



## **Allied Irish Banks, p.l.c.**

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

**€500,000,000**

### **7.50 per cent. Step-up Callable Perpetual Reserve Capital Instruments**

**Issue Price: 100.069 per cent.**

The €500,000,000 7.50 per cent. Step-up Callable Perpetual Reserve Capital Instruments (the "RCIs") of Allied Irish Banks, p.l.c. ("AIB" or the "Issuer") will bear interest from (and including) 5 February 2001 to (but excluding) 28 February 2011 at a rate of 7.50 per cent. per annum, payable annually in arrear on 28 February in each year starting 28 February 2002. Thereafter, the RCIs will bear interest at a rate, reset quarterly, of 3.33 per cent. per annum above the Euro-zone interbank offered rate for three month euro deposits, payable quarterly in arrear on 28 May, 28 August, 28 November and 28 February in each year, all as more particularly described in "Terms and Conditions of the RCIs – 5. Coupon Payments". Payments (which term, as defined herein, does not include principal) may be deferred as described in "Terms and Conditions of the RCIs - 4. Deferrals" but the Issuer may not declare or pay dividends on any ordinary or preference shares whilst any Payments are deferred.

The RCIs are redeemable by the Issuer on 28 February 2011 or on each Coupon Payment Date (as defined herein) thereafter. In addition, upon the occurrence of certain tax or regulatory events, the RCIs may be redeemed at their principal amount at any time, as more particularly described in "Terms and Conditions of the RCIs - 7. Redemption".

Under existing requirements of the Central Bank of Ireland ("CBI"), the Issuer may not redeem or purchase any RCIs unless the CBI has given its prior consent.

The RCIs will be unsecured securities of the Issuer and will be subordinated to the claims of Senior Creditors and Senior Subordinated Creditors (both as defined herein) in that no payment of principal or interest in respect of the RCIs may be made unless the Issuer is Solvent (as defined herein) and is able to make such payment and remain Solvent immediately thereafter. In the event of the winding-up of the Issuer, the RCI Holders (as defined herein) will, for the purpose only of calculating the amounts payable in respect of each RCI, be treated as if on the day prior to the commencement of the winding-up and thereafter, they were the holders of preference shares having an equal right to a return of assets in the winding-up to, and so ranking *pari passu* with, the holders of that class or classes of preference shares (if any) from time to time issued by the Issuer which have a preferential right to a return of assets in the winding-up over, and so rank ahead of, the holders of all other classes of issued shares for the time being in the capital of the Issuer. See "Terms and Conditions of the RCIs - 3. Winding-up".

For a description of certain matters that prospective investors should consider, see "Investment Considerations".

Application has been made to list the RCIs on the Luxembourg Stock Exchange. A copy of this Offering Circular has been delivered for registration to the Registrar of Companies in compliance with Section 47 of the Companies Act, 1963 and the European Communities (Transferable Securities and Stock Exchange) Regulations, 1992 of Ireland as a public offer prospectus approved by the competent authorities in Luxembourg.

The RCIs have been assigned an A- rating by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. and an aa3 rating by Moody's Investors Service, Inc. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.

**Barclays Capital**

**Lehman Brothers**

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

In connection with the issue and sale of the RCLs, no person is authorised to give any information or to make any representation not contained in this document and if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Joint-Lead Managers (as defined in "Subscription and Sale" below) or the Trustee.

This Offering Circular is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer or the Joint-Lead Managers that any recipient of this Offering Circular should purchase any of the RCLs. Each investor contemplating purchasing RCLs should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer. This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates.

The distribution of this document and the offering or sale of the RCLs in certain jurisdictions may be restricted by law. The Issuer and the Joint-Lead Managers do not represent that this document may be lawfully distributed, or that the RCLs may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Joint-Lead Managers which would permit a public offering of the RCLs or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no RCLs may be offered or sold, directly or indirectly, and neither this Offering Circular 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 Offering Circular or the RCLs may come must inform themselves about, and observe, any such restrictions. See "Subscription and Sale" below for a description, *inter alia*, of certain restrictions on offers, sales and deliveries of the RCLs in the United States or to U.S. persons. Neither the delivery of this Offering Circular nor any sale hereunder shall create, under any circumstances, any implication that there has been no change in the affairs of the Issuer since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

In connection with this issue, Barclays Bank PLC may over-allot or effect transactions which stabilise or maintain the market price of the RCLs at a level which might not otherwise prevail. Such stabilising, if commenced, may be discontinued at any time.

The RCLs have not been, and will not be registered under the United States Securities Act of 1933, as amended, and comprise RCLs in bearer form that are subject to United States tax law requirements. Subject to certain exceptions, the RCLs may not be sold or delivered directly or indirectly, within the United States or to U.S. persons.

In this document all references to "euro" and "€" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union, references to "£" are to pounds sterling, references to "U.S.\$" and "U.S. dollar" are to United States dollars, references to "Ir£" and "Ir£" are to the Irish pounds denomination and Irish penny subdenomination of the euro and references to "PLN" are to Polish Zloty. References to "U.S.A." and "United States" are to the United States of America and references to "U.K." are to the United Kingdom.

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## INCORPORATION BY REFERENCE

The audited consolidated and non-consolidated financial statements of the Issuer for the years ended 31 December 1999 and 1998 and the unaudited consolidated interim financial statements for the six months ended 30 June 2000 are incorporated into this Offering Circular by reference. Copies may be obtained free of charge at the specified office of each of the Paying Agents (including the Paying Agent in Luxembourg) as set out in "General Information" below.

## SUMMARY

*The following summary refers to certain provisions of the Terms and Conditions of the RCIs and the Trust Deed and insofar as it refers to the Terms and Conditions of the RCIs is qualified by the more detailed information contained elsewhere in this document. Defined terms used herein have the meaning given to them in "Terms and Conditions of the RCIs".*

<b>Issuer</b>	Allied Irish Banks, p.l.c.
<b>Trustee</b>	The Bank of New York
<b>Issue size</b>	€500,000,000
<b>Redemption</b>	The RCIs are perpetual securities and have no maturity date. However, the RCIs are redeemable, in whole but not in part, at the option of the Issuer, at their principal amount together with any Outstanding Payments on 28 February 2011 or any Coupon Payment Date thereafter subject to the prior approval of the CBI and to the Solvency Condition having been met within the previous six months.
<b>Interest</b>	The RCIs bear interest at a rate of 7.50 per cent. per annum from (and including) 5 February 2001 to (but excluding) 28 February 2011 and thereafter at 3.33 per cent. per annum above three month EURIBOR, reset quarterly.
<b>Coupon Payment Dates</b>	Subject as described below, Coupon Payments will be payable on 28 February in each year from (and including) 28 February 2002 to (and including) 28 February 2011, and thereafter, subject to adjustment for non-business days on 28 May, 28 August, 28 November and 28 February in each year.
<b>Subordination</b>	The rights and claims of the RCI Holders and the Couponholders are subordinated to the claims of the Senior Creditors and the Senior Subordinated Creditors. In the event of the winding-up of the Issuer, the RCI Holders (as defined herein) will, for the purpose only of calculating the amounts payable in respect of each RCI, be treated as if on the day prior to the commencement of the winding-up and thereafter, they were the holders of preference shares having an equal right to a return of assets in the winding-up to, and so ranking with, the holders of that class or classes of preference shares (if any) from time to time issued by the Issuer which have a preferential right to a return of assets in the winding-up over, and so rank ahead of, the holders of all other classes of issued shares for the time being in the capital of the Issuer.
<b>Exceptional deferral of payments</b>	If the Issuer determines, on the 20th business day prior to the date on which any Payment (which term does not include any payment of principal) would, in the absence of deferral in accordance with Condition 4, be due and payable, that it is, or payment of the relevant Payment will result in the Issuer being, in non-compliance with Capital Regulations, the Issuer may, subject to the dividend restriction described below, elect to defer such Payment. Such exceptionally deferred Payment must, unless the Issuer elects to defer such Payment pursuant to its general right to defer referred to below, be satisfied on the next Coupon Payment Date following the 19th business day after the Issuer determines that it no longer is, and payment of such Payment will not result in it being, in non-compliance with such Capital Regulations. No interest will accrue on an Exceptionally Deferred Coupon Payment.

<b>General deferral of Payment</b>	Subject to the dividend restriction described below, the Issuer may elect to defer any Payment (which term does not include principal) on the RCIs for any period of time. However, the deferred payment will bear interest at 2 per cent. per annum above the then current rate of interest on the RCIs.
<b>Dividend restriction during period of deferral</b>	If the Issuer defers a Payment for any reason as described above then, while any Payment is so deferred, it may not declare or pay a dividend on any of its ordinary or preference shares.
<b>Alternative coupon satisfaction mechanism</b>	Investors will always receive payments made in respect of RCIs in cash. However, if the Issuer defers a Payment it must, or if and to the extent the Issuer so elects at any time it may, satisfy its obligation to make any Payment (which term does not include any payment of principal) to RCI Holders by issuing its Ordinary Shares to the Trustee or its agent which, when sold, will provide a cash amount which the Principal Paying Agent, on behalf of the Trustee, will pay to the RCI Holders in respect of the relevant Payment. The Calculation Agent will calculate in advance the number of Ordinary Shares to be issued in order to enable the Trustee or its agent to raise the full amount of money due on the relevant payment date to RCI Holders.
<b>Insufficiency</b>	The Issuer is required to keep available for issue enough Ordinary Shares as it reasonably considers would be required to satisfy from time to time the next Coupon Payment (or, after the First Reset Date, the next four Coupon Payments) using the alternative coupon satisfaction mechanism described above.
<b>Market Disruption Event</b>	If, in the opinion of the Issuer, a Market Disruption Event exists on or after the 15th business day preceding any date upon which the Issuer is due to satisfy a Payment using the alternative coupon satisfaction mechanism, the payment to RCI Holders may be deferred until the Market Disruption Event no longer exists.
<b>Suspension</b>	If, following any take-over offer or any reorganisation, restructuring or scheme of arrangement, the Issuer or any subsequent New Owner ceases to be the ultimate holding company of the AIB Group, any changes to the documentation relating to the RCIs determined by an independent investment bank to be appropriate in order to preserve substantially the economic effect, for the RCI Holders, of a holding of the RCIs, prior to the Suspension will be made by the Issuer and the Trustee and pending such changes the Issuer will be unable to satisfy Payments using the alternative coupon satisfaction mechanism. If the investment bank is unable to determine appropriate amendments, as notified to the Issuer and the Trustee, the RCIs will (subject to the prior consent of the CBI) be redeemed at the Suspension Redemption Price.
<b>Additional Amounts</b>	The Issuer will pay additional amounts to RCI Holders to gross up payments upon the imposition of any Irish withholding tax, subject to customary exceptions.
<b>Redemption for taxation reasons</b>	If the Issuer is required to pay additional amounts to RCI Holders to gross up payments upon the imposition of Irish withholding tax, the Issuer may, subject to the prior consent of the CBI and provided that the Solvency Condition has been met within the previous six months, redeem all, but not some only, of the RCIs at their principal amount together with accrued interest and all other amounts outstanding thereon.

<b>Redemption for regulatory reasons</b>	The RCIs will qualify as Tier 1 Capital for the purposes of the CBI's capital adequacy regulations. If at any time the RCIs cease to qualify as Tier 1 Capital, the Issuer may, subject to the prior consent of the CBI and provided that the Solvency Condition has been met within the previous six months, redeem all, but not some only, of the RCIs at their principal amount together with the accrued interest and all other amounts outstanding thereon.
<b>Remedy for non-payment</b>	The sole remedy against the Issuer available to the Trustee or any RCI Holder for recovery of amounts owing in respect of any Payment or principal in respect of the RCIs will be the institution of proceedings for the winding-up of the Issuer and/or proving in such winding-up.
<b>Form</b>	Bearer. The RCIs will be represented initially by the Temporary Global RCI, which will be deposited outside the United States with a common depositary for Clearstream, Luxembourg and Euroclear on or about 5 February 2001. The Temporary Global RCI will be exchangeable for interests in the Permanent Global RCI on or after a date which is expected to be 17 March 2001 upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations and as described in the Temporary Global RCI. Save in limited circumstances, RCIs in definitive bearer form with coupons and a talon attached on issue will not be issued in exchange for interests in the Permanent Global RCI.
<b>Listing</b>	Luxembourg
<b>Governing law</b>	English, except for the subordination provisions which shall be construed in accordance with the laws of Ireland
<b>Rating</b>	The RCIs have been assigned an A- rating by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. and an aa3 rating by Moody's Investors Services, Inc. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to a revision, suspension or withdrawal at any time by the relevant rating organisation.

## INVESTMENT CONSIDERATIONS

Prospective investors should carefully consider the following information in conjunction with the other information contained in this document

### **Deferral**

The Issuer may elect to defer any Payment (which term does not include a payment of principal) on the RCI for any period of time, as more particularly described in "Terms and Conditions of the RCI - 4. Deferrals". Any such deferred payment will, unless it is an exceptional deferral as described under "- 4(a) Exceptional Deferral of Payments-" bear interest at 2 per cent. above the rate applicable to the RCI and during the period of such deferral the Issuer may not declare or pay a dividend on any of its ordinary shares or preference shares.

### **Perpetual securities**

The Issuer is under no obligation to redeem the RCI at any time (save in the particular circumstances referred to in "Terms and Conditions of the RCI - 8. Payments - (d) Suspension") and the RCI Holders have no right to call for their redemption.

### **Exchange and Redemption risk**

Upon the occurrence of certain specified tax and regulatory events, the RCI may, subject as provided in "Terms and Conditions of the RCI - 7. Redemption - (c) Redemption due to Taxation and - (d) Redemption for Regulatory Purposes", be redeemed at their principal amount together with any Outstanding Payments.

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

There is no restriction on the amount of securities which the Issuer may issue which rank senior to or *pari passu* with the RCI. The issue of any such securities may reduce the amount recoverable by RCI Holders on a winding-up of the Issuer or may increase the likelihood of a deferral of Payments under the RCI.

### **Availability of shares**

If the Issuer is to make a payment using the alternative coupon satisfaction mechanism and insufficient ordinary shares in the Issuer are available, then the Issuer's payment obligation shall be suspended to the extent of such insufficiency and, except in the case of Exceptionally Deferred Coupon Payments, shall bear interest at 2 per cent. per annum above the rate applicable to the RCI, until such time as sufficient shares are available to satisfy all or part of the suspended payment obligation, as more particularly described in "Terms and Conditions of the RCI - 6. Alternative Coupon Satisfaction Mechanism - (d) Insufficiency".

### **Market Disruption Event**

If, following a decision by the Issuer to satisfy a payment using the alternative coupon satisfaction mechanism, a Market Disruption Event exists in the opinion of the Issuer, the payment to RCI Holders may be deferred until the Market Disruption Event no longer exists, as more particularly described in "Terms and Conditions of the RCI - 6. Alternative Coupon Satisfaction Mechanism - (e) Market Disruption". Any such deferred payments shall bear interest at the rate applicable to the RCI if the Market Disruption Event continues for 14 days or more.

