AIB MORTGAGE BANK
(a public unlimited company incorporated under the laws of Ireland with registration number 404926)

€20,000,000,000
MORTGAGE COVERED SECURITIES PROGRAMME

AIB Mortgage Bank (the "**Issuer**") is a designated mortgage credit institution for the purposes of the ACS Act, as defined below. The Securities (as defined below) will constitute mortgage covered securities for the purposes and with the benefit of the ACS Act.

Under this €20,000,000,000 Mortgage Covered Securities Programme (the "**Programme**"), the Issuer may from time to time issue mortgage covered securities (the "**Securities**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below) and subject to the minimum denomination of any Security to be admitted to trading on a regulated market for the purposes of the Prospectus Directive (as defined below) or offered to the public in a Member State of the European Economic Area ("**EEA**") (defined below) being €100,000 (or the equivalent thereof in another currency).

Securities may be issued in bearer or registered form (respectively, Bearer Securities and Registered Securities). The maximum aggregate nominal amount of all Securities from time to time outstanding under the Programme will not exceed €20,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein. Securities may be issued on a continuing basis to one or more of the Dealers specified under Overview of the Programme and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the relevant Dealer shall, in the case of an issue of Securities being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Securities.

See *Risk Factors* for a discussion of certain risk factors to be considered in connection with an investment in Securities.

This document constitutes a base prospectus ("**Base Prospectus**") for the purposes of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (the "**Prospectus Directive**") and relevant Irish laws, including the Prospectus (Directive 2003/71/EC) Regulations 2005 (the "**Prospectus Regulations**"), for giving information with regard to the issue of Securities of the Issuer under the Programme during the period of twelve months after the date of this Base Prospectus. The Base Prospectus has been approved by the Central Bank of Ireland, as competent authority under the Prospectus Directive. The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union ("**EU**") law pursuant to the Prospectus Directive. Such approval relates only to the Securities which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC ("**regulated market**") or which are to be offered to the public in any Member State of the EEA. Application has been made to The Irish Stock Exchange plc ("**ISE**") for the Securities issued under the Programme to be admitted to the Official List and trading on its regulated market. The Programme provides that Securities may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or market(s) (including regulated markets) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Securities and/or Securities not admitted to trading on any market.

Arrangers	
Allied Irish Banks, p.l.c.	Barclays
Dealers	
Deutsche Bank	Morgan Stanley

The date of this Base Prospectus is 17 July 2015.

For the purposes of Part 6 of the Prospectus Regulations, the Issuer accepts responsibility for the information contained or incorporated by reference in this Base Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), such information contained or incorporated by reference, in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. This declaration is included in this Base Prospectus in compliance with item 1.2 of annex IX to Commission Regulation (EC) No 809/2004 of 29 April 2004 (the "**EU Prospectus Regulation**").

For the purposes of Part 6 of the Prospectus Regulations, Allied Irish Banks, p.l.c. ("**AIB**") accepts responsibility for the information contained or incorporated by reference in this Base Prospectus relating to AIB and the Group (but excluding information specifically relating to the Issuer and the Securities). To the best of the knowledge of AIB (having taken all reasonable care to ensure that such is the case), such information (other than as aforesaid) is in accordance with the facts and does not omit anything likely to affect the import of such information. This declaration is included in this Base Prospectus in compliance with item 1.2 of annex IX to the EU Prospectus Regulation.

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

This Base Prospectus, as approved by the Central Bank of Ireland, will be filed with the Registrar of Companies in Ireland in accordance with regulation 38(1)(b) of the Prospectus Regulations.

No person is or has been authorised by the Issuer, the Arrangers or the Dealers to give any information or to make any representation other than those contained in this Base Prospectus or which are incorporated by reference in this Base Prospectus and referred to below under *Documents Incorporated by Reference* and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arrangers or any of the Dealers.

None of the Dealers or the Arrangers has separately verified the information contained or incorporated by reference herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arrangers or the Dealers or any of them as to the accuracy or completeness of the information contained or incorporated by reference, in this Base Prospectus or any other information provided by the Issuer or AIB in connection with the Programme, any Securities or the distribution of any Securities. No Dealer or Arranger accepts liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer or AIB in connection with the Programme.

Securities issued under the Programme will be liabilities only of the Issuer and not any other person, including the Dealers and the Arrangers. The Securities will not be guaranteed by the Government, any other organ or agency of the State, AIB, the Dealers or the Arrangers.

Notice of the aggregate nominal amount of Securities, interest (if any) payable in respect of Securities, the issue price of Securities and any other terms and conditions not contained or incorporated by reference in this Base Prospectus which are applicable to each Tranche (as defined under *Terms and Conditions of the Securities*) of Securities will be set out in the final terms applicable to such Tranche (the "**Final Terms**") which, with respect to Securities to be listed on the Official List of the ISE and to be admitted to trading on the regulated market of the ISE will be delivered to the ISE.

The Issuer anticipates that Securities issued under the Programme may be issued and used by the Group as collateral for monetary policy operations. Accordingly, an issue of Securities by the Issuer and admission of

such Securities to listing or trading on a regulated market should not necessarily be taken as an indication that there is an active and liquid market for such Securities at the time of issue, listing or admission to trading.

