts available pursuant to Condition 6 (*Order of Payments*) are insufficient to discharge such amounts) in respect thereof, no later than three Business Days following receipt of the same. Notice of such amounts shall be given to Noteholders pursuant to Condition 18 (*Notices*).

If the Selling Agent is unable to convert such amount of Bonus Stock Interest Amount or Preference Stock Redemption Amount into cash as aforesaid within 180 days of the relevant Stock Settlement Date, the Issuer shall notify the Noteholders in accordance with Condition 18 (*Notices*) that they may request Physical Settlement of their Notes by delivering an Asset Transfer Notice and (in respect of any delivery of Acquired Preference Stock which is to take place prior to the Preference Stock Amendment Date) a duly executed Waiver Adherence Deed and (in respect of any delivery of Acquired Preference Stock) paying the applicable Delivery Costs attributable to their Notes, in each case by close of business in London on the Second Notice Cut-off Date and, subject to receipt thereof, the Issuer shall arrange for delivery of the Bonus Stock Interest Asset Amount or Preference Stock Redemption Asset Amount to such Noteholder on the Second Stock Settlement Date.

In addition, in the event that that the Issuer is unable to convert sufficient units of Bonus Stock into cash to cover the relevant Delivery Costs calculated by the Selling Agent (whether as a result of a Settlement Disruption Event, in circumstances contemplated in Condition 11.6 (*Failure of Noteholders to deliver an Asset Transfer Notice and/or Waiver Adherence Deed, U.S. Persons and Non-Qualified Investors*) or otherwise), the Issuer shall notify the Noteholders in accordance with Condition 18 (*Notices*) that, in order to receive the Bonus Stock Interest Amount, they must pay an amount equal to the Delivery Costs attributable to their Notes to the Issuer (by such method as the Issuer shall in its discretion specify).

In respect of any Notes:

(a) for which the relevant Asset Transfer Notice and Waiver Adherence Deed (if applicable) are not delivered and Delivery Costs (if applicable) are not paid by the close of business in London on the Second Notice Cut-off Date; or

(b) for which delivery of the Bonus Stock Interest Asset Amount and Preference Stock Redemption Asset Amount on the Second Stock Settlement Date is not practicable by reason of a Settlement Disruption Event,

the Issuer shall be discharged from its obligation to make payment or delivery in respect of the Bonus Stock Interest Amount or the Preference Stock Redemption Amount, as the case may be. For the avoidance of doubt, in respect of any such Note for which the Issuer is discharged of its obligation to pay the Preference Stock Redemption Amount, as aforesaid, the Issuer shall have no further obligation or liability whatsoever in respect thereof.

If the Bonus Stock Interest Amount or Preference Stock Redemption Amount is delivered later than the originally scheduled Stock Settlement Date, until delivery of the Bonus Stock Interest Amount or Preference Stock Redemption Amount, the Issuer shall continue to be the legal owner of the relevant Bonus Stock or Acquired Preference Stock, as the case may be. None of the Issuer, the Registrar, the Paying Agents, the Cash Manager, the Custodian and any such other person shall (i) be under any obligation to deliver or procure delivery to such Noteholder or any subsequent transferee any letter, certificate, notice, circular or any other document or payment whatsoever received by that person in its capacity as the holder of the Bonus Stock or Acquired Preference Stock, as applicable, (ii) be under any obligation to exercise or procure exercise of any or all rights including voting rights attaching to the Bonus Stock or Acquired Preference Stock, as applicable, or (iii) be under any liability to such Noteholder or any subsequent transferee in respect of any loss or damage which such Noteholder or subsequent transferee may sustain or suffer as a result, whether directly or indirectly, of that person being the legal owner of the Bonus Stock or Acquired Preference Stock, as applicable.

11.8 **Asset Transfer Notice**

An Asset Transfer Notice is irrevocable and must:

(a) specify the postal address to which any stock transfer form should be sent by the Issuer;

(b) specify the number of Notes which are the subject of such notice;

(c) authorise the production of such notice in any applicable administrative or legal proceedings;

(d) provide details required for the delivery of the Bonus Stock or Acquired Preference Stock, as applicable;

(e) in respect of any delivery of Acquired Preference Stock which is to take place prior to the Preference Stock Amendment Date, confirm that a duly executed Waiver Adherence Deed has been delivered to the Principal Paying Agent and that the transferee of the Acquired Preference Stock is the same person who has executed the Waiver Adherence Deed;

(f) in respect of any delivery of Acquired Preference Stock, confirm that the Delivery Costs attributable to their Notes have been paid or will be paid prior to the Notice Cut-off Date;

(g) confirm that such Noteholder is not a U.S. Person and is a Qualified Investor; and

(h) acknowledge that such Noteholder is responsible for the payment of, or filing or returns in relation to, any applicable Taxes (including, any applicable stamp duty) payable by the transferee in order to effect the transfer and (in relation to any Preference Stock Redemption Asset Amount), if the Acquired Preference Stock is held in definitive registered form, completing the relevant stock transfer form provided by the Issuer, returning it to the address specified on the stock transfer form and taking any further actions necessary to ensure such Noteholder's name is entered on the register of Preference Stockholders maintained by the Bank.

Failure properly to complete and deliver an Asset Transfer Notice may result in such notice being treated as null and void. Any determination as to whether such notice has been properly completed and delivered as provided in these Conditions shall be made by the Principal Paying Agent in its sole and absolute discretion and shall be conclusive and binding on the relevant Noteholder. Prior to the Preference Stock Amendment Date, no transfer of Acquired Preference Stock may be made to any person who has not supplied to the Principal Paying Agent a duly executed Waiver Adherence Deed and any transfer otherwise than in compliance with the foregoing shall be void.

For so long as the Notes are evidenced by one or both of the Global Certificates and such Global Certificate(s) is/are held on behalf of a clearing system the requirements in respect of the delivery of Asset Transfer Notices and Waiver Adherence Deeds shall be modified as set out in "The Global Certificates" and, in particular, the Asset Transfer Notice must also authorise the relevant clearing system to debit that Noteholder's account in respect of the Delivery Costs.

11.9 **No fraction of a unit to be delivered**

No fraction of a unit of Bonus Stock (**Fractional Stock**) shall be delivered pursuant to this Condition 11 (*Delivery*), the Issuer shall not be under any obligation to make any payment to Noteholders in respect of any Fractional Stock and any Fractional Stock will be rounded down to the nearest whole multiple of a unit of Bonus Stock.

Acquired Preference Stock shall be delivered to any one Noteholder pursuant to this Condition 11 (*Delivery*) only in a minimum amount of 50,000 units of Acquired Preference Stock and the Issuer shall not be under any obligation to make any payment to Noteholders in respect of any entitlements to units of Acquired Preference Stock which are less than 50,000 units.

If units of Bonus Stock or Acquired Preference Stock, as applicable, are to be delivered to any Noteholder which holds more than one Note, the Bonus Stock or Acquired Preference Stock, as applicable, to be delivered to that Noteholder shall be calculated on the basis of the aggregate principal amount of such Notes.

12. **TAXATION**

12.1 **Payment without Withholding**

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future Taxes, unless the withholding or deduction of the Taxes is required by law. The Issuer shall not be required to gross up its payments in respect of the Notes should any such withholding or deduction be required.

12.2 **Obligation to Substitute the Issuer or amend the terms of the Notes**

Subject as provided below, if the Issuer becomes aware that it:

(a) has received or will (on the occasion of the next payment due to it from the Bank in respect of the Acquired Preference Stock) receive payments in respect of the Acquired Preference Stock subject to withholding or deduction of Taxes and such withholding or deduction is required as a result of the location of domicile or residence of the Issuer; and/or

(b) has or will (on the occasion of the next payment due by it in respect of the Notes) become obliged by any Irish law or European Union Directive, to withhold or account for tax so that it would be unable to make payment of the full amount that would otherwise be due but for the imposition of such tax due,

the Issuer (with the consent of the Trustee and save as provided below) shall, to the extent applicable, use all reasonable endeavours either:

(x) to arrange for the substitution, pursuant to and in accordance with Condition 19 (*Substitution*), of an entity approved by the Trustee (which may be incorporated in another jurisdiction) as the principal obligor under the Notes, or to change its domicile or residence for taxation purposes to another jurisdiction approved by the Trustee; or

(y) to modify these Conditions to the extent required and in a form approved by the Trustee, to ensure that payments may be received or paid, as the case may be, by it free of such withholding or deduction,

provided that any such substitution or modification shall not, in the opinion of the Trustee, be materially prejudicial to the interests of the Noteholders.

Notwithstanding the above, if any requirement referred to in this Condition 12.2 to withhold or deduct for Taxes arises on payments by the Issuer in respect of the Notes:

(i) due to the connection of any Noteholder with Ireland otherwise than by reason only of the holding of any Note or receiving principal or interest in respect thereof; or

(ii) by reason of the failure by the relevant Noteholder to comply with any applicable procedures required to establish non-residence or other similar claim for exemption from such tax; or

(iii) in respect of payment to an individual which is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(iv) as a result of presentation for payment by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by presenting the relevant Certificate to another Paying Agent in an EU Member State,

the requirement to substitute the Issuer as a principal obligor and/or change its domicile or residence for taxation purposes shall not apply.

The requirement to substitute the Issuer as a principal obligor and/or change its domicile or residence for taxation purposes shall also not apply as a result of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code.

13. PRESCRIPTION

Claims in respect of principal and interest will become prescribed unless made within ten years (in the case of principal) and five years (in the case of interest) from the Relevant Date.

14. EVENTS OF DEFAULT

14.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), (but, in the case of the happening of any of the events described in subparagraph (b) below, only if the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders) give notice to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their Redemption Amount pursuant to Cash Settlement, subject to Condition 14.2 (*Optional Physical Delivery*), in any of the following events (**Events of Default**):

(a) if default is made in the payment of any sum due and payable (or in the delivery of any Asset Amount due to be delivered) in respect of the Notes or any of them and the default continues for a period of 14 days or more; or

(b) if the Issuer fails to perform or observe any of its other obligations under the Notes or the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) such failure continues for a period of 30 days next following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or

(c) if any applicable bankruptcy, insolvency, liquidation, moratorium, reorganisation, examinership or similar laws affecting the rights of creditors generally is applied with respect to the Issuer save for the purposes of amalgamation, merger, consolidation, reorganisation or other similar arrangements on terms approved in advance by the Trustee or by an Extraordinary Resolution of the Noteholders; or

(d) if any corporate action is taken by the Issuer (or the shareholders of the Issuer), or any legal proceedings (including presentation of a petition or filing of documents with the court for the appointment of an examiner) (other than proceedings for winding up or dissolution which are being contested in good faith and are discharged within 21 days) are started, for the winding up, dissolution, examinership, administration or appointment of a liquidator, receiver, administrator, administrative receiver, examiner, trustee or similar officer of the Issuer or of any or all of the Issuer's revenues and assets or formal notice is given of an intention to appoint an administrator or any application is made or petition lodged or documents are filed with the court for administration in relation to the Issuer or if an examiner is appointed in respect of the Issuer.

14.2 Optional Physical Delivery

The Issuer shall, forthwith upon receipt of notice from the Trustee that the Notes are immediately due and repayable pursuant to Condition 14.1 (*Events of Default*) above, give notice of the same to Noteholders in accordance with Condition 18 (*Notices*). Such notice shall also specify:

(a) that Noteholders may choose to have their Notes redeemed by Physical Settlement (as defined in Condition 10.1 (*Redemption in relation to the Acquired Preference Stock*)) in

accordance with Condition 11 (*Delivery*) by delivering a duly completed Asset Transfer Notice and (in respect of any delivery which is to take place prior to the Preference Stock Amendment Date) a duly executed Waiver Adherence Deed and paying the Delivery Costs attributable to their Notes, in each case, to the Issuer not later than close of business in London on the Notice Cut-off Date;

(b) the Notice Cut-off Date; and

(c) the Stock Settlement Date.

All Notes in respect of which a duly completed Asset Transfer Notice and (in respect of any delivery which is to take place prior to the Preference Stock Amendment Date) a duly executed Waiver Adherence Deed and Delivery Costs attributable to their Notes have been delivered and paid, as appropriate, not later than close of business in London on the Notice Cut-off Date shall be redeemed by Physical Settlement in accordance with Condition 11 (*Delivery*), at the Preference Stock Redemption Asset Amount. Noteholders who do not deliver a duly completed Asset Transfer Notice and (in respect of any delivery which is to take place prior to the Preference Stock Amendment Date) a duly executed Waiver Adherence Deed and/or do not pay the Delivery Costs attributable to their Notes by the close of business in London on the Notice Cut-off Date, shall have their Notes redeemed by Cash Settlement and such Notes shall remain due and repayable at their Redemption Amount (and the provisions of Condition 11.7 (*Settlement Disruption*) shall apply, mutatis mutandis, in respect of such Cash Settlement).

15. ENFORCEMENT

15.1 At any time after the Notes or any of them shall have become due and repayable and have not been repaid, the Trustee (subject as provided below) may, at its discretion and without notice, institute such actions, steps or proceedings against the Issuer as it may think fit to enforce repayment thereof together with accrued interest (if any) and to enforce the provisions of the Notes and/or the Trust Deed and/or the Deed of Charge and to enforce the security therefor, but it shall not be bound to institute any such actions, steps or proceedings unless (a) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

15.2 No Noteholder shall be entitled to proceed against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable time and such failure is continuing. Except as aforesaid, only the Trustee may enforce the rights of the Noteholders.

Any transfer or delivery of the Acquired Preference Stock by the Trustee or any Receiver upon enforcement of the security over the Mortgaged Property will (where such sale is to take place prior to the Preference Stock Amendment Date) be subject to the relevant transferee executing a Waiver Adherence Deed in relation to such Acquired Preference Stock to be acquired by it.

16. LIMITED RECOURSE AND NON-PETITION

16.1 All payments to be made by the Issuer hereunder in respect of the Notes will be made only from and to the extent of the sums received or recovered from time to time by or on behalf of the Issuer or the Trustee in respect of the Mortgaged Property.

16.2 To the extent that such sums are less than the amount which the holders of the Notes may have expected to receive if Condition 16.1 did not apply (the difference being referred to herein as a **shortfall**), such shortfall will be borne by such holders in accordance with these Conditions.

16.3 Each Noteholder, by subscribing for or purchasing such Notes, will be deemed to accept and acknowledge that it is fully aware that:

(a) the holders of the Notes shall look solely to the sums referred to in Condition 16.1, subject to Condition 16.2, (the **Relevant Sums**) for payments to be made by the Issuer hereunder in respect of the Notes;

(b) the obligations of the Issuer to make payments in respect of the Notes will be limited to the Relevant Sums and the holders of the Notes shall have no further recourse to the Issuer in respect of the Notes;

(c) without prejudice to the foregoing, any right of the holders of the Notes to claim payment of any amount exceeding the Relevant Sums shall be automatically extinguished; and

(d) the holders of the Notes shall not be able to petition for the winding up of or the appointment of an examiner in respect of the Issuer, as a consequence of any such shortfall.

16.4 Each Noteholder agrees that it, or any person acting on its behalf, will not, in relation to the Notes, threaten, institute, or join any person in instituting any Issuer Insolvency Proceedings (provided that nothing herein shall prevent any person from proving in any liquidation of the Issuer arising otherwise than as a result of a breach of this Condition 16.4).

16.5 Each Noteholder acknowledges and agrees that the Issuer's obligations in respect of the Notes are solely the corporate obligations of the Issuer and that it will not have any recourse against any of the directors, officers or employees of the Issuer for any claims, losses, damages, liabilities, indemnities or other obligations whatsoever in connection with the Notes.

17. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

18. NOTICES

18.1 Notices to the Noteholders

All notices to the Noteholders will be valid if mailed to them at their respective addresses in the register of Noteholders maintained by the Registrar and, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that Exchange so require, published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*). The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any notice shall be deemed to have been given on the third day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

18.2 Notices from the Noteholders

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relevant Certificate, with the Principal Paying Agent or, if the Certificates are held in a clearing system, may be given through such clearing system in accordance with its standard rules and procedure.

19. SUBSTITUTION

The Trustee may, without the consent of the Noteholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) of another entity as the principal debtor under the Notes and the Trust Deed subject to:

(a) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution; and

(b) certain other conditions set out in the Trust Deed being complied with.

20. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND AUTHORISATION

20.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes or any provisions of the Trust Deed (as more particularly described in the Trust Deed). Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented by him or them, except that, at any meeting the business of which includes any matter defined in the Trust Deed as a Basic Terms Modification, including, *inter alia*, modifying any date for payment of interest, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the quorum shall be one or more persons holding or representing in aggregate not less then 75 per cent. in principal amount of the Notes for the time being outstanding, or at any such adjourned meeting one or more persons holding or representing not less than 25 per cent. in principal amount of the Notes for the time being outstanding. The Trust Deed provides that (i) a resolution passed by a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than 75 per cent. of the votes case on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consent through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders shall be binding on all Noteholders, whether or not (in the case of Extraordinary Resolutions passed at any meeting) they are present at the meeting and whether or not they voted on the resolution.

20.2 Modification, Waiver, Authorisation and Determination

The Trustee may (subject to the following paragraph) agree, without the consent of the Noteholders, to any modification of (except as stated in the Trust Deed), or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes, the Trust Deed or the other Transaction Documents or determine, without any such consent as aforesaid, that any Event of Default shall not be treated as such, where, in such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification of the Notes, the Trust Deed or the other Transaction Documents which, in the opinion of the Trustee, is of a formal, minor or technical nature or to

correct a manifest error. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and (unless the Trustee otherwise agrees) shall be notified by the Issuer to the Noteholders in accordance with Condition 18 (*Notices*) as soon as possible thereafter.

No modification of, or waiver or authorisation of any breach or proposed breach of, any of the provisions these Conditions may be made without the prior written consent of the Bank.

20.3 **Trustee to have Regard to Interests of Noteholders as a Class**

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

21. INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action, step or proceeding unless indemnified and/or secured and/or prefunded to its satisfaction.

22. SELLING AGENT'S LIABILITY

By acquiring Notes, Noteholders shall be deemed to agree that, in accordance with the Selling Agency Agreement, the Selling Agent will only be liable to the Issuer for losses, liabilities, costs, expenses and demands arising directly from the performance of its obligations under the Selling Agency Agreement suffered by or occasioned to the Issuer to the extent that the Selling Agent has been negligent, fraudulent or in wilful default in respect of its obligations under the Selling Agency Agreement or as a result of any material breach by it of any provision of the Selling Agency Agreement. Under no circumstances will the Selling Agent be liable to the Issuer or any other party for consequential losses (including, without limitation, loss of business, goodwill, opportunity or profit) or special damages, whether or not advised of the possibility of such losses or damages.

23. FURTHER ISSUES

The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon and issue price in respect thereof) so that the same shall be consolidated and form a single series with the outstanding Notes (subject to a corresponding increase in the amount of the Acquired Preference Stock secured pursuant to the Deed of Charge). Such further Notes will be constituted by a deed supplemental to the Trust Deed.

24. GOVERNING LAW AND SUBMISSION TO JURISDICTION

24.1 **Governing Law**

The Trust Deed, the Notes and each of the other Transaction Documents (other than the Deed of Charge, the Preference Stock Purchase Agreement and the Waiver Deed), and any non-contractual

obligations in connection with them, shall be governed by, and construed in accordance with, English law. The Deed of Charge, the Preference Stock Purchase Agreement and the Waiver Deed, and any non-contractual obligations in connection with them, shall be governed by, and construed in accordance with, Irish law.