### **Restricted remedy for non-payment**

In view of the reserve capital nature of RCI, the sole remedy against the Issuer available to the Trustee or any RCI Holder for recovery of amounts owing in respect of any Payment or principal in respect of the RCI will be the institution of proceedings for the winding-up of the Issuer and/or proving in such winding-up.

**Absence of prior public markets**

The RCIs constitute a new issue of securities by AIB. Prior to this issue, there will have been no public market for the RCIs. Although application has been made for the RCIs to be listed on the Luxembourg Stock Exchange, there can be no assurance that an active public market for the RCIs will develop and, if such a market were to develop, the Joint-Lead Managers are under no obligation to maintain such a market. The liquidity and the market prices for the RCIs can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Issuer and other factors that generally influence the market prices of securities.



## TERMS AND CONDITIONS OF THE RCIs

*The following, subject to alteration, are the terms and conditions of the RCIs which will be endorsed on each RCI in definitive form (if issued).*

The RCIs are constituted by the Trust Deed. The issue of the RCIs was authorised pursuant to resolutions of the Board of Directors of the Issuer passed on 7 November 2000 and 9 January 2001 and a resolution of a Committee of the Board of Directors of the Issuer passed on 31 January 2001. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed. Copies of the Trust Deed, the Agency Agreement and the Calculation Agency Agreement are available for inspection during normal business hours by the RCI Holders and the Couponholders at the principal office of the Trustee, being on 5 February 2001 at 101 Barclay Street, New York, NY 10286, United States of America, and at the specified office of each of the Paying Agents. The RCI Holders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Agency Agreement and the Calculation Agency Agreement applicable to them.

### **1 Form, Denomination and Title**

#### **(a) Form and Denomination**

The RCIs are serially numbered and in bearer form in the Authorised Denominations each with Coupons and one Talon attached on issue.

#### **(b) Title**

Title to the RCIs, Coupons and Talons will pass by delivery. The bearer of any RCI will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, or its theft or loss, or anything written on it) and no person will be liable for so treating the RCI Holder.

### **2 Status and Subordination**

#### **(a) Status**

The RCIs constitute direct, unsecured, subordinated securities of the Issuer and rank *pari passu* without any preference among themselves.

#### **(b) Subordination**

- (i) *Condition of Payment:* The rights and claims of the RCI Holders and the Couponholders are subordinated to the claims of Senior Creditors and Senior Subordinated Creditors and accordingly payments in respect of the RCIs (including the issue of Ordinary Shares in accordance with Condition 6) are conditional upon the Issuer being Solvent at the time of payment (or issue of such Ordinary Shares) by the Issuer and no principal or Payments shall be due and payable in respect of the RCIs (including the issue of Ordinary Shares in accordance with Condition 6) except to the extent that the Issuer could make such payment (or make such issue of Ordinary Shares) and still be Solvent immediately thereafter.
- (ii) *Winding-Up Claims:* Amounts representing principal or Payments in respect of which the conditions referred to in Condition 2(b)(i) are not satisfied on the date upon which the same would otherwise be due and payable ("Winding-Up Claims") will be payable by the Issuer in a winding-up of the Issuer as provided in Condition 3 and on any redemption pursuant to Condition 7(b), 7(c), 7(d) or 8(d). A Winding-Up Claim shall not bear interest.
- (iii) *Set-off:* Subject to applicable law, no RCI Holder or Couponholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer arising under or in connection with the RCIs or the Coupons and each RCI Holder and Couponholder shall, by virtue of his holding of any RCI or Coupon, be deemed to have waived all such rights of set-off, compensation or retention.

For the avoidance of doubt, if the Issuer would otherwise not be Solvent for the purposes of the above Condition 2(b), any sums which would otherwise be payable in respect of the RCIs will be available to meet the losses of the Issuer.

### **3 Winding-up**

If at any time an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except a solvent winding-up solely for the purpose of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer (as defined in the Trust Deed), and the terms of which reconstruction, amalgamation or substitution have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed)), there shall be payable by the Issuer in respect of each RCI and Coupon (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to the holder of such RCI and Coupon if, on the day prior to the commencement of the winding-up and thereafter, such RCI Holder were the holder of one of a class of preference shares in the capital of the Issuer having an equal right to a return of assets in the winding-up to, and so ranking *pari passu* with, the holders of that class or classes of preference shares (if any) from time to time issued by the Issuer which have a preferential right to a return of assets in the winding-up over, and so rank ahead of, the holders of all other classes of issued shares for the time being in the capital of the Issuer, but ranking junior to the claims of the Senior Creditors, Senior Subordinated Creditors and to any notional class of preference shares in the capital of the Issuer by reference to which the amount payable in respect of any Perpetual Subordinated Debt in a winding-up of the Issuer is determined and senior to all other classes of issued shares (save as aforesaid) for the time being in the capital of the Issuer, on the assumption that the amount that such RCI Holder was entitled to receive in respect of such preference share on a return of assets in such winding-up were an amount equal to the aggregate of the principal amount of the relevant RCI and any other Payments which are Outstanding together with, to the extent not otherwise included within the foregoing, the *pro-rata* share of any Winding-Up Claims attributable to the RCI.

### **4 Deferrals**

The Issuer must make each Coupon Payment on the relevant Coupon Payment Date subject to and in accordance with these Terms and Conditions. However, the Issuer may defer a Coupon Payment and any other Payment in the following circumstances:

#### **(a) Exceptional Deferral of Payments**

- (i) If on the 20th business day preceding the date on which any Payment would, in the absence of deferral in accordance with this Condition 4, be due and payable, the Exceptional Deferral Condition is satisfied, any such Payment may (subject to Condition 6) be deferred by the Issuer giving notice to the Trustee, the RCI Holders, the Principal Paying Agent and the Calculation Agent not less than 16 business days prior to such date. If following the deferral of a Payment by the Issuer under this Condition 4(a)(i) the Exceptional Deferral Condition ceases to be satisfied on the 20th business day preceding a Coupon Payment Date, then the Issuer shall satisfy such Payment on the Relevant Deferred Coupon Payment Date having given, not less than 16 business days prior to the Relevant Deferred Coupon Payment Date, notice to the Trustee, the RCI Holders, the Principal Paying Agent and the Calculation Agent that it will satisfy such Payment on such date unless (i) it has previously elected to satisfy such Payment earlier (provided that, at the time of satisfying such payment, the Exceptional Deferral Condition fails to be satisfied) by delivering a notice to the Trustee, the RCI Holders, the Principal Paying Agent and the Calculation Agent not less than 16 business days prior to the relevant Exceptionally Deferred Coupon Payment Date or (ii) it elects to defer such Payment under Condition 4(b).
- (ii) If the Issuer has given such first-mentioned notice then: (1) the Issuer may not declare or pay a dividend on any of its ordinary shares or preference shares from the date of such notice until such time as that Exceptionally Deferred Coupon Payment is satisfied;

and (2) no amount will be payable by way of interest on any such deferred Payment, save as provided in Condition 6(e). Any such deferred Payment shall be satisfied only in accordance with Condition 6.

**(b) Election to defer Payment**

- (i) The Issuer may, in respect of any Payment which would, in the absence of deferral in accordance with this Condition 4, be due and payable, by giving a notice to the Trustee, the RCI Holders, the Principal Paying Agent and the Calculation Agent not less than 16 business days prior to the relevant due date, defer such Payment. The Issuer may then satisfy any such Payment at any time pursuant to Condition 6 (and only pursuant to Condition 6) upon delivery of a notice to the Trustee, the Principal Paying Agent and the Calculation Agent not less than 16 business days prior to the relevant Coupon Satisfaction Date.
- (ii) If the Issuer has given such first-mentioned notice then: (1) the Issuer may not declare or pay a dividend on any of its ordinary shares or preference shares of the Issuer from the date of such notice until such time as that Deferred Coupon Payment (and any other Deferred Coupon Payment or Accrued Coupon Payment) is satisfied; and (2) each Payment which the Issuer defers pursuant to the giving of such notice shall bear interest at a rate equal to the aggregate of the rate determined in accordance with Condition 5(b) and 2 per cent. per annum from (and including) the date of deferral of such Payment pursuant to this Condition 4(b) to (but excluding) the relevant Coupon Satisfaction Date.

**5 Coupon Payments**

**(a) Coupon Payment Dates**

The RCIs bear interest at the Coupon Rate from (and including) the Issue Date and such interest will (subject to Conditions 2(b)(i), 4(a), 4(b), 6(d), 6(e) and 8(d)) be payable on each Coupon Payment Date. Each RCI will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused. In such event, it shall continue to bear interest in accordance with this Condition (both before and after judgment) as provided in the Trust Deed.

**(b) Coupon Rate**

- (i) The Coupon Rate in respect of the period from (and including) the Issue Date to (but excluding) the First Reset Date is 7.50 per cent. per annum.
- (ii) The Coupon Rate in respect of each Reset Period shall be the aggregate of 3.33 per cent. per annum and:
  - (aa) the offered rate (rounded, if necessary, up to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) for three-month euro deposits as at 11.00 a.m. (Brussels time) on the Coupon Determination Date in question as appears on the display designated as page "248" on the Bridge/Telerate Monitor (or such other page or service as may replace it for the purpose of displaying such information) as determined by the Calculation Agent;
  - (bb) if the offered rate so appearing is replaced by the corresponding rates of more than one bank, the arithmetic mean (rounded, if necessary, up to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards) and with any necessary consequential changes) of the rates (being at least two) which so appear, or if for any other reason such offered rate does not appear or is unavailable, the arithmetic mean (rounded, if necessary, up to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) of offered quotations to prime banks in the Euro-zone interbank market for three-month euro deposits as at 11.00 a.m. (Brussels time) on the Coupon Determination Date in question obtained by the Calculation Agent

from the principal Euro-zone office of the Reference Banks, provided at least two of the Reference Banks provide the Calculation Agent with such offered quotations; and

- (cc) if, on any Coupon Determination Date to which the provisions of sub-paragraph (bb) above apply, one only or none of the Reference Banks provides the Calculation Agent with such a quotation, the arithmetic mean (rounded, if necessary, up to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) of the euro lending rates which major banks in the Euro-zone selected by the Calculation Agent are quoting at approximately 11.00 a.m. (Brussels time) on the relevant Coupon Determination Date to leading European banks for a period of three months,

except that, if the banks so selected by the Calculation Agent under sub-paragraph (cc) above are not quoting as mentioned above, the Coupon Rate shall be either (i) the Coupon Rate in effect for the last preceding Coupon Period to which one of the preceding sub-paragraphs of this paragraph shall have applied or (ii) if none, 8.50 per cent. per annum.

(c) *Determination and Publication of Coupon Rate and Coupon Amounts*

The Principal Paying Agent will, upon the determination of each Coupon Rate pursuant to Condition 5(b)(ii), calculate the Coupon Amount in respect of each Authorised Denomination and cause the Coupon Rate and each Coupon Amount payable in respect of a Coupon Period to be notified, as soon as possible after their determination but in no event later than the fourth business day thereafter, to the Trustee, the Issuer, the Calculation Agent, the Luxembourg Stock Exchange and the RCI Holders.

Each Coupon Amount in respect of any Coupon Period shall be calculated by applying the Coupon Rate to the principal amount of the RCI of the relevant Authorised Denomination and, in respect of any period of less than a complete Coupon Period, such Coupon Amount shall be calculated on the basis of the applicable Day Count Fraction.

(d) *Determination or Calculation by Trustee*

If the Calculation Agent or the Principal Paying Agent, does not at any time for any reason so determine the Coupon Rate or calculate each Coupon Amount in accordance with, respectively, Conditions 5(b)(ii) and 5(c), the Trustee or an agent on its behalf shall do so and such determination or calculation shall be deemed to have been made by the Principal Paying Agent or, as the case may be, the Calculation Agent. In doing so, the Trustee or such agent shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it or such agent can do so, and in all other respects it or such agent shall do so in such manner as it shall deem fair and reasonable in all the circumstances. All determinations or calculations made or obtained for the purposes of the provisions of this Condition 5(d) by the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Calculation Agent, the Paying Agents and all RCI Holders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the RCI Holders or the Couponholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(e) *Reference Banks*

The Issuer will (with the prior written approval of the Trustee) not later than 20 business days before the First Reset Date appoint four leading financial institutions engaged in the Euro-zone interbank market (each acting through its principal Euro-zone office) to act as Reference Banks and will procure that, so long as any RCI is outstanding, there shall thereafter at all times be four Reference Banks. If any such institution (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, the Issuer shall (with the prior written approval of the Trustee) appoint some other leading financial

institution engaged in the Euro-zone interbank market (acting through its principal Euro-zone office) to act as such in its place.

## **6 Alternative Coupon Satisfaction Mechanism**

### **(a) Alternative Coupon Satisfaction Mechanism**

The Issuer may elect to satisfy any Payment in full or in part through the issue of Ordinary Shares to the Trustee in accordance with this Condition 6, in which case it shall notify the Trustee, the Principal Paying Agent and the Calculation Agent not less than 16 business days prior to the relevant Coupon Payment Date. In the absence of or save to the extent of such election and issue, subject to Conditions 4(a) and 4(b), Payments must be satisfied in accordance with Condition 8(a), provided that if under Condition 4(a) an Exceptional Deferral Condition is satisfied the relevant Payment must be deferred unless the prior consent of the CBI is obtained for the making of such Payment. In the case of satisfaction of a Payment in part, the amount remaining payable in respect of each Coupon to which such Payment relates, shall be reduced on a pro rata basis by the amount of such part payment made.

### **(b) Issue of shares**

If any Payment is to be satisfied in full or in part through the issue of Ordinary Shares to the Trustee then, subject to Conditions 6(d) and 6(e):

- (i) by close of business on or before the 7th business day prior to the relevant Coupon Payment Date, Coupon Satisfaction Date or Exceptionally Deferred Coupon Payment Date the Issuer will issue to the Trustee (or, if so agreed between the Issuer and the Trustee, to an agent of the Trustee) such number of Ordinary Shares (the "Payment Ordinary Shares") as, in the determination of the Calculation Agent, have a market value of not less than the relevant Payment to be satisfied in accordance with this Condition 6; and
- (ii) the Trustee will use reasonable endeavours to effect, or instruct its agent to effect, the transfer of such Payment Ordinary Shares to or to the order of the Calculation Agent (subject to any necessary consents being obtained) as soon as practicable and in any case not later than by close of business on the 6th business day prior to the date on which the relevant Payment is due and the Calculation Agent has agreed to use reasonable endeavours to procure purchasers for such Payment Ordinary Shares. If necessary, the Calculation Agent has further agreed to exchange, as agent of the Trustee, the proceeds of such sale into sterling at prevailing market exchange rates and deliver such exchanged proceeds to, or hold such exchanged proceeds to the order of, the Trustee who shall pay, or procure that its agent pays, such proceeds as it holds in respect of the relevant Payment on its due date to the Principal Paying Agent for application in accordance with Condition 6(c).