The Securities have not been and will not be registered under the US Securities Act of 1933 (the "**Securities Act**") and may not be offered or sold in the United States or to, or for the benefit of, US persons unless an exemption from the registration requirements of the Securities Act is available or in a transaction not subject to the registration requirements of the Securities Act. Accordingly, the Securities are being offered and sold only outside the United States in reliance upon Regulation S of the Securities Act. The Securities are also subject to US tax law requirements. See *Form of the Securities, Issue Procedures and Clearing Systems* for a description of the manner in which Securities will be issued. Registered Securities are subject to certain restrictions on transfer, see *Subscription and Sale, Transfer and Selling Restrictions and Secondary Market Arrangements*.

Securities in bearer form are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, 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 and the regulations promulgated thereunder.

The Issuer may agree with one or more Dealers that Securities may be issued in a form not contemplated by the Terms and Conditions of the Securities as set out herein, in which event, a supplementary base prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Securities.

Securities issued under the Programme may on issue be rated by Moody's Investors Service Limited ("**Moody's**"), and/or Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**" or "**S&P**") and/or Fitch Ratings Limited ("**Fitch**"), such rating(s) to be disclosed in the Final Terms for the Securities. The rating of Securities will not necessarily be the same as the rating applicable to the Issuer and/or AIB. 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 assigning rating organisation. The rating methodology employed by a rating agency when rating Securities is subject to change at any time at the discretion of that rating agency and may affect ratings attributed to Securities already issued under the Programme.

Where required, the Final Terms will disclose whether or not each credit rating applied for in relation to relevant Securities is issued by a credit rating agency established in the EU and registered under Regulation (EU) No 1060/2009 (the "**CRA Regulation**"). In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EU and registered under the CRA Regulation. Each of Moody's, Fitch and S&P is established in the EU, registered under the CRA Regulation and appears on the latest update of the list of registered credit rating agencies on the European Securities and Markets Authority website at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs.

This Base Prospectus may only be used for the purposes for which it has been published. This Base Prospectus supersedes the base prospectus dated 18 December 2014 issued by the Issuer in connection with the Programme.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Securities (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, the Arrangers or any of the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Securities should purchase any Securities. Each investor contemplating purchasing any Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Securities constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers or the Arrangers to any person to subscribe for or to purchase any Securities.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Securities shall in any circumstances imply that the information contained or incorporated by reference herein concerning the Issuer and/or AIB and/or the Group is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Arrangers expressly do not undertake to review the financial condition or affairs of the Issuer or AIB and/or the Group on or before the date of this Base Prospectus

or during the life of the Programme or to advise any investor in the Securities of any information coming to their attention.

This Base Prospectus or any Final Terms does not constitute an offer to sell or a solicitation of an offer to buy any securities other than Securities or an offer to sell or a solicitation of any offer to buy any Securities in any circumstances in which such offer or solicitation is not authorised or is unlawful. The distribution of this Base Prospectus and the offer or sale of Securities may be restricted by law in certain jurisdictions. The Issuer, the Arrangers and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Securities may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, save as indicated in the next sentence, no action has been taken by the Issuer, the Arrangers or the Dealers which would permit a public offering of any Securities outside the EEA or distribution of this document in any jurisdiction where action for that purpose is required.

This document has been approved by the Central Bank of Ireland as the competent authority under the Prospectus Directive and application has been made to the ISE for approval for Securities issued under the Programme to be admitted to the Official List and trading on its regulated market. No Securities may be offered or sold, directly or distributed or published in any jurisdiction, and neither this Base Prospectus nor any advertisement or other offering material may be distributed in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Securities may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Securities. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Securities in the United States, the United Kingdom, the EEA, Japan, Republic of Italy, and Ireland. See *Subscription and Sale, Transfer and Selling Restrictions and Secondary Market Arrangements*.

None of the Dealers, the Arrangers, the Issuer or AIB makes any representation to any investor in the Securities regarding the legality of its investment under any applicable laws. Any investor in the Securities should be able to bear the economic risk of an investment in the Securities for an indefinite period of time.

In the case of any Securities that are not listed on any recognised stock exchange and that do not mature within two years, the Issuer will not sell such Securities to Irish residents and the Issuer will not offer any such Securities in Ireland.

