



*The Governor and Company of the Bank of Ireland  
(Established in Ireland by Charter in 1783, and having limited liability  
Registered in Ireland No. C-1)*

## **€750,000,000 Fixed Rate Reset Additional Tier 1 Perpetual Contingent Temporary Write-Down Securities**

**Issue price: 99.874 per cent.**

The €750,000,000 Fixed Rate Reset Additional Tier 1 Perpetual Contingent Temporary Write-Down Securities (the **Securities**) will be issued by The Governor and Company of the Bank of Ireland (the **Bank**) on or about 18 June 2015 (the **Issue Date**). The Securities will bear interest on their Prevailing Principal Amount from (and including) the Issue Date to (but excluding) 18 June 2020 (the **First Reset Date**), at a rate of 7.375 per cent. per annum and thereafter at the relevant Reset Rate of Interest as provided in Condition 4 (*Interest*). The first payment of interest (for the period from and including the Issue Date to but excluding 18 June 2016) will be payable on 18 June 2016 and thereafter interest will be payable on the Securities semi-annually in arrear on each Interest Payment Date, commencing on 18 December 2016, provided that the Bank may elect to cancel any interest payment (in whole or in part) at its sole and full discretion, and must cancel payments of interest (i) in the circumstances described in Condition 4.1 (*Cancellation of interest*) and/or (ii) if and to the extent that such payment could not be made in compliance with the Solvency Condition as defined in Condition 2.2 (*Solvency Condition*). Any interest which is so cancelled will not accumulate or be payable at any time thereafter, no amount will become due from the Bank in respect thereof and cancellation thereof shall not constitute a default for any purpose on the part of the Bank.

Upon the occurrence of a Trigger Event, the Prevailing Principal Amount of each Security will be immediately and mandatorily Written Down by the relevant Write-Down Amount in accordance with Condition 5.1 (*Loss absorption*). Following such Write-Down the Bank may in certain circumstances and at its sole and full discretion Write-Up the Prevailing Principal Amount of each Security, in accordance with Condition 5.3 (*Reinstatement of principal amount*).

The Securities will be perpetual securities with no fixed redemption date, and the Securityholders will have no right to require the Bank to redeem or purchase the Securities at any time. The Bank may, in its sole and full discretion but subject to the approval of the Supervisory Authority (as defined in the Conditions), satisfaction of the conditions to redemption set out in Condition 6 (*Redemption and Purchase*) and compliance with the Solvency Condition, elect to (a) redeem all (but not some only) of the Securities at their Prevailing Principal Amount, together with interest accrued and unpaid from and including the immediately preceding Interest Payment Date up to (but excluding) the redemption date, (i) on the First Call Date or on any Interest Payment Date thereafter or (ii) at any time following the occurrence of a Tax Gross-Up Event or a Regulatory Event (in each case as defined in the Conditions) which is continuing, or (b) repurchase the Securities at any time in accordance with the then prevailing Regulatory Capital Requirements.

**The Securities are not intended to be sold and should not be sold to retail clients in the European Economic Area (EEA), as defined in the rules set out in the UK Temporary Marketing Restriction (Contingent Convertible Securities) Instrument 2014 (as amended or replaced from time to time, the TMR) other than in circumstances that do not and will not give rise to a contravention of those rules by any person. Potential investors are referred to the section headed “Restrictions on marketing and sales to retail investors” on pages 4 to 5 of this Prospectus for further information. Potential investors should read the whole of this document, in particular the “Risk Factors” set out on pages 15 to 35.**

This Prospectus has been approved by the Central Bank of Ireland (the **Central Bank**), as competent authority under Directive 2003/71/EC, as amended (including by Directive 2010/73/EU, to the extent that such amendments have been implemented in a relevant member state of the EEA) (the **Prospectus Directive**). The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Securities which are to be admitted to trading on the regulated market of the Irish Stock Exchange plc (the **Irish Stock Exchange**) or other regulated markets for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC) (**MiFID**) or which are to be offered to the public in any member state in the EEA. Application has been made to the Irish Stock Exchange for the Securities to be admitted to the Official List and trading on its regulated market. This Prospectus is available for viewing on the website of the Irish Stock Exchange.

References in this Prospectus to Securities being **listed** (and all related references) shall mean that such Securities have been admitted to trading on the Irish Stock Exchange's regulated market and have been admitted to the Official List of the Irish Stock Exchange.

The Securities will be issued in registered form and available and transferable in minimum amounts of €200,000 and integral multiples of €1,000 in excess thereof. The Securities will initially be represented by a global certificate in registered form (the **Global Certificate**) and will be registered in the name of a nominee of a common depository for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg** and, together with Euroclear, the **Clearing Systems**).

The Securities are expected to be rated B- by Standard and Poor's Credit Market Services Europe Limited (**Standard & Poor's**) and B2 by Moody's Investors Service Limited (**Moody's**), each of which is a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 (as amended) (the **CRA Regulation**). The list of registered and certified rating agencies published by the European Securities and Markets Authority (**ESMA**) will appear on its website <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs> in accordance with the CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning credit rating agency.

#### **Joint Structuring Advisers and Joint Lead Managers**

**Deutsche Bank**

**UBS Investment Bank**

#### **Joint Lead Managers**

**BofA Merrill Lynch**

**Credit Suisse**

**Davy**

**Morgan Stanley**

## PROSPECTUS DATED 16 JUNE 2015

### Important Information.

This Prospectus is a prospectus with regard to the Prospectus Directive including any implementing measure in Ireland.

This Prospectus may be used only for the purposes for which it has been published.

The Bank accepts responsibility for the information contained in this Prospectus. 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 this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Certain information in this Prospectus has been extracted or derived from independent sources. Where this is the case, the source has been identified. The Bank confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant source, no facts have been omitted which would render the reproduced information inaccurate or misleading.

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 should be read and construed on the basis that such documents are incorporated and form part of this Prospectus.

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

None of Deutsche Bank AG, London Branch or UBS Limited (together, the **Joint Structuring Advisers and Joint Lead Managers**), Credit Suisse Securities (Europe) Limited, Merrill Lynch International, J&E Davy or Morgan Stanley & Co. International plc (together with the Joint Structuring Advisers and Joint Lead Managers, the **Joint Lead Managers**) nor any of their respective affiliates have authorised the whole or any part of this Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy and completeness of the information contained in this Prospectus. The Joint Lead Managers have not separately verified the information contained in this Prospectus. None of the Joint Lead Managers makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information contained in this Prospectus or any other information provided by the Bank in connection with the offering of the Securities. None of the Joint Lead Managers undertakes to review the financial condition or affairs of the Bank during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Securities of any information coming to their attention.

Neither the Trustee nor any Paying Agent (as defined in the Conditions) shall have any responsibility for, or liability or obligation in respect of, any loss, claim or demand incurred as a result of or in connection with a Trigger Event or any consequent Write-Down of the Securities or of any claims in respect thereof, and neither the Trustee nor the Paying Agents shall be responsible for any calculation or determination or the verification of any calculation or determination in connection with the same.

Neither this Prospectus nor any other information supplied in connection with the offering of the Securities (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Bank that any recipient of this Prospectus or any other information supplied in connection with the offering of the Securities should purchase any Securities. Each investor contemplating purchasing any Securities should determine for itself the relevance of the information contained in this Prospectus, and should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Bank. Neither this Prospectus nor any other information supplied in connection with the offering of the Securities constitutes an offer or invitation by or on behalf of the Bank to any person to subscribe for or to purchase any Securities in any jurisdiction where such offer or invitation is not permitted by law.

Neither the delivery of this Prospectus nor the offering, placing, sale or delivery of the Securities shall in any circumstances imply that the information contained herein concerning the Bank is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Securities is correct as of any time subsequent to the date indicated in the document containing the same.

The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**). Subject to certain exceptions, the Securities may not be offered, sold or delivered within the United States or to U.S. persons.

The Securities may not be a suitable investment for all investors. Each potential investor in the Securities must determine the suitability (either alone or with the help of a financial adviser) of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Prospectus;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including where such potential investor's financial activities are principally denominated in a currency other than euro, and the possibility that the entire principal amount of the Securities could be lost, including following the exercise of any bail-in power by the Irish resolution authorities;
- (iv) understand thoroughly the terms of the Securities, such as the provisions governing Write-Down (including, in particular, the Common Equity Tier 1 Ratio (as defined in the Conditions) of the Bank Regulatory consolidation's and the Group's Common Equity Tier 1 Ratio, as well as under what circumstances the Trigger Event will occur), and be familiar with the behaviour of any relevant indices and financial markets, including the possibility that the Securities may become subject to write-down or conversion if the Bank should become non-viable; and
- (v) be 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.

### **Restrictions on marketing and sales to retail investors**

The Securities are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Securities to retail investors.

In particular, in August 2014, the U.K. Financial Conduct Authority (the **FCA**) published the TMR which took effect on 1 October 2014. Under the rules set out in the TMR (as amended or replaced from time to time, the **TMR Rules**), certain contingent write-down or convertible securities, such as the Securities, must not be sold to retail clients in the EEA and nothing may be done that would or might result in the buying of such securities or the holding of a beneficial interest in such securities by a retail client in the EEA (in each case within the meaning of the TMR Rules), other than in accordance with the limited exemptions set out in the TMR Rules.

The Joint Lead Managers are required to comply with the TMR Rules. By purchasing, or making or accepting an offer to purchase, any Securities from the Bank and/or the Joint Lead Managers, each prospective investor represents, warrants, agrees with, and undertakes to, the Bank and the relevant Joint Lead Manager that:

- a) it is not a retail client in the EEA (as defined in the TMR Rules);
- b) whether or not it is subject to the TMR Rules, it will not sell or offer the Securities to retail clients in the EEA or do anything (including the distribution of this Prospectus) that would or might result in the buying of the Securities or the holding of a beneficial interest in the Securities by a retail client in the EEA (in each case within the meaning of the TMR Rules), other than (i) in relation to any sale or offer to sell Securities to a retail client in or resident in the United Kingdom (the **UK**), in circumstances that do not and will not give rise to a contravention of the TMR Rules by any person and/or (ii) in relation to any sale or offer to sell Securities to a retail client in any EEA member state other than the UK, where (a) it has conducted an assessment and concluded that the relevant retail client understands the risks of an investment in the Securities and is able to bear the potential losses involved in an investment in the Securities and (b) it has at all times acted in relation to such sale or offer in compliance with MiFID to the extent it applies to it or, to the extent MiFID does not apply to it, in a manner which would be in compliance with MiFID if it were to apply to it; and
- c) it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Securities, including any such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Securities by investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Securities from the Bank and/or the Joint Lead Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

The Securities may be considered by eligible investors who are in a position to give the above representations, warranties and undertakings and to be able to satisfy themselves that the Securities would constitute an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Securities unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of the Securities and the impact this investment will have on the potential investor's overall investment portfolio.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Securities 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 Securities may be restricted by law in certain jurisdictions. The Bank does not represent that this Prospectus may be lawfully distributed, or that the Securities may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, and it does not assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Bank which is intended to permit a public offering of the Securities or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Securities 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 Securities may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Securities. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Securities in the United States and the EEA including Ireland and the United Kingdom.

Unless otherwise indicated, in this Prospectus, all references to:

- **2014** or any other year are, unless otherwise indicated, to the 12 months ended on 31 December of the stated year;
- **euro** or **€** are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended;
- **Group** are to The Governor and Company of the Bank of Ireland and its subsidiaries, taken as a whole, other than where otherwise defined;
- **Bank Regulatory consolidation** in the context of any measure are to such measure as it applies to The Governor and Company of the Bank of Ireland together with certain subsidiaries calculated on an individual consolidated basis as referred to in Article 9 of the CRD IV Regulation.

## FORWARD-LOOKING STATEMENTS

This document contains certain "forward-looking statements". Statements that are not historical facts, including statements about the Bank's and/or its directors' and/or management's beliefs and expectations are forward-looking statements. Words such as "believes", "anticipates", "estimates", "expects", "intends", "plans", "aims", "potential", "will", "would", "could", "considered", "likely", "estimate" and variations of these words and similar future or conditional expressions, are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon future circumstances that may or may not occur, many of which are beyond the Bank's control and all of which are based on the Bank's current beliefs and expectations about future events. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Bank's actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Bank's present and future business strategies and the environment in which the Bank will operate in the future. These forward-looking statements speak only as at the date of this document. Except as required by applicable law or regulation, the Bank expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document to reflect any change in the Bank's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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## OVERVIEW OF THE BANK AND THE PRINCIPAL FEATURES OF THE SECURITIES

*The following overview provides an overview of the business of The Governor and Company of the Bank of Ireland and refers to certain provisions of the conditions of the Securities and is qualified by the more detailed information contained elsewhere in this Prospectus. Capitalised terms which are defined in “Terms and Conditions of the Securities” have the same meaning when used in this overview. References to numbered Conditions are to the conditions of the Securities (the **Conditions**) as set out under “Terms and Conditions of the Securities”.*

### THE GOVERNOR AND COMPANY OF THE BANK OF IRELAND

#### Overview

The Bank is the parent of a group of subsidiary companies 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 Group is one of the largest financial services groups in Ireland with total assets of €130 billion at 31 December 2014. The address of the registered office of the Bank is 40 Mespil Road, Dublin 4, Ireland.

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. These services include: current account 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, life assurance protection, pension and investment products. 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 the Republic of Ireland, its direct telephone banking service, direct sales forces and its online services.

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 offers a comprehensive range of banking products and related financial services to the personal and business markets including deposits, mortgages, consumer and business lending, credit cards, current accounts, money transmission services, commercial finance, asset finance and general insurance. Retail Ireland serves customers through a distribution network of branches, central support teams, ATMs and through direct channels (telephone, mobile and on-line). Retail Ireland is managed through a number of business units namely Distribution Channels, Consumer Banking (including Bank of Ireland Mortgage Bank), Business Banking (including Bank of Ireland Finance) and Customer and Wealth Management.
- **Bank of Ireland Life:** Bank of Ireland Life is a trading name of the Group's wholly owned subsidiary, New Ireland Assurance Company plc (**NIAC**). Through NIAC, the Group offers a wide range of life assurance protection, pension and investment products to the Irish market through the Group's branch network, its financial advisors (direct sales force) and independent brokers.
- **Retail UK:** Retail UK primarily comprises consumer and business banking via a branch network in Northern Ireland, its UK residential mortgage business and the business partnerships with the UK Post Office. Most of Retail UK's operations are conducted through the Group's wholly owned UK licensed subsidiary, Bank of Ireland (UK) plc. A range of retail financial services are provided in the UK via an exclusive relationship with the UK Post Office and a range of other partners. This gives the Group access to an extensive distribution network through which it distributes mortgage, personal lending, savings, insurance, banking and foreign exchange products and a large fleet of ATMs.
- **Corporate and Treasury:** Corporate and Treasury comprises the Group's Corporate Banking and Global Markets activities across the Republic of Ireland, UK and selected international jurisdictions. This division also incorporates IBI Corporate Finance and includes the Group's liquid asset portfolio. Corporate Banking provides banking services to major corporations and financial institutions. The range of lending products provided includes overdraft and short term loan facilities, term loans, project finance and structured finance. Corporate Banking also includes the Group's international Acquisition Finance business. Global Markets transacts in a range of market instruments on behalf of both the Group itself and its 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. In addition, Global

Markets manages the Group's Liquid Asset portfolio. IBI Corporate Finance advises publicly-quoted, private and semi-state companies across a variety of domestic and international transactions.

- **Group Centre:** Our central Group functions are responsible for delivering services to each division and include Group Manufacturing, Group Finance, Group Credit & Market Risk, Group Governance Risk and Group Human Resources.

Profit before tax for the Group was €920 million for the year ended 31 December 2014, an increase of €1,440 million compared to the previous year. Underlying profit before tax was €921 million, an increase of €1,485 million compared to the previous year, with total income (net of insurance claims) of €2,974 million, up 12 per cent. year on year reflecting expansion of the net interest margin, partially offset by lower average interest earning assets and lower fees associated with the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 as amended (the **ELG Scheme**). Impairment charges on loans and advances to customers saw a significant reduction to €542 million for the year ended 31 December 2014, compared to €1,665 million the previous year. There have been reductions across each loan portfolio which is reflective of the Group's ongoing work to support customers in financial difficulty, the improving economic climate, increasing liquidity in property markets and the impact of updated Retail Ireland mortgage collective provisioning parameters and assumptions at 31 December 2014.

At the end of March 2015, the Group's transitional Common Equity Tier 1 Ratio and total capital ratios were 14.6 per cent. and 18.0 per cent., compared to 14.8 per cent. and 18.3 per cent., respectively, at the end of December 2014. The reductions in these capital ratios were primarily driven by the 2015 phase-in of the relevant CRR (as defined below) and CRD IV (as defined below) deductions (50 basis points) and a higher pension deficit, partly offset by the attributable profit earned during the period. At the end of March 2015, the Group's fully loaded Common Equity Tier 1 Ratio (including the 2009 Preference Stock (as defined below)) was 11.7 per cent. (December 2014: 11.9 per cent.) and the Group's fully loaded Common Equity Tier 1 Ratio (excluding the 2009 Preference Stock) was 9.1 per cent. (December 2014: 9.3 per cent.). The net reductions in these ratios from the levels at 31 December 2014 primarily reflect the adverse impact of the increase in the pension deficit (120 basis points) partly offset by an increase in the available for sale financial assets (**AFS**) reserve and the attributable profit earned during the period.

The Group continues to expect to maintain a buffer above a Common Equity Tier 1 Ratio of 10 per cent., taking account of the transitional rules and the Group's intention to de-recognise €1.3 billion of the 2009 Preference Stock between January 2016 and July 2016.

## PRINCIPAL FEATURES OF THE SECURITIES

<b>Bank</b>	The Governor and Company of the Bank of Ireland
<b>Trustee</b>	Deutsche Trustee Company Limited
<b>Registrar</b>	Deutsche Bank Luxembourg S.A.
<b>Principal Paying Agent</b>	Deutsche Bank AG, London Branch
<b>Securities</b>	€750,000,000 Fixed Rate Reset Additional Tier 1 Perpetual Contingent Temporary Write-Down Securities
<b>Risk factors</b>	There are certain factors that may affect the Bank's ability to fulfil its obligations under the Securities and the Trust Deed. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Securities and certain risks relating to the structure of the Securities. These are set out under " <i>Risk Factors</i> ".
<b>Status of the Securities</b>	The Securities will constitute direct, unsecured and subordinated obligations of the Bank and rank <i>pari passu</i> , without any preference, among themselves.
<b>Rights on a Winding-Up</b>	The rights and claims of Securityholders in the event of a Winding-Up of the Bank are described in Conditions 3 ( <i>Winding-Up</i> ) and 12 ( <i>Enforcement</i> ).



## Solvency Condition

Except in the event of a Winding-Up of the Bank, payments in respect of or arising from (including any damages awarded for breach of any obligations under) the Securities are conditional upon the Bank being solvent (within the meaning given in Condition 2.2 (*Solvency Condition*)) at the time of payment by the Bank and no payments shall be due and payable in respect of or arising from the Securities except to the extent that the Bank could make such payment and still be solvent immediately thereafter (the **Solvency Condition**).

## Interest

The Securities will bear interest on their Prevailing Principal Amount:

- (a) from (and including) the Issue Date to (but excluding) the First Call Date, at the rate of 7.375 per cent. per annum; and
- (b) thereafter, at the relevant Reset Rate of Interest (as described in Condition 4.3 (*Determination of Reset Rate of Interest in relation to a Reset Period*)).

The first payment of interest (for the period from and including the Issue Date to but excluding 18 June 2016) shall be payable on 18 June 2016 and thereafter it shall be payable semi-annually in arrear on 18 June and 18 December of each year, (each an **Interest Payment Date**) commencing on 18 December 2016.

If paid in full, the first payment of interest shall amount to €73.750 per €1,000 Initial Principal Amount of the Securities and thereafter, if paid in full, each subsequent payment of interest to but excluding the First Call Date shall amount to €36.875 per €1,000 Initial Principal Amount of the Securities.

## Optional cancellation of interest

The Bank may elect at its sole and full discretion to cancel (in whole or in part) the interest otherwise scheduled to be paid on any Interest Payment Date. See Condition 4.1 (*Cancellation of interest*) for further information.

## Mandatory cancellation of interest

Under the Regulatory Capital Requirements, the Bank may elect to pay interest only to the extent that it has Distributable Items. Accordingly, in addition to having the right to cancel payment of interest at any time, the Bank will cancel payment of interest on any Interest Payment Date (in whole or, as the case may be, in part) if and to the extent that such interest, when aggregated together with any interest payments or distributions which have been paid or made or which are required to be paid or made during the then current financial year on all other own funds items of the Bank (excluding any such interest payments or distributions which (i) are not required to be made out of Distributable Items or (ii) have already been provided for, by way of deduction, in calculating the amount of Distributable Items), exceeds the amount of the Distributable Items of the Bank as at such Interest Payment Date.

In addition, the Bank will also be required to cancel any interest otherwise scheduled to be paid on an Interest Payment Date if and to the extent that payment of such interest would cause, when aggregated together with other distributions of the kind referred to in Article 141(2) of the CRD IV Directive (as defined below) (or any provision of applicable law transposing or implementing Article 141(2) of the CRD IV Directive), the lower of (i) the Maximum Distributable Amount (if any) then applicable to the Bank Regulatory consolidation and (ii) the Maximum Distributable Amount (if any) then applicable to the Group to be exceeded. **Maximum Distributable Amount** means any applicable maximum distributable amount relating to the

Bank Regulatory consolidation or the Group required to be calculated in accordance with Article 141 (*Restrictions on Distributions*) of the CRD IV Directive (or, as the case may be, any provision of applicable law transposing or implementing the CRD IV Directive).

See Condition 4.1 (*Cancellation of interest*) for further information.

Payments of interest are also subject to the Solvency Condition (see “*Solvency Condition*” above). Following the occurrence of a Trigger Event, the Bank will also cancel all interest accrued up to (but excluding) the Write-Down Effective Date (see “*Write-Down following a Trigger Event*” below).

**Calculation of Interest following a Write-Down or Write-Up**

The amount of interest payable in respect of a Security for any period shall be calculated in accordance with Condition 4.7 (*Calculation of interest*) by the Principal Paying Agent by:

- (a) applying the applicable Rate of Interest to the Prevailing Principal Amount of such Security;
- (b) where applicable, multiplying the product thereof by the Day Count Fraction; and
- (c) rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

If a Security has had two or more different Prevailing Principal Amounts during the relevant period for which interest is being calculated (due to one or more Write-Downs and/or Write-Ups occurring during such period), interest in respect of the Security for the relevant period shall be calculated as if such period comprised two or more (as relevant) consecutive interest periods and interest will be calculated based on the number of days for which each Prevailing Principal Amount was applicable.

**Non-cumulative interest**

If the payment of interest scheduled on an Interest Payment Date is cancelled in accordance with the Conditions as described above, the Bank shall not have any obligation to make such interest payment on such Interest Payment Date and the failure to pay such amount of interest or part thereof shall not constitute a default of the Bank for any purpose. Any such interest will not accumulate or be payable at any time thereafter and holders of the Securities shall have no right thereto whether in a Winding-Up of the Bank or otherwise, or to receive any additional interest or other compensation as a result of any such cancelled payment of interest.