24.2 **Jurisdiction of English Courts**

The Issuer has, in the Trust Deed, irrevocably agreed for the benefit of the Trustee and the Noteholders that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed or the Notes and accordingly has submitted to the exclusive jurisdiction of the English courts.

The Issuer has, in the Trust Deed, waived any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Trustee and the Noteholders may take any suit, action or proceeding arising out of or in connection with the Trust Deed or the Notes respectively (together referred to as **Proceedings**) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

24.3 **Appointment of Process Agent**

The Issuer has, in the Trust Deed, irrevocably and unconditionally appointed Law Debenture Corporate Services Limited at its registered office for the time being as its agent for service of process in England in respect of any Proceedings and has undertaken that in the event of such agent ceasing so to act it will appoint another person as its agent for that purpose and notify the Trustee and the Noteholders of such appointment in accordance with Condition 18 (*Notices*).

25. **RIGHTS OF THIRD PARTIES**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

USE OF PROCEEDS

The net proceeds of the issue of the Notes, amounting to approximately €1,469,460,503.33, will be applied by the Issuer to acquire the Acquired Preference Stock from the National Pensions Reserve Fund Commission and to pay expenses and taxes relating to the acquisition of the Acquired Preference Stock (including Irish stamp duty at a rate of one per cent. on the purchase price of the Acquired Preference Stock).

DESCRIPTION OF THE ISSUER

Incorporation and Status

Baggot Securities Limited (the **Issuer**) was incorporated in Ireland under the Irish Companies Acts 1963 to 2012 as a private limited company limited by shares on 25th February, 2013 with registered number 524308.

The registered address of the Issuer is 5 Harbourmaster Place, IFSC, Dublin 1, Ireland. The telephone number of its registered address is +353 1 680 6000. The Issuer has no subsidiaries.

Principal Activities of the Issuer

The Issuer is a special purpose company established solely for the purpose of issuing the Notes and carrying on certain other limited activities in accordance with the Trust Deed. Clause 2 of the Issuer's Memorandum of Association describes the principal objects of the Issuer, which include the business of financing and re-financing and the business of purchasing and holding securities.

Directors

The directors of the Issuer and their other principal activities are:

Name	Other Principal Activities
Conor Blake	Accountant
Adrian Bailie	Accountant

The business address of each of the directors is 5 Harbourmaster Place, IFSC, Dublin 1, Ireland.

The secretary of the Issuer is Deutsche International Corporate Services (Ireland) Limited whose business address is at 5 Harbourmaster Place, IFSC, Dublin 1, Ireland.

Each of Conor Blake and Adrian Bailie are officers of the Corporate Services Provider (as defined below). There are no potential conflicts of interest between any duties to the Issuer of the directors of the Issuer and their private interests and/or duties.

Share Capital and Major Shareholders

The entire issued share capital of the Issuer comprises 1 ordinary share of €1, which is held on trust by Deutsche International Finance (Ireland) Limited (the **Share Trustee**) under the terms of a trust established under Irish law by a declaration of trust dated 2nd December, 2013 and made by the Share Trustee for the benefit of such charities as the Share Trustee may determine from time to time. The Share Trustee has no beneficial interest in and derives no benefit other than its fees for acting as share trustee from holding such share.

The Issuer is neither directly nor indirectly owned or controlled by the Bank or any other parties to the agreements to which it has entered into in connection with the Notes.

Operations

Since the date of incorporation, the Issuer has not commenced operations and no financial statements have been made up as at the date of this Prospectus.

Corporate Services Provider

Deutsche International Corporate Services (Ireland) Limited (the **Corporate Services Provider**) will enter into a corporate services agreement on or about 11th December, 2013 with the Issuer (the **Corporate Services Agreement**). The Corporate Services Provider's duties will include the provision to the Issuer of certain administrative, secretarial and related services in Ireland. Nominees of the Corporate Services Provider will act as directors of the Issuer.

The Issuer and the Corporate Services Provider will be entitled to terminate the appointment of the Corporate Services Provider in the following circumstances:

(a) forthwith by the Issuer or the Corporate Services Provider on giving notice to the other party if the other party commits a material breach of any of the terms and/or conditions of the Corporate Services Agreement and (if such breach shall be capable of remedy) fails to remedy the same within 30 days of being so required so to do;

(b) forthwith by the Issuer or the Corporate Services Provider on giving notice to the other party if either party becomes insolvent or goes into liquidation (other than a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the other party) or a receiver or examiner is appointed in respect of either party or if some event having equivalent effect occurs; or

(c) by the Issuer or the Corporate Services Provider on a "no-fault basis" by giving not less than 90 days' notice in writing to the other party (provided that any termination of appointment following the giving of notice by the Corporate Services Provider shall not take effect until a replacement corporate services provider has been appointed, with the approval of the Trustee, upon the same, or substantially the same, terms).

Upon the delivery of notice of termination of the Corporate Service Agreement on a "no-fault basis" the Corporate Services Provider shall take steps to obtain a replacement corporate services provider for the Issuer and such termination of the appointment of the Corporate Services Provider shall not take effect until a successor corporate services provider has been appointed.

TAXATION

Irish Taxation

The following is a summary based on the laws and practices currently in force in Ireland of certain matters regarding the tax position of investors who are the absolute beneficial owners of their Notes and should be treated with appropriate caution. Particular rules may apply to certain classes of taxpayers holding Notes including dealers in securities and trusts. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.

Withholding tax

In general, withholding tax at the standard rate must be deducted from payments of yearly interest made by an Irish tax resident company. However, the Notes will qualify for an exemption from withholding tax in respect of interest payments in accordance with section 64 of the Taxes Consolidation Act 1997, known as the "quoted Eurobond exemption". This is based on certain assumptions, including that the Notes: (a) are issued by a company; (b) are quoted on a recognised stock exchange (the Luxembourg Stock Exchange is so recognised); (c) carry a right to interest; and (d) are held in a "recognised clearing system" as defined in Irish tax legislation (Euroclear and Clearstream Luxembourg have been so recognised).

Income tax

Interest payments made in respect to the Notes will have an Irish source and, whether or not paid gross of withholding tax, are chargeable to Irish income tax by way of self assessment. There are a number of potential exemptions from this charge to Irish income tax including as follows:

(a) A person who is not resident in Ireland will be exempt from Irish income tax where there is no withholding tax or deduction from the interest by virtue of the quoted Eurobond exemption detailed above and the person is resident in a Member State of the EU other than Ireland or a country with which Ireland has a double tax treaty (a **Relevant Territory**) provided the person does not carry on a trade in Ireland through a branch or agency to which this interest is attributable.

(b) An exemption from Irish income tax will apply where the interest is paid on quoted Eurobonds either (i) to a company which is under the control, whether directly or indirectly, of persons(s) who, by virtue of the laws of a Relevant Territory, are resident for the purposes of tax in that jurisdiction and are not under the control of persons(s) who are not resident in a Relevant Territory or (ii) to a company or a 75 per cent. subsidiary of a company or companies, the principal class of shares in which is substantially and regularly traded on a recognised stock exchange.

(c) An exemption from Irish income tax will apply so long as the Issuer is a qualifying company for the purposes of section 110 of the Taxes Consolidation Act 1997 (the **TCA**), the recipient is not resident in Ireland and is resident in a Relevant Territory and, the interest is paid out of the assets of the Issuer.

(d) A company which is not resident in Ireland and is resident either in a Member State of the EU or in a country with which Ireland has a double taxation treaty which imposes a tax that generally applies to interest receivable in that territory by companies from sources outside that territory will be exempt from Irish income tax on any interest received under the Notes provided it does not carry on a trade in Ireland through a branch or agency to which this interest is attributable.

(e) An exemption from Irish income tax may also be available under the terms of an applicable double taxation treaty to certain persons entitled to the benefits of such a treaty.

Where a Noteholder cannot avail of these exemptions, the Noteholder will be chargeable to Irish income tax by direct assessment. However, as a matter of practice, the Irish authorities do not pursue collection of any such liability to Irish tax from persons who are not resident in Ireland except where such persons:

(i) receive payments of interest through a person (including a trustee) or in the name of an agent or branch in Ireland having the management and control of the interest;

(ii) seek to claim relief and/or repayment of tax deducted at source in respect of taxed income from Irish sources; or

(iii) are chargeable to Irish corporation tax on the income of an Irish branch or agency or to income tax on the profits of a trade carried on in Ireland to which the interest is attributable.

This practice does not reflect a policy on the part of the Irish Revenue not to collect the tax and there is no guarantee that this practice will continue.

Encashment Tax

Notes which are considered quoted Eurobonds within the meaning of section 64 of the Taxes Consolidation Act 1997 can fall within the scope of Irish encashment tax in certain circumstances. A non-Irish paying agent should not be obliged to deduct Irish encashment tax.

Irish Deposit Interest Retention Tax

Deposit interest retention tax applies to "relevant deposit takers" as defined under section 256 of the Taxes Consolidation Act 1997.

The Issuer would not be regarded as a relevant deposit taker on the basis that it is not the holder of a licence granted under section 9 of the Central Bank Act 1971, and has not received any similar authorisation under the law of any other Member State of the EU. On this basis, interest on the Notes will not be liable to deposit interest retention tax.

Irish Corporation Tax

The Issuer will be considered a qualifying company within the meaning of section 110 of the Taxes Consolidation Act 1997 on the assumption that it meets the relevant conditions, including:

(a) the Issuer is resident in Ireland;

(b) the Issuer acquires, holds or manages qualifying assets or has entered into an arrangement which qualifies as a qualifying asset and carries on no other activities. Preference shares are within the definition of qualifying assets;

(c) the value of qualifying assets is not less than €10,000,000 when first acquired;

(d) the Issuer has notified the Revenue Commissioners in prescribed form that it is a company within section 110 of the Taxes Consolidation Act 1997; and

(e) transactions entered into by the Issuer, with some exceptions, are made at arm's length.

On this basis, the Issuer will be taxable in accordance with the provisions of section 110 of the Taxes Consolidation Act 1997.

Irish Stamp Duty

For as long as the Issuer is a qualifying company within the meaning of section 110 of the Taxes Consolidation Act 1997, no Irish stamp duty will be payable on either the issue or transfer of the Notes, provided that the money raised by the issue of the Notes is used in the course of the Issuer's business.

Irish stamp duty at a rate of one per cent. applies to the transfer of ordinary and preference shares of Irish companies. This may apply to any transfer of Bonus Stock and/or Acquired Preference Stock to Noteholders pursuant to the terms of the Notes.

Irish Capital Gains Tax

A Noteholder who is resident or ordinarily resident in Ireland for Irish tax purposes may be subject to Irish capital gains tax at a rate of 33 per cent. on any gain realised on disposal or redemption of the Notes.

A Noteholder who is neither resident nor ordinarily resident in Ireland for Irish tax purposes is not subject to Irish capital gains tax unless the Notes:

(a) are situated in Ireland and have been used in or for the purposes of a trade carried on by such a person in Ireland through a branch or agency or acquired for use by or for the purposes of the branch or agency; or

(b) are not quoted on a stock exchange and derive their value or the greater part of their value from land, minerals, mineral rights or exploration rights in Ireland.

Irish Capital Acquisitions Tax

A gift or inheritance of the Notes may give rise to a liability to Irish capital acquisitions tax in the hands of the donee or successor if either the Notes which are the subject of the disposition are considered situate in Ireland or if either the disponer or donee/successor are resident or ordinarily resident in Ireland.

Luxembourg Taxation

The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Withholding Tax

(a) **Non-resident holders of Notes**

Under Luxembourg general tax laws currently in force and subject to the laws of 21st June, 2005 as amended (the **Laws**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or purchase of the Notes held by non-resident holders of Notes.

Under the Laws implementing the EC Council Directive 2003/48/EC of 3rd June, 2003 on taxation of savings income in the form of interest payments and ratifying the treaties entered into by

Luxembourg and certain dependent and associated territories of EU Member States (the **Territories**), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which is a resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Laws would at present be subject to withholding tax of 35 per cent.

(b) **Resident holders of Notes**

Under Luxembourg general tax laws currently in force and subject to the law of 23rd December, 2005 as amended (the **Law**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or purchase of Notes held by Luxembourg resident holders of Notes.

Under the Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 10 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Law would be subject to withholding tax of 10 per cent.

EU Savings Directive

Under EC Council Directive 2003/48/EC (the **Directive**) on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

Foreign Account Tax Compliance Act

A 30 per cent. withholding tax will be imposed on certain payments to certain non-U.S. financial institutions (**FFIs**, as defined by FATCA) that fail to comply with information reporting requirements or certification requirements in respect of their direct and indirect United States shareholders and/or United States accountholders. It is currently not clear whether the Issuer would be subject to such withholding tax. To avoid becoming subject to the 30 per cent. withholding tax on payments to them, the Issuer and other FFIs may be required to report information to the IRS regarding the Noteholders and, in the case of Noteholders who (i) fail to provide the relevant information, (ii) are FFIs who have not agreed to comply with these information reporting requirements, or (iii) hold Notes directly or indirectly through such a non-

compliant FFIs, withhold on a portion of the amounts paid with respect to the Notes. However, the Issuer expects that such withholding generally should not apply to payments made before 1st January, 2017.

The United States and Ireland have entered into an intergovernmental agreement (the **U.S.-Irish IGA**), pursuant to which Irish FFIs would be required to report information on United States accountholders to the Irish tax authorities, which would then report the information to the U.S. Internal Revenue Service. The Issuer intends to comply with the U.S.-Irish IGA. Compliance with the U.S.-Irish IGA would reduce the risk that the Issuer would be withheld upon under FATCA or would have to withhold under FATCA. However, the rules for the implementation of the U.S.-Irish IGA, and many other elements of FATCA, have not yet been fully finalised, so it is impossible to determine at this time what impact, if any, FATCA will have on Noteholders.

If an amount in respect of FATCA were to be deducted or withheld either from amounts due to the Issuer or from payments made in respect of the Notes, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive smaller distributions than expected.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.

UNITED STATES FEDERAL INCOME TAXATION

Certain United States Federal Income Tax Consequences

This section describes certain U.S. federal income tax consequences to U.S. Holders (as defined below) of owning the Notes. It applies to U.S. Holders only if U.S. Holders acquire Notes in this offering and hold their Notes as capital assets for tax purposes. This section does not apply to U.S. Holders who are members of a special class of holders subject to special rules, including:

(a) a dealer in securities or currencies;

(b) a trader in securities that elects to use a mark-to-market method of accounting for securities holdings;

(c) a tax-exempt organisation;

(d) a financial institution or insurance company;

(e) a person liable for alternative minimum tax;

(f) a person that actually or constructively owns 10 per cent. or more of the Notes;

(g) a person that holds Notes as part of a straddle or a hedging or conversion transaction;

(h) a person that purchases or sells Notes as part of a wash sale for tax purposes; or

(i) a person whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986 (the **Code**), as amended, its legislative history, existing and proposed regulations, published rulings and court decisions, as well as on the Convention Between the United States of America and Ireland (the **Treaty**). These laws are subject to change, possibly on a retroactive basis.

If an entity treated as a partnership for U.S. federal income tax purposes holds the Notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in an entity treated as a partnership for U.S. federal income tax purposes holding the Notes should consult its tax adviser with regard to the United States federal income tax treatment of an investment in the Notes.

A Noteholder is a **U.S. Holder** if it is a beneficial owner of Notes and it is:

(i) a citizen or resident of the United States;

(ii) a domestic corporation;

(iii) an estate whose income is subject to U.S. federal income tax regardless of its source; or

(iv) a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorised to control all substantial decisions of the trust.

This discussion does not address tax consequences that may vary with, or are contingent on, individual circumstances. Moreover, it only addresses U.S. federal income tax and does not address any non-income tax or any foreign, state or local tax consequences. Noteholders should consult their own tax advisers

concerning the United States federal income tax consequences of the ownership of the Notes in light of their particular situation, as well as any consequences arising under the laws of any other taxing jurisdiction.

Characterisation of the Notes

The Issuer believes that the Notes should be characterised as equity of the Issuer for U.S. federal income tax purposes. By purchasing the Notes, investors are agreeing to treat the Notes as equity of the Issuer for U.S. federal income tax purposes. The remainder of this section assumes that the Notes will be treated as equity of the Issuer.

Taxation of the Issuer

The Issuer has elected (or will elect) to be treated as a partnership for U.S. federal tax purposes and, subject to the discussion below, expects to be treated as a partnership. As a result, each U.S. Holder would take into account its respective share of the Issuer's items of income, gain, loss and deduction in computing U.S. federal income tax liability as if the U.S. Holder had earned such income directly.

Under certain circumstances, the Issuer could be treated as a corporation. Specifically, Section 7704 of the Code generally provides that "publicly traded partnerships" will be treated as corporations for U.S. federal income tax purposes unless 90 per cent. or more of a partnership's gross income for every taxable year it is publicly traded consists of "qualifying income" (the **Qualifying Income Exception**). Qualifying income includes dividends.

The Issuer expects to be a publicly traded partnership but also expects to meet the Qualifying Income Exception. If, however, the Issuer were to fail to satisfy the Qualifying Income Exception in any taxable year, the Issuer would be treated as having (a) transferred all its assets, subject to liabilities, to a newly formed corporation on the first day of the year in which the Issuer failed to meet the Qualifying Income Exception, in return for stock in that corporation and (b) then distributed that stock to Noteholders in liquidation of their interests in the Issuer, and the Issuer would be treated as a corporation for that taxable year and thereafter. For such taxable years, the Issuer would also likely be treated as a passive foreign investment company (a **PFIC**). Should the Issuer become a PFIC, the Issuer will endeavor to minimize the negative tax consequences to U.S. Holders of PFIC status by providing information to any requesting U.S. Holders to allow such U.S. Holders to make a "qualified electing fund" election.

U.S. Holders should consult their tax advisers about the risk of the Issuer failing to meet the Qualifying Income Exception and being taxed as a corporation and the consequences of making a "qualified electing fund" election in these circumstances. Unless otherwise noted, the remainder of this section assumes that the Issuer will be treated as a partnership and U.S. Holders as partners in such partnership.

Taxation of U.S. Holders

Flow-Through Taxation. Each U.S. Holder will be required to report on its income tax return its distributive share of the income, gains, losses and deductions of the Issuer for its taxable year or years ending with or within the taxable year of the U.S. Holder. Such information, or the information needed to calculate such U.S. Holder's distributive share, will be made available on an annual basis on a dedicated internet page established by or on behalf of the Issuer. The Issuer has initially agreed that the information will be posted on the website maintained by the Cash Manager (which is expected to be available by searching for the Issuer by name or the Notes by their ISIN using the search function located at https://tss.sfs.db.com/investpublic).

Translation of euro amounts to U.S. Dollars. Because all of the receipts and payments of the Issuer will be in euro, a U.S. Holder will be required to translate its distributive share of income, gains, losses and deductions into U.S. dollars prior to including those items in income. The tax rules governing the rate at

which such euro amounts should be translated into U.S. dollars are complex, and Noteholders are urged to consult their tax adviser regarding the application of such rules to the Notes.