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

INTERPRETATION

In this Base Prospectus, unless the context otherwise requires:

- references to "**€**" or "**euro**" are to the common currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community to "**£**" or "**GBP**" or "**Sterling**" are to pounds sterling, the lawful currency of the UK, to "**$**", "**USD**" or "**US dollars**" are to United States dollars, the lawful currency of the United States of America;

- "**2007 Irish Residential Loan/Property Valuation Notice**" means the Asset Covered Securities Act 2001 Regulatory Notice ((Sections 41(1) and Section 41A(7)) 2007;

- "**ACS Act**" means the Asset Covered Securities Act 2001, as amended and supplemented, including without limitation, by the Asset Covered Securities (Amendment) Act 2007;

- "**ACS Code**" means the ACS Act together with any orders, regulations, regulatory notices or directions made under the ACS Act;

- references to "**AIB**" are to Allied Irish Banks, p.l.c. and to the "**Group**" are to Allied Irish Banks, p.l.c. together with its consolidated subsidiaries from time to time, including the Issuer;

- references to a "**branch banking authorisation**" is a reference to an authorisation granted by the Central Bank of Ireland under section 9A of the Central Bank Act 1971;

- a reference to the "**Central Bank**" is a reference to:

  (a) subject to (b) below, the Central Bank of Ireland;

  (b) the ECB, but only to the extent that the reference is in respect of functions conferred on the ECB by the SSM Regulation and the SSM Framework Regulation;

- a reference to the "**Central Bank of Ireland**" includes where appropriate a reference to the former Central Bank and Financial Services Authority of Ireland and its constituent part, the Irish Financial Services Regulatory Authority, in respect of functions or actions carried out prior to the commencement of relevant parts of the Central Bank Reform Act 2010;

- a reference to the "**Companies Act**" is a reference to the Companies Act 2014 and every enactment that is to be read or construed as one with that Act;

- a reference to information "**contained in this Base Prospectus**" is a reference to such information as set out or incorporated by reference in this Base Prospectus or any supplement thereto;

- a reference to the "**ECB**" is to the European Central Bank;

- a reference to a "**ECB banking authorisation**" means:

  (a) in the case of a licence granted under section 9 of the Central Bank Act 1971 prior to 4 November 2014 (including that issued to and held by the Issuer or AIB), such a licence which is deemed in accordance with the SSM Regulation to be an authorisation granted by the ECB under the SSM Regulation; or

  (b) in any other case, an authorisation granted under the SSM Regulation on the application therefor under section 9 of the Central Bank Act 1971;

- a reference to the "**Government**" is to the government of Ireland;

- a reference to the "**High Court**" is a reference to the High Court of Ireland;

- a reference to a "**local banking authorisation**" is a reference to a branch banking authorisation or an ECB banking authorisation;

- a reference to the "**Minister for Finance**" is a reference to the Minister for Finance of Ireland;

- a reference to the "**MCA Valuation Notice**" is a reference to the Asset Covered Securities Act 2001 Regulatory Notice (Sections 41(1) and 41A(7)) 2011;

- a reference to a "**Member State**" is to a member state of the EU or, as the context may require, the EEA;

- "**passported EEA authorisation**" means an authorisation for the purposes of CRD IV which is not a local banking authorisation where the holder has complied with the requirements of CRD IV to provide banking services in Ireland;

- a reference to the "**SSM**" is to the Single Supervisory Mechanism;

- a reference to the "**SSM Framework Regulation**" means Regulation (EU) No. 468/2014 of the European Central Bank of 16 April 2014 establishing the framework for co-operation within the Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities;

- a reference to the "**SSM Regulation**" means Council Regulation (EU) No. 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions;

- references to the "**State**" are to Ireland and references to "**Ireland**" and "**Irish**" exclude Northern Ireland and Northern Irish, respectively;

- a reference to "**Tranche**" means, subject as set out in (ii) below, Securities which are identical in all respects (including as to listing) and a reference to "**Series**" means a Tranche of Securities together with any further Tranche or Tranches of Securities which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates, interest amounts/rates in respect of the first Interest Period and/or Issue Prices;

- "**UK**" means the United Kingdom; and

- a reference to (i) any enactment, statute, act, statutory instrument, regulation, order, decree, regulatory notice, code of conduct or any other legislative measure under the laws of Ireland or the laws of any other jurisdiction, (ii) an EU directive, EU regulation or any other legislative measure made under EU law or applying in respect of the EEA, (iii) any treaty, international agreement or other international legal act whether between members of the EU, the EEA or otherwise, or (iv) a provision of any of the foregoing at (i) to (iii) (inclusive) above (each a "**Legal Measure**"), is a reference to that Legal Measure or, as applicable, that provision, as extended, amended or replaced, as applicable, as of the date of this Base Prospectus or to any other date indicated and includes any other Legal Measure or, as applicable, provision, that is to be read as one therewith.

SUPPLEMENT TO THIS BASE PROSPECTUS

If at any time the Issuer shall be required to prepare a supplement to this Base Prospectus pursuant to regulation 51 of the Prospectus Regulations, the Issuer will prepare and make available an appropriate supplement to this Base Prospectus as required by the Central Bank of Ireland and such regulation 51.

The Issuer has given an undertaking to the Dealers under the Programme Agreement (as defined under *Subscription and Sale, Transfer and Selling Restrictions and Secondary Market Arrangements*) that prior to the issue by the Issuer and purchase by any Dealer of, any Series or Tranche of Securities, the Issuer will update or amend this Base Prospectus by the publication of a supplement to this Base Prospectus or a new base prospectus if at the relevant time during the duration of the Programme there is a significant new factor, material mistake or

inaccuracy relating to the information contained or incorporated by reference in this Base Prospectus which is capable of affecting the assessment of any Securities.

