



ANGLO IRISH ASSET FINANCE PLC

(Incorporated with limited liability in England and Wales with registered number 3091082)

£90,000,000

7.625 per cent. Tier One Non-Innovative Capital Securities (“TONICS”)

(to be consolidated and form a single series, and to be fungible, with the £160,000,000 7.625 per cent. Tier One Non-Innovative Capital Securities issued on 23rd July, 2002 (the “Original TONICS”) from, and including, the date on which the Temporary TONICS Global (as defined below) initially representing the TONICS (as defined below) is exchanged for the Permanent TONICS Global (as defined below), all as described herein)

having the benefit of a subordinated guarantee of

ANGLO IRISH BANK CORPORATION PLC

(Incorporated in Ireland under the Companies Acts 1963 to 1999, registered number 22045)

**Issue prices: 106.00 per cent. in respect of \$40,000,000
in principal amount of TONICS**

**106.681 per cent. in respect of \$50,000,000
in principal amount of TONICS**

**(plus 241 days’ accrued interest at 7.625 per cent. from, and including,
23rd July, 2002 to, but excluding, 21st March, 2003)**

The £90,000,000 7.625 per cent. Tier One Non-Innovative Capital Securities (“TONICS”) of Anglo Irish Asset Finance plc (the “Issuer”), guaranteed on a subordinated basis (the “Guarantee”) to the extent specified herein by Anglo Irish Bank Corporation plc (the “Bank” or the “Guarantor”), are perpetual securities and will bear interest from (and including) 23rd July, 2002 to (but excluding) 23rd July, 2027 at a rate of 7.625 per cent. per annum, payable annually in arrear on 23rd July in each year, starting 23rd July, 2003. Thereafter, the TONICS will bear interest at a rate of 2.40 per cent. above Six Month LIBOR (as defined in Condition 22), payable semi-annually in arrear on 23rd July and 23rd January in each year, all as more particularly described in “Terms and Conditions of the TONICS – 5. Coupon Payments”. Payments (which term, as defined herein, does not include principal) may be deferred as described in “Terms and Conditions of the TONICS – 4. Deferrals”, but neither the Issuer nor the Bank may, whilst any Payments are deferred (i) declare, pay or distribute a dividend or make a payment on any ordinary or preference shares or Tier 1 Securities (as defined herein) of the Issuer or the Bank other than a dividend declared, paid or distributed or payment made by the Issuer to the Bank, any holding company of the Bank or another wholly-owned subsidiary of the Bank, or make a payment on any Tier 1 Guarantee (as defined herein) or (ii) redeem, purchase or otherwise acquire any such shares or Tier 1 Securities, except as set out herein.

The TONICS are redeemable in whole but not in part at the option of the Issuer on 23rd July, 2027 or, thereafter, on each Coupon Payment Date (as defined herein). In addition, upon the occurrence of certain tax or regulatory events, the TONICS may, subject as provided herein, at the option of the Issuer either (i) be exchanged for, or their terms varied so that they become, Upper Tier 2 Securities (as defined herein), or (ii) be redeemed at, as applicable, their principal amount or the Redemption Price (as defined herein), in either case together with any Outstanding Payments (as defined herein), all as more particularly described in “Terms and Conditions of the TONICS – 8. Exchange, Variation or Redemption”.

The rights and claims of Holders and Couponholders (each as defined herein) under the TONICS and the Guarantee will be subordinated to the claims of the Senior Creditors (as defined herein) of the Issuer or the Guarantor (as the case may be) (each a “relevant entity”) in that no payment in respect of the TONICS or the Guarantee shall be due and payable except to the extent that the relevant entity is Solvent (as defined herein) and could make such payment and still be Solvent immediately thereafter. In the event of the winding-up of the Issuer or (in respect of claims under the Guarantee) of the Guarantor, the Holders of TONICS will, for the purpose only of calculating the amounts payable by the Issuer or the Guarantor in respect of each of the TONICS, 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 the assets of the relevant entity 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 relevant entity 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 the issued shares of the relevant entity but which rank junior to the claims of Senior Creditors (as defined herein) of the relevant entity and junior to any notional class of preference shares in the capital of the relevant entity by reference to which the amount payable in respect of any subordinated debt in the winding-up of the Issuer or of any Undated Subordinated Debt (as defined herein) of the Guarantor in the winding-up of the Guarantor is determined.

Under existing Central Bank of Ireland requirements, the Issuer may not redeem or purchase any TONICS unless the Central Bank of Ireland has given its prior consent.

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

MERRILL LYNCH INTERNATIONAL

21st March, 2003

Application has been made to list the TONICS on the Luxembourg Stock Exchange.

The Issuer and the Bank accept responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer and the Bank (which have 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 TONICS, 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 Bank, the Managers (as defined in “Subscription and Sale” below) or The Bank of New York as trustee (the “Trustee”). 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 or the Bank since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

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, the Bank or the Managers that any recipient of this Offering Circular should purchase any of the TONICS. Each investor contemplating purchasing TONICS should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Bank.

The distribution of this document and the offering or sale of the TONICS in certain jurisdictions may be restricted by law. No action has been taken by the Issuer, the Bank or the Managers which would permit a public offering of the TONICS or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no TONICS 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 TONICS may come must inform themselves about, and observe, any such restrictions. See “Subscription and Sale” below for a description of certain restrictions on offers, sales and deliveries of the TONICS.

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

In this document, all references to “£” and “sterling” refer to pounds sterling, those to “US\$” refer to United States dollars and those to “euro” and “€” refer to the single currency of participating member states of the European Union introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended from time to time.

In connection with this issue, Merrill Lynch International may over-allot or effect transactions with a view to supporting the market price of the TONICS and/or the Original TONICS at a level higher than that which might otherwise prevail for a limited period. However there is no obligation on Merrill Lynch International or any agent of it to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period.

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INCORPORATION BY REFERENCE

The following documents are incorporated into this Offering Circular by reference:

- (a) the Annual Report and Accounts of the Issuer for the years ended 30th September, 2002 and 30th September, 2001; and
- (b) the Annual Report and Accounts of the Guarantor and its subsidiaries (the “Group”) for the years ended 30th September, 2002 and 30th September, 2001 (prepared on a consolidated basis).

Copies of the above documents may be obtained free of charge at the specified office of each of the Paying Agents as set out in “General Information” below.

SUMMARY

The following summary refers to certain provisions of the Terms and Conditions of the TONICS and the Trust Deed and insofar as it refers to the Terms and Conditions of the TONICS 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 TONICS”.

Issuer	Anglo Irish Asset Finance plc
Guarantor	Anglo Irish Bank Corporation plc
Trustee	The Bank of New York
Issue Size	£90,000,000
Redemption	The TONICS are perpetual securities and have no maturity date. However, the TONICS are redeemable in whole but not in part at the option of the Issuer, subject to the prior approval of the Central Bank of Ireland and of the Guarantor, at their principal amount together with any Outstanding Payments on 23rd July, 2027 or any Coupon Payment Date thereafter.
Interest	<p>The TONICS bear interest at a rate of 7.625 per cent. per annum to (but excluding) 23rd July, 2027 and thereafter at a rate of 2.40 per cent. above Six Month LIBOR.</p> <p>From 23rd July, 2027 all Coupons on the TONICS will be settled pursuant to the alternative coupon satisfaction mechanism or the alternative guarantee satisfaction mechanism – see “Alternative coupon satisfaction mechanism” and “Alternative guarantee satisfaction mechanism” below. The General deferral of payments provisions and Exceptional deferral of payments provisions (see below) and other terms of the TONICS will continue to apply.</p>
Coupon Payment Dates	Subject as described below, Coupon Payments will be payable on 23rd July in each year from (and including) 23rd July, 2002 to (but excluding) 23rd July 2027 and on 23rd January and 23rd July in each year thereafter.
Guarantee	The TONICS will be guaranteed on a subordinated basis by the Guarantor. Payments of principal and/or interest in respect of the TONICS will be deemed to be due and payable in full for the purposes of the Guarantee notwithstanding that, as a result of the provisions referred to under “Subordination” below, they are not in fact due and payable by the Issuer.
Subordination	<p>The TONICS will constitute guaranteed, unsecured, subordinated securities of the Issuer. The rights and claims of Holders and Couponholders under the TONICS and the Guarantee will be subordinated to the claims of the Senior Creditors of the Issuer or the Guarantor (as the case may be) in that no payment in respect of the TONICS or the Guarantee shall be due and payable except to the extent that the Issuer or the Guarantor (as applicable) is Solvent and could make such payment and still be Solvent immediately thereafter.</p> <p>Upon any winding-up of the Issuer or of the Guarantor the claims of the Holders of each of the TONICS will rank as set out under “Winding-up Claims” below.</p>

Winding-up claims

In the event of the winding-up of the Issuer or (in respect of claims under the Guarantee) of the Guarantor, the Holders of the TONICS will, for the purpose only of calculating the amounts payable by the Issuer or the Guarantor (as the case may be) in respect of each of the TONICS, 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 the assets of the Issuer or the Guarantor (as the case may be) 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 or the Guarantor (as the case may be) 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 the issued shares of the Issuer or the Guarantor (as the case may be) but which rank junior to the claims of Senior Creditors of the Issuer or the Guarantor (as the case may be) and junior to any notional class of preference shares in the capital of the Issuer or the Guarantor (as the case may be) by reference to which the amount payable in respect of any subordinated debt in the winding-up of the Issuer or of any Undated Subordinated Debt of the Guarantor in the winding-up of the Guarantor is determined.

Exceptional deferral of payments

If (i) the Issuer determines, prior to the making of a payment (other than a payment in respect of principal) that the Guarantor is, or the making of such payment will result in the Guarantor being, in non-compliance with applicable Capital Regulations, and (ii) the consent of the Central Bank of Ireland for the making of such payment has not been obtained, the Issuer is required, subject to the dividend and capital restriction described below, to defer that payment. Such exceptionally deferred payment may be satisfied at any time by the Issuer giving not less than 16 business days' notice of such satisfaction, and must, unless the Issuer elects to defer such payment pursuant to its general right to defer referred to below, be satisfied on the next following Coupon Payment Date if, on the 20th business day prior to such Coupon Payment Date, the Guarantor no longer is, and payment of a Coupon Payment will not result in it being, in non-compliance with such applicable Capital Regulations. No interest will accrue on an Exceptionally Deferred Coupon Payment.

General deferral of payments

Subject to the dividend and capital restriction described below, the Issuer may elect to defer any payment (other than a payment of principal) on the TONICS for any period of time. However, the deferred payment will bear interest at 2 per cent. per annum above the rate of interest generally applicable to the TONICS as set out under "Interest" above.

Dividend and capital restriction during period of deferral

If the Issuer defers a payment for any reason as described above then, while any payment is so deferred, neither the Issuer nor the Guarantor may (i) declare, pay or distribute a dividend or make a payment on any ordinary or preference shares or Tier 1 Securities, other than a dividend declared, paid or distributed or payment made by the Issuer to the Guarantor, any holding company of the Guarantor or to another Wholly-Owned Subsidiary of the Guarantor, or make any payment on a Tier 1 Guarantee, or (ii) redeem, purchase or otherwise acquire any such shares or Tier 1 Securities, except as set out herein.

Alternative coupon satisfaction mechanism

Investors will always receive payments made in respect of TONICS in cash. However, (a) from (but excluding) 23rd July, 2027, or (b) 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 (other than a payment of principal) to Holders of the TONICS by issuing its ordinary shares to the Trustee or its agent. In such event, the Trustee will use reasonable endeavours to effect the transfer or instruct its agent to effect the transfer of such ordinary shares for ordinary shares in the Guarantor to or to the order of the Calculation Agent who has agreed to use reasonable endeavours to procure purchasers for such ordinary shares. The Calculation Agent has further agreed to procure that the proceeds of such sale are delivered to, or held to the order of, the Trustee, who shall pay or procure that its agent pays such proceeds to the Principal Paying Agent for payment to the Holders of the TONICS in respect of the relevant payment. The Calculation Agent will calculate in advance the number of ordinary shares in the Guarantor 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 the Holders of the TONICS.

Alternative guarantee satisfaction mechanism

If a payment due from the Guarantor pursuant to the Guarantee is in respect of a Payment which (a) is payable from (but excluding) 23rd July, 2027 or (b) has previously been deferred by the Issuer, the Guarantor must, and if and to the extent the Guarantor so elects at any time in respect of a payment due from it the Guarantor may, satisfy its obligation to make such payment to the Holders of the TONICS, by the issue of its ordinary shares to the Trustee or its agent. In such event, the Trustee will use reasonable endeavours to effect the transfer or instruct its agent to effect the transfer of such shares to or to the order of the Calculation Agent who has agreed to use reasonable endeavours to procure purchasers for such ordinary shares. The Calculation Agent has further agreed to procure that the proceeds of such sale are delivered to, or held to the order of, the Trustee, who shall pay or procure that its agent pays such proceeds to the Principal Paying Agent for payment to the Holders of the TONICS in respect of the relevant guarantee payment.

The Guarantor has agreed in the Trust Deed that any obligation owed by the Issuer to the Guarantor in respect of payments made under the Guarantee will be satisfied only by the issue of ordinary shares in the Issuer.

Insufficiency

Each of the Issuer and the Guarantor 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 year's Coupon Payment or Payments using the alternative coupon satisfaction mechanism and/or, in the case of the Guarantor, the alternative guarantee satisfaction mechanism described above.

Market Disruption Event

If, in the opinion of the Issuer or, as the case may be, the Guarantor, in each case subject where necessary to determinations made by the Calculation Agent, a Market Disruption Event exists on or after the 15th business day preceding any date upon which it is due to satisfy a payment using the alternative coupon satisfaction mechanism or the alternative guarantee satisfaction mechanism (as the case may be) the relevant payment to the

Holders of the TONICS may be deferred until the Market Disruption Event no longer exists.

Suspension

If, following any take-over offer or any reorganisation, restructuring or scheme of arrangement, the Guarantor (or any successor ultimate holding company of the Anglo Irish Bank Corporation plc group of companies) ceases to be the ultimate holding company of the Anglo Irish Bank Corporation plc group of companies, any changes to the documentation relating to the TONICS (including the Guarantee) determined by an independent investment bank to be appropriate will be made by the Issuer, the Guarantor and the Trustee, and pending such changes the Issuer and the Guarantor will be unable to settle payments using the alternative coupon satisfaction mechanism and/or the alternative guarantee satisfaction mechanism. If the investment bank is unable to determine appropriate amendments, as notified to the Issuer, the Guarantor and the Trustee, the TONICS will (subject to the prior consent of the Central Bank of Ireland) be redeemed at the Redemption Price, together with any Outstanding Payments.

Additional amounts

The Issuer and the Guarantor will pay additional amounts to Holders of the TONICS to gross up Coupon Payments or payments under the Guarantee in respect thereof upon the imposition of UK or Irish withholding tax, subject to customary exceptions.

Exchange, variation or redemption for taxation reasons

Upon the occurrence of certain changes in the treatment of the TONICS for taxation purposes, the Issuer may, subject to the prior consent of the Central Bank of Ireland and of the Guarantor, either (i) redeem the TONICS at their principal amount or (in the circumstances set out herein) at their Redemption Price, in each case together with any Outstanding Payments, or (ii) exchange the TONICS for, or vary the terms of the TONICS so that they become, Upper Tier 2 Securities or, if such change in tax treatment also affects or would affect the Upper Tier 2 Securities and provided the Issuer is Solvent, redeem all, but not some only of the TONICS at their principal amount together with any Outstanding Payments.

Exchange, variation or redemption for regulatory reasons

The TONICS will qualify as Tier 1 Capital for the purposes of the Central Bank of Ireland's capital adequacy regulation of the Guarantor. If at any time the TONICS cease to qualify as Tier 1 Capital, the Issuer may, subject to the prior consent of the Central Bank of Ireland and of the Guarantor, either (i) redeem the TONICS at their Redemption Price together with any Outstanding Payments or (ii) exchange the TONICS for, or vary the terms of the TONICS so that they become, Upper Tier 2 Securities or, if either such exchanged or varied securities do not or would not constitute Upper Tier 2 Capital of the Guarantor or a change in tax treatment as referred to under "Exchange, variation or redemption for taxation reasons" above also affects or would affect the Upper Tier 2 Securities, and provided the Issuer is Solvent, redeem all, but not some only, of the TONICS at their principal amount together with any Outstanding Payments.

Remedy for non-payment

The sole remedy against the Issuer or the Guarantor available to the Trustee or any Holder of TONICS for recovery of amounts

owing in respect of the TONICS will be the institution of proceedings for the winding-up of the Issuer and/or the Guarantor and/or proving in such winding-up.

Form

The TONICS will be in bearer form and will be represented initially by the Temporary TONICS Global, which will be deposited outside the United States with a common depository for Clearstream Banking, société anonyme (“Clearstream, Luxembourg”) and Euroclear Bank S.A./N.V. as operator of the Euroclear System (“Euroclear”) on or about 21st March, 2003. Interests in the Temporary TONICS Global will be exchangeable for interests in the Permanent TONICS Global on or after a date which is expected to be 1st May, 2003 upon certification as to non-US beneficial ownership as required by US Treasury regulations and as described in the Temporary TONICS Global. Save in limited circumstances, TONICS in definitive bearer form with coupons and a talon attached on issue will not be issued in exchange for interests in the Permanent TONICS Global.