All of the income earned by the Issuer and allocable to Noteholders is expected to be attributable to distributions received from the Bank on the Acquired Preference Stock. Under relevant proposed United States Treasury regulations, a U.S. Holder's share of this income, and of the expenses of the Issuer, would be translated at the U.S. dollar/euro spot rate in effect on the date the income is actually or constructively received or the expense is incurred by the Issuer. While the regulations have not been finalised and are not yet in effect, the Issuer believes that it would be reasonable for a U.S. Holder to apply them. Furthermore, the Issuer also believes that it would be reasonable for a U.S. Holder to, for the purpose of the basis calculation rules described below, value each euro actually distributed at the same spot rate at which the underlying dividend income is included in income. Unless otherwise noted, the remainder of this section assumes that the above foreign currency conversion methodology will be utilised. It is possible, however, that, for some or all of these purposes, a U.S. Holder could be required to instead utilise the average U.S. dollar/euro exchange rate over the Issuer's taxable year. If this were the case, a U.S. Holder could have more exchange rate gain or loss (the treatment of which is described below) than otherwise expected.

Income in respect of Acquired Preference Stock. Distributions on the Acquired Preference Stock will generally constitute taxable dividends to the extent of the Bank's current or accumulated earnings and profits. Distributions in excess of the Bank's current or accumulated earnings and profits will first constitute a non-taxable return of capital (to the extent of the Issuer's basis in the Preference Shares) and then as gain from the sale or exchange of the Acquired Preference Stock (which would be taxable to U.S. Holders). Because the Issuer understands that the Bank does not compute its current or accumulated earnings and profits in accordance with U.S. federal income tax principles, the Issuer expects that the distributions on the Acquired Preference Stock will be treated as taxable dividend income to U.S. Holders, and the remainder of this section assumes that the distributions will be so treated.

The amount of a dividend distribution that a U.S. Holder must include in income generally should be equal to the U.S. Holder's allocable share of the distribution received by the Issuer (whether received in euro or Bonus Stock), regardless of whether the payment is in fact converted into U.S. dollars. Amounts taxable as dividends generally will be treated as income from sources outside the United States and will, depending on the U.S. Holder's circumstances, be either "passive" or "general" income for purposes of computing the foreign tax credit allowable to the U.S. Holder.

Non-corporate U.S. Holders will be able to treat their allocable share of such income as "qualified dividend income" taxable at preferential rates applicable to long-term capital gain, provided that (i) the Bank is eligible for benefits under the Treaty; (ii) the Bank is not a PFIC for the taxable year during which the distribution is paid or the immediately preceding taxable year; and (iii) certain holding period requirements are met. The Issuer expects that dividends paid by the Bank will generally be qualified dividend income; however, whether any particular payment represents qualified dividend income will depend on the facts and circumstances existing at the time the dividend is paid (including, for example, whether and how the Bank qualifies for benefits under the Treaty).

When distributions are not made on schedule on the Acquired Preference Stock, the Issuer will become entitled to receive Bonus Stock at a future date that is within the general discretion of the Bank. The Issuer believes that the receipt of such an entitlement should not be immediately taxable to U.S. Holders (and instead should be taxable only when a delivery of Bonus Stock is actually or constructively received by the Issuer), but U.S. Holders should consult with their tax advisers in this regard.

In addition, should the Acquired Preference Stock be redeemed or otherwise disposed of, U.S. Holders generally should recognise capital gain or loss equal to their allocable share of the gain or loss from such disposition, and long-term capital gain or loss to the extent the Issuer has held the Acquired Preference Stock in excess of one year.

Income will be allocated to a U.S. Holder regardless of whether the U.S. Holder receives a distribution from the Issuer. U.S. Holders will be required to include their allocable share of all dividends on the Acquired Preference Stock even though accrued but unpaid dividends at the time of the issuance of the Notes will be included in the purchase price of the Notes. Furthermore, as discussed below, limitations on deductions could cause a U.S. Holder to have taxable income in respect of the Notes in excess of distributions received on the Notes.

Distributions. Distributions to a U.S. Holder generally will not be taxable to such U.S. Holder, though distributions will decrease a U.S. Holder's basis in the Notes, as described below.

Basis in Notes. A U.S. Holder's initial tax basis for its Notes generally will equal the U.S. dollar amount paid for the Notes, determined at the U.S. dollar/euro spot rate on the day of purchase. The initial basis generally should be (i) increased by the U.S. Holder's share of the income of the Issuer and (ii) decreased, but not below zero, by the U.S. dollar basis of euros received from the Issuer and the U.S. Holder's share of the losses and expenses of the Issuer (the result being the **adjusted tax basis**).

Income or loss from converting euro to U.S. Dollars. Generally, any gain or loss resulting from changes in the currency exchange rate between the rate used by a U.S. Holder to include a dividend payment in income and the rate used to convert the payment into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. Similarly, any such exchange rate gain or loss arising from a difference between the exchange rate used by a U.S. Holder to translate an item of expense and the exchange rate at the time such item was paid will be ordinary income or loss. Such gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Limitation on deductibility of expenses and interest, and of amounts at risk. Investment expenses (e.g. expenses incurred in connection with investments, including fees paid for administrative services) of an individual are deductible only to the extent they exceed 2 per cent. of adjusted gross income. Deductions of an individual with an adjusted gross income in excess of a specified amount are subject to additional restrictions. Moreover, such investment expenses are miscellaneous itemised deductions which are not deductible by a non-corporate taxpayer in calculating its alternative minimum tax liability.

The expenses of the Issuer are likely to be characterised as investment expenses. Accordingly, non-corporate U.S. Holders may not be able to utilise all or a portion of their allocable share of the deductions of the Issuer, in which case such U.S. Holders would recognise income in respect of their investment in the Notes in excess of the distributions received on the Notes.

In addition, limitations may apply to losses, if any, recognised by the Issuer and allocated to a U.S. Holder.

Disposition of Notes. A U.S. Holder who sells or otherwise disposes of its Notes should generally recognise capital gain or loss equal to the difference between the amount realised (the U.S. dollar value of the sales proceeds, determined at the U.S. dollar/euro spot rate in effect on the day of the disposition) and the adjusted tax basis in such Notes. Such capital gain or loss will generally be long-term capital gain or loss where the Notes have been held for more than one year. Such capital gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. Long-term capital gain of a non-corporate U.S. Holder is generally taxed at preferential rates. The ability to deduct capital losses is subject to limitations.

U.S. Holders disposing of the Notes in circumstances where the Issuer is entitled to, but has not received, Bonus Stock should consult with their tax advisers as to how such entitlement affects the tax treatment of the disposition, including the character of any gain or loss recognised.

Medicare Tax

For taxable years beginning after 31st December, 2012, a U.S. Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8 per cent. tax on the lesser of (1) the U.S. Holder's "net investment income" for the relevant taxable year and (2) the excess of the U.S. Holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between U.S.$125,000 and U.S.$250,000, depending on the individual's circumstances). A U.S. Holder's net investment income will generally include its dividend income and its net gains from the disposition of the Notes, unless such dividend income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). U.S. Holders who are individuals, estates or trusts, are urged to consult their tax advisers regarding the applicability of the Medicare tax to their income and gains in respect of their investment in the Notes.

Information with Respect to Foreign Financial Assets

Owners of "specified foreign financial assets" with an aggregate value in excess of U.S.$50,000 (and in some circumstances, a higher threshold) may be required to file an information report with respect to such assets with their tax returns. "Specified foreign financial assets" may include financial accounts maintained by foreign financial institutions (which would include stock of a foreign financial institution that is not regularly traded on an established securities market), as well as the following, but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-United States persons, (ii) financial instruments and contracts held for investment that have non-United States issuers or counterparties, and (iii) interests in foreign entities. Accordingly, Notes that are not held in a financial account will be treated as a "specified foreign financial asset" for this purpose. U.S. Holders are urged to consult their tax advisers regarding the application of this reporting requirement to their ownership of the Notes.

Treasury Regulations Requiring Disclosure of Reportable Transactions

Treasury regulations require U.S. taxpayers to report certain transactions that give rise to a loss in excess of certain thresholds (a **Reportable Transaction**). Under these regulations, a U.S. Holder (or a United States alien holder that holds the Notes in connection with a U.S. trade or business) that recognises a loss with respect to the Notes that is characterised as an ordinary loss due to changes in currency exchange rates (under any of the rules discussed above) would be required to report the loss on Internal Revenue Service Form 8886 (Reportable Transaction Statement) if the loss exceeds the thresholds set forth in the regulations. For individuals and trusts, this loss threshold is U.S.$50,000 in any single taxable year. For other types of taxpayers and other types of losses, the thresholds are higher.

Treasury regulations also require certain taxpayers participating indirectly in a Reportable Transaction to disclose such participation to the Internal Revenue Service. The scope and application of these rules is not completely clear. An investment in the Notes may be considered participation in a Reportable Transaction if, for example, the Issuer recognises certain significant losses in the future and does not otherwise meet certain applicable exemptions. If an investment in the Notes constitutes participation in a Reportable Transaction, each U.S. Holder may be required to file Internal Revenue Service Form 8886 (Reportable Transaction Statement) with the IRS and attach it to its United States federal income tax returns, thereby disclosing certain information relating to the Issuer to the IRS. In addition, the Issuer may be required to disclose its Reportable Transactions and to maintain a list of U.S. Holders and to furnish this list and certain other information to the Internal Revenue Service upon its written request.

Investors should consult with their tax adviser regarding any tax filing and reporting obligations that may apply in connection with acquiring, owning and disposing of Notes.

Disclosure of Certain Transfers to the Issuer

A U.S. Holder that purchases Notes will be required to file Internal Revenue Service Form 8865 (or similar form) with the Internal Revenue Service if the purchase, when aggregated with all transfers of cash or other property made by the U.S. Holder (or any related person) to the Issuer within the preceding 12-month period, exceeds US$100,000 (or its equivalent). A U.S. Holder who fails to file any such required form could be required to pay a penalty equal to 10% of the gross amount paid for the Notes (subject to a maximum penalty of US$100,000, except in cases of intentional disregard).

Information Reporting and Backup Withholding

If you are a noncorporate U.S. Holder, information reporting requirements generally will apply to the payment of proceeds to you from the sale of Notes effected at a United States office of a broker. Additionally, backup withholding may apply to such payments if you are a noncorporate U.S. Holder that fails to provide an accurate taxpayer identification number, is notified by the Internal Revenue Service that it has failed to report all interest and dividends required to be shown on its federal income tax returns, or, in certain circumstances, fails to comply with applicable certification requirements.

In general, payment of the proceeds from the sale of the Notes effected at a non-United States office of a broker will not be subject to information reporting or backup withholding. However, a sale effected at a non-United States office of a broker could be subject to information reporting in the same manner as a sale within the United States (and in certain cases may be subject to backup withholding as well) if (i) the broker has certain connections to the United States, (ii) the proceeds or confirmation are sent to the United States or (iii) the sale has certain other specified connections with the United States.

You generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed your income tax liability by filing a refund claim with the Internal Revenue Service.

Foreign Account Tax Compliance Act

The Issuer and certain Noteholders may be subject to a withholding tax under the FATCA. The Issuer intends to comply with applicable rules to minimise withholding under FATCA. For more information, please see "*Taxation – Foreign Account Tax Compliance Act*" above.

ERISA AND OTHER CONSIDERATIONS

The United States Employee Retirement Income Security Act of 1974, as amended (**ERISA**) imposes certain requirements on **employee benefit plans** subject thereto including entities (such as collective investment funds, insurance company separate accounts and some insurance company general accounts) the underlying assets of which include the assets of such plans (collectively, **ERISA Plans**), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of prudence, diversification investments being made in accordance with the documents governing the plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed above under "*Risk Factors*".

Governmental plans, certain church plans and certain non-U.S. plans (**Non-ERISA Plans**), while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to federal, state, local or non-U.S. laws that are similar to the foregoing provisions of ERISA and the Code (**Similar Laws**).

Any insurance company proposing to purchase any of the Notes using the assets of its general account should consider the extent to which such investment would be subject to the requirements of ERISA in light of the U.S. Supreme Court's decision in *John Hancock Mutual Life Insurance Co. v Harris Trust and Savings Bank*, 510 U.S. 86 (1993), and under any subsequent guidance that may become available relating to that decision. In particular, such an insurance company should consider exemptive relief granted by the DOL for transactions involving insurance company general accounts in PTCE 95-60, 60 Fed. Reg. 35925 (12th July, 1995), the enactment of Section 401(c) of ERISA by the Small Business Job Protection Act of 1986 (including, without limitation, the expiration of any relief granted thereunder) and the Insurance Company General Account Regulations, 65 Fed. Reg. No. 3 (5th January, 2000) promulgated thereunder that became generally applicable on 5th July, 2001.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan, as well as assets of those plans and arrangements that are subject to Section 4975 of the Code, such as individual retirement accounts and Keogh plans, and entities the underlying assets of which include the assets of such plans (such plans, arrangements and entities, together with ERISA Plans, **Plans**) and certain persons (referred to as **parties in interest** under ERISA or **disqualified persons** under the Code (collectively, **Parties in Interest**)) having certain relationships to such Plans, unless a statutory or administrative exception or exemption is applicable to the transaction. A Party in Interest who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The United States Department of Labor (**DOL**) has issued a regulation (29 C.F.R. §2510.3-101 which has been modified by the Pension Protection Act of 2006) concerning when the assets of a Plan will be considered to include the assets of an entity in which the Plan invests (the **Plan Asset Regulation**). As a general rule, the underlying assets of corporations, partnerships, trusts and other entities in which a Plan purchases an **equity interest** will be deemed for purposes of ERISA to be assets of the investing Plan unless one or more of the exceptions in the Plan Asset Regulation applies (the **Plan Asset Lookthrough Rule**). If the Plan Asset Lookthrough Rule were to apply to the Issuer, (a) certain transactions that the Issuer enters into in the ordinary course of business could constitute non-exempt prohibited transactions under ERISA or Section 4975 of the Code, and (b) the Issuer could be subject to the fiduciary responsibility standards of ERISA, some of which are discussed above.

The Plan Asset Regulation defines an **equity interest** as any interest in an entity other than an instrument that is treated as indebtedness under applicable local law and that has no substantial equity features. The Notes may be treated as equity interests.

An exception under the Plan Asset Regulation provides that an investing Plan's assets will not include any of the underlying assets of an entity if equity participation in the entity by "benefit plan investors" is not "significant". The Plan Asset Regulation, as modified by ERISA, defines a "benefit plan investor" as including (i) an employee benefit plan (as defined in Section 3(3) of ERISA), which is subject to Title I of ERISA; (ii) a plan or arrangement subject to Section 4975 of the Code; (iii) an entity whose underlying assets include "plan assets" by reason of a Plan's investment in the entity; and (iv) a person who is otherwise a "benefit plan investor" (a **Benefit Plan Investor**). The Plan Asset Regulations provide that equity participation in an entity by Benefit Plan Investors is "significant" if, immediately after the most recent acquisition of any equity interest in the entity, 25 per cent. or more of the value of any class of equity interests in the entity is held by Benefit Plan Investors. For purposes of determining whether this 25 per cent. threshold has been met or exceeded, the value of any equity interests held by a person (other than such Benefit Plan Investor) who has discretionary authority or control with respect to the assets of the entity, or any person who provides investment advice for a fee (directly or indirectly) with respect to such assets, or any affiliate of such person, is disregarded.

In order to prevent the application of the Plan Asset Lookthrough Rule to the Issuer, the Issuer has decided that the Notes may not be purchased by or transferred to a Plan or certain Non-ERISA Plans. Each purchaser or beneficial owner of Notes (or any interest in Notes) will be deemed to have represented and agreed that it is not and it will not be for so long as it holds any Notes (1) a plan that is subject to Title I of ERISA or Section 4975 of the Code (or an entity deemed to hold the assets of any such plan for purposes of ERISA) or (2) a Non-ERISA Plan, subject to any Similar Laws (or an entity deemed to hold the assets of any such Non-ERISA Plan for the purposes of such Similar Laws. Any acquisition or transfer of a Note in contravention of such representation and warranty shall be null and void *ab initio*.

SUBSCRIPTION AND SALE

The Joint Bookrunners have, pursuant to a Purchase Agreement (the **Purchase Agreement**) dated 4th December, 2013, severally agreed to subscribe or procure subscribers for the Notes at the issue price of 104.75 per cent. of the principal amount of the Notes plus an amount of 0.00809 per cent. of the principal amount of the Notes representing the SPV Coupon Adjustment (plus €82.77 per €1,000 principal amount of the Notes in respect of dividends deemed to have accrued on the Preference Stock from and including 20th February, 2013), and will receive a combined management and underwriting commission (see further "*Overview – Overview of the Notes*" above). The Bank will also reimburse the Joint Bookrunners in respect of certain of their expenses, and has agreed to indemnify the Joint Bookrunners against certain liabilities (including liabilities under the Securities Act), incurred in connection with the issue of the Notes. The Purchase Agreement may be terminated in certain circumstances prior to payment of the issue price to the Issuer.

United States

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may include Securities in bearer form that are subject to U.S. tax law requirements. The Issuer has not been and will not be registered as an investment company under the Investment Company Act. Consequently, the Notes may not be offered, sold, resold, delivered or transferred within the United States or its possessions or to or for the account or benefit of a U.S. Person except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws and in circumstances that do not require the Issuer to register as an investment company under the Investment Company Act. Accordingly, the Notes are being offered and sold only (a) in the United States only to QIBs in reliance on, and in compliance with, Rule 144A that are also Qualified Purchasers (as defined in Section 2(a)(51) of the Investment Company Act and the rules thereunder for the purposes of Section 3(c)(7) of the Investment Company Act); and (b) to Persons (other than U.S. Persons) outside the United States in reliance on Regulation S under the Securities Act. Resales of the Notes are restricted as described under "*Transfer Restrictions*".

Each Joint Bookrunner has agreed that, except as permitted by this Prospectus, it will not offer or sell the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the commencement of the offering, an offer or sale of the Notes 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 the Notes (other than a sale pursuant to Rule 144A) during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account of, U.S. Persons. In addition, until 40 days after the commencement of the offering, an offer or sale of the Notes within the United States by any dealer (whether or not participating in the offering of the Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

Each Joint Bookrunner has represented and agreed that, *inter alia*:

(a) it has offered and sold, and will offer and sell, the Notes (i) outside the United States to non-U.S. Persons in accordance with Regulation S and within the United States or to U.S. Persons both in accordance with Rule 144A and only to persons that are both QIBs and Qualified Purchasers, purchasing for their own account or for the accounts of one or more persons that are both QIBs and Qualified Purchasers, for which the purchaser is acting as fiduciary or agent and with respect to which it exercises sole investment discretion; and

(b) it has only sold and will only sell the Notes to persons (including other dealers) that can make the acknowledgments, representations and agreements deemed to be made by the initial purchasers of the relevant Notes that are set forth under "*Transfer Restrictions*" and in the Trust Deed.

The Issuer will represent in the Purchase Agreement that, based on discussions with the Joint Bookrunners and other factors that the Issuer or its counsel may deem necessary and appropriate, the Issuer has a reasonable belief that initial sales and subsequent transfers of the Notes or any interest therein held through Euroclear or Clearstream, Luxembourg to U.S. Persons will be limited to persons that are both QIBs and Qualified Purchasers.

With respect to Notes initially sold pursuant to Regulation S, an offer or sale of such Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act or pursuant to another exemption from registration under the Securities Act.

Offers and sales of the Notes in the United States will be made by registered broker-dealers under the Exchange Act.