STABILISATION

In connection with the issue and distribution of any Tranche of Securities, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Securities (provided that, in the case of any Tranche of Securities to be listed on or admitted to trade on the regulated market of the ISE or any other regulated market in the EEA, the aggregate principal amount of Securities allotted does not exceed 105 per cent. of the aggregate principal amount of the relevant Tranche) or effect transactions with a view to supporting the market price of the Securities at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the Final Terms of the offer of the relevant Tranche of Securities is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Securities and 60 days after the date of the allotment of the relevant Tranche of Securities. Any stabilisation action or over-allotment is required to be conducted in accordance with all applicable laws and rules.

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OVERVIEW OF THE PROGRAMME

This overview must be read as an introduction to this Base Prospectus and any decision to invest in any Securities should be based on a consideration of this Base Prospectus as a whole including the documents incorporated by reference.

This overview is not a 'summary' for the purposes of the Prospectus Directive, the EU Prospectus Regulation or the Prospectus Regulations.

This overview is qualified in its entirety by the rest of this Base Prospectus.

Capitalised terms used in this overview and not otherwise defined below have the respective meanings given to those terms elsewhere in this Base Prospectus.

Issuer:	AIB Mortgage Bank. See *Description of the Issuer*.
AIB/the Group:	The Issuer is a wholly-owned subsidiary of Allied Irish Banks, p.l.c. See *Description of the Group*.
Programme Description:	Mortgage Covered Securities Programme.
Risk Factors:	There are risk factors that may affect the Issuer's ability to fulfil its obligations under Securities issued under the Programme. In addition, there are risk factors which are material for the purpose of assessing the other risks associated with Securities issued under the Programme. See *Risk Factors*.
Arrangers:	AIB and Barclays Bank PLC.
Dealers:	AIB, Barclays Bank PLC, Deutsche Bank Aktiengesellschaft, Morgan Stanley & Co. International plc and any other Dealers appointed in accordance with the Programme Agreement.
Principal Paying Agent, Issuing Agent and (if applicable) Calculation Agent:	The Bank of New York Mellon.
Registrar and Transfer Agent:	The Bank of New York Mellon.
Cover-Assets Monitor:	Mazars. See *Cover-Assets Monitor*.
Irish Listing Agent:	Arthur Cox Listing Services Limited
Programme Size:	Up to €20,000,000,000 (or its equivalent in other currencies calculated as described under *General Description of the Programme*) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Securities may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis. Securities will be issued only outside the United States in reliance on Regulation S under the Securities Act ("**Regulation S**"). See *Subscription and Sale, Transfer and Selling Restrictions and Secondary Market Arrangements*.
Currencies:	euro, Sterling, US dollars, Japanese Yen and, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).

Maturities: Such maturities as may be agreed between the Issuer and the relevant Dealer(s) and as set out in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency. See also *Extended Maturity Date.*

Issue Price: Securities will be issued on a fully-paid basis and may be issued at an issue price which is at par or at a discount to, or premium over, par.

Form of Securities, Issue Procedures and Clearing Systems: The Securities will be issued in bearer or registered form as described in *Form of the Securities, Issue Procedures and Clearing System*s. Registered Securities will not be exchangeable for Bearer Securities and vice versa.

Fixed Rate Securities: Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).

Floating Rate Securities: Floating Rate Securities will bear interest at a rate determined:

(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. ("**ISDA**") and as amended and updated as at the Issue Date of the first Tranche of the Securities of the relevant Series); or

(ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each Series of Floating Rate Securities as set out in the applicable Final Terms.

Zero Coupon Securities: Zero Coupon Securities will be offered and sold at a discount to their nominal amount and will not bear interest.

Redemption: The applicable Final Terms relating to each Tranche of Securities will indicate either that the relevant Securities cannot be redeemed prior to their stated maturity or that such Securities will be redeemable at the option of the Issuer and/or the holders of the Securities upon giving notice to the holders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer(s). The applicable Final Terms may provide that Securities may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms. See also *Extended Maturity Date* below.

Extended Maturity Date: The Final Terms shall specify whether an Extended Maturity Date applies to a Series of Securities. See also *Maturities*.

As regards redemption of Securities to which an Extended Maturity Date so applies, if the Issuer fails to redeem the relevant Securities in full on the Maturity Date (or within two Business Days thereafter), the maturity of the principal amount outstanding of the Securities not redeemed will automatically extend for one or more consecutive Interest Periods up to but, no later than, the Extended Maturity Date, as provided for in the applicable Final Terms. In that event the Issuer may redeem all or any part of the

principal amount outstanding of the Securities on any Interest Payment Date after the Maturity Date up to and including the Extended Maturity Date as provided for in the applicable Final Terms.

As regards interest on Securities to which an Extended Maturity Date so applies, if the Issuer fails to redeem the relevant Securities in full on the Maturity Date (or within two Business Days thereafter), the Securities will bear interest, at the rate provided for in the applicable Final Terms, on the principal amount outstanding of the Securities from (and including) the Maturity Date to (but excluding) the earlier of the Interest Payment Date after the Maturity Date on which the Securities are redeemed in full or the Extended Maturity Date, which interest will be payable on each Interest Payment Date in respect of the Interest Period ending immediately prior to that Interest Payment Date in arrear.