### **(c) Issue satisfies Payment**

Where the Issuer either elects or is required to make a Payment hereunder by issuing Ordinary Shares to the Trustee and issues such shares, such issue shall satisfy the relevant Payment or, as the case may be, the relevant part of such Payment if made in accordance with this Condition 6. The proceeds of sale of such Ordinary Shares shall be paid by the Principal Paying Agent to the Couponholders in respect of the relevant Payment.

### **(d) Insufficiency**

If the Issuer is to satisfy all or part of a Payment in accordance with this Condition 6 and the Issuer does not, on the date when the number of such Ordinary Shares required to be issued is determined in accordance with this Condition 6, have sufficient number of Ordinary Shares available for issue, then the Issuer shall notify the Trustee, the Principal Paying Agent, the Calculation Agent and the RCI Holders that all or part, as the case may be, of the relevant Payment cannot be so satisfied due to such insufficiency, in which case the same shall be



satisfied following the date of the next annual general meeting or extraordinary general meeting of shareholders of the Issuer at which a resolution is passed authorising a sufficient number of Ordinary Shares to satisfy the relevant Payment provided that if the number of Ordinary Shares authorised to be issued at any such meeting is insufficient to satisfy all or such part of the relevant Payment then those Ordinary Shares so issued shall be applied by the Issuer in part satisfaction of the relevant Payment. Following the passage of any such resolution, the Issuer shall notify the Trustee, the RCI Holders, the Principal Paying Agent and the Calculation Agent of the date upon which the relevant Payment or, as the case may be, the part thereof is to be made in accordance herewith on not less than 16 business days' notice. The relevant Payment or, as the case may be, the part thereof which is not so satisfied shall, unless it is an Exceptionally Deferred Coupon Payment, continue to accrue interest at a rate determined in accordance with Condition 4(b)(ii) from (and including) the date on which Payment would otherwise have been due to (but excluding) the date on which such Payment or part thereof is satisfied. If the Issuer does not within 6 months of giving the above first-mentioned notice, hold an annual general meeting at which a resolution to make a sufficient number of Ordinary Shares so available is proposed, the Trustee shall by notice require the Issuer to convene an extraordinary general meeting at which such a resolution shall be proposed on a date falling within 10 weeks of such notice from the Trustee. In the event that any such resolution proposed at any such annual general meeting or extraordinary general meeting is rejected, such resolution will then be proposed at the next following annual general meeting of the Issuer and, if at such annual general meeting such proposal is rejected again, then, in the case of the Issuer having elected to satisfy any Payment in full or in part through the issue of Ordinary Shares pursuant to Condition 6(a) above, from the date of such second rejection the Issuer may not declare or pay a dividend on any ordinary share or preference share of the Issuer until such time as such resolution has been passed by the shareholders of the Issuer.

(e) *Market Disruption*

Notwithstanding Condition 6(b), if there exists, in the opinion of the Issuer, a Market Disruption Event on or after the 15th business day preceding any date upon which the Issuer is due to make or satisfy a Payment in accordance with this Condition 6, then the Issuer may give notice to the Trustee, the RCI Holders, the Principal Paying Agent and the Calculation Agent as soon as possible after the Market Disruption Event has arisen or occurred, whereupon the relevant Payment may be deferred until such time as the Market Disruption Event no longer exists.

Any such deferred Payment will be satisfied as soon as practicable following such time as the Market Disruption Event no longer exists. Interest shall not accrue on such deferred Payment unless, as a consequence of the existence of a Market Disruption Event, the Issuer does not make the relevant Payment for a period of 14 days or more after the due date therefor, in which case interest shall accrue on such deferred Payment from (and including) the date on which the relevant Payment was due to be made to (but excluding) the date on which such Payment is made. Any such interest shall accrue at a rate determined in accordance with Condition 5 and shall be satisfied only in accordance with this Condition 6 and as soon as reasonably practicable after the relevant deferred Payment is made. No liability shall attach to the Trustee or its agents if, as a result of a Market Disruption Event or any other event outside the control of the Trustee or its agent, the Trustee or its agent is unable to comply with the provisions of Condition 6(b).

**7 Redemption**

(a) *No Fixed Redemption Date*

The RCIs are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Conditions 2 and 3 and without prejudice to the provisions of Condition 12) only have the right to repay them in accordance with the following provisions of this Condition 7 or in the circumstances provided for in Condition 8(d).

Any redemption or purchase of the RCIs is subject to the prior consent of the CBI.

*(b) Issuer's Call Option*

Provided that the Solvency Condition is met within the previous six months, the Issuer may, by giving not less than 30 nor more than 60 days' notice to the RCI Holders and to the Principal Paying Agent and the Trustee, which notice shall be irrevocable, elect to redeem all, but not some only, of the RCIs on the First Reset Date or any Coupon Payment Date thereafter at their principal amount together with any Outstanding Payments.

*(c) Redemption due to Taxation*

The RCIs may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the RCI Holders (which notice shall be irrevocable), at their principal amount (together with any Outstanding Payments to the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that it has or will become obliged to pay additional amounts as provided or referred to in Condition 11 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 of such laws or regulations, which change or amendment becomes effective on or after 5 February 2001, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the RCIs then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by an authorised officer of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above in which event it shall be conclusive and binding on the RCI Holders and the Couponholders.

*(d) Redemption for Regulatory Purposes*

If the Issuer satisfies the Trustee immediately prior to the giving of the notice referred to below that the CBI has determined that the RCIs no longer qualify as Tier 1 Capital then the Issuer may (subject to the prior consent of the CBI) provided that the Solvency Condition is met within the previous six months, having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and the RCI Holders (which notice shall be irrevocable), redeem, in accordance with these Terms and Conditions, at any time all, but not some only, of the RCIs at their principal amount together with any Outstanding Payments.

*(e) Purchases*

The Issuer or any Subsidiary may (subject to the prior consent of the CBI and provided an authorised officer has reported to the Trustee within the previous six months that the Solvency Condition is met) at any time purchase RCIs in any manner and at any price. In each case purchases will be made together with all unmatured Coupons and Talons (if any) appertaining thereto.

*(f) Cancellation*

All RCIs so redeemed by the Issuer and any unmatured Coupons and Talons (if any) appertaining thereto will be cancelled and may not be reissued or resold. RCIs purchased by the Issuer or any Subsidiary may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

## **8 Payments**

*(a) Method of Payment*

(i) Payments of principal and Coupon Amounts will be made by or on behalf of the Issuer against presentation and surrender of RCIs or the appropriate Coupons at the specified

office of any of the Paying Agents except that payments of Coupon Amounts in respect of any period not ending on a Coupon Payment Date will only be made upon surrender of the relative RCI. Such payments will be made, at the option of the payee by euro cheque drawn on, or by transfer to a euro account maintained by the payee with, a bank in the Euro-zone.

- (ii) Upon the due date for redemption of any RCI, any unexchanged Talon relating to such RCI (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon and unmatured Coupons relating to such RCI (whether or not attached) shall also become void and no payment shall be made in respect of them. If any RCI is presented for redemption without all unmatured Coupons and any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (iii) On or after the Coupon Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any RCI, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent in exchange for a further Coupon sheet (and another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 12).
- (iv) The names of the initial Paying Agents and their initial specified offices are set out below. The Issuer reserves the right, subject to the prior written approval of the Trustee, such approval not to be unreasonably withheld, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that it will at all times maintain a Paying Agent having a specified office in a major western European financial centre which, so long as the RCIs are listed on the Luxembourg Stock Exchange and the rules of that Exchange so require, shall be Luxembourg. Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents will be given to the RCI Holders in accordance with Condition 16.

*(b) Payments subject to Fiscal Laws*

Without prejudice to the terms of Condition 11, all payments made in accordance with these Terms and Conditions shall be made subject to any fiscal or other laws and regulations applicable in the place of payment. No commissions or expenses shall be charged to the RCI Holders in respect of such payments.

*(c) Payments on Payment Business Days*

An RCI or a Coupon may only be presented for payment on a day which is a Payment Business Day. No further interest or other payment will be made as a consequence of the day on which the relevant RCI or Coupon may be presented for payment under this paragraph falling after the due date.

*(d) Suspension*

If, following any takeover offer under the Irish Takeover Panel Act 1997 (Takeover) Rules, 1997 or any reorganisation, restructuring or scheme of arrangement, the Issuer, or any subsequent New Owner, ceases to be the ultimate holding company of the AIB Group, then the Issuer shall as soon as practicable give notice to the Trustee, the RCI Holders and the Calculation Agent, whereupon the Issuer's right to satisfy a Payment by the method contemplated by Condition 6 shall be suspended (such event being a "Suspension"). In such event an independent investment bank appointed by the Issuer (at the Issuer's expense) and approved by the Trustee shall determine, subject to the requirements that (i) the Issuer shall not be obliged to reduce its net assets, (ii) no amendment may be proposed or made which would alter the regulatory capital treatment of the RCIs for banking capital adequacy purposes without the prior consent of the CBI, and (iii) no such amendment may be made which would, in the Trustee's opinion, impose more onerous obligations on it without its consent, what amendments (if any) to these Terms and Conditions, the Trust Deed and any



other relevant documents are appropriate in order to preserve substantially the economic effect, for the RCI Holders, of a holding of the RCIs prior to the Suspension. Upon any such determination being reached and notified to the Trustee and the Issuer by such investment bank, the Trustee and the Issuer shall, pursuant to the terms of the Trust Deed and without the consent of the RCI Holders or Couponholders, effect any necessary consequential changes to these Terms and Conditions and the Trust Deed and any other relevant documents, whereupon the Issuer's right to satisfy a Payment by the method contemplated in Condition 6 shall no longer be subject to the Suspension.

If, after using all reasonable endeavours, such investment bank is unable to formulate such amendments, it shall so notify the Issuer, the New Owner, the Trustee, the Principal Paying Agent and the Calculation Agent and the Issuer shall (subject to the prior consent of the CBI and, as soon as practicable after the receipt of such consent) give notice of redemption to the RCI Holders and shall redeem each RCI at the Suspension Redemption Price and shall pay any Outstanding Payments not later than the 60th business day following the giving of such notice. Such redemption will, unless otherwise agreed by the Issuer and the Trustee, be effected through the issue of Ordinary Shares, such Ordinary Shares to be transferred to the New Owner in consideration for which the New Owner issues and transfers its ordinary shares (or share capital of an equivalent class) in accordance, *mutatis mutandis*, with Condition 6(b), (c), (d) and (e) (with references to the Payment Ordinary Shares being construed as references to such ordinary shares or equivalent share capital of the New Owner which, when sold, provide a net cash amount (converted into sterling if necessary) of not less than the redemption amount so payable by the Issuer).

## **9 Pre-emption**

The Issuer shall, from time to time, keep available for issue such number of Ordinary Shares as it reasonably considers would be required to be issued in order to satisfy the requirement to issue Payment Ordinary Shares in accordance with Condition 6 in connection with the next Coupon Payment (or, after the First Reset Date, the next four Coupon Payments).

No damages will be payable for breach of this covenant but, in the event of breach by the Issuer of this Condition 9, the Trustee may require the Issuer to put before the next general meeting of the shareholders of the Issuer a resolution to remedy the breach.

The Trustee shall not be obliged to monitor compliance by the Issuer with this Condition and shall be entitled to assume, unless it has actual knowledge to be contrary, that the Issuer is complying with its obligations under this Condition.

## **10 Non-Payment when Due**

*Notwithstanding any of the provisions below in this Condition 10, the right to institute winding-up proceedings is limited to circumstances where payment has become due. Pursuant to Condition 2(b) no principal or Payment will be due if the Solvency Condition is not satisfied, or if the Issuer would not otherwise be Solvent. Also, in the case of any Payment such Payment will not be due if the Issuer has elected to defer that Payment pursuant to Condition 4(a) or 4(b) or if the circumstances referred to in any of Conditions 6(d), 6(e) or 8(d) then apply. The Trust Deed contains provisions entitling the Trustee to claim from the Issuer, 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) If the Issuer shall not make payment in respect of the RCIs (in the case of payment of principal) for a period of seven days or more after the due date for the same or (in the case of any Coupon Amount, Deferred Coupon Payment, Exceptionally Deferred Coupon Payment or Accrued Coupon Payment or any payment under Clause 2.6 of the Trust Deed in respect of a payment shortfall) shall not make payment for a period of 14 days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Trust Deed, the RCIs and the Coupons and the Trustee may notwithstanding the provisions of paragraph (b) of this Condition 10, institute proceedings for the winding-up of the Issuer.

- (b) Subject as provided in Condition 9, the Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed, the RCI or the Coupons (other than for the payment of any principal or satisfaction of any Payments in respect of the RCI or the Coupons, including any payment under Clause 2.6 of the Trust Deed) provided that the Issuer shall not 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.
- (c) The Trustee shall not be bound to take any of the actions referred to in paragraph (a) or (b) above against the Issuer to enforce the terms of the Trust Deed, the RCI or the Coupons unless (i) it shall have been so requested by an Extraordinary Resolution of the RCI Holders or in writing by the holders of at least one-fifth in principal amount of the RCIs then outstanding and (ii) it shall have been indemnified to its satisfaction.
- (d) No RCI Holder or Couponholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up of the Issuer or to prove in such winding-up unless the Trustee, having become so bound to proceed or being able to prove in such winding-up, fails to do so within a reasonable period and such failure shall be continuing, in which case the RCI Holder or Couponholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise. No remedy against the Issuer shall be available to the Trustee or any RCI Holder or Couponholder (i) for the recovery of amounts owing in respect of the RCIs or the Coupons (including any payment under Clause 2.6 of the Trust Deed), other than the institution of proceedings for the winding-up of the Issuer and/or proving in such winding-up and (ii) for the breach of any other term under the Trust Deed, the RCIs or the Coupons, other than as provided in paragraph (b) above.

## 11 Taxation

All payments by the Issuer of principal, Coupon Amounts, Deferred Coupon Payments, Exceptionally Deferred Coupon Payments, Accrued Coupon Payments and Winding-Up Claims in respect of the RCIs will be made without withholding of or deduction for, or on any account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of Ireland or any political subdivision thereof or by any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer will pay such additional amounts as may be necessary in order that the net amounts receivable by RCI Holders or Couponholders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the RCIs or, as the case may be, Coupons in the absence of such withholding or deduction, except that no such additional amounts shall be payable in relation to any payment with respect to any RCI or Coupon presented for payment:

- (a) by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such RCI or Coupon by reason of his having some connection with Ireland other than the mere holding of such RCI or Coupon; or
- (b) unless it is proved to the satisfaction of the Paying Agent to whom the same is presented that the holder would not be able to avoid such withholding or deduction by satisfying any statutory requirements and/or by making a declaration of non-residence or other similar claim for exemption but, in either case, fails to do so; or
- (c) in Ireland; or
- (d) more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days.