The Joint Bookrunners have agreed that they will not offer, sell or deliver the Notes within the United States or to, or for the account or benefit of, U.S. Persons, other than to persons who are QIBs and Qualified Purchasers, and that they will send to each distributor, dealer or other person receiving a selling commission, fee or other remuneration to which they sell Notes during the period until 40 days after the later of the commencement of the Offering and the Closing Date a confirmation or other notice setting forth the restrictions on offers, sales and deliveries of the Notes within the United States or to, or for the account or benefit of, U.S. Persons.

This Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States to non-U.S. Persons in reliance on Regulation S and for the offer and sale of the Notes in the United States to QIBs in reliance on Rule 144A that are also Qualified Purchasers as defined in the Investment Company Act and for the listing of the Notes on the Official List of the Luxembourg Stock Exchange. The Issuer and the Joint Bookrunners reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than the principal amount of Notes which may be offered.

This document does not constitute an offer to sell any securities of the Issuer or the solicitation of an offer to buy any securities of the Issuer to any person in the United States or to any U.S. Person. Distribution of this document to any such U.S. Person or to any person within the United States other than in accordance with the procedures described above, is unauthorised and any disclosure of the contents of this document, without the prior written consent of the Issuer, is prohibited.

United Kingdom

The distribution in the United Kingdom of this Prospectus and any other marketing materials relating to the Notes (A) if effected by a person who is not an authorised person under the Financial Services and Markets Act 2000 (the **FSMA**), is being addressed to, or directed at, only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the **Financial Promotion Order**), and (ii) persons falling within any of the categories of persons described in Article 49(2) (High net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; and (B) if effected by a person who is an authorised person under the FSMA, is being addressed to, or directed at, only the following persons: (i) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the **Promotion of CISs Order**), (ii) persons falling within any of the categories of person described in Article 22(a)-(d) (High net worth companies, unincorporated associations, etc.) of the Promotion of CISs Order and

(iii) any other person to whom it may otherwise lawfully be made in accordance with the Promotion of CIS Order. Persons of any other description in the United Kingdom may not receive and should not act or rely on this Prospectus or any other marketing materials in relation to the Notes.

Each Joint Bookrunner has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

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

Ireland

Each Joint Bookrunner has represented and agreed, in respect of any underwriting, placing, offer or other action in relation to the Notes taken by it in, from or otherwise involving Ireland, that:

(a) it will not take any such action otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007, as amended, of Ireland;

(b) it will not take any such action otherwise than in conformity with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 of Ireland and any rules issued under Section 34 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland by the Central Bank; and

(c) no such action would require the publication or passporting of a prospectus under Directive 2003/71/EC (as amended) as implemented in Ireland.

General

Each of the Joint Bookrunners has agreed that it will, to the best of its knowledge and belief, comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Prospectus and will obtain any consent, approval or permission which is required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor the Trustee shall have any responsibility therefor.

None of the Issuer, the Trustee, the Joint Bookrunners or the Bank represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

UNITED STATES LEGAL INVESTMENT CONSIDERATIONS

No representation is made as to the proper characterisation of the Notes for legal investment purposes, financial institutional regulatory purposes, or other purposes, or as to the ability of particular investors to purchase the Notes under applicable legal investment restrictions. These uncertainties may adversely affect the liquidity of the Notes. Accordingly, all institutions whose investment activities are subject to legal investment laws and regulations, regulatory capital requirements or review by regulatory authorities should consult with their legal advisers in determining whether and to what extent the Notes constitute legal investments or are subject to investment, capital or other restrictions.

TRANSFER RESTRICTIONS

As a result of the following restrictions, purchasers of Notes in the United States or that are U.S. Persons are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.

Each purchaser of Notes that is a U.S. Person will be required to acknowledge, represent and agree, and each person purchasing an interest in a Global Certificate with a view to holding it in the form of an interest in the same Global Certificate will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S or in Section 2(a)(51)(A) of the Investment Company Act and the rules and regulations thereunder are used herein as defined therein):

(a) that it understands that the Notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the Notes have not been and will not be registered under the Securities Act and that (A) if in the future it decides to offer, resell, pledge or otherwise transfer any of the Notes, such Notes may be offered, resold, pledged or otherwise transferred only (i) to the Issuer, (ii) in the United States to a person whom the seller reasonably believes is a QIB and a Qualified Purchaser in a transaction meeting the requirements of Rule 144A, (iii) outside the United States in a transaction complying with the provisions of Rule 904 under the U.S. Securities Act, (iv) pursuant to the exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), (v) pursuant to another available exemption from registration under the Securities Act or (vi) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any State of the United States, and that (B) the purchaser will, and each subsequent holder is required to, notify any subsequent purchaser of the Notes from it of the resale restrictions referred to in (A) above;

(b) that it is purchasing the Notes for its own account or one or more accounts with respect to which it exercises sole investment discretion, and both it and each such account (if any) (i) is a U.S. Person that is both a QIB and a Qualified Purchaser, (ii) acknowledges and agrees that the Issuer may receive a list of participants holding positions in its securities from Euroclear, Clearstream, Luxembourg, or any other book-entry depository holding beneficial interests in the Notes and (iii) shall provide written notice to any transferee that any transferee taking delivery of the Note or interest therein in accordance with Rule 144A must satisfy the foregoing qualifications;

(c) that it (i) is not a broker-dealer that owns and invests on a discretionary basis less than U.S. $25 million in securities of unaffiliated issuers, (ii) is not a participant-directed employee plan, such as a 401(k) plan as referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan and (iii) was not formed for the purposes of investing in securities of the Issuer;

(d) that it will purchase Notes on its own behalf and on behalf of any account for which it is purchasing the Note to offer, sell or otherwise transfer such Note only (i) in the United States, only in the form of an interest in a Rule 144A Global Note to a Qualified Purchaser that the purchaser reasonably believes is a QIB, purchasing for its own account or one or more accounts, each of which is a Qualified Purchaser that the purchaser reasonably believes is a QIB, in accordance with Rule 144A, or (ii) outside the United States in the form of an interest in a Regulation S Global Note to a person that is not a U.S. Person in an offshore transaction in accordance with Regulation S under the Securities Act. The purchaser understands and agrees that a U.S. Person or person in the United States may not hold an interest in a Note in the form of a Regulation S Global Note at any time. The purchaser agrees to provide notice of such transfer restrictions to any subsequent transferee and agrees not to reoffer, resell, pledge or otherwise transfer the Notes or any beneficial interest therein,

to any person except to a person that (x) meets all of the requirements in paragraphs (a) to paragraph (q) (inclusive) hereof and (y) agrees not to subsequently transfer the Notes or any beneficial interest therein except in accordance with these transfer restrictions;

(e) that the Trust Deed permits the Issuer (as described in Condition 10.3 (*Forced Transfer of Notes held by U.S. Persons*)), to require any holder of Notes (or holder of a beneficial interest therein) who is a U.S. Person or person in the United States who is determined not to have been both a QIB and a Qualified Purchaser (or not met any of the other requirements set forth in these paragraphs (a) to (q) (inclusive)) at the time of acquisition of the Note (or such beneficial interest therein) to sell such interest to a person that is both a QIB and a Qualified Purchaser in a transaction meeting the requirements of Rule 144A or to a person that is not a U.S. Person in a transaction meeting the requirements of Regulation S. There can be no assurance that a holder of Notes (or such beneficial interest therein) who is required to transfer in this way will not incur a significant loss as a result of the need for the Issuer to find a qualifying transferee willing to purchase the Notes. None of the Issuer, the Trustee, nor any other party shall be liable to a holder of Notes for any such loss;

(f) that it understands that the Notes have not been approved or disapproved by the United States Securities & Exchange Commission (the **SEC**) or any other governmental authority or agency of any state or jurisdiction, nor has the SEC or any other governmental authority or agency passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence;

(g) that it understands that (i) the Issuer has not registered and does not intend to register as an investment company under the Investment Company Act; (ii) the Notes may not be reoffered, resold, pledged or otherwise transferred except in accordance with the legend on such Notes described below and (iii) no representation is made by the Issuer or the Joint Bookrunners as to the availability of any exemption under the Securities Act, the Investment Company Act, or any state securities laws for resale of the Notes;

(h) that if it, or any other person for which it is acting, is an investment company excepted from the Investment Company Act pursuant to Section 3(c)(1) or Section 3(c)(7) thereof (or a foreign investment company under Section 7(d) thereof relying on Section 3(c)(1) or Section 3(c)(7) with respect to its holders that are U.S. Persons) and were formed on or before 30th April, 1996, it has received consent of the beneficial owners who acquired their interest on or before 30th April, 1996, with respect to its treatment as a qualified purchaser in the manner required by Section 2(a)(51)(c) of the Investment Company Act and the rules promulgated thereunder;

(i) that it is not purchasing the Notes with a view to the resale, distribution or other disposition thereof in violation of the Securities Act or the Investment Company Act. It understands that an investment in the Notes involves certain risks (including but not limited to those described in the "*Risk Factors*" section of this Prospectus), including the risk of loss of all or a substantial part of its investment under certain circumstances;

(j) that (i) it has such knowledge and experience in financial and business matters that the purchaser is capable of evaluating the merits and risks (including for tax, legal, regulatory, accounting and other financial purposes) of its prospective investment in the Notes, (ii) is financially able to bear such risk for an indefinite period of time, (iii) in making such investment is not relying on the advice or recommendations of the Joint Bookrunners, the Issuer or any of their respective Affiliates (or any representative of any of the foregoing) and (iv) has consulted with its own legal, regulatory, tax, business, investment, financial, accounting and other advisers to the extent it has deemed necessary, and it has made its own investment decisions based upon its own judgement and upon any advice from such advisers as it deemed necessary and not upon any view expressed by the Issuer. The purchaser has received, and has had an adequate opportunity to review the contents of, this

Prospectus. The purchaser has had access to such financial and other information concerning the Issuer and the Notes as it has deemed necessary to make its own independent decision to purchase such Notes, including the opportunity, at a reasonable time prior to its purchase of such Notes, to ask questions and receive answers concerning the Issuer and the terms and conditions of the offering of the Notes;

(k) that there is no market for the Notes and that no assurance can be given as to the liquidity of any trading market for the Notes and that it is unlikely that a trading market for the Notes will develop. It further understands that, although the Joint Bookrunners may from time to time make a market in the Notes, the Joint Bookrunners are under no obligation to do so and, following the commencement of any market-making, may discontinue the same at any time. Accordingly, the purchaser must be prepared to hold the Notes for an indefinite period of time or until the time of their stated maturity;

(l) that no sale, pledge or other transfer of a Note (or any interest therein) may be made if such transfer would have the effect of requiring the Issuer to register as an investment company under the Investment Company Act;

(m) that it will treat the Notes as equity of the Issuer for U.S. federal income tax purposes;

(n) that it is not (a) (i) an "employee benefit plan" as described in Section 3(3) of ERISA and subject to Title I of ERISA, (ii) a "plan" subject to Section 4975 of the Code, (iii) any entity whose assets are treated as assets of any such plan by reason of such employee benefit plan's or plan's investment in the entity, or (iv) a "benefit plan investor" as such term is otherwise defined in the regulations promulgated by the U.S. Department of Labor, or (b) a governmental, church, non-U.S. or other plan which is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the Code, if its acquisition, holding or disposition of a Note would constitute or result in a non-exempt violation under any such substantially similar law;

(o) that (i) any sale, pledge or other transfer of a Note (or any interest therein) made in violation of the transfer restrictions contained in this Prospectus and in the Trust Deed, or made based upon any false or inaccurate representation made by the purchaser or a transferee to the Issuer, will be void *ab initio* and of no force or effect and (ii) none of the Issuer, the Trustee or the Registrar has any obligation to recognise any sale, pledge or other transfer of a Note (or any interest therein) made in violation of any such transfer restriction or made based upon any such false or inaccurate representation;

(p) that it understands and agrees that a legend in substantially the following form will be placed on each certificate representing any Restricted Global Notes unless the Issuer determines otherwise in compliance with applicable law, it being understood and agreed that the receipt of this Prospectus by initial offerees from the Joint Bookrunners shall constitute sufficient notice of the transfer restrictions set out in the legend:

THE NOTES EVIDENCED HEREBY (THE **NOTES**) HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER RELEVANT JURISDICTION, AND THE ISSUER HAS NOT BEEN REGISTERED AND DOES NOT INTEND TO REGISTER AS AN INVESTMENT COMPANY UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE **INVESTMENT COMPANY ACT**). THE NOTES OR ANY INTEREST OR PARTICIPATION IN THE NOTES MAY BE OFFERED, SOLD, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) IN THE UNITED STATES TO A "U.S. PERSON"

(AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (**REGULATION S**) AND WITHIN THE MEANING OF THE INVESTMENT COMPANY ACT) WHO IS BOTH A "QUALIFIED PURCHASER" AS DEFINED IN SECTION 2(a)(51) OF THE INVESTMENT COMPANY ACT AND THE RULES THEREUNDER AND IS A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT (**RULE 144A**), PURCHASING FOR ITS OWN ACCOUNT OR ONE OR MORE ACCOUNTS WITH RESPECT TO WHICH IT EXERCISES SOLE INVESTMENT DISCRETION, EACH OF WHICH IS A QUALIFIED PURCHASER AND A QUALIFIED INSTITUTIONAL BUYER, (B) IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED IN THE TRUST DEED REFERRED TO HEREIN AND (C) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER RELEVANT JURISDICTION.

BY ITS ACQUISITION HEREOF, THE HOLDER OF THE NOTES REPRESENTS THAT: (1) IT IS BOTH A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A) AND A QUALIFIED PURCHASER UNDER THE INVESTMENT COMPANY ACT, (2) IT UNDERSTANDS THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN THE NOTES FROM ONE OR MORE BOOK-ENTRY DEPOSITORIES, (3) IT WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS APPLICABLE TO THE NOTES TO ANY SUBSEQUENT TRANSFEREES, (4) IT AND EACH ACCOUNT FOR WHICH IT IS PURCHASING WILL HOLD AND TRANSFER AT LEAST THE MINIMUM DENOMINATION OF NOTES, AND (5) IT IS NOT (X) (I) AN "EMPLOYEE BENEFIT PLAN" AS DESCRIBED IN SECTION 3(3) OF ERISA AND SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (**ERISA**), (II) A "PLAN" SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986 (THE **CODE**), (III) ANY ENTITY WHOSE ASSETS ARE TREATED AS ASSETS OF ANY SUCH PLAN BY REASON OF SUCH EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE ENTITY, OR (IV) A "BENEFIT PLAN INVESTOR" AS SUCH TERM IS OTHERWISE DEFINED IN THE REGULATIONS PROMULGATED BY THE UNITED STATES DEPARTMENT OF LABOR, OR (Y) A GOVERNMENTAL, CHURCH, NON-US OR OTHER PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-US LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE, IF ITS ACQUISITION, HOLDING OR DISPOSITION OF A NOTE WOULD CONSTITUTE OR RESULT IN A NON-EXEMPT VIOLATION UNDER ANY SUCH SUBSTANTIALLY SIMILAR LAW. ALSO, EACH PERSON ACQUIRING OR HOLDING THE NOTES OR ANY INTEREST THEREIN AGREES TO TREAT THE NOTES AS EQUITY OF THE ISSUER FOR UNITED STATES FEDERAL INCOME TAX PURPOSES.

EACH INITIAL PURCHASER AND SUBSEQUENT TRANSFEREE OF THE NOTES OR ANY INTEREST OR PARTICIPATION IN THE NOTES WILL BE DEEMED TO REPRESENT THAT IT AGREES TO COMPLY WITH THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND WILL NOT TRANSFER THE NOTES OR ANY INTEREST OR PARTICIPATION HEREIN EXCEPT TO A TRANSFEREE WHO CAN MAKE THE SAME REPRESENTATIONS AND AGREEMENTS ON BEHALF OF ITSELF AND EACH ACCOUNT FOR WHICH IT IS PURCHASING.

NO TRANSFER OF THIS NOTE (OR ANY INTEREST HEREIN) MAY BE MADE (AND NEITHER THE TRUSTEE NOR THE REGISTRAR WILL RECOGNISE ANY SUCH TRANSFER) IF SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE WHO IS NOT BOTH A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER. ACCORDINGLY, AN INVESTOR IN THIS NOTE MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE

ISSUER MAY REQUIRE ANY HOLDER OF THIS NOTE WHO IS DETERMINED NOT TO HAVE BEEN BOTH A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER AT THE TIME OF ACQUISITION OF THIS NOTE TO SELL THIS NOTE TO A PERSON WHO IS BOTH A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR TO A PERSON THAT IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S) AND IS OUTSIDE THE UNITED STATES IN A TRANSACTION MEETING THE REQUIREMENTS OF REGULATION S.

ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID *AB INITIO*, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE PURCHASER OR TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER, THE TRUSTEE OR ANY INTERMEDIARY. EACH PURCHASER OF THIS NOTE OR ANY INTEREST HEREIN AGREES THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK-ENTRY DEPOSITORIES AND THAT IT WILL DELIVER TO EACH PURCHASER OF THIS NOTE OR ANY INTEREST HEREIN A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

(q) that it, and each person or account for which it is purchasing or otherwise acquiring such Notes (or beneficial interest therein), will purchase, hold or transfer at least €100,000 of the Notes (or beneficial interests therein) and shall not sell participation interests in any Notes;

(r) that if it is not a natural person, the purchaser has the power and authority to enter into each agreement required to be executed and delivered by or on behalf of the purchaser in connection with its purchase of Notes and to perform its obligations thereunder and consummate the transactions contemplated thereby, and the person signing any such documents on behalf of the purchaser has been duly authorised to execute and deliver such documents and each other document required to be executed and delivered by the purchaser in connection with its purchase of Notes. If the purchaser is an individual, the purchaser has all requisite legal capacity to acquire and hold the Notes and to execute, deliver and comply with the terms of each of the documents required to be executed and delivered by the purchaser in connection with the subscription for the Notes. Such execution, delivery and compliance by the purchaser does not conflict with, or constitute a default under, any instruments governing the purchaser, any applicable law, regulation or order, or any material agreement to which the purchaser is a party or by which the purchaser is bound;

(s) that it understands that the Issuer may require certification acceptable to it (i) to permit the Issuer to make payments to it without, or at a reduced rate of, withholding or (ii) to enable the Issuer to qualify for a reduced rate of withholding in any jurisdiction from or through which the Issuer receives payments on its assets. The purchaser agrees to provide any such certification that is requested by the Issuer; and

(t) that it acknowledges that the Issuer, the Joint Bookrunners and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the acknowledgments, representations or warranties made or deemed to have been made by it in connection with its purchase of the Notes are no longer accurate, the purchaser will promptly notify the Issuer and the Joint Bookrunners. If it is acquiring any Notes for the account of one or more persons each of whom is also a U.S. Person (as defined in Regulation S and within the meaning of the Investment Company Act) who is a QIB and also a Qualified Purchaser, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

CLEARING AND SETTLEMENT ARRANGEMENTS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream, Luxembourg (together, the **Clearing Systems**) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer or the Joint Bookrunners takes any responsibility for the accuracy of this section. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer and any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

Clearing Systems

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Registration and Form

Book-entry interests in the Notes held through Euroclear and Clearstream, Luxembourg will be represented by the Global Certificates registered in the name of a nominee of, and held by, a common depositary for Euroclear and Clearstream, Luxembourg. Beneficial ownership of book-entry interests in Notes will be held through financial institutions as direct and indirect participants in Euroclear and Clearstream, Luxembourg.