In the case of a Series of Securities to which an Extended Maturity Date so applies, those Securities may for the purposes of the Programme be:

(a) Fixed Interest Securities, Zero Coupon Securities or Floating Rate Securities in respect of the period from the Issue Date to (and including) the Maturity Date; or

(b) Fixed Interest Securities or Floating Rate Securities in respect of the period from (but excluding) the Maturity Date to (and including) the Extended Maturity Date,

as set out in the applicable Final Terms.

In the case of Securities which are Zero Coupon Securities up to (and including) the Maturity Date and for which an Extended Maturity Date applies, the initial outstanding principal amount on the Maturity Date for the above purposes will be the total amount otherwise payable by the Issuer but unpaid on the relevant Securities on the Maturity Date.

Denomination of Securities: Securities will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) save that the minimum denomination of each Security to be admitted to trading on a regulated market for the purposes of the Prospectus Directive or offered to the public in a Member State of the EEA will be €100,000 (or the equivalent thereof in another currency) or such higher denomination as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency or as may be required in order to avail of any applicable tax exemptions.

In the case of Securities that are not listed on a recognised stock exchange (including the ISE), the minimum denomination of such Securities will be €500,000 if the relevant Securities are denominated in euro, US$500,000 if the relevant Securities are denominated in US dollars, or if the relevant Securities are denominated in a currency other than euro or US dollars, the equivalent of €500,000 at the date that the Programme was first publicised.

Taxation: All payments in respect of the Securities will be made without deduction for, or on account of, withholding taxes imposed by any jurisdiction, unless the Issuer shall be obliged by law to make such deduction or withholding. The Issuer will not be obliged to make any additional payments in respect of any such withholding or deduction imposed. See *Taxation*.

Guarantor: None.

Events of Default:	None.
Negative Pledge:	None.
Cross Default:	None.
Status of the Securities:	The Securities will constitute direct, unconditional and senior obligations of the Issuer and will rank *pari passu* among themselves. The Securities will be Mortgage Covered Securities issued in accordance with the ACS Act, will be secured on cover assets that comprise a cover assets pool ("**Pool**") maintained by the Issuer in accordance with the terms of the ACS Act, and will rank *pari passu* with all other obligations of the Issuer under Mortgage Covered Securities issued or to be issued by the Issuer pursuant to the ACS Act See *ACS Act.*
Listing and Admission to Trading:	Application has been made for Securities issued under the Programme during the period of twelve months from the date of this Base Prospectus to be listed on the Official List of the ISE and to be admitted to trading on the regulated market of the ISE. The Securities may also be listed on such other or further stock exchange(s) and/or admitted to trading on such other/further markets (including regulated markets) as may be agreed between the Issuer and the relevant Dealer(s) in relation to each Series. Unlisted Securities and those not admitted to trading on any market may also be issued. The applicable Final Terms will state whether or not the relevant Securities are to be listed and/or admitted to trading and, if so, on which stock exchange(s) and/or market(s).
Ratings:	Securities issued under the Programme may on issue be rated by Moody's, and/or S&P and/or Fitch, such rating(s) to be disclosed in the Final Terms for the Securities. The rating of Securities will not necessarily be the same as the rating applicable to the Issuer and/or AIB. 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 assigning rating organisation. The rating methodology employed by a rating agency when rating Securities is subject to change at any time at the discretion of that rating agency and may affect ratings attributed to Securities issued under the Programme.
Governing Law/Jurisdiction:	The Securities will be governed by, and construed in accordance with, Irish law and subject to the jurisdiction of the courts of Ireland.
Terms and Conditions/Final Terms:	The applicable terms of any Securities will be agreed between the Issuer and the relevant Dealer prior to the issue of those Securities and will be set out in the Terms and Conditions of the Securities (see *Terms and Conditions of the Securities)* endorsed on or attached to, the Securities as completed by the applicable Final Terms attached to, or endorsed on, such Securities, as more fully described under *Final Terms for Securities* below.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Securities in the United States, the UK, the EEA, Japan, Italy and Ireland and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Securities, see *Subscription and Sale, Transfer and Selling Restrictions and Secondary Market Arrangements*.
United States Selling Restrictions:	The Securities have not been and will not be registered under the Securities Act and may not be offered or sold in the United States or to, or for the benefit of, US persons unless an exemption from the registration

requirements of the Securities Act is available or in a transaction not subject to the registration requirements of the Securities Act. Accordingly, the Securities are being offered and sold only outside the United States in reliance upon Regulation S. There are also restrictions under United States tax laws on the offer or sale of Bearer Securities to U.S. persons; Bearer Securities may not be sold to U.S. persons except in accordance with United States treasury regulations as set forth in the applicable Final Terms – see *Subscription and Sale, Transfer and Selling Restrictions and Secondary Market Arrangements*.