References in these Terms and Conditions to principal, Coupon Amounts, Deferred Coupon Payments, Exceptionally Deferred Coupon Payments and/or Accrued Coupon Payments shall be

deemed to include any additional amounts which may become payable pursuant to the foregoing provisions or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

## **12 Prescription**

RCIs and Coupons (which for this purpose shall not include Talons) will become void unless presented for payment within a period of 10 years in the case of RCIs and five years in the case of Coupons from the Relevant Date relating thereto. There shall be no prescription period for Talons but there shall not be included in any Coupon sheet issued in exchange for a Talon any Coupon the claim in respect of which would be void pursuant to this Condition or Condition 8(a)(ii) or any Talon which would be void pursuant to Condition 8(a)(ii).

## **13 Meetings of RCI Holders, Modification, Waiver and Substitution**

The Trust Deed contains provisions for convening meetings of RCI Holders to consider any matter affecting their interests including the modification by Extraordinary Resolution (as defined in the Trust Deed) of these Terms and Conditions or other provisions of the Trust Deed.

The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the RCIs for the time being outstanding, or at any adjourned such meeting one or more persons being or representing RCI Holders whatever the principal amount of the RCIs so held or represented, except that at any meeting the business of which includes the modification of certain of these Terms and Conditions (including, *inter alia*, the provisions regarding subordination referred to in Conditions 2 and 3, the terms concerning currency and due dates for payment of principal or Coupon Payments in respect of the RCIs and reducing or cancelling the principal amount of any RCI or the Coupon Rate) and certain other provisions of the Trust Deed the quorum 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 principal amount of the RCIs for the time being outstanding.

An Extraordinary Resolution passed at any meeting of RCI Holders will be binding on all RCI Holders, whether or not they are present at the meeting, and on all Couponholders.

Notwithstanding any other provision of these Terms and Conditions, the Trustee may agree, without the consent of the RCI Holders or Couponholders, to any modification (subject to certain exceptions) of, or to any waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any other provisions of the Trust Deed which, in the opinion of the Trustee, is not materially prejudicial to the interests of the RCI Holders, or to any modification which is of a formal, minor or technical nature, or to correct a manifest error, or to comply with the mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated.

No modification to these Terms and Conditions or any other provisions of the Trust Deed shall become effective unless the prior consent thereto of the CBI shall have been obtained.

Subject to the prior consent of the CBI and as provided in the Trust Deed, the Trustee may agree with the Issuer, without the consent of the RCI Holders or Couponholders, to the substitution, on a subordinated basis equivalent to that referred to in these Terms and Conditions, of any holding company of the Issuer, any subsidiary of such holding company, any Subsidiary, any successor in business of the Issuer or any subsidiary of any successor in business of the Issuer (the "Substituted Issuer") in place of the Issuer (or any previous Substituted Issuer) as a new issuing party under the Trust Deed, the RCIs and the Coupons. In connection with any proposed substitution as aforesaid and in connection with the exercise of its functions, the Trustee shall have regard to the interests of the RCI Holders as a class and the Trustee shall not have regard to the consequences of such substitution for individual RCI Holders or Couponholders resulting from, in particular, their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory.

In connection with any substitution or such exercise as aforesaid, no RCI Holder or Couponholder shall be entitled to claim, whether from the Issuer, the Substituted Issuer or the Trustee or any

other person, any indemnification or payment in respect of any tax consequence of any such substitution or exercise for any individual RCI Holders or Couponholders, except to the extent already provided in Condition 11 and/or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Any such modification, waiver, authorisation or substitution shall be binding on all RCI Holders and all Couponholders and, unless the Trustee agrees otherwise, any such modification or substitution shall be notified to the RCI Holders in accordance with Condition 16 as soon as practicable thereafter.

#### **14 Replacement of the RCIs, Coupons and Talons**

Should any RCI, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (or any other place of which notice shall have been given in accordance with Condition 16) upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced RCIs, Coupons or Talons must be surrendered before any replacement RCIs, Coupons or Talons will be issued.

#### **15 The Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking any action unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer or any Subsidiary without accounting for any profit resulting therefrom. The Trustee is entitled under the Trust Deed to rely on reports and certificates addressed and/or delivered to it by the Appointed Accountants, whether or not the same are subject to any limitation on the liability of the Appointed Accountants and whether by reference to a monetary cap or otherwise.

#### **16 Notices**

Notices to RCI Holders will be valid if published in leading newspapers having general circulation in London and Dublin (which are expected to be the *Financial Times* in London and *The Irish Times* in Dublin) and for so long as the RCIs are listed on the Luxembourg Stock Exchange and the rules of that Exchange so require, in Luxembourg (which is expected to be the *Luxemburger Wort*). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the RCI Holders in accordance with this Condition.

#### **17 Further Issues**

The Issuer shall be at liberty from time to time, without the consent of the RCI Holders or the Couponholders, to create and issue further RCIs ranking *pari passu* in all respects (or in all respects save for the date from which interest thereon accrues and the amount of the first payment of interest on such further RCIs) and so that the same shall be consolidated and form a single series with the outstanding RCIs. Any such RCIs shall be constituted by a deed supplemental to the Trust Deed.

#### **18 Agents**

The Issuer will procure that there shall, at all times be a Calculation Agent and a Principal Paying Agent so long as any RCI is outstanding. If either the Calculation Agent or the Principal Paying Agent is unable or unwilling to act as such, or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Terms and Conditions or the Calculation Agency Agreement or the Agency Agreement, as appropriate, the Issuer shall appoint, on terms acceptable to the Trustee, an independent investment bank acceptable to the Trustee to act as such in its place. Neither the termination of the appointment of a Calculation Agent or the Principal Paying Agent nor the resignation of either will be effective without a successor having been appointed.

All calculations and determinations made by the Calculation Agent or the Principal Paying Agent in relation to the RCIs shall (save in the case of manifest error) be final and binding on the Issuer, the Trustee, the Paying Agents, the RCI Holders and the Couponholders.

None of the Issuer, the Trustee and the Paying Agents shall have any responsibility to any person for any errors or omissions in any calculation by the Calculation Agent.

## **19 Governing Law**

The Trust Deed, the RCIs, the Coupons and the Talons are governed by, and shall be construed in accordance with, the laws of England, except that the provisions of the Trust Deed and the RCIs relating to the postponement of claims of the RCI Holders and Couponholders on a winding-up of the Issuer shall be construed in accordance with the laws of Ireland.

## **20 Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the RCIs under the Contracts (Rights of Third Parties) Act 1999.

## **21 Definitions**

In these Terms and Conditions:

“Accrued Coupon Payment” means, as at any time, where these Terms and Conditions provide that interest shall continue to accrue after a Coupon Payment Date in respect of an RCI, the amount of interest accrued thereon in accordance with Conditions 4(b), 5, 6(d) and 6(e);

“Accrual Period” means the relevant period for which interest is to be calculated (from and including the first such day to but excluding the last);

“Agency Agreement” means the agency agreement dated 5 February 2001 between the Issuer, the Trustee and the Paying Agents, relating to the RCIs;

“AIB Group” means Allied Irish Banks, p.l.c. and its subsidiaries;

“Appointed Accountants” means such firm of reputable accountants as appointed from time to time by the Issuer with the approval of the Trustee for the purposes of these Terms and Conditions;

“Assets” means the unconsolidated gross tangible assets of the Issuer, all as shown in the latest published audited balance sheet of the Issuer, but adjusted for contingencies and for subsequent events, all in such manner as the directors, the Appointed Accountants or the liquidator (as the case may be) may determine;

“Authorised Denominations” means €1,000, €10,000 and €100,000;

“authorised officer” means any director (whether executive or non-executive) of the Issuer or the Group Secretary of the Issuer or the Director of Compliance and legal services of the Issuer;

“business day” means a day, other than a Saturday or Sunday, on which commercial banks and foreign exchange markets are open for general business in London;

“Calculation Agency Agreement” means the calculation agency agreement dated 5 February 2001 between the Issuer, the Trustee and the Calculation Agent, relating to the RCIs;

“Calculation Agent” means Lehman Brothers International (Europe), as calculation agent in relation to the RCIs, or its successor or successors for the time being appointed under the Calculation Agency Agreement;

“Capital Regulations” means at any time the regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the CBI or such other governmental authority in Ireland (or if the Issuer becomes domiciled in a jurisdiction other than Ireland, in such other jurisdiction) having primary bank supervisory authority with respect to the Issuer;



"Coupon" means an interest coupon relating to an RCI and includes, where the context so permits, a Talon;

"Coupon Amount" means (i) in respect of a Coupon, the amount of interest payable on the presentation and surrender of such Coupon for the relevant Coupon Period in accordance with Condition 5 and (ii) for the purposes of Conditions 7(c), 7(d) and 8(d) any interest accrued from and including the preceding Coupon Payment Date (or, if none, the Issue Date) to but excluding the due date for redemption if not a Coupon Payment Date;

"Coupon Determination Date" means, in relation to each Reset Date, the second business day prior to such Reset Date;

"Coupon Payment" means, in respect of a Coupon Payment Date, the aggregate Coupon Amounts for the Coupon Period ending on such Coupon Payment Date;

"Coupon Payment Date" means (i) in respect of the period from the Issue Date to (and including) the First Reset Date, 28 February in each year, starting 28 February 2002 and (ii) after the First Reset Date, 28 May, 28 August, 28 November and 28 February in each year, starting 28 May 2011, provided that if any Coupon Payment Date after the First Reset Date would otherwise fall on a day which is not a TARGET Business Day, it shall be postponed to the next day which is a TARGET Business Day;

"Coupon Period" means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Coupon Payment Date and each successive period beginning on (and including) a Coupon Payment Date and ending on (but excluding) the next succeeding Coupon Payment Date;

"Couponholder" means the bearer of any Coupon;

"Coupon Rate" has the meaning given to it in Condition 5(b);

"Coupon Satisfaction Date" means the date on which the Issuer has resolved to satisfy a Deferred Coupon Payment, as notified by the Issuer to the Trustee, the RCI Holders, the Principal Paying Agent and the Calculation Agent in accordance with Condition 4(b);

"dealing day" means a day, other than a Saturday or Sunday, on which the Frankfurt Stock Exchange (or such other stock exchange on which the Reference Bond is at the relevant time listed) is ordinarily open for the trading of securities;

"Day Count Fraction" means (1) prior to the First Reset Date the Day Count Fraction will be calculated on the following basis: (i) if the Accrual Period is equal to or shorter than the Determination Period during which it falls, the Day Count Fraction will be the number of days in the Accrual Period divided by the number of days in such Determination Period; and (ii) if the Accrual Period is longer than one Determination Period, the Day Count Fraction will be the sum of (A) the number of days in such Accrual Period falling in the Determination Period in which it begins divided by the number of days in such Determination Period; and (B) the number of days in such Accrual Period falling the next Determination Period divided by the number of days in such Determination Period and (2) in respect of each Coupon Period after the First Reset Date, the actual number of days elapsed divided by 360;

"Deferred Coupon Payment" means any Payment, or part thereof, which, pursuant to Condition 4(b), the Issuer has elected to defer and which has not been satisfied;

"Determination Period" means the period from and including 28 February in any year to but excluding the next 28 February;

"euro" and "€" mean the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty and the smallest subdivision of which shall be one hundredth of a euro or a "cent";

"Euro-zone" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty;

the “Exceptional Deferral Condition” will be satisfied if, in the determination of the Issuer, on the relevant date, the Issuer is, or payment of the relevant Payment will result in the Issuer not being in compliance with the applicable Capital Regulations;

“Exceptionally Deferred Coupon Payment” means a Payment, or part thereof, which has been deferred in accordance with Condition 4(a) and not satisfied;

“Exceptionally Deferred Coupon Payment Date” means the date on which the Issuer has resolved to satisfy an Exceptionally Deferred Coupon Payment, as notified by the Issuer to the Trustee, the RCI Holders, the Principal Paying Agent and the Calculation Agent in accordance with Condition 4(a);

“First Reset Date” means 28 February 2011;

“holding company” has the meaning ascribed to it under Section 155 of the Companies Act, 1963 of Ireland;

“interest” shall, where appropriate, include Coupon Amounts, Deferred Coupon Payments, Exceptionally Deferred Coupon Payments and Accrued Coupon Payments;

“Issue Date” means 5 February 2001, being the date of initial issue of the RCIs;

“Issuer” means Allied Irish Banks, p.l.c.;

“Liabilities” means the total unconsolidated gross liabilities of the Issuer, all as shown in the latest published audited balance sheet of the Issuer, but adjusted for contingencies and for subsequent events, all in such manner as the directors, the Appointed Accountants or the liquidator (as the case may be) may determine;

“London Stock Exchange” means the London Stock Exchange plc;

“Market Disruption Event” means (i) the occurrence or existence of any suspension of, or limitation imposed on, trading (by reason of movements in price exceeding limits permitted by the Irish Stock Exchange Limited or the London Stock Exchange or otherwise) or on settlement procedures for transactions in the Ordinary Shares on the Irish Stock Exchange Limited or the London Stock Exchange if, in any such case, that suspension or limitation is, in the determination of the Calculation Agent, material in the context of the sale of the Ordinary Shares, or (ii) in the opinion of the Issuer, there has been a substantial deterioration in the price and/or value of the Ordinary Shares or circumstances are such as to prevent, or to a material extent restrict, the issue or delivery of the Payment Ordinary Shares, or (iii) where, pursuant to these Terms and Conditions, monies are required to be converted from one currency into another currency in respect of any Payment, the occurrence of any event that makes it impracticable to effect such conversion;

“New Owner” means any new ultimate holding company of the AIB Group;

“Ordinary Shares” means ordinary shares of the Issuer, having on the Issue Date a nominal value of €0.32 each;

“Outstanding”, in relation to any Coupon Payment, Deferred Coupon Payment, Exceptionally Deferred Coupon Payment or Coupon Amount not falling within the definition of Coupon Payment, means that such payment (a) has either become due and payable or would have become due and payable, except for the non-satisfaction on the relevant date of the conditions referred to in Condition 2(b)(i) or the deferral, postponement or suspension of such payment in accordance with any of Conditions 4(a), 4(b), 6(d), 6(e) or 8(d); and (b) in any such case has not been satisfied, and in relation to any Accrued Coupon Payment means any amount thereof which has not been satisfied whether or not payment has become due;

“Paying Agents” means the paying agents appointed pursuant to the Agency Agreement and such term shall, unless the context otherwise requires, include the Principal Paying Agent;

“Payment” means any Coupon Payment, Deferred Coupon Payment, Exceptionally Deferred Coupon Payment, Accrued Coupon Payment or Coupon Amount not falling within the definition of Coupon Payment;

“Payment Business Day” means a day (other than a Saturday or Sunday) on which commercial banks are open for general business in London and in the place of the specified office of the relevant Paying Agent to whom the RCI or Coupon is presented or surrendered;

“Payment Ordinary Shares” has the meaning ascribed to it in Condition 6(b);

“Perpetual Subordinated Debt” means the Issuer’s outstanding U.S.\$100,000,000 Subordinated Primary Capital Perpetual Floating Rate Notes as constituted by a Trust Deed dated 25 July 1985 (as modified and/or restated from time to time) made between the Issuer and Barclays Bank Trust Company Limited as trustee and the Issuer’s outstanding €200,000,000 Fixed Rate Perpetual Subordinated Notes as constituted by a Trust Deed dated 30 November 1993 (as modified and/or restated from time to time) made between the Issuer and Morgan Guaranty Trust Company of New York as trustee, and any other obligations of the Issuer which are expressed to rank *pari passu* with the aforesaid obligations;