**Write-Down following a Trigger Event**

If the Common Equity Tier 1 Ratio of the Bank Regulatory consolidation or the Group at any time falls below 5.125 per cent. (a **Trigger Event**) and the Bank is not in Winding-Up, the Bank shall irrevocably commit to immediately notifying the Supervisory Authority of the occurrence of the Trigger Event and to:

- (a) as soon as reasonably practicable deliver a Write-Down Notice to Securityholders (in accordance with Condition 15 (*Notices*)), the Trustee and the Principal Paying Agent;
- (b) cancel any accrued and unpaid interest up to (but excluding) the Write-Down Effective Date; and
- (c) without delay, and in any event within one month from the

determination that the relevant Trigger Event has occurred, reduce the then Prevailing Principal Amount of each Security by the Write-Down Amount (such reduction being referred to as a **Write-Down** and **Written Down** being construed accordingly).

See Condition 5.1 (*Loss absorption*) for further information.

**Write-Up of the Securities at the Discretion of the Bank**

To the extent permitted by the Regulatory Capital Requirements and subject to the Maximum Distributable Amount (if any) (when the amount of the Write-Up is aggregated together with other distributions of the kind referred to in any provision of applicable law transposing or implementing Article 141(2) of the CRD IV Directive) not being exceeded thereby, the Bank may at its sole and full discretion reinstate the principal amount of each Security previously Written-Down (a **Write-Up**), up to a maximum of its Initial Principal Amount, on a *pro rata* basis with the other Securities and with any Written Down Additional Tier 1 Instruments of the Bank, provided that the sum of:

- (a) the aggregate amount of the relevant Write-Up on all the Securities;
- (b) the aggregate amount of any interest payments on the Securities that were paid on the basis of a Prevailing Principal Amount lower than the Initial Principal Amount at any time after the end of the previous financial year;
- (c) the aggregate amount of the increase in principal amount of each such Written Down Additional Tier 1 Instrument at the time of the relevant Write-Up; and
- (d) the aggregate amount of any interest payments on each such Written Down Additional Tier 1 Instrument that were calculated or paid on the basis of a prevailing principal amount that is lower than the principal amount it was issued with at any time after the end of the previous financial year,

does not exceed the Maximum Write-Up Amount.

See Condition 5.3 (*Reinstatement of principal amount*) for further information.

**Maturity**

The Securities are perpetual securities with no fixed redemption date. The Securities may only be redeemed or repurchased by the Bank in the circumstances below (as more fully described in Condition 6 (*Redemption and Purchase*)).

**Optional redemption**

The Bank may, in its sole and full discretion but subject to the conditions set out under “*Conditions to redemption*” below, redeem all (but not some only) of the Securities on the First Call Date or on any Interest Payment Date thereafter at their principal amount together with interest accrued and unpaid from and including the immediately preceding Interest Payment Date to but excluding the relevant redemption date.

**Redemption following a Regulatory Event or a Tax Gross-Up Event**

The Bank may, in its sole and full discretion but subject to the conditions set out under “*Conditions to redemption*” below, redeem all (but not some only) of the Securities at any time following the occurrence of a Regulatory Event (as defined in the Conditions) or a Tax Gross-Up Event (as defined in the Conditions), in each case, at their Prevailing Principal Amount together with

interest accrued and unpaid from and including the immediately preceding Interest Payment Date up to but excluding the relevant redemption date.

### **Conditions to redemption**

The Securities may only be redeemed, purchased, cancelled or modified (as applicable) pursuant to Condition 6.2 (*General redemption option*), 6.3 (*Redemption upon the occurrence of a Regulatory Event*), 6.4 (*Redemption upon the occurrence of a Tax Gross-Up Event*), 6.5 (*Purchase*) or 13.2 (*Modification of Securities*), as the case may be, if:

- (a) the Supervisory Authority has given Supervisory Permission;
- (b) in the case of redemption pursuant to Condition 6.2 (*General redemption option*), the Prevailing Principal Amount of each Security is not less than its Initial Principal Amount at such time;
- (c) in the case of redemption pursuant to Condition 6.3 (*Redemption upon the occurrence of a Regulatory Event*):
  - (i) the Bank has demonstrated to the satisfaction of the Supervisory Authority that such exclusion or regulatory reclassification was not reasonably foreseeable by the Bank as at the Issue Date; and
  - (ii) the Bank has delivered to the Trustee a certificate signed by two Directors of the Bank stating that the facts giving rise to the Regulatory Event have occurred; and
- (d) in the case of redemption pursuant to Condition 6.4 (*Redemption upon the occurrence of a Tax Gross-Up Event*):
  - (i) the Bank has demonstrated to the satisfaction of the Supervisory Authority that the change in the applicable tax treatment is material and was not reasonably foreseeable by the Bank as at the Issue Date; and
  - (ii) the Bank has delivered to the Trustee a certificate signed by two Directors of the Bank stating that the facts giving rise to the Tax Gross-Up Event have occurred and an opinion of independent legal or tax advisers of recognised international standing to the effect that such circumstances prevail.

In addition, if the Bank has elected to redeem the Securities and either (i) the Solvency Condition is not satisfied in respect of the relevant payment on the date scheduled for redemption, or (ii) prior to redemption of the Securities, a Trigger Event occurs, then the relevant notice of redemption will be automatically rescinded and will be of no force and effect.

### **Purchase of the Securities**

The Bank, or any of its Subsidiaries, may at its option purchase or otherwise acquire any of the outstanding Securities at any price in the open market or otherwise at any time in accordance with applicable laws and regulations (including, for the avoidance of doubt, the Regulatory Capital Requirements) and Condition 6.7 (*Conditions to redemption and purchase*).

The Bank or any agent on its behalf shall have the right at all times to purchase Securities for market making purposes provided that: (a) Supervisory Permission has been obtained where required; and (b) the total principal amount of the Securities so purchased does not exceed the lower of (i) 10 per

cent. of the aggregate Initial Principal Amount of the Securities and any further Securities issued under Condition 14 (*Further Issues*) and (ii) 3 per cent. of the Additional Tier 1 Capital of the Bank from time to time outstanding or such other amount permitted to be purchased for market-making purposes under the Regulatory Capital Requirements.

#### **Withholding tax and Additional Amounts**

Subject always to Conditions 2.2 (*Solvency Condition*) and 4 (*Interest*), all payments of principal and/or interest in respect of the Securities shall be made without withholding and/or deduction for or on account of any present or future tax, duty or charge of whatsoever nature imposed or levied by or on behalf of Ireland, or any political subdivision or any authority thereof or therein having power to tax, unless such withholding and/or deduction is required by law. In that event, the Bank will make such payment after the withholding or deduction of such tax, duty or charge has been made, shall account to the relevant authorities for the amount required to be withheld or deducted and the Bank will, subject to certain limitations and exceptions, pay such additional amounts (**Additional Amounts**) as will result (after such withholding and/or deduction) in the receipt by the holders of the Securities of such sums which would have been receivable (in the absence of such withholding and/or deduction) from it in respect of their Securities.

All payments in respect of the Securities are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8 (*Taxation*)) any law implementing an intergovernmental approach thereto.

#### **Enforcement**

In the event of a Winding-Up, or if the Bank has not made payment of any amount in respect of the Securities for a period of seven days or more after the date on which such payment is due, the Bank shall be deemed to be in default under the Trust Deed and the Securities and, unless proceedings for a Winding-Up have already commenced, the Trustee may institute proceedings for a Winding-Up. The Trustee may prove in any Winding-Up of the Bank (whether or not instituted by the Trustee) and shall have such claim as is set out in Condition 3 (*Winding-Up*).

The Trustee may, at its discretion and without notice, institute such other proceedings and/or take any other steps or action against the Bank as it may think fit to enforce any term or condition binding on the Bank under the Trust Deed (other than any payment obligation) provided that in no event shall the Bank, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it pursuant to the Conditions or the Trust Deed. No Securityholder shall be entitled to proceed directly against the Bank or to institute proceedings for a Winding-Up unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing.

See Condition 12 (*Enforcement*) for further information.

#### **Modification**

The Trust Deed contains provisions for convening meetings of Securityholders to consider any matter affecting their interests, pursuant to

which defined majorities of the Securityholders may consent to the modification or abrogation of any of the Conditions or any of the provisions of the Trust Deed, and any such modification or abrogation shall be binding on all Securityholders

Subject to Condition 6.7 (*Conditions to redemption and purchase*), the Trustee and the Bank may agree, without the consent of the Securityholders, to any modification of the Securities or the Trust Deed which is: (a) to cure or correct any ambiguity or defective or inconsistent provision contained therein, or which is of a formal, minor or technical nature; (b) in the opinion of the Trustee, not prejudicial to the interests of the Securityholders (provided the proposed modification does not relate to a matter in respect of which an Extraordinary Resolution would be required if a meeting of Securityholders were held to consider such modification); (c) to correct a manifest error or an error which is proven to the satisfaction of the Trustee; or (d) to comply with mandatory provisions of the law (other than the Regulatory Capital Requirements). Any such modification shall be binding on the Securityholders and any such modification shall be notified to the Securityholders in accordance with Condition 15 (*Notices*) as soon as practicable thereafter.

<b>Form</b>	The Securities will be issued in registered form. The Securities will initially be represented by a Global Certificate and will be registered in the name of a nominee of a common depository for the Clearing Systems.
<b>Denomination</b>	€200,000 and integral multiples of €1,000 in excess thereof.
<b>Clearing systems</b>	Euroclear and Clearstream, Luxembourg.
<b>Listing</b>	Application has been made to the Central Bank to approve this document as a prospectus and to the Irish Stock Exchange for the listing of the Securities on the Official List of the Irish Stock Exchange and admission to trading on the Irish Stock Exchange's regulated market.
<b>Governing law</b>	The Securities and the Trust Deed, and any non-contractual obligations arising out of or in connection with the Securities or the Trust Deed, will be governed by, and construed in accordance with, English law except for the provisions governing the subordination of the Securities which will be governed by, and construed in accordance with, Irish law.
<b>Submission to jurisdiction</b>	The Bank will, in the Trust Deed, irrevocably agree for the benefit of the Trustee and the Securityholders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed or the Securities (including a dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed or the Securities) and accordingly has submitted to the exclusive jurisdiction of the English courts.
<b>Ratings</b>	The Securities are expected to be rated B- by Standard & Poor's and B2 by Moody's each of which is a credit rating agency established in the European Union and registered under the CRA Regulation. The list of registered and certified rating agencies published by ESMA will appear on its website <a href="http://www.esma.europa.eu/page/List-registered-and-certified-CRAs">http://www.esma.europa.eu/page/List-registered-and-certified-CRAs</a> in accordance with the CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning credit rating agency.

**ISIN:** XS1248345461

**Common Code:** 124834546

## RISK FACTORS

*Any investment in the Securities is subject to a number of risks, most of which are contingencies which may or may not occur, and the Bank is not in a position to express a view on the likelihood of any such contingency occurring.*

*Prior to investing in the Securities, prospective investors should carefully consider the risk factors associated with any investment in the Securities, the Group and the financial services industry in Ireland in general, together with all the other information contained in this document. This section describes the risk factors which are considered by the Bank to be material to the Group and an investment in the Securities. However, these should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. There may be other risks and uncertainties which are currently not known to the Bank or which it currently does not consider to be material. Should any of the risks described below, or any other risks or uncertainties, occur this could have a material adverse effect on the Group's business, results of operations, financial condition or prospects which in turn would be likely to cause the price of the Securities to decline and, as a result, an investor in the Securities could lose some or all of its investment.*

*Factors which the Bank believes may be material for the purpose of assessing the market risks associated with the Securities are also described below. Any of these factors, individually or in the aggregate, could have an adverse effect on the Group's business, results of operations and financial position. In addition, many of these factors are correlated and may require changes to the Group's capital requirements, and events described therein could therefore have a compounding adverse effect on the Group.*

*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 which are defined in "Conditions of the Securities" have the same meaning when used in these risk factors.*

### RISKS RELATED TO THE GROUP'S BUSINESS

#### **Geopolitical risk**

An intensification of geopolitical risks, such as those associated with unrest in the Middle East and ongoing tension in relation to Russia and the Ukraine and the risk of "contagion" resulting from renewed uncertainty in Greece, could have an impact on the markets in which the Group operates, and thus could impact the Group's results, financial condition and prospects.

#### **Macro-prudential policy for, and conduct of, residential mortgage lending**

The Central Bank has issued new regulations introducing limits on higher Loan to Value (**LTV**) and on higher Loan to Income (**LTI**) for new mortgage lending. Additionally, the level of mortgage rates and implementation of mortgage rate changes are subject to heightened scrutiny. The industry implementation and the consumer reaction to these new developments may have an impact on the Group's new mortgage growth strategy in the medium term affecting the Group's growth, financial condition and prospects.

#### **Concerns regarding European sovereign debt**

Residual concerns regarding the creditworthiness of European sovereign debt, reflected in, among other factors, sovereign credit spreads, continued to diminish in 2014. In 2015, concerns have re-emerged specifically with respect to Greek sovereign debt following the general election victory of 'anti-austerity' parties. A unilateral Greek default on its debt or a Greek exit from the Eurozone or an increase in speculation about these matters could impact on sentiment towards other Eurozone bond markets and broader international debt markets. International debt markets could also be impacted by more general concerns over levels of fiscal deficits, requirement for support of the banking system, evolving sovereign debt levels of EU Member States, speculation about the stability of the eurozone and the potential impact of these factors on the individual EU Member State economies.

A material and unexpected escalation of market concern towards Ireland could lead to speculation or concern about the 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.

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

The Group's businesses are subject to inherent risks arising from general and sector specific economic conditions in countries to which the Group has an exposure, particularly in Ireland and the UK.

Dampened growth prospects of Ireland's trading partners could weaken the recovery in the Irish economy, which could adversely impact the Group's results, financial condition and prospects.



A material deterioration in the business environment combined with the high level of private sector debt could depress demand for financial products and credit facilities and increase the Group's impaired loans and impairment provisions. Reduced or continuing muted demand for credit, whether as a result of macroeconomic conditions or other factors, has the potential to impact the Group's financial position by constraining loan volume growth.

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

#### *Regulatory obligations*

The Group is subject to extensive regulation and oversight. Regulatory obligations including anti-money laundering and financial sanctions requirements, conduct of business obligations and governance requirements have increased and continue to increase and the number of 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 the Group's results, financial condition, prospects and reputation.

#### *Irish and UK banking systems*

The exercise of powers under existing legislation, in particular (in Ireland) the Central Bank (Supervision and Enforcement) Act 2013 (the **Supervision 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.

#### *The Single Supervisory Mechanism*

The Single Supervisory Mechanism (the **SSM**) is a system of financial supervision comprising the European Central Bank (the **ECB**) and the national competent authorities of participating EU countries, including the Central Bank in Ireland. Historically the Central Bank has had overall responsibility for the authorisation and supervision of credit institutions operating in Ireland. From 4 November 2014 a number of supervisory responsibilities and decision making powers moved to the ECB. The Central Bank retains responsibility for the supervision activities defined in the SSMR (as defined below) as non-core (including, for example, anti-money laundering and consumer protection). The ECB is responsible for all core supervisory responsibilities as defined in the Council Regulation (EU) No. 1024/2013 (the **SSMR**). For institutions considered "significant" by the ECB (of which the Bank is one) a Joint Supervisory Team (**JST**), led by the ECB and consisting of both ECB and Central Bank supervisors directly supervises these firms. Should this result in a material increase in the level of regulatory obligations and/or more stringent enforcement thereof, this could adversely impact the Group's results, financial condition and prospects.

#### *The Single Resolution Mechanism*

The Single Resolution Mechanism (the **SRM**) complements the new system of banking supervision established by the SSM and is designed to ensure the uniform application of resolution rules to failing banks subject to the SSM. It is based on close cooperation between the national resolution authorities of participating Member States, and a new centralised European resolution authority, the Single Resolution Board (operational from 1 January 2015). It will be financed by bank levies, including from the Group, raised at national level. The fund is intended to reach a target level within an initial period of eight years from 1 January 2016 (being the date on which the SRM regulation is effective, with the exception of certain provisions that are applicable from earlier dates). The SRM may impose requirements on the Group which would not be consistent with the Group's current strategy and objectives.

#### *The Bank Recovery and Resolution Directive*

Regulatory bodies in Europe including those 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 BRRD (as defined below) entered into force on 2 July 2014 and although due to be transposed into national law in Ireland in the first half of 2015, an exact timeline remains outstanding. It has been implemented in the UK. The BRRD provides for certain powers similar to those granted by the Credit Institutions (Stabilisation) Act 2010 (the **Stabilisation Act**) and the Resolution Act (as defined below), and specifically for a 'bail-in' of certain senior unsecured debt and corporate deposits in the circumstances of a bank resolution post 2016. Pending transposition of the BRRD, EU regulatory authorities (including the Central Bank) have required the production of recovery plans on an annual basis. The Group submitted its recovery plans, as required, in 2013 and 2014. Whilst certain key requirements are clear and will not be subject to variance during the transposition process, the full impact of the BRRD on the Group is at this stage unknown pending the transposition of the BRRD into national law and in advance of visibility of the requirements of, and interpretations applied by, the regulatory authorities. See also "*The Council of the European Union has adopted a bank recovery and resolution directive which is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The implementation of the directive or the taking of any action under it could materially affect the value of any Securities*" below.

### *UK reform measures*

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, together with more recently issued intermediary mortgages and parts of its UK business banking operations. Bank of Ireland (UK) plc is authorised by the Prudential Regulation Authority and regulated by both the Prudential Regulation Authority and the Financial Conduct Authority. Bank of Ireland (UK) plc could be subject to future structural and non-structural reforms currently under consideration by the UK government to promote financial stability and competition and to protect UK retail depositors. Further, Bank of Ireland (UK) plc could be subject to special resolution regime powers under the UK Banking Act 2009 or their implementation of BRRD.

### *Banking Inquiry*

The Irish Government previously commissioned and received three preliminary reports into the factors which contributed to the Irish banking crisis.

During 2014, the Government launched a Joint Committee of Inquiry into the Banking Crisis (the **Banking Inquiry**) under the Houses of the Oireachtas (Inquiries, Privileges and Procedures) Act 2013. The purpose of the Banking Inquiry is to inquire into the reasons Ireland experienced a systemic banking crisis, including the political, economic, social, cultural, financial and behavioural factors and policies which impacted on or contributed to the crisis and the preventative reforms implemented in the wake of the crisis. The full extent of this inquiry, related costs and potential implications for the Group and the Group's reputation are currently unknown and could adversely affect the Group.

### *Other*

The Irish Government, through the Ireland Strategic Investment Fund (the **ISIF**), holds a c. 14 per cent. discretionary shareholding in the Bank, and through the Relationship Framework dated 30 March 2012, could exert a significant level of influence over the Group. The ISIF could exercise its voting rights in respect of its holding of ordinary stock in the Bank in a manner which is not aligned with the interests of the Group or its other stockholders. The Bank 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 ISIF investment and the Undertakings could require the Bank to implement operational policies that could adversely affect the Group's results, financial condition and prospects.

**Downgrades to the Irish sovereign or the Group's credit ratings or outlook could 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/short term sovereign credit ratings for Ireland are:

A+(Stable) / A-1 from Standard & Poor's; Baa1 (Stable) / P-2 from Moody's; A- (Stable) / F1 from Fitch Ratings Limited (**Fitch**); and A (Stable) / R-1 (low) from DBRS, Inc. (Source: National Treasury Management Agency website).

As at the date of this Prospectus, the long-term/short term credit ratings for the Group are BB+ (Positive) / B from Standard and Poor's; Baa2 (Stable) / P2 (Deposit Rating: Baa2/P-2 (Stable) / P-2) from Moody's; BB+ (Positive) / B from Fitch; and BBB (High) (Under review - negative) / R-1 (low) (Under review – negative) from DBRS Ratings Limited (**DBRS**).

Each of Standard & Poor's, Moody's, Fitch and DBRS is established in the EU and is registered under the CRA Regulation. In general, European regulated investors may use credit ratings for regulatory purposes only if they are issued by a credit rating agency established in the European Union and registered in accordance with the CRA Regulation (or is endorsed and published or distributed by subscription by such a credit rating agency in accordance with 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. to Ireland will be endorsed by DBRS to allow their use in the EU in accordance with the CRA Regulation.

Downgrades of the Irish sovereign credit ratings could negatively impact access to market funding for the State and may impact 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 Irish government bonds used as collateral for the purposes of accessing the liquidity provision operations offered by monetary authorities (**Monetary Authorities**) or secured borrowing from wholesale markets and the value of Irish government 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, restrict the Group's access to the capital and funding markets, trigger material collateral requirements or associated obligations in other secured funding arrangements or derivative contracts, make ineligible or lower the liquidity value of pledged securities and weaken the Group's competitive position in certain markets.

The availability of deposits is often dependent on credit ratings and 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.

## **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. 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.

The Group at times sources funding from Monetary Authorities and any disruption to access could increase the Group's funding and liquidity risks. Relevant supervisory authorities may determine specific liquidity or collateral requirements for the Group. Compliance with these requirements can be impacted by a range of factors, including the stability of customer deposits, the split between unsecured and secured funding, the mix of liquidity facilities provided by Monetary Authorities and the concentration of wholesale funding maturity, and may be subject to change in the future. Failure to comply with these requirements could result in regulatory sanctions and adversely impact the Group's reputation and prospects.

Furthermore the Group will be required to comply with new EU obligations under the Capital Requirements Regulation (CRR) and supplementary EU Commission Delegated Regulations related to new liquidity ratios (the Liquidity Coverage Ratio (LCR) and the Basel III Net Stable Funding Ratio (NSFR)). See also "Banking Regulation".

## **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, could result in significant increases in the Group's impaired loans and impairment provisions**

Exposures originated and managed in Ireland and the UK represent the 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 in the Group's main markets, which may lead to, amongst other things, declines in values of collateral (including residential and commercial property values) and investments, increases in unemployment levels, weak consumer and corporate spending, declining corporate profitability, declining equity markets and bond markets and an increase in corporate insolvencies. This may give rise to deterioration in the credit quality of the Group's borrowers and counterparties and increased difficulties in relation to the recoverability of loans and other amounts due from such borrowers and counterparties, resulting in significant increases in the Group's impaired loans and impairment provisions.

Renewed uncertainty in the global and eurozone economies could result in downgrades and deterioration in the credit quality of the Group's sovereign and banking exposures.

## **Change of Law and Regulation**

### *Banking Regulation*

As a result of the current environment and market events, the minimum regulatory requirements imposed on the Bank Regulatory consolidation/Group, the manner in which the existing regulatory capital and capital requirements are 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 may significantly alter the Bank Regulatory consolidation/Group's capital requirements.

Basel III has been implemented in part into EU law via the CRR and Capital Requirements Directive IV (CRD IV), both of which were published in June 2013. The legislation requires the European Banking Authority (the EBA) to prepare technical standards setting out requirements around the implementation of certain aspects of the legislation.