Use of Proceeds: Proceeds from the issue of Securities will be used to support the business of the Issuer permitted by the ACS Act.

ACS Act: The ACS Act provides for a framework for the issuance of asset covered securities. Asset covered securities can only be issued by Irish credit institutions that are registered under the ACS Act and restrict their principal activities to public sector or property financing. Those credit institutions, such as the Issuer, that are registered under the ACS Act and restrict their principal activities for the main part to residential property sector financing, are called designated mortgage credit institutions ("**Institutions**").

The ACS Act provides, among other things, for the registration of eligible credit institutions as Institutions, the maintenance by Institutions of a defined pool of prescribed mortgage credit assets (including mortgage credit assets in securitised form) and limited classes of other assets, known as a cover assets pool, and the issuance by Institutions of certain asset covered securities secured by a statutory preference under the ACS Act on the assets ("**Cover Assets**") comprised in the Pool. Asset covered securities issued by Institutions in accordance with the ACS Act are called mortgage covered securities ("**Mortgage Covered Securities**").

The ACS Act also makes provision for the inclusion in the Pool as Cover Assets of certain hedging contracts which are called cover assets hedge contracts and makes provision for collateral posted with an Institution under cover assets hedge contracts ("**Pool Hedge Collateral**") and the maintenance by Institutions of a register in respect of Pool Hedge Collateral. The ACS Act also varies the general provisions of Irish insolvency law which would otherwise apply with respect to an Institution, Cover Assets, cover assets hedge contracts, Pool Hedge Collateral and Mortgage Covered Securities on the insolvency of the Institution and replaces them with a special insolvency regime applicable to Institutions.

The ACS Act further provides for the supervision and regulation of Institutions by the Central Bank, for the role of a cover-assets monitor (the "**Monitor**") in respect of each Institution and the Pool maintained by it, for restrictions on the types and status of Cover Assets which may be included in the Pool (including the loan to value percentage ("**LTV**") restrictions and duration restrictions), for asset/liability management between the Pool and Mortgage Covered Securities, for overcollateralisation of the Pool with respect to Mortgage Covered Securities, for transfers between an Institution and other credit institutions (including another Institution) of assets and/or business, and, in certain circumstances, for the role with respect to an Institution, and its Pool and Mortgage Covered Securities of the NTMA or a manager appointed by the Central Bank.

See *Cover Assets Pool, The Cover-Assets Monitor, Insolvency of Institutions, Supervision and Regulation of Institutions/Managers, Transfers of a Business or Assets under the ACS Act involving an Institution and Registration of Institutions/Revocation of Registration*.

	The Securities will qualify as Mortgage Covered Securities for the purposes of the ACS Act. See *Status of the Securities*. In the event of an insolvency of an Institution, the holders of Mortgage Covered Securities issued by an Institution together with limited categories of other preferred and super-preferred creditors have recourse under the ACS Act to Cover Assets included in the Pool in priority to other creditors (whether secured or unsecured) of the Institution who are not preferred under the ACS Act. See *Insolvency of Institutions – Effect under the ACS Act of insolvency, potential insolvency or insolvency process with respect to an Institution* for further information.
Representation of holders of Securities:	There is no provision for representation of holders of Securities.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Securities. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of all or any of such contingencies occurring.

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

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

Risks relating to the Issuer, the Group and their Business

The Issuer's dependence on the Group and Outsourcing

The Issuer, as an integral member of the Group, is dependent to a very large extent on AIB (and through it other members of the Group) in relation to the origination and servicing of Irish residential loans, administration and accounting services, treasury services, hedging arrangements, funding, liquidity, equity and regulatory capital and services relating to the issuance of the Securities. AIB may have outsourced and may outsource further some of the activities which have been outsourced to it by the Issuer. The Issuer may also outsource activities to entities who are not members of the Group.

The Group also issues Mortgage Covered Securities through EBS Mortgage Finance.

Economic and property market conditions improve but challenges remain

The Issuer's and the Group's business is subject to the general economic conditions of the markets in which it operates in Ireland and the UK. The Issuer's business activities are concentrated on residential lending in Ireland. The Issuer and the Group are expected to remain heavily exposed to the Irish residential property market which suffered a severe downward correction between 2007 and early 2013. Despite a continued recovery in the Irish residential property prices since the first quarter of 2013, depressed Irish property prices may give rise to losses for the Issuer and the Group. The Issuer's and the Group's exposure to credit risk is exacerbated when the collateral it holds cannot be realised or is liquidated at prices that are not sufficient to recover the full amount of the loan or other exposure due to the Issuer and the Group. Any losses arising as a result of further depression of property prices could have a material adverse effect on the Issuer's and the Group's future performance and results.

The high level of unemployment together with the general reduction in borrowers' disposable income (due to increased taxes and reduction in salaries) over the last number of years in Ireland has impacted on borrowers' ability to repay loans and has resulted in an increasing trend in mortgage arrears until recent quarters. Mortgage arrears in Ireland started to decrease in recent quarters as a result of the general improvement in the Irish economy, including a decreasing unemployment rate standing at 9.9% at the end of March 2015 against a peak of over 15% in 2012. (Source: Central Statistics Office, Quarterly National Household Survey (QNHS).) Such information has been accurately reproduced and so far as the Issuer is aware and is able to ascertain from that information, no facts have been omitted which would render the above information inaccurate or misleading.