Listing

Luxembourg.

Rating

The TONICS are expected to be assigned, on issue, a rating of “Baa2” by Moody’s Investors Service Limited and a rating of “A-” by Fitch. 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.

Governing law

English, except for the provisions relating to the subordination of the Guarantor’s obligations under the Guarantee and the winding-up of the Guarantor, which are governed by Irish law.

INVESTMENT CONSIDERATIONS

Prospective investors should carefully consider the following information in conjunction with the other information contained in this document. Defined terms used herein have the meanings given to them in “Terms and Conditions of the TONICS”.

Deferral

The Issuer may defer any Payment (such term does not include principal) on the TONICS for any period of time, and in certain circumstances must defer any Payment, all as more particularly described in “Terms and Conditions of the TONICS – 4. Deferrals”. Any such deferred payment will, unless it is an exceptional deferral as described under “Terms and Conditions of the TONICS – 4. Deferrals – (a) Exceptional Deferral of Payments”, bear interest at two per cent. above the rate applicable to the TONICS. During the period of all deferrals, neither the Issuer nor the Guarantor may (i) declare, pay, or distribute a dividend on any ordinary or preference shares or Tier 1 Securities, other than a dividend declared, paid or distributed or payment made by the Issuer to the Guarantor, any holding company of the Guarantor or to another Wholly-Owned Subsidiary of the Guarantor, or make any payment on a Tier 1 Guarantee, or (ii) redeem, purchase or otherwise acquire any such shares or Tier 1 Securities, except as set out herein.

Perpetual securities

The Issuer is under no obligation to redeem the TONICS at any time (save, subject to the prior consent of the Central Bank of Ireland, in the particular circumstances referred to in “Terms and Conditions of the TONICS – 9. Payments – (d) Suspension”) and the Holders have no right to call for their redemption.

Redemption risk

Upon the occurrence of certain specified tax and regulatory events, the TONICS may, at the option of the Issuer, either (i) be exchanged for, or their terms varied so that they become, Upper Tier 2 Securities or (ii) be redeemed at, as applicable, their principal amount or the Redemption Price, in each case together with any Outstanding Payments, subject as provided in “Terms and Conditions of the TONICS – 8. Exchange, Variation or Redemption – (c) Exchange, Variation or Redemption due to Taxation and – (d) Exchange, Variation or Redemption for Regulatory Purposes”.

No limitation on issuing debt

There is no restriction:

- (a) on the amount of debt which the Issuer or the Guarantor may issue which ranks senior to the TONICS or senior to the obligations of the Guarantor under the Guarantee or on the amount either of securities which the Issuer or the Guarantor may issue or of guarantees which may be given by the Guarantor in respect of any such securities which rank *pari passu* with the TONICS or with the obligations of the Guarantor under the Guarantee; or
- (b) on the issue of preference shares by the Guarantor ranking *pari passu* with or junior to the TONICS.

The issue of any such debt, securities or preference shares or the giving of any such guarantee may reduce the amount recoverable by Holders on a winding-up of the Issuer or the Guarantor or may increase the likelihood of a deferral of Payments under the TONICS.

Availability of shares

If the Issuer is to satisfy a payment using the alternative coupon satisfaction mechanism or the Guarantor is to satisfy a payment under the Guarantee using the alternative guarantee satisfaction mechanism and insufficient Issuer Shares and/or Ordinary Shares are available, then the Issuer’s or the Guarantor’s payment obligation (as applicable) shall be suspended to the extent of such insufficiency and shall, other than in respect of Exceptionally Deferred Coupon Payments, bear interest at the applicable rate set out herein until such time as sufficient Issuer Shares and/or Ordinary Shares are available to satisfy all or part of the suspended payment obligation, as more particularly described in “Terms and

Conditions of the TONICS – 6. Alternative Coupon Satisfaction Mechanism – (d) Insufficiency and 7. Alternative Guarantee Satisfaction Mechanism – (d) Insufficiency”.

Market Disruption Event

If the Issuer is to satisfy a payment using the alternative coupon satisfaction mechanism or the Guarantor is to satisfy a payment under the Guarantee using the alternative guarantee satisfaction mechanism, and a Market Disruption Event exists in the opinion of the Issuer or the Guarantor (as applicable), the payment to Holders may be deferred until the cessation of such market disruption, as more particularly described in “Terms and Conditions of the TONICS – 6. Alternative Coupon Satisfaction Mechanism – (e) Market Disruption and 7. Alternative Guarantee Satisfaction Mechanism – (e) Market Disruption”. During a Market Disruption Event, interest shall not accrue on such deferred payment unless the Market Disruption Event continues for a period of 14 days or more from the due date, in which case interest shall accrue from the due date at the applicable rate set out herein.

Restricted remedy for non-payment

The sole remedy against the Issuer or the Guarantor available to the Trustee or any Holder for recovery of amounts owing in respect of any Payment or principal in respect of the TONICS will be the institution of proceedings for the winding-up of the Issuer and/or the Bank (in the case of the Issuer in England and in the case of the Bank in Ireland, but not elsewhere) and/or proving in such winding-up.

Set-off

Subject to applicable law, no Holder or Couponholder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer or the Guarantor arising under or in connection with the TONICS, the Coupons or the Guarantee and each Holder and Couponholder shall, by virtue of his being the bearer of any of the TONICS or any Coupon, be deemed to have waived all such rights of set-off.

Absence of prior public markets

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

TERMS AND CONDITIONS OF THE TONICS

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

The TONICS are constituted by the First Supplemental Trust Deed. The issue of the TONICS was authorised pursuant to a resolution of the Board of Directors of the Issuer passed on 20th March, 2003 and the giving of the Guarantee was authorised pursuant to a resolution of a committee of the Board of Directors of the Guarantor passed on 20th March, 2003, which committee was authorised by a resolution of the Board of Directors of the Guarantor passed on 7th March, 2003. 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 Holders and the Couponholders at the registered office of the Trustee, being at 21st March, 2003 at 101 Barclay Street, New York, New York 10286 USA, and at the specified office of each of the Paying Agents. The 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 TONICS 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 TONICS, Coupons and Talons will pass by delivery. The Issuer, the Guarantor, the Trustee and any Paying Agent may to the fullest extent permitted by applicable law deem and treat the bearer of any of the TONICS, Coupons or Talons as the absolute owner thereof (whether or not the same is overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes, and no person will incur any liability for so treating any such bearer.

2. Status, Subordination and Guarantee

(a) Status and Subordination of the TONICS

- (i) The TONICS constitute direct, guaranteed, unsecured and subordinated securities of the Issuer and rank *pari passu* without any preference among themselves.
- (ii) (1) *Conditions of Payment by the Issuer:* The rights and claims of the Holders and the Couponholders against the Issuer under the TONICS are subordinated to the claims of its Senior Creditors, in that payments in respect of the TONICS (including payments to be satisfied by means of the issue of Issuer Shares in accordance with Condition 6 and any purchases made by the Issuer under Condition 8(e)) are conditional upon the Issuer being Solvent at the time of payment (or issuing such Issuer Shares or making such purchase) by the Issuer and in that no principal or Payments shall be due and payable in respect of the TONICS (including the issue of Issuer Shares in accordance with Condition 6 or the making by the Issuer of any purchase under Condition 8(e)) except to the extent that the Issuer could make such payment (or effect such issue of Issuer Shares or purchase) and still be Solvent immediately thereafter.
- (2) *Winding-Up Claims of the Issuer:* Amounts in respect of principal or Payments in respect of which the conditions referred to in Condition 2(a)(ii)(1) are not satisfied on the date upon which the same would otherwise be due and payable (“Winding-Up Claims of the Issuer”) will be payable by the Issuer both (x) in a winding-up of the Issuer as provided in Condition 3(a) and (y) on any redemption pursuant to Condition 8(b), 8(c), 8(d) or 9(d). A Winding-Up Claim of the Issuer shall not bear interest.

(b) *Status and Subordination of the Guarantee*

- (i) The Guarantor has (subject as provided in paragraph (iii) below) in the Trust Deed unconditionally and irrevocably guaranteed the due and punctual payment of all principal and Payments and other sums from time to time payable by the Issuer in respect of the TONICS and the Coupons and all other moneys payable by the Issuer under or pursuant to the Trust Deed. The obligations of the Guarantor under such guarantee (the “Guarantee”) constitute direct, unsecured and subordinated obligations of the Guarantor.
- (ii) For the purpose of the obligations of the Guarantor under the Guarantee, payments of principal and/or Payments in respect of the TONICS:
 - (1) shall be deemed to be due and payable in full by the Issuer notwithstanding that, as a result of the operation of Conditions 2(a) and/or 3(a), they are not in fact so due and payable; and
 - (2) shall not be deemed to be due and payable by the Issuer if any of Conditions 4(a), 4(b), 6(d), 6(e) or 9(d) apply.
- (iii)
 - (1) *Condition of Payment by the Guarantor:* The rights and claims of the Holders and the Couponholders against the Guarantor under the Guarantee are subordinated to the claims of its Senior Creditors, in that payments of amounts due under the Guarantee (including payments to be satisfied by means of the issue of Ordinary Shares in accordance with Condition 7 and any purchases made by the Guarantor under Condition 8(e)) are conditional upon the Guarantor being Solvent at the time of payment (or issuing such Ordinary Shares or making such purchase) by the Guarantor and in that no amounts shall be due and payable (including the issue of Ordinary Shares in accordance with Condition 7 or the making by the Guarantor of any purchase under Condition 8(e)) except to the extent that the Guarantor could make such payment (or effect such issue of Ordinary Shares or purchase) and still be Solvent immediately thereafter.
 - (2) *Winding-Up Claims of the Guarantor:* Amounts payable under the Guarantee in respect of which the conditions referred to in Condition 2(b)(iii)(1) are not satisfied on the date upon which the same would otherwise be due and payable (“Winding-Up Claims of the Guarantor”) will be payable by the Guarantor in a winding-up of the Guarantor as provided in Condition 3(b). A Winding-Up Claim of the Guarantor shall not bear interest.
 - (3) *Senior Tier 1 Securities:* So long as any of the TONICS remain outstanding, the Guarantor agrees that it will not issue, or permit to be issued by any subsidiary undertaking, any Tier 1 Securities or give any Tier 1 Guarantee which would rank (as regards distributions on a return of assets on a winding-up of the Guarantor or in respect of distribution of dividends and/or income) senior to the TONICS unless the Trust Deed and the TONICS are amended to ensure that the Trustee and the Holders obtain such of those rights and entitlements contained in or attached to such Tier 1 Securities or Tier 1 Guarantee (as the case may be) as are required so as to ensure that the TONICS rank *pari passu* with, and contain substantially equivalent rights of priority as to payment as, such Tier 1 Securities or Tier 1 Guarantee or as the Trustee in its absolute discretion shall determine to be not materially less beneficial to the interests of the Holders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed).

(c) *Set-off*

Subject to applicable law, no 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 or the Guarantor arising under or in connection with the TONICS, the Coupons or the Guarantee and each Holder and Couponholder shall, by virtue of his holding of any of the TONICS or Coupons and his being a beneficiary under the Guarantee, be deemed to have waived all such rights of set-off, compensation or retention.

(d) *Retained Funds to Absorb Losses*

If the Issuer or the Guarantor is not Solvent, any sums which would otherwise be payable in respect of the TONICS or the Guarantee by the Issuer or the Guarantor (as the case may be) will instead be available to meet the losses of the Issuer or the Guarantor (as the case may be).

(e) *Reports as to Solvency*

A report confirming that the Issuer or (as the case may be) the Guarantor is Solvent by any two Directors or, if the Issuer or the Guarantor (as the case may be) is being wound up, its liquidator shall, unless the contrary is proved, be treated and accepted by the Issuer, the Guarantor, the Trustee and the Holders as correct and sufficient evidence thereof.

3. Winding-up

(a) *Winding-up of the Issuer*

If at any time an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except in any such case 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 (as defined in the Trust Deed) of the Issuer, 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 of the TONICS (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to the holder of such of the TONICS if, on the day prior to the commencement of the winding-up and thereafter, such 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 of the Issuer 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:

- (i) 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
- (ii) which rank junior to the claims of its Senior Creditors and junior to any notional class of preference shares in the capital of the Issuer by reference to which the amount payable in respect of any subordinated debt of the Issuer in a winding-up of the Issuer is determined on the assumption that the amount that such 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 principal amount (or, if the TONICS have become due and payable at the Redemption Price pursuant to any of Conditions 8(c), 8(d) or 9(d) prior to such winding-up, the Redemption Price) of each of the relevant TONICS and any other Outstanding Payments in respect of such TONICS together with, to the extent not otherwise included within the foregoing, the *pro rata* share of any Winding-Up Claims of the Issuer attributable to the TONICS.

(b) *Winding-up of the Guarantor*

If at any time an order is made, or an effective resolution is passed, for the winding-up of the Guarantor (except in any such case a solvent winding-up solely for the purpose of a reconstruction or amalgamation or the substitution in place of the Guarantor of a successor in business of the Guarantor, the terms of which reconstruction, amalgamation or substitution have previously been approved in writing by the Trustee or by an Extraordinary Resolution), there shall be payable by the Guarantor in respect of each of the TONICS (in lieu of any other payment by the Guarantor), such amount, if any, as would have been payable to the Holder of such TONICS under the Guarantee if, on the day prior to the commencement of the winding-up and thereafter, such Holder were the holder of one of a class of preference shares in the capital of the Guarantor having an equal right to a return of assets in the winding-up of the Guarantor 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 Guarantor:

- (i) 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 Guarantor, but

- (ii) which rank junior to the claims of its Senior Creditors and junior to any notional class of preference shares in the capital of the Guarantor by reference to which the amount payable in respect of any Undated Subordinated Debt of the Guarantor in a winding-up of the Guarantor is determined on the assumption that the amount that such Holder was entitled to receive in respect of such preference shares on a return of assets in such winding-up, were an amount equal to the principal amount (or, if the TONICS have become due and payable at the Redemption Price pursuant to any of Conditions 8(c), 8(d) or 9(d) prior to such winding-up, the Redemption Price) of each of the relevant TONICS and any other Outstanding Payments in respect of such TONICS together with, to the extent not otherwise included within the foregoing, the *pro rata* share of any Winding-up Claims of the Guarantor attributable to the TONICS.

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 or, in the case of (a) below, shall 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 (x) the Exceptional Deferral Condition is satisfied and (y) the consent of the Central Bank of Ireland for the making of such Payment has not been obtained, then such Payment shall be deferred by the Issuer giving notice to the Trustee, the Holders, the Principal Paying Agent, the Calculation Agent and (for so long as the TONICS are listed thereon) the Luxembourg Stock Exchange not less than 16 Business Days prior to such date. Any Payment deferred by the Issuer under this Condition 4(a)(i) may be satisfied by the Issuer in accordance with Condition 4(a)(iv) (but not otherwise) at any time following the date on which that Payment would, but for such deferral, have been due and payable, provided that the Issuer has delivered a notice of its election to so satisfy such Payment to the Trustee, the Holders, the Principal Paying Agent, the Calculation Agent and (for so long as the TONICS are listed thereon) the Luxembourg Stock Exchange not less than 16 Business Days prior to the relevant Exceptionally Deferred Coupon Satisfaction Date and that, at the time of satisfying such Payment, the Exceptional Deferral Condition is not satisfied or, if the Exceptional Deferral Condition is so satisfied, the consent of the Central Bank of Ireland to the satisfaction of such payment has been obtained.
- (ii) If, following the deferral of a payment by the Issuer under Condition 4(a)(i) the Exceptional Deferral Condition is not satisfied on the 20th Business Day preceding a Subsequent Coupon Payment Date, then (unless such Payment has previously been satisfied as contemplated in Condition 4(a)(i) or the Issuer then elects to defer it pursuant to Condition 4(b)):
 - (x) the Issuer shall give not less than 16 Business Days' prior notice to the Trustee, the Holders, the Principal Paying Agent, the Calculation Agent and (for so long as the TONICS are listed thereon) the Luxembourg Stock Exchange that it intends to satisfy such Payment on such subsequent Coupon Payment Date; and
 - (y) the Issuer shall satisfy such Payment on such subsequent Coupon Payment Date in accordance with Condition 4(a)(iv).
- (iii) If any Payment is deferred pursuant to this Condition 4(a) then: (1) the Dividend and Capital Restriction shall apply from the date on which notice is given pursuant to Condition 4(a)(i) until such time as that Exceptionally Deferred Coupon Payment is satisfied in accordance with these Conditions; and (2) no amount will be payable by way of interest on any such Exceptionally Deferred Coupon Payment, save as provided in Condition 6(e) and Condition 7(e).
- (iv) An Exceptionally Deferred Coupon Payment may only be satisfied by the Issuer by means of an issue of Issuer Shares in accordance with Condition 6.