The CRR came into force on 1 January 2014 and is directly applicable in Ireland. CRD IV has been implemented in Ireland by the European Union (Capital Requirements) Regulations 2014 and the European Union (Capital Requirements) (No.2) Regulations 2014 (together the **CRD Regulations**), which were signed into Irish law on 31 March 2014. The CRR and the CRD Regulations (together the **CRD IV Legislation**) introduce new regulatory requirements for regulated institutions such as the Bank Regulatory consolidation/Group and its licensed subsidiaries. CRR and CRD IV also include requirements for regulatory and technical standards to be published by the EBA. Many of these have not yet been published or their impact is uncertain. The CRD IV Legislation is being implemented on a phased basis from 1 January 2014, with implementation for the majority of its provisions by 1 January 2019, while the phase in of certain deductions from Common Equity Tier 1 capital (e.g. deferred tax) extends to 2024.

The Basel III / CRD IV transition rules result in a number of new deductions from Common Equity Tier 1 capital being introduced on a phased basis typically with a 20% impact in 2014, 40% in 2015 and so on until 2018. The Central Bank published the 'Implementation of Competent Authority Discretions and Options in CRD IV and CRR' on 24 December 2013 (as updated on 21 May 2014) which clarifies the current application of certain transitional rules in Ireland under CRD IV. However in the absence of a final set of rules or technical standards, and pending full implementation, the final impact of Basel III / CRD IV on the Group from a liquidity, capital, regulatory and financial perspective is uncertain. See further "The circumstances surrounding or triggering a Write-Down are unpredictable, and there are a number of factors that could affect the Common Equity Tier 1 Ratio of the Bank Regulatory consolidation or the Group".

When fully implemented, the liquidity provisions under Basel III / CRD IV introduce additional minimum liquidity requirements for the Group including:

- Liquidity coverage ratio—The LCR will require banks to have sufficient high-quality liquid assets to withstand a 30-day stressed funding scenario. The final ratio comes into effect from 1 October 2015 with a phased implementation to 1 January 2018.
- Net stable funding ratio—The NSFR requires banks to have sufficient quantities of funding from stable sources. The ratio is proposed to come into effect from January 2018 under the Basel III requirements while the EBA has to prepare a report to the EU Commission by 31 December 2015 on the requirements for stable funding by institutions.

#### *Insurance Regulation*

Directive 2009/138/EC, adopted by the European Parliament on 22 April 2009 and endorsed by the Council of Ministers on 5 May 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (**Solvency II**) is a fundamental review of the capital adequacy regime for the European insurance industry. As part of the implementation of Solvency II, 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. Solvency II is expected to be effective from 1 January 2016.

#### *Mortgage Arrears Resolution Targets*

In 2013, the Central Bank announced a range of measures to address mortgage arrears, including the publication of performance targets for the main Irish banks (which include the Group) and changes to the Code of Conduct on Mortgage Arrears (**CCMA**). 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 Group has met all the relevant targets to date.

The Central Bank has also published its revised Impairment Provisioning and Disclosure Guidelines 2013. The Group had implemented the requirements arising from these guidelines by December 2013.

Further interventions may occur in the event that the regulatory or other State authorities deem these to be necessary. Any such interventions could have an adverse impact on the Group's financial results, conditions or prospects.

#### *The Central Bank (Supervision and Enforcement) Act 2013*

The Central Bank (Supervision and Enforcement) Act 2013 (the **Supervision Act**), with the exception of section 72 (which came into operation on 1 September 2013), came into operation on 1 August 2013. The Supervision Act further strengthens the regulatory framework for Irish financial services providers by clarifying and enhancing the powers of the Central Bank to allow it to monitor, supervise, query and investigate the conduct and activities of financial services providers and to impose sanctions as appropriate.

The Supervision Act applies to all regulated financial services providers and in many cases extends to any related undertakings including group companies and partnerships of which a regulated financial services provider is a member and which themselves may not have previously been subject to financial services regulation legislation.

The main provisions of the Supervision Act include:

- (i) the provision by a regulated financial services provider of an independent expert report;
- (ii) information gathering powers for the Central Bank;
- (iii) an enhanced authorised officer regime;
- (iv) the requirement to provide assurances from auditors;
- (v) protection for persons reporting breaches;
- (vi) empowering the Central Bank to give directions and make regulations;
- (vii) enhanced consumer protection; and
- (viii) an increase in monetary penalties.

#### *The Personal Insolvency Act 2012 (the **Personal Insolvency Act**)*

The Personal Insolvency Act which became effective in 2013 provides for voluntary negotiated debt resolution options as alternatives to bankruptcy. These resolution options are available 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 three years. The

Irish Government has recently announced a number of new measures to support consumers in arrears with mortgages. These include planned legislation to give the Courts the power to review and where appropriate approve, insolvency proposals that have been rejected by the banks. The content and impact of the proposed legislation is as yet unknown. There is a risk that customers' behaviours may change regarding payment obligations which could have an adverse impact on the Group's results, financial condition, prospects and reputation.

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

Market risk is the risk of loss arising from movements in interest rates, foreign exchange rates or other market prices. Market risk arises naturally through customer lending and deposit-taking, the servicing of customer foreign exchange and other customer risk management needs, wholesale funding and investment in securities for liquid asset purposes. It is Group policy to minimise exposure to market risk, subject to a relatively conservative permission to take discretionary risk. Nonetheless, certain structural market risks remain and, in some cases, are difficult to eliminate fully. These structural risks arise *inter alia* from the presence of non-interest related assets and liabilities on the balance sheet, the multiplicity of pricing conventions for variable rate assets, liabilities and derivatives, the multi-currency mix of assets and liabilities and the requirement in the Group's case to fund sterling assets out of euro. While the Group employs a range of hedging and risk mitigation methods, 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 persistence of exceptionally low interest rates for an extended period into the future or a material reduction in interest rates could adversely affect the Group's financial condition and prospects through, among other things, the systemic mis-pricing of risk by financial markets, 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. In particular, such conditions may have a material adverse impact on the Bank Regulatory consolidation's and the Group's Common Equity Tier 1 Ratios and therefore on the market price of the Securities.

Fundamental changes have been 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.

**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 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 or other fraudulent activity, allegations of overcharging and mis-selling or mispricing of financial products, non-compliance with legal or regulatory requirements (including obligations associated with money laundering), 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.

**Adverse changes to tax rates, bank levies, 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, or 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. There is a risk that the final taxation outcome could be different to the amounts currently recorded.

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

**Pension risk is the risk in the Group defined benefit pension schemes that the assets are inadequate or fail to generate returns that are sufficient to meet the schemes' liabilities**

The Group sponsors a number of defined benefit pension schemes for past and current employees. Pension risk crystallises for the sponsor when a deficit emerges of a size which implies a material probability that the liabilities will not be met. Defined benefit pension funds are subject to market fluctuations, and interest rate and inflation risks, thus a level of volatility is associated with defined benefit pension funding. These market fluctuations can impact the value of the schemes' asset portfolios and returns and / or result in a greater than expected increase in the value of the schemes' liabilities. The level of volatility associated with pension funding can have a negative impact on the financial condition and prospects of the Group.

Legislative changes were made to the Irish Pensions Act 1990 in June 2012, introducing a revised statutory funding standard for Republic of Ireland schemes. The introduction of these new requirements could have an adverse impact on the Group's financial condition and prospects due to the introductions of additional Risk Reserve requirements from 1 January 2016.

**Failure in the Group's processes, operational systems, technology or infrastructure, or those of third parties**

The Group is exposed to a broad range of operational risks as a direct and indirect consequence of performing its day-to-day business activities. These risks are an inherent part of the execution of its business processes, the functioning and resilience of its technologies, the implementation of new products and processes, and the management of its assets, including the capture, retention and disposal of customer and Group data.

Operational risks may materialise as a result of a broad range of factors, including weaknesses or failures in the Group's internal or customer facing processes, such as account-opening, payments processing, financial reporting and risk monitoring processes. Such risks may materialise due to information technology or equipment failures, the malfunction or deficiency 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, fraud, unauthorised trading and errors or from natural disasters and social or political events. Cyber-crime risk represents a persistent and ever-evolving threat to which the Group is exposed, and for which a broad range of measures are implemented in order to detect possible vulnerabilities and to protect the Group from the potential impact of attacks. The Group is also exposed to the risk of information leakage, loss or theft as part of the various activities performed by its employees, contractors and by third party suppliers on its behalf.

The Group faces various risks associated with operational disruption, breakdown or constraints, including in the provision of products and services by third party suppliers that are integral to the Group's day-to-day delivery of products and services. If one or more of these risks were to materialise, the confidentiality, integrity and availability of the Group's business processes, computer systems and networks may be compromised, or otherwise cause interruptions or malfunctions in the Group's, as well as its clients' or third parties', operations.

As part of its day-to-day operations, the Group processes a large volume of transactions, some of which are highly complex, across a diverse range of products and services, in various markets and currencies and subject to several legal and regulatory regimes. The Group faces the risk that due to errors, control failures or criminal acts, the Group's execution and provision of these transactions and services may be negatively impacted. 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 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 prospects, as well as reputational damage which could exacerbate such adverse impact, and could give rise to regulatory penalties and litigation.

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

If the Group fails to attract and appropriately train, motivate and retain skilled and qualified people, its businesses may be negatively impacted. Restrictions imposed on remuneration by Government, tax or regulatory authorities or other factors outside the Group's control in relation to the retention and recruitment of skilled and qualified people may adversely impact on the Group's ability to attract and retain such staff.

**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 or an unexpected change in interest rates) and unexpected increases in risk weighted assets.

The minimum regulatory requirements imposed on the Group, the manner in which the existing regulatory capital and capital requirements are calculated, the instruments that qualify as regulatory capital and the capital tier to which those

instruments are allocated, are the subject of extensive analysis and debate in the media and by regulatory authorities and could be subject to change in the future. A number of regulatory initiatives have recently been proposed or enacted which have the potential to impact the Group's capital requirements. These initiatives include Capital Requirements Directives (CRD II, III and IV), CRR and Solvency II and the transfer of supervisory powers to the SSM in November 2014, and, together with further regulatory reforms and clarifications under consideration, have the potential to impact the Group's capital requirements.

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 Irish National Pensions Reserve Fund Commission (the **NPRFC**). On 4 December 2013, the Bank announced the completion of a capital package comprising the placing of new units of ordinary stock to generate proceeds to redeem c. 537 million units of the 2009 Preference Stock and the sale by the NPRFC of the remaining 1.3 billion units of 2009 Preference Stock to private investors.

The Central Bank has recognised the 2009 Preference Stock for grandfathering purposes as Common Equity Tier 1 capital under Article 483 of the CRR from 1 January 2014. The Group announced on 4 December 2013 that, save in certain circumstances (including changes in the regulatory capital treatment of the 2009 Preference Stock or taxation events), it does not intend to redeem the 2009 Preference Stock prior to 1 January 2016. The Group has advised the Central Bank that it is not the Group's intention to recognise the 2009 Preference Stock as Common Equity Tier 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 Common Equity Tier 1 capital under Article 483 of the CRR after 31 December 2017. If the grandfathering requirements or the definition of Common Equity Tier 1 capital are subsequently amended or if new qualification requirements are introduced, or if the Central Bank, ECB or similar authority otherwise applies a different approach to their determination of what constitutes Common Equity Tier 1 capital, there is no guarantee that the 2009 Preference Stock will continue to qualify or be recognised as Common Equity Tier 1 capital and this could adversely affect the Group's ability to meet its regulatory capital obligations and could adversely affect the Group's results, financial condition 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 the 2009 Preference Stock.

In October 2014, it was announced that the Group had passed the ECB Comprehensive Assessment with substantial capital buffers. The ECB is expected to carry out future assessments including stress tests and there can be no certainty that future tests may not be more severe in their assumptions or capital threshold levels.

### **Litigation and regulatory proceedings**

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 restrictions or limitations on the Group's operations or result in a material adverse impact on the Group's results, financial condition and prospects, together with its reputation.

### **Technology**

Rapidly shifting consumer behaviours and the proliferation of internet, social and device (mobile, tablet, wearable) technologies are changing the way customers research, purchase and maintain the products and services they consume in their day to day lives, and this is reflected in the evolving banking models for consumers and businesses, both in Ireland and internationally. This not only affects the manner in which customers manage their financial affairs and core products (from operating accounts to deposits to credit facilities and wealth management instruments), but money transmission is also expected to evolve in the coming years with numerous new players entering the payments environment and changing the payment services available. Analytically driven and customer focussed new entrants are changing the way financial services companies are approaching their routes to market, service and fulfilment value chains, and operating models and core competencies so that they remain relevant and compete in the newly consumerised and digital arena.

An inability of the Group to respond to external developments in a timely manner or any rigidity in the Group's operating model preventing an appropriate response could lead to a deterioration in the Group's results, financial conditions and prospects.

## **RISKS RELATED TO THE SECURITIES**

### **The obligations of the Bank in respect of the Securities are unsecured and deeply subordinated**

The Securities constitute unsecured and subordinated obligations of the Bank.

On a Winding-Up of the Bank, all claims in respect of the Securities will rank junior to the claims of all Senior Creditors of the Bank. If, on a Winding-Up of the Bank, the assets of the Bank are insufficient to enable the Bank to repay the claims of more senior-ranking creditors in full, the Securityholders will lose their entire investment in the Securities. If there are sufficient assets to enable the Bank to pay the claims of senior-ranking creditors in full but insufficient assets to enable it to pay claims in respect of its obligations in respect of the Securities and all other claims that rank *pari passu* with the Securities, Securityholders will lose some (which may be substantially all) of their investment in the Securities. In addition, any claim in respect of the Securities will be for the Prevailing Principal Amount of the Securities held by a Securityholder, which, if the Securities have been Written Down and not subsequently Written Up at the time of claim, will be less than par.

For the avoidance of doubt, the holders of the Securities shall, in a Winding-Up of the Bank, have no claim to share with the ordinary stockholders in respect of the surplus assets (if any) of the Bank remaining in any Winding-Up following payment of all amounts due in respect of the liabilities of the Bank including the Securities.

Although the Securities may pay a higher rate of interest than Securities which are not subordinated, there is a substantial risk that investors in the Securities will lose all or some of the value of their investment should the Bank become insolvent.

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

There is no restriction on the amount of securities which the Bank may issue, nor on the amount of any other obligations it may assume, which rank senior to, or *pari passu* with, the Securities. The issue of any such securities and/or the assumption of any such other obligations may reduce the amount recoverable by Securityholders on a winding-up of the Bank and/or may increase the likelihood of a cancellation of interest amounts under the Securities.

#### **There are no events of default under the Securities and rights of enforcement are limited**

The Conditions will not provide for events of default allowing acceleration of the Securities. Accordingly, if the Bank fails to make a payment that has become due under the Securities, investors will not have the right to accelerate the Prevailing Principal Amount of the Securities. Upon a payment default by the Bank, the sole remedy against the Bank available to the Trustee or (where the Trustee has failed to proceed against the Bank as provided in the Conditions) any Securityholder will be to institute proceedings for the Winding-Up of the Bank. The Trustee may claim in any Winding-Up of the Bank (whether or not such Winding-Up is instituted by the Trustee) and claim in such Winding-Up for the amounts provided in Condition 3 (*Winding-Up*), and may take no other or further action to enforce, prove or claim for such payment. The Bank (other than in a Winding-Up) will not be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

#### **The Bank may at any time elect, and in certain circumstances shall be required, not to make interest payments on the Securities**

The Bank may at any time elect, in its sole and full discretion, to cancel any interest payment (in whole or in part) on the Securities which would otherwise be due on any Interest Payment Date. Additionally, the Central Bank has the power under Article 104 of the CRD IV Directive to restrict or prohibit payments by an issuer of interest to holders of Additional Tier 1 instruments (such as the Securities).

Furthermore, the Bank will be required to cancel any interest amount (in whole or in part) which would otherwise fall due on an Interest Payment Date if and to the extent that payment of such interest would cause, when aggregated together with other distributions of the kind referred to in Article 141(2) of the CRD IV Directive (or any provision of applicable law transposing or implementing Article 141(2) of the CRD IV Directive), the lower of (i) the Maximum Distributable Amount (if any) then applicable to the Bank Regulatory consolidation and (ii) the Maximum Distributable Amount (if any) then applicable to the Group to be exceeded.

In addition, if a Trigger Event occurs, the Bank will cancel all interest accrued up to (and including) the Write-Down Effective Date.

With respect to cancellation of interest due to insufficient Distributable Items, see also “*The level of the Bank's Distributable Items is affected by a number of factors and insufficient Distributable Items will restrict the ability of the Bank to make interest payments on the Securities*” below. With respect to cancellation of interest due to the application of a Maximum Distributable Amount, see also “*CRD IV introduces capital requirements that are in addition to the minimum capital requirement. These additional capital requirements will restrict the Bank from making interest payments on the Securities in certain circumstances, in which case the Bank will automatically cancel such interest payments*” below.



It is the Bank's policy that, whenever exercising its discretion to declare any distribution in respect of its stock, or its discretion to cancel interest on the Securities or any other Additional Tier 1 instruments, it will take into account the relative ranking of these instruments in its capital structure. The Bank reserves the right to depart from this policy at its sole discretion at any time and in any circumstance.

Any interest not so paid on any such Interest Payment Date shall be cancelled and shall no longer be due and payable by the Bank. A cancellation of interest in accordance with the Conditions will not constitute a default of the Bank under the Securities for any purpose, nor shall it impose any contractual restrictions (such as dividend stoppers) or any other obligation on the Bank.

Any actual or anticipated cancellation of interest on the Securities will likely have an adverse effect on the market price of the Securities. In addition, as a result of the interest cancellation provisions of the Securities, the market price of the Securities may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to such cancellation and may be more sensitive generally to adverse changes in the Bank's financial condition. Any indication that the Common Equity Tier 1 Ratio of the Bank Regulatory consolidation or the Group is trending towards the combined capital buffer requirement (the level at which the Maximum Distributable Amount restriction under the CRD IV Directive becomes relevant) may have an adverse effect on the market price of the Securities.

**The level of the Bank's Distributable Items is affected by a number of factors and insufficient Distributable Items will restrict the ability of the Bank to make interest payments on the Securities**

The Bank will be required to cancel any interest amount (in whole or in part) which would otherwise fall due on an Interest Payment Date if and to the extent that payment of such interest amount would, when aggregated with other relevant stipulated payments or distributions, exceed the Distributable Items of the Bank.

Distributable Items are defined under Article 4(1)(128) of the CRD IV Regulation as follows: "the amount of the profits at the end of the last financial year plus any profits brought forward and reserves available for that purpose before distributions to holders of own funds instruments less any losses brought forward, profits which are non-distributable pursuant to provisions in legislation or the institution's bye-laws and sums placed to non-distributable reserves in accordance with applicable national law or the statutes of the institution, those losses and reserves being determined on the basis of the individual accounts of the institution and not on the basis of the consolidated accounts".

As at 31 December 2014 the Bank had Distributable Items of in excess of €3.3 billion. The level of the Bank's Distributable Items is affected by a number of factors. The Bank's future Distributable Items, and therefore the ability of the Bank to make interest payments under the Securities, are a function of the Bank's existing Distributable Items and its future profitability. In addition, the Bank's Distributable Items may also be adversely affected by the servicing of more senior instruments or parity ranking instruments.

The level of the Bank's Distributable Items will be reduced by €0.7 billion on any redemption of the Bank's outstanding 2009 Preference Stock. The level of the Bank's Distributable Items may be further affected by other redemptions or purchases of stock in the Bank or by changes to regulation or the requirements and expectations of applicable regulatory authorities. Any such potential changes could adversely affect the Bank's Distributable Items in the future.

Further, the Bank's Distributable Items, and therefore the Bank's ability to make interest payments under the Securities, may be adversely affected by the performance of the business of the Group in general, factors affecting its financial position (including capital and leverage), the economic environment in which the Group operates and other factors outside of the Bank's control. In addition, adjustments to earnings, as determined by the Court, may fluctuate significantly and may materially adversely affect Distributable Items.

**CRD IV includes capital requirements that are in addition to the minimum capital requirement. These additional capital requirements will restrict the Bank from making interest payments on the Securities in certain circumstances, in which case the Bank will automatically cancel such interest payments**

The Bank will be required to cancel any interest amount (in whole or in part) which would otherwise fall due on an Interest Payment Date if and to the extent that payment of such interest would cause, when aggregated together with other distributions of the kind referred to in Article 141(2) of the CRD IV Directive (or any provision of applicable law transposing or implementing Article 141(2) of the CRD IV Directive), the lower of (i) the Maximum Distributable Amount (if any) then applicable to the Bank Regulatory consolidation and (ii) the Maximum Distributable Amount (if any) then applicable to the Group to be exceeded.

Under CRD IV, institutions are required to hold a minimum amount of regulatory capital equal to 8 per cent. of Risk Weighted Assets (of which at least 4.5 per cent. must be Common Equity Tier 1 capital). In addition to these so-called minimum "own funds" requirements CRD IV (for example, at Article 128 and following) also introduces capital buffer

requirements that are in addition to the minimum “own funds” requirements and are required to be met with Common Equity Tier 1 capital. It introduces five new capital buffers: (i) the capital conservation buffer, (ii) the institution-specific countercyclical buffer, (iii) the global systemically important institutions buffer, (iv) the other systemically important institutions buffer and (v) the systemic risk buffer. Subject to transitional provisions, the capital conservation buffer (2.5 per cent.) will apply to the Bank Regulatory consolidation and the Group. Some of the other buffers may be applicable to the Bank Regulatory consolidation and/or the Group from time to time as determined by the Supervisory Authority.

As well as the “Pillar 1” capital requirements described above, CRD IV (for example, at Article 104(1)(a)) contemplates that competent authorities may require additional “Pillar 2” capital to be maintained by an institution relating to elements of risks which are not fully captured by the minimum “own funds” requirements (“**additional own funds requirements**”) or to address macro-prudential requirements.

The EBA published guidelines on 19 December 2014 addressed to national supervisors on common procedures and methodologies for the supervisory review and evaluation process (“**SREP**”) which contained guidelines proposing a common approach to determining the amount and composition of additional own funds requirements and which is to be implemented by 1 January 2016. Under these guidelines, national supervisors should set a composition requirement for the additional own funds requirements to cover certain risks of at least 56 per cent. Common Equity Tier 1 capital and at least 75 per cent. Tier 1 capital. The guidelines also contemplate that national supervisors should not set additional own funds requirements in respect of risks which are already covered by capital buffer requirements and/or additional macro-prudential requirements. The interpretation of Article 104(1)(a) of the CRD IV Directive remains unclear, in particular as to how any “Pillar 2” additional own funds requirements imposed thereunder should be considered to comprise part of an institution’s own funds requirements. Such uncertainty can be expected to subsist while the relevant authorities in the EU and in Ireland continue to develop their approach to the application of the relevant rules. As a result of this uncertainty, there can be no assurance as to the relationship between the “Pillar 2” additional own funds requirements and the restrictions on discretionary payments referred to below and as to how and when effect will be given to the EBA’s guidelines in Ireland, including as to the consequences for an institution of its capital levels falling below the minimum, buffer and additional requirements referred to above.

There can also be no assurance as to the manner in which additional own funds requirements may be disclosed publicly in the future. Whilst the Bank will in the ordinary course of its communications with investors in all classes of its capital instruments, endeavour to provide reasonable clarity with respect to its minimum own funds capital requirements and any “Pillar 2” additional own funds requirements imposed on it by the Supervisory Authority, the Supervisory Authority may seek to impose restrictions on any such disclosure of “Pillar 2” additional own funds requirements and there can be no assurance that such restrictions will not cease to apply or, if they do, as to the consequences of any such publication.