The aggregate holdings of book-entry interests in the Notes in Euroclear and Clearstream, Luxembourg will be reflected in the book-entry accounts of each such institution. Euroclear or Clearstream, Luxembourg, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the Notes will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interests in the Notes. The Registrar will be responsible for maintaining a record of the aggregate holdings of Notes registered in the name of a common nominee for Euroclear and Clearstream, Luxembourg or, if individual Certificates are issued in the limited circumstances described under "*The Global Certificates - Registration of Title*", holders of Notes represented by those individual Certificates. The Principal Paying Agent will be responsible for ensuring that payments received by it from the Issuer for holders of book-entry interests in the Notes holding through Euroclear and Clearstream, Luxembourg are credited to Euroclear or Clearstream, Luxembourg, as the case may be.

The Issuer will not impose any fees in respect of holding the Notes; however, holders of book-entry interests in the Notes may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear or Clearstream, Luxembourg.

Clearing and Settlement Procedures

Initial Settlement

Upon their original issue, the Notes will be in global form represented by the two Global Certificates. Interests in the Notes will be in uncertified book-entry form. Book-entry interests in the Notes will be credited to Euroclear and Clearstream, Luxembourg participants' securities clearance accounts on the business day following the Closing Date against payment (value the Closing Date), in accordance with usual settlement procedures applicable to conventional Eurobonds.

Secondary Market Trading

Secondary market trades in the Notes will be settled by transfer of title to book-entry interests in the Clearing Systems. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear or Clearstream, Luxembourg, as the case may be, in accordance with their respective procedures. Book-entry interests in the Notes may be transferred within Euroclear and within Clearstream, Luxembourg and between Euroclear and Clearstream, Luxembourg in accordance with procedures established for these purposes by Euroclear and Clearstream, Luxembourg.

General

None of Euroclear or Clearstream, Luxembourg is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

None of the Issuer, the Trustee or any of their agents will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective participants of their respective obligations under the rules and procedures governing their operations or the arrangements referred to above.

Transfers pursuant to Rule 144A and Section 3(c)(7) of the Investment Company Act

Transfers between participants in Euroclear and Clearstream, Luxembourg will be effected in accordance with Euroclear and Clearstream, Luxembourg's rules and will be settled in immediately available funds (the **Applicable Procedures**).

The Global Certificates will bear a legend to the effect set out in, and will be subject to the restrictions on transfers and certification requirements discussed under the section, "*Transfer Restrictions*".

Beneficial interests in the Unrestricted Global Certificate may be transferred for beneficial interests in the Restricted Global Certificate only if such transfer occurs in accordance with the Applicable Procedures and (in connection with a transfer of the Notes pursuant to Rule 144A and Section 3(c)(7) of the Investment Company Act) the transferor first delivers to the Registrar a written certificate (in the form provided in the Trust Deed) to the effect that the Notes are being transferred to a person whom the transferor reasonably believes is both a QIB and a Qualified Purchaser, purchasing for its own account or the account of a person that is both a QIB and a Qualified Purchaser in a transaction meeting the requirements of Rule 144A and Section 3(c)(7) of the Investment Company Act and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interests in the Restricted Global Certificate may be transferred to a person who acquires the same in the form of a beneficial interest in the Unrestricted Global Certificate only in accordance with the Applicable Procedures and if the transferor first delivers to the Registrar a written certificate (in the form

provided in the Trust Deed) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S.

GENERAL INFORMATION

Authorisation

The issue of the Notes was duly authorised by a resolution of the Board of Directors of the Issuer dated 3rd December, 2013.

Listing and admission to trading

Application has been made to the CSSF to approve this document as a prospectus. Application will also be made to the Luxembourg Stock Exchange for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

The Issuer estimates that the total expenses related to the admission to trading will be €16,600.

Clearing systems

The Unrestricted Global Certificate and Restricted Global Certificate have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for the Unrestricted Global Certificate is XS1003010672 and for the Restricted Global Certificate is XS1003011563. The Common Code for the Unrestricted Global Certificate is 100301067 and for the Restricted Global Certificate is 100301156.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

No significant change and no material adverse change

There has been no significant change in the financial or trading position of the Issuer since its incorporation and there has been no material adverse change in the financial position or prospects of the Issuer since its incorporation.

Save as disclosed in the section headed "*Risk Factors*", the section headed "*Documents Incorporated by Reference*" and the section headed "*Annex B: Description of the Bank*", there has been no significant change in the financial or trading position of the Group taken as a whole since 30th June, 2013 and no material adverse change in the financial position or prospects of the Group taken as a whole since 31st December, 2012.

Litigation

The Issuer is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) since the date of its incorporation which may have or have in such period had a significant effect on the financial position of the Issuer.

Save as disclosed in the section headed "*Risk Factors*", the section headed "*Documents Incorporated by Reference*" and the section headed "*Annex B: Description of the Bank*", neither the Bank nor any subsidiary of the Bank is and has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware) in the 12 months preceding the date of this Prospectus which may have or have in such period had a significant effect on the financial position or profitability of the Group.

Auditors

The auditors of the Issuer are PricewaterhouseCoopers, Chartered Accountants and Registered Auditors. As at the date of the Prospectus, no financial statements have been prepared in respect of the Issuer. The auditors of the Issuer have no material interest in the Issuer.

The auditors of the Group are PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, Dublin who are a member of the Institute of Chartered Accountants of Ireland and have audited the accounts of the Group in accordance with Irish law and International Standards on Auditing (UK and Ireland) issued an unqualified audit opinion for the financial years ended 31st December, 2012 and 31st December, 2011.

Documents

For the period of 12 months following the date of this Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified offices of the Trustee and the Paying Agents:

(a) the constitutional documents of the Issuer;

(b) a copy of this Prospectus;

(c) each of the documents incorporated by reference in this Prospectus as set out in the section headed "*Documents Incorporated by Reference*"; and

(d) the Transaction Documents.

Post-issuance information

The Issuer does not intend to provide any post-issuance information in relation to this issue of Notes or the performance of the Acquired Preference Stock, except if required by any applicable laws and regulations.

Characteristics of underlying assets

The Acquired Preference Stock has characteristics that demonstrate capacity, subject to the risks identified in Risk Factors included under the heading "*Factors that may affect the Bank's ability to make payments and fulfil its obligations under the Acquired Preference Stock*", to produce funds to service the payments due and payable on the Notes.

Joint Bookrunners transacting with the Group

Certain of the Joint Bookrunners and their affiliates may have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to members of the Group and their respective affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Joint Bookrunners 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 Group or its affiliates. Certain of the Joint Bookrunners or their affiliates that have a lending relationship with the Bank routinely hedge their credit exposure to the Bank consistent with their customary risk management policies. Typically, such Joint Bookrunners 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 Acquired Preference Stock. Any such short positions could adversely affect future trading prices of the Acquired Preference Stock. The Joint Bookrunners 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.

Yield

The Notes will bear interest on their outstanding principal amount at a rate of 10.24 per cent. per annum on the assumption that dividends are paid on the Acquired Preference Stock in cash as described in "*Annex A: Description of the Acquired Preference Stock, the Preference Stock Purchase Agreement and the Waiver Deed– Dividend Entitlement*" at the rate of 10.25 per cent. annually and that no Variable Expense Amount is applicable. The Notes will be perpetual but shall be redeemed in certain circumstances as described in "*Conditions of the Notes*".

ANNEX A: DESCRIPTION OF THE ACQUIRED PREFERENCE STOCK, THE PREFERENCE STOCK PURCHASE AGREEMENT AND THE WAIVER DEED

Words and expressions defined in "*Risk Factors*" and "*Conditions of the Notes*" shall have the same meanings in this Annex unless the context requires otherwise.

TERMS OF THE ACQUIRED PREFERENCE STOCK

On 31st March, 2009, the Bank issued 3,500,000,000 units of perpetual non-cumulative redeemable preference stock of €0.01 each credited as fully paid (the **2009 Preference Stock**) in the capital of the Bank to the National Pensions Reserve Fund Commission, as established by the National Pensions Reserve Fund Act 2000 (the **NPRFC**), of which 1,837,041,304 units remain in issue as at the date of this Prospectus. Prior to the entry into the Preference Stock Purchase Agreement, the NPRFC is the sole legal owner of the 2009 Preference Stock. Pursuant to section 18(7) of the National Pensions Reserve Fund Act 2000, the Minister for Finance, as the person in whom ownership of the Irish National Pensions Reserve Fund is vested, is the full beneficial owner of the 2009 Preference Stock.

The NPRFC was established by the National Pensions Reserve Fund Act 2000 with responsibilities amongst other things to control, manage and invest the assets of the Irish National Pensions Reserve Fund.

1,300,000,000 units of 2009 Preference Stock (the **Acquired Preference Stock**) are being purchased by the Issuer from the NPRFC (as legal owner of the Acquired Preference Stock) pursuant to the terms of the Preference Stock Purchase Agreement between the Issuer and the NPRFC with the proceeds of the Notes and will be charged by the Issuer in favour of the Trustee on behalf of, *inter alios*, the Noteholders.

Defined terms

In this Annex A:

1992 Preference Stock means the preference capital stock of the Bank, other than the 2009 Preference Stock and the 2005 Preference Stock, as at the date of this Prospectus;

2005 Preference Stock means new units of preference stock which may be allotted by the Bank Directors pursuant to Bye-Law 7 and which can be either redeemable or non-redeemable and can be denominated in U.S. dollars, in euro or in sterling. As at the date of this Prospectus, there are no units of 2005 Preference Stock in issue;

Amended EU Restructuring Plan means the amended EU restructuring plan for the Group for the period to 31st December, 2015 approved by the European Commission on 9th July, 2013;

Amendment means the proposed amendments to the rights attaching to the 2009 Preference Stock (subject to the approval of Preference Stockholders and holders of Ordinary Stock at a General Court) as set out in Schedule 1 to the Waiver Deed;

Average Stock Price means the average price per unit of Ordinary Stock in the 30 trading days prior to the original Dividend Payment Date, with the price for each such trading day from which the average is to be derived being determined as follows:

(a) in respect of a trading day on which there is dealing on The Irish Stock Exchange in respect of the Ordinary Stock, the closing quotation price on that date per unit of the Ordinary Stock as published in The Irish Stock Exchange Daily Official List (or any successor publication);

(b) in respect of any trading day on which there is no dealing on The Irish Stock Exchange in respect of the Ordinary Stock, the mid-price on that day between the low and high market guide prices per unit of the Ordinary Stock as published in The Irish Stock Exchange Daily Official List (or any successor publication); and

(c) in respect of any trading day on which there is no dealing on The Irish Stock Exchange in respect of the Ordinary Stock where only one market guide price has been published, the market guide price on that day per unit of the Ordinary Stock as published in The Irish Stock Exchange Daily Official List (or any successor publication),

provided that if the means of providing the above information as to dealings and prices is altered or is replaced by some other means, then the appropriate price shall be determined on the basis of the equivalent information published by the relevant authority in relation to dealings on The Irish Stock Exchange or its equivalent;

Business Day means any day (other than a Saturday or Sunday) on which banks in Dublin are open for business and on which foreign exchange dealings may be conducted in Dublin;

CIFS Guarantee Scheme means the Irish Credit Institutions (Financial Support) Scheme 2008 (S.I. No 411 of 2008), and where the context so permits, includes the ELG Scheme;

CET 1 Capital has the meaning given to the term "Common Equity Tier 1 Capital" (or any equivalent or replacement term) in the capital adequacy requirements, regulations and policies applicable to the Bank from time to time;

Control means the holding, whether directly or indirectly, of stock of the Bank that confers, in aggregate, more than 50 per cent. of the voting rights in the Bank;

Control Resolution means a resolution of those stockholders who are entitled to so vote for the approval of any agreement or transaction (including a merger) whereby, or in consequence of which, Control of the Group, or substantially all of the Group's business, is or may be acquired by any person or persons (excluding any government concert party) acting in concert and which for the avoidance of doubt shall include any resolution to approve a scheme of arrangement pursuant to section 201 of the Companies Act 1963 pursuant to which a takeover of the Group (within the meaning of the Irish Takeover Panel Act 1997 Takeover Rules (as amended, replaced or substituted from time to time)) would be effected or approved or a merger or division of the Bank pursuant to the European Communities (Mergers and Divisions of Companies) Regulations, 1987 (Statutory Instrument 137 of 1987) or a merger of the Bank pursuant to the European Communities (Cross-Border Mergers) Regulations 2008 (Statutory Instrument 1750 of 2008);

Core Tier 1 Capital has the meaning given to it (or any equivalent or replacement term) in the capital adequacy requirements, regulations and policies applicable to the Bank from time to time;

CREST means the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in the CREST Regulations);

CREST Regulations means the Companies Act 1990 (Uncertified Securities) Regulations 1996 (S.I. No. 68 of 1996) of Ireland, as amended by S.I. No. 693 of 2005;

Deferred Stock means the Deferred Stock in units of €0.01 each in the capital of the Bank;

Dividend Payment Date means 20th February (or the next Business Day when such date falls on a Saturday, Sunday or public holiday in Ireland) in each year;

ELG Scheme means the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (S.I. No. 490 of 2009), as amended by S.I. No. 546 of 2010, S.I. No. 470 of 2010, S.I. No. 634 of 2011 and S.I. 519 of 2012;

General Court means a general court of the members of the Bank duly assembled under and in accordance with the Bye-Laws;

Government means the Government of Ireland;

Government Body means the Irish National Treasury Management Agency, the NPRFC, the Minister for Finance or any Minister or Department of the Government;

Government Preference Stockholder means a Government Body holding 2009 Preference Stock or any custodian or nominee holding 2009 Preference Stock on behalf of a Government Body provided however that where such custodian or nominee holds 2009 Preference Stock for any other person, such holding shall be not be taken into account for the purpose of determining the voting rights of the Government Preference Stockholder;

Minister for Finance means the Minister for Finance of Ireland;

Note Cancellation Event has the meaning given to it in Condition 10.4 (*Purchase*) of the Notes;

Placing means the placing by the Bank of 2,230,769,231 units of new Ordinary Stock on a non-pre-emptive basis for cash consideration with institutional investors expected to generate net proceeds of approximately €537 million, as announced by the Bank on 4th December, 2013;

Ordinary Stock means ordinary stock in units (as at the date of this Prospectus) of €0.05 each in the capital of the Bank;

Relevant 2009 Stockholder means:

(i) prior to the Preference Stock Amendment Date (as defined in the Conditions to the Notes), a person holding Relevant Stock from time to time that has executed the Waiver Deed or a Waiver Adherence Deed (as defined in the Conditions to the Notes) in respect of all such holdings of Relevant Stock; or

(ii) following the Preference Stock Amendment Date, any person holding Relevant Stock from time to time;

Relevant Stock means each of (i) the Acquired Preference Stock and (ii) each unit of 2009 Preference Stock held by the Issuer from time to time; and

State means the Irish State.

Form, Denomination and Title

The Acquired Preference Stock is issued in definitive registered form in denominations of €0.01 each in nominal value, credited as fully paid.

Title to the Acquired Preference Stock will, subject to and in accordance with the Bye-Laws of the Bank, pass by transfer and registration in the Bank's register of members (the **Register**).

Ranking and Liquidation Rights

On a winding up of the Bank or other return of capital (other than a redemption of stock of any class in the capital of the Bank) by the Bank, the repayment of the capital paid up (including premium) on the Acquired Preference Stock:

(i) shall rank *pari passu* with the repayment of the capital paid up (excluding premium) on the Ordinary Stock;

(ii) shall rank ahead of the Deferred Stock in the capital of the Bank and ahead of the repayment of the premium (if any) paid up on the Ordinary Stock;

(iii) but shall rank behind the repayment of capital on all other classes of stock (including, without limitation, other preferred stock),

and the holders of the Acquired Preference Stock shall be entitled to receive in euro out of the surplus assets available for distribution to the Bank's members the repayment of the capital paid up on the Acquired Preference Stock (including premium), but shall not be entitled to any further or other participation in the profits or assets of the Bank (without prejudice to the paragraph immediately following below).

In addition to the amount repayable on the Acquired Preference Stock in accordance with the previous paragraph there shall (in accordance with Bye-Law 6(I)(2)(e)) be payable on a winding up or dissolution of the Bank or the passing of a resolution at a General Court of the members of the Bank for the appointment of a liquidator or examiner to the Bank a sum equal to:

(i) the amount of any Acquired Preference Stock dividend which is due for payment after the date of commencement of the winding up or dissolution or relevant resolution but which is payable in respect of the period ending on or before the date of such commencement of winding up or dissolution or relevant resolution; and

(ii) the amount of any Acquired Preference Stock dividend which would have been payable by the Bank in accordance with Bye-Law 6(I)(2)(b) in respect of the period commencing with the Dividend Payment Date which shall have most recently occurred prior to the commencement of the winding up or dissolution or relevant resolution and ending with the date of such commencement of winding up or dissolution or resolution, unless that period had been one in relation to which an instalment of the Acquired Preference Stock dividend would not have been payable on account of a Relevant Circumstance (as defined below under the heading entitled "*Limitations on Dividends*"),

(the **Outstanding Dividend**) but subject always to the payment of any dividend rights accrued on any stock in the capital of the Bank ranking in priority as to dividends to the Acquired Preference Stock.

Dividend Entitlement

The Acquired Preference Stock ranks ahead of the Ordinary Stock as regards dividends and ranks *pari passu* as regards dividends with the sterling preference stock of the Bank, the euro preference stock of the Bank and stock or securities which constitute Core Tier 1 Capital of the Bank (other than Ordinary Stock and other than dividends to non-controlling interests).

By virtue of the CIFS Guarantee Scheme, the payment of any dividends by the Bank, including the payment of dividends on the Acquired Preference Stock, requires the consent of the Minister for Finance. The Minister has provided his consent for the payment of dividends on the Bank’s preference stock including the Acquired Preference Stock.

Each unit of Acquired Preference Stock shall entitle the holder thereof (the **Preference Stockholder**) to receive, out of the profits and reserves of the Bank available for distribution and permitted by law to be distributed, a non-cumulative preferential dividend at a fixed rate of 10.25 per cent. per annum of the issue

price of €1.00, payable annually, at the discretion of the Bank, on 20th February (or on the next Business Day where such date falls on a Saturday, Sunday or public holiday in Ireland).

For the purposes of determining the dividend payable for any period of less than one year, the amount will be calculated on the basis of the number of days in such period based on a 360-day year comprised of twelve 30-day months.

Payment of dividends on the Acquired Preference Stock is subject to a resolution of the Bank Directors (see further the paragraph below entitled "*Limitations on Dividends*"). If a cash dividend is not paid by the Bank, then, on a date determined by the Bank Directors in their sole and absolute discretion (provided such date is no later than the first in time of either (i) payment of cash dividends on the 2009 Preference Stock or any other capital stock of the Bank or (ii) the date of redemption or purchase for cash by the Bank of the 2009 Preference Stock or any other capital stock of the Bank), the Bank must, subject to the Bank not being prohibited by law from doing so and subject to the requirements of the Bye-Laws in relation to the capitalisation of stock (as set out in the risk factor entitled "*Delivery of Bonus Stock may be delayed or (in certain circumstances and subject as provided in the Bye-Laws) not made at all and, if it is made, the issue date is at the discretion of the Bank but such date will not be later than the date on which the Bank subsequently redeems or purchases or pays a dividend on the 2009 Preference Stock or any other class of capital stock of the Bank*"), issue units of Ordinary Stock in the Bank to holders of units of Acquired Preference Stock (the **Bonus Stock**). The number of units of Bonus Stock that the Bank would be required to issue to the holders of units of the Acquired Preference Stock in the event of non-payment of a cash dividend, is calculated by reference to the net amount of the unpaid dividend amount divided by:

(i) 100 per cent. of the Average Stock Price, in the event that the Bonus Stock is issued on the originally scheduled Dividend Payment Date; or

(ii) 95 per cent. of the Average Stock Price, in the event that the Bonus Stock is issued later than the originally scheduled Dividend Payment Date.