(b) *Election to Defer Payment*

- (i) The Issuer may, in respect of any Payment which would otherwise be due and payable, defer such Payment by giving a notice to that effect to the Trustee, the Holders, the Principal Paying Agent, the Calculation Agent and (for so long as the TONICS are listed thereon) the Luxembourg Stock Exchange not less than 16 Business Days prior to the relevant due date.
- (ii) If a Payment has been deferred in accordance with Condition 4(b)(i), then the Issuer may at any time elect (by giving to the Trustee, the Holders, the Principal Paying Agent, the Calculation Agent and (for so long as the TONICS are listed thereon) the Luxembourg Stock Exchange not less than 16 Business Days' notice to that effect) to satisfy such Payment by means (and only by means) of an issue of Issuer Shares in accordance with the provisions of Condition 6.
- (iii) If any Payment is deferred pursuant to this Condition 4(b), then: (1) the Dividend and Capital Restriction shall apply from the date on which notice is given pursuant to Condition 4(b)(i) until such time as that Deferred Coupon Payment (and any other Deferred Coupon Payment or Accrued Coupon Payment) is satisfied in accordance with these Conditions, and (2) each Payment which the Issuer defers pursuant to the giving of such a 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 on which (but for such deferral) the Deferred Coupon Payment would otherwise have been due to be made to (but excluding) the relevant Deferred Coupon Satisfaction Date.

5. Coupon Payments

(a) *Coupon Payment Dates*

Subject to Condition 4(b)(iii), the TONICS bear interest at the Fixed Coupon Rate from (and including) the Issue Date to (but excluding) 23rd July, 2027 and at the Floating Coupon Rate from (and including) 23rd July, 2027. Such interest will (subject to Conditions 2(a)(ii)(1), 4(a), 4(b), 6(d), 6(e), 7(d), 7(e) and 9(d)) be payable on each Coupon Payment Date. Each of the TONICS 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 Fixed Coupon Rate in respect of the period from (and including) the Issue Date to (but excluding) the First Reset Date is 7.625 per cent. per annum.
- (ii) The Floating Coupon Rate in respect of each Coupon Period commencing on any Reset Date shall be the aggregate of 2.40 per cent. and Six Month LIBOR in respect of such Coupon Period (as determined by the Principal Paying Agent).

If any Coupon Payment Date falling after 23rd July, 2027 would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month in which event such Coupon Payment Date shall be brought forward to the immediately preceding Business Day.

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

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

Whenever it is necessary to calculate an amount of interest in respect of any of the TONICS for any period and such period ends prior to 23rd July, 2027 or on, but excluding, 23rd July, 2027, such interest shall be calculated by applying the Fixed Coupon Rate to the principal amount of such TONICS of the

relevant Authorised Denomination, multiplying such sum by the Fixed Day Count Fraction and rounding the resultant figure to the nearest penny, half a penny being rounded upwards.

Whenever it is necessary to calculate an amount of interest in respect of any of the TONICS for any period and such period begins on or after 23rd July, 2027, such interest shall be calculated by applying the Floating Coupon Rate prevailing for such period to the principal amount of such TONICS of the relevant Authorised Denomination multiplying such sum by the actual number of days in the relevant period divided by 365 or, in the case of a period falling in a leap year, 366, and rounding the resultant figure to the nearest penny, half a penny being rounded upwards.

(d) Determination or Calculation by Trustee

If the Principal Paying Agent does not at any time for any reason (i) determine the Floating Coupon Rate in accordance with Condition 5(b)(ii), or (ii) calculate a Coupon Amount in accordance with Condition 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. 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 or on behalf of the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Paying Agents and all Holders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Guarantor, the 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) Coupon Payment after the First Reset Date

Without prejudice to any other Condition hereof, from (and including) the First Reset Date, all Coupon Payments or Guarantee Coupon Payments may only be satisfied by the Issuer or the Guarantor in accordance with Condition 6 or Condition 7 respectively.

6. Alternative Coupon Satisfaction Mechanism

(a) Alternative Coupon Satisfaction Mechanism

- (i) The Issuer may only satisfy (i) a Deferred Coupon Payment or an Exceptionally Deferred Coupon Payment and (ii) an Accrued Coupon Payment or a Coupon Payment in respect of a Coupon Period commencing on any Reset Date through the issue of Issuer Shares to the Trustee in accordance with this Condition 6, and may elect to so satisfy any other Payment in full or in part (in which case any reference in this Condition 6 or, where applicable, Condition 7 to a “Payment” shall be construed accordingly).
- (ii) The Issuer may only satisfy a Payment in accordance with this Condition 6 if both the Issuer and the Guarantor are Solvent at the time of satisfying such Payment and would be Solvent immediately thereafter.
- (iii) If the Issuer intends to satisfy any Payment in accordance with this Condition 6, then it shall notify the Guarantor, the Trustee, the Principal Paying Agent and the Calculation Agent not less than 16 Business Days prior to the relevant Coupon Payment Date, Deferred Coupon Satisfaction Date or Exceptionally Deferred Coupon Satisfaction Date (as the case may be).

(b) Issue of shares

If any Payment is to be satisfied through the issue to the Trustee of Issuer Shares then, subject to Conditions 6(d), 6(e) and 9(d):

- (i) by close of business on or before the seventh Business Day prior to the relevant Coupon Payment Date, Deferred Coupon Satisfaction Date or Exceptionally Deferred Coupon Satisfaction 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 Issuer Shares (the “Payment Issuer

Shares”) as, in the determination of the Guarantor, have a market value of not less than the relevant Payment to be satisfied in accordance with this Condition 6 provided that the Issuer shall not be obliged to issue Issuer Shares if the Issuer is not Solvent at the time of such issue or would not be Solvent immediately thereafter;

- (ii) the Trustee has agreed, by close of business on or before the sixth Business Day prior to the relevant Coupon Payment Date, Deferred Coupon Satisfaction Date or Exceptionally Deferred Coupon Satisfaction Date, to transfer or instruct its agent to transfer the Payment Issuer Shares to the Guarantor in consideration for which the Guarantor will issue to the Trustee (or, if so agreed between the Issuer and the Trustee, to an agent of the Trustee) within one Business Day of the Guarantor receiving the Payment Issuer Shares such number of ordinary shares (the “Payment Ordinary Shares”) as, in the determination of the Calculation Agent, have a market value (converted, where necessary, into sterling) of not less than the relevant Payment to be satisfied in accordance with this Condition 6 provided that the Guarantor shall not be obliged to issue Payment Ordinary Shares if the Guarantor is not Solvent at the time of such issue or would not be Solvent immediately thereafter; and
- (iii) the Trustee will use reasonable endeavours to effect the transfer 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 fourth 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. The Calculation Agent has further agreed to procure that the proceeds of such sale are paid to it in sterling or, where necessary, to exchange, as agent of the Trustee, the proceeds of such sale into sterling, in either case at prevailing market exchange rates, and to deliver such proceeds to, or hold such 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 satisfy a Payment hereunder by issuing Issuer Shares to the Trustee and in accordance with its obligations under the Trust Deed issues such Issuer Shares, such issue shall (subject to Condition 6(e)) satisfy the relevant Payment or, in the circumstances referred to in (d) below, the relevant part of such Payment if made in accordance with this Condition 6. The proceeds of sale of Payment Ordinary Shares resulting from the mandatory exchange of Payment Issuer Shares in accordance with this Condition 6 shall be paid by the Principal Paying Agent to the Holders in respect of the relevant Payment.

(d) *Insufficiency*

- (i) If the Issuer is to satisfy a Payment in accordance with this Condition 6 and either the Issuer or the Guarantor does not, on the date when the number of Issuer Shares or Ordinary Shares (as the case may be) required to be issued is determined in accordance with this Condition 6, have sufficient number of, respectively, Issuer Shares or Ordinary Shares available for issue, then the Issuer or the Guarantor (as the case may be) shall notify the Guarantor or the Issuer (as the case may be) and the Trustee, the Principal Paying Agent, the Calculation Agent and the Holders that all or part, as the case may be, of the relevant Payment cannot be so satisfied due to the circumstances described in this paragraph, 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 or of the Guarantor (as the case may be) at which a resolution is passed making a sufficient number of Issuer Shares or Ordinary Shares, as the case may be, available to satisfy all or such part of the relevant Payment, provided that if the number of Issuer Shares or Ordinary Shares authorised to be issued at any such meeting is insufficient to satisfy all or such part of the relevant Payment then those Issuer Shares or Ordinary Shares so issued shall (to the extent that the relevant number of Issuer Shares or Ordinary Shares (as the

case may be) are also available) be applied by the Issuer in part satisfaction of all or such part of the relevant Payment.

Following the passage of any such resolution, the Issuer or the Guarantor (as the case may be) shall notify the Trustee, the Principal Paying Agent, the Calculation Agent and the Holders of the date upon which the relevant Payment or, as the case may be, 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)(iii) from (and including) the date on which such Payment would otherwise have been due to (but excluding) the date on which such Payment or part thereof is satisfied or, in the event of a Market Disruption Event as described in Condition 6(e), the date on which such Payment or part thereof would, but for the occurrence of such Market Disruption Event, have been satisfied (from which date interest (if any) will accrue on such Payment as provided in Condition 6(e)).

- (ii) In the case of an insufficiency of Issuer Shares, the Guarantor shall procure that the Issuer holds an annual or extraordinary general meeting at which a resolution to make a sufficient number of Issuer Shares so available is passed within two Business Days of the Issuer giving the above first-mentioned notice. If, in the case of an insufficiency of Ordinary Shares, the Guarantor does not hold an annual general meeting within six months of giving the above first-mentioned notice, at which a resolution to make a sufficient number of Ordinary Shares so available is passed, the Trustee shall by notice require the Guarantor 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.
- (iii) In the event that any such resolution proposed at any such annual general meeting or extraordinary general meeting of the Guarantor is rejected, such resolution will then be proposed at each annual general meeting and any extraordinary general meeting of the Guarantor thereafter and the Dividend and Capital Restriction shall apply from the date of the first mentioned notice in paragraph (i) above until such time as such resolution has been passed by the shareholders of the relevant company or, if the Dividend and Capital Restriction is already in place pursuant to Condition 4(a)(iii) or Condition 4(b)(iii), until such time (if later) as such restriction ceases to apply.

(e) Market Disruption

Notwithstanding the provisions of Condition 6(b), if there exists, in the opinion of the Issuer or the Guarantor (subject, where necessary, to determinations made by the Calculation Agent), a Market Disruption Event on or after the 15th Business Day preceding any date upon which a Payment or, in the case of an insufficiency as provided in paragraph (d) above, part thereof, is due to be satisfied in accordance with this Condition 6, then the Issuer or the Guarantor shall give a notice to the Trustee, the Principal Paying Agent, the Calculation Agent and the Holders as soon as possible after the Market Disruption Event has arisen or occurred, whereupon the Issuer may elect to defer the relevant Payment or part thereof until such time as (in the opinion of the Issuer or the Guarantor) the Market Disruption Event no longer exists.

Any such deferred Payment or part thereof 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 or part thereof unless, as a consequence of the existence of a Market Disruption Event, the Issuer does not make the relevant Payment or part thereof for a period of 14 days or more after the due date therefor, in which case interest shall accrue on such deferred Payment or part thereof from (and including) the date on which the relevant Payment or part thereof was due to be made to (but excluding) the date on which such Payment or part thereof is made. Any such interest shall accrue at a rate determined in accordance with Condition 4(b)(iii) (in the case of a Deferred Coupon Payment) or Condition 5 (in any other case) 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 any such agent, the Trustee or any such agent is unable to comply with the provisions of Condition 6(b).

7. Alternative Guarantee Satisfaction Mechanism

(a) Alternative Guarantee Satisfaction Mechanism

- (i) The Guarantor may only satisfy any Guarantee Coupon Payment in respect of (i) a Deferred Coupon Payment or an Exceptionally Deferred Coupon Payment and (ii) an Accrued Coupon Payment or a Coupon Payment in respect of a Coupon Period commencing on any Reset Date through the issue of Ordinary Shares to the Trustee in accordance with this Condition 7, and may elect to so satisfy any other Guarantee Coupon Payment in full or in part (in which case any reference in this Condition 7 to a “Guarantee Coupon Payment” shall be construed accordingly).
- (ii) The Guarantor may only satisfy a Guarantee Coupon Payment in accordance with this Condition 7 if it is Solvent at the time of satisfying such Guarantee Coupon Payment and would be Solvent immediately thereafter.
- (iii) If the Guarantor elects to satisfy any Guarantee Coupon Payment in accordance with this Condition 7, then it shall notify the Issuer, the Trustee, the Principal Paying Agent and the Calculation Agent not less than 16 Business Days prior to the relevant Guarantee Coupon Payment Satisfaction Date.
- (iv) The Guarantor has agreed in the Trust Deed that any obligation owed by the Issuer to the Guarantor in respect of payments made under the Guarantee will be satisfied only by the issue of Issuer Shares.

(b) Issue of Shares

If any Guarantee Coupon Payment is to be satisfied in full or in part through the issue to the Trustee of Ordinary Shares then, subject to Conditions 7(d), 7(e) and 9(d):

- (i) by close of business on or before the seventh Business Day prior to the relevant Guarantee Coupon Payment Satisfaction Date, the Guarantor will issue to the Trustee (or, if so agreed between the Guarantor and the Trustee, to an agent of the Trustee) such number of Ordinary Shares (the “Guarantee Payment Ordinary Shares”) as, in the determination of the Calculation Agent, have a market value (converted, where necessary, into sterling) of not less than the relevant Guarantee Coupon Payment to be satisfied in accordance with this Condition 7, provided that the Guarantor shall not be obliged to issue Ordinary Shares if it is not Solvent at the time of such issue or would not be Solvent immediately thereafter; and
- (ii) the Trustee will use reasonable endeavours to effect the transfer or instruct its agent to effect the transfer of such Guarantee 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 sixth Business Day prior to the date on which the relevant Guarantee Coupon Payment is due and the Calculation Agent has agreed to use reasonable endeavours to procure purchasers for such Guarantee Payment Ordinary Shares. The Calculation Agent has further agreed to procure that the proceeds of such sale are paid to it in sterling or, where necessary, to exchange, as agent of the Trustee, the proceeds of such sale into sterling, in either case at prevailing market exchange rates, and deliver such proceeds to, or hold such 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 Guarantee Coupon Payment on its due date to the Principal Paying Agent for application in accordance with Condition 7(c).

(c) Issue Satisfies Guarantee Coupon Payment

Where the Guarantor elects to satisfy a Guarantor Coupon Payment hereunder by issuing Ordinary Shares to the Trustee and in accordance with its obligations under the Trust Deed issues such Ordinary Shares, such issue shall (subject to Condition 7(e)) satisfy the relevant Guarantee Coupon Payment or, in the circumstances referred to in (d) below, the relevant part of such Guarantee Coupon Payment if made

in accordance with this Condition 7. The proceeds of sale of Ordinary Shares shall be paid by the Principal Paying Agent to the Holders in respect of the relevant Guarantee Coupon Payment.

(d) Insufficiency

- (i) If the Guarantor is to satisfy a Guarantee Coupon Payment in accordance with this Condition 7 and it does not, on the date when the number of Ordinary Shares required to be issued is determined in accordance with this Condition 7, have a sufficient number of Ordinary Shares available for issue, then it shall notify the Issuer, the Trustee, the Principal Paying Agent, the Calculation Agent and the Holders that all or part, as the case may be, of the relevant Guarantee Coupon Payment cannot be so satisfied due to the circumstances described in this paragraph, 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 Guarantor at which a resolution is passed making a sufficient number of Ordinary Shares available to satisfy all or such part of the relevant Guarantee Coupon 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 Guarantee Coupon Payment then those Ordinary Shares so issued shall be applied by it in part satisfaction of all or such part of the relevant Guarantee Coupon Payment.

Following the passage of any such resolution, the Guarantor shall notify the Issuer, the Trustee, the Principal Paying Agent, the Calculation Agent and the Holders of the date upon which the relevant Guarantee Coupon 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. Unless such Payment is an Exceptionally Deferred Coupon Payment, in which case no interest shall accrue thereon, interest shall continue to accrue in accordance with these Conditions on all or the appropriate part, as the case may be, of the Payment corresponding to the Guarantee Coupon Payment, or part thereof, which is not so satisfied. Notwithstanding anything in these Conditions to the contrary, such interest shall accrue at the rate determined in accordance with Condition 4(b)(iii) from (and including) the date on which the applicable Guarantee Coupon Payment would otherwise have been due to (but excluding) the date on which such Guarantee Coupon Payment or part thereof is satisfied or, in the event of a Market Disruption Event as described in Condition 7(e), the date on which such Guarantee Coupon Payment or part thereof would, but for the occurrence of such Market Disruption Event, have been satisfied (from which date interest (if any) shall accrue on such payment as provided in Condition 7(e)). If the Guarantor does not hold an annual general meeting within six months of giving the above first-mentioned notice, at which a resolution to make a sufficient number of Ordinary Shares so available is passed, the Trustee shall by notice require the Guarantor 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.

- (ii) 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 Guarantor and the Dividend and Capital Restriction shall apply from the date of the first-mentioned notice in paragraph (i) above until such time as such resolution has been passed by the shareholders of the Guarantor or, if a similar restriction on payments is already in place pursuant to Condition 4(a)(iii) or Condition 4(b)(iii), until such time (if later) as such restriction ceases to apply.