“Principal Paying Agent” means the principal paying agent appointed pursuant to the Agency Agreement;

“RCIs” means the €500,000,000 7.50% Step-up Callable Perpetual Reserve Capital Instruments, and such expression shall include, unless the context otherwise requires, any further instruments issued pursuant to Condition 17 and forming a single series with the RCIs;

“RCI Holder” means the bearer of any RCI;

“Reference Banks” means the banks to be appointed in accordance with Condition 5(e);

“Reference Bond” means, in relation to any calculation of the Suspension Redemption Price, the 5.375 per cent. Bundesobligationen 4 January 2010, or if such security is no longer in issue, such other European government security as the Calculation Agent may, with the advice of the Reference Dealers, determine to be appropriate for determining the Suspension Redemption Price;

“Reference Dealers” means three brokers of, and/or market makers in, European government securities, selected by the Calculation Agent in consultation with the Issuer and approved in writing by the Trustee, or such other three persons operating in the European government securities market as are selected by the Calculation Agent in consultation with the Issuer and approved in writing by the Trustee;

“Relevant Date” means (i) in respect of any payment other than a Winding-Up Claim, the date on which such payment first becomes due and payable but, if the full amount of the moneys payable on such date has not been received by the Principal Paying Agent or the Trustee on or prior to such date, the “Relevant Date” means the date on which such moneys shall have been so received and notice to that effect shall have been given to the RCI Holders, and (ii) in respect of a Winding-Up Claim, the date which is one day prior to the commencement of the winding-up;

“Relevant Deferred Coupon Payment Date” means with respect to a deferral under Condition 4(a)(i), the Coupon Payment Date next following the 19th business day after such Exceptional Deferral Condition fails to be satisfied;

“Reset Date” means the First Reset Date and thereafter, each Coupon Payment Date;

“Reset Period” means the period from (and including) a Reset Date to (but excluding) the next succeeding Reset Date;

“Senior Creditors” means creditors of the Issuer who are depositors or other unsubordinated creditors of the Issuer;

“Senior Subordinated Creditors” means creditors of the Issuer whose claims against the Issuer are, or are expressed to be, subordinated (whether only in the event of the winding-up of the Issuer or otherwise) to the claims of depositors and other unsubordinated creditors of the Issuer but excluding such subordinated creditors whose claims rank, or are expressed to rank, junior to the claims of the RCI holders;

“Shareholders” means the holders at any given time of Ordinary Shares;



the "Solvency Condition" shall be satisfied in relation to the Issuer if, as determined by reference to Irish generally accepted accounting principles, its Assets exceed its Liabilities;

the Issuer shall be considered to be "Solvent" if (i) it is able to pay its debts as they fall due and (ii) an authorised officer has reported to the Trustee within the previous six months that the Solvency Condition has been satisfied;

"Subsidiary" means each subsidiary for the time being of the Issuer;

"subsidiary" has the meaning ascribed to it under Section 155 of the Companies Act, 1963 of Ireland;

"Substituted Issuer" has the meaning ascribed to it in Condition 13;

"Suspension" has the meaning ascribed to it in Condition 8(d);

"Suspension Redemption Price" means, in respect of each RCI, (a) the Authorised Denomination of such RCI or, if higher, (b) the price, expressed as a percentage (rounded to four decimal places, 0.00005 being rounded upwards), at which the gross redemption yield (as calculated by the Calculation Agent on the basis set out by the Joint Index and Classification Committee of the Institute and Faculty of Actuaries as reported in the Journal of the Institute of Actuaries Vol. 105, part 1, 1978, page 18 (as amended from time to time)) on the RCIs, if they were to be purchased at such price on the third dealing day prior to the date fixed for redemption, would be equal to the gross redemption yield on such dealing day of the Reference Bond plus 0.5 per cent., on the basis of the middle market price of the Reference Bond prevailing at 11.00 a.m. (London time) on such dealing day as determined by the Calculation Agent;

"Talon" means a talon for further Coupons;

"TARGET" means the Trans European Real-Time Gross Settlement Express Transfer (TARGET) System;

"TARGET Business Day" means a day on which TARGET is operating;

"Treaty" means the treaty establishing the European Community, as amended from time to time;

"Tier 1 Capital" has the meaning ascribed to it in the Central Bank of Ireland Implementation Notice dated 13 June 2000 in respect of Implementation of EC Own Funds and Solvency Ratio Directives for Credit Institutions Incorporated in Ireland (BSD 5 1/00) or any successor notification replacing such notice;

"Trust Deed" means the trust deed dated 5 February 2001 between the Issuer and the Trustee;

"Trustee" means The Bank of New York as trustee for the RCI Holders and includes its successor(s); and

"Winding-Up Claim" has the meaning ascribed to it in Condition 2(b)(ii).

## **USE OF PROCEEDS**

The net proceeds of the issue of the RCIs are estimated to amount to €495,345,000 and will be used for the development and expansion of the business of the Issuer and further to strengthen the capital base of the Issuer.

## SUMMARY OF PROVISIONS RELATING TO THE RCIs WHILE IN GLOBAL FORM

### Exchange

The RCIs will be represented initially by a Temporary Global RCI in bearer form without Coupons or Talons which will be deposited outside the United States with a common depository for Clearstream, Luxembourg and Euroclear on or about 5 February 2001. The Temporary Global RCI will be exchangeable in whole or in part (free of charge to the holder) for interests in a Permanent Global RCI in bearer form without Coupons or Talons on or after a date which is expected to be 17 March 2001 (the "Exchange Date") upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations and as described in the Temporary Global RCI. Upon deposit of the Temporary Global RCI or the Permanent Global RCI (each a "Global RCI") with a common depository for Clearstream Banking Société anonyme ("Clearstream, Luxembourg") and Euroclear Bank S.A./N.V. ("Euroclear"), Clearstream, Luxembourg and Euroclear will credit each of the Joint-Lead Managers with a principal amount of RCIs equal to the principal amount thereof for which it has subscribed and paid.

Each of the persons shown in the records of Clearstream, Luxembourg or Euroclear as the holder of an RCI represented by a Global RCI must look solely to Clearstream, Luxembourg or Euroclear (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global RCI, subject to and in accordance with the respective rules and procedures of Clearstream, Luxembourg or Euroclear (as the case may be).

The Global RCIs will contain provisions applicable to the RCIs represented thereby, some of which modify the effect of the Terms and Conditions of the RCIs. Certain of these are summarised in this section.

For so long as any of the RCIs is represented by a Global RCI, the bearer of the Global RCI may except as ordered by a court of competent jurisdiction or as required by law, be treated by the Issuer, the Trustee and the Paying Agents as the owner thereof and of all rights thereunder free from all encumbrances (in accordance with and subject to its terms and the Trust Deed) and the expression "RCI Holder" and related expressions shall be construed accordingly. Interests in RCIs which are represented by a Global RCI will only be transferable in accordance with the rules and procedures for the time being of Clearstream, Luxembourg and/or Euroclear, as the case may be.

If any date on which a payment is due on the RCIs occurs prior to the Exchange Date, the relevant payment will be made on the Temporary Global RCI only to the extent that certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations (in substantially the form referred to in the Temporary Global RCI or in such other form as is customarily issued in such circumstances by the relevant clearing system or depository) has been received by Clearstream, Luxembourg or Euroclear. Payment of amounts due in respect of the Permanent Global RCI will be made through Clearstream, Luxembourg or Euroclear without any requirement for certification.

The holder of the Temporary Global RCI shall not (unless, upon due presentation of such Temporary Global RCI for exchange (in whole or in part) for interests in the Permanent Global RCI, such exchange is improperly withheld or refused and such withholding or refusal is continuing at the relevant payment date) be entitled to receive any payment in respect of the RCIs represented by such Temporary Global RCI which falls due on or after the Exchange Date.

Interests in the Permanent Global RCI will be exchangeable in whole but not in part (free of charge to the holder) for definitive bearer RCIs (a) if the Permanent Global RCI is held on behalf of Clearstream, Luxembourg or Euroclear or the Alternative Clearing System (as defined below) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of public holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so by such holder giving notice to the Principal Paying Agent or (b) at any time at the option of the Issuer, by the Issuer giving notice to the Principal Paying Agent and the RCI Holders of its intention to exchange the Permanent Global RCI for definitive RCIs on or after the Permanent Global Exchange Date (as defined below) specified in the notice.

On or after the Permanent Global Exchange Date the holder of the Permanent Global RCI shall surrender the Permanent Global RCI to or to the order of the Principal Paying Agent. In exchange for the Permanent Global RCI, the Issuer shall deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated definitive RCIs having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global RCI and a Talon.

“Alternative Clearing System” means any such other clearing system as shall have been approved by the Trustee.

“Permanent Global Exchange Date” means a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located and except in the case of exchange pursuant to (a) above in the cities in which Euroclear and Clearstream, Luxembourg or, if relevant, the Alternative Clearing System are located.

### **Payments**

Principal and interest in respect of the Permanent Global RCI shall be paid to its holder against presentation and (if no further payment fails to be made on it) surrender of it to or to the order of the Principal Paying Agent which shall endorse such payment or cause payment to be endorsed in the appropriate schedule to the Permanent Global RCI. No person shall however be entitled to receive any payment on the Permanent Global RCI falling due after the Permanent Global Exchange Date, unless exchange of the Permanent Global RCI for definitive RCIs is improperly withheld or refused by or on behalf of the Issuer.

### **Notices**

So long as the Permanent Global RCI is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System, notices required to be given to RCI Holders may be given by their being delivered to Euroclear and/or Clearstream, Luxembourg or, as the case may be, the Alternative Clearing System, rather than by publication as required by the Terms and Conditions of the RCIs except that (i) so long as the RCIs are listed on the Luxembourg Stock Exchange and the rules of that Exchange so require, notices shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) and (ii) notices shall at all times be published in a leading newspaper having general circulation in Dublin (which is expected to be *The Irish Times*). Any notice delivered to Euroclear, Clearstream, Luxembourg and/or, as the case may be, the Alternative Clearing System shall be deemed to have been given to the RCI Holders on the day on which such notice is so delivered.

### **Meetings**

The holder of the Permanent Global RCI shall be treated at any meeting of RCI Holders as having one vote in respect of each €1,000 principal amount of RCIs for which the Permanent Global RCI may be exchanged.

### **Purchase and cancellation**

Cancellation of any RCI represented by the Permanent Global RCI which is required by the Terms and Conditions of the RCIs to be cancelled will be effected by reduction in the principal amount of the Permanent Global RCI.

### **Trustee's powers**

In considering the interests of RCI Holders in circumstances where the Permanent Global RCI is held on behalf of any one or more of Euroclear, Clearstream, Luxembourg and an Alternative Clearing System, the Trustee may have regard to such information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Permanent Global RCI and may consider such interests on the basis that such accountholders were the holder of the Permanent Global RCI.

## ALLIED IRISH BANKS, p.l.c.

### General

AIB Group provides a diverse range of banking, financial and related services, principally in Ireland, the United States, the U.K. and Poland. At 30 June 2000 AIB Group was the largest Irish banking group in terms of income before taxes (on the basis of the latest published financial statements). AIB has some 300 branches and outlets in Ireland, where the directors estimate its share of the total market for both euro loans and deposits to be in excess of 20 per cent.

In Northern Ireland, through its wholly owned subsidiary AIB Group (UK) p.l.c., which trades there as First Trust Bank, AIB Group operates from some 70 branches and outlets. In Britain, AIB Group (UK) p.l.c., which trades there as Allied Irish Bank (GB), provides a range of banking services through 34 branches and outlets. In the United States, through its subsidiary Allfirst Financial, Inc. ("Allfirst"), the Group operates from over 260 full service branch offices in Maryland, adjoining states and the District of Columbia. In Poland, the Group operates from some 393 branches and outlets through its 60 per cent. owned subsidiary Wielkopolski Bank Kredytowy S.A. ("WBK"), together with its 81.6 per cent. owned subsidiary Bank Zachodni S.A. ("BZ").

### Divisions

AIB Group's activities are conducted through four major operating divisions - AIB Bank, USA, Capital Markets and Poland. At 31 December 1999 AIB Group had assets of €67.1 billion and employed approximately 31,600 people on a full time equivalent basis. At 31 December 1999 the distribution of assets and the number of employees between those major operating divisions was as follows:

Division	Assets		Employees	
	(Euros in millions)	%		%
AIB Bank	€25,008	37	11,355	36
USA	17,834	27	5,677	18
Capital Markets	18,675	28	1,874	6
Poland	4,990	7	12,479	39
Group	563	1	213	1
Total	€67,070	100	31,598	100

### Business of AIB Group

The business of AIB Group is conducted through four major operating Divisions and AIB and its principal subsidiaries as follows:

#### AIB Bank division

Allied Irish Banks, p.l.c.	General retail and commercial banking through some 300 branches and outlets in Ireland.
AIB Finance Ltd	Asset financing company providing instalment/variable rate loans and deposit products in Ireland.
Ark Life Assurance Company Ltd.	Provision of Life Assurance services principally in Ireland, Britain and Northern Ireland and pension and investment services in Ireland.

AIB Group (UK) p.l.c.	General retail and commercial banking as well as asset finance and leasing through some 70 branches and outlets in Northern Ireland, trading as First Trust Bank, and through 34 branches and outlets in Britain, trading as Allied Irish Bank (GB).
AIB Leasing Ltd.	Asset financing company providing leasing products in Ireland.
AIB Bank (CI) Ltd.	Jersey (Channel Islands) based banking company; provides financial services and trust services through subsidiary companies.
AIB Bank (Isle of Man) Ltd.	Isle of Man based banking company; provides trust and corporate services through subsidiary companies.
AIB Insurance Services Ltd.	Insurance broking.
AIB International Consultants Ltd.	Provides banking consultancy services overseas.
<b>USA division</b>	
Allfirst Financial, Inc.	Bank holding company.
Allfirst Bank	General commercial and retail banking, through 260 full service offices in Maryland, Pennsylvania, Northern Virginia and the District of Columbia, as well as treasury and trust services.
Allfirst Financial Center, N.A.	Cash management services.
Allfirst Leasing Corporation	Equipment finance company.
Allfirst Mortgage Corporation	Commercial mortgage banking.
Allied Irish Banks, p.l.c.	Provision of corporate, retail and treasury services through its New York branch. Manages AIB 's Cayman Islands branch and representative offices in California and Pennsylvania.
<b>Capital Markets division</b>	
Allied Irish Banks, p.l.c.	Management of liquidity and funding needs; interest and exchange rate exposures; financial market trading activities; provision of lending; trade and commercial treasury services and custodial and trustee services.
AIB Capital Markets plc	Merchant banking operations including corporate advisory services, provision of venture capital and corporate finance.
AIB Corporate Finance Ltd.	Provision of advice to companies wishing to raise capital through public or private offerings and placements.
Allied Irish Capital Management Ltd.	Acts as a commodity trading adviser and is engaged in advising clients in the purchase/sale of equities, foreign exchange and futures commodities.
Goodbody Holdings Ltd.	Provision of a broad range of stockbroking services, through its subsidiary, Goodbody Stockbrokers.
AIB International Financial Services Ltd.	Specialises in international financial services activities, including tax efficient cross-border investments, management of investment companies, advisory services and the provision of back office services.