The Bonus Stock shall be issued fully paid at an issue price equal to its nominal value, by a capitalisation of available reserves, but (as set out in the risk factor entitled "*Delivery of Bonus Stock may be delayed or (in certain circumstances and subject as provided in the Bye-Laws) not made at all and, if it is made, the issue date is at the discretion of the Bank but such date will not be later than the date on which the Bank subsequently redeems or purchases or pays a dividend on the 2009 Preference Stock or any other class of capital stock of the Bank*") Bye-Laws 4(F), 5(F) and 6(F) provide that prior to the allotment of certain preference stock of the Bank, the Bank Directors may determine that the Bank is restricted under the terms of such preference stock from capitalising any stock of the Bank out of the Bank's reserves if such payment would result in such reserves falling below an amount equal to a multiple, to be determined by the Bank Directors prior to the allotment of such preference stock, of the aggregate amount of the annual dividends payable on the preference stock of the Bank. As at the date of this Prospectus, the Bank Directors have determined (in accordance with Bye-Law 5(F) and Bye-Law 6(F)) that this restriction applies under the terms of the 1992 Preference Stock and as a result, the Bank may not, without the consent of the holders of the 1992 Preference Stock, pay up any part of the Bonus Stock out of the Bank's reserves if such payment would result in the Bank's reserves falling below an amount equal to four times the aggregate amount of the annual dividends payable on the 1992 Preference Stock and any other preference stock ranking *pari passu* with or in priority to such stock as regards the rights to receive dividends or the rights on winding up, or other return of capital, by the Bank. Where the Bank has insufficient reserves to pay up the Bonus Stock in full, it may be required by a holder of Acquired Preference Stock to issue its *pro rata* share of such Bonus Stock on the basis that the Bank shall pay up the issue price of such Bonus Stock out of a *pro rata* amount of the available reserves of the Bank, with the balance to be paid up by such Preference Stockholder, provided that the Bank shall not be required to pay up any part of the Bonus Stock out of distributable reserves of the Bank if this would breach the requirements of Bye-Laws 4(F), 5(F) and 6(F) in relation to the capitalisation of stock referred to above. If Bonus Stock cannot be allotted by reason of any

insufficiency in the Bank's authorised capital stock, the Bank Directors must convene a General Court of the Bank to be held as soon as practicable for the purpose of considering a resolution or resolutions effecting an appropriate increase in the authorised capital stock and the holders of Acquired Preference Stock shall be entitled to exercise such number of votes at such General Court as shall be required to have such resolutions approved as special resolutions.

Pursuant to the Waiver Deed, the Issuer will irrevocably agree to appoint each director and/or the secretary of the Bank as its proxy to vote on its behalf at any class meeting or General Court of the Bank (at which the Issuer is entitled to vote at such time) in favour of the Amendment (as set out in the form contained in Schedule 1 to the Waiver Deed). The Issuer will also agree not to issue, without the prior written consent of the Bank, any consent to the variation, alteration or abrogation of the rights attaching to the 2009 Preference Stock from time to time. The Issuer will also consent to the redemption and/or purchase by the Bank or a subsidiary of the Bank of units of 2009 Preference Stock held by persons other than the Issuer (if any) or any permitted transferee of the Issuer, including in the circumstances where the Bank or a subsidiary of the Bank does not redeem or purchase (or offer to redeem or purchase) the Relevant Stock (either on equivalent terms, in the same proportion or at all). The Issuer will also consent to the redemption and/or purchase by the Bank or a subsidiary of the Bank of units of 2009 Preference Stock held by the Issuer or any permitted transferee of the Issuer, including in circumstances where the Bank or a subsidiary of the Bank does not redeem or purchase (or offer to redeem or purchase) units of 2009 Preference Stock held by persons other than the Issuer (if any) or any permitted transferee of the Issuer (either on equivalent terms, in the same proportion or at all). See further "*Description of the Waiver Deed*" below.

Bonus Stock will not be issued if the settlement date determined by the Bank Directors in respect of such issue falls on a date on or after an order being made or petition presented or resolution passed for the insolvent winding up or insolvent dissolution of the Bank or the appointment of a liquidator or examiner to it.

Description of the Bonus Stock

The Bonus Stock shall be issued at the same nominal value as that of the other units of Ordinary Stock (as such units of Ordinary Stock may be re-nominalised, consolidated or sub-divided from time to time). As at the date of this Prospectus, the Ordinary Stock has a nominal value of €0.05 each.

The number of units of Ordinary Stock which shall be issued as Bonus Stock will be calculated in accordance with the formula set out in the paragraph entitled "*Dividend Entitlement*" above.

The Bank will not issue fractions of Ordinary Stock on any allotment of Bonus Stock and so the number of units of Bonus Stock to be issued to any Preference Stockholder will be rounded down to the nearest integer and the holders of the 2009 Preference Stock will have no further right or claim in respect of such fractions of Ordinary Stock.

The units of Bonus Stock, when issued, will rank *pari passu* in all respects with units of fully paid Ordinary Stock.

Under Irish law, and under Bye-Law 116 of the Bye-Laws, dividends shall be payable on the Bonus Stock (included the Bonus Stock) only out of profits available for distribution. Holders of the Bonus Stock will be entitled to receive such dividends as may be declared by the Stockholders in General Court, provided that the dividend cannot exceed the amount recommended by the Bank Directors. No dividend on the Ordinary Stock (including the Bonus Stock) may be declared unless the dividend on the preference stock in issue by the Bank most recently payable prior to the relevant General Court shall have been paid in cash. The Bank may pay holders of Ordinary Stock (including the Bonus Stock) such interim dividends as appear to the Bank Directors to be justified by the profits of the Bank provided that no such interim dividend may be paid if the dividends on the preference stock in issue by the Bank most recently payable prior to the relevant

General Court have not been paid in cash or where the payment of the interim dividend would reduce the distributable reserves of the Bank to such an extent that the Bank would, in the opinion of the Bank Directors, be unable to pay the next dividend due for payment on the preference stock in issue by the Bank. Any dividend on the Ordinary Stock (including the Bonus Stock) which has remained unclaimed for 12 years from the date of its declaration may be forfeited and cease to remain owing by the Bank.

Under the terms of the CIFS Guarantee Scheme, the Bank was precluded from paying dividends on the Ordinary Stock without the prior approval of the Minister for Finance. Although the CIFS Guarantee Scheme expired on 29th September, 2010, the Bank remains subject to this restriction pursuant to the ELG Scheme (which scheme was approved by the European Commission up to 31st June, 2013, but does not apply to relevant new liabilities incurred from midnight on 28th March, 2013). Under the Amended EU Restructuring Plan, the Group committed not to pay dividends on its Ordinary Stock until the earlier of: (i) 31st December, 2015; or (ii) such date as the 2009 Preference Stock is redeemed or no longer owned by the State. In addition, the Amended EU Restructuring Plan requires that after 1st January, 2016 dividends on Ordinary Stock are linked to reimbursement to the State of the 2009 Preference Stock by providing that dividend payments in each year shall not exceed 50 per cent. of the redemption value of the 2009 Preference Stock reimbursed to the State in that year. As before, this dividend restriction no longer applies when the 2009 Preference Stock is no longer owned by the State.

In the event that a cash dividend is not paid on the Acquired Preference Stock and the Bank is required to issue Bonus Stock under Bye-Law 6(I)(4)(a), in the period between the Dividend Payment Date and the date, if any, on which the Bonus Stock is allotted and settled (in accordance with Bye-Law 6(I)(4)(f)), the Government Preference Stockholder will be entitled (to the extent to which it is a holder of 2009 Preference Stock (excluding the Acquired Preference Stock)) to cast up to the number of votes that would have attached to the Bonus Stock had it been so issued on the relevant Dividend Payment Date but no holder of Acquired Preference Stock, including the Issuer, will be entitled to cast any such votes. Voting at any General Court is by a show of hands unless a poll is properly demanded. On a show of hands, every stockholder who is present in person or by proxy has one vote regardless of the number of units of stock held by him or her. On a poll, every holder of Bonus Stock who is present in person or by proxy has one vote for every unit of Bonus Stock. A poll may be demanded by the chairman of the meeting or by at least nine members of the Group present in person or by proxy and entitled to vote on a poll. The necessary quorum for a General Court is ten persons present in person or by proxy and entitled to vote.

The Bonus Stock will be in registered form and will be capable of being held in uncertificated form. Title to the Bonus Stock may be transferred by means of a relevant system.

For so long as the Government Preference Stockholder holds any 2009 Preference Stock, any redemption of the Bonus Stock will be subject to the prior consent in writing of the Minister for Finance. In addition, any redemption or purchase of the Bonus Stock will be subject to the consent of the Central Bank, given after consultation with the Minister for Finance (if such consultation is required at such time, pursuant to the Bank's obligations under the CIFS Guarantee Scheme).

Limitations on Dividends

An annual dividend shall become payable subject to and following a resolution of the Bank Directors to pay such dividend, provided that the Bank Directors, in their sole and absolute discretion, may:

(i) decline to pass such a resolution; or

(ii) resolve that such dividend shall not be payable,

in which case the relevant dividend shall not be payable on the relevant Dividend Payment Date and the Acquired Preference Stockholders shall have no further right or claim in respect of that dividend, whether

on a subsequent Dividend Payment Date or otherwise (subject as provided above under the heading "*Ranking and Liquidation Rights*" in relation to any Outstanding Dividend).

Without limitation to the generality of the discretion of the Bank Directors referred to above, no dividend shall be paid or be payable in the following circumstances (each a **Relevant Circumstance**):

(i) if, in the judgement of the Bank Directors, after consultation with the Central Bank, the payment of such dividend would breach or cause a breach of banking capital adequacy requirements from time to time applicable to the Bank; and/or

(ii) if, in the judgement of the Bank Directors, there are insufficient distributable reserves of the Bank to pay the relevant dividend.

Dividend Restriction

As set out above under the heading entitled "*Description of the Bonus Stock*" where a dividend on the Acquired Preference Stock is not paid in cash in any particular year, the Bank is precluded from paying dividends on its Ordinary Stock until it resumes the payment of dividends in cash on the preference stock of the Bank in issue. In addition, if a dividend is not paid on the preference stock of the Bank ranking *pari passu* with the 2009 Preference Stock, the Bank would be precluded from paying a dividend on the 2009 Preference Stock (including the Acquired Preference Stock), until it resumes the payment of dividends in cash on such preference stock. In addition, the Bank is also precluded from paying interim dividends on Ordinary Stock where the payment of such dividend would reduce the Bank's distributable reserves to an extent that the Bank would, in the opinion of the Bank Directors, be unable to pay the next dividend scheduled for payment on the preference stock of the Bank. As set out above under the heading entitled "*Description of the Bonus Stock*", under the terms of the Amended EU Restructuring Plan the Bank committed not to pay dividends on its Ordinary Stock until the earlier of: (i) 31st December, 2015; or (ii) such date as the 2009 Preference Stock is redeemed or no longer owned by the State. In addition, the Amended EU Restructuring Plan requires that after 1st January, 2016 dividends on Ordinary Stock are linked to reimbursement to the State of the 2009 Preference Stock by providing that dividend payments in each year shall not exceed 50 per cent. of the redemption value of the 2009 Preference Stock reimbursed to the State in that year. This restriction will cease to apply when the 2009 Preference Stock has been redeemed in full or is no longer owned by the State.

Redemption and Purchases

The Acquired Preference Stock has no scheduled maturity date. The Bank is under no obligation to redeem the Acquired Preference Stock at any time (other than where the number of units of the 2009 Preference Stock in issue falls below 35 million units of €0.01 each, in which case the Bank is obliged to redeem all of the 2009 Preference Stock, including the Acquired Preference Stock (such redemption being subject to the consent of the Central Bank (given after consultation, where required, with the Minister for Finance) and subject to the requirements of Irish company law and the Bye-Laws as to the manner of financing any redemption of redeemable shares)). The holders of the Acquired Preference Stock have no right to call for the redemption of the Acquired Preference Stock.

The Bank may, pursuant to the Bye-Laws, subject to the consent of the Central Bank and subject to provisions of the Irish Companies Acts 1963 to 2012 (insofar as they apply to the Bank), redeem the Acquired Preference Stock, in whole or in part, at the option of the Bank, at a price per unit equal to the issue price of €1.00 per unit of the Acquired Preference Stock within the first five years from the date of issue (being 31st March, 2009) and thereafter at a price per unit of €1.25. The Acquired Preference Stock may be purchased, subject to the provisions of the Irish Companies Acts 1963 to 2012 (insofar as they are applicable to the Bank), in whole or in part, at a price per unit equal to the issue price of €1.00 per unit of the Acquired Preference Stock within the first five years from the date of issue and thereafter at a price per

unit of €1.25, provided in either case that the consent of the Central Bank to the purchase of the Acquired Preference Stock is obtained (given after consultation with the Minister under the CIFS Guarantee Scheme) (where such consultation is required at such time)). Pursuant to the Waiver Deed, the Issuer will, amongst other things, irrevocably waive any entitlement to the Waived Amount in respect of its holding of Relevant Stock. Additionally, it will consent to certain amendments to the terms of the redemption and purchase of the Relevant Stock as set out in Schedule 1 to the Waiver Deed.

The Acquired Preference Stock may be redeemed by the Bank in whole or in part from profits available for distribution or from the proceeds of any issue of stock or securities that constitute Core Tier 1 Capital of the Bank. The consent of the Central Bank is required in respect of any redemption or purchase of the Acquired Preference Stock and such consent is not expected to be provided if it would breach or cause a breach of banking capital adequacy requirements applicable to the Bank.

The Bank announced on 4th December, 2013 that, save in certain circumstances (including, without limitation, following a breach of the Waiver Deed, changes in the regulatory capital treatment of the 2009 Preference Stock for any purpose, or taxation events) it does not intend to redeem the Acquired Preference Stock prior to 1st January, 2016. However, there is no assurance that such intention will remain unchanged before 1st January, 2016 or that redemption will occur on or after 1st January, 2016. The Bank has advised the Central Bank that it is not the Bank's intention to recognise the 2009 Preference Stock (including the Acquired Preference Stock) as CET 1 Capital after July 2016, unless the de-recognition of the 2009 Preference Stock would mean that an adequate capital buffer cannot be maintained above applicable regulatory requirements. It is noted that in any event the 2009 Preference Stock would no longer qualify as CET 1 Capital under Article 483 of the Capital Requirements Regulation after 31st December, 2017. (See further the risk factor entitled "*The 2009 Preference Stock may be redeemed or purchased at the option of the Bank and any such redemption would result in redemption of the Notes*".)

See further "*Description of the Waiver* Deed" below.

Payments

Any dividend payable in cash in respect of the Acquired Preference Stock may be paid by cheque or warrant sent through the post directed to the registered address of the Acquired Preference Stockholder, or, where there are joint Preference Stockholders, to the registered address of that one of the joint Preference Stockholders who is first named in the Register or to such person and to such address as the Preference Stockholder or joint Preference Stockholders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any such dividend may also be paid by use of or through the Electronic Funds Transfer system or any other electronic means to an account designated by the Preference Stockholder or joint Preference Stockholders as the case may be. Any one of two or more joint Preference Stockholders may give effectual receipts for any dividends in respect of the Preference Stock held by them as joint Preference Stockholders. No dividend shall bear interest against the Bank.

Further Issues

As at the date of this Prospectus, the Bank has issued other preference stock (denominated in sterling and euro) and may from time to time issue further preference stock (denominated in any currency). The Bank may also from time to time issue further Ordinary Stock. As at the date of this Prospectus, 3,026,598 of 1992 Preference Stock denominated as euro preference stock, and 1,876,090 of 1992 Preference Stock denominated as sterling preference stock (being non-cumulative preference stock of €1.27 and £1.00 each respectively) remain outstanding. It is expected that following the completion of the Placing and the subsequent redemption by the Bank of any units of 2009 Preference Stock which remain held by the NPRFC as at the date of this Prospectus of an equivalent redemption value to the value of the net proceeds of the Placing and which are not proposed to be acquired by the Issuer, the NPRFC will not hold any units of 2009 Preference Stock.

Voting rights at General Court

Acquired Preference Stock held by the Issuer or any person who is not a Government Preference Stockholder carry no votes at a General Court of the Bank, other than in respect of a resolution proposed to increase the authorised capital stock of the Bank in connection with the issue of Bonus Stock. As set out below under the heading "*Alteration of rights attaching to the Acquired Preference Stock*", no amendment to the terms of the Acquired Preference Stock may be passed without the consent of the holders of the 2009 Preference Stock, including the Issuer in respect of the Acquired Preference Stock. In addition, to the extent that any amendment to the terms of the Acquired Preference Stock would require an amendment to the Bye-Laws, any such amendment would be subject to the approval of 75 per cent. or more of the Ordinary Stockholders, present and voting (in person or by proxy) at a general meeting of the Bank.

Any 2009 Preference Stock held by the NPRFC carries the right to "top-up" the NPRFC's total voting rights to 25 per cent. of the total voting rights on any resolution proposed at a General Court in relation to the appointment or removal of a Bank Director or any Control Resolutions where the NPRFC 's ordinary voting rights through its holding of Ordinary Stock (or other securities issued in future) falls below this level. In addition, in the period between a Dividend Payment Date on which a dividend is not paid and where the Bonus Stock has not been issued and the date on which the Bonus Stock is allotted, each Government Preference Stockholder shall be entitled to cast up to the number of votes capable of being cast at a General Court as would have attached to the Bonus Stock had it been allotted and issued to it at the Dividend Payment Date. The foregoing entitlements apply to the NPRFC for so long as it holds any units of 2009 Preference Stock.

As the Government Preference Stockholder the NPRFC currently has the right to directly appoint 25 per cent. of the Bank Directors (such 25 per cent. to include any directors nominated by the Minister for Finance pursuant to the CIFS Guarantee Scheme) where the total number of Bank Directors is 15 or less, or four Bank Directors where the total number of Bank Directors is 16, 17 or 18. The tabling of any resolution at a General Court of the Bank to alter the capital structure of the Group requires the prior approval in writing of the Minister for Finance. These rights apply in full for so long as the NPRFC or any Government Preference Stockholder holds any units of 2009 Preference Stock and they are not reduced in line with any reduction in the number of units of 2009 Preference Stock held. As set out above, it is expected that following the completion of the Placing and the subsequent redemption by the Bank of any units of 2009 Preference Stock which remain held by the NPRFC as at the date of this Prospectus of an equivalent redemption value to the value of the net proceeds of the Placing and which are not proposed to be acquired by the Issuer, the NPRFC will not hold any units of 2009 Preference Stock.