(e) Market Disruption

Notwithstanding the provisions of Condition 7(b), if there exists, in the opinion of the Guarantor (subject, where necessary, to determinations made by the Calculation Agent), a Market Disruption Event on or after the 15th Business Day preceding any date upon which a Guarantee Coupon Payment or, in the case of an insufficiency as provided in Condition 7(d), part thereof is due to be satisfied in accordance with this Condition 7, then the Guarantor shall give a notice to the Trustee, the Principal Paying Agent, the Calculation Agent and the Holders as soon as possible after the Market Disruption Event has arisen or occurred, whereupon the Guarantor may elect to defer the relevant Guarantee Coupon Payment or

part thereof until such time as (in the opinion of the Guarantor) the Market Disruption Event no longer exists.

Any such deferred Guarantee Coupon Payment will be satisfied as soon as practicable following such time as the Market Disruption Event no longer exists. Notwithstanding anything in these Conditions to the contrary, interest shall not accrue on the Payment, or part thereof, corresponding to the Guarantee Coupon Payment or part thereof which is deferred unless, as a consequence of the existence of a Market Disruption Event, the Guarantor does not make the relevant Guarantee Coupon Payment or part thereof for a period of 14 days or more after the due date therefor, in which case interest shall accrue on such Payment or part thereof from (and including) the date on which the relevant Guarantee Coupon Payment was due to be made to (but excluding) the date on which such Guarantee Coupon Payment or part thereof is made. Notwithstanding anything in these Conditions to the contrary, any such interest shall accrue at a rate determined in accordance with Condition 4(b)(iii) (where the Payment to which the Guarantee Coupon Payment relates is a Deferred Coupon Payment) or Condition 5 (in any other case) and shall be satisfied only in accordance with this Condition 7 and as soon as reasonably practicable after the relevant deferred Guarantee Coupon 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 any such agent, the Trustee or any such agent is unable to comply with the provisions of Condition 7(b). For the avoidance of doubt, interest accruing in respect of a Guarantee Coupon Payment pursuant to this Condition 7 shall not separately accrue on the Payment to which the Guarantee Coupon Payment relates.

8. Exchange, Variation or Redemption

(a) No Fixed Redemption Date

The TONICS 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 13) only have the right to repay them in accordance with the following provisions of this Condition 8 or in the circumstances provided for in Condition 9(d).

Any redemption or purchase of the TONICS is subject to the prior consent of the Central Bank of Ireland.

(b) Issuer's Call Option

Subject to Condition 2(a)(ii)(1), the Issuer may, by giving not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 17 and to the Principal Paying Agent and the Trustee, which notice shall be irrevocable, elect, with the consent of the Guarantor, to redeem all of the TONICS on the First Reset Date or on any Coupon Payment Date thereafter at their principal amount together with any Outstanding Payments.

(c) Exchange, Variation or Redemption due to Taxation

If the Issuer satisfies the Trustee immediately prior to the giving of the notice referred to below that, on the next due date for a Coupon Payment:

- (i) either (1) the Issuer would be unable to make such payment without being required to pay additional amounts as provided in Condition 12 or (2) the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making such payment itself would be required to pay any additional amounts as aforesaid in each case as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or 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 19th July, 2002 and the requirement cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures (acting in good faith but not involving material cost or expense) available to it; or
- (ii) in respect of the Issuer, payments of amounts in respect of interest on the TONICS including, for the avoidance of doubt, the issue of Issuer Shares pursuant to Condition 6, may be treated as "distributions" within the meaning of Section 832(1) of the Income and Corporation Taxes Act 1988 (or such other Section and/or Act as may from time to time supersede or replace

Section 832(1) of the Income and Corporation Taxes Act 1988 for the purposes of such definition) and such requirement or circumstance cannot be avoided by the Issuer taking such measures as it (acting in good faith but not involving material cost or expense) deems appropriate; or

- (iii) in respect of the Issuer, as a result of any change in or proposed change in, or amendment to or proposed amendment to, the laws of the United Kingdom or any political subdivision or authority thereof having power to tax, or any change in or proposed change in the application of official or generally published interpretation of such laws, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such law or regulations that differs from the previously generally accepted position in relation to similar transactions or which differs from any specific written confirmation given by a tax authority in respect of the TONICS, which change or amendment becomes, or would become, effective, or in the case of a change or proposed change in law if such change is enacted (or, in the case of a proposed change, is expected to be enacted) by Act of Parliament or made by Statutory Instrument on after 19th July, 2002, there is more than an insubstantial risk that the Issuer will not obtain all or substantially all of the relief which would have been available to it but for such change or amendment for the purposes of United Kingdom corporation tax for the next following payment of interest including, for the avoidance of doubt, where the payment of interest is to be satisfied by the issue of Issuer Shares and Ordinary Shares pursuant to Condition 6 or, as a result of the TONICS being in issue, the Issuer may be unable to claim or surrender losses as group relief, and such requirement or circumstance cannot be avoided by the Issuer taking such measures as it (acting in good faith but not involving material cost or expense) deems appropriate,

then the Issuer may (subject to the prior consent of the Central Bank of Ireland and of the Guarantor but without any requirement for the consent or approval of the Holders or, save as specified below, the Trustee), having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable) either (xx) exchange the TONICS for, or vary (together with, in the case of the Guarantor, the Guarantee) the terms of the TONICS and the Guarantee so that they become, Upper Tier 2 Securities on terms which preserve any existing rights under these Terms and Conditions to Outstanding Payments or (yy) (subject to Condition 2(a)(ii)(1)) redeem, in accordance with these Terms and Conditions, all, but not some only, of the TONICS at their principal amount or (in respect only of a redemption by reason of the circumstances referred to in paragraph (ii) above where the relevant requirement or circumstance does not result from a change or amendment to the laws or regulations of the United Kingdom or 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 rules and regulations) at the Redemption Price at any time, in each case together with any Outstanding Payments. The provisions of this Condition 8(c) shall be without prejudice to the provisions of Condition 14.

The Trustee shall use its reasonable endeavours to assist the Issuer in the exchange or variation of the TONICS (and the Guarantee) for or into Upper Tier 2 Securities, provided that the Trustee shall not be obliged to participate or assist in any such exchange or variation if, in its opinion, the terms of the securities into which the TONICS are to be exchanged or are to be varied impose, in the Trustee's opinion, more onerous obligations upon the Trustee. If the Trustee does not so participate or assist as provided above, the Issuer may redeem the TONICS in accordance with the foregoing provisions at their principal amount together with any Outstanding Payments.

If, where the Issuer has elected to exchange or vary the TONICS for or into Upper Tier 2 Securities in accordance with (xx) above, (a) the consent of the Central Bank of Ireland to such exchange or variation is not given, or (b) the TONICS cannot be so exchanged or varied for or into Upper Tier 2 Securities (in which case the Issuer shall deliver to the Trustee an opinion of independent legal advisers of recognised standing stating that (in their opinion) the TONICS cannot be exchanged for or varied into Upper Tier 2 Securities and the Trustee shall accept such opinion as sufficient evidence thereof, in which event it shall be conclusive and binding on the Holders), or (c) any of the conditions listed in paragraphs (i) to (iii) above apply or continue to apply to Upper Tier 2

Securities for or into which the TONICS have been exchanged or varied, or (d) the Issuer shows to the satisfaction of the Trustee that any of the conditions listed in paragraphs (i) to (iii) above would apply if such exchange or variation were to take place, the Issuer may, subject to Condition 2(a)(ii)(1) and, having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable), redeem, in accordance with these Terms and Conditions, at any time, all, but not some only, of the TONICS or any such Upper Tier 2 Securities for or into which they have been exchanged or varied at their principal amount together with any Outstanding Payments.

Prior to the publication of any notice of exchange, variation or redemption pursuant to this Condition 8(c), the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer or, if the Issuer is in the course of being wound up, by the liquidator stating that (in their or, as the case may be, its opinion) the relevant requirement or circumstance referred to in paragraph (i), (ii) or (iii) above either is satisfied or (as the context may require) would be satisfied were such exchange or variation to take place. The Trustee shall accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out above in which event it shall be conclusive and binding on the Holders.

(d) Exchange, Variation or Redemption for Regulatory Purposes

If the Issuer satisfies the Trustee immediately prior to the giving of the notice referred to below that the Central Bank of Ireland has determined that the TONICS no longer qualify as Tier 1 Capital of the Guarantor, then the Issuer may (subject to the prior consent of the Central Bank of Ireland and of the Guarantor but without any requirement for the consent or approval of the Holders or, save as specified below, the Trustee), having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the Luxembourg Stock Exchange (for so long as the TONICS are listed thereon) and, in accordance with Condition 17, the Holders (which notice shall be irrevocable) either (aa) exchange the TONICS for, or vary (together with, in the case of the Guarantee, the Guarantor) the terms of the TONICS and the Guarantee so that they become, Upper Tier 2 Securities on terms which preserve any existing rights under these Terms and Conditions to Outstanding Payments (in which case the notice referred to above shall include details of the revised Coupon Rate applicable to such Upper Tier 2 Securities) or (bb) (subject to Condition 2(a)(ii)(1)) redeem, in accordance with these Terms and Conditions, at any time, all, but not some only, of the TONICS at the Redemption Price together with any Outstanding Payments.

The Trustee shall use its reasonable endeavours to assist the Issuer in the exchange or variation of the TONICS for or into Upper Tier 2 Securities, provided that the Trustee shall not be obliged to participate or assist in any such exchange or variation if, in its opinion, the terms of the securities into which the TONICS are to be exchanged or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the TONICS in accordance with the foregoing provisions at their principal amount at any time, together with any Outstanding Payments.

If, where the Issuer has elected to exchange or vary the TONICS for or into Upper Tier 2 Securities in accordance with (aa) above, (a) the consent of the Central Bank of Ireland to such exchange or variation is not given, or (b) the TONICS cannot be so exchanged or varied for or into Upper Tier 2 Securities (in which case the Issuer shall deliver to the Trustee an opinion of independent legal advisers of recognised standing stating that (in their opinion) the TONICS cannot be exchanged for or varied into Upper Tier 2 Securities and the Trustee shall accept such opinion as sufficient evidence thereof, in which event it shall be conclusive and binding on the Holders), or (c) any of the conditions listed in paragraphs (i) to (iii) of Condition 8(c) above apply, or would apply, to such Upper Tier 2 Securities (in which case the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer or, if the Issuer is in the course of being wound up, by the liquidator stating that (in their or, as the case may be, its opinion) the relevant requirement or circumstance referred to in paragraph (i), (ii) or (iii) of Condition 8(c) either is satisfied or (as the context may require) would be satisfied were such exchange or variation to take place, and the Trustee shall accept such certificate as sufficient evidence thereof, in which event it shall be conclusive and binding on the Holders) the Issuer may, subject to Condition 2(a)(ii)(1) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in

accordance with Condition 17, the Holders (which notice shall be irrevocable), redeem, in accordance with these Terms and Conditions, at any time, all, but not some only, of the TONICS or any such Upper Tier 2 Securities for or into which they have been exchanged or varied at their principal amount together with any Outstanding Payments.

(e) Purchases

The Issuer, the Guarantor or any other Subsidiary of the Guarantor may (subject to (i) the prior consent of the Central Bank of Ireland and, in the case of the Issuer or another Subsidiary of the Guarantor, the Guarantor and (ii) Conditions 2(a)(ii)(1) (in respect of the Issuer) and 2(b)(iii)(1) (in respect of the Guarantor or any other Subsidiary of the Guarantor)) at any time purchase TONICS 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. The restrictions contained in this Condition shall not apply to any purchase of TONICS where such purchase is made (i) in the ordinary course of a business of dealing in securities and (ii) for the account of a person other than the Issuer, the Guarantor or any other Subsidiary of the Guarantor.

(f) Cancellation

All TONICS 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. TONICS purchased by the Issuer, the Guarantor or any other Subsidiary of the Guarantor may be held, reissued or resold or, where purchased by the Issuer, at the option of the Issuer surrendered to any Paying Agent for cancellation. Any TONICS so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such TONICS shall be discharged.

9. 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 TONICS 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 TONICS at the specified office of any of the Paying Agents. Such payments will be made, at the option of the payee, by sterling cheque drawn on, or by transfer to a sterling account maintained by the payee with, a bank in London.
- (ii) Upon the due date for redemption of any of the TONICS, any unexchanged Talon relating to such TONICS (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon and unmatured Coupons relating to such TONICS (whether or not attached) shall also become void and no payment shall be made in respect of them. If any of the TONICS 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 of the TONICS, the Talon forming part of such Coupon sheet may be surrendered at the specified office of any 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 13).
- (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 (aa) a Paying Agent having a specified office outside Ireland and the United Kingdom, (bb) if any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive is

introduced, a Paying Agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to any such Directive or law, and (cc) for so long as the TONICS are listed on the Luxembourg Stock Exchange and the rules of the Exchange so require, a Paying Agent having a specified office in 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 Holders in accordance with Condition 17.

(b) Payments subject to Fiscal Laws

Without prejudice to the terms of Condition 12, 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 Holders in respect of such payments.

(c) Payments on Payment Business Days

Each TONICS or 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 TONICS or Coupon may be presented for payment under this paragraph falling after the due date.

(d) Suspension

If, following any take-over offer made under the Irish Take-over Panel Act 1997 Takeover Rules 1997 or any reorganisation, restructuring or scheme of arrangement, the Guarantor or any subsequent New Owner ceases to be the ultimate holding company of the Anglo Irish Bank Corporation plc group of companies, then the Issuer or the Guarantor shall as soon as practicable give notice to the Trustee, the Calculation Agent and the Holders, whereupon the Issuer's right or obligation to satisfy a Payment by the method contemplated by Condition 6 and the Guarantor's right or obligation to satisfy a Guarantee Coupon Payment by the method contemplated by Condition 7 shall each be suspended (such event being a "Suspension"). In such event an independent investment bank appointed by the Issuer (at the Issuer's (failing which the Guarantor's) expense) and approved by the Trustee shall determine (subject to the requirements that (i) neither the Issuer nor the Guarantor shall be obliged to reduce its net assets, (ii) no amendment may be proposed or made which would alter the regulatory capital treatment of the TONICS for banking capital adequacy purposes without the prior consent of the Central Bank of Ireland, and (iii) no such amendment may be made which would, in the Trustee's opinion, impose more onerous obligations on the Trustee 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 Holders, of a holding of the TONICS prior to the Suspension. Upon any such determination being reached and notified to the Trustee, the Issuer and the Guarantor by such investment bank, the Trustee, the Issuer and the Guarantor shall, pursuant to the terms of the Trust Deed and without the consent of the 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 or obligation to satisfy a payment by the method contemplated in Condition 6 and the Guarantor's right or obligation to satisfy a Guarantee Coupon Payment by the method contemplated by Condition 7 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 Guarantor, the New Owner, the Trustee, the Principal Paying Agent and the Calculation Agent and each of the TONICS shall (subject to the prior consent of the Central Bank of Ireland) be redeemed by the Issuer, following notice to the Holders by the Issuer of such redemption as soon as practicable after receipt of the consent of the Central Bank of Ireland, at the Redemption Price, together with any Outstanding Payments, not later than the 60th Business Day following the giving of such notice by the Issuer to the Holders. Such redemption will, unless otherwise agreed by the Issuer, the Guarantor and the Trustee, and with the consent of the Central Bank of Ireland, be effected through the issue of Issuer Shares, such Issuer 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 Conditions 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 or stock of the New Owner as, when sold (and, if necessary, converted into sterling by the Calculation Agent), provide a net cash amount of not less than the redemption amount so payable by the Issuer).

(e) *Alternative Settlement*

The Issuer may elect to satisfy any Payment (in full or in part) through the issue of Issuer Shares to the Trustee (with the subsequent issue by the Guarantor to the Trustee of Payment Ordinary Shares in exchange therefor) in accordance with the procedures set out in Condition 6.

10. Pre-emption

The Issuer shall, from time to time, keep available for issue such number of Issuer Shares as it reasonably considers would be required to be issued in order to satisfy the requirement to issue Payment Issuer Shares in accordance with Condition 6 in connection with the next Coupon Payment.

The Guarantor 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 or Guarantee Payment Ordinary Shares in accordance with Condition 7 in connection with the next Coupon Payment.

No damages will be payable for breach of this covenant but, in the event of breach by the Issuer or the Guarantor of this Condition 10, the Trustee may require the Issuer or, as the case may be, the Guarantor to put before the next general meeting of the shareholders of the Issuer or, as the case may be, the shareholders of the Guarantor a resolution to remedy the breach.