Under Article 141 of the CRD IV Directive, EU Member States must require that institutions that fail to meet the “combined buffer requirement” (broadly, the combination of the capital conservation buffer, the institution-specific counter-cyclical buffer and the higher of (depending on the institution) the systemic risk buffer, the global systemically important institutions buffer and the other systemically important institutions buffer, in each case as applicable to the institution) will be subject to restricted “discretionary payments” (which are defined broadly by CRD IV as distributions in connection with Common Equity Tier 1 capital, payments on Additional Tier 1 instruments (including Interest Amounts on the Securities) and payments of variable remuneration if the obligation to pay was created at a time when the institution failed to meet the combined buffer requirements). The restrictions will be scaled according to the extent of the breach of the “combined buffer requirement” and calculated as a percentage of the profits of the institution since the most recent decision on the distribution of profits or “discretionary payment”. Such calculation will result in a “maximum distributable amount” in each relevant period. As an example, the scaling is such that in the bottom quartile of the “combined buffer requirement”, no “discretionary distributions” will be permitted to be paid. As a consequence, in the event of breach of the combined buffer requirement it may be necessary to reduce discretionary payments, including potentially exercising the discretion to cancel (in whole or in part) Interest payments in respect of the Securities. Further, there can be no assurance that the Bank Regulatory consolidation’s and/or the Group’s combined buffer requirement specifically, or the Bank’s and/or the Group’s other capital requirements more generally, will not be increased in the future, which may exacerbate the risk that “discretionary payments”, including payments of Interest on the Securities, are cancelled.

The Bank Regulatory consolidation’s and/or the Group’s capital requirements are, by their nature, calculated by reference to a number of factors any one of which or combination of which may not be easily observable or capable of calculation by investors. Holders of the Securities may not be able to predict accurately the proximity of the risk of discretionary payments (of Interest and principal) on the Securities being prohibited from time to time as a result of the operation of Article 141 of the CRD IV Directive.

In addition, CRD IV includes a requirement for credit institutions to calculate, report, monitor and publish their leverage ratios, defined as their Tier 1 capital as a percentage of their total exposure measure. This requirement will be harmonised at EU level from 1 January 2018, and until which date regulators may apply such measures as they consider appropriate.

There can be no assurance, however, that the leverage ratio specified above, or any of the minimum own funds requirements, additional own funds requirements or buffer capital requirements applicable to the Bank will not be amended in the future to include new and more onerous capital requirements, which in turn may affect the Bank's capacity to make payments of interest on the Securities.

**The Securities may be traded with accrued interest, but under certain circumstances described above, such interest may be cancelled and not paid on the relevant Interest Payment Date**

The Securities may trade, and/or the prices for the Securities may appear, on the regulated market of the Irish Stock Exchange and in other trading systems with accrued interest. If this occurs, purchasers of Securities in the secondary market will pay a price that reflects such accrued interest upon purchase of the Securities. However, if a payment of interest on any Interest Payment Date is cancelled (in whole or in part) as described herein and thus is not due and payable, purchasers of such Securities will not be entitled to that interest payment (or, if the Bank elects to make a payment of a portion, but not all, of such interest payment, the portion of such interest payment not paid) on the relevant Interest Payment Date.

**Upon the occurrence of a Trigger Event, Securityholders may lose all or some of the value of their investment in the Securities**

The Securities are being issued for capital adequacy regulatory purposes with the intention and purpose of being eligible as Additional Tier 1 Capital of the Bank. Such eligibility depends upon a number of conditions being satisfied, which are reflected in the Conditions. One of these relates to the ability of the Securities and the proceeds of their issue to be available to absorb any losses of the Bank. Accordingly, if, at any time, the Bank Regulatory consolidation's Common Equity Tier 1 Ratio or the Group's Common Equity Tier 1 Ratio (calculated in accordance with Regulatory Capital Requirements including, for the avoidance of doubt, any transitional measures set out in Part Ten of the CRD IV Regulation) falls below 5.125 per cent. (a **Trigger Event**): (a) the Prevailing Principal Amount of each Security shall be immediately and mandatorily Written Down by the Write-Down Amount, *pro rata* with any other Parity Loss Absorbing Instruments as defined in the Conditions; and (b) all accrued and unpaid interest up to (and including) the Write-Down Effective Date (whether or not such interest has become due for payment) shall be cancelled.

The factors that influence the Common Equity Tier 1 Ratio of the Bank Regulatory consolidation may not be the same as the factors that influence the Common Equity Tier 1 Ratio of the Group as calculated on a consolidated basis. For example, an event that has a negative impact on any of the Bank's subsidiaries may have a greater or lesser impact on the Common Equity Tier 1 Ratio calculated on an individual consolidated basis than on the Common Equity Tier 1 Ratio of the Group calculated on a consolidated basis, depending on whether or not that subsidiary is included for the purpose of calculating the Common Equity Tier 1 Ratio of the Bank on an individual consolidated basis (referred to in this Prospectus as the Bank Regulatory consolidation) as well as that of the Group on a consolidated basis.

Since a Trigger Event will occur if either the Common Equity Tier 1 Ratio of the Bank Regulatory consolidation or the Common Equity Tier 1 Ratio of the Group calculated on a consolidated basis falls below 5.125 per cent., regardless of whether the other Common Equity Tier 1 Ratio also falls below that threshold, the additional uncertainties resulting from differences in the factors affecting the two Common Equity Tier 1 Ratios may have an adverse effect on the market price or the liquidity of the Securities.

Although Condition 5.3 (*Reinstatement of principal amount*) permits the Bank in its sole and full discretion to reinstate Written Down principal amounts if certain conditions (further described therein) are met, the Bank is under no obligation to do so. Moreover the Bank will only have the option to Write-Up the principal amount of the Securities if, at a time when the Prevailing Principal Amount is less than their Initial Principal Amount, it records positive Net Income and (to the extent permitted by the then prevailing Regulatory Capital Requirements) positive Consolidated Net Income, and if the Maximum Distributable Amount (if any) (when the amount of any such Write-Up is aggregated together with other distributions of the Bank Regulatory consolidation or the Group, as applicable, of the kind referred to in Article 141(2) of the CRD IV Directive) would not be exceeded as a result of the Write-Up.

No assurance can be given that these conditions will ever be met, or that the Bank will ever Write-Up the principal amount of the Securities following a Write-Down. Furthermore, any Write-Up must be undertaken on a *pro rata* basis with any other securities of the Bank that have terms permitting a principal write-up to occur on a basis similar to that set out in Condition 5.3 (*Reinstatement of principal amount*) in the circumstances then existing.

During the period of any Write-Down pursuant to Condition 5 (*Write-Down and Write-Up of Principal Amount*), interest will accrue on the Prevailing Principal Amount of the Securities, which shall be lower than the Initial Principal Amount unless and until the Securities are subsequently Written-Up in full. Furthermore, in the event that a Write-Down occurs during an Interest Period, any interest accrued but not yet paid until the occurrence of such Write-Down will be cancelled and, if not cancelled in accordance with Condition 4.1 (*Cancellation of interest*), the interest amount payable on the

Interest Payment Date immediately following such Interest Period shall be calculated on the Prevailing Principal Amount resulting from the Write-Down. See generally Condition 4.7 (*Calculation of interest*).

Securityholders may lose all or some of their investment as a result of a Write-Down. If any order is made by any competent court for the Winding-Up of the Bank, or if the Bank is liquidated for any other reason prior to the Securities being written up in full pursuant to Condition 5.3 (*Reinstatement of principal amount*), Securityholders' claims for principal and interest will be based on the reduced Prevailing Principal Amount of the Securities. Securityholders' claims for principal and interest will also be based on the reduced Prevailing Principal Amount of the Securities in the event that the Bank exercises its option to redeem the Securities upon the occurrence of a Regulatory Event or a Tax Gross-Up Event in accordance with Conditions 6.3 (*Redemption upon the occurrence of a Regulatory Event*) and 6.4 (*Redemption upon the occurrence of a Tax Gross-Up Event*) at a time when the Securities have been Written Down and not subsequently Written-Up.

In addition, in certain circumstances the Maximum Distributable Amount will impose a cap on the Bank's ability to pay interest on the Securities, on the Bank's ability to reinstate the Prevailing Principal Amount of the Securities following a Write-Down and on its ability to redeem or repurchase Securities.

Please refer to "*The Council of the European Union has adopted a bank recovery and resolution directive which is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The implementation of the directive or the taking of any action under it could materially affect the value of any Securities*" below.

The market price of the Securities is expected to be affected by fluctuations in the Bank Regulatory consolidation's and the Group's Common Equity Tier 1 Ratio. Any indication that the Bank Regulatory consolidation's or the Group's Common Equity Tier 1 Ratio is approaching the level that would trigger a Trigger Event may have an adverse effect on the market price of the Securities.

The occurrence of a Trigger Event is inherently unpredictable and depends on a number of factors, which may be outside the control of the Group. Accordingly, investors may be unable to accurately predict if and when a Trigger Event may occur. See "*The circumstances surrounding or triggering a Write-Down are unpredictable, and there are a number of factors that could affect the Common Equity Tier 1 Ratio of the Bank Regulatory consolidation or the Group*" below.

**The circumstances surrounding or triggering a Write-Down are unpredictable, and there are a number of factors that could affect the Common Equity Tier 1 Ratio of the Bank Regulatory consolidation or the Group**

The occurrence of a Trigger Event is inherently unpredictable and depends on a number of factors, which may be outside the control of the Bank. Moreover, because the relevant authority may instruct the Bank to calculate the Bank Regulatory consolidation's or the Group's Common Equity Tier 1 Ratio as at any date, a Trigger Event could occur at any time, including if the Bank is subject to recovery and resolution actions by the relevant resolution authority, or the Bank might otherwise determine to calculate such ratio in its own discretion. Moreover, the relevant resolution authority is likely to allow a Trigger Event to occur rather than to resort to the use of public funds to provide capital to the Bank. Additionally the resolution authority may permanently write-down the Securities at the point of non-viability of the Bank, and this may occur prior to a Trigger Event (please see "*The Council of the European Union has adopted a bank recovery and resolution directive which is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The implementation of the directive or the taking of any action under it could materially affect the value of any Securities*" below for further information).

The Bank Regulatory consolidation's and the Group's Common Equity Tier 1 Ratio may fluctuate. The calculation of such ratios could be affected by one or more factors, including, among other things, changes in the mix of the Group's business, major events affecting its earnings, distributions by the Bank, the rate at which pension liabilities are discounted, the rate of absorption of deferred tax assets, regulatory changes (including changes to definitions and calculations of the Common Equity Tier 1 Ratio and its components, including Common Equity Tier 1 Capital and Risk Weighted Assets, in each case on either an individual consolidated basis or a consolidated basis, and the unwinding of transitional provisions under CRD IV) and the Group's ability to manage Risk Weighted Assets in both its on-going businesses and those which it may seek to exit. In addition, the Group has capital resources and risk weighted assets denominated in foreign currencies, and changes in foreign exchange rates will result in changes in the euro equivalent value of foreign currency denominated capital resources and risk weighted assets. As a result, the Group's Common Equity Tier 1 Ratio is exposed to foreign currency movements. It is Group policy to manage structural foreign exchange risk by ensuring that the currency composition of its risk weighted assets and its structural net asset position by currency are broadly similar. This is designed to minimise the impact of the exchange rate movements on the principal capital ratios.

The calculation of the Bank Regulatory consolidation's and the Group's Common Equity Tier 1 Ratio may also be affected by changes in applicable accounting rules, or by changes to regulatory adjustments which modify the regulatory capital impact of accounting rules. Moreover, even if changes in applicable accounting rules, or changes to regulatory adjustments which modify accounting rules, are not yet in force as of the relevant calculation date, the Central Bank could require the Bank to reflect such changes in any particular calculation of the Bank Regulatory consolidation's or the Group's Common Equity Tier 1 Ratio.

Accordingly, accounting changes or regulatory changes may have a material adverse impact on the Bank's and the Group's calculations of regulatory capital, including Common Equity Tier 1 and Risk Weighted Assets and the Bank's and the Group's Common Equity Tier 1 Ratio.

It will be difficult to predict when, if at all, a Trigger Event and subsequent Write-Down may occur. Accordingly, the trading behaviour of the Securities is not necessarily expected to follow the trading behaviour of other types of securities. Any indication that a Trigger Event and subsequent Write-Down may occur can be expected to have a material adverse effect on the market price of the Securities.

**The Common Equity Tier 1 Ratio of the Bank Regulatory consolidation and the Group will be affected by the Group's business decisions and, in making such decisions, the Group's interests may not be aligned with those of the holders of the Securities**

As discussed in *"The circumstances surrounding or triggering a Write-Down are unpredictable, and there are a number of factors that could affect the Common Equity Tier 1 Ratio of the Bank Regulatory consolidation or the Group"* above, the Bank Regulatory consolidation's or the Group's Common Equity Tier 1 Ratio could be affected by a number of factors. The Bank Regulatory consolidation's and the Group's Common Equity Tier 1 Ratio will also depend on the Bank's and the Group's decisions relating to their businesses and operations, as well as the management of their capital positions. Neither the Bank nor the Group will have any obligation to consider the interests of the holders of the Securities in connection with its strategic decisions, including in respect of its capital management. Holders of the Securities will not have any claim against the Bank or any other member of the Group relating to decisions that affect the business and operations of the Bank or the Group, including the Bank Regulatory consolidation's or the Group's capital position, regardless of whether they result in the occurrence of a Trigger Event. Such decisions could cause holders of the Securities to lose all or part of the value of their investment in the Securities.

**The taking of action under the Central Bank and Credit Institutions (Resolution) Act 2011 of Ireland may materially affect the value of any Securities**

The introduction of a special resolution regime in Ireland for credit institutions may impact on the regulation of the Group and on its corporate structure. On 20 October 2011, the Central Bank and Credit Institutions (Resolution) Act 2011 (the **Resolution Act**) was enacted and was brought into force on 28 October 2011. Its application was delayed in respect of institutions that remained subject to the Stabilisation Act, but the Resolution Act now has application to the Bank. 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 Irish State. Under the Resolution Act, the Central Bank has been given sweeping powers to intervene where a credit institution is failing. 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 for Finance, 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 for Finance, 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 is untested (insofar as its application to credit institutions is concerned) 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.

At the date of this Prospectus, the BRRD (as defined below) has not been transposed into Irish law but on such transposition, the Irish legislation which transposes the BRRD is expected to supersede or significantly amend the Resolution Act, subject to the provisions of such transposition.

**The Council of the European Union has adopted a bank recovery and resolution directive which is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The implementation of the directive or the taking of any action under it could materially affect the value of any Securities**

On 15 April 2014, the European Parliament and Council adopted Directive 2014/59/EU providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the **Bank Recovery and Resolution Directive** or **BRRD**). The BRRD has been implemented in the UK and is due to be implemented in Ireland in the first half of 2015. It is likely that such implementation will result in significant amendments to the Resolution Act. It is expected that the provisions on the bail-in tool will apply from 1 January 2016. The BRRD is designed to provide relevant authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

The BRRD contains four resolution tools and powers which may be used alone or in combination where the relevant resolution authority considers that (a) an institution is considered as failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest:

- **sale of business** - which enables resolution authorities to direct the sale of the firm or the whole or part of its business on commercial terms;
- **bridge institution** - which enables resolution authorities to transfer all or part of the business of the firm to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control);
- **asset separation** - which enables resolution authorities to transfer impaired or problem assets to one or more publicly-owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and
- **bail-in** - which gives resolution authorities the power to write-down certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt claims (including subordinated Securities such as the Securities) to equity (the **general bail-in tool**), which equity could also be subject to any future application of the general bail-in tool.

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

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

In addition to the general bail-in tool, the BRRD provides for resolution authorities to have the further power to permanently write-down, or convert into equity, Additional Tier 1 capital instruments (such as the Securities) and Tier 2 capital instruments at the point of non-viability of the bank and before any other resolution is taken (**non-viability loss absorption**). The point of non-viability may be at a ratio higher than 5.125 per cent. Any shares issued to holders of Additional Tier 1 capital instruments or Tier 2 capital instruments may also be subject to any future application of the general bail-in tool.

For the purposes of the application of any non-viability loss absorption measure, the point of non-viability under the BRRD is the point at which the relevant authority determines that the institution meets the conditions for resolution (but no resolution action has yet been taken) or that the institution will no longer be viable unless the relevant capital instruments (such as the Securities) are Written Down or converted or extraordinary public support is to be provided and without such support the appropriate authority determines that the institution would no longer be viable.

The powers set out in the BRRD will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Once the BRRD is implemented, holders of Securities may be subject to write-down or conversion into equity on any application of the general bail-in tool or non-viability loss absorption, which may result in such holders losing some or all of their investment. The exercise of any power under the BRRD or any suggestion of such exercise could, therefore, materially adversely affect the rights of Securityholders, the price or value of their investment in the Securities and/or the ability of the Bank to satisfy its obligations under the Securities. As the scope of the BRRD (and the form of its implementation in Irish law) together with its application is as yet untested, there is a material uncertainty as to the nature and duration of its impact on such intervention for the Bank, the various categories of creditors and relevant markets generally.

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

Under the European Communities (Deposit Guarantee Schemes) Regulations 1995 (the **DGS Regulations 1995**), which implement in Ireland the Deposit Guarantee Schemes Directive (Directive 94/19/EC), the Central Bank operates a statutory depositor protection scheme. The European Communities (Deposit Guarantee Schemes) (Amendment) Regulations 2009 amend the DGS Regulations 1995 and transpose the Deposit Guarantee Schemes Directive (Directive 2009/14/EC). Holders of the Securities will not qualify under the deposit protection scheme.

#### **There is no scheduled redemption date for the Securities and Securityholders have no right to require redemption**

The Securities are undated securities in respect of which there is no fixed redemption or maturity date. The Bank is under no obligation to redeem the Securities at any time and the Securityholders have no right to require the Bank or any member of the Group to redeem or purchase any Securities at any time. Any redemption of the Securities and any purchase of any Securities by the Bank or any of its subsidiaries will be subject always to the prior approval of the Supervisory Authority and to compliance with prevailing prudential requirements, and the Securityholders may not be able to sell their Securities in the secondary market (if at all) at a price equal to or higher than the price at which they purchased their Securities. Accordingly, investors in the Securities should be prepared to hold their Securities for a significant period of time.

#### **The Securities are subject to early redemption at their Prevailing Principal Amount (which may be less than par) upon the occurrence of certain tax and regulatory events**

Subject to the prior approval of the Supervisory Authority and to compliance with prevailing prudential requirements, the Bank may, at its option, redeem all (but not some only) of the Securities at any time at their Prevailing Principal Amount (which may be less than par) plus interest accrued and unpaid from and including the immediately preceding Interest Payment Date up to but excluding the redemption date, upon the occurrence of a Tax Gross-Up Event or a Regulatory Event.

An optional redemption feature is likely to limit the market value of the Securities. During any period when the Bank may elect to redeem the Securities, the market value of the Securities generally will not rise substantially above the price at which they can be redeemed.

If the Bank redeems the Securities in any of the circumstances mentioned above, there is a risk that the Securities may be redeemed at times when the redemption proceeds are less than the current market value of the Securities or when prevailing interest rates may be relatively low, in which latter case Securityholders may only be able to reinvest the redemption proceeds in securities with a lower yield. Potential investors should consider reinvestment risk in light of other investments available at that time.

#### **The interest rate on the Securities will be reset on each Reset Date, which may affect the market value of the Securities**

The Securities will initially earn interest at a fixed rate of interest to, but excluding, the First Call Date. From, and including, the First Call Date, however, and every Reset Date thereafter, the interest rate will be reset to the Reset Rate of Interest (as described in Condition 4.2 (*Rate of Interest*)). This reset rate could be less than the Initial Rate of Interest and/or the interest rate that applies immediately prior to such Reset Date, which could affect the amount of any interest payments under the Securities and so the market value of an investment in the Securities.

**The Securities are novel and complex financial instruments that involve a high degree of risk and may not be a suitable investment for all investors**

Potential investors should ensure that they have read and understood the section headed “*Restrictions on marketing and sales to retail investors*” on pages 4 and 5 of this Prospectus.

The Securities are novel and complex financial instruments that involve a high degree of risk. As a result, an investment in the Securities will involve certain increased risks. Each potential investor of the Securities must determine the suitability (either alone or with the help of a financial adviser) of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Prospectus;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including where such potential investor’s financial activities are principally denominated in a currency other than euro, and the possibility that the entire principal amount of the Securities could be lost, including following the exercise of any bail-in power by the resolution authorities;
- (iv) understand thoroughly the terms of the Securities, such as the provisions governing Write-Down (including, in particular, the Bank Regulatory consolidation’s and the Group’s Common Equity Tier 1 Ratio, as well as under what circumstances the Trigger Event will occur), and be familiar with the behaviour of any relevant indices and financial markets, including the possibility that the Securities may become subject to write-down or conversion if the Bank should become non-viable; and
- (v) be 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.

Sophisticated investors generally do not purchase complex financial instruments that bear a high degree of risk as stand-alone investments. They purchase such financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Securities unless they have the knowledge and expertise (either alone or with a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the likelihood of Write-Down and the value of the Securities, and the impact this investment will have on the potential investor’s overall investment portfolio. Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Prospectus or incorporated by reference herein.

**Because the Securities are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on the clearing system procedures for transfer, payment and communication with the Bank**

The Securities will, upon issue, be represented by a Global Certificate that will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Certificate. While the Securities are in global form, investors will be able to trade their beneficial interests only through Euroclear or Clearstream, Luxembourg, as the case may be.

While the Securities are in global form, the payment obligations of the Bank under the Securities will be discharged upon such payments being made by or on behalf of the Bank to or to the order of the nominee for the common depositary. A holder of a beneficial interest in a Security must rely on the procedures of Euroclear and/or Clearstream, Luxembourg, as the case may be, to receive payments under the Securities. The Bank does not have any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

**Meetings of Securityholders and modification**

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



In addition, the Trustee may agree, without the consent of the Securityholders, to make any modification to any of the Conditions or any of the provisions of the Trust Deed or the Agency Agreement (a) to cure or correct any ambiguity or defective or inconsistent provision contained therein, or which is of a formal, minor or technical nature; (b) which is in the opinion of the Trustee, not prejudicial to the interests of the Securityholders (provided the proposed modification does not relate to a matter in respect of which an Extraordinary Resolution would be required if a meeting of Securityholders were held to consider such modification); (c) to correct a manifest error or an error which is proven to the satisfaction of the Trustee; or (d) to comply with mandatory provisions of the law (other than the Regulatory Capital Requirements).

### **Change of law**

The Conditions will be governed by the laws of England except for the provisions governing the subordination of the Securities which will be governed by Irish law. No assurance can be given as to the impact of any possible judicial decision or change to the laws of England or Ireland or applicable administrative practice after the date of this Prospectus.

### **Legality of purchase**

Neither the Bank nor any of its affiliates has or assumes responsibility for the lawfulness of the acquisition of the Securities by a prospective investor in the Securities, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective investor with any law, regulation or regulatory policy applicable to it.

Potential investors are further referred to the section headed “*Restrictions on marketing and sales to retail investors*” on pages 4 to 5 of this Prospectus for further information.