In addition, exposure to particularly vulnerable sectors of the Irish and/or UK economies, in particular property and construction, could result in reduced valuations of the assets over which AIB, or other Group members has taken security and reduced recoverability arising from potential reductions in borrowers' repayment ability. An increase in interest rates in the Issuer's and the Group's main market may lead, amongst other things, to further declines in collateral values, higher repayment costs and reduced recoverability. This may adversely affect the Issuer's and the Group's earnings or require an increase in the cumulative impairment charge for the Issuer and the Group. Overall, despite the recent improvement trends witnessed in the Irish economy, a risk of impairment to the Issuer's and the Group's residential mortgage and commercial property loan portfolios remains, leading to higher costs, additional write-downs and lower profitability for the Issuer and the Group.

Macro-economic and geopolitical risks

The Issuer's and the Group's business may be adversely affected by deterioration of the Irish economy or other relevant economies

Deterioration in the performance of the Irish economy or other relevant economies has the potential to adversely affect the Issuer's and the Group's overall financial condition and performance. Such deterioration could result in reduced business activity, lower demand for the Issuer's and the Group's products and services, reduced availability of credit, increased funding costs and decreased asset values.

While the Irish economy has performed well in 2013 and 2014 with GNP up by 3.3 per cent. and 5.2 per cent. respectively (CSO National Accounts 2014 Preliminary), any renewed stress on or deterioration of the economy could impact the return of normalised markets for commercial and residential property. As the Issuer and the Group remain heavily exposed to the Irish property market, a prolonged delay in the recovery of the Irish market could have a negative impact on levels of arrears and the Issuer's and the Group's collateral values.

General economic conditions continue to be challenging for customers. A continued high level of unemployment together with any further reduction in borrowers' disposable income has the potential to negatively impact customers' ability to repay existing loans. This could result in additional write downs and impairment charges for the Issuer and the Group and negatively impact their capital and earnings positions. Challenging economic conditions will also influence the demand for credit in the economy. A declining or continuing muted demand for credit has the potential to impact the Issuer's and the Group's financial position.

Deterioration in the economic and market conditions in which the Issuer and the Group operate could negatively impact on the Issuer's and the Group's income, and may put additional pressure on the Issuer and the Group to more aggressively manage their cost base. This may have negative consequences for the Issuer and the Group to the extent that infrastructure investments in support of the Issuer's and the Group's strategy are de-scoped or de-prioritised. Market conditions also impact the competitive environment in which the Issuer and the Group operate. The entry of bank and non-bank competitors into the Issuer's and the Group's markets may put additional pressure on the Issuer's and the Group's income streams and consequently have an adverse impact on their financial performance.

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

Conditions could arise which would constrain funding or liquidity opportunities for the Issuer and the Group. Currently, the Group funds its activities primarily from customer deposits and the Issuer funds its activities primarily from wholesale funding activities and intra-Group borrowings. However, a loss of confidence by depositors in the Issuer or the Group, the Irish or UK banking industry or the Irish or UK economy could lead to losses of funding or liquidity resources within a short timeframe. Concerns around

debt sustainability and sovereign downgrades in the Eurozone could impact the Group's deposit base and could impede the Issuer's and the Group's access to wholesale funding markets, impacting the ability of the Issuer and the Group to issue debt securities (including Securities in the case of the Issuer) to the market.

A stable customer deposit base and asset deleveraging has allowed the Group to materially reduce its funding from the ECB. This, in turn, has allowed an increase in unencumbered high quality liquid assets. The Issuer and the Group have also identified certain management and mitigating actions which could be considered on the occurrence of a liquidity stress event. However, in the event that the Issuer and the Group exhausted these sources of liquidity it would be necessary to seek alternative sources of funding from the monetary authorities.

The Capital Requirements Regulation (No. 575/2013) ("**CRR**") and the Capital Requirements Directive (2013/36/EU) ("**CRD**" and together with the CRR, "**CRD IV**") require banks such as AIB and the Issuer to meet targets set for the new Basel III liquidity related ratios: the Net Stable Funding Ratio ("**NSFR**") and Liquidity Coverage Ratio ("**LCR**"). Meeting the phased implementation deadlines of these requirements could impose additional costs on the Issuer and the Group while failure to demonstrate appropriate progress may lead to regulatory sanction.

The Group holds senior bonds issued by the National Asset Management Agency ("**NAMA"**). These senior bonds pay a floating coupon at a rate equal to 6 month Euribor each March and September. If the coupon on these senior bonds were to become negative these senior bonds may cease to be eligible as collateral for the purposes of accessing the liquidity provision operations offered by monetary authorities. This would have an adverse effect on AIB's LCR.