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

11. Non-Payment when due

Notwithstanding any of the provisions below in this Condition 11, the right to institute winding-up proceedings is limited to circumstances where payment has become due. Pursuant to Condition 2(a)(ii)(1) and subject as provided in the next sentence no principal or Payment will be due by the Issuer if the Issuer is not Solvent or would not be Solvent if payment of such principal or Payment was made. Pursuant to Condition 2(b)(iii)(1) no principal or Payment will be due by the Guarantor under the Guarantee if the Guarantor is not Solvent provided that payments of principal and/or Payments in respect of the TONICS shall be deemed to be due and payable in full by the Issuer for the purpose of the obligations of the Guarantor under the Guarantee notwithstanding that, as a result of the operation of Conditions 2(a) and/or 3(a), they are not in fact due and payable by the Issuer. Also, in the case of any Payment, such Payment will not be due if the Issuer has been required or has elected (as the case may be) 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 9(d) then apply. For the purpose of the obligations of the Guarantor under the Guarantee, no Guarantee Coupon Payment shall be due and payable if the Guarantor is obliged or has elected to satisfy any Guarantee Coupon Payment through the issue of Ordinary Shares to the Trustee in accordance with Condition 7 and the circumstances referred to in Condition 7(d), 7(e) or 9(d) then apply. The Trust Deed contains provisions entitling the Trustee to claim from the Issuer (failing whom the Guarantor), 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 or the Guarantor shall not make payment in respect of the TONICS (in the case of payment of principal) for a period of 14 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 or, as the case may be, the Guarantor shall be deemed to be in default under the Trust Deed, the TONICS and the Coupons and the Trustee may, notwithstanding the provisions of paragraph (b) of this Condition 11, institute proceedings for the winding-up of the Issuer and/or the Guarantor (as the case may be).

- (b) Subject as provided in Condition 10, the Trustee may at its discretion and without further notice institute such proceedings against the Issuer or the Guarantor (as the case may be) as it may think fit to enforce any term or condition binding on the Issuer or the Guarantor (as the case may be) under the Trust Deed, the TONICS or the Coupons (other than for the payment of any principal or satisfaction of any Payments in respect of the TONICS or the Coupons, including any payment under Clause 2.6 of the Trust Deed) provided that the Issuer or the Guarantor (as the case may be) shall not by virtue of the institution of any such proceedings be obliged (i) to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it or (ii) to pay any damages.
- (c) The Trustee shall not be bound to take any of the actions referred to in paragraph (a) or (b) above against the Issuer and/or the Guarantor (as the case may be) to enforce the terms of the Trust Deed, the Guarantee, the TONICS or the Coupons unless (i) it shall have been so requested by an Extraordinary Resolution of the Holders or in writing by the Holders of at least one-fifth in principal amount of the TONICS then outstanding and (ii) it shall have been indemnified to its satisfaction.
- (d) No Holder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor (as the case may be) pursuant to paragraph (b) above, or to institute proceedings for the winding-up of the Issuer or the Guarantor (as the case may be) under any of the provisions of this Condition 11 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 Holder or Couponholder shall have only such rights against the Issuer or the Guarantor (as the case may be) as those which the Trustee is entitled to exercise. No remedy against the Issuer or the Guarantor (as the case may be) shall be available to the Trustee or any Holder or Couponholder (i) for the recovery of amounts owing in respect of the TONICS 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 or the Guarantor (as the case may be) and/or proving in such winding-up and (ii) for the breach of any other term under the Trust Deed, the Guarantee, the TONICS or the Coupons, other than as provided in paragraph (b) above.
- (e) Any proceedings for the winding-up of the Issuer or the Guarantor may be instituted (i) in the case of the Issuer, in England, and (ii) in the case of the Guarantor, in Ireland. No such proceedings may be instituted in any other jurisdiction.

12. Taxation

All payments by the Issuer or the Guarantor of principal, Coupon Amounts, Deferred Coupon Payments, Exceptionally Deferred Coupon Payments, Accrued Coupon Payments and Winding-Up Claims in respect of the TONICS will be made without withholding of or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of the United Kingdom or Ireland or in each case any political subdivision thereof or 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 or, as the case may be, the Guarantor will pay such additional amounts as may be necessary in order that the net amounts receivable by 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 TONICS 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 of the TONICS or any 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 TONICS or Coupon by reason of his having some connection with the United Kingdom (in the case of payments by the Issuer) or Ireland (in the case of payments by the Guarantor or the Issuer) other than the mere holding or ownership of such TONICS 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 the United Kingdom (in the case of payments by the Issuer) or Ireland (in the case of payments by the Guarantor or the Issuer); or
- (d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (e) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant TONICS or Coupon to another Paying Agent in a member state of the European Union; or
- (f) 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 in respect of any such sums in accordance with these Terms and Conditions and the Trust Deed.

In the event that any payment is satisfied through the issue by the Issuer of Issuer Shares pursuant to Condition 6 or the issue by the Guarantor of Ordinary Shares pursuant to Condition 7, then any additional amounts which are payable pursuant to this Condition 12 in respect of such payment shall also be so satisfied.

13. Prescription

TONICS 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 TONICS 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 9(a)(ii) or any Talon which would be void pursuant to Condition 9(a)(ii).

14. Meetings of Holders, Modification, Waiver and Substitution

The Trust Deed contains provisions for convening meetings of 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 TONICS for the time being outstanding, or at any adjourned such meeting one or more persons being or representing Holders whatever the principal amount of the TONICS so held or represented, except that at any adjourned 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 TONICS and reducing or cancelling the principal amount of any of the TONICS 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 one-third in principal amount of the TONICS for the time being outstanding.

An Extraordinary Resolution passed at any meeting of Holders will be binding on all 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 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 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 or the Guarantor 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 Central Bank of Ireland shall have been obtained.

Subject to the prior consent of the Central Bank of Ireland and as provided in the Trust Deed, the Trustee may agree with the Issuer and the Guarantor, without the consent of the Holders or Couponholders, to the substitution on a subordinated basis equivalent to that referred to in these Terms and Conditions in place of:

- (a) the Issuer (or any previous Substituted Issuer under this Condition 14) as a new issuing party under the Trust Deed, the TONICS and the Coupons, of the Guarantor, any other Subsidiary of the Guarantor, any successor in business of the Issuer or any Subsidiary of any successor in business of the Guarantor or any holding company of the Guarantor (the “Substituted Issuer”); or
- (b) the Guarantor (or any previous Substituted Guarantor under this Condition 14) as the guarantor of the obligations of the Issuer under the Trust Deed or any successor in business of the Guarantor or any holding company of the Guarantor (the “Substituted Guarantor”).

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or substitution), the Trustee shall have regard to the general interests of the Holders as a class but shall not have regard to any interests arising from circumstances particular to individual Holders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Holders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof and the Trustee shall not be entitled to require, nor shall any Holder or Couponholders be entitled to claim from the Issuer, the Substituted Issuer, the Guarantor, the Substituted Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders or Couponholders except to the extent already provided for in Condition 12 and/or any undertaking given in addition to, or in substitution for, Condition 12 pursuant to the Trust Deed. Any such modification, waiver, authorisation or substitution shall be binding on all Holders and all Couponholders and, unless the Trustee agrees otherwise, any such modification or substitution shall be notified to the Holders in accordance with Condition 17 as soon as practicable thereafter.

15. Replacement of the TONICS, Coupons and Talons

Should any of the TONICS, any Coupon or any Talon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of any Paying Agent (or any other place of which notice shall have been given in accordance with Condition 17) 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 TONICS, Coupons or Talons must be surrendered before any replacement TONICS, Coupons or Talons will be issued.

16. 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, the Guarantor or any other Subsidiary of the Guarantor 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 any two Directors or the liquidator of the Issuer or the Guarantor (as the case may be) whether or not, in the case of a liquidator, the same are subject to any limitation on the liability of such liquidator and whether by reference to monetary cap or otherwise.

17. Notices

All notices to Holders will be valid if published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*) and, for so long as the TONICS 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. If publication as provided above is not practicable notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Holders in accordance with this Condition.

18. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Holders or the Couponholders to create and issue further TONICS 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 TONICS) and so that the same shall be consolidated and form a single series with the outstanding TONICS. Any such TONICS shall be constituted by a deed supplemental to the Trust Deed.

19. Agents

The Issuer and the Guarantor will procure that there shall at all times be a Calculation Agent and a Principal Paying Agent so long as any of the TONICS 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 and the Guarantor 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 TONICS shall (save in the case of manifest error) be final and binding on the Issuer, the Guarantor, the Trustee, the Paying Agents, the Holders and the Couponholders.

None of the Issuer, the Guarantor, 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.

20. Governing Law and Submission to Jurisdiction

The Trust Deed, the TONICS, the Coupons and the Talons are governed by, and shall be construed in accordance with, the laws of England except that the provisions relating to subordination and winding-up contained in Condition 2(b) and 3(b) and, in relation to the Guarantor, Condition 2(c) and the equivalent provisions of the Trust Deed are governed by, and shall be construed in accordance with, the laws of Ireland.

Each of the Issuer and the Guarantor has in the Trust Deed irrevocably and unconditionally agreed for the exclusive benefit of the Trustee, the Holders and the Couponholders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the TONICS or the Coupons and that accordingly any suit, action or proceedings arising therefrom or in connection therewith (together referred to as "Proceedings") may be brought in the courts of England.

Each of the Issuer and the Guarantor has in the Trust Deed irrevocably and unconditionally waived and agreed not to raise any objection which it may have now or subsequently to the laying of the venue of any Proceedings in the courts of England and any claim that any Proceedings have been brought in an inconvenient forum and has further irrevocably and unconditionally agreed that a judgment in any Proceedings brought in the courts of England shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction. Nothing in this Condition shall limit any right to take Proceedings against the Issuer or the Guarantor in any other court of competent jurisdiction, nor shall the

taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

The Guarantor has in the Trust Deed irrevocably and unconditionally appointed its London branch at its office at 10 Old Jewry, London EC2R 8DN as its agent for service of process in England in respect of any Proceedings.

Notwithstanding the foregoing, the institution of winding-up proceedings against the Guarantor is governed by Condition 11(e).

21. Contracts (Rights of Third Parties) Act 1999

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

22. 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 any of the TONICS, the amount of interest accrued thereon in accordance with Conditions 4(b), 5, 6(d), 6(e), 7(d) and 7(e);

“Agency Agreement” means the Principal Agency Agreement together with the First Supplemental Agency Agreement;

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

“Auditors” means Ernst & Young as statutory auditors to the Issuer or the Guarantor (as the case may be) or such other auditors to the Issuer or the Guarantor (as the case may be) as may be appointed from time to time;

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

“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 Principal Calculation Agency Agreement together with the First Supplemental Calculation Agency Agreement;

“Calculation Agent” means J&E Davy, as calculation agent in relation to the TONICS, 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 Central Bank of Ireland or such other governmental authority in Ireland (or, if the Guarantor becomes domiciled in a jurisdiction other than Ireland, in such other jurisdiction) having primary bank supervisory authority with respect to the Guarantor;

“TONICS” means the £90,000,000 7.625 per cent. Tier One Non-Innovative Capital Securities, and such expression shall include, unless the context otherwise requires, any further instruments issued pursuant to Condition 18 and forming a single series with the TONICS;

“Coupon” means an interest coupon relating to any of the TONICS 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 8(c), 8(d) and 9(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 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 for the period from (and including) 23rd July, 2002 to (but excluding) 23rd July, 2027 (starting 23rd July, 2003), 23rd July in each year and thereafter, 23rd January and 23rd July in each year;

“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);

“Dated Subordinated Debt” means the US\$20,000,000 9.1 per cent. Subordinated Notes due 2006, the US\$15,000,000 9.05 per cent. Subordinated Notes due 2009, the US\$100,000,000 8.53 per cent. Subordinated Notes due 2011, the US\$25,000,000 Floating Rate Subordinated Notes due 2011, the £20,000,000 Floating Rate Bonds due 2091 and the €150 million Subordinated Step-Up Floating Rate Notes due 2011 issued by the Guarantor, and any other obligations of the Guarantor which rank or are expressed to rank *pari passu* with the aforesaid obligations;

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

“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;

“Deferred 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 Holders, the Principal Paying Agent and the Principal Paying Agent in accordance with Condition 4(b);

“Director” has the meaning ascribed to it under the Trust Deed;

the “Dividend and Capital Restriction” means that:

- (a) neither the Issuer nor the Guarantor may declare, pay or distribute a dividend or make a payment (other than a dividend declared, paid or distributed or payment made by the Issuer to the Guarantor, any holding company of the Guarantor or to another Wholly-Owned Subsidiary of the Guarantor) on any of its ordinary share capital, its preference share capital or its Tier 1 Securities, or make any payment on a Tier 1 Guarantee;
- (b) neither the Issuer nor the Guarantor may redeem, purchase or otherwise acquire any of its ordinary shares, its preference shares or its Tier 1 Securities or purchase or otherwise acquire any security benefiting from a Tier 1 Guarantee (save where those shares or securities being redeemed, purchased or acquired are replaced contemporaneously by an issue of shares or securities of the same aggregate principal amount and the same ranking on a return of assets on a winding-up or in respect of a distribution or payment of dividends and/or any other amounts thereunder to those shares or securities being redeemed, purchased or acquired); and
- (c) the Issuer and the Guarantor will procure that no payment is made, or any redemption, purchase or acquisition is effected, by any subsidiary undertaking on any security (howsoever named or designated) benefiting from a Tier 1 Guarantee;

the “Exceptional Deferral Condition” will be satisfied if, in the determination of the Issuer, on the relevant date, the Guarantor is, or payment of the relevant Payment by the Issuer or by the Guarantor under the Guarantee will result in the Guarantor being, in non-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 has not subsequently been either (i) satisfied, or (ii) deferred in accordance with Condition 4(b);

“Exceptionally Deferred Coupon Satisfaction 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 Holders, the Principal Paying Agent and the Calculation Agent in accordance with Condition 4(a);

“First Reset Date” means 23rd July, 2027;

“First Supplemental Agency Agreement” means the first supplemental agency agreement dated 21st March, 2003 between the Issuer, the Guarantor, the Trustee and the Paying Agents relating to the TONICS, as amended, supplemented and/or restated from time to time;

“First Supplemental Calculation Agency Agreement” means the first supplemental calculation agency agreement dated 21st March, 2003 between the Issuer, the Guarantor, the Trustee and the Calculation Agent, relating to the TONICS, as amended, supplemented and/or restated from time to time;

“First Supplemental Trust Deed” means the first supplemental trust deed dated 21st March, 2003 between the Issuer, the Guarantor and the Trustee constituting the TONICS, as amended, supplemented and/or restated from time to time;

“Fixed Day Count Fraction” means the actual number of days in the period from and including the date from which interest begins to accrue for the relevant period of calculation (the “Accrual Date”) to but excluding the date on which it falls due divided by two times the actual number of days from and including the Accrual Date to but excluding the next following Coupon Payment Date;

“Guarantee” has the meaning ascribed to it in Condition 2(b)(i);

“Guarantee Coupon Payment” means any payment due from the Guarantor pursuant to the Guarantee in respect of a Payment;

“Guarantee Coupon Payment Satisfaction Date” means any Coupon Payment Date, Deferred Coupon Satisfaction Date, Exceptionally Deferred Coupon Satisfaction Date or other date on which the Guarantor has resolved to make a Guarantee Coupon Payment pursuant to Condition 7;

“Guarantee Payment Ordinary Shares” has the meaning ascribed to it in Condition 7(b)(ii);

“Guarantor” means Anglo Irish Bank Corporation plc;

“Holder” means the bearer of any of the TONICS;

“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;

“Irish Stock Exchange” means The Irish Stock Exchange Limited;

“Issue Date” means 23rd July, 2002, being the date of initial issue of the Original TONICS;

“Issuer” means Anglo Irish Asset Finance plc;

“Issuer Shares” means ordinary shares of the Issuer (and includes any stock or other units of capital into which such shares may be converted);

“Liabilities” means, in respect of the Issuer or the Guarantor (as the case may be), its unconsolidated gross liabilities, all as shown in its latest published audited balance sheet, but adjusted for contingent liabilities and for subsequent events, all in such manner as the directors 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 and the London Stock Exchange or otherwise) or on settlement procedures for transactions in the Ordinary Shares on both the Irish Stock Exchange and 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 relevant Payment Ordinary Shares or Guarantee Payment Ordinary Shares (as the case may be), or (iii) where, pursuant to these Terms and Conditions, moneys 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 Anglo Irish Bank Corporation plc group of companies;

“Ordinary Shares” means the ordinary shares of the Guarantor (and includes any shares or other units of capital into which such shares may be converted);

“Original TONICS” means the £160,000,000 7.625 per cent. Tier One Non-Innovative Capital Securities issued on the Issue Date and constituted by the Principal Trust Deed and with which the TONICS are consolidated and form a single series;

“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(a)(ii)(1) or the deferral, postponement or suspension of such payment in accordance with any of Condition 4(a), 4(b), 6(d), 6(c) or 9(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 Paying Agent to whom the relevant TONICS or Coupon is presented or surrendered;

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

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

“Principal Agency Agreement” means the agency agreement dated 23rd July, 2002 between the Issuer, the Guarantor, the Trustee and the Paying Agents relating to the Original TONICS under which each Paying Agent agreed to perform the duties required of it under the terms and conditions of the Original TONICS, as amended, supplemented and/or restated from time to time;

“Principal Calculation Agency Agreement” means the calculation agency agreement dated 23rd July, 2002 between the Issuer, the Guarantor, the Trustee and the Calculation Agent relating to the Original TONICS under which the Calculation Agent agreed to perform the duties required of it under the terms and conditions of the Original TONICS, as amended, supplemented and/or restated from time to time;

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

“Redemption Price” means, in respect of each of the TONICS, (a) the Authorised Denomination of such TONIC 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 TONICS, 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;

“Reference Banks” means five major banks in the London interbank market as selected by the Principal Paying Agent;

“Reference Bond” means the 6 per cent. Treasury Stock due 2028, or if such security is no longer in issue, such other United Kingdom government security as the Calculation Agent may, with the advice of the Reference Dealers, determine to be appropriate for determining the Redemption Price;

“Reference Dealers” means three brokers of gilts and/or gilt-edged market makers selected by the Calculation Agent in consultation with the Guarantor and approved in writing by the Trustee, or such other three persons operating in the gilt-edged market as are selected by the Calculation Agent in consultation with the Guarantor 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 Holders in accordance with Condition 17, and (ii) in respect of a Winding-Up Claim, the date which is one day prior to the commencement of the winding-up;

“Relevant Screen Page” means Moneyline Telerate Screen page 3750 or such replacement page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying rates or prices comparable to Six Month LIBOR;

“Representative Amount” means an amount that, in the opinion of the Principal Paying Agent, is representative for a single transaction in the relevant market at the relevant time;

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

“Senior Creditors” means:

- (i) in respect of the Issuer, creditors of the Issuer (a) who are unsubordinated creditors of the Issuer or (b) whose claims 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 unsubordinated creditors of the Issuer but not further or otherwise or (c) who are subordinated creditors of the Issuer, other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Holders; and
- (ii) in respect of the Guarantor, creditors of the Guarantor (a) who are depositors or other unsubordinated creditors of the Guarantor, or (b) whose claims are, or are expressed to be, subordinated (whether only in the event of the winding-up of the Guarantor or otherwise) to the claims of depositors and other unsubordinated creditors of the Guarantor (including those whose claims are in respect of Dated Subordinated Debt and/or the receipts and Coupons (if any) relating thereto) (but not further or otherwise), or (c) whose claims are or are expressed to be (whether only in the event of the winding-up of the Guarantor or otherwise) subordinated to the claims of other creditors of the Guarantor, whether subordinated or unsubordinated (including those whose claims are in respect of Undated Subordinated Debt and the coupons (if any) relating thereto) other than those whose claims rank or are expressed to rank (whether only in the event of the winding-up of the Guarantor or otherwise) *pari passu* with, or junior to, the claims of the Holders;

“Six Month LIBOR” means, in relation to a Coupon Period commencing on any Reset Date, the rate for deposits in sterling for a period of six months which appears on the Relevant Screen Page as of 11.00 a.m. London time (or such other time as may be customary for the daily reset of such rate) on the relevant Reset Date.