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

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

### **Taxation**

Potential purchasers and sellers of the Securities should be aware that they may be required to pay taxes or documentary charges or duties in accordance with the laws and practices of the country where the Securities are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available in relation to the tax treatment of financial instruments such as the Securities. Potential investors are advised not to rely upon the tax summary contained in this Prospectus but to ask for their own tax adviser’s advice on their individual taxation with respect to the acquisition, holding, sale and redemption of the Securities. This investment consideration has to be read in connection with the taxation sections of this Prospectus.

### **EU Savings Directive**

Under Council Directive 2003/48/EC on the taxation of savings income (the **Savings Directive**), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The end of the transitional period is 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).

On 24 March 2014, the Council of the European Union adopted a Council Directive (the **Amending Directive**) amending and broadening the scope of the requirements described above. The Amending Directive requires Member States to apply these new requirements from 1 January 2017 and if they were to take effect the changes would expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. They would also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported or subject to withholding. This approach would apply to payments made to, or secured

for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

However, the European Commission has proposed the repeal of the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

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 Bank nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Security as a result of the imposition of such withholding tax. The Bank is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Savings Directive.

Investors who are in any doubt as to their position should consult their professional advisers.

### **Foreign Account Tax Compliance Act Withholding**

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**FATCA**) impose a new reporting regime and, potentially, a 30 per cent. withholding tax with respect to (i) "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (ii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. While the Securities are in global form and held within the Clearing Systems, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the Clearing Systems. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Bank's obligations under the Securities are discharged once it has made payment to, or to the order of, the common depository for the Clearing Systems (as registered holder of the Securities), and the Bank has therefore no responsibility for any amount thereafter transmitted through the Clearing Systems and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an **IGA**) are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make. Prospective investors should refer to the section "*Taxation – Foreign Account Tax Compliance Act*".

### **A Securityholder's actual yield on the Securities may be reduced from the stated yield by transaction costs**

When Securities are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the current price of the security. These incidental costs may significantly reduce or even exclude the profit potential of the Securities. For instance, credit institutions as a rule charge their clients for own commissions which are either fixed minimum commissions or pro-rata commissions depending on the order value. To the extent that additional – domestic or foreign – parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, Securityholders must take into account that they may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).

In addition to such costs directly related to the purchase of securities (direct costs), Securityholders must also take into account any follow-up costs (such as custody fees). Prospective investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Securities before investing in the Securities.

Please refer also to "*The Bank may at any time elect, and in certain circumstances shall be required, not to make interest payments on the Securities*" above.

## **RISKS RELATED TO THE MARKET GENERALLY**

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

### **The secondary market generally.**

The Securities represent a new security for which no secondary trading market currently exists and there can be no assurance that one will develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Securities easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of Securities.

If a market for the Securities does develop, the trading price of the Securities may be subject to wide fluctuations in response to many factors, including those referred to in this risk factor, as well as stock market fluctuations and general economic conditions that may adversely affect the market price of the Securities. Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them, and such volatility may be increased in an illiquid market. If any market in the Securities does develop, it may become severely restricted, or may disappear, if the financial condition and/or the Common Equity Tier 1 Ratio of the Group or the Bank Regulatory consolidation deteriorates such that there is an actual or perceived increased likelihood of the Bank being unable, or where the Supervisory Authority elects to direct the Bank not, to pay interest on the Securities in full, or of the Securities being Written Down or otherwise subject to loss absorption under the Conditions or an applicable statutory loss absorption regime. In addition, the market price of the Securities may fluctuate significantly in response to a number of factors, some of which are beyond the Bank's control, including:

- actual or expected variations in the Group's operating performance;
- any shortfall in revenue or net profit or any increase in losses from levels expected by market commentators;
- increases in capital expenditure compared with expectations;
- any perception that the Group's strategy is or may be less effective than previously assumed or that the Group is not effectively implementing any significant projects;
- changes in financial estimates by securities analysts;
- changes in market valuations of similar entities;
- announcements by the Group of significant acquisitions, strategic alliances, joint ventures, new initiatives, new services or new service ranges;
- regulatory matters, including changes in regulatory regulations or Central Bank requirements;
- additions or departures of key personnel; and
- future issues or sales of Securities or other securities.

Any or all of these events could result in material fluctuations in the price of Securities which could lead to investors losing some or all of their investment.

The issue price of the Securities might not be indicative of prices that will prevail in the trading market, and there can be no assurance that an investor would be able to sell its Securities at or near the price which it paid for them, or at a price that would provide it with a yield comparable to more conventional investments that have a developed secondary market.

Moreover, although the Bank and any subsidiary of the Bank can (subject to regulatory approval and compliance with prevailing prudential requirements) purchase Securities at any time, they have no obligation to do so. Purchases made by the Bank or any member of the Group could affect the liquidity of the secondary market of the Securities and thus the price and the conditions under which investors can negotiate these Securities on the secondary market.

In addition, Securityholders should be aware of the prevailing and widely reported global credit market conditions (which continue, to some extent, at the date of this Prospectus), whereby there has been a general lack of liquidity in the secondary market which, if it were to continue or worsen in future, could result in investors suffering losses on the

Securities in secondary resales even if there were no decline in the performance of the Securities or the assets of the Bank. The Bank cannot predict whether these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Securities and instruments similar to the Securities at that time.

Although applications have been made for the Securities to be listed and admitted to trading on the Irish Stock Exchange's Regulated Market, there is no assurance that such application will be accepted or that an active trading market will develop.

#### **Exchange rate risks and exchange controls**

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

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

#### **Interest rate risks**

An investment in the Securities, which bear interest at a fixed rate (reset every five years), involves the risk that subsequent changes in market interest rates may adversely affect their value. The rate of interest will be set every five years, and as such reset rates are not pre-defined at the date of issue of the Securities; they may be different from the initial rate of interest and may adversely affect the yield of the Securities.

## **DOCUMENTS INCORPORATED BY REFERENCE**

The following documents which have previously been published (or are published simultaneously with this Prospectus) and have been filed with the Central Bank shall be deemed to be incorporated in, and to form part of, this Prospectus:

- (a) the audited consolidated annual financial statements of the Bank for the financial year ended 31 December 2013 and the auditor's report by PricewaterhouseCoopers thereon;
- (b) the audited consolidated annual financial statements of the Bank for the financial year ended 31 December 2014 and the auditor's report by PricewaterhouseCoopers thereon;
- (c) the interim management statement of the Bank dated 29 April 2015; and
- (d) the Pillar 3 disclosures of the Group for the year ended 31 December 2014.

Copies of documents incorporated by reference in this Prospectus can be obtained: (i) by a request in writing to the Bank or the Paying Agents at their specified offices as set out at the end of this Prospectus; or (ii) by visiting the Bank's website at the following web address:

<http://www.bankofireland.com/about-bank-of-ireland/investor-relations/financial-information/financial-information/>

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

References in this Prospectus or any documents incorporated by reference in this Prospectus to websites are made for information purposes only and the contents of those websites do not form part of this Prospectus.

## TERMS AND CONDITIONS OF THE SECURITIES

*The following is the text of the terms and conditions that, subject to completion and amendment, shall be applicable to the Securities in definitive form (if any) issued in exchange for the Global Security.*

The €750,000,000 Fixed Rate Reset Additional Tier 1 Perpetual Contingent Temporary Write-Down Securities (the **Securities**, which expression shall in these Conditions, unless the context otherwise requires, include any further securities issued pursuant to Condition 14 (*Further Issues*) and forming a single series with the Securities) of The Governor and Company of the Bank of Ireland (the **Bank**) are constituted by a trust deed dated 18 June 2015 (as amended and/or supplemented and/or restated from time to time, the **Trust Deed**) made between the Bank and Deutsche Trustee Company Limited (the **Trustee**, which expression shall include all persons from time to time being trustee or trustees appointed under the Trust Deed) as trustee for the holders of the Securities).

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 and the agency agreement dated 18 June 2015 (as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) made between the Bank, the Trustee, Deutsche Bank Luxembourg S.A. as Registrar and the initial Paying Agents are available for inspection and collection during normal business hours by the Securityholders at the Specified Office of each of the Paying Agents. The Securityholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions of the Agency Agreement applicable to them.

### 1. FORM, DENOMINATION, TRANSFER AND TITLE

#### 1.1 Form and denomination

The Securities are in registered form and are available and transferable in minimum principal amounts of €200,000 and integral multiples of €1,000 in excess thereof. A security certificate (**Certificate**) will be issued to each Securityholder in respect of its registered holding of Securities. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Securityholders which the Bank will procure to be kept by the Registrar.

#### 1.2 Transfer and Title

- (a) Title to the Securities passes only by registration in the register of Securityholders (the **Register**). The holder of any Security will (except as otherwise required by law) be treated as its absolute owner for all purposes (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 **Securityholder** and (in relation to a Security) **holder** means the person in whose name a Security is registered in the Register (or, in the case of a joint holding, the first named thereof).
- (b) Transfers of book-entry interests in the Securities 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.
- (c) The Securities will initially be represented by a global certificate in registered form (the **Global Certificate**) and will be registered in the name of a nominee of a common depositary for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**).
- (d) For so long as any of the Securities is represented by a Global Certificate, registration of title to Securities in a name other than that of the nominee for Euroclear and Clearstream, Luxembourg, BT Globenet Limited (the **Nominee**) will be permitted only if either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in

fact do so and no alternative clearing system satisfactory to the Registrar is available. References herein to **Accountholders** are to each person (other than Euroclear and Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear and/or Clearstream, Luxembourg as the holder of a particular principal amount of Securities (in which regard any certificate or other document issued by that clearing system as to the principal amount of Securities standing to the account of any person shall be conclusive and binding for all purposes). Thereupon, the Nominee (acting on the instructions of one or more of the Accountholders) may give notice to the Bank of its intention to exchange the Global Certificate for definitive Certificates on or after the Exchange Date (as defined below).

- (e) On or after the Exchange Date, the Nominee may surrender the Global Certificate to, or to the order of, the Registrar. In exchange for the Global Certificate, the Registrar will deliver, or procure the delivery of, definitive Certificates in minimum principal amounts of €200,000 and integral multiples of €1,000 in excess thereof printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Trust Deed. On exchange of the Global Certificate, the Bank will procure that it is cancelled and, if the Nominee so requests, returned to the Nominee together with any relevant definitive Certificates.

For these purposes, **Exchange Date** means a day specified in the notice requiring exchange falling not less than 10 days after that on which such notice is given and being a day on which banks are open for general business in the place in which the specified office of the Registrar is located.

## **2. STATUS AND SUBORDINATION**

### **2.1 Status**

The Securities are direct, unsecured and subordinated obligations of the Bank and rank *pari passu*, without any preference among themselves.

### **2.2 Solvency Condition**

Subject to Condition 3 (*Winding-Up*), all payments in respect of or arising from (including any damages awarded for breach of any obligation under) the Securities are, in addition to the right or obligation of the Bank to cancel payments under Condition 4.1 (*Cancellation of interest*) and Condition 5.1(c) (*Loss absorption*), conditional upon the Bank being solvent at the time of payment by the Bank and no payments shall be due and payable in respect of or arising from the Securities except to the extent that the Bank could make such payment and still be solvent immediately thereafter (the **Solvency Condition**).

In these Conditions, the Bank shall be considered to be solvent at a particular time if, at such time, (x) the Bank is able to pay its debts to its Senior Creditors as they fall due and (y) the Bank's Assets exceed its Liabilities. A certificate as to the solvency of the Bank signed by two Directors shall be treated and accepted by the Bank, the Trustee and the Securityholders as correct and sufficient evidence thereof.

### **2.3 No set-off**

Subject to applicable law, no Securityholder may exercise or claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Bank in respect of, or arising under or in connection with, the Securities and each Securityholder will, by virtue of their holding of any Security, be deemed to have waived all such rights of set-off, compensation or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any Securityholder by the Bank in respect of, or arising under or in connection with the Securities is discharged by set-off, such Securityholder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Bank (or, in the event of its Winding-Up, the liquidator of or, as appropriate, examiner to the Bank) and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Bank (or the liquidator of or, as appropriate, examiner to the Bank) and accordingly any such discharge shall be deemed not to have taken place.

### 3. WINDING-UP

In the event of a Winding-Up, there shall be payable by the Bank in respect of each Security (in lieu of any other payment by the Bank, but subject as provided in this Condition 3), such amount, if any, as would have been payable to the Securityholder if, on the day prior to the commencement of the Winding-Up and thereafter, such Securityholder were the holder of one unit of a class of preference stock in the capital of the Bank (**Notional Preference Stock Unit**) ranking *pari passu* as to a return of assets on a Winding-Up with the holders of Other Tier 1 Instruments and the holders of that class or classes of preference stock (if any) from time to time issued or which may be issued by the Bank which have a preferential right to a return of assets in the Winding-Up over, and so rank ahead of, the holders of all other classes of issued stock for the time being in the capital of the Bank, but ranking junior to the claims of Senior Creditors, on the assumption that the amount that such Securityholder was entitled to receive in respect of each Notional Preference Stock Unit on a return of assets in such Winding-Up was an amount equal to the Prevailing Principal Amount of the relevant Security and any accrued but unpaid interest thereon (to the extent not cancelled in accordance with these Conditions) and any damages awarded for breach of any obligations.

### 4. INTEREST

#### 4.1 Cancellation of interest

The Bank may elect (subject to the mandatory cancellation and non-payment of interest pursuant to this Condition 4.1) at its sole and full discretion to cancel (in whole or in part) payment of the interest otherwise scheduled to be paid on an Interest Payment Date.

Under the Regulatory Capital Requirements the Bank may elect to pay interest only to the extent that it has Distributable Items. Accordingly, in addition to having the right to cancel at any time, the Bank will cancel payment of interest on any Interest Payment Date (in whole or, as the case may be, in part) if and to the extent that such interest, when aggregated together with any interest payments or distributions which have been paid or made or which are required to be paid or made during the then current financial year on all other own funds items of the Bank (excluding any such interest payments or distributions which (i) are not required to be made out of Distributable Items or (ii) have already been provided for, by way of deduction, in calculating the amount of Distributable Items), exceeds the amount of the Distributable Items of the Bank as at such Interest Payment Date.

In addition, the Bank will also be required to cancel payment of any interest otherwise scheduled to be paid on an Interest Payment Date if and to the extent that payment of such interest would cause, when aggregated together with other distributions of the kind referred to in Article 141(2) of the CRD IV Directive (or any provision of applicable law transposing or implementing Article 141(2) of the CRD IV Directive), the lower of (i) the Maximum Distributable Amount (if any) then applicable to the Bank Regulatory consolidation and (ii) the Maximum Distributable Amount (if any) then applicable to the Group to be exceeded. **Maximum Distributable Amount** means any applicable maximum distributable amount relating to the Bank Regulatory consolidation or the Group required to be calculated in accordance with Article 141 of the CRD IV Directive (or, as the case may be, any provision of applicable law transposing or implementing the CRD IV Directive).

Payment of interest will also be cancelled in the event of a Trigger Event (in accordance with Condition 5.1(c) (*Loss absorption*)) or if the Solvency Condition is not satisfied in respect of such interest (in accordance with Condition 2.2 (*Solvency Condition*)).

Notice of any cancellation of payment of a scheduled interest amount must be given to the Securityholders (in accordance with Condition 15 (*Notices*)), the Trustee and the Principal Paying Agent as soon as possible, but not more than 60 calendar days, prior to the relevant Interest Payment Date. For the avoidance of doubt: (i) the cancellation of any interest in accordance with Condition 2.2 (*Solvency Condition*), this Condition 4.1 or Condition 5.1(c) (*Loss absorption*) shall not constitute a default for any purpose on the part of the Bank; and (ii) interest on the Securities is not cumulative and any interest that the Bank elects not to pay or is prohibited from paying will not accumulate or compound and all rights and claims in respect of and such amounts shall be fully and irrevocably forfeited and no payments shall be made, nor shall any Securityholder be entitled to any payment or indemnity, in respect thereof. In the event that the Bank exercises its discretion not to pay



interest or is prohibited from paying interest on any Interest Payment Date, such cancellation will not give rise to or impose any restriction on the Bank or give rise to any other restriction on the Bank making distributions or any other payments to the holders of any securities ranking *pari passu* with, or junior to, the Securities.

## **4.2 Rate of Interest**

Subject to Conditions 2.2 (*Solvency Condition*), 4.1 (*Cancellation of interest*) and 5.1(c) (*Loss absorption*) and Condition 7 (*Payments*), the Securities bear interest on their outstanding Prevailing Principal Amount:

- (a) from (and including) the Issue Date to (but excluding) 18 June 2020 (the **First Call Date**), at 7.375 per cent. per annum (the **Initial Rate of Interest**); and
- (b) thereafter, at the relevant Reset Rate of Interest.

Subject to Conditions 2.2 (*Solvency Condition*), 4.1 (*Cancellation of interest*) and 5.1(c) (*Loss absorption*) and Condition 7 (*Payments*), the first payment of interest (for the period from and including the Issue Date to but excluding 18 June 2016) shall be payable on 18 June 2016 and thereafter it shall be payable in two equal (subject to Condition 4.7 (*Calculation of interest*)) instalments semi-annually in arrear on 18 June and 18 December of each year, (each an **Interest Payment Date**).

If paid in full, the first payment of interest shall amount to €73.750 per €1,000 Initial Principal Amount of the Securities and thereafter, if paid in full, each subsequent payment of interest to but excluding the First Call Date shall amount to €36.875 per €1,000 Initial Principal Amount of the Securities.

The period beginning on (and including) the Issue Date and ending on (but excluding) the next succeeding Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is called an **Interest Period**.

## **4.3 Determination of Reset Rate of Interest in relation to a Reset Period**

The Agent Bank will, as soon as reasonably practicable at approximately 11:00 a.m. (Central European time) on each Reset Determination Date in relation to a Reset Period, determine the Reset Rate of Interest for such Reset Period.

## **4.4 Publication of Reset Rate of Interest**

With respect to each Reset Period, the Bank shall cause the Agent Bank to give notice of the relevant Reset Rate of Interest to the Bank, the Trustee, the Principal Paying Agent, the Paying Agents and to any stock exchange or other relevant authority on which the Securities are at the relevant time listed and to be published in accordance with Condition 15 (*Notices*) as soon as reasonably practicable after such determination but in any event not later than the relevant Reset Date. The Reset Rate of Interest so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of manifest error.

## **4.5 Determination by the Trustee**

The Trustee (or an agent appointed by the Trustee at the expense of the Bank) shall be entitled but shall not be obliged, if the Agent Bank defaults at any time in its obligation to determine the Reset Rate of Interest in accordance with the above provisions, to determine the Reset Rate of Interest. In doing so the Trustee (or such agent) shall apply the provisions of this Condition, with any necessary consequential amendments to the extent that, in its opinion, it can do so and in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances and the determination shall be deemed to be a determination by the Agent Bank.

## **4.6 Notifications, etc. to be final**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4, whether by the Reset

Reference Banks (or any of them) or the Agent Bank or the Trustee (or an agent on its behalf), will (in the absence of manifest error) be binding on the Bank, the Trustee, the Agent Bank and all Securityholders and (in the absence of wilful default and fraud) no liability to the Bank or the Securityholders shall attach to the Reset Reference Banks (or any of them), the Agent Bank or, if applicable, the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Condition.

#### **4.7 Calculation of interest**

The amount of interest payable in respect of a Security for any period shall be calculated (subject to Conditions 2.2 (*Solvency Condition*), 4.1 (*Cancellation of interest*) and 5.1(c) (*Loss absorption*)) by the Principal Paying Agent by:

- (a) applying the applicable Rate of Interest to the Prevailing Principal Amount of such Security;
- (b) where applicable multiplying the product thereof by the Day Count Fraction; and
- (c) rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

If a Security has had two or more different Prevailing Principal Amounts during the relevant period for which interest is being calculated (due to one or more Write-Downs and/or Write-Ups occurring during such period), interest in respect of the Security shall be calculated as if such period was two or more (as relevant) consecutive interest periods and interest calculated based on the number of days for which each Prevailing Principal Amount was applicable.

#### **4.8 Interest accrual**

Without prejudice to Conditions 2.2 (*Solvency Condition*), 4.1 (*Cancellation of interest*) and 5.1(c) (*Loss absorption*), each Security will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the Prevailing Principal Amount of such Security is improperly withheld or refused, or unless default is otherwise made in respect of payment. In such event, interest will continue to accrue as provided in the Trust Deed.

### **5. WRITE-DOWN AND WRITE-UP OF PRINCIPAL AMOUNT**

#### **5.1 Loss absorption**

If either Common Equity Tier 1 Ratio, as of any date, falls below 5.125% (a **Trigger Event**), the Bank shall be irrevocably committed to do the following:

- (a) immediately notify the Supervisory Authority of the occurrence of a Trigger Event;
- (b) as soon as reasonably practicable deliver a Write-Down Notice to Securityholders (in accordance with Condition 15 (*Notices*)), the Trustee and the Principal Paying Agent;
- (c) cancel any accrued and unpaid interest up to (but excluding) the Write-Down Effective Date; and
- (d) without delay, and in any event within one month from the determination that the relevant Trigger Event has occurred, reduce the then Prevailing Principal Amount of each Security by the Write-Down Amount (such reduction being referred to as a **Write-Down** and **Written Down** being construed accordingly).

A Write-Down may occur on more than one occasion and the Securities may be Written Down on more than one occasion.

A Write-Down will not constitute an event of default or cause a breach of the Issuer's obligations or duties or be a failure by the Issuer to perform its obligations in any manner whatsoever and shall not entitle the Trustee or any Securityholder to petition for a Winding-up.

A Write-Down will be effected, save as may otherwise be required by the Supervisory Authority:

- (i) following, or concurrently with, the write-down or conversion into equity of the entire outstanding principal amount of any Prior Loss Absorbing Instruments; and
- (ii) *pro rata* with the concurrent write-down or conversion into equity, as the case may be, of any Parity Loss Absorbing Instruments (based on the prevailing principal amount of the relevant Parity Loss Absorbing Instrument).

**Write-Down Notice** means a notice which specifies that a Trigger Event has occurred, the Write-Down Amount (expressed as a percentage of each €1,000 of Initial Principal Amount of Securities) and the date on which the Write-Down will take effect (the **Write-Down Effective Date**). Any Write-Down Notice delivered to the Trustee must be accompanied by a certificate signed by two Directors of the Bank stating that the Trigger Event has occurred and setting out the method of calculation of the relevant Write-Down Amount upon which the Trustee shall rely (without liability to any person).

**Write-Down Amount** means the amount by which the then Prevailing Principal Amount of each outstanding Security is to be Written Down pursuant to a Write-Down, being:

- (i) the amount that (together with the Write-Down of the other Securities and the principal write-down, principal write-off or conversion into Ordinary Stock of any Prior Loss Absorbing Instruments and/or Parity Loss Absorbing Instruments in each case in the manner and to the extent provided above) would be sufficient to cure the Trigger Event; or
- (ii) if that Write-Down (together with the Write-Down of the other Securities and the principal write-down, principal write-off or conversion into Ordinary Stock of any Prior Loss Absorbing Instruments and/or Parity Loss Absorbing Instruments) would be insufficient to cure the Trigger Event, or the Trigger Event is not capable of being cured, the amount necessary to reduce the Prevailing Principal Amount to zero.