AIB Asset Management Holdings Ltd.	Asset management and funds management for institutional and retail clients principally through offices in Dublin, London, Singapore, Jersey and San Francisco.
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#### **Poland division**

Wielkopolski Bank Kredytowy S.A.	A commercial and retail bank which operates through 191 branches and outlets in western Poland.
Bank Zachodni S.A.	A commercial and retail bank, which operates through 202 branches and outlets in south-western Poland.

#### **Background**

AIB, originally named Allied Irish Banks Limited, was incorporated in Ireland in September 1966 in connection with the amalgamation of three long established banks (the “constituent banks”) with assets aggregating €324 million, the Munster and Leinster Bank Limited (established 1885), the Provincial Bank of Ireland Limited (established 1825) and The Royal Bank of Ireland Limited (established 1836), the shares of which were acquired by and were transferred to AIB as a holding company. In 1972, AIB became the sole banking entity in place of the three constituent banks, other than with regard to the currency note issue of the Provincial Bank of Ireland Limited in Northern Ireland, which was transferred to AIB in 1982. This power to issue bank notes in Northern Ireland was transferred to AIB Group (UK) p.l.c. with effect from 10 January, 1994.

In December 1970, AIB commenced the expansion of its network of branches in Britain. Since 1972, AIB has opened overseas branches in New York, the Cayman Islands and Singapore. Subsidiary companies have been set up in the Isle of Man and Jersey (Channel Islands). Representative offices have been established in Frankfurt, Pennsylvania, California and Philadelphia.

In December 1983, AIB acquired 43 per cent. of the outstanding shares of First Maryland Bancorp (“FMB”). On 21 March 1989, AIB completed the acquisition of 100 per cent. of the outstanding shares of common stock of FMB, thereby furthering its strategic objective of increasing the geographic diversification of its investments and operations.

Ark Life Assurance Company Limited (“Ark Life”), the Group’s wholly-owned life assurance subsidiary, commenced trading on 22 May 1991.

In July 1991, AIB acquired TSB Bank Northern Ireland p.l.c. (“TSB NI”), a bank with 56 branches in Northern Ireland. The AIB and TSB NI businesses in Northern Ireland were integrated with the passage of enabling legislation, which came into effect on 10 January 1994 and the combined operations trade under the service mark “First Trust Bank”.

In February 1995, AIB acquired its initial minority shareholding of 16.3 per cent. of the outstanding shares of WBK and in June 1996 acquired a further shareholding of 20 per cent. On 13 May 1997, the Group increased its shareholding in WBK to 60.14 per cent.

On 29 December 1995, AIB acquired the John Govett Group, a UK investment management business operating principally from offices in London, Singapore, San Francisco and Jersey. In December 1996, the asset management operations of AIB, excluding those conducted by FMB and WBK, were merged under a single holding company.

On 8 July 1997, Dauphin Deposit Bank and Trust Company (“Dauphin”) a Pennsylvania chartered commercial bank was acquired by FMB and all banking operations have been merged into Allfirst Bank since September 1999.

On 2 June 1999, AIB signed an in-principle agreement with Singapore based Keppel Tatlee Bank Limited (“KTL”), which gives AIB the right to acquire up to a 24.9 per cent. equity stake in the bank. In October 1999, AIB’s private banking and treasury operations in Singapore were sold to KTL.



On 16 September 1999, AIB completed the acquisition of an 80 per cent. shareholding in BZ from the State Treasury of the Republic of Poland. In accordance with the acquisition agreement AIB invested in additional shares of BZ on 15 October 1999 and 12 April 2000, bringing the total shareholding to 81.6 per cent. AIB's shareholding in BZ was increased to 83 per cent. on 15 November 2000, following the subscription for additional shares in the amount of PLN100 million.

#### **AIB Bank division**

The AIB Bank division, with total assets of €25.0 billion at 31 December 1999, comprises the Group's retail and commercial operations in Ireland, Northern Ireland, Britain, Channel Islands and Isle of Man; AIB Finance & Leasing; Card Services; International Consultants; and AIB's life and pensions subsidiary, Ark Life Assurance Company Limited.

AIB Bank, in Ireland and Northern Ireland, provides branch banking services and money transmission services to customers through its distribution network of over 380 branches and outlets, and in excess of 580 automatic teller machines. "Banklink" card holders from Ireland also have access to over 26,000 LINK ATMs in Britain and Northern Ireland as well as 500,000 Visa Plus serviced ATMs worldwide. A debit card "Laser" is operated jointly with other financial institutions.

In addition, AIB offers a 24-hour telephone access service for the routine transactions of personal customers in both Ireland and Northern Ireland. There is also 24-hour account access for personal customers via the internet through AIB's "24-hour-online" service through which AIB customers can pay bills, transfer money between accounts, search for cheques and view and order statements.

In Ireland and Northern Ireland, branch banking services are provided across the range of customer segments, including individuals, small and medium sized commercial customers, farmers and the corporate sector. Through its branch network, AIB Bank provides a variety of savings and deposit accounts and investment products, loans and overdrafts, home loans, home improvement loans, foreign exchange facilities and issues Visa® and Mastercard® credit cards.

AIB Finance & Leasing is AIB's asset financing arm in Ireland. It markets its services through the AIB branch network and through intermediaries with whom it has established relationships, such as motor dealers, equipment suppliers, brokers and other professionals, including solicitors, accountants and estate agents. It also lends directly to customers. Its lending services include vehicle, equipment and fleet leasing, retail and investment property loans, vehicle and equipment hire purchase, insurance premium financing and personal loans.

AIB's life assurance subsidiary, Ark Life Assurance Company Limited, provides a wide range of financial planning services including life assurance, savings and investment instruments, pensions and inheritance tax planning. In Ireland, general insurance products are sold in the branch network through alliances with partners in the insurance industry. In addition, First Trust Insurance Services Limited provides insurance services utilising the First Trust branch network in Northern Ireland.

Allied Irish Bank (GB) operates from 36 branches and outlets throughout Britain (14 of which are in the greater London area). It provides a core range of banking services including current accounts, overdraft and loan facilities, mortgage, lending, deposit and investment services, on competitive terms with the main UK clearing banks. A decision was taken four years ago to concentrate on the business and professional markets, rather than the mass market, and to grow the business through a relationship approach. It focuses mainly on providing specialised banking services to business customers, mainly in the small and medium sector, and to high net worth personal customers. In November 2000, Allied Irish Bank (GB) has, for the fourth consecutive time, been awarded the title of Best Business Bank in Britain by the Forum of Private Business.

#### **USA division**

The USA division, with total assets of €17.8 billion at 31 December 1999, comprises the operations of Allfirst and of AIB's New York and Cayman Islands branches. Allfirst and its subsidiaries serve



customers through a network of 260 full service offices and more than 550 automated teller machines in Maryland, adjoining states and the District of Columbia.

Allfirst is a bank holding company based in Baltimore, Maryland, with total stockholders' equity at 31 December 1999, of U.S.\$1.8 billion. At that date its total assets were U.S.\$17.5 billion and for the year ended 31 December 1999, its income before taxes was U.S.\$279 million and its net income was U.S.\$178 million. At 31 December 1999, AIB controlled 100 per cent. of the voting power of Allfirst's outstanding capital stock.

Allfirst, through its principal subsidiary Allfirst Bank, is engaged in general commercial and retail banking and treasury and trust business serving individuals, businesses and governmental units. Allfirst Bank operates throughout Maryland and adjoining states. Allfirst also engages in cash management services through Allfirst Financial Center N.A. Other subsidiaries of Allfirst are engaged primarily in equipment financing, and commercial real estate lending.

A range of banking services is also provided through the New York branch of AIB to corporate and retail customers. In addition, the branch provides treasury services and manages AIB's Cayman Islands branch. The New York branch also manages representative offices in both California and Pennsylvania.

### **Capital Markets division**

AIB Capital Markets with total assets of €18.7 billion provides the Treasury, International, Investment and Corporate Banking services of the Group (with the exception of Allfirst, WBK and BZ) through three main business units.

Treasury & International through its treasury operations manages, on a global basis, the liquidity and funding requirements and the interest and exchange rate exposure of the Group (with the exception of Allfirst, WBK and BZ). In addition, it is responsible for proprietary trading activities, and provides a wide range of treasury and risk management services to the corporate, commercial and retail customers of the Group (with the exception of Allfirst, WBK and BZ). International banking activities include import and export financial services.

Investment Banking provides a comprehensive range of services including discretionary investment management, corporate finance, stockbroking, international cross-border finance and custodial, trustee and fund administration services. AIB Investment Managers Limited and AIB Govett manage assets for institutional and retail clients principally from offices in Dublin, London, Singapore, Jersey and San Francisco. The combined operations have €16.0 billion of funds under management. The AIB/Bank of New York joint venture, AIB/BNY Fund Management (Ireland) Ltd., has €16.7 billion of funds under administration.

AIB Corporate Banking provides relationship based banking services to top tier companies, both domestic and international financial institutions and Irish commercial state companies.

In addition to its main base at Dublin's International Financial Services Centre, AIB Capital Markets division operates AIB's treasury operations in London and New York, and its representative office in Frankfurt. AIB Capital Markets' presence in London also includes a corporate banking team.

### **Poland division**

Poland division, with total assets of €5.0 billion, comprises WBK in which AIB has a 60 per cent. shareholding, together with its subsidiaries and associates, and BZ, in which AIB has an 81.6 per cent. shareholding, together with its subsidiaries and associates.

WBK is based in Poznan in western Poland. At 31 December 1999, WBK had total assets of PLN 11.7 billion, 196 branches and outlets and over 5,000 staff. It is engaged in general and commercial retail banking, treasury and the provision of brokerage services. Asset Management operations are carried out through WBK/AIB Asset Management S.A. WBK operates mainly in Wielkopolska (the Central Western part of Poland adjacent to the German border).

BZ, based in Wroclaw in south western Poland, is engaged in general and commercial retail

banking and brokerage services. At 31 December 1999, BZ had total assets of PLN 7.4 billion, 195 branches and outlets and over 7,000 staff.

### **Recent developments**

#### *Deposit Interest Retention Tax*

Deposit Interest Retention Tax ("DIRT") is a withholding tax introduced by the Finance Act, 1986 in Ireland. Financial institutions are required to deduct DIRT from interest payable on certain deposits with them ("relevant deposits") and make a return to the Revenue Commissioners ("Revenue") of the interest paid in that year and of the appropriate DIRT.

In 1991, the Revenue approached AIB and indicated that more effective procedures for the collection and payment of DIRT were required in the area of non-resident accounts and AIB introduced these new procedures. AIB believed that it reached an agreement or arrangement with the Revenue at that time under which no liability would attach to the Bank in respect of DIRT between 1986 and 1991.

Following upon media reports in 1998 concerning a substantial number of "bogus non-resident accounts" in AIB in 1991 a parliamentary inquiry into the operation of DIRT in financial institutions in Ireland between 1986 and 1998 was instituted. In addition the Revenue Commissioners commenced a series of audits of the compliance by financial institutions (including AIB) with all aspects of DIRT legislation in the period from 1986 to 1998.

Further details of this matter and full details of the nature of a contingent liability in respect of it were set out in Note 48 to the accounts of AIB for the year ended 31 December 1999.

On 3 October 2000, following completion of the Revenue audit, AIB announced that it had reached a full and final settlement with the Irish Revenue Commissioners of IR£90.04 million (€114.3 million) in relation to the Contingent Liability in respect of DIRT for the period 1986 to 1999.

#### *Merger of Wielkopolski Bank Kredytowy S.A. and Bank Zachodni S.A.*

In November 2000 AIB announced that the Management Boards of WBK and BZ had approved a merger agreement in respect of the proposed merger of the two banks. The merger, which is subject to various regulatory approvals, received the approval of the shareholders of WBK and BZ at extra ordinary general shareholders meetings for each bank held on 20 December 2000. After the proposed merger, the new bank will be a tier one Polish Bank whose combined assets will amount to PLN 21.2 billion. The process of obtaining all the necessary regulatory permissions has commenced and the merger is planned to take effect in May of 2001. It is proposed that the new entity will adopt the name *Bank Zachodni WBK* to reflect the strength of the individual franchises of the two banks. The registered office of the new company will be in Wroclaw. It is intended that Bank Zachodni WBK will be listed on the Warsaw Stock Exchange and that its shares will be traded from May 2001.

#### *Appointment of Group Chief Executive Designate*

It was announced on 25 October 2000, that Mr. Michael Buckley, currently Managing Director AIB Poland Division, had been appointed to the position of Group Chief Executive Designate which he will take up on the retirement of Mr. Tom Mulcahy in June 2001.

#### *Appointment of Head of AIB Poland Division*

It was announced on 11 January 2001, that Gerald Byrne, currently Managing Director of Ark Life, has been appointed to the position of Head of AIB Poland Division.

#### *Charges in respect of the exchange of euro-zone currencies*

On 28 June 2000 the Commission of the European Communities served a Statement of Objections and initiated proceedings under Article 81 of the Treaty establishing the European Community against AIB (together with Bank of Ireland, TSB Bank, Irish Life and Permanent plc, Ulster Bank Limited, National Irish Bank Limited, ACC Bank plc, the Irish Bankers' Federation and the Irish Mortgage and Savings Association (together with AIB the "Addressees")).

It is understood that similar cases have been initiated against banks in Belgium, Portugal, Finland, the Netherlands, Germany and Austria. In its Statement of Objections the Commission alleges that the Addressees agreed to fix prices in Ireland for the exchange of euro-zone currencies following the introduction of the euro as the single currency of the eleven participating Member States of the European Union. Defences have been filed by all of the Addressees denying the alleged breach and contesting the Commission's allegations. In accordance with the Commission's procedure in cases of this nature an oral hearing at which the Addressees reiterated and elaborated upon their defences was held in Brussels on 13 and 14 November 2000. The Commission will now consider the defences of the Addressees. Having done so the Commission may decide to close its file without further action or may issue a decision that, either intentionally or negligently, there has been an infringement of Article 81. It may reach such a decision and impose no fine or it may impose fines of up to a maximum of €1 million or a greater sum not exceeding 10% of the turnover in the preceding business year of the enterprises in question. An appeal would lie against any such decision by the Commission to the Court of First Instance of the European Communities.