If such rate does not appear on the Relevant Screen Page on the Reset Date for a Coupon Period, then Six Month LIBOR for the Coupon Period will be determined on the basis of the rates at which deposits in sterling are offered by the Reference Banks at approximately 11.00 a.m., London time, on the Reset Date in question to prime banks in the London interbank market for a period of six months

commencing on the first day of such Coupon Period and in a Representative Amount. The Principal Paying Agent shall request the principal London office of each of the Reference Banks to provide a quotation of its rate. If at least two quotations are provided, Six Month LIBOR for such Coupon Period shall be the arithmetic mean of such quotations.

If fewer than two quotations are provided as requested, Six Month LIBOR for such Coupon Period shall be the arithmetic mean of the rates quoted by major banks in London selected by the Principal Paying Agent, at approximately 11.00 a.m., London time, on the first day of the relevant Coupon Period for loans in sterling to leading London banks for a period of six months commencing on the first day of such Coupon Period and in a Representative Amount, except that, if the banks so selected by the Principal Paying Agent are not quoting as mentioned above, the Floating Coupon Rate for such Coupon Period shall be either (i) the Floating Coupon Rate in effect for the last preceding Coupon Period to which one of the preceding paragraphs of this definition of Six Month LIBOR shall have applied or (ii) if none, the Fixed Coupon Rate.

“Solvent” means, in relation to the Issuer or the Guarantor at any relevant time, that it meets both of the following Conditions:

- (a) it is able to pay its debts to its Senior Creditors as they fall due; and
- (b) its Assets exceed its Liabilities to its Senior Creditors (as determined in accordance with generally accepted accounting principles in its jurisdiction of incorporation);

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

“Substituted Guarantor” has the meaning ascribed to it in Condition 14;

“Substituted Issuer” has the meaning ascribed to it in Condition 14;

“Suspension” has the meaning ascribed to it in Condition 9(d);

“Talon” means a Talon for further Coupons;

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

“Tier 1 Guarantee” means any guarantee, indemnity or other contractual support agreement entered into by the Issuer or the Guarantor in respect of securities (regardless of name or designation) issued by a subsidiary undertaking which constitute Tier 1 Capital of the Guarantor;

“Tier 1 Securities” means, in respect of the Issuer or the Guarantor (as the case may be) any securities which are Tier 1 Capital of the Guarantor;

“Trust Deed” means the Principal Trust Deed together with the First Supplemental Trust Deed;

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

“Undated Subordinated Debt” means the £50,000,000 9.875 per cent. Undated Subordinated Exchangeable Notes issued by the Guarantor and any other obligations of the Guarantor which rank or are expressed to rank *pari passu* therewith;

“Upper Tier 2 Capital” has the meaning ascribed to it in the Central Bank of Ireland Implementation Notice dated 13th June, 2000 in respect of the Implementation of the EC Own Funds and Solvency Ratio Directives for Credit Institutions Incorporated in Ireland (BSD S 1/00) or any successor notification replacing such notice;

“Upper Tier 2 Securities” means Securities of the Issuer that have substantially similar terms in the opinion of the Trustee as the TONICS (including for the avoidance of doubt the benefit of the Guarantee) save that (1) they and the guarantee of the Guarantor shall each contain terms no less favourable to an investor than the then current minimum requirements of the Central Bank of Ireland in relation to Upper Tier 2 Capital, and (2) the Coupon Rate of such securities shall be determined in such

manner as shall result in it being 0.25 per cent. per annum below the Coupon Rate from time to time (and whether before or after the First Reset Date) applying to the TONICS;

“Wholly-Owned Subsidiary” means, in respect of any entity, a directly or indirectly wholly-owned Subsidiary of that entity;

“Winding-Up Claim” means, as the context may require, either a Winding-Up Claim of the Issuer or a Winding-Up Claim of the Guarantor and “Winding-Up Claims” shall be construed accordingly;

“Winding-Up Claim of the Guarantor” has the meaning ascribed to it in Condition 2(b)(iii)(2); and

“Winding-Up Claim of the Issuer” has the meaning ascribed to it in Condition 2(a)(ii)(2).

SUMMARY OF PROVISIONS RELATING TO THE TONICS WHILE IN GLOBAL FORM

Exchange

The TONICS will be represented initially by a temporary TONICS Global (the “Temporary TONICS Global”) 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 21st March, 2003. The Temporary TONICS Global will be exchangeable in whole or in part (free of charge to the holder) for interests in a permanent TONICS Global (the “Permanent TONICS Global”) in bearer form without Coupons or Talons on or after a date which is expected to be 1st May, 2003 (the “Exchange Date”) upon certification as to non-US beneficial ownership as required by US Treasury regulations and as described in the Temporary TONICS Global. Upon deposit of the Temporary TONICS Global or the Permanent TONICS Global (each a “Global TONICS”) with a common depository for Clearstream, Luxembourg and Euroclear, Clearstream, Luxembourg and Euroclear will credit each subscriber with a principal amount of TONICS 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 any of the TONICS represented by a Global TONICS 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 TONICS, subject to and in accordance with the respective rules and procedures of Clearstream, Luxembourg or Euroclear (as the case may be).

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

For so long as any of the TONICS is represented by a Global TONICS, the bearer of the Global TONICS may, except as ordered by a Court of competent jurisdiction or as required by law, be treated by the Issuer, the Guarantor, 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 “Holder” and related expressions shall be construed accordingly. Interests in TONICS which are represented by a Global TONICS 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 TONICS occurs prior to the Exchange Date, the relevant payment will be made on the Temporary TONICS Global only to the extent that certification as to non-US beneficial ownership as required by US Treasury regulations (in substantially the form referred to in the Temporary TONICS Global 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 TONICS Global will be made through Clearstream, Luxembourg or Euroclear without any requirement for certification.

The Holder of the Temporary TONICS Global shall not (unless, upon due presentation of such Temporary TONICS Global for exchange (in whole or in part) for interests in the Permanent TONICS Global, 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 TONICS represented by such Temporary TONICS Global which falls due on or after the Exchange Date.

Interests in the Permanent TONICS Global will be exchangeable in whole but not in part (free of charge to the holder) for definitive bearer TONICS (a) if the Permanent TONICS Global is held on behalf of Clearstream, Luxembourg or Euroclear or an 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 or (b) at any time at the option of the Issuer, by the Issuer giving notice to the Principal Paying Agent and the Holders of its intention to exchange interests in the Permanent TONICS Global for definitive TONICS 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 TONICS Global shall surrender the Permanent TONICS Global to or to the order of the Principal Paying Agent. In

exchange for the Permanent TONICS Global, the Issuer shall deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated definitive TONICS having attached to them all Coupons in respect of interest which has not already been paid on the Permanent TONICS Global 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 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 TONICS Global shall be paid to its holder against presentation and (if no further payment falls to be made on it) surrender of it to or to the order of any Paying Agent which shall endorse such payment or cause payment to be endorsed in the appropriate schedule to the Permanent TONICS Global. No person shall however be entitled to receive any payment on the Permanent TONICS Global falling due after the Permanent Global Exchange Date, unless exchange of the Permanent TONICS Global for definitive TONICS is improperly withheld or refused by or on behalf of the Issuer.

Notices

So long as the Permanent TONICS Global is held on behalf of Euroclear or Clearstream, Luxembourg or any Alternative Clearing System, notices required to be given to 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 TONICS except that, so long as the TONICS 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*). 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 Holders on the day on which such notice is so delivered.

Meetings

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

Purchase and cancellation

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

Trustee's powers

In considering the interests of holders in circumstances where the Permanent TONICS Global 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 TONICS Global and may consider such interests on the basis that such accountholders were the holder of the Permanent TONICS Global.

USE OF PROCEEDS

The net proceeds from the issue of the TONICS, which are expected to amount to approximately £99,371,630.14, will be used for the development and expansion of the business of the Issuer in the United Kingdom and of the Group and so strengthen the capital base of the Group.

ANGLO IRISH ASSET FINANCE PLC

Business

Anglo Irish Asset Finance plc (the “Issuer”) is a wholly owned subsidiary of CDB (UK) Limited, which in turn is a wholly owned subsidiary of Anglo Irish Bank Corporation plc (the “Bank”), a public limited company incorporated in Ireland. CDB (UK) Limited is the UK holding company within the Anglo Irish Bank Corporation group.

The Issuer was registered as a private limited company in England and Wales, company number 3091082, on 14th August, 1995 and was re-registered as a public limited company under the Companies Act 1985 on 18th October, 1995. The registered office of the company is located at 10 Old Jewry, London EC2R 8DN.

The Issuer’s principal activity is the provision of lease finance and hire purchase facilities to medium sized businesses in England and Wales. It is also intended that the Issuer will be responsible for the development finance activities of the Group in the United Kingdom going forward. The activities of the Issuer are anticipated to continue on a going concern basis for the foreseeable future.

Capitalisation and Indebtedness of the Issuer

The table below sets out the capitalisation and indebtedness of the Issuer extracted from the audited financial statements of the Issuer as at 30th September, 2002. The table also sets out the capitalisation and indebtedness of the Issuer adjusted to reflect the changes referred to in Note 2 below as if such changes had occurred as at 30th September, 2002.

	As at 30th September, 2002	As at 30th September, 2002
	£’000	£’000 <i>(as adjusted)²</i>
Capital Stock		
Authorised:		
Ordinary Shares of £1 each	50,000	50,000
Allotted, issued and fully paid up Ordinary Shares of £1 each	30,000	30,000
Long term indebtedness ¹	80,486	–

Notes:

- 1 Consisting of amounts due to the Bank with greater than one year to maturity.
- 2 After adjustment to take into account the £90,000,000 7.625 per cent. Tier One Non-Innovative Capital Securities being issued.
- 3 Except as set out above, there has been no material change in the capitalisation and indebtedness of the Issuer since 30th September, 2002.

Board of Directors

The business address of the Board of Directors is Anglo Irish Asset Finance plc, 10 Old Jewry, London EC2R 8DN. The Secretary of the Issuer is Fredrick Gordon Parker.

The table below sets out the Board of Directors of the Issuer and their principal outside activities:

<i>Name</i>	<i>Function within the Issuer</i>	<i>Principal outside activities</i>
John A Rowan	Director	Director of Anglo Irish Bank Corporation
F. Gordon Parker	Director	Officer of Anglo Irish Bank Corporation
David Murray	Director	Officer of Anglo Irish Bank Corporation
Ian M. Short	Director	Officer of Anglo Irish Bank Corporation

Summary Financial Information

The information set out below has been extracted without material adjustment from the Issuer's Annual Report and Accounts for the year ended 30th September, 2002.

Profit and loss account	For the year ended 30th September,	
	2002 <i>(£000)</i>	2001 <i>(£000)</i> <i>(Restated)</i>
Turnover	38,269	17,110
Cost of sales	(907)	(530)
Gross profit	37,362	16,580
Administrative expenses	(5,243)	(7,525)
Other operating income	8,365	4,039
	3,122	(3,486)
Operating profit	40,485	13,094
Interest payable	(32,475)	(11,444)
Interest receivable	171	466
Profit on ordinary activities before taxation	8,181	2,116
Tax on profit from ordinary activities.	2,497	292
Retained profit/(loss) for the year.	5,684	1,823
Balance Sheet		
	As at 30th September,	
	2002 <i>(£'000)</i>	2001 <i>(£'000)</i> <i>(Restated)</i>
Fixed assets		
Tangible assets	130	205
Current assets		
Instalment credit debtors – (including £56,713,283 (2001: £48,693,074) due after more than one year)	98,145	84,673
Advances to customers – (including £174,281,461 (2001: £128,105,000) due after more than one year)	500,769	329,669
Other assets	15,249	16,777
	614,163	431,119
Creditors: amounts falling due within one year	138,551	83,263
Net current assets	475,612	347,856
Total assets less current liabilities	475,742	348,061
Creditors: amounts falling due after more than one year	435,972	313,975
	39,770	34,086
Capital and reserves		
Share capital	30,000	30,000
Reserves	9,770	4,086
	39,770	34,086

ANGLO IRISH BANK CORPORATION PLC

Introduction

The Bank is an Irish licensed bank incorporated and having its headquarters in Ireland. It was incorporated on 17th November, 1964. It operates and is regulated as such under the supervision of the Central Bank of Ireland (“CBOI”), further details of which are set out under “Regulatory Framework for Irish Banks” below. The business of the Bank is directed and managed by a board of directors, details of which are set out below. Details of the Bank’s business operations and subsidiaries are also set out below.

Regulatory Framework for Irish Banks

The principal legislation governing the regulation and control of the Irish banking system is the Central Bank Act 1971 as amended by the Central Bank Acts 1989, 1997 and 1998. The Central Bank Acts 1989 and 1997 further strengthened the CBOI’s powers in relation to the supervision of banks and other related activities and the Central Bank Act 1998 introduced provisions to allow the Central Bank membership of the European Systems of Central Banks.

The CBOI is the licensing and controlling authority for all Irish banks. The Central Bank Act of 1971 gave the CBOI similar powers to those of other banking-supervisory authorities in Europe.

The relevant legislation contains extensive provisions relating to, *inter alia*, the granting and revocation of licences with the consent of the Minister of Finance, the obtaining of information from credit institutions, the undertaking of on-site inspections, and supervision generally of the activities of credit institutions. As many of the provisions are of a discretionary nature, the Bank has set down requirements and standards which it uses to guide it in the assessment of applications for licences and in the supervision of the business carried on by credit institutions. These requirements were last revised and updated in April 1998.

Ownership

The CBOI has adopted strict criteria in relation to the ownership of licensed banks. In general, the CBOI stipulates that the ownership of banks be vested in one or more banks or other financial institutions of standing or, alternatively, that there be a wide spread of ownership. The Central Bank Act of 1989 gives the CBOI extensive legal powers to limit the acquisition of shares in a bank in excess of 10 per cent. of share capital.

Capital Adequacy

The CBOI adopted the capital adequacy measures included in the EU Own Funds and Solvency Ratio Directives in 1991. Specifically, the CBOI stipulates a capital adequacy ratio based on the relationship of capital to weighted risk assets of between 8 per cent. and 12 per cent. for each licensed bank.

Risk Assets

A licensed bank must maintain a diversified portfolio of risk assets, and there are limits on the maximum exposure permissible in any one economic sector or to any one borrower, or to what is considered by the CBOI to be an associated group of borrowers.

Liquidity

A holder of a licence must observe such minimum prudential liquidity ratios as are determined by the CBOI from time to time (the currently applied ratio being 25 per cent.). In particular, it must establish appropriate policies with regard to the management of its liquidity and ensure that adequate internal systems are created to monitor and control maturity mismatches between a bank’s assets and liabilities, to the satisfaction of the CBOI.

Inspections

The Central Bank Act 1971 gives explicit power to the CBOI to conduct on-site inspections of banks. Such on-site inspections of all banks have been routinely and frequently conducted by the CBOI since 1971.