## 5.2 Parity Loss Absorbing Instruments and Full Loss Absorbing Instruments

Following the giving of a Write-Down Notice, the Bank shall procure that:

- (a) a similar notice is, or has been, given in respect of each Parity Loss Absorbing Instrument (if any); and
- (b) the prevailing principal amount of each Parity Loss Absorbing Instrument outstanding, if any, is written down, written-off or converted, as appropriate, as soon as reasonably practicable following the giving of such Write-Down Notice,

in each case in accordance with, and to the extent required by, the terms of such Parity Loss Absorbing Instrument.

To the extent the principal write-down, write-off or conversion into Ordinary Stock of any Prior Loss Absorbing Instrument or Parity Loss Absorbing Instrument is not, or within one month from the determination that the relevant Trigger Event has occurred will not be, effective for any reason, the ineffectiveness of any such write-down (or write-off) or conversion into Ordinary Stock shall not prejudice the requirement to effect a Write-Down of the Securities pursuant to Condition 5.1 (*Loss absorption*) (and, for the avoidance of doubt, the Write-Down Amount may increase as a result thereof).

If, in connection with the Write-Down or the calculation of the Write-Down Amount, there are outstanding any Parity Loss Absorbing Instruments the terms of which provide that they shall be written down or converted into equity in full and not in part only (**Full Loss Absorbing Instruments**) then:

- (a) the requirement that a Write-Down of the Securities shall be effected *pro rata* with the write-down or conversion into equity, as the case may be, of any Parity Loss Absorbing Instruments shall not be construed as requiring the Securities to be Written-Down in full simply by virtue of the fact that such Full Loss Absorbing Instruments will be written-down or converted in full; and
- (b) for the purposes of calculating the Write-Down Amount, the Full Loss Absorbing Instruments will be treated (for the purposes only of determining the write-down of principal or conversion into equity, as the case may be, among the Securities and such other Parity Loss Absorbing Instruments on a *pro rata* basis) as if their terms permitted partial write-down or conversion into equity, such that the write-down or conversion into equity of such Full Loss Absorbing Instruments shall be deemed to occur in two concurrent stages: (a) first, the principal amount of such Full Loss Absorbing Instruments shall be written-down or converted into equity *pro rata* with the Securities and all other Parity Loss Absorbing Instruments to the extent necessary to restore the Common Equity Tier 1 Ratio to at least 5.125 per cent.; and (b) secondly, the balance (if any) of the principal amount of such Full Loss Absorbing Instruments remaining following (a) shall be written-off or converted into equity, as the case may be, with the effect of increasing the Common Equity Tier 1 Ratio above the minimum required level under (a) above.

### 5.3 Reinstatement of principal amount

To the extent permitted by the Regulatory Capital Requirements and subject to the Maximum Distributable Amount (if any) (when the amount of the Write-Up is aggregated together with other distributions of the kind referred to in any provision of applicable law transposing or implementing Article 141(2) of the CRD IV Directive) not being exceeded thereby, the Bank may at its sole and full discretion reinstate the Prevailing Principal Amount of each Security (a **Write-Up**), up to a maximum of its Initial Principal Amount, on a *pro rata* basis with the other Securities and with any Written Down Additional Tier 1 Instruments of the Bank, provided that the sum of:

- (a) the aggregate amount of the relevant Write-Up on all the Securities;
- (b) the aggregate amount of any interest payments on the Securities that were paid on the basis of a Prevailing Principal Amount lower than the Initial Principal Amount at any time after the end of the previous financial year;
- (c) the aggregate amount of the increase in principal amount of each such Written Down Additional Tier 1 Instrument at the time of the relevant Write-Up; and
- (d) the aggregate amount of any interest payments on each such Written Down Additional Tier 1 Instrument that were calculated or paid on the basis of a prevailing principal amount that is lower than the principal amount it was issued with at any time after the end of the previous financial year,

does not exceed the Maximum Write-Up Amount.

The **Maximum Write-Up Amount** means the lower of:

- (a) the Consolidated Net Income multiplied by the sum of the aggregate Initial Principal Amount of the Securities and the aggregate initial principal amount of all Written Down Additional Tier 1 Instruments of the Group, and divided by the total Tier 1 Capital of the Group; and

- (b) the Net Income multiplied by the sum of the aggregate Initial Principal Amount of the Securities and the aggregate initial principal amount of all Written Down Additional Tier 1 Instruments of the Bank Regulatory consolidation, and divided by the total Tier 1 Capital of the Bank Regulatory consolidation.

**Consolidated Net Income** means the consolidated profit after tax of the Group, as calculated by the Bank by reference to the most recent audited annual consolidated accounts.

**Net Income** means the profit after tax of the Bank Regulatory consolidation as calculated by the Bank by reference to the most recent audited annual accounts.

The Bank will not reinstate the principal amount of any Written Down Additional Tier 1 Instruments unless it does so on a *pro rata* basis with a Write-Up on the Securities.

A Write-Up may be made on one or more occasions in accordance with this Condition 5.3 until the Prevailing Principal Amount of the Securities has been restored to the Initial Principal Amount. For the avoidance of doubt, at no time may the Prevailing Principal Amount of a Security exceed its Initial Principal Amount.

Any decision by the Bank to effect or not to effect any Write-Up pursuant to this Condition 5.3 on any occasion shall not preclude it from effecting or not effecting any Write-Up on any other occasion pursuant to this Condition 5.3.

#### **5.4 Currency**

For the purposes of any calculation in connection with a Write-Down or Write-Up of the Securities which necessarily requires the determination of a figure in euro (or in an otherwise consistent manner across obligations denominated in different currencies), including (without limitation) any determination of a Write-Down Amount and/or a Maximum Write-up Amount, any relevant obligations which are not denominated in euro shall, (for the purposes of such calculation only) be deemed notionally to be converted into euro at the foreign exchange rates determined, in the sole and full discretion of the Bank, to be applicable based on its regulatory reporting requirements under the Regulatory Capital Requirements.

### **6. REDEMPTION AND PURCHASE**

The Securities may not be redeemed otherwise than in accordance with this Condition 6.

#### **6.1 No fixed redemption date**

The Securities are perpetual securities in respect of which there is no fixed redemption date and the Bank shall only have the right to redeem or purchase them in accordance with the following provisions of this Condition 6.

#### **6.2 General redemption option**

The Bank may, at its sole and full discretion (but subject to the provisions of Condition 6.7 (*Conditions to redemption and purchase*)), subject to having given no less than 30 nor more than 60 calendar days' notice to the Securityholders (in accordance with Condition 15 (*Notices*)), the Trustee and the Principal Paying Agent, redeem all, but not some only, of the Securities on the First Call Date or on any Interest Payment Date thereafter at their Prevailing Principal Amount plus any accrued interest accrued up to, but excluding, the relevant date of redemption.

#### **6.3 Redemption upon the occurrence of a Regulatory Event**

Upon the occurrence of a Regulatory Event at any time, the Bank may, at its sole and full discretion (but subject to the provisions of Condition 6.7 (*Conditions to redemption and purchase*)), subject to having given no less than 30 nor more than 60 calendar days' notice to the Securityholders (in accordance with Condition 15 (*Notices*)), the Trustee and the Principal Paying Agent, redeem all, but not some only, of the Securities at

their Prevailing Principal Amount plus any accrued interest accrued up to, but excluding, the relevant date of redemption.

#### **6.4 Redemption upon the occurrence of a Tax Gross-Up Event**

Upon the occurrence of a Tax Gross-Up Event at any time, the Bank may, at its sole and full discretion (but subject to the provisions of Condition 6.7 (*Conditions to redemption and purchase*)), subject to having given no less than 30 nor more than 60 calendar days' notice to the Securityholders (in accordance with Condition 15 (*Notices*)), the Trustee and the Principal Paying Agent, redeem all, but not some only, of the Securities at their Prevailing Principal Amount plus any accrued interest accrued up to, but excluding, the relevant date of redemption.

#### **6.5 Purchase**

The Bank or any of its Subsidiaries may at any time (but subject to the provisions of Condition 6.7 (*Conditions to redemption and purchase*)) purchase or otherwise acquire Securities in the open market or otherwise and at any price in accordance with applicable laws and regulations (including for the avoidance of doubt, the Regulatory Capital Requirements). Such Securities may, subject to the approval of the Supervisory Authority (if so required by the Regulatory Capital Requirements), be held, reissued, resold or, at the option of the purchaser, surrendered to any Paying Agent for cancellation.

The Bank or any agent on its behalf shall have the right at all times to purchase Securities for market making purposes provided that: (a) Supervisory Permission has been obtained where required; and (b) the total principal amount of the Securities so purchased does not exceed the lower of (i) 10 per cent. of the aggregate Initial Principal Amount of the Securities and any further Securities issued under Condition 14 (*Further Issues*) and (ii) 3 per cent. of the Additional Tier 1 Capital of the Bank from time to time outstanding or such other amount permitted to be purchased for market-making purposes under the Regulatory Capital Requirements.

#### **6.6 Cancellation**

All Securities which are redeemed will forthwith (but subject to the provisions of Condition 6.7 (*Conditions to redemption and purchase*)) be cancelled. All Securities so redeemed and cancelled pursuant to this Condition and the Securities purchased pursuant to Condition 6.5 (*Purchase*) and cancelled shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

For so long as any of the Securities is represented by a Global Certificate, cancellation of any Securities will be effected by reduction in the aggregate principal amount of the Securities in the Register, and a corresponding reduction in the principal amount of Securities represented by the Global Certificate will be made accordingly.

#### **6.7 Conditions to redemption and purchase**

The Securities may only be redeemed, purchased, cancelled or modified (as applicable) pursuant to Condition 6.2 (*General redemption option*), 6.3 (*Redemption upon the occurrence of a Regulatory Event*), 6.4 (*Redemption upon the occurrence of a Tax Gross-Up Event*), 6.5 (*Purchase*) or 13.2 (*Modification of Securities*), as the case may be, if:

- (a) the Supervisory Authority has given Supervisory Permission;
- (b) in the case of redemption pursuant to Condition 6.2 (*General redemption option*), the Prevailing Principal Amount of each Security is not less than its Initial Principal Amount at such time;
- (c) in the case of redemption pursuant to Condition 6.3 (*Redemption upon the occurrence of a Regulatory Event*):

- (i) the Bank has demonstrated to the satisfaction of the Supervisory Authority that such exclusion or regulatory reclassification was not reasonably foreseeable by the Bank as at the Issue Date; and
- (ii) the Bank has delivered to the Trustee a certificate signed by two Directors of the Bank stating that the facts giving rise to the Regulatory Event have occurred; and
- (d) in the case of redemption pursuant to Condition 6.4 (*Redemption upon the occurrence of a Tax Gross-Up Event*):
  - (i) the Bank has demonstrated to the satisfaction of the Supervisory Authority that the change in the applicable tax treatment is material and was not reasonably foreseeable by the Bank as at the Issue Date; and
  - (ii) the Bank has delivered to the Trustee a certificate signed by two Directors of the Bank stating that the facts giving rise to the Tax Gross-Up Event have occurred and an opinion of independent legal or tax advisers of recognised international standing to the effect that such circumstances prevail.

In addition, if the Bank has elected to redeem or purchase the Securities pursuant to Condition 6.2 (*General redemption option*), 6.3 (*Redemption upon the occurrence of a Regulatory Event*), 6.4 (*Redemption upon the occurrence of a Tax Gross-Up Event*) or 6.5 (*Purchase*) and:

- (A) prior to the relevant redemption or purchase date a Trigger Event occurs; or
- (B) the Solvency Condition is not satisfied in respect of the relevant payment on the date scheduled for redemption or purchase,

the relevant redemption notice shall be automatically rescinded and shall be of no force and effect and the Prevailing Principal Amount of the Securities will not be due and payable. The Bank shall give notice thereof to the Securityholders in accordance with Condition 15 (*Notices*), and to the Trustee and the Principal Paying Agent, as soon as possible following any such automatic rescission of a redemption notice.

The Trustee shall not be under any duty to investigate whether any condition precedent to redemption under this Condition 6 has occurred and shall not be responsible to Securityholders for any loss arising from any failure by it to do so. The Trustee shall rely without further investigation and without liability as aforesaid on any certificate or opinion delivered to it in connection with this Condition 6.

## 7. PAYMENTS

### 7.1 Method of Payment

- (a) Payments of principal and interest in respect of each Note will be 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 payments of interest due otherwise than on an Interest Payment Date will only be made against surrender (in the case of payments of principal) or presentation (in respect of payments of interest) of the relevant Certificate at the specified office of any Agent. Interest on Securities due on an Interest Payment Date will be paid to the holder shown on the Register at the close of business on the date (the **record date**) being the fifteenth day before the due date for the payment of interest. For the purposes of this Condition 7.1, 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, on the second Business Day before the due date for payment and, in the case of interest, on the relevant record date, and a Noteholder's registered address means its address appearing on the Register at that time.

- (b) Payments due in respect of Securities represented by the Global Certificate shall be made by the Registrar or the Principal Paying Agent to, or to the order of, the Nominee. A record of each payment made in respect of Securities represented by the Global Certificate will be endorsed on the appropriate part of the schedule to the Global Certificate by or on behalf of the Registrar, which endorsement shall be prima facie evidence that such payment has been made in respect of the Securities. For so long as all Securities are held in Euroclear and Clearstream, Luxembourg, the “record date” shall be determined in accordance with paragraph (a) above, except that the words “fifteenth day” shall be deemed to be replaced with “ICSD Business Day” (where **ICSD Business Day** means a day on which Euroclear and Clearstream, Luxembourg are open for business). Payment by the Registrar or the Principal Paying Agent to or to the order of the Nominee will discharge the obligations of the Bank in respect of the relevant payment under the Securities. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to or to the order of the Nominee, and each beneficial owner of Securities who is not itself an Accountholder must look solely to the relevant Accountholder through which it holds its Securities for its share of each payment made to such Accountholder.

## **7.2 Payments subject to fiscal laws**

All payments in respect of the Securities are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8 (*Taxation*)) any law implementing an intergovernmental approach thereto.

## **7.3 Payments on Payment Business Days**

If the due date for payment of any amount in respect of any Security is not a Payment Business Day, the Securityholder shall not be entitled to payment of the amount due until the next succeeding Payment Business Day and shall not be entitled to any further interest or other payment in respect of any such delay.

## **7.4 Initial Paying Agents**

The initial Paying Agents and their initial Specified Offices are listed in the Agency Agreement. The Bank reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that there will at all times be:

- (a) a Principal Paying Agent;
- (b) a Paying Agent (which may be the Principal Paying Agent) with a Specified Office in a European city;
- (c) a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Bank is incorporated; and
- (d) 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.

Notice of any change in the identities or Specified Offices of any Paying Agent shall promptly be given to the Securityholders in accordance with Condition 15 (*Notices*).

## **8. TAXATION**

Subject always to Conditions 2.2 and 4, all payments of principal and/or interest in respect of the Securities shall be made free and clear of and without withholding and/or deduction for or on account of any present or



future tax, duty or charge of whatsoever nature imposed or levied by or on behalf of Ireland, or any political subdivision or any authority thereof or therein having power to tax (**Taxes**), unless such withholding and/or deduction is required by law. In that event, the Bank will make such payment after the withholding or deduction of such tax, duty or charge has been made, shall account to the relevant authorities for the amount required to be withheld or deducted and the Bank will, subject to certain limitations and exceptions (set forth below), pay such additional amounts (**Additional Amounts**) as will result (after such withholding and/or deduction) in the receipt by the holders of the Securities of such sums which would have been receivable (in the absence of such withholding and/or deduction) from it in respect of their Securities except that no such Additional Amounts shall be payable in respect of any Security:

- (a) to, or to a third party on behalf of, a Securityholder who is liable to any such tax, duty or charge in respect of such Security by reason of having some connection with Ireland other than the mere holding or ownership of such Security; and/or
- (b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to such Additional Amounts on presenting the same for payment on the last day of such period of 30 days (assuming, whether or not such is in fact the case, such last day to be a Payment Business Day);
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (d) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Security to another Paying Agent in a Member State of the European Union; and/or
- (e) in respect of any Taxes payable otherwise than by deduction or withholding from a payment on a Security.

As used in these Conditions, **Relevant Date** in respect of any Security means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which such payment first becomes due, or, if the full amount of the moneys payable has not been duly received by the Agent or the Trustee on or prior to such due date, the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Securityholders in accordance with Condition 15 (*Notices*).

If any Additional Amounts are paid by the Bank and a Securityholder obtains a relief or remission for, or a repayment of any Taxes in respect of the payments of Additional Amounts, such Securityholder shall pay to the Issuer an amount equal to the full amount of such relief, remission or repayment of Taxes.

## **9. PRESCRIPTION**

Securities will become void unless presented for payment within periods of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Securities, subject to the provisions of Condition 7 (*Payments*).

## **10. REPLACEMENT OF CERTIFICATES**

If any Security is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent (and, if the Securities are then admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system), subject to all applicable laws and listing authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the

Bank may reasonably require. Mutilated or defaced Securities must be surrendered before replacements will be issued.

## **11. INDEMNIFICATION AND PROTECTION OF THE TRUSTEE AND ITS CONTRACTING WITH THE BANK**

### **11.1 Indemnification and protection of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability towards the Bank and the Securityholders, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Securityholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

### **11.2 Trustee contracting with the Bank**

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, inter alia, (a) to enter into business transactions with the Bank and/or any of the Bank's Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Bank and/or any of the Bank's Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Securityholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

### **11.3 Reliance by Trustee on reports, confirmations, certificates and advice**

The Trustee may rely without liability to Securityholders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institutions or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice in which event such report, confirmation or certificate or advice shall be binding on the Bank, the Trustee and the Securityholders.

## **12. ENFORCEMENT**

*The Trust Deed contains provisions entitling the Trustee to claim from the Bank, inter alia, the fees, expenses and liabilities incurred by it in carrying out its duties under the Trust Deed. The restrictions on commencing proceedings described below will not apply to any such claim.*

- (a) In the event of a Winding-Up, or if the Bank has not made payment of any amount in respect of the Securities for a period of seven days or more after the date on which such payment is due, the Bank shall be deemed to be in default under the Securities and, unless proceedings for a Winding-Up have already commenced, the Trustee may institute proceedings for a Winding-Up. The Trustee may prove in a Winding-Up (whether or not instituted by the Trustee) such claim as is set out in Condition 3 (*Winding-Up*). For the avoidance of doubt, an election by the Bank in accordance with Condition 4.1 (*Cancellation of interest*) to cancel (in whole or in part) the interest otherwise scheduled to be paid on an Interest Payment Date shall not constitute a failure to pay for the purposes of this Condition 12(a).
- (b) Without prejudice to Condition 12(a), the Trustee may, at its discretion, and without notice, institute such proceedings and/or take any other steps or action against the Bank as it may think fit to enforce any term or condition binding on the Bank under the Trust Deed (other than any payment obligation

of the Bank under or arising from the Securities or the Trust Deed, including, without limitation, payment of any principal or interest in respect of the Securities, including any damages awarded for breach of any obligations) provided that in no event shall the Bank, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it pursuant to these Conditions or the Trust Deed. Nothing in this Condition 12(b) shall, however, prevent the Trustee instituting proceedings for the Winding-Up, proving in any Winding-Up or exercising rights under Condition 3 (*Winding-Up*) in respect of any payment obligations of the Bank arising from or in respect of the Securities or the Trust Deed (including any damages awarded for breach of any obligations).

- (c) The Trustee shall not be bound to take any of the actions, steps or proceedings referred to in Condition 12(a) or 12(b) against the Bank to enforce the terms of the Securities or the Trust Deed or any other action, step or proceeding under or pursuant to the Trust Deed unless (i) it shall have been so requested by an Extraordinary Resolution of the Securityholders or in writing by the holders of at least one-quarter in principal amount of the Securities then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.
- (d) No Securityholder shall be entitled to proceed directly against the Bank or to institute proceedings for a Winding-Up or to prove in a Winding-Up unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing, in which case the Securityholder shall have only such rights against the Bank as those which the Trustee is entitled to exercise as set out in this Condition 12.
- (e) No remedy against the Bank, other than as referred to in this Condition 12, shall be available to the Trustee or the Securityholders, whether for the recovery of amounts owing in respect of the Securities or under the Trust Deed or in respect of any breach by the Bank of any of its other obligations under or in respect of the Securities or the Trust Deed.

### **13. MEETINGS OF SECURITYHOLDERS; MODIFICATION**

#### **13.1 Meetings of Securityholders**

The Trust Deed contains provisions for convening meetings of Securityholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Securities or certain provisions of the Trust Deed. The quorum at any such meeting for passing such Extraordinary Resolution is one or more persons holding or representing in the aggregate not less than a clear majority in Prevailing Principal Amount of the Securities for the time being outstanding, or at any adjourned meeting one or more persons being or representing Securityholders not less than one-third in Prevailing Principal Amount of the Securities for the time being outstanding, except that at any meeting the business of which includes a Reserved Matter, the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in aggregate Prevailing Principal Amount of the Securities for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Securityholders shall be binding on all the Securityholders, whether or not they are present at the meeting and whether or not they voted on the resolution. Such modifications may only be made to the extent that the Bank has obtained the prior written approval of the Supervisory Authority (if so required by the Regulatory Capital Requirements).

For the purposes of any meeting of Securityholders, the holder of the Securities represented by the Global Certificate shall be treated as one person for the purposes of any quorum requirements and as being entitled to one vote in respect of each €1,000 in principal amount of the Securities.

In addition, a resolution in writing signed by or on behalf of the holders of at least 75 per cent. in aggregate Prevailing Principal Amount of the outstanding Securities who for the time being are entitled to receive notice of a meeting of Securityholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Securityholders.

## **13.2 Modification of Securities**

Subject to Condition 6.7 (*Conditions to redemption and purchase*), the Trustee and the Bank may agree, without the consent of the Securityholders, to any modification of the Securities or the Trust Deed which is: (a) to cure or correct any ambiguity or defective or inconsistent provision contained therein, or which is of a formal, minor or technical nature; (b) in the opinion of the Trustee, not prejudicial to the interests of the Securityholders (provided the proposed modification does not relate to a Reserved Matter; (c) to correct a manifest error or an error proven to the satisfaction of the Trustee; or (d) to comply with mandatory provisions of the law (other than the Regulatory Capital Requirements). Any such modification shall be binding on the Securityholders and any such modification shall be notified to the Securityholders in accordance with Condition 15 (*Notices*) as soon as practicable thereafter.

## **13.3 Trustee to have regard to interests of Securityholders 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 or substitution), the Trustee shall have regard to the general interests of the Securityholders as a class but shall not have regard to any interests arising from circumstances particular to individual Securityholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Securityholders (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 Securityholder be entitled to claim, from the Bank, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Securityholders except to the extent already provided for in Condition 8 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 8 (*Taxation*) pursuant to the Trust Deed.

## **14. FURTHER ISSUES**

The Bank may from time to time, without the consent of the Securityholders but subject to Supervisory Permission if such securities are to be included in the Bank Regulatory consolidation's and/or Group's Tier 1 Capital, create and issue further securities having the same terms and conditions as the Securities in all respects (or in all respects except for the first payment of interest, if any, on them and/or the issue price thereof) so as to form a single series with the Securities.