Alteration of rights attaching to the 2009 Preference Stock

The rights, privileges, limitations or restrictions attached to the 2009 Preference Stock (including the Acquired Preference Stock) may be varied, altered or abrogated, either whilst the Bank is a going concern or during or in contemplation of a winding up, with the written consent of the 2009 Preference Stockholders of not less than 75 per cent. in nominal value of the 2009 Preference Stock or with the sanction of a resolution passed at a class meeting of 2009 Preference Stockholders provided that the 2009 Preference Stockholders of not less than 75 per cent. in nominal value of 2009 Preference Stock in attendance and voting vote in favour of such resolution. As a holder of the Acquired Preference Stock, the Issuer is entitled to vote at any such class meeting in respect of any units of 2009 Preference Stock held by it, subject to the covenants to be provided by the Issuer in the Waiver Deed that (i) it will agree to irrevocably appoint each director and/or the secretary of the Bank, severally, as the Issuer's proxy to vote on the Issuer's behalf at any class meeting or general court of the Bank (at which the Issuer is entitled to vote at such time) convened for the purposes of or in connection with the Amendment, in favour of the Amendment; and (ii) it will not, without the prior written consent of the Bank, attend, vote at or execute any proxy or power of attorney (save those set out in Waiver Deed) in respect of any class meeting or general court of the Bank (at which the Issuer is entitled to vote at such time) convened for the purposes of, affecting or in connection with the

Amendment and/or any variation, alteration or abrogation of the rights attaching to the 2009 Preference Stock from time to time or issue any consent to the variation, alteration or abrogation of the rights attaching to the 2009 Preference Stock from time to time.

Whenever the rights, privileges, limitations or restrictions attached to any particular 2009 Preference Stock in issue differ from the rights, privileges, limitations or restrictions attached to any other 2009 Preference Stock in issue and a matter has arisen which would amount to a variation, alteration or abrogation of the rights, privileges, limitations or restrictions attached to all the 2009 Preference Stock and the effect of such alteration, variation or abrogation on all of the 2009 Preference Stock is, in the opinion of the directors of the Bank, substantially the same, such 2009 Preference Stock will be treated as a single class for the purpose of applying the procedures in the Bank's Bye-Laws for the variation, alteration or abrogation or the rights, privileges, limitations or restrictions attached to the 2009 Preference Stock of such class.

Notices

A notice may be given by the Bank to any holder of Acquired Preference Stock either personally or by sending it by post to him to his registered address or by delivering it to his registered address. Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the notice, and to have been effected in the case of the notice of a meeting at the expiration of 24 hours after the letter containing the same is posted, and in any other case at the time at which the letter would be delivered in the ordinary course of post. Provided, if the Bank Directors shall be of opinion and shall so resolve that for any reason it is unlikely that delivery of a notice to be given by the Bank to members or any of them can be effected by post, then and in any such case the notice may be given to members whose registered addresses are in Ireland by advertisement thereof published in at least one national daily newspaper in Ireland or to 2009 Preference Stockholders whose registered addresses are outside Ireland by advertisement thereof published in at least one London daily newspaper, in respect of the United Kingdom and in the Wall Street Journal or such other daily newspaper in respect of the United States as the Bank Directors shall in the circumstances consider appropriate; in any such case where the notice is in respect of a General Court, the Bank shall send confirmatory copies of the notice by post if at least forty-eight hours prior to the General Court the posting of notices to addresses within Ireland again becomes practicable. A notice may be given by the Bank to the joint 2009 Preference Stockholders by giving the notice to the joint 2009 Preference Stockholder first named in the Register.

Governing Law

The terms of the Acquired Preference Stock are governed by, and shall be construed in accordance with, the laws of Ireland.

Miscellaneous

No application for admission to trading or listing of the Acquired Preference Stock has been made on any stock exchange or securities market.

The Acquired Preference Stock carries no rights of pre-emption in respect of further issues of the 2009 Preference Stock or in respect of the Ordinary Stock of the Bank or any other series of preference stock in the Bank.

DESCRIPTION OF THE PREFERENCE STOCK PURCHASE AGREEMENT

The Issuer and the NPRFC will enter into the Preference Stock Purchase Agreement dated 11th December, 2013, pursuant to which the NPFRC will sell the Acquired Preference Stock to the Issuer, free of all Encumbrance (as defined below) together with all rights now or after the date of the Preference Stock Purchase Agreement attaching or accruing to the Acquired Preference Stock capable of transfer, provided

that for the avoidance of doubt, the Issuer shall not acquire any Excluded Rights (as defined below). See further "*Description of the Waiver Deed*" below.

The Preference Stock Purchase Agreement, and any non-contractual obligations in connection with the Preference Stock Purchase Agreement, will be governed by Irish law.

Encumbrance means any mortgage, charge, pledge, lien, option, restriction, assignment, hypothecation, right of first refusal, right of pre-emption, or right to acquire or restrict, any adverse claim or right or third party right or interest, any other encumbrance or security interest of any kind, and any other type of preferential arrangement (including, without limitation, title transfer and retention arrangements) having a similar effect

Excluded Rights means any rights attaching and/or accruing to the Acquired Preference Stock under the Bye-Laws which apply only in respect of a Government Preference Stockholder or are otherwise expressed to be exercisable only by reference to a Government Preference Stockholder or the Minister for Finance.]

DESCRIPTION OF THE WAIVER DEED

The Issuer and the Trustee will enter into a deed of irrevocable waiver, covenant and undertaking in favour of the Bank dated on or about 10th December, 2013 (the **Waiver Deed**), pursuant to which the Issuer will:

(a) waive all rights, claims, interests and entitlements to any Waived Amount;

(b) agree that in the event that for any reason the Issuer receives or otherwise becomes entitled to a Waived Amount, the Issuer will irrevocably undertake to waive the Waived Amount where the Issuer becomes so entitled and/or to repay and/or to procure the repayment to the Bank of an amount equal to such Waived Amount. The Issuer will irrevocably authorise the Bank to set-off the amount of any Waived Amount payable to the Issuer against any other amounts payable by the Bank to the Issuer from time to time in respect of the Relevant Stock from time to time (whether redemption monies, purchase monies, dividends, distributions or otherwise);

(c) agree that it shall not sell, transfer, charge, encumber, grant any option over or otherwise dispose of or permit the sale, transfer, charging or other disposition or creation or grant of any other encumbrance or option of or over all or any of the Relevant Stock or any interest (whether legal, beneficial, derivative or otherwise) in the Relevant Stock nor enter into any agreement or arrangement to do any of such things in respect of the Relevant Stock or any interest in the Relevant Stock (each a **Transfer Event**), save:

(i) for the charge created pursuant to the Deed of Charge;

(ii) following a redemption of the Notes in accordance with Condition 10.1 of the Notes (*Redemption in relation to the Acquired Preference Stock*) (disregarding any amendment, variation or addition made to the Conditions of the Notes after the date of the Waiver Deed) or in connection with a cancellation of Notes in accordance with Condition 10.4 (*Purchase*) of the Notes;

(iii) following the occurrence of an Event of Default under the Notes (disregarding any amendment, variation or addition made to the Conditions of the Notes after the date of the Waiver Deed);

(iv) a transfer by the Issuer of the Relevant Stock to a substitute company in accordance with Condition 12.2 (*Obligation to Substitute the Issuer or amend the terms of the Notes*) or Condition 19 (*Substitution*) of the Notes; or

(v) with the prior written consent of the Bank.

(d) agree that any Transfer Event occurring prior to the Preference Stock Amendment Date shall be subject to (i) the Issuer having given prior notice of the same and (ii) the proposed transferee acceding to, and agreeing to be bound by the terms of, the Waiver Deed by executing a deed of adherence in the form set out in the Waiver Deed in respect of the entire interest in the Relevant Stock to be acquired by the proposed transferee;

(e) irrevocably appoint each director and/or the secretary of the Bank as its proxy to vote on its behalf at any class meeting or General Court of the Bank (at which the Issuer is entitled to vote at such time) convened for such purposes of or in connection with the Amendment, in favour of the Amendment. For the avoidance of doubt, the proxy granted by the Issuer is to vote in favour of the Amendment set out in Schedule 1 to the Waiver Deed and not to any other amendment of the terms of the 2009 Preference Stock;

(f) covenant that it will not, without the prior written consent of the Bank attend, vote at or execute any proxy or power of attorney (save as provided above) in respect of any class meeting or General Court of the Bank (at which the Issuer is entitled to vote at such time) convened in favour of the Amendment and/or any variation, alteration or abrogation of the rights attaching to the 2009 Preference Stock from time to time;

(g) covenant that it will not, without the prior written consent of the Bank issue any consent to the variation, alteration or abrogation of the rights attaching to the 2009 Preference Stock from time to time;

(h) consent to the redemption and/or purchase by the Bank or a subsidiary of the Bank of units of 2009 Preference Stock held by persons other than the Issuer (if any) or any permitted transferee of the Issuer, including in the circumstances where the Bank or a subsidiary of the Bank does not redeem or purchase (or offer to redeem or purchase) the Relevant Stock (either on equivalent terms, in the same proportion or at all); and

(i) consent to the redemption and/or purchase by the Bank or a subsidiary of the Bank of units of 2009 Preference Stock held by the Issuer or any permitted transferee of the Issuer, including in circumstances where the Bank or a subsidiary of the Bank does not redeem or purchase (or offer to redeem or purchase) units of 2009 Preference Stock held by persons other than the Issuer (if any) or any permitted transferee of the Issuer (either on equivalent terms, in the same proportion or at all).

In addition, in respect of each unit of Relevant Stock delivered pursuant to a Note Cancellation Event (**Note Cancellation Event Stock**), the Issuer shall:

(a) irrevocably waive all rights, claims, interests and entitlements to:

(i) any and all redemption monies from the Bank arising under the Bye-Laws relating to such Note Cancellation Event Stock, including Bye-Law 6(I)(5) or otherwise;

(ii) any purchase monies in respect of such Note Cancellation Event Stock;

(iii) the proportion (if any) of the relevant dividend on such Note Cancellation Event Stock which shall have accrued (but not yet paid) up to the date of delivery of such Note Cancellation Event Stock, arising under the Bye-Laws, including under Bye-Law 6(I)(5)(c) or Bye-Law 6(I)(5)(d), or otherwise; and

(iv) any rights which have accrued on such Note Cancellation Event Stock up to the date of delivery of such Note Cancellation Event Stock in respect of the issue of any units of Bonus Stock,

(together, **Note Cancellation Event Proceeds**);

(b) irrevocably waive all rights, claims, interests and entitlements arising under the Bye-Laws, including Bye-Law 6(I)(5)(d), or otherwise to any notice in excess of two Business Days of the date on which delivery of such Note Cancellation Event Stock is to be effected, provided that such notice is provided in writing by the Bank to the Issuer;

(c) where the Bank elects that delivery of such Note Cancellation Event Stock will be effected by redemption of such Note Cancellation Event Stock, irrevocably consent and agree that the receipt by the Issuer of such Notes shall constitute:

(i) due receipt by the Issuer for monies payable on redemption thereof for the purpose of Bye-Law 6(I)(5)(e) and Bye-Law 6(D)(6); and

(ii) payment on redemption thereof for the purpose of section 207 of the Companies Act 1990;

(d) irrevocably undertake to deliver to the place specified in the notice of the Note Cancellation Event, the certificates (or other title document) for such Note Cancellation Event Stock, such certificates to be received by the specified recipient on the date specified in the notice of the Note Cancellation Event;

(e) irrevocably consent and agree that it shall have no right, claim, interest or entitlement pursuant to the Bye-Laws or otherwise, including pursuant to Bye-Laws 6(D)(3), 6(D)(5), 6(D)(6), 6(I)(5) and 40(e) with effect from the date of the notice of the Note Cancellation Event in respect of the rights, claims, interests and entitlements waived in respect of such Note Cancellation Event Stock pursuant to Schedule 5 of the Waiver Deed;

(f) agree that in the event that for any reason the Issuer from time to time receives or otherwise becomes entitled to any Note Cancellation Event Proceeds, the Issuer:

(i) irrevocably undertakes to waive the Note Cancellation Event Proceeds where the Issuer becomes so entitled; and

(ii) irrevocably consents and agrees to the payment by the Bank (at the election by the Bank) of an amount equal to such Note Cancellation Event Proceeds to the Bank or the Bank's nominee; and

(g) irrevocably authorise the Bank to set off the amount of any Note Cancellation Event Proceeds received by the Issuer against any other amounts payable by the Bank to the Issuer from time to time in respect of such Note Cancellation Event Stock from time to time (whether redemption monies, purchase monies, dividends, distributions or otherwise).

Provided that a transferor of any units of Relevant Stock has complied in full with the provisions of Clause 6 of the Waiver Deed in respect of any such transfer occurring prior to the Preference Stock Amendment Date, it will be released from its obligations under the Waiver Deed in respect of such Relevant Stock but, for the avoidance of doubt, such transferor shall remain subject to the Waiver Deed in respect of the balance of its holding of Relevant Stock and any additional units of Relevant Stock which it holds from time to time.

The Bank may, in its absolute discretion, decline to register any transfer of Relevant Stock which is to take place prior to the Preference Stock Amendment Date where the proposed transfer is not in compliance with the terms of the Waiver Deed.

The Issuer will irrevocably waive all rights, claims, interests and entitlements to the registration of a transfer of Relevant Stock where such registration is in respect of a transfer occurring prior to the Preference Stock Amendment Date that is not in compliance with the Waiver Deed.

The Issuer will irrevocably appoint the Bank and/or any director and/or secretary of the Bank from time to time, severally, to be the Issuer's true and lawful attorney and in the Issuer's name and on the Issuer's behalf and for the Issuer's benefit to sign, seal, execute and deliver as the Issuer's act and deed any deed or agreement or document of whatever nature in relation to or for the purpose of the performance of any of the Issuer's obligations under the Waiver Deed or, for giving full effect to the Waiver Deed and securing to the Bank the full benefit of the rights, powers and remedies conferred upon the Bank in or by the Waiver Deed, provided that no attorney appointed under the Waiver Deed shall be authorised to execute any amendments to Clause 3.1(a), (b) or (c) or Schedule 5 of the Waiver Deed without the prior consent of each of the Company and the Trustee or to execute any other amendments to the Waiver Deed which are materially prejudicial to the Issuer.

The Trustee will covenant and agree with the Bank that in exercising any of its rights pursuant to the Deed of Charge, following enforcement of the security created pursuant to the Deed of Charge it will perform and be bound by the terms of the Waiver Deed expressed to be binding on it. In addition, the Trustee will ensure that, where it is exercising its rights under the Deed of Charge following enforcement of the security, any transfer or delivery of Relevant Stock by it, in connection with the exercise of its rights pursuant to and in accordance with the Deed of Charge, it will (where such transfer or delivery is to take place prior to the Preference Stock Amendment Date) be subject to the relevant transferee executing a Waiver Adherence Deed in respect of the entire interest in the Relevant Stock to be acquired by the relevant transferee. Provided that the Trustee has complied with the provisions of the Waiver Deed in respect of any transfer of Relevant Stock by it, it will be released from its obligations under the Waiver Deed relating to such relevant Stock and such obligations will be deemed to have transferred to the transferee of the Relevant Stock.

In respect of any payment obligation which arises under the indemnity set out in Clause 12 of the Waiver Deed, the Bank's recourse against the Issuer will be limited to the unsecured assets of the Issuer (if any) available at the relevant time.

The Waiver Deed, and any non-contractual obligations in connection with the Waiver Deed, will be governed by Irish law.

ANNEX B: DESCRIPTION OF THE BANK

The information below is a general description of the Bank. Further information can be found in the Group's annual reports and the 2012 20-F which are incorporated by reference into this Prospectus.

Words and expressions defined in "*Risk Factors*" and "*Conditions of the Notes*" shall have the same meanings in this Annex unless the context requires otherwise.

General

The Bank is the parent of a group of subsidiary companies (together with Bank, the **Group**) operating in the financial services sector.

The Bank was established as a chartered corporation by an Act of the Irish Parliament of 1781/2 and by a Royal Charter of King George III in 1783. The address of the registered office of the Bank is 40 Mespil Road, Dublin 4, Ireland and the telephone number of its registered address is +353 1 661 5933.

The Group provides a broad range of banking and other financial services. All of these services are provided by the Group in Ireland, with selected services being offered in the UK and internationally. The Group has a network of retail branches in Ireland and joint ventures in the UK engaged in the provision of consumer financial services. Corporate Banking and Global Markets conduct the Group's international business with offices in Dublin, London and the US, as well as branches in Paris and Frankfurt.

Subsidiaries of the Group include Bank of Ireland (UK) plc (which comprises the financial services relationship with the UK Post Office, its branch business in Northern Ireland, certain assets from its former intermediary sourced mortgage business, and other parts of its UK business banking operations), Bank of Ireland Life Holdings Limited, a life assurance and pensions company in Ireland, ICS Building Society (ICS), a home mortgage business in Ireland, and Bank of Ireland Mortgage Bank (BoIMB).

The Group provides a broad range of financial services in Ireland to all major sectors of the Irish economy. These include checking and deposit services, overdrafts, term loans, mortgages, business and corporate lending, international asset financing, leasing, instalment credit, invoice discounting, foreign exchange facilities, interest and exchange rate hedging instruments, executor, trustee, life assurance, pension and financial advisory services, including mergers and acquisitions. The Group provides services in euro and other currencies. The Group markets and sells its products on a domestic basis through its extensive nationwide distribution network in Ireland, which consists of approximately 250 full time service branches and approximately 1,260 ATMs, its direct telephone banking service, direct sales forces and its online services.

Operating Segments

The Group has five reportable operating segments which reflect the internal financial and management reporting structure and are organised as follows:

Retail Ireland

Retail Ireland distributes a wide range of financial products and services through the Group's branch operations in the Republic of Ireland and through its direct channels (telephone and on-line). The product suite includes deposits, mortgages, consumer and business lending, credit cards, current accounts, money transmission services, commercial finance, asset finance and general insurance. Retail Ireland is managed through a number of business units namely Distribution Channels, Consumer Banking (including Bank of Ireland Mortgage Bank and ICS Building Society), Business Banking and Customer & Wealth Management (including Private Banking).

Bank of Ireland Life (BoI Life)

The Group operates in the life and pensions market in Ireland through its wholly owned subsidiary, New Ireland Assurance Company plc (**NIAC**). The product suite includes life assurance, protection, pensions and investment products which are manufactured by NIAC.

Products are sold under the BoI Life brand in the Retail Ireland branch network and direct sales channels and under the NIAC brand in the intermediary market and through a direct sales force.

On 9th July, 2013, the European Commission gave approval under state aid rules to amend the Group's revised 2011 EU restructuring plan to permit the retention of NIAC but required a range of substitution measures as described herein (see "*Recent Developments – EU Restructuring Plan update"*). One of these substitution measures is that the Group will exit from the origination of new intermediary mortgages in the Republic of Ireland through its intermediary channel, including the sale (or retirement) of the ICS Building Society's distribution platform together with the sale, if required by the acquirer, of up to €1.0 billion of intermediary originated mortgage assets and matched deposits.

Retail UK

Retail UK comprises business banking in Great Britain and Northern Ireland, consumer banking via the branch network in Northern Ireland, the UK residential mortgage business and the business relationships with the UK Post Office. Business banking comprises loan, current account and deposit facilities to medium and large corporate clients in addition to international banking, working capital financing, asset finance and electronic banking services. A range of retail financial services are provided in the UK via a relationship with the UK Post Office, which agreement has been extended until at least 2023. A substantial part of Retail UK's operations are conducted through the Group's wholly owned UK licensed subsidiary, Bank of Ireland (UK) plc.