Other Controls

The CBOI requires that banks have in place sufficient management and internal controls:

- (i) to provide for ongoing control and monitoring of foreign exchange operations;
- (ii) to assess and control all off-balance sheet activities; and
- (iii) to determine and assess on an ongoing basis the degree of interest rate risk to which a bank is exposed.

Connected Assets

The CBOI guidelines set out limits on the extent to which risk assets can be employed in non-financial businesses in which a licence holder has a major interest. Beneficial ownership of 10 per cent. or more of the equity of a business, together with membership of the Board, is considered by the CBOI to be a major interest. The guidelines also specify limits on the extent to which risk assets can be employed with any one of the bank's directors or significant shareholders, including, in either case, funds employed with businesses in which the director or significant shareholder has a major interest (as already defined).

Deposit Protection Scheme

The European Communities (Deposit Guarantee Schemes) Regulations, 1995 (as amended by the Central Bank Act, 1997 and the European Communities (Deposit Guarantee Schemes) Regulations, 1999) set out the terms and conditions governing deposit protection in Ireland. The Irish deposit protection scheme is funded by credit institutions authorised by the CBOI. The funding for the scheme is based on a contribution by licence holders to a deposit protection account maintained by the CBOI at the rate of 0.2 per cent. of the total deposits (excluding interbank deposits and negotiable certificates of deposit) of any currency held by the licence holder at its branches in the EU.

The scheme guarantees payments in respect of 90 per cent. of the aggregate deposits from a depositor (subject to a maximum payment of €20,000 (IR£15,751)) in the event of a bank failure. A further additional feature of the scheme is that the CBOI may, at its discretion and to such extent as it may deem proper, charge on the deposit protection account any payment which, in the opinion of the CBOI, was applied to promote the orderly and proper regulation of banking. In other words, the CBOI has the power to use the funds of the deposit protection account to rescue a bank if it considers it to be desirable to do so.

History of Anglo Irish Bank Corporation plc

Anglo Irish Bank Corporation plc is one of the five publicly quoted Irish banking groups. It is engaged in the business of banking, treasury, private banking and funds management. The Bank currently has operations in Ireland, the UK, the Isle of Man, Austria and Switzerland. It also has recently established representative offices in Boston in the USA and Düsseldorf in Germany and has most recently established an additional representative office in New York in the USA.

The history of the Bank goes back to its foundation in 1964 under the name City of Dublin Bank Limited ("CDB"). In 1971 it became a publicly listed company with a quotation on the London and Dublin Stock Exchanges. Following the enactment of the Central Bank Act 1971, CDB was granted a banking licence by the CBOI in 1972. In 1978 CDB acquired Anglo Irish Bank Ltd. which it maintained as a separate subsidiary. In 1984 CDB entered the UK market through the acquisition of Industrial Funding Trust. In 1986 CDB and Anglo Irish Bank Ltd. were merged into one entity, the Bank.

The Bank has grown its business both organically and by way of selective acquisition of businesses and/or loan portfolios complimentary to its own activities. Each of these acquisitions were subject to a

thorough due diligence review and in the cases of loan portfolios acquired, all loans were subject to review in accordance with the Bank's credit criteria.

In Ireland such acquisitions have included Irish Bank of Commerce Limited (1988), a loan portfolio from Hill Samuel (Ireland) (1994), Ansbacher Bankers Limited (1995) and Smurfit Paribas Bank Limited (1999).

In the UK the Bank has acquired loan portfolios from Chemical Bank (1993), CIBC (1994), Allied Dunbar Assurance plc (1995) and Hypovereinsbank (1999), and UK corporate foreign exchange contracts and a customer list from Hambros Bank (1998).

The Bank established its banking subsidiary in the Isle of Man in 1988. It added to this with the acquisition of Mees Pierson's trust and investment business in the Isle of Man in 1998.

The Bank's involvement in Austria commenced with the purchase of a private banking operation Royal Trust Bank (Austria) A.G., a subsidiary of the Royal Bank of Canada in January 1995. In September 1998 the Bank completed the acquisition of Credit Lyonnais (Austria) A.G., a company primarily engaged in the provision of funds management and private banking services. The two businesses in Austria were merged and now operate under the Anglo Irish name.

Recent Developments

In January 2002 the Bank raised €64 million in equity through a placing of shares with institutional investors.

Overview of Business

The Bank had total assets of €19,417.8 million and €2,020.8 million of capital resources as at 30th September, 2002. It operates out of 6 branches in Ireland, 5 branches in Great Britain and operates subsidiaries on the Isle of Man and in Austria. The Bank also has representative offices in Boston and New York in the USA and in Düsseldorf in Germany. As at 30th September, 2001, the Bank employed 1,038 people, of whom 542 were located in the Republic of Ireland.

The Bank's three principal activities are:

(a) **Banking**

The Bank focuses on providing credit-related products including loans, guarantees, foreign currency loans, fixed rate loans, asset finance products and secured personal loans. The Bank targets medium/ small size corporates, professionals and high net worth individuals in Ireland and the UK. Security is required for almost all lending. The Bank does not lend for working capital purposes to the manufacturing sector, nor does it grant credit for primary agriculture or unsecured personal lending.

(b) **Treasury**

The Bank offers a full range of treasury services, including deposits, commercial paper, foreign exchange, futures and swaps to its client base. The treasury division is responsible for the funding, liquidity and asset/liability management of the Bank and achieving maximum returns on free funds in a capital-efficient manner. Trade Finance and an investment portfolio are two more recent, but growing, activities in the treasury division.

(c) **Private Banking and Funds Management**

The Bank first became involved in private banking following the purchase in 1995 of Royal Trust Bank (Austria) A.G. The acquisition of Ansbacher Bankers Ltd. added to this activity and brought discretionary and non-discretionary fund management into the Bank for the first time. The more recent acquisitions of Credit Lyonnais (Austria) A.G., Smurfit Paribas Bank Limited and Bank Marcuard Cook have extended the Bank's private banking and funds management activities and provide the platform for further expansion in these areas.

Capital Adequacy

The CBOI specifies the minimum capital requirements for banks in accordance with the terms of European Union directives and the Bank for International Settlements to ensure that the assets of a bank are backed by appropriate levels of capital. The CBOI has specified a minimum capital adequacy being the ratio of total capital to risk weighted assets. Total capital is defined as the sum of (i) Tier 1 capital plus Tier 2 capital less certain deductions in respect of items such as goodwill and shortfalls in the market value of investments and (ii) with the prior approval of CBOI, Tier 3 capital. Tier 1 capital comprises mainly share capital and reserves, Tier 2 capital comprises mainly debt instruments of a capital nature, including subordinated debt having a maturity of at least five years. Tier 3 capital is intended to cover risks associated with the relevant bank's trading book and foreign exchange and commodity risks only and is comprised of subordinated debt having a maturity of at least two years and certain net trading book profits. The risk assets are given weightings according to perceived risk; for example, residential mortgages are weighted at 50 per cent. whereas most loans and advances are weighted at 100 per cent.

The Bank's capital adequacy position over the past two years has been as follows¹:

	Total Capital Ratio	Tier 1 Ratio
	%	%
As at 30th September, 2001	12.2	6.8
As at 30th September, 2002	12.7	8.2

¹ Source: Derived from the Bank's unaudited Management Accounts and records.

Liquidity

The CBOI has the power to impose liquidity ratios on licensed banks and monitor that these ratios are consistently maintained in each case as it deems fit, for the purposes of ensuring adequate supervision of the liquidity of such banks. The Bank's liquidity ratio has been significantly above the CBOI's requirements. The Bank's liquidity for the past two years has been 31.3 per cent. as at 30th September, 2001 and 31.7 per cent. as at 30th September, 2002.

Funding

The Bank's funding is derived from a strong and well diversified deposit base. Reflecting this diversity the Bank has established deposit bases in Ireland, the UK, the Isle of Man and Austria. Deposits are sourced from the private, commercial and institutional and retail sectors.

In addition the Bank is a significant player in the international interbank markets where it is an active deposit taker. In addition the Bank has in recent years become more active in diversifying funding to a capital markets investor base through the establishment of an MTN programme and ECP programme and the completion of two securitisation transactions, the most recent of which was £400m in June 2002.

The above funding mix is supplemented with a series of committed banking facilities. As at 30th September, 2002 the Bank had €1,340 million of undrawn committed facilities with maturities of between one and three years. If these undrawn facilities were included in the calculation of liquidity as at 30th September, 2002 the liquidity ratio at that date would have been 36 per cent.

Asset Quality

In line with CBOI requirements the Bank maintains a diversified asset portfolio with individual sectors each accounting for less than 20 per cent. by value of the whole portfolio. Furthermore, it is the Bank's lending policy that no loan is advanced which exceeds 1 per cent. by value of the total loan portfolio. The Bank's lending policy includes a maximum loan to collateral value ratio of 75 per cent. by value.

A sectoral analysis of the loan portfolio of the Bank as at 30th September, 2002 is set out below²:

	Loan Portfolio
	%
Professional	19
Investment property	28 ⁽³⁾
Food	5
Leisure/Entertainment	9
Wholesale/Distribution	9
Retail	12
Building/Construction	5
Financial	7
Bridging	7
Total	100

² Source: Derived from the Bank's unaudited Management Accounts and records.

³ Investment property includes €940 million of securitised loans.

The Bank classifies loans using the following categories:

- (i) "performing";
- (ii) "watch list"; and
- (iii) "bad debt".

All loans will be classified as performing unless they are classified either in the watch list or bad debt categories.

Watch list status will apply where a borrower fails to make a scheduled payment or breaches a financial covenant and the Bank is of the opinion that this is indicative of a problem being experienced by the borrower which requires monitoring and hands-on management by the Bank to ensure that loan servicing and repayment are completed on schedule.

If on the other hand the Bank considers that the failure by a borrower to make a schedule payment is indicative of a fundamental problem with the borrower's ability to service and/or repay a loan, the borrower will be classified as bad debt. A prudent interest and/or capital provision will be put in a place and appropriate legal action will then be taken with a view to minimising any potential loss. It is the Bank's policy that non-performing loans are put on non-accrual status.

The Bank also makes a general loss provision of 1.0 per cent. against all business written.

The Bank's non-performing loans as a percentage of the Bank's total loan portfolio as at 30th September, 2001 was 0.7 per cent. and as at 30th September, 2002 was 0.7 per cent.

The total accumulated provisions as a percentage of the Bank's total loan portfolio as at 30th September, 2001 was 1.9 per cent. and as at 30th September, 2002 was 1.8 per cent.

Subsidiaries

As at the date hereof, the Bank's principal wholly-owned subsidiaries include:

<i>Principal Subsidiary Undertaking</i>	<i> Holding</i>	<i> Principal Activity</i>	<i> Country of Incorporation</i>
Anglo Aggmore Limited Partnership	75%	Property Trading	United Kingdom
Anglo Irish Asset Finance plc	100%	Asset Finance	United Kingdom
Anglo Irish Asset Management Limited	100%	Fund Management	Republic of Ireland
Anglo Irish Bank (Austria) A.G.	100%	Banking	Austria
Anglo Irish Bank Corporation (I.O.M.) P.L.C.	100%	Banking	Isle of Man
Anglo Irish Bank (Suisse) S.A.	100%	Banking	Switzerland
Anglo Irish Capital Funding Limited	100%	Finance	Cayman Islands
Anglo Irish Limited	100%	Finance	Isle of Man
Anglo Irish International Financial Services Limited	100%	Finance	Republic of Ireland
Anglo Irish Trust (IOM) Limited	100%	Trust Services	Isle of Man
Buyway Group Limited	100%	Investment Holding	Republic of Ireland
IBOC Limited	100%	Finance	Republic of Ireland
Irish Buyway Limited	100%	Finance	Republic of Ireland
Knightsdale Limited	100%	Finance	Republic of Ireland
Steenwal B.V.	100%	Investment Holding	The Netherlands

Note:

The group holds 75 per cent. of the capital contributed to the Anglo Aggmore Limited Partnership. It is entitled to 50 per cent. of the profits of the partnership.

Shareholders

The Bank's shares are publicly quoted on the Irish and London Stock Exchanges. The Bank has over 14,000 shareholders with approximately 70 per cent. of shares being held by financial institutions. The following interests in the ordinary share capital of the Bank had been notified to the Bank as at 20th March, 2003:

	Number of Shares (<i>millions</i>)	% of Issued Ordinary Share Capital
Bank of Ireland Nominees Limited ³	15.52	4.7%
Zurich Financial Services Group ⁽³⁾	17.20	5.2%

³ These shareholders have informed the Bank that their holdings are not beneficially owned but are held on behalf of a range of clients, none of whom, so far as the directors are aware, hold more than 3 per cent. of the issued ordinary share capital.

Directors

The following table sets out the current members of the Bank's Board of Directors at the date of this document and their principal outside activities:

<i>Name</i>	<i>Function within the Bank</i>	<i>Principal Outside Activity</i>
Peter Murray	Chairman (Non-Executive)	Full-time business and financial consultant
Sean FitzPatrick	Chief Executive	Non-Executive of the Dublin Docklands Development Authority
Michael Jacob	Director (Non-Executive)	Chairman of the Lett Group of Companies, Deputy Chairman of SIAC Construction Limited, Vice President of the Royal Dublin Society
Peter Killen	Head of Group Risk Asset Management	
William McAteer	Finance Director	
Tiarnan O'Mahoney	Head of Treasury	
John Rowan	Managing Director of the Bank's operations in the United Kingdom	
Patrick Wright	Director (Non-Executive)	Chairman of the RTE Authority, Chairman of Aon McDonagh Boland Group, Director of Jefferson Smurfit Group plc, a Trustee of the Irish Business and Employer Confederation
Dr. Anton Stanzel	Director (Non-Executive)	Full-time business and financial consultant
Ned Sullivan	Director (Non-Executive)	Chairman of the Presidents Award – Gaisce, Director of Greencore Plc
Fintan Drury	Director (Non-Executive)	Chairman of sports management company, DSMI
Patricia Jamel	Director (Non-Executive)	Full time business and financial consultant

The business address of each of the Directors is Stephen Court, 18/21 St. Stephen's Green, Dublin 2.

SUMMARY FINANCIAL INFORMATION

The information set out on pages 51 to 53 has been extracted without material adjustment from the Bank's Annual Report and Accounts for the year ended 30th September, 2002.

Change in accounting policy in 2002

The audited financial information relating to the year ended 30th September, 2002 reflects the implementation of Financial Reporting Standard 19 – Deferred Tax (“FRS 19”) which replaced Statement of Standard Accounting Practice 15 – Accounting for Deferred Tax. Under FRS 19, full provision for deferred tax must now be made for the tax liability which would arise from the claw-back of capital allowances claimed in the event of the disposal of certain tax-based assets within their claw-back period. This provision must be made even though the Group has no intention of making any such disposal. If no disposals occur prior to the expiration of the relevant tax claw-back period, the relevant tax provision will then be reversed.

Under SSAP 15, the Group did not provide for deferred tax in such circumstances but did disclose the potential liability by way of note.

The audited financial statements for the year ended 30th September, 2001 were restated to reflect this change in accounting policy. The effect is to reduce the taxation charge in the profit and loss account by €6.1 million in the year to 30th September, 2002 and by €1.3 million in the year to 30th September, 2001. The cumulative effect on the balance sheet is to increase the deferred tax liability by €21.6 million and €18.3 million at 30th September, 2002 and 30th September, 2001 respectively and to reduce the retained profits at these dates by the same amount.

Consolidated Balance Sheet

	As at 30th September, 2002	As at 30th September, 2001	2000
	<i>(audited)</i> (€ million)	<i>(audited)</i> (€ million) <i>(Restated)</i>	<i>(audited)</i> (€ million)
Assets			
Loans and Advances to Banks	3,887.8	3,386.7	2,213.2
Loans and Advances to Customers	13,356.5	10,952.0	7,793.5
Securitized Assets	940.4	569.6	510.5
Less: Non-Returnable Proceeds	(903.4)	(546.3)	(472.8)
	37.0	23.3	37.7
Debt Securities	1,456.4	943.5	737.5
Equity Investment Shares	2.4	1.3	0.5
Own Shares	6.1	5.3	4.0
Intangible Fixed Assets – Goodwill	61.5	64.1	3.0
Tangible Fixed Assets	28.0	29.1	22.7
Other Assets	123.9	54.7	36.8
Prepayments and Accrued Income	379.0	260.4	198.4
Life Assurance Assets Attributable to Policyholders	79.2	55.6	–
Total Assets	19,417.8	15,776.0	11,047.3
Liabilities			
Deposits by Banks	3,097.4	3,763.8	2,452.4
Customer Accounts	11,836.1	8,862.3	6,471.5
Debt Securities in Issue	1,919.2	1,217.4	928.4
Proposed Dividends	26.9	20.8	15.8
Other Liabilities	55.4	56.3	35.5
Accruals and Deferred Income	377.9	220.1	181.7
Provisions for Liabilities and Charges	4.9	4.8	12.5
	17,317.8	14,145.5	10,097.8
Capital Resources			
Subordinated Liabilities	467.3	476.6	328.7
Perpetual Capital Securities	564.7	318.3	–
Non-Equity Minority Interest in Subsidiary - Preference Shares . .	297.2	288.1	293.6
	1,311.2	1,083.0	622.3
Called Up Share Capital	104.1	97.9	91.1
Share Premium Account	148.9	89.5	49.1
Other Reserves	0.9	0.9	0.9
Profit and Loss Account	455.7	303.6	186.1
Total Shareholders' Funds (All Equity Interests)	709.6	491.9	327.2
Total Capital Resources	2,020.8	1,574.9	949.5
Life Assurance Assets Attributable to Policyholders	79.2	55.6	–
Total Liabilities	19,417.8	15,776.0	11,047.37
Contingent Liabilities			
Guarantees	655.5	690.4	491.6
Commitments			
Commitments to Lend	2,530.8	2,088.3	1,366.88

Consolidated Capitalisation and Indebtedness

The following table is a summary of the Group's consolidated shareholders' funds and indebtedness at 30th September, 2002 extracted from Group's audited consolidated accounts.