## **15. NOTICES**

All notices regarding the Securities will be deemed to be validly given:

- (a) if and for so long as the Securities are listed on the Regulated Market of the Irish Stock Exchange, if delivered to the Regulated Market of the Irish Stock Exchange and published on the Daily Official List of the Irish Stock Exchange. Any such notice shall be deemed to have been given on the second day after having been so mailed or on the date of publication or, if published more than one or on different dates, on the date of the first publication; or
- (b) for so long as any Securities are represented by the Global Certificate and such Global Certificate is held on behalf of Euroclear and Clearstream, Luxembourg, if delivered to Euroclear or Clearstream, Luxembourg for communication by them to the holders of the Securities and, in addition, for so long as any Securities are listed on a stock exchange and the rules of that stock exchange so require, such notice will be published in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange. Any such notice shall be deemed to have been given to the holders of the Securities on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Securityholder shall be in writing and given by lodging the same, with the Principal Paying Agent. Such notice may be given by any accountholder to the Principal Paying Agent

through Euroclear and Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent and Euroclear and Clearstream, Luxembourg, as the case may be, may approve for this purpose.

## **16. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

### **16.1 Governing law**

The Trust Deed, the Securities and any non-contractual obligations arising out of or in connection with them are governed by, and will be construed in accordance with, English law, except for Condition 3 (*Winding-Up*) and the subordination provisions in clause 5 of the Trust Deed which will be governed by and construed in accordance with the laws of Ireland.

### **16.2 Submission to jurisdiction**

The Bank has, in the Trust Deed, irrevocably agreed for the benefit of the Trustee and the Securityholders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, and the Securities (including a dispute relating to any non-contractual obligations arising out of or in connection with them) and that accordingly any suit, action or proceedings (together referred to as **Proceedings**) arising out of or in connection with the Securities (including any Proceedings relating to any non-contractual obligations arising out of or in connection with them) may be brought in such courts.

The Bank hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum, and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

Nothing contained in this Condition shall limit any right to take Proceedings against the Bank construed in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

### **16.3 Appointment of process agent**

The Bank has in the Trust Deed appointed the General Counsel (UK), Bank of Ireland (UK) plc, Bow Bells House, One Bread Street, London EC4M 9BE as its agent to accept on its behalf service of process in England in connection with any Proceedings, and has undertaken that, in the event of such person ceasing so to act, it will appoint another person as its agent for that purpose and notify the Trustee in writing of such appointment. The Bank has also agreed in the Trust Deed to procure that, so long as any of the Securities remains outstanding, there shall be in force an appointment of such a person with an office in London with authority to accept service as aforesaid. Nothing herein shall affect the right to serve process in any other manner permitted by law.

## **17. 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 Security, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **18. DEFINITIONS**

In these Conditions the following expressions have the following meanings:

**5-year Mid-Swap Rate** means, in relation to a Reset Period and the Reset Determination Date in relation to such Reset Period:

- (i) the annual mid-swap rate with a term of 5 years which appears on the Screen Page as of 11:00 a.m. (Central European time) on such Reset Determination Date; or

- (ii) if such rate does not appear on the Screen Page at such time on such Reset Determination Date, the Reset Reference Bank Rate on such Reset Determination Date;

**5-year Mid-Swap Rate Quotations** means the arithmetic mean of the bid and ask rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating euro interest rate swap which:

- (i) has a term of five years commencing on the relevant Reset Date;
- (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market; and
- (iii) has a floating leg based on 6-month EURIBOR rate (calculated on an Actual/360 day count basis);

**Actual/360** means the actual number of days in the relevant period divided by 360;

**Additional Amounts** has the meaning given to such term in Condition 8 (*Taxation*);

**Additional Tier 1 Capital** has the meaning, at any time, given to such term (or any other equivalent or successor term) in the Regulatory Capital Requirements at such time;

**Agency Agreement** has the meaning given to such term in the preamble to these Conditions;

**Agent Bank** means an independent investment bank or financial institution to be appointed by the Bank no later than the First Call Date (unless the Securities are to be redeemed on that date pursuant to Condition 6.2 (*General redemption option*)) to perform the functions expressed to be performed by the Agent Bank under these Conditions;

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

**Bank** has the meaning given to it in the preamble to these Conditions;

**Bank Regulatory consolidation** means, in relation to any measure referred to in these Conditions, how such measure relates to the Bank together with certain subsidiaries calculated on an individual consolidated basis as referred to in Article 9 of the CRD IV Regulation;

**Business Day** means (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and (ii) a TARGET2 Settlement Day;

**Common Equity Tier 1 Capital**, at any time, means the sum of all amounts that constitute common equity tier 1 capital (as that term is used in the Regulatory Capital Requirements) of the Bank Regulatory consolidation (calculated on an individual consolidated basis as referred to in Article 9 of the CRD IV Regulation) or, as the context requires, of the Group (calculated on a consolidated basis) as at such time, in each case less any deductions from common equity tier 1 capital required to be made as of such time and as calculated by the Bank in accordance with the Regulatory Capital Requirements;

**Common Equity Tier 1 Ratio** means each of (i) the ratio of the Common Equity Tier 1 Capital of the Bank Regulatory consolidation as at any date of calculation to the Risk Weighted Assets of the Bank Regulatory consolidation as of the same date, in each case calculated on an individual consolidated basis as referred to in Article 9 of the CRD IV Regulation, and (ii) the ratio of the Common Equity Tier 1 Capital of the Group as of any date of calculation to the Risk Weighted Assets of the Group as at the same date, in each case calculated on a consolidated basis and, in the case of each of (i) and (ii) above, expressed as a percentage and calculated by the Bank in accordance with the Regulatory Capital Requirements (including, for the avoidance of doubt, any transitional provisions set out in Part Ten of the CRD IV Regulation);

**Conditions** means these terms and conditions of the Securities;

**CRD IV Directive** means Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms dated 26 June 2013, as amended or replaced from time to time.

**CRD IV Regulation** means Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms dated 26 June 2013, as amended or replaced from time to time;

**Day Count Fraction** means (i) the actual number of days in the period from (and including) the date from which interest begins to accrue (the **Accrual Date**) to (but excluding) the date on which it falls due, divided by (ii) in respect of the first payment of interest, the actual number of days from (and including) the Accrual Date to (but excluding) the first Interest Payment Date on 18 June 2016, or (iii) in respect of each subsequent payment of interest, two times the actual number of days from (and including) the Accrual Date to (but excluding) the next following Interest Payment Date;

**Distributable Items** means, in respect of any interest payment, those profits and reserves (if any) of the Bank which are available, in accordance with applicable law and regulation for the time being, for the payment of such interest payment;

**Extraordinary Resolution** has the meaning given to such term in the Trust Deed;

**First Call Date** has the meaning given to such term in Condition 4.2(a) (*Rate of Interest*);

**Full Loss Absorbing Instruments** has the meaning given to such term in Condition 5.2 (*Parity Loss Absorbing Instruments and Full Loss Absorbing Instruments*);

**Group** means the Bank and each entity within the prudential consolidation of the Bank pursuant to Chapter 2 of Title II of Part One of the CRD IV Regulation;

**Initial Principal Amount** means, in respect of a Security, the principal amount of such Security as at the Issue Date;

**Initial Rate of Interest** has the meaning given to such term in Condition 4.2(a) (*Rate of Interest*);

**Interest Payment Date** has the meaning given to such term in Condition 4.2 (*Rate of Interest*);

**Interest Period** has the meaning given to such term in Condition 4.2 (*Rate of Interest*);

**Issue Date** means 18 June 2015;

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

**Margin** means 6.956 per cent.;

**Notional Preference Share** has the meaning given to such term in Condition 3 (*Winding-Up*);

**Ordinary Stock** means the units of ordinary stock of the Bank;

**Other Tier 1 Instruments** means any obligations of the Bank which rank or are expressed to rank on a Winding-Up or in respect of a distribution or payment of dividends or any other payments thereon *pari passu* with the Bank's obligations in respect of the Securities (for the avoidance of doubt, including any other Additional Tier 1 Securities but excluding the Ordinary Stock of the Bank);

**Parity Loss Absorbing Instrument** means, at any time, any instrument (other than the Securities and the Ordinary Stock) issued directly or indirectly by the Bank which contains provisions relating to a write-down,

write-off or conversion into Ordinary Stock of the principal amount of such instrument on the occurrence, or as a result, of either Common Equity Tier 1 Ratio falling below 5.125% and in respect of which the conditions (if any) to the operation of such provisions are (or with the giving of any certificate or notice which is capable of being given by the Bank, would be) satisfied;

**Paying Agent** means each entity appointed as a paying agent from time pursuant to the Agency Agreement;

**Payment Business Day** means (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the relevant place of presentation and (ii) a TARGET2 Settlement Day;

**Person** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**Prevailing Principal Amount** in respect of a Security on any date, means the Initial Principal Amount of such Security as reduced from time to time (on one or more occasions) pursuant to a Write-Down and/or reinstated from time to time (on one or more occasions) pursuant to a Write-Up in each case on or prior to such date;

**Principal Paying Agent** means Deutsche Bank AG, London Branch or any other persons from time to time appointed as principal paying agent in respect of the Securities under the Agency Agreement;

**Prior Loss Absorbing Instrument** means, at any time, any instrument (other than the Securities and the Ordinary Stock) issued directly or indirectly by the Bank which contains provisions relating to a write-down, write-off or conversion into Ordinary Stock of the principal amount of such instrument on the occurrence, or as a result, of either Common Equity Tier 1 Ratio falling below a level that is higher than 5.125% and in respect of which the conditions (if any) to the operation of such provisions are (or with the giving of any certificate or notice which is capable of being given by the Bank, would be) satisfied;

**Proceedings** has the meaning given to such term in Condition 16.2 (*Submission to jurisdiction*);

**Rate of Interest** means the Initial Rate of Interest and/or the applicable Reset Rate of Interest, as the case may be;

**Regulatory Capital Requirements** means, at any time, any requirements contained in the regulations, rules, guidelines and policies of the Supervisory Authority, or of the European Parliament and Council, then in effect in Ireland, relating to capital adequacy and applicable to the Bank and/or the Group at such time being at the Issue Date the CRD IV Directive and CRD IV Regulation;

**Regulatory Event** means, at any time on or after the Issue Date, there is a change in the regulatory classification of the Securities under the Regulatory Capital Requirements that results or would be likely to result in their full exclusion from the Bank Regulatory consolidation's and/or the Group's Tier 1 Capital or to result in reclassification as a lower form of own funds, provided that the Supervisory Authority considers such a change to be sufficiently certain;

**Relevant Date** has the meaning given to such term in Condition 8 (*Taxation*);

**Reserved Matter** has the meaning given to such term in the Trust Deed;

**Reset Date** means the First Call Date and every date which falls five, or a multiple of five, years following the First Call Date;

**Reset Determination Date** means, in relation to a Reset Period, the day falling two TARGET2 Settlement Days prior to the Reset Date on which such Reset Period commences;



**Reset Period** means the period from (and including) the First Call Date to (but excluding) the next Reset Date, and each successive period from (and including) a Reset Date to (but excluding) the next succeeding Reset Date;

**Reset Rate of Interest** means, in relation to a Reset Period, the sum of: (a) the 5-year Mid-Swap Rate in relation to that Reset Period; and (b) the Margin;

**Reset Reference Bank Rate** means, in relation to a Reset Period and the Reset Determination Date in relation to such Reset Period, the percentage rate determined on the basis of the 5-year Mid-Swap Rate Quotations provided by the Reset Reference Banks to the Agent Bank at approximately 11:00 a.m. (Central European time) on such Reset Determination Date. If at least three quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Bank Rate will be the quotation provided. If no quotations are provided, the Reset Reference Bank Rate for the relevant Reset Period will be (i) in the case of each Reset Period other than the Reset Period commencing on the First Call Date, the 5-year Mid-Swap Rate in respect of the immediately preceding Reset Period or (ii) in the case of the Reset Period commencing on the First Call Date, an amount equal to the Initial Rate of Interest less the Margin;

**Reset Reference Banks** means six leading swap dealers in the interbank market selected by the Agent Bank (excluding the Agent Bank or any of its affiliates) in its discretion after consultation with the Bank;

**Risk Weighted Assets** means, at any time, the aggregate amount of the risk weighted assets of the Bank Regulatory consolidation (calculated on an individual consolidated basis as referred to in Article 9 of the CRD IV Regulation) or, as the context requires, of the Group (calculated on a consolidated basis) as at such time, in each case as calculated by the Bank in accordance with the Regulatory Capital Requirements;

**Screen Page** means Reuters screen “ISDAFIX2” or such other page as may replace it on Reuters or, as the case may be, on such other information service that may replace Reuters, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates comparable to the 5-year Mid-Swap Rate;

**Securities** has the meaning given to such term in the preamble to these Conditions;

**Securityholders** has the meaning given to such term in the preamble to these Conditions;

**Senior Creditors** means creditors of the Bank: (a) who are unsubordinated creditors of the Bank; (b) whose claims are, or are expressed to be, subordinated (whether only in the event of a Winding-Up or otherwise) to the claims of unsubordinated creditors of the Bank but not further or otherwise; or (c) whose claims are, or are expressed to be, junior to the claims of other creditors of the Bank, whether subordinated or unsubordinated, other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Securityholders in a Winding-Up (and, for the avoidance of doubt, Senior Creditors shall include holders of Tier 2 Capital instruments);

**Solvency Condition** has the meaning given to such term in Condition 2.2 (*Solvency Condition*);

**Specified Office** has the meaning given to such term in the Agency Agreement;

**Supervisory Authority** means the European Central Bank and any successor or replacement thereto, or such other authority having primary responsibility for the prudential oversight and supervision of the Bank Regulatory consolidation and/or the Group for the purposes of the CRD IV Directive and CRD IV Regulation;

**Supervisory Permission** means such approval, consent or non-objection from, or notification required within prescribed periods to, the Supervisory Authority, or such waiver of the then prevailing Regulatory Capital Requirements from the Supervisory Authority, as is required under the then prevailing Regulatory Capital Requirements;

**TARGET2 Settlement Day** means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open;

**Tax Gross-Up Event** means that, as a result of any change in, or amendment to, the laws or regulations of Ireland or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation or administration of such laws or regulations, becoming effective on or after the Issue Date, on the occasion of the next payment due in respect of the Securities, the Bank would be obliged to pay Additional Amounts as provided or referred to in Condition 8 (*Taxation*) and such obligation cannot be avoided by the Bank taking reasonable measures available to it;

**Tier 1 Capital** has the meaning, at any time, given to such term (or any other equivalent or successor term) in the Regulatory Capital Requirements at such time;

**Tier 2 Capital** has the meaning, at any time, given to such term (or any other equivalent or successor term) in the Regulatory Capital Requirements at such time;

**Trigger Event** has the meaning given to such term in Condition 5.1 (*Loss absorption*);

**Trust Deed** has the meaning given to such term in the preamble to these Conditions;

**Trustee** has the meaning given to such term in the preamble to these Conditions;

**Winding-Up** means an order is made for the winding up or dissolution of the Bank or an effective resolution is passed at a General Court of the members of the Bank for the appointment of a liquidator of the Bank;

**Write-Down** has the meaning given to such term in Condition 5.1(d) (*Loss absorption*);

**Write-Down Amount** has the meaning given to such term in Condition 5.1 (*Loss absorption*);

**Write-Down Effective Date** has the meaning given to such term in Condition 5.1 (*Loss absorption*);

**Write-Down Notice** has the meaning given to such term in Condition 5.1 (*Loss absorption*);

**Write-Up** has the meaning given to such term in Conditions 5.3 (*Reinstatement of principal amount*);

**Write-Up Notice** has the meaning given to such term in Conditions 5.3 (*Reinstatement of principal amount*);

**Written Down** has the meaning given to such term in Condition 5.1(d) (*Loss absorption*); and

**Written Down Additional Tier 1 Instrument** means an instrument (other than the Securities) issued directly or indirectly by the Bank and qualifying as Additional Tier 1 Capital of the Bank Regulatory consolidation or the Group (as the case may be) that, as at the time immediately prior to the relevant Write-Up, has a prevailing principal amount lower than the principal amount that it was issued with due to a write-down and that has terms permitting a principal write-up to occur on a basis similar to that set out in Condition 5.3 (*Reinstatement of principal amount*) in the circumstances existing on the date of the relevant Write-Up.

## **USE OF PROCEEDS**

The net proceeds of the issue of the Securities (estimated to be approximately €740,805,000) will be used by the Bank for general corporate purposes.

## DESCRIPTION OF THE BANK

### General

The Bank is the parent of a group of subsidiary companies (together with the 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 Group is one of the largest financial services groups in Ireland with total assets of €130 billion at 31 December 2014. The address of the registered office of the Bank is 40 Mespil Road, Dublin 4, Ireland.

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. These services include: current account 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, life assurance protection, pension and investment products. 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 the Republic of Ireland, 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 offers a comprehensive range of banking products and related financial services to the personal and business markets including deposits, mortgages, consumer and business lending, credit cards, current accounts, money transmission services, commercial finance, asset finance and general insurance. Retail Ireland serves customers through a distribution network of branches, central support teams, ATMs and through direct channels (telephone, mobile and on-line). Retail Ireland is managed through a number of business units namely Distribution Channels, Consumer Banking (including Bank of Ireland Mortgage Bank), Business Banking (including Bank of Ireland Finance) and Customer and Wealth Management.

#### *Bank of Ireland Life*

Bank of Ireland Life is a trading name of the Group's wholly owned subsidiary, New Ireland Assurance Company plc (**NIAC**). Through NIAC, the Group offers a wide range of life assurance protection, pension and investment products to the Irish market through the Group's branch network, its financial advisors (direct sales force) and independent brokers.

#### *Retail UK*

Retail UK primarily comprises consumer and business banking via a branch network in Northern Ireland, its UK residential mortgage business and the business partnerships with the UK Post Office. Most of Retail UK's operations are conducted through the Group's wholly owned UK licensed subsidiary, Bank of Ireland (UK) plc. A range of retail financial services are provided in the UK via an exclusive relationship with the UK Post Office and a range of other partners. This gives the Group access to an extensive distribution network through which it distributes mortgage, personal lending, savings, insurance, banking and foreign exchange products and a large fleet of ATMs.

#### *Corporate and Treasury*

Corporate and Treasury comprises the Group's Corporate Banking and Global Markets activities across the Republic of Ireland, UK and selected international jurisdictions. This division also incorporates IBI Corporate Finance and includes the Group's liquid asset portfolio. Corporate Banking provides banking services to major corporations and financial institutions. The range of lending products provided includes overdraft and short term loan facilities, term loans, project finance and structured finance. Corporate Banking also includes the Group's international Acquisition Finance business. Global Markets transacts in a range of market instruments on behalf of both the Group itself and its 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. In addition, Global Markets manages the Group's Liquid Asset portfolio. IBI Corporate Finance advises publicly-quoted, private and semi-state companies across a variety of domestic and international transactions.

#### *Group Centre*

Our central Group functions are responsible for delivering services to each division and include Group Manufacturing, Group Finance, Group Credit & Market Risk, Group Governance Risk and Group Human Resources.

## Recent Developments

### *ECB Comprehensive Assessment*

In October 2014, the ECB announced the results of its comprehensive assessment, which covered 130 European banks, including the Group. The overall result for the Group confirmed that the Group passed the ECB Comprehensive Assessment, with substantial capital buffers over the threshold capital ratios in both the baseline and adverse stress test scenarios<sup>1</sup> as follows:

	Bank	Threshold	Buffer
Baseline scenario	12.43%	8%	4.43%
Adverse scenario	9.31%	5.5%	3.81%

Detailed results of the comprehensive assessment are published on the ECB website and further detailed disclosures in relation to the EU-wide stress tests are published on the EBA's website. The relevant disclosure templates in relation to the Bank are also available on the Group's website at <http://www.bankofireland.com/about-bank-of-ireland/investor-relations/financial-information/financial-information>.

### *Acquisition Update*

#### *Irish Bank Resolution Corporation Limited (in Special Liquidation) mortgages*

On 23 January 2015, the Group completed the purchase of a €253 million book of performing residential mortgages from Irish Bank Resolution Corporation Limited (in Special Liquidation).

#### *Danske Bank A/S loan portfolio*

On 5 February 2015, the Group and Goldman Sachs agreed terms to acquire a commercial loan portfolio of face value €540 million from Danske Bank A/S. As part of the transaction, the Group will acquire a €274 million portfolio of performing commercial loans, comprising over 1,000 customers in the SME, Agriculture and CRE sectors.

## Capital Stock

The following table sets out the consolidated capital stock of the Group in issue as at 31 December 2014.

### *Consolidated Capital Stock of the Group*

	<i>As at 31 December 2014</i>
<b>Authorised</b>	
<b>Eur</b>	<b>€m</b>
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
<b>Stg£</b>	<b>£m</b>
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
<b>US\$</b>	<b>\$m</b>
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

<sup>1</sup> The 'Bank' column in the table shows the Group's lowest Basel III transitional Common Equity Tier 1 ratio in the 3 year period 2014 to 2016, in both the baseline and adverse scenarios, as projected under the ECB's comprehensive assessment process. The 'threshold' column shows the capital ratios required to pass the ECB's comprehensive assessment. The 'buffer' column shows the difference between the first 2 columns.

*As at  
31 December  
2014*

**Allotted and fully paid**

32.346 billion units of €0.05 ordinary stock.....	€m 1,616
91.981 billion units of €0.01 deferred stock.....	920
39.291 million units of €0.05 treasury stock.....	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
1.3 billion units of non-cumulative 2009 Preference Stock of €0.01 each	13
	2,558

**Court of Directors**

The business address of the Court of Directors (the **Court**) is Bank of Ireland, 40 Mespil Road, Dublin 4, Ireland.

<i>Name</i>	<i>Function within the Group</i>	<i>Principal Outside Activities</i>
Archie G. Kane	Governor	None
Richie Boucher	Group Chief Executive Officer	None
Kent Atkinson*	Non-Executive Director	Member of the Board of UK Asset Resolution Limited (which includes Bradford & Bingley plc and NRAM plc), where he is the Senior Independent Director, Chair of the Audit Committee and a member of the Risk Committee.
Pat Butler	Non-Executive Director	Partner in The Resolution Group, a financial services investment firm.  Chairman of the Investment Committee of British Business Bank and Director of its commercial arm, British Business Bank Investments Ltd.  Governor of the British Film Institute.  Director of Hikma Pharmaceuticals plc.
Tom Considine*	Non-Executive Director	President of the Institute of Public Administration.
Patrick Haren*	Senior Independent Director	None
Andrew Keating	Group Chief Financial Officer	None
Patrick Kennedy	Deputy Governor	None
Davida Marston*	Non-Executive Director	Non-executive Director of Liberbank S.A. where she is a member of the Nomination and Remuneration Committees.
Bradley Martin	Non-Executive Director	Vice President, Strategic Investments, Fairfax Financial Holdings Ltd Chairman of Ridley Inc. and Chairman of Resolute Forest Products Inc. Non-executive Director of Eurobank Ergasias SA. where he is Chairman of the Nomination and Remuneration Committees and a member of the Audit and Risk Committees.
Patrick Mulvihill*	Non-Executive Director	Non-executive Director of International Fund Services (Ireland) Limited and Director of Beachvista Limited.

\* 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.