The Amended EU Restructuring Plan requires a range of substitution measures, including that the Group will exit from its Great Britain based business banking activities, which form part of Retail UK. The Group will attempt to accelerate the deleveraging of this business by way of sale, but will not have an obligation to sell this business at disposal discounts greater than those agreed with the European Commission, which discount will have due regard to the protection of the Group's capital and capital ratios. This measure does not impact on the Group's consumer banking businesses in the UK including its valued partnership with the Post Office, or its activities in Northern Ireland.

Corporate and Treasury

The Corporate and Treasury division comprises Corporate Banking, Global Markets and IBI Corporate Finance.

Corporate Banking provides integrated relationship banking services to a significant number of major Republic of Ireland and Northern Ireland corporations, financial institutions and multinational corporations operating in, or out of, Ireland. The range of lending products provided includes overdraft and short term loan facilities, term loans, project finance and structured finance. Corporate Banking is also engaged in international lending with offices located in London, Paris, Frankfurt and the United States. Its international lending business includes acquisition finance and term lending.

Global Markets is responsible for managing the Group's interest rate and foreign exchange risks, and is responsible for executing the Group's liquidity and wholesale funding requirements. Global Markets transacts in a range of market instruments on behalf of the Group itself and the Group's customers. The activities include transactions in inter-bank deposits and loans, foreign exchange spot and forward contracts, options, financial futures, bonds, swaps, forward rate agreements and equity tracker products. Global Markets' operations are based in Ireland, the United Kingdom and the United States.

IBI Corporate Finance provides independent financial advice to public and private companies on takeovers, mergers and acquisitions, disposals and restructurings, in addition to fund raising, public flotations and stock exchange listings.

The Amended EU Restructuring Plan requires that the Group will exit from its Great Britain based corporate banking activities, which form part of the Corporate and Treasury division. The Group will attempt to accelerate the deleveraging of this business by way of sale, but will not have an obligation to sell this business at disposal discounts greater than those agreed with the European Commission, which discount will have due regard to the protection of the Group's capital and capital ratios. This measure does not impact on the Group's leveraged acquisition finance business.

Group Centre

Group Centre comprises capital management activities, unallocated Group support costs and the cost associated with schemes such as the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009, the Deposit Guarantee Scheme and the UK Financial Services Compensation Scheme.

Majority Shareholders

The Bank is not aware of any person or persons who does or could, directly or indirectly, jointly or severally, own a majority shareholding in the Bank.

Recent Developments

Placing

On 4th December, 2013 the Bank announced the Placing, which comprises a placing with institutional investors of 2,230,769,231 units of new Ordinary Stock, equivalent to approximately 7.4 per cent. of the Bank's existing Ordinary Stock as of immediately prior to the Placing, at a price of €0.26 per unit. The Placing is expected to generate net proceeds of approximately €537 million. It is expected that following the completion of the Placing and the subsequent redemption by the Bank of any units of 2009 Preference Stock which remain held by the NPRFC as at the date of this Prospectus of an equivalent redemption value to the value of the net proceeds of the Placing and which are not proposed to be acquired by the Issuer, the NPRFC will not hold any units of 2009 Preference Stock, but the Placing will not affect the NPRFC's holding of Ordinary Stock.

Balance Sheet Assessments

As stated in the announcement of the Bank dated 2nd December, 2013 (see further "*Documents Incorporated by Reference*") the Balance Sheet Assessment (**BSA**) by the Central Bank confirmed that the Bank had adequate capital as at 30th June, 2013 to meet the requirements determined under the BSA and, consequently, the Central Bank does not require the Bank to raise additional capital as a result of the BSA. The Bank continues to expect to maintain a buffer above a CET 1 ratio of 10 per cent. on a Basel III /CRD IV transitional basis.

At the request of the EU/IMF, in connection with Ireland's exit from the EU/IMF Programme, the Central Bank has conducted a BSA as at 30th June, 2013 of certain of the major banks in Ireland, including the Bank. The BSA consisted of an assessment by the Central Bank of risk classification and provisions against the Central Bank's May 2013 Impairment Guidelines. The BSA comprised an asset quality review and a review of the appropriateness of risk-weighted assets. Taking account of this, the Central Bank has estimated a pro forma point-in-time capital adequacy assessment (**PiT Capital Assessment**) and capital ratios for the Bank as at 30th June, 2013.

The BSA was undertaken under the Central Bank's Supervisory Review and Evaluation Process and Full Risk Assessment and, as such, the result may be considered by the Central Bank in determining the Pillar 2 capital requirements of the Bank. Given that CRD IV will apply from 1st January, 2014, the PiT Capital Assessment includes a pro forma review of capital adequacy against these anticipated new standards.

The BSA results and PiT Capital Assessment outcomes remain subject to ongoing engagement between the Central Bank and the Bank, and will inform the Bank's Internal Capital Adequacy Assessment Process, capital planning, financial statements and internal stress testing programmes. The Central Bank has noted the intention that the significant reviews and outputs of the Central Bank's BSA will be utilised in the Single Supervisory Mechanism comprehensive assessment expected to occur in 2014, although it cannot currently be confirmed that this will be the case.

Pension scheme arrangements

In October 2013, following conciliation under the auspices of the Labour Relations Commission, the Group agreed a shared solution with the Irish Bank Officials Association (**IBOA**) in respect of the largest Group-sponsored defined benefit pension scheme, the Bank of Ireland Staff Pensions Fund (**BSPF**). This shared solution involves changes to members' potential defined benefits which, on a fully implemented basis, would reduce the IAS 19 BSPF defined benefit pension deficit by approximately €400 million (based on IAS19 accounting assumptions as at 31st December, 2012) and would be income positive for the Group. In return, the Bank would increase its support for the BSPF, above existing support arrangements, so as to broadly match the deficit reduction arising from proposed changes to potential defined benefits. The IBOA has recommended this solution to its members and the results of the IBOA members' ballot are expected to be available in early December 2013.

Following the ballot outcome, an information campaign will be run for all impacted staff during December 2013 and January 2014, with a view to gaining full acceptance of the solution.

European Banking Authority

In July, 2013 the EBA December 2011 Recommendation was updated and advised that supervisors would be required to monitor a nominal level (nominal floor) of Core Tier 1 capital corresponding to the amount of capital needed for meeting the requirements set in the EBA December 2011 Recommendation as at 30th June, 2012. This nominal floor will be actively monitored by the supervisors in conjunction with the EBA to ensure that it is maintained. In addition, competent authorities are required to assess credit institutions' capital plans for the transition to the full implementation and application of CRD IV, including consideration of the phasing-in and the final level of the new requirement. Banks are also required to submit their capital plans together with the capital preservation monitoring template (semi-annual) and the migration to CRD IV monitoring template (annual) to national authorities by 29th November, 2013.

EU Restructuring Plan update

On 9th July, 2013, the European Commission gave approval under the state aid rules to amend the Group's EU restructuring plan (the **Amended EU Restructuring Plan**), which permitted the retention of NIAC but required a range of substitution measures. The NIAC divestment measure will be replaced with substitution measures the principal features of which are summarised below:

- The Group will exit from its Great Britain based business banking and corporate banking activities, including the deleveraging of the current businesses. The Group's Great Britain based business banking business is primarily a niche sector, relationship led business bank focussed on lending to medium sized enterprises, while the Group's Great Britain based corporate banking business provides relationship and transactional banking services to Great Britain domiciled corporates operating in a select number of sector niches. The relevant businesses have gross loan assets of

circa €3.9 billion at 30th June, 2013. The Group will attempt to accelerate the deleveraging of these businesses by way of sale, but will not have an obligation to sell these businesses at disposal discounts greater than those agreed with the European Commission which discount will have due regard to the protection of the Group's capital and capital ratios.

This measure does not impact on the Group's consumer banking businesses in Great Britain including its partnership with the Post Office, or its activities in Northern Ireland or its leveraged acquisition finance business.

- The Group will exit from the origination of new mortgages through its intermediary channel in the Republic of Ireland (this intermediary channel accounted for an average of approximately 15 per cent. of the Group's new mortgage lending over the past three years), including the sale (or retirement) of the ICS Building Society's distribution platform together with the sale, if required by the acquirer, of up to €1.0 billion of intermediary originated mortgage assets and matched deposits.

- The Group will prolong its market opening measures to 31st December, 2016.

- In addition, the European Commission decision extends an existing restriction relating to dividend payments by the Group. Under the Amended EU Restructuring Plan, the Group currently has a restriction on the payment of dividends on its Ordinary Stock until the earlier of: (i) 31st December, 2015; or (ii) such date as the 2009 Preference Stock is redeemed or no longer owned by the State. In addition, the Amended EU Restructuring Plan requires that after 1st January, 2016 dividends on Ordinary Stock are linked to reimbursement to the State of the 2009 Preference Stock by providing that dividend payments in each year shall not exceed 50 per cent. of the redemption value of the 2009 Preference Stock reimbursed to the State in that year. As before, the dividend restriction no longer applies when the 2009 Preference Stock is no longer owned by the State.

The Group continues to make good progress in implementing the remaining commitments previously agreed under its EU restructuring plans.

Sale of the Contingent Capital Instruments by the Minister for Finance

During the year ended 31st December, 2011, the Bank issued a Contingent Capital Note to the Minister for Finance to satisfy the requirements of the 2011 Prudential Capital Assessment Review. The note has a term of five years and an annual coupon of 10 per cent., which could be increased to a market rate subject to a maximum coupon of 18 per cent if the Minister for Finance sold the note to a third party. On 9th January, 2013, the Minister for Finance sold his entire holding of the note to a diverse group of international institutional investors thereby fixing all future cash coupon payments on the notes at 10 per cent per annum. The option to increase the market rate noted above was not exercised and lapsed on the sale.

Capital Stock

The following table sets out the consolidated capital stock in issue of the Group as at 31st October, 2013.

Consolidated Capital Stock of the Group	*As at 31st October, 2013*
Authorised	
Eur (€)	*€m*
90 billion units of ordinary stock of €0.05 each	4,500
228 billion units of deferred stock of €0.01 each	2,280
100 million units of non-cumulative preference stock of €1.27 each	127

100 million units of undesignated preference stock of €0.25 each	25
3.5 billion units of non-cumulative 2009 preference stock of €0.01 each	35
Stg£	*£m*
100 million units of non-cumulative preference stock of Stg£1 each	100
100 million units of undesignated preference stock of Stg£0.25 each	25
U.S.$	*$m*
8 million units of non-cumulative preference stock of US$25 each	200
100 million units of undesignated preference stock of US$0.25 each	25

	As at 31st October, 2013
Allotted and fully paid	*€m*
30.113 billion units of ordinary stock of €0.05 each	1,505
91.981 billion units of deferred stock of €0.01 each	920
41.812 million units of treasury stock of €0.05 each	2
1.9 million units of non-cumulative preference stock of Stg£1 each	3
3.0 million units of non-cumulative preference stock of €1.27 each	4
1.837 billion units of non-cumulative 2009 preference stock of €0.01 each	18
	2,452

Court of Directors

The business address of the Court of Directors is Bank of Ireland, 40 Mespil Road, Dublin 4, Ireland.

Name	*Function within the Group*	*Principal Outside Activities*
Archie Kane	Governor	None
Richie Boucher	Group Chief Executive	None
Kent Atkinson*	Non-Executive Director	Member of the Board of UK Asset Resolution Limited (which includes Bradford & Bingley plc and Northern Rock (Asset Management) plc), where he is the Senior Independent Director and Chair of the Audit Committee.
Pat Butler	Non-Executive Director	Partner in The Resolution Group.
Tom Considine*	Non-Executive Director	President of the Institute of Public Administration.
Patrick Haren*	Non-Executive Director	None
Andrew Keating	Group Chief Financial Officer	None
Patrick Kennedy	Non-Executive Director	Chief Executive of Paddy Power plc since 2006. Non-executive director of Elan Corporation plc.
Davida Marston*	Non-Executive Director	Director of Pyrford Consultants Ltd. Non-

Name	*Function within the Group*	*Principal Outside Activities*
		executive Director of Liberbank S.A. Non-executive director and Chair of the Audit Committee of the Mears Group plc.
Bradley Martin	Non-Executive Director	Vice President, Strategic Investments, Fairfax Financial Holdings Ltd. Chairman of Ridley Inc. Chairman of Resolute Forest Products Inc. Non-executive director of Cunningham Lindsey Group Limited, Blue Ant Media and HUB International Limited.
Patrick Mulvihill*	Non-Executive Director	None.
Patrick O'Sullivan*	Deputy Governor and Senior Independent Director	Chairman of Old Mutual plc. Chairman of UK Government Shareholder Executive. Director of Equity Syndicate Management Limited.
Wilbur L. Ross Jr	Non-Executive Director	Chairman and Chief Executive Officer of WL Ross & Co., LLC. Chairman of Invesco Private Capital, Inc., Plascar Participacoes Industriais S.A., International Textile Group, Inc. and Brooking Economic Studies Council. Non-executive director of BankUnited, Inc., Arcelor Mittal, Air Lease Corporation, Sun Bancorp, Inc., Assured Guaranty Ltd., EXCO Resources, Inc., Navigator Holdings Ltd. and Diamond S Shipping.
Joe Walsh	Non-Executive Director	Chairman of Cork Racecourse (Mallow) Limited, Irish Horse Board, Irish Hunger Task Force, Director of South Western Business Process Services Limited, HRI Racecourse Limited, Cilcoone Limited and Clonakilty Community Sports Association Limited.

* Group Audit committee member

Conflicts of interest

The Bank is not aware of any potential conflicts of interest between the duties to the Bank of the persons listed under "*Court of Directors*" above and their private interests or other duties.

The Court has considered the principles relating to independence contained in the Central Bank's Corporate Governance Code for Credit Institutions and Insurance Undertakings (the **Irish Code**, which is available on www.centralbank.ie) and the UK Corporate Governance Code (published by the Financial Reporting Council in the UK) (the **UK Code**). The Governor was considered independent on appointment. The Court has determined that each current non-executive Director, with the exception of Tom Considine, Joe Walsh, Wilbur L. Ross Jr and Bradley Martin is independent within the meaning of the Irish Code and the UK

Code. Tom Considine and Joe Walsh were nominated by the Minister for Finance under the terms of the CIFS Guarantee Scheme and are not required to stand for election or regular re-election by stockholders. Wilbur L. Ross Jr and Bradley Martin represent significant shareholders in the Bank. These Directors are not, therefore, considered independent by reference to the terms of the Irish Code and the UK Code.

Corporate Governance

A key objective of the Group's governance framework is to ensure compliance with applicable legal and regulatory requirements. The Bank is subject to the Irish Code. The Bank is subject to the additional requirements of Appendix 1 of the Irish Code for major institutions. It is also subject to the UK Code and the Irish Corporate Governance Annex to the Listing Rules of the Irish Stock Exchange. The Bank Directors believe that the Bank complied with the Irish Code and the UK Code in 2012, except in the case of Tom Considine's membership of the GAC and Joe Walsh's membership of the Group Remuneration Committee and the fact that Tom Considine and Joe Walsh are not required to put themselves up for re-election on an annual basis. The UK Code was updated in September 2012 and this updated version applies to the Bank for the financial year ended 31st December, 2013.

In 2012 the Group completed a programme to ensure full and ongoing compliance with the Fitness and Probity standards (the **Standards**) introduced by the Central Bank on 1st December, 2011. The Standards apply to persons performing a prescribed "controlled function" or "pre-approval controlled function" in a Regulated Financial Service Provider. The Standards are based on requirements of competence, capability, honesty, integrity and financial prudence.

The Group believes it has robust governance arrangements, which include a clear organisational structure with well defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks to which it is or might be exposed, adequate internal control mechanisms, including sound administrative and accounting procedures, IT systems and controls. The system of governance is subject to regular internal review.

Group Audit Committee (the GAC)

At the date of this Prospectus, the GAC comprised six non-executive Bank Directors. The Court believes that at least one or more members have, individually or collectively recent and relevant financial experience to enable them to discharge their responsibilities. The GAC has responsibility for:

- the appropriateness and completeness of the system of internal control and, in close liaison with the Court Risk Committee (which advises the Court on establishing the Group's risk appetite and setting standards for the Group's risk control framework), the Group Audit Committee reviews the manner and framework in which management ensures and monitors the adequacy of the nature, extent and effectiveness of internal control systems, including accounting control systems;
- monitoring the integrity of the financial statements;
- assisting the Court in meeting obligations under relevant Stock Exchange listing rules and other applicable laws and regulations including the Sarbanes-Oxley Act in the United States of America;
- overseeing all matters relating to the relationship between the Group and the External Auditors;
- overseeing the Group Internal Audit function and its operations;
- discharging the statutory responsibility of the Bank under Section 42 of the Companies (Auditing and Accounting) Act 2003 and other statutes or regulations; and

- overseeing compliance with current and future Government requirements associated with their support for the Bank.

It reviews the procedures and processes by which non-audit services are provided by the external auditors in order to ensure, among other things, that auditor objectivity and independence are not compromised. In this regard, a key procedural control requires that any engagement of the external auditors to provide non-audit services must be pre-approved by the GAC, which also receives reports on the performance of such services.

Financial Highlights of the Group

The financial information set forth below as at and for the six months ended 30th June, 2013 and the six months ended 30th June, 2012 has been extracted without material adjustment from the Interim Reports of the Group for six months ended 30th June, 2013 and 30th June, 2012 save for the adjustment indicated by the asterisk below in respect of the six months ended 30th June, 2012. The financial information set forth below as at and for the years ended 31st December, 2012 and 31st December, 2011 has been extracted without material adjustment from the Annual Reports of the Group for years ended 31st December, 2012 and 31st December, 2011 save for the adjustment indicated by the asterisk below.

	Six months ended 30th June, 2013 IFRS (unaudited)	*Year ended 31st December, 2012 IFRS*	*Six months ended 30th June, 2012 IFRS (unaudited)*	*Year ended 31st December, 2011 IFRS*
		Restated*	Restated*	Restated*
	€m	*€m*	*€m*	*€m*
Income statements				
(Loss)/profit before taxation	(504)	(2,178)	(1,260)	(204)
(Loss)/profit after taxation	(455)	(1,841)	(1,105)	26
Loss per unit of €0.05 ordinary stock (cent)	(1.8c)	(6.7c)	(4.0c)	(0.8c)
Dividends per unit of €0.05 ordinary stock (cent)	N/A	0	N/A	0
Balance sheets				
Total assets	134,237	147,964	157,643	154,699
Subordinated liabilities	1,672	1,707	1,458	1,426
Non-controlling interests	(3)	(2)	44	37
Total equity	7,929	8,655	8,945	10,302
Operating ratios				
Net interest margin (annualised)	1.65%	1.25%	1.20%	1.33%
Asset quality				
Annual provisions/average loans	N/A	1.65	N/A	1.75

* The periods ending 31st December, 2011, 30th June, 2012 and 31st December, 2012 have been restated to reflect the impact of the adoption of 'IAS 19 Employee Benefits (Revised 2011) (IAS 19R)' and 'IFRS10 Consolidated Financial Statements' which came into effect on 1st January 2013 and required the restatement of comparative periods.

The summary information above does not constitute the full accounts of the Group, copies of which are required to be annexed to the Group's annual return to the Registrar of Companies in Ireland. Copies of the accounts in respect of the years ended 31st December, 2012 and 31st December, 2011, the interim report for

the six months ended 30th June, 2013 and the interim management statement of the Bank dated 1st November, 2013 have been incorporated by reference herein.

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