(€ million)

Shareholders' Funds	
Share Capital ¹	104.1
Share Premium	148.9
Other Reserves	0.9
Profit and Loss Account	455.7
Total Shareholders' Funds (All Equity Interests)	<u>709.6</u>
Indebtedness (unsecured)²	
Deposits and Loans from Banks	3,097.4
Customer Accounts	11,836.1
Debt Securities in Issue.	1,919.2
Other Liabilities	465.1
Subordinated Liabilities	467.3
Non-Equity Minority Interest in Subsidiary – Preference Shares	279.2
Perpetual Capital Securities	564.7
Total Indebtedness	<u>18,629.0</u>
Total Capitalisation	<u><u>19,338.6</u></u>

Notes:

- 1 The authorised share capital of the Bank at 30th September, 2002 was 380,000,000 ordinary shares of €0.32 each of which 325,270,454 were allotted, called up and fully paid at that date.
- 2 For the purposes of this table "Indebtedness" is defined as including Non-Equity Minority Interest in Subsidiary – Preference Shares. None of the Indebtedness is guaranteed by any third parties, save as might arise in respect of CBOI deposit protection schemes which would guarantee deposits up to an amount equal to the lower of 90 per cent. of the deposit or €20,000.
- 3 At 30th September, 2002, the Group had guarantees and commitments to lend of €655.5 million and €2,530.8 million respectively and the Group had no other material contingent liabilities.
- 4 Save for the issue of the TONICS, at the date of this Offering Circular there has been no material change in the capitalisation and indebtedness of the Group since 30th September, 2002 nor in the guarantees it has issued, commitments to lend it has made or any other contingent liabilities since that date.

TAXATION

The following is a summary of the current United Kingdom and Irish taxation treatment of the TONICS. It is not exhaustive. It relates only to the position of persons who are the absolute beneficial owners of the TONICS and Coupons and may not apply to certain classes of Holders, such as dealers in securities. Holders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom or Ireland should consult their professional advisers.

1. The United Kingdom

Withholding tax

The TONICS will constitute “quoted Eurobonds” within the meaning of section 349 of the Income and Corporation Taxes Act 1988 (“ICTA”) provided they are and continue to be listed on a “recognised stock exchange” within the meaning of section 841 of ICTA (the Luxembourg Stock Exchange is so recognised). Accordingly, provided that the TONICS remain listed on the Luxembourg Stock Exchange or another “recognised stock exchange”, payments of interest on the TONICS may be made by the Issuer and/or any paying agent, and payment may be obtained by any collecting agent, without withholding or deduction for or on account of United Kingdom income tax.

Direct Assessment of Income Tax

The interest on the TONICS will have a United Kingdom source and, accordingly, subject as set out below, may be chargeable to United Kingdom income tax by direct assessment although paid without withholding or deduction. The profit realised on any disposal (which includes redemption) of any TONICS issued at an issue price of less than the amount payable on redemption is similarly assessable. However, neither such profit nor interest is chargeable to United Kingdom tax in the hands of a Holder who is not resident for tax purposes in the United Kingdom unless that Holder carries on a trade, profession or vocation in the United Kingdom through a branch or agency in the United Kingdom in connection with which the interest or profit is received or to which the TONICS are attributable. There are certain exceptions for income received by specified categories of agent (such as some brokers and investment managers).

The provisions relating to additional payments referred to in Condition 12 of “Terms and Conditions of the TONICS” would not apply if the Inland Revenue sought to assess the person entitled to the relevant interest or (where applicable) profit on any TONICS directly to United Kingdom income tax. However, exemption from such United Kingdom income tax liability might be available under an applicable double taxation treaty.

Holders within the Charge to United Kingdom Corporation Tax

The TONICS may be “qualifying assets” for the purposes of the United Kingdom’s provisions relating to the taxation of foreign exchange gains and losses (the “FOREX provisions”). A corporate Holder which is within the charge to United Kingdom corporation tax and is subject to the FOREX provisions may, depending on the movement of sterling, the currency in which the TONICS are denominated, against the “local currency” of the Holder, realise all income gain or loss taxable on all accruals basis for United Kingdom tax purposes for each accounting period during which the TONICS are held, notwithstanding that there has been no disposal of the TONICS.

For corporate Holders within the charge to United Kingdom corporation tax, TONICS will normally constitute “qualifying corporate bonds” within section 117 of the Taxation of Chargeable Gains Act 1992. Such corporate 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 all authorised accruals or mark to market basis of accounting method, are taxed or relieved as income.

Holders not within the Charge to United Kingdom Corporation Tax

On a disposal or redemption of the TONICS where interest has been deferred, a 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. Holders who are within the

charge to United Kingdom income tax on the interest payable on the TONICS will generally be liable to tax on this interest when it is paid to them in cash (including payments made under the alternative coupon satisfaction mechanism, as to which see “Payment of Interest in Shares” below).

A transfer of TONICS by a 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 TONICS are attributable may give rise to a charge to United Kingdom income tax in respect of an amount representing interest on the TONICS which has accrued since the preceding Coupon Payment Date under the provisions of the “accrued income scheme” (the “Scheme”). The TONICS will be variable rate securities within the meaning of section 717 of ICTA. Accordingly, on a transfer of TONICS, 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.

Payment of Interest in Shares

In certain cases the Issuer’s obligation to make an interest payment on the TONICS may be discharged by the issue by the Issuer to the Trustee of ordinary shares (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). The ordinary shares of the Issuer, which are denominated in sterling, will be issued to the Trustee, acting on behalf of the Couponholders. They will then be mandatorily exchanged for ordinary shares in the Bank (which are denominated in euro) that have a market value equal to the payments(s) in question, which will then be sold by the Trustee in the market. The Trustee will then make a cash payment to Couponholders which will be equal to the interest payment(s) in question.

It is intended that the ordinary shares issued by the Issuer will have a market value equal to the outstanding interest payment(s). Provided that this is the case, a Couponholder should not realise a chargeable gain as a result of the mandatory exchange of those shares for ordinary shares in the Bank.

Where a coupon payment is satisfied as described in Condition 6, the issue of the ordinary shares by the Issuer will be treated as representing payment of the interest in question. As the Bank’s ordinary shares are denominated in euro, and assuming that they continue to be denominated in euro, it is possible that the proceeds generated from the sale of such ordinary shares will be euro, in which case the proceeds would, assuming that the TONICS are at the relevant time denominated in sterling, be immediately converted into sterling. Investors who are within the charge to United Kingdom tax on chargeable gains may in such circumstances realise a chargeable gain on the disposal of the Bank’s ordinary shares depending upon any currency movements of the euro against sterling.

Where the proceeds are to be received in euro, in order to hedge against any euro/sterling exchange movements between the time at which the Bank determines the number of ordinary shares it needs to issue and the time at which such ordinary shares are issued, the Trustee or its agent will enter into a forward sale of euros (the “forward sale contract”). For individual investors and corporate investors that are not within the charge to the foreign exchange legislation (and are not exempt from tax on capital gains), the disposal by the Trustee or its agent of euros under the forward sale contract will represent a disposal of a chargeable asset (namely the euros). The base cost of the euros should be the sterling equivalent of the proceeds of such disposal at the date the Bank’s ordinary shares are sold. Accordingly such disposal may give rise to a gain or loss for the purposes of UK taxation of chargeable gains for such investors. Such gain or loss should be equivalent to the gain or loss which arises on the disposal of the Bank’s ordinary shares by the Trustee or its agent. Should the Issuer elect to satisfy a coupon payment under the alternative coupon satisfaction mechanism, the Trustee or its agent will notify investors of the relevant base costs and disposal proceeds so that investors may calculate any relevant capital gains tax liabilities.

For Couponholders not within the charge to United Kingdom corporation tax in respect of the TONICS, the issue of ordinary shares by the Issuer is likely to be treated as payment of the interest in question.

Stamp Duty/Stamp Duty Reserve Tax (“SDRT”)

No liability to United Kingdom stamp duty or SDRT will arise on an agreement to transfer the TONICS for so long as the TONICS are held by a common depository for Euroclear of Clearstream, Luxembourg or a transfer of the TONICS.

2. Ireland

This section constitutes a brief summary of relevant current Irish tax law and practice with regard to holders of the TONICS. The comments are not exhaustive and relate only to the position of persons who are the absolute beneficial owners of TONICS and interest and may not apply to certain classes of persons such as Dealers. Prospective investors in the TONICS who are in any doubt as to their tax position should consult their professional advisers.

Encashment Tax

TONICS issued in bearer form and which are quoted on a recognised stock exchange constitute “quoted Eurobonds” under Section 64 of the Irish Taxes Consolidation Act, 1997. Encashment tax may arise in respect of TONICS issued in bearer form which constitute the quoted Eurobonds. Where interest payments are made in respect of such Notes, by an Irish collection agent acting on behalf of a holder of any of the TONICS, encashment tax will arise and so withholding tax will be deducted from such payments at the standard rate of tax (which is currently 20 per cent.), unless the person owning the TONICS and entitled to the interest is not resident in Ireland and has provided the appropriate declaration to the relevant person. It is also necessary to avoid withholding that such interest is not deemed under the provisions of Irish tax legislation to be income of another person that is resident in Ireland. Holders of the TONICS should note that in the case of the TONICS issued in bearer form being quoted Eurobonds, the appointment of an Irish collection agent on their behalf will (subject to the above) bring them within the charge to encashment tax.

In the case of interest payments made by or through a paying agent outside Ireland, no encashment tax arises.

Capital Gains Tax

A holder of any of the TONICS will be subject to Irish taxes on capital gains on a disposal of the TONICS unless such holder is a person neither resident nor ordinarily resident in Ireland who does not have an enterprise or an interest in an enterprise, which carries on business in Ireland through a branch or agency or a permanent representative to which or to whom the TONICS are attributable.

Capital Acquisitions Tax

A gift or inheritance consisting of TONICS will generally be within the charge to Irish capital acquisitions tax if either (i) the disponer or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or in certain circumstances, if the disponer is domiciled in Ireland irrespective of his residence or that of the donee/successor) on the relevant date or (ii) if the TONICS are Irish situated property. TONICS which are in bearer form and are physically located outside Ireland are generally not regarded as Irish property.

3. Proposed EU Directive on the Taxation of Savings Income

On 13th December, 2001, the EU Council published a revised draft directive regarding the taxation of savings income. It is proposed that, subject to a number of important conditions being met, member states will be required to provide to the tax authorities of another member state details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other member state except that Belgium, Luxembourg and Austria will instead operate a withholding system for a transitional period in relation to such payments.

SUBSCRIPTION AND SALE

Under a subscription agreement entered into with the Issuer and the Bank on 21st March, 2003 (the “Subscription Agreement”) Merrill Lynch International has agreed to subscribe for the TONICS at the issue prices of 106 per cent. in respect of £40,000,000 in principal amount of TONICS and 106.681 per cent. in respect of £50,000,000 in principal amount of TONICS. The Issuer has agreed to pay to Merrill Lynch International a combined management and underwriting commission of 1 per cent. of the aggregate principal amount of the TONICS. The Subscription Agreement is subject to termination in certain circumstances prior to payment to the Issuer.

Selling Restrictions

United States

The TONICS have not been and will not be registered under the US 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, US 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.

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

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver TONICS (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, US persons, and that it will have sent to each dealer to which it sells TONICS during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of TONICS within the United States or to, or for the account or benefit of, US persons.

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

United Kingdom

Each Manager 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 TONICS will not offer or sell any TONICS 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 and Markets Act 2000 (the “FSMA”) with respect to anything done by it in relation to the TONICS in, from or otherwise involving the United Kingdom; and
- (3) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue of any TONICS in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor.

Ireland

Each Manager has represented and agreed that:

- (a) (i) other than in circumstances which do not constitute an offer to the public within the meaning of the Companies Acts, 1963 to 2001 of Ireland it has not offered or sold and will not offer or sell, in Ireland or elsewhere, by means of any document, any of the TONICS and (ii) it has not issued and will not issue at any time, in Ireland or elsewhere, any application form for any of the TONICS;
- (b) it has not offered or sold and will not offer or sell any TONICS to persons in Ireland except where an offer or sale is to persons in the context of their trades, professions or occupations and it has not made and will not make at any time any offer of the TONICS in Ireland to which the European Communities (Transferable Securities and Stock Exchange) Regulations, 1992 would apply; and
- (c) it will not underwrite the issue of, or place, the TONICS otherwise than in conformity with the provisions of the Investment Intermediaries Act, 1995 of Ireland, including, without limitations, Sections 9, 23 (including any advertising restrictions made thereunder) and 50 and any codes of conduct made under Section 37.

General

Each Manager has undertaken that it will comply with all applicable securities laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers TONICS or possesses or distributes this Offering Circular or any other offering material and will obtain any consent, approval or permission which is required by it for the purchase, offer or sale by it of TONICS under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales.

GENERAL INFORMATION

- (1) In connection with the application to list the TONICS on the Luxembourg Stock Exchange a legal notice relating to the issue of the TONICS and copies of the Memorandum and Articles of Association of the Issuer and the Memorandum and Articles of Association of the Bank 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. The TONICS will be considered debt securities for purposes of the rules and regulations of the Luxembourg Stock Exchange.
- (2) The TONICS have been accepted for clearance through Clearstream, Luxembourg and Euroclear. Until exchange of the Temporary TONICS Global for the Permanent TONICS Global, the Common Code reference number for the TONICS is 016496154 and the ISIN for the TONICS is XS0164961541. Thereafter, the Common Code reference number and ISIN for the TONICS will be the same as for the Original TONICS, namely:
Common Code: 015181125
ISIN: XS0151811253
- (3) All TONICS 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 any of the TONICS or any Coupon.
- (4) There are not, nor have there been any, legal or arbitration proceedings involving the Issuer, the Bank or any Subsidiary of the Bank other than the Issuer which may have or have had during the 12 months prior to the date hereof a significant effect on the financial position of the Bank or the Group, nor, so far as the Bank is aware, are any such proceedings pending or threatened involving the Bank or any of its subsidiaries.
- (5) Save as disclosed in this Offering Circular, there has been no material adverse change in the financial position of the Issuer, the Bank or the Group since 30th September, 2002.
- (6) No redemption or purchase (other than a purchase in the ordinary course of a business dealing in securities and/or for the account of a third party) by the Bank, the Issuer or any of the Bank’s other subsidiaries of the TONICS will be made without the prior consent of the Central Bank of Ireland.
- (7) Copies of the latest annual report and accounts of the Issuer, the latest annual report and consolidated accounts of the Bank and the latest unaudited interim consolidated financial statements of the Bank may be obtained, and copies of the Trust Deed, the Agency Agreement and the Calculation Agency Agreement 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 TONICS is outstanding. The Bank does not produce audited interim financial statements. It publishes unaudited interim financial statements on a semi-annual basis. The Issuer does not publish interim financial statements.
- (8) The auditors of the Issuer, Ernst & Young, have audited the accounts of the Issuer and issued an unqualified audit opinion for each of the three financial years ending 30th September, 2002.

The financial information on the Issuer contained in this document does not amount to statutory accounts within the meaning of Section 240 of the Companies Act 1985 (the “Act”). Statutory accounts relating to each financial year to which the financial information relates have been delivered to the Registrar of Companies. The auditors of the Issuer have made a report under Section 235 of the Act in respect of the statutory accounts in respect of each of the two financial years ended 30th September, 2002 which was not qualified within the meaning of Section 262 of the Act and did not contain a statement under Section 237(2) or (3) of the Act.

The auditors of the Bank, Ernst & Young, have audited the consolidated accounts of the Bank in accordance with the laws of Ireland and issued an unqualified audit opinion for each of the three financial years ending 30th September, 2002.

The financial information on the Bank contained in this document does not amount to statutory accounts, copies of which are required by the Irish Companies Act, 1986 to be annexed to the annual return of the Bank. Copies of the statutory accounts have been annexed to the annual returns for the relevant financial years to which the financial information relates and have been filed with the Irish Registrar of Companies.

The Trust Deed provides that the Trustee may rely on certificates or reports from the auditors or any other expert or other person in accordance with the provisions of the Trust Deed whether or not any such certificate or report or any engagement letter or other document entered into by the Trustee and the auditors or any other expert or other person in connection therewith contains any limit on the liability of the auditors or any other expert or other person.

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To the Issuer and the Bank as to Irish law

To the Managers and the Trustee as to English law

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