## DIRECTORS AND EXECUTIVE OFFICERS

Name	Function within AIB Group/Principal Outside Activities
<b>Chairman</b>	
†Lochlann Quinn	Chairman of AIB and Deputy Chairman, Glen Dimplex
<b>Group Chief Executive</b>	
*Thomas P. Mulcahy	Group Chief Executive
<b>Directors</b>	
*Frank P. Bramble	Chief Executive, USA Division
*Michael D. Buckley	Managing Director, Poland Division and Group Chief Executive Designate
#†Adrian Burke	Chartered Accountant
Padraic M. Fallon	Chairman, Euromoney Institutional Investor PLC
#Dermot Gleeson	Barrister
#Don Godson	Director, CRH plc
Derek Higgs	Company Director
*Kevin J. Kelly	Managing Director, AIB Bank Division
*Gary Kennedy	Group Financial Director
†John B. McGuckian	Chairman of Ulster Television plc
Carol Moffett	Bank Director

*\*Indicates Executive Director*

*†Indicates member of Nomination and Remuneration Committee*

*#Indicates member of Audit Committee*

### Other Executive Officers

Gerald Byrne	Head of AIB Poland Division
Colm Doherty	Managing Director, Capital Markets Division
Michael J. Lewis	Head of Strategic Human Resources
Declan McSweeney	Chief Financial Officer
Patrick Ryan	Group Treasurer

The business address of each of the above directors and other executive officers is Bankcentre, Ballsbridge, Dublin 4.

### Employees

The number of employees of AIB Group analysed by division as at 31 December 1999 is set out on page 29.

AIB Group considers its relations with its employees to be satisfactory.

## CAPITALISATION AND INDEBTEDNESS

The following table sets out the shareholders' funds of AIB at 30 June 2000, based on the information included in the unaudited consolidated balance sheet of AIB Group at that date, together with the subordinated liabilities of AIB Group at the same date:

	<b>30 June 2000</b>
	<i>(Euros in millions)</i>
<b>Shareholders' funds</b>	
Ordinary share capital of €0.32 each <sup>(1)</sup>	
Authorised: 1,160.0 million shares	
Issued: 875.6 shares	280
Reserves	3,781
Non-cumulative preference shares of U.S.\$25.00 each	
Authorised: 20.0 million shares	
Issued: 0.25 million shares	257
<b>Total shareholders' funds</b>	<b>4,318</b>
<b>Subordinated liabilities</b>	
Allied Irish Banks, p.l.c.	
Undated subordinated liabilities <sup>(2)</sup>	408
Dated subordinated liabilities	1,072
Allfirst Financial Inc.	
Dated subordinated liabilities	724
Wielkopolski Bank Kredytowy S.A.	
Dated subordinated liabilities	2
<b>Total subordinated liabilities</b>	<b>2,206</b>
<b>Total capitalisation</b>	<b>6,524</b>

### Notes:

- <sup>(1)</sup> At the 1999 Annual General Meeting, shareholders resolved to redenominate the Company's ordinary shares of IR£0.25 each into euro units, and to renominalise those shares as shares of €0.32 each, resulting in the capitalisation, from reserves, of €2.2 million. The shareholders also resolved to redenominate the Company's non-cumulative IR£1 preference shares into euro units, and to renominalise those shares as shares of €1.27 each.
- <sup>(2)</sup> The undated subordinated liabilities have no final maturity but may be redeemed at par at the option of the Bank.
- <sup>(3)</sup> There is no exchange exposure as the proceeds of the subordinated liabilities are retained in their respective currencies.
- <sup>(4)</sup> The above table takes no account of liabilities between members of the Group.
- <sup>(5)</sup> None of the above liabilities are secured or guaranteed.

The following tables set out all subordinated liabilities of AIB Group at 30 June 2000:

	<b>30 June 2000</b>
	<i>(Euros in millions)</i>
<b>Undated subordinated liabilities</b>	
Allied Irish Banks, p.l.c.	
U.S.\$100 million Undated Floating Rate Notes	105
U.S.\$100 million Subordinated Primary Capital Perpetual Floating Rate Notes	105
€200 million Fixed Rate Perpetual Subordinated Notes	198
	<hr/>
<b>Total undated subordinated liabilities</b>	<b>408</b>
	<hr/>
<b>Dated subordinated liabilities</b>	
Allied Irish Banks, p.l.c.	
Euro Medium Term Note Programme:	
U.S.\$130 million Floating Rate Notes, due September 2006	136
U.S.\$150 million Floating Rate Notes, due October 2006	157
U.S.\$250 million Floating Rate Notes, due January 2010	260
IR£35.5 million Floating Rate Notes, due February 2007	45
IR£29.6 million 7.25% Fixed Rate Notes, due October 2007	38
Stg£35 million 8.0% Fixed Rate Notes, due October 2007	56
NLG 71 million 6.7% Fixed Rate Notes, due August 2009	32
€250 million Floating Rate Notes, due January 2010	248
€100 million Floating Rate Notes, due August 2010	100
	<hr/>
	<b>1,072</b>
	<hr/>
Allfirst Financial Inc.	
U.S.\$100 million 8.375% Fixed Rate Subordinated Notes, due May 2002	104
U.S.\$200 million 7.2% Fixed Rate Subordinated Notes, due July 2007	208
U.S.\$100 million 6.875% Fixed Rate Subordinated Notes, due June 2009	103
U.S.\$150 million Floating Rate Subordinated Capital Income Securities, due January 2027	155
U.S.\$150 million Floating Rate Subordinated Capital Income Securities, due February 2027	154
	<hr/>
	<b>724</b>
	<hr/>
Wielkopolski Bank Kredytowy S.A.	
PLN 10 million Fixed Rate Loan, due July 2002	2
	<hr/>

**Note:**

- <sup>(1)</sup> Except as outlined under recent developments there has been no material change to the capitalisation and indebtedness, contingent liabilities or guarantees of AIB Group since 30 June 2000.

## SELECTED FINANCIAL INFORMATION

The financial information set forth below for the years ended 31 December 1999, 1998 and 1997 has been derived from the consolidated financial accounts of AIB Group for those periods. The accounts for the years ended 31 December 1999 and 1998 have been audited by PricewaterhouseCoopers, independent chartered accountants and registered auditors. The accounts for the year ended 31 December 1997 have been audited by Coopers & Lybrand, independent chartered accountants and registered auditors. This information should be read in conjunction with, and is qualified by reference to, the consolidated audited accounts of AIB Group and notes thereon for the years ended 31 December 1999, 1998 and 1997 and the accounting policies adopted in respect thereof.

	<b>Years ended 31 December</b>		
	<b>1999</b>	<b>1998</b>	<b>1997</b>
	<i>(Euros in millions except per share amounts)</i>		
<b>Consolidated profit and loss account<sup>(1)</sup></b>			
Net interest income	€1,770	€1,609	€1,374
Other income	1,052	980	757
Total operating income	2,822	2,589	2,131
Total operating expenses	1,618	1,442	1,384
<b>Group operating profit before provisions</b>	1,204	1,147	747
Provisions for bad and doubtful debts	85	126	93
Provisions for contingent liabilities and commitments	2	1	–
Amounts written off fixed asset investments	5	7	1
	92	134	94
Group operating profit	1,112	1,013	653
Income from associated undertakings	3	4	9
<b>Group profit before disposals</b>	1,115	1,017	662
Profit/(loss) on disposal of property	2	32	(2)
Profit on disposal of businesses <sup>(2)</sup>	15	–	76
Group profit on ordinary activities before taxation	1,132	1,049	736
Applicable taxes	327	315	230
Impact of phased reduction in Irish corporation tax rates on deferred tax balances <sup>(3)</sup>	–	55	–
	327	370	230
Group profit on ordinary activities after taxation	805	679	506
Equity and non-equity minority interests in subsidiaries	28	29	23
Dividends on non-equity shares	16	17	18
	44	46	41
<b>Group profit attributable to the ordinary shareholders of Allied Irish Banks, p.l.c.</b>	€761	€633	€465
Earnings per €0.32 ordinary share – basic	89.5c	74.7c	60.9c
Earnings per €0.32 ordinary share – adjusted <sup>(3)</sup>	–	81.1c	–
Earnings per €0.32 ordinary share – diluted	88.0c	73.7c	60.6c

	1999	31 December 1998	1997
		(Euros in millions)	
<b>Summary of Consolidated Balance Sheet</b>			
Total assets	€67,070	€53,720	€47,777
Loans etc.	43,127	35,496	32,390
Deposits etc.	55,241	44,840	40,063
Dated subordinated liabilities	1,587	970	1,002
Undated subordinated liabilities	397	170	178
Equity and non-equity minority interests in subsidiaries	227	213	219
Preference share capital	245	210	160
Ordinary shareholders' equity	3,651	2,829	2,299
<b>Total capital resources</b>	<b>€6,107</b>	<b>€4,392</b>	<b>€3,858</b>
<b>Other Financial Data<sup>(4)</sup></b>			
Return on average total assets	1.33%	1.29% <sup>(5)</sup>	1.23%
Return on average ordinary shareholders' equity	23.5	25.4 <sup>(6)</sup>	23.6
Dividend payout ratio	37.8	37.9	38.0
Average ordinary shareholders' equity as a percentage of average total assets	5.4	4.7	4.8
Allowance for loan losses as a percentage of total loans to customers at year end	1.9	1.8	1.9
Net interest margin <sup>(7)</sup>	3.27	3.33	3.67
Tier 1 capital ratio	6.4	7.5	7.4
Total capital ratio	11.3	11.1	11.1

**Notes:**

- <sup>(1)</sup> On 16 September 1999, the Group acquired an 80 per cent. shareholding in Bank Zachodni S.A. The acquisition of Dauphin Deposit Corporation was completed on 8 July 1997, by the merger of Dauphin into First Maryland Bancorp (now Allfirst Financial, Inc.). In addition, WBK became a subsidiary of the Group with effect from 30 April 1997 when AIB's shareholding increased to 60 per cent. As a result, the financial information provided above is not directly comparable as the results for the year ended 31 December 1997 include the results of Dauphin for six months and the results of WBK for eight months in comparison to 12 months for both 1999 and 1998. The impact of the acquisition of BZ on the results of the Group in 1999 was not material.
- <sup>(2)</sup> In October 1999, AIB's private banking and treasury operations in Singapore were sold to Keppel Tatlee Bank Limited, giving rise to a profit before taxation on disposal of €15 million (tax charge €4 million). In August 1997, Allfirst Financial, Inc. sold its U.S.\$360 million Bell Atlantic bankcard loan portfolio to Chase Manhattan Corporation. In December 1997, Allfirst Financial, Inc. announced an agreement under which Bank of America N.A. acquired the credit card receivables portfolios of First Omni Bank, N.A. and Dauphin Deposit Bank. A profit before taxation of €76 million (tax charge €29 million) was recognised in the accounts for the year ended 31 December 1997 in respect of these transactions.
- <sup>(3)</sup> In December 1998, the Minister for Finance announced a phased reduction in the Irish corporation tax rates, commencing 1 January 1999 to achieve a 12½ per cent. corporation tax rate for all trading income, with effect from 1 January 2003. The Irish Finance Act 1999 provided for the reduction in the standard rate of corporation tax to 28 per cent. with effect from 1 January 1999 with further reductions to 24 per cent., 20 per cent. and 16 per cent. on 1 January 2000, 2001 and 2002 respectively. From 1 January 2000, the rate of corporation tax



applying to non-trading income was 25 per cent. Arising from the phased reduction in Irish corporation tax rates, timing differences will reverse at rates of corporation tax lower than those provided for on origination. As a result, a charge of €55 million was made in the year ended 31 December 1998.

- <sup>(4)</sup> The calculation of the average balances include daily and monthly averages and are considered to be representative of the operations of the Group.
- <sup>(5)</sup> 1.39 per cent. when adjusted to exclude the impact of the phased reduction in Irish corporation tax rates on deferred tax balances.
- <sup>(6)</sup> 27.3 per cent. when adjusted to exclude the impact of the phased reduction in Irish corporation tax rates on deferred tax balances.
- <sup>(7)</sup> Net interest margin represents net interest income as a percentage of average interest earning assets.

## SELECTED INTERIM FINANCIAL INFORMATION

The financial information set forth below for the half-years ended 30 June 2000 and 1999 has been derived from the unaudited consolidated interim financial accounts of AIB Group for those periods.

	<b>Half-year ended 30 June</b>	
	<b>2000</b>	<b>1999</b>
	<i>(Euros in millions except per share amounts)</i>	
<b>Consolidated profit and loss account</b>		
Net interest income	€985	€843
Other income	611	488
Total operating income	1,596	1,331
Total operating expenses	924	759
<b>Group operating profit before provisions</b>	672	572
Provisions for bad and doubtful debts	70	35
Provisions for contingent liabilities and commitments	(2)	(2)
Amounts written off /(written back) fixed asset investments	1	(1)
	69	32
<b>Group operating profit – continuing activities</b>	603	540
Income from associated undertakings	4	2
<b>Group profit before disposals</b>	607	542
Profit on disposal of property	2	–
<b>Group profit on ordinary activities before taxation</b>	609	542
Taxation on ordinary activities	167	157
<b>Group profit on ordinary activities after taxation</b>	442	385
Equity and non-equity minority interests in subsidiaries	19	13
Dividends on non-equity shares	9	7
	28	20
<b>Group profit attributable to the ordinary shareholders of Allied Irish Banks, p.l.c.</b>	€414	€365
Earnings per €0.32 ordinary share – basic	48.5c	42.9c
Earnings per €0.32 ordinary share – diluted	47.9c	42.3c
Earnings per €0.32 ordinary share – tangible <sup>(1)</sup>	49.9c	42.9c

**Note:**

<sup>(1)</sup> Excluding amortisation of goodwill.

	30 June	
	2000	1999
	<i>(Euros in millions)</i>	
<b>Assets</b>		
Cash and balances at central banks	€796	€652
Items in course of collection	1,260	1,218
Central government bills and other eligible bills	476	747
Loans and advances to banks	4,865	5,258
Loans and advances to customers	42,825	35,712
Securitised assets – net	128	24
Debt securities	17,141	13,945
Equity shares	339	223
Interests in associated undertakings	25	21
Intangible fixed assets	458	10
Tangible fixed assets	1,046	909
Own shares	127	70
Other assets	1,712	1,394
Prepayments and accrued income	1,314	1,101
Long-term assurances business attributable to shareholders	197	142
	72,709	61,426
Long-term assurance assets attributable to policyholders	1,978	1,469
	€74,687	€62,895
<b>Liabilities</b>		
Deposits by banks	€11,302	€9,646
Customer accounts	46,499	38,839
Debt securities in issue	3,762	3,219
Other liabilities	2,712	3,029
Accruals and deferred income	1,267	1,042
Provisions for liabilities and charges	128	108
Deferred taxation	270	227
Subordinated liabilities	2,206	1,503
Equity and non-equity minority interests in subsidiaries	245	234
Shareholders' funds non-equity interests	257	237
Called up ordinary share capital	280	277
Share premium account	1,615	1,593
Reserves	361	306
Profit and loss account	1,805	1,166
Shareholders' funds: equity interests	4,061	3,342
	72,709	61,426
Long-term assurance liabilities to policyholders	1,978	1,469
	€74,687	€62,895

## TAXATION

*The following is a summary of certain Irish and United Kingdom tax considerations relating to the RCI. The discussion is based on Irish and UK taxation law and practice in effect on the date of this Offering Circular, relates only to the position of persons who are the absolute beneficial owners of their RCIs, Coupons and Talons and is for general information only. It does not constitute taxation or legal advice. In particular, the discussion does not address the tax consequences for certain classes of person such as dealers, and does not necessarily apply where the income is deemed for tax purposes to be the income of any other person. Prospective investors in RCIs are urged to consult their tax advisers regarding the applicable tax consequences of acquiring, holding and disposing of RCIs based on their particular circumstances.*

### IRISH TAXATION

#### (a) *Withholding Tax*

So long as the RCIs are issued in bearer form and are, and continue to be, quoted on a recognised stock exchange, payments of interest may be made without withholding or deduction for or on account of Irish income tax where:

- (i) the payment of interest is made by an overseas paying agent; or
- (ii) the payment is made by or through a person who is in Ireland but:
  - (x) an appropriate form of declaration of non-residence is provided to the paying agent by or on behalf of the person who is the beneficial owner of the RCIs and entitled to the interest; or
  - (y) the RCIs and related coupons are held in a "recognised clearing system". Euroclear and Clearstream, Luxembourg have each been designated as a "recognised clearing system" for this purpose.