### 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 Central Bank’s Corporate Governance Code for Credit Institutions and Insurance Undertakings (the **Irish Code** which is available on [www.centralbank.ie](http://www.centralbank.ie)), including the additional requirements of Appendix 1 of the Irish Code for major institutions. It is also subject to the UK Corporate Governance Code 2014 published by the Financial Reporting Council in the UK (the **UK Code** which is available on [www.frc.org.uk](http://www.frc.org.uk)) and the Irish Corporate Governance Annex to the Listing Rules of the Irish Stock Exchange (the **Irish Annex** which is available on [www.ise.ie](http://www.ise.ie)).

Certain amendments were made to the Irish Code in 2013 which became applicable to the Bank from 1 January 2015. The Directors believe that the Bank complied with the provisions of the 2010 version of the Irish Code throughout 2014. The Bank will report on its compliance with the 2013 edition of the Irish Code in its annual report for the financial year ended 31 December 2015. Certain amendments were made to the UK Code in September 2014, which became applicable to the Bank from 1 January 2015. The Directors also believe that the Bank complied with the provisions of the 2012 version of the UK Code, and the Irish Annex, throughout 2014 otherwise than as set out below (the Bank will report on its compliance with the 2014 edition of the UK Code in its annual report for the financial year ended 31 December 2015):

- Tom Considine’s membership of the Group Audit Committee. As this Director was nominated by the Minister for Finance under the terms of the Credit Institutions (Financial Support) Scheme, 2008 and is not required to stand for election or regular re-election by stockholders, he is not classified as an independent non-executive director. The Group Audit Committee continues to benefit from the judgement and the quality of the contributions of Tom Considine and comprises a minimum of three independent Non-executive Directors as per provision C.3.1 of the UK Code;
- provision B.7.1 of the UK Code recommends annual election of directors by stockholders. In accordance with the Bye-Laws of the Bank, Tom Considine is not required to put himself up for re-election on an annual basis and accordingly was not submitted for re-election at the Annual General Court held in 2015. The requirement for him to stand for re-election is dispensed with for as long as he remains a Government Appointee in accordance with the Bye-Laws of the Bank; and
- as recommended by provision E.2.3 of the UK Code it is the Bank’s practice for all Directors to attend the Annual General Court of the Bank.

In 2014 the Group completed a review of the on-going fitness and probity of persons in ‘pre-approval controlled functions’ whereby Directors were asked to confirm any changes in circumstances in respect of their compliance with the Fitness and Probity Standards issued by the Central Bank (the **Standards**). All changes in circumstance disclosed were assessed and their materiality determined. Time commitments of Directors were considered as part of this review process and Directors confirmed that they continue to have sufficient time to perform their role. The Court concluded that each of the Directors of the Court has the requisite standard of fitness, probity and financial soundness to perform their functions with reference to the Standards and provided the required confirmation to that effect to the Central Bank.

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, and appropriate 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 five Non-executive Directors. The Court believes that the Committee members’ collective skills and recent and relevant financial experience enable them to discharge their responsibilities. The GAC has responsibility for:

- the appropriateness and completeness of the system of internal control;
- in close liaison with the Court Risk Committee, reviewing 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, thereby maintaining an effective system of internal control;

- monitoring the integrity of the financial statements and assisting the Court in meeting its obligations under relevant Stock Exchange listing rules and under other applicable laws and regulations including the Sarbanes-Oxley Act;
- overseeing all matters relating to the relationship between the Group and the External Auditors;
- monitoring and reviewing the effectiveness of the Group's 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

Except as noted in the footnote below, the financial information set forth below as at and for the year ended 31 December 2014 and the year ended 31 December 2013 has been extracted without material adjustment from the Group's Report and Accounts.

	<i>Twelve months ended 31-Dec 2014 IFRS</i>	<i>Twelve months ended 31-Dec 2013 IFRS</i>
	<i>€m</i>	<i>Restated* €m</i>
<b>Income statements</b>		
Profit/(loss) before taxation	920	(520)
Profit/(loss) after taxation	786	(486)
Earnings per unit of €0.05 ordinary stock (cent)	2.0c	(2.3c)
<b>Balance sheets</b>		
Non-Controlling interests	(6)	(6)
Subordinated liabilities	2,500	1,675
Total equity	8,747	7,883
Total assets	129,800	132,133
<b>Operating ratios</b>		
Net interest margin	2.11%	1.84%
<b>Asset quality</b>		
Annual provisions/average loans	0.59%	1.75%

\*The period ending 31 December 2013 has been restated to reflect the change in timing of recognition of the FSCS levy in accordance with IFRIC 21 'Levies'.

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 financial periods ended on 31 December 2014 and 31 December 2013 have been incorporated by reference herein.



## 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 Securities and should be treated with appropriate caution. Particular rules may apply to certain classes of taxpayers holding Securities 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 Securities should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Securities and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.*

#### General

*While this section summarises the circumstances in which tax must be withheld from payments on the Securities investors should note that, to the extent that tax is withheld from payments of interest on the Securities, the Conditions provide for a gross up of such payments (subject to customary exceptions). Investors are referred to Condition 8.*

The Irish Revenue have expressed the view that the Securities should be treated as equity instruments under current tax law.

If the Securities are equity instruments, interest paid will be subject to Dividend Withholding Tax (“DWT”) at the standard rate of income tax (currently 20%) unless the holder of the Securities is within one of the categories of exempt holders for DWT purposes referred to below. Even if the Securities are not equity instruments, under section 130 of the TCA interest paid in respect of the Securities will be treated as a distribution for Irish tax purposes, except where the Securityholder is a company which is within the charge to Irish corporation tax and the amount of the interest receivable does not exceed a commercial rate of return. Such deemed distributions will also be subject to DWT unless the holder of the Securities is within one of the categories of exempt holders for DWT purposes referred to below.

In the Spring Economic Statement issued by the Irish Government on 28<sup>th</sup> April 2015, it was stated that;

“The Department of Finance is in the process of reviewing the tax treatment of AT1 issuances in Ireland and the Minister for Finance has indicated that he is positively disposed to addressing the dividend withholding tax obligations which currently apply to such instruments.”

This may mean that there will be a change of law so that DWT will not apply.

#### Dividend Withholding Tax

Where DWT applies to interest payments which are treated as a distribution, the Bank is responsible for withholding DWT at source and forwarding the relevant payment to the Irish Revenue Commissioners.

Certain investors (both individual and corporate) are entitled to an exemption from DWT provided that the Bank has received all of the necessary documentation required by the relevant legislation from the investor prior to payment of the interest.

In particular, certain categories of Irish resident investors are entitled to an exemption from DWT, including (but not limited to) Irish resident companies, so long as the investor has provided the Bank with all the necessary documentation prior to payment of the interest.

Except in very limited circumstances, interest paid to Irish resident investors who are individuals is not exempt from DWT.

An investor who is neither resident nor ordinarily resident in Ireland for Irish tax purposes is not subject to DWT on interest received from the Bank if the investor is:

- (a) an individual investor not resident in Ireland but resident for tax purposes in either a Member state of the EU (apart from Ireland) or a country with which Ireland has signed a double tax treaty (a “**Relevant Territory**”) and the individual is neither resident nor ordinarily resident in Ireland; or

- (b) a corporate investor that is resident for tax purposes in a Relevant Territory provided that the corporate investor is not under the control, whether directly or indirectly, of a person or persons who is or are resident in Ireland; or
- (c) a corporate investor that is not resident for tax purposes in Ireland and which is ultimately controlled, directly or indirectly, by persons resident in a Relevant Territory and not under the control of persons not so resident; or
- (d) a corporate investor that is not resident for tax purposes in Ireland and whose principal class of shares (or those of its 75% parent) is substantially and regularly traded on a recognised stock exchange either in one or more Relevant Territories, Ireland or on such other stock exchange approved by the Minister; or
- (e) a corporate investor that is not resident for tax purposes in Ireland and is wholly owned, directly or indirectly, by two or more companies where the principal class of shares of each of such companies is substantially and regularly traded on a recognised stock exchange in one or more Relevant Territories, Ireland or on such other stock exchange approved by the Minister;

and provided that, in all cases, the investor has completed prescribed forms and provided these to the Bank prior to payment of the interest.

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

If the interest is not treated as a distribution for Irish tax purposes, the Bank will be required to withhold interest withholding tax (IWT) unless an exemption applies.

An exemption from IWT applies to interest payable to a qualifying company within the meaning of Section 110 of the TCA.

An exemption from IWT applies under Section 64 of the TCA for interest bearing securities which are quoted on a recognised stock exchange, including the Irish stock Exchange (**Quoted Eurobonds**). Any interest paid on such Quoted Eurobonds can be paid free of IWT provided;

- the person by or through whom the payment is made is not in Ireland; or
- the payment is made by or through a person in Ireland, and the person who is the beneficial owner of the Quoted Eurobond and who is beneficially entitled to the interest is not resident in Ireland and has made a declaration to the person by or through whom the payment is made; or
- the payment is made by or through a person in Ireland and the Quoted Eurobond is held in a recognised clearing system (which includes Euroclear and Clearstream, Luxembourg).

### ***Deposit Interest Retention tax***

The Bank will not be required to operate Deposit Interest Retention Tax in respect of interest paid on interest bearing securities which are listed on a stock exchange.

### ***Encashment Tax***

In certain circumstances, Irish tax will be required to be withheld at the standard income tax rate (currently 20%) from interest in respect of Quoted Eurobonds, where such interest is collected by a bank or other agent in Ireland on behalf of any holder who is resident in Ireland.

### ***Stamp Duty***

No Irish Stamp Duty is payable on the issue or redemption of the Securities.

No Irish Stamp Duty will be payable on the transfer of the Securities as the Securities are regarded as loan capital of the Bank for Irish stamp duty purposes and qualify for exemption.

### ***Taxation of Interest Treated As A Distribution***

Irish corporate investors are generally exempt from Irish tax on interest received from the Bank where it is treated as a distribution. If an Irish resident corporate investor is a close company, as defined under Irish legislation, it may, in certain circumstances, be liable to investment income surcharge.

Irish resident or ordinary resident individuals are subject to Irish income tax, the universal social charges and in some circumstances pay related social insurance (“**PRSI**”) on gross distributions at their marginal rate of tax. The gross distribution is the interest received plus DWT withheld by the Bank. Irish Investors that are individual investors are generally entitled to a credit for the DWT deducted against their income tax liability and to have refunded to them any amount by which DWT exceeds such income tax liability provided that they furnish the statement of DWT suffered to the Irish Revenue.

Non-Irish resident investors are, unless entitled to exemption from DWT, liable to Irish income tax on interest received from the Bank which is treated as a distribution. However, the DWT deducted by the Bank discharges such liability to Irish income tax provided that they furnish the statement of DWT suffered to the Irish Revenue. Where a non-resident investor is entitled to exemption from DWT, then no Irish income tax arises, and where DWT has been deducted, the Investor may be entitled to seek a refund of the DWT withheld.

### ***Taxation of Interest Not Treated as a Distribution***

Where interest on the Securities is not treated as a distribution, the holder of the Securities may be exempt from tax on such interest in certain circumstances. Otherwise, depending on the circumstances of the holder of the Securities, a charge to tax on the income, plus the universal social charge and, in certain circumstances, PRSI, could arise.

Interest on the Securities will be exempt from Irish income tax if the interest is exempt from IWT under the Quoted Eurobond exemption and the holder of the Securities is (i) a person who is not a resident of Ireland but is a resident of a Relevant Territory, (ii) a company under the control, directly or indirectly, of persons who by virtue of the law of a Relevant Territory are resident in that country and that person or persons are not themselves under the control whether directly or indirectly of a person who is not resident in such a country, or (iii) a company, the principal class of shares of such company, or another company of which the recipient company is the 75% subsidiary, is substantially and regularly traded on one or more recognised stock exchanges in Ireland or a Relevant Territory or a stock exchange approved by the Irish Minister for Finance.

Notwithstanding these exemptions from income tax, a corporate recipient that carries on a trade in Ireland through a branch or agency in respect of which the Securities are held or attributed may have a liability to Irish corporation tax on the interest.

### ***Capital Gains Tax***

A gain made on disposal of the Securities will be brought within the charge to Irish capital gains tax where the holder is resident or ordinarily resident in Ireland or carries on a trade in Ireland through a branch or agency in respect of which the Securities are used or held.

### ***Capital Acquisitions Tax***

A gift or inheritance consisting of the Securities will generally be within the charge to Irish Capital Acquisitions tax (currently 33%) if either (i) the donor or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the donor is domiciled in Ireland irrespective of his residence or that of the donee/successor) or (ii) if the Securities are regarded as property situate in Ireland. Registered securities are generally regarded as situated where the principal register of the holders is maintained or is required to be maintained, but the Securities may be regarded as situated in Ireland regardless of the location of the register as they secure a debt due by an Irish resident debtor and they may be secured over Irish property. Accordingly, if the Securities are comprised in a gift or inheritance, the gift or inheritance may be within the charge to tax regardless of the residence of the donor or the donee/successor.

### ***European Union tax matters***

The following relates only to the EU Savings Directive and the proposed financial transactions tax (**FTT**). It does not deal with any other European Union taxation implications of acquiring, holding or disposing of Securities. The tax treatment of prospective Investors in Member States of the European Union depends on their individual circumstances and may be subject to change in the future. Prospective Investors who may be unsure as to their tax position should seek their own professional advice.

## The EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income (the **Savings Directive**), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The end of the transitional period is 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).

On 24 March 2014, the Council of the European Union adopted a Council Directive (the **Amending Directive**) amending and broadening the scope of the requirements described above. The Amending Directive requires Member States to apply these new requirements from 1 January 2017 and if they were to take effect the changes would expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. They would also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported or subject to withholding. This approach would apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

However, the European Commission has proposed the repeal of the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

## The FTT

On 14 February 2013, the European Commission published a proposal (the Commission's Proposal) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**).

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Securities (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Securities where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1 January 2016.

However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate.

**Prospective holders of the Securities are advised to seek their own professional advice in relation to the FTT.**

## Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**FATCA**) impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to any non-U.S. financial institution (a **foreign financial institution**, or **FFI** (as defined by FATCA)) that does not become a **Participating FFI** by entering into an agreement with the U.S. Internal Revenue Service (**IRS**) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA. The Bank is classified as an FFI.

The new withholding regime is now in effect for payments from sources within the United States and will apply to **foreign passthru payments** (a term not yet defined) no earlier than 1 January 2017.

The United States and a number of other jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements to facilitate the implementation of FATCA (each, an **IGA**). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country generally will be treated as a **Reporting FI** not subject to withholding under FATCA on any payments it receives if it reports certain information in respect of its account holders and investors to its home government or to the IRS. Further, an FFI in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being **FATCA Withholding**) from payments it makes. The United States and Ireland have entered into an agreement (the **US-Ireland IGA**) based largely on the Model 1 IGA.

If the Bank is treated as a Reporting FI pursuant to the US-Ireland IGA, it does not anticipate that it will be obliged to deduct any FATCA Withholding on payments it makes. There can be no assurance, however, that the Bank will be treated as a Reporting FI, or that it would in the future not be required to deduct FATCA Withholding from payments it makes. The Bank and financial institutions through which payments on the Securities are made may be required to deduct FATCA Withholding if any FFI through or to which payment on such Securities is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA.

Whilst the Securities are in global form and held within the Clearing Systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Securities by the Bank, any paying agent and the Common Depositary, given that each of the entities in the payment chain between the Bank and the participants in the Clearing Systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Securities. The documentation expressly contemplates the possibility that the Securities may go into definitive form and therefore that they may be taken out of the Clearing Systems. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, Securities will only be taken out of the Clearing Systems in remote circumstances.

**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 Bank and to payments they may receive in connection with the Securities.**

## SUBSCRIPTION AND SALE

The Joint Lead Managers have, pursuant to a Subscription Agreement (the **Subscription Agreement**) dated 16 June 2015, jointly and severally agreed to procure subscribers for the Securities at the issue price of 99.874 per cent. of their principal amount less a combined commission, subject to the provisions of the Subscription Agreement. The Bank will also reimburse the Joint Lead Managers in respect of certain of their expenses, and has agreed to indemnify the Joint Lead Managers against certain liabilities, incurred in connection with the issue of the Securities. The Subscription Agreement may be terminated in certain circumstances prior to payment of the issue price to the Bank.

### Selling restrictions

#### United States

The Securities have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States 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. Accordingly, the Securities are being offered and sold only outside the United States to persons other than U.S. persons as defined in Regulation S in offshore transactions in reliance on, and in compliance with, Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of Securities within the United States by any dealer (whether or not participating in the offering of the Securities) may violate the registration requirements of the Securities Act.

Each Joint Lead Manager has represented and agreed that it has offered and sold, and will offer and sell, the Securities (a) as part of its distribution at any time and (b) otherwise until 40 days after the later of the commencement of the offering and the Issue Date, only in accordance with Rule 903 of Regulation S. Accordingly, neither such Joint Lead Manager nor its affiliates, nor any persons acting on its or their behalf, have engaged or will engage in any directed selling efforts (as defined in Regulation S) with respect to the Securities, and such Joint Lead Manager, its affiliates and all persons acting on its or their behalf have complied and will comply with the offering restrictions requirement of Regulation S. Each Joint Lead Manager has agreed that, at or prior to confirmation of sale of the Securities, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases the Securities from it during the restricted period a confirmation or notice to substantially the foregoing effect.

#### Ireland

Each Joint Lead Manager has represented, warranted and agreed that it has not offered, sold, placed or underwritten and will not offer, sell, place or underwrite the Securities, or do anything in Ireland in respect of the Securities, otherwise than in conformity with the provisions of:

- (a) the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended) and any rules issued (or deemed issued) by the Central Bank of Ireland (the **Central Bank**) under Section 1363 of the Companies Act 2014;
- (b) the Companies Act 2014;
- (c) the European Communities (Markets in Financial Instruments) Regulations 2007 (as amended) and it will conduct itself in accordance with any rules or codes of conduct and any conditions or requirements, or any other enactment, imposed or approved by the Central Bank;
- (d) the Market Abuse (Directive 2003/6/EC) Regulations 2005 (as amended) and any rules issued (or deemed issued) by the Central Bank under Section 1370 of the Companies Act 2014, and will assist the Bank in complying with its obligations thereunder; and
- (e) the Central Bank Acts 1942 to 2014 and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989.

### Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Joint Lead Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of the Securities which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of the Securities to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Securities referred to in (a) to (c) above shall require the Bank or any Joint Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- the expression **an offer of the Securities to the public** in relation to the Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; and
- the expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

## United Kingdom

Each Joint Lead Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Bank; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

## General

No action has been taken by the Bank or any of the Joint Lead Managers that would, or is intended to, permit a public offer of the Securities in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Joint Lead Manager has undertaken that it will not, directly or indirectly, offer or sell any Securities or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Securities by it will be made on the same terms.

The Securities are not intended to be sold and should not be sold to retail clients in the EEA, as defined in the rules set out in the TMR other than in circumstances that do not and will not give rise to a contravention of those rules by any person. Prospective investors are referred to the section headed “*Restrictions on marketing and sales to retail investors*” on pages 4 to 5 of this Prospectus for further information.

## **GENERAL INFORMATION**

### **Authorisation**

The issue of the Securities was duly authorised by resolutions of the Court of Directors of the Bank dated 22 May 2015 and 28 May 2015.

### **Listing**

Application has been made to the Central Bank to approve this document as a prospectus. Application will also be made to the Irish Stock Exchange for the Securities to be admitted to trading on the Irish Stock Exchange's regulated market and to be listed on the Official List of the Irish Stock Exchange. The Irish Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

The Bank estimates that the total expenses related to the admission to trading will be €11,641.20.

### **Clearing systems**

The Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for this issue is XS1248345461 and the Common Code is 124834546.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, 1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

### **No significant change**

There has been no significant change in the financial or trading position of the Group and no material adverse change in the financial position or prospects of the Group, in each case taken as a whole since 31 December 2014.

### **Litigation**

Neither the Bank nor any other member of the Group is or 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 document which may have or have in such period had a significant effect on the financial position or profitability of the Bank or the Group.

### **Auditors**

The auditors of the Bank are PricewaterhouseCoopers, members of Chartered Accountants Ireland, who have audited the Bank's accounts, without qualification, in accordance with IFRS for the financial years ended on 31 December 2013 and 31 December 2014.

### **Documents available**

Hard copies of the following documents will be available while the Securities remain outstanding at the registered office of the Bank and at the office of the Listing Agent during normal business hours on any weekday (except public holidays):

- the constitutional documents of the Bank;
- the audited consolidated financial statements published by the Bank for the years ended 31 December 2014, 31 December 2013 and each subsequent audited consolidated financial statements so published; and
- the Prospectus.

The 2014 Annual Report and the 2013 Annual Report will also be available at the following web address:

<http://www.bankofireland.com/about-bank-of-ireland/investor-relations/financial-information/financial-information/>

In addition, hard copies of the Trust Deed (which will include the terms and form of the Securities), and the Agency Agreement, will be available while the Securities remain outstanding at the office of the Listing Agent during normal business hours on any weekday (except public holidays).



## **Conflicts of Interest**

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may provide services to the Bank and its affiliates in the ordinary course of business. They have received, or may in the future receive, customary fees and commissions for these transactions. In the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Bank and its affiliates. Where the Joint Lead Managers or their affiliates have a lending relationship with the Bank and/or its affiliates they may routinely hedge their credit exposure to those entities consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Securities. Any such short positions could adversely affect future trading prices of the Securities. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

**THE BANK**

**The Governor and Company of the Bank of Ireland**

40 Mespil Road  
Dublin 4  
Ireland

**TRUSTEE**

**Deutsche Trustee Company Limited**

Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

**PRINCIPAL PAYING AGENT**

**Deutsche Bank AG, London Branch**

Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

**REGISTRAR**

**Deutsche Bank Luxembourg S.A.**

2 Boulevard Konrad Adenauer  
L-III5 Luxembourg

**LISTING AGENT**

**Deutsche Bank Luxembourg S.A.**

2 Boulevard Konrad Adenauer  
L-III5 Luxembourg

**JOINT STRUCTURING ADVISERS AND JOINT LEAD MANAGERS**

**Deutsche Bank AG, London Branch**

Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

**UBS Limited**

100 Liverpool Street  
London EC2M 2RH  
United Kingdom

**JOINT LEAD MANAGERS**

**Credit Suisse Securities (Europe) Limited**

One Cabot Square  
London E14 4QJ  
United Kingdom

**Merrill Lynch International**

2 King Edward Street  
London EC1A 1HQ  
United Kingdom

**J&E Davy**

Davy House  
49 Dawson Street  
Dublin 2  
Ireland

**Morgan Stanley & Co. International plc**

25 Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom

## LEGAL ADVISERS

*To the Bank as to Irish law*

**Arthur Cox**  
Earlsfort Centre  
Earlsfort Terrace  
Dublin 2  
Ireland

*To the Bank as to English law*

**Allen & Overy LLP**  
One Bishops Square  
London E1 6AD  
United Kingdom

*To the Joint Lead Managers as to Irish law*

**A&L Goodbody**  
IFSC  
North Wall Quay  
Dublin 1  
Ireland

*To the Joint Lead Managers and the Trustee as to English law*

**Linklaters LLP**  
One Silk Street  
London EC2Y 8HQ  
United Kingdom

## AUDITORS

*To the Bank*

**PricewaterhouseCoopers**  
One Spencer Dock  
North Wall Quay  
Dublin 1  
Ireland