In all other cases, interest will be paid under deduction of income tax at the standard rate subject to any direction to the contrary from the Irish Revenue Commissioners in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

#### (b) *Encashment Tax*

A collecting agent in Ireland obtaining payment of interest whether in Ireland or elsewhere on a RCI or realising in Ireland any interest on behalf of a holder of a RCI, must withhold income tax (at the standard rate) unless the person who is the beneficial owner of the RCI and entitled to the interest is not resident in Ireland and has made a declaration in the prescribed form and has provided that declaration to the collecting agent and the interest is not deemed under the provisions of Irish tax legislation to be that of some other person. Holders should note that appointment of an Irish collecting agent may (subject to the above) bring them within the charge to encashment tax. To the extent that the RCIs are held in a clearing system recognised by the Irish Revenue (Clearstream, Luxembourg and Euroclear having been so recognised) encashment tax will not arise.

#### (c) *Taxation of Interest*

Interest on the RCIs, whether paid gross or not, is chargeable to Irish income tax or corporation tax as the case may be. Accordingly, RCI holders who are resident or ordinarily resident in Ireland for tax purposes will be chargeable to Irish corporation tax or income tax, in respect of interest on the RCIs.

In the case of RCI holders who are not resident or ordinarily resident in Ireland, the liability to Irish tax may be reduced to as low as NIL by virtue of the provision of a double taxation treaty. In addition, the Irish Revenue Commissioners generally do not, in practice, pursue collection of such liability in the case of RCI holders who are not resident or ordinarily resident in Ireland, except where such persons:

- (i) are chargeable in the name of a person (including a trustee) or in the name of an agent or a branch in Ireland which has the management or control of the interest; or
- (ii) seek to claim relief and/or repayment of tax deducted at source in respect of income from Irish sources; or

- (iii) are chargeable to Irish corporation tax on the income of an Irish branch or agency, or to Irish income tax on the profits of a trade or business carried out in Ireland to which the interest is attributable.

*(d) Deposit Interest Retention Tax*

Interest paid on the RCLs which are listed on a stock exchange will not be subject to Deposit Interest Retention Tax.

*(e) Capital Gains Tax*

A gain realised on disposal of RCLs by a Holder who is resident or ordinarily resident in Ireland may be liable to Irish capital gains tax. A Holder who is neither resident nor ordinarily resident in Ireland for Irish tax purposes is not subject to Irish capital gains tax unless the RCLs are held in connection with a trade or business carried on by such holder in Ireland through a branch, agency or permanent establishment to which the RCLs are attributable.

*(f) Capital Acquisitions Tax*

Gifts or bequests of RCLs will be liable to Irish capital acquisitions tax if the disposer or the beneficiary is resident or ordinarily resident in Ireland for Irish tax purposes at the date of the disposition for gifts and at the date of inheritance for bequests or if the RCLs which are the subject of the disposition are located in Ireland.

*(g) Miscellaneous*

The provisions relating to additional payments referred to in Condition 11 of "Terms and Conditions of RCLs" would not apply if the Irish Revenue Commissioners sought to assess the person entitled to the relevant interest directly to Irish tax. However, exemption from or reduction of such Irish tax liability might be available under an applicable double tax treaty.

*(h) Stamp Duty*

No Irish stamp duty or companies capital duty is payable on the issue of the RCLs. No Irish stamp duty is payable on a subsequent transfer of RCLs where the transfer is effected by physical delivery only and not otherwise. Transfers of RCLs which are effected and recorded electronically in Clearstream, Luxembourg and/or Euroclear will not be subject to Irish stamp duty.

*(i) Anti-avoidance*

Holders of RCLs may be subject to Irish income tax on their disposal. The nature of the tax charge would depend on the particular circumstances of the holder. In particular, holders should have regard, where appropriate, to the provisions relating to the taxation of income deemed to arise on certain sales of securities and other provisions contained in the Taxes Consolidation Act 1997 relating to the purchase and sale of securities.

*(j) Payment of Interest in Shares*

In certain cases, the Issuer may issue Ordinary Shares to discharge its obligations to make an interest payment on the RCLs (as described in the Summary under "Alternative coupon satisfaction mechanism" and as set out in more detail in Condition 6 of the Terms and Conditions). Such Ordinary Shares will be issued to the Trustee acting on behalf of the Holders and will then be sold by the Trustee in the market. The Trustee will then make a cash payment to Holders which will be equal to the interest payment(s) in question.

It is intended that the Ordinary Shares (denominated in euro) issued by the Issuer will have a market value equal to the outstanding sterling interest payment(s). Provided that this is the case, a holder should not realise a capital gain for Irish tax purposes as a result of sale of the Ordinary Shares. The issue of Ordinary Shares will be treated as a payment of the interest payment(s) in question.

## UNITED KINGDOM TAXATION

*The following commentary addresses some of the more relevant aspects of UK taxation applying to certain UK holders of RCI. It is not exhaustive and does not address the tax position of holders in any other country. In all cases, holders are strongly advised to consult their tax advisors regarding the tax consequences of acquiring, holding and disposing of RCIs based on their particular circumstances.*

- (a) As the RCIs are issued by or on behalf of an Irish Company, the United Kingdom collecting agent rules do not apply.
- (b) As the RCIs are issued by or on behalf of an Irish company, a United Kingdom paying agent making a payment in respect of interest payable in respect of the RCIs will not be required to withhold or deduct for or on account of income tax.
- (c) For corporate RCI Holders within the charge to United Kingdom corporation tax, RCIs will normally constitute "qualifying corporate bonds" within section 117 of the Taxation of Chargeable Gains Act 1992. Such corporate RCI Holders will normally recognise any gain or loss for corporation tax purposes under the "loan relationship" rules in the Finance Act 1996. Under these rules, all interest, profits, gains and losses, measured and recognised in accordance with an authorised accruals or mark to market basis of accounting method, are taxed or relieved as income.
- (d) On a disposal or redemption of the RCIs, an RCI Holder who is not within the charge to United Kingdom corporation tax and who is a UK taxpayer may realise a chargeable gain or an allowable loss for United Kingdom capital gains tax purposes.
- (e) RCI Holders who are within the charge to United Kingdom income tax on the interest payable on the RCIs will generally be liable to tax on this interest when it is paid to them in cash or in the form of Ordinary Shares.
- (f) A transfer of RCIs by an RCI Holder which is not a company within the charge to United Kingdom corporation tax and which is resident or ordinarily resident in the United Kingdom or which carries on a trade in the United Kingdom through a branch or agency to which the RCIs are attributable may give rise to a charge to United Kingdom income tax in respect of an amount representing interest on the RCIs which has accrued since the preceding Coupon Payment Date under the provisions of the "accrued income scheme" (the "Scheme"). The RCIs will be variable rate securities within the meaning of section 717 of ICTA. Accordingly, on a transfer of an RCI, an amount of interest which is just and reasonable will be treated as accrued income under the Scheme. However, the transferee will not be entitled to any relief for that amount under the Scheme.
- (g) As the RCIs are issued by or on behalf of an Irish Company, the "remittance" basis of taxation on overseas income set out in Section 65 ICTA for certain categories of United Kingdom taxpayer (including non-United Kingdom domiciles) will not apply to income, profits or gains arising on the RCIs.
- (h) In certain cases, the Issuer may issue Ordinary Shares to discharge its obligations to make an interest payment on the RCIs (as described in the Summary under "Alternative coupon satisfaction mechanism" and as set out in more detail in Condition 6 of the Terms and Conditions). Such Ordinary Shares will be issued to the Trustee acting on behalf of the Holders and will then be sold by the Trustee in the market. The Trustee will then make a cash payment to Holders which will be equal to the interest payment(s) in question.

It is intended that the Ordinary Shares (denominated in euro) issued by the Issuer will have a market value equal to the outstanding sterling interest payment(s). Provided that this is the case, a holder who is not within the charge to corporation tax should not realise a capital gain for United Kingdom tax purposes as a result of sale of the Ordinary Shares. For RCI Holders not within the charge to corporation tax in respect of the RCIs, the issue of Ordinary Shares will be treated as a payment of the interest payment(s) in question.

### **Proposed European Union Directive on the Taxation of Savings Income**

In June 2000, the European Council agreed to amend earlier proposals published in May 1998 by the European Commission regarding the taxation of income of non-residents and relating, in particular, to the introduction of withholding tax on payments of interest. Subject to sufficient reassurance being obtained from a number of countries outside the European Union to promote the adoption of equivalent measures, the European Council has now agreed that Member States will be required no later than 31 December 2002 either (a) to exchange information with other Member States regarding savings income paid to non-residents or (b) to withhold tax on such income at a rate to be agreed, provided that Member States that operate a withholding system must implement exchange of information as soon as conditions permit and in any case no later than seven years after implementation of the proposals.

Ireland, in common with the United Kingdom, intends to opt for exchange of information rather than withholding under the EU proposals.



## SUBSCRIPTION AND SALE

Under a subscription agreement entered into with the Issuer on 1 February 2001 (the "Subscription Agreement"), Barclays Bank PLC and Lehman Brothers International (Europe) (together the "Joint-Lead Managers") have agreed to subscribe for the RCLs at the issue price of 100.069 per cent. of their principal amount. The Issuer has agreed to pay to the Joint-Lead Managers a combined management and underwriting commission of 1 per cent. of the principal amount of the RCLs. The Subscription Agreement is subject to termination in certain circumstances prior to payment to the Issuer.

The RCLs have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

RCLs are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each of the Joint-Lead Managers has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver RCLs (i) as part of their distribution at any time, or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (as defined in the Subscription Agreement), within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells RCLs during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of RCLs within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of RCLs within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Each of the Joint-Lead Managers has represented and agreed that:

- (1) it has not offered or sold and prior to the date six months after the date of issue of the RCLs will not offer or sell any RCLs to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;
- (2) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the RCLs in, from or otherwise involving the United Kingdom; and
- (3) it has only issued or passed on, and will only issue or pass on, in the United Kingdom any document received by it in connection with the issue of the RCLs, to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 or is a person to whom the document may otherwise lawfully be issued or passed on.

Each of the Joint-Lead Managers has agreed that it has not offered or sold and will not, for so long as Part III of the Companies Act, 1963, the European Communities (Stock Exchange) Regulations 1984 and the European Communities (Transferable Securities and Stock Exchange) Regulations, 1992 (the "1992 Regulations") of Ireland remain in force in relation to the RCLs, offer or sell any RCLs by means of any document prior to the approval of the Offering Circular as a public offer prospectus by the competent authorities in Luxembourg and prior to the delivery for registration of a copy of the Offering Circular (in the form so approved) to the Registrar of Companies in compliance with Section 47 of the Companies Act, 1963 and as provided for by the 1992 Regulations (except in circumstances which do not constitute an Offer to the public within the meaning of the Companies Act, 1963 of Ireland).

No action has been or will be taken in any country or any jurisdiction by the Joint-Lead Managers or the Issuer that would permit a public offering of the RCLs, or possession or distribution of this Offering Circular or any other offering or publicity material relating to the RCLs, in any country or jurisdiction where action for that purpose is required. Each of the Joint-Lead Managers has agreed to comply with all applicable laws and regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers RCLs or has in its possession or distributes this Offering Circular or any such other material relating to the RCLs, in all cases at its own expense. Each of the Joint-Lead Managers has undertaken to ensure that no obligations are imposed on the Issuer in any such jurisdiction as a result of any of the foregoing actions. The Issuer will have no responsibility for, and the Joint-Lead Managers have agreed to obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of RCLs under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery. Each of the Joint-Lead Managers has not been authorised to make any representation or use any information in connection with the issue, subscription and sale of the RCLs other than as contained in this Offering Circular or any amendment or supplement to it.

## GENERAL INFORMATION

- (1) In connection with the application to list the RCIs on the Luxembourg Stock Exchange, a legal notice relating to the issue of the RCIs and copies of the Memorandum and Articles of Association of the Issuer will be deposited with the Chief Registrar of the District Court in Luxembourg ("*Greffier en Chef du Tribunal d'Arrondissement de et à Luxembourg*") where such documents may be examined and copies obtained.
- (2) The RCIs have been accepted for clearance through Euroclear and Clearstream, Luxembourg with a Common Code of 12095015. The ISIN code for the RCIs is XS0120950158.
- (3) All RCIs and Coupons will carry a legend to the following effect "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code". The sections referred to in such legend provide that United States persons, with certain exceptions, will not be entitled to deduct any loss, and will not be entitled to capital gains treatment with respect to any gain, realised on any sale, exchange or redemption of an RCI or Coupon.
- (4) Except as disclosed in this document, there has been no material adverse change in the financial position of the Issuer or the AIB Group since 31 December 1999.
- (5) No member of the AIB Group is or has been involved in any legal or arbitration proceedings relating to claims or amounts which are material in the context of the issue of the RCIs nor, so far as the Issuer is aware, are any such proceedings pending or threatened.
- (6) No redemption or purchase by the Issuer or any of its subsidiaries for cancellation of the RCIs will be made by the Issuer without the prior consent of the CBI.
- (7) Copies of the latest annual report and consolidated accounts of the Issuer and the latest interim consolidated accounts of the Issuer may be obtained, and copies of the Trust Deed will be available for inspection, at the specified office of each of the Paying Agents during normal business hours, so long as any of the RCIs is outstanding. The interim accounts are currently produced on a semi-annual basis. The Issuer does not publish non-consolidated profit and loss accounts.
- (8) The consolidated accounts of the Issuer for the year ended 31 December 1997 have been audited, without qualification, in accordance with the laws of Ireland, by Coopers & Lybrand Independent Chartered Accountants and Registered Auditors. The consolidated accounts of the Issuer for the years ended 31 December 1998 and 31 December 1999 have been audited, without qualification, in accordance with the laws of Ireland, by PricewaterhouseCoopers Independent Chartered Accountants and Registered Auditors.

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