Downgrades to Irish sovereign credit ratings or outlook could impair the Group's access to private sector funding and weaken its financial position and could result in heightened credit risk for the Group due to its holdings of NAMA bonds and Irish Government securities

In January 2014, Moody's restored Ireland's long-term sovereign credit ratings to an investment grade rating of Baa3 and, in May 2014, Moody's upgraded its rating to Baa1. Fitch upgraded its credit rating to A- in August 2014 and S&P upgraded Ireland's credit rating to A+ in June 2015. Moody's, S&P and Fitch have Ireland on stable outlook for their respective ratings. There can be no assurance, however, that the Irish sovereign credit rating will not be downgraded in the future. Any such downgrade would be likely to impair the Group's access to private sector funding and weaken its financial position. Downgrades could also adversely impact the collateral value of the NAMA senior bonds and the Group's use of them as collateral for the purposes of accessing the liquidity provision operations offered by monetary authorities, as well as the Group's holdings of Irish Government securities as part of its available-for-sale ("**AFS**") portfolio. Any of the foregoing could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

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

The Group's senior unsecured debt not covered by the Credit Institutions (Eligible Liabilities Guarantees) Scheme (the "**ELG Scheme**") is rated Ba2 by Moody's with a stable outlook and its debt and deposits not covered by the ELG Scheme are rated BB by S&P with a negative outlook and BBB with a negative outlook by S&P and Fitch, respectively. Moody's has rated the Group's long-term deposits Ba1 and has assigned Counterparty Risk Assessments (CR Assessment) of Baa3(cr)/P-3(cr) to the Group. Downgrades in the credit ratings of the Group could have an adverse impact on the volume and pricing of its wholesale funding and its financial position, restrict its access to the capital and funding markets, trigger material collateral requirements or associated obligations in other secured funding arrangements or derivative

contracts, make ineligible or lower the liquidity value of pledged securities and weaken the Group's competitive position in certain markets. Furthermore, the availability of deposits is often dependent on credit ratings and further downgrades of the Group's debt could lead to withdrawals of deposits, which could result in deterioration in the Group's funding and liquidity position. Any of the foregoing could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Issuer and the Group face risks associated with the level of, and changes in, interest rates, including the risk that a rise in interest rates will lead to an increase in customer defaults, as well as certain other market risks

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

Interest rates, which are impacted by factors outside of the Group's control, including the fiscal and monetary policies of governments and central banks, as well as Irish and international political and economic conditions, affect the Group in several ways.

Interest rates affect the cost and availability of the Group's principal sources of funding. A sustained low interest rate environment keeps the Group's cost of funding low by reducing the interest payable on its customer accounts, but also reduces incentives for consumers to save. The Group may therefore in the future be required to increase the interest rate payable on customer accounts to retain existing deposits and to attract additional deposits.

Changes in the shape and level of interest rate curves impact the economic value of the Issuer's and the Group's underlying assets and liabilities. The Group's earnings are exposed to basis risk i.e. an imperfect correlation in the adjustment of the rates earned and paid on different products with otherwise similar characteristics. The persistence of exceptionally low interest rates for an extended period could adversely impact the Issuer's and the Group's earnings through the compression of net interest margin.

Interest rates also affect the affordability of the Group's products to customers. A rise in interest rates, without sufficient improvements in customers' earnings levels, could lead to an increase in default rates among customers with variable rate obligations (e.g., customers with variable rate mortgages or tracker mortgages). This could in turn lead to increased impairment provisions and lower profitability for the Group. An increase in interest rates would also result in a higher rate being used for purposes of discounting future cash flows from the Group's loan book, which would also have the effect of increasing impairment provisions. A high interest rate environment may also reduce demand for mortgages and other loan products generally, as customers are less likely or less able to borrow when interest rates are high.

Widening credit spreads could adversely impact the value of the Group's AFS bond positions.

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

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

The Group faces the risk that the funding position of its defined benefit pension schemes will deteriorate, requiring it to make additional contributions

The Group maintains a number of defined benefit pension schemes for certain current and former employees. In relation to these schemes, the Group faces the risk that the funding position of the schemes

deteriorates to such an extent that it would be required to make additional contributions above what is already planned to cover its pension obligations towards those current and former employees. The Group received approval from the Pensions Authority in 2013 in relation to a funding plan up to January 2018 with regard to the regulatory minimum funding standard requirements of the Group's Irish Pension Scheme. For its defined benefit schemes in the UK, the Group established an asset backed funding vehicle to provide the required regulatory funding. Nonetheless, a level of volatility associated with pension funding remains due to potential financial market fluctuations and possible changes to pension and accounting regulations. This volatility can be classified as market risk and actuarial risk. Market risk arises because the estimated market value of the pension scheme assets may decline or their investment returns may decrease due to market movements. Actuarial risk arises due to the risk that the estimated value of the pension scheme liabilities may increase due to changes in actuarial assumptions. Furthermore, IAS pension deficits as reported are now deducted from capital under CRD IV which came into force on 1 January 2014. Any failure by the Group to manage its pension deficit could have a material adverse effect on its business, results of operations, financial condition and prospects. All AIB Group defined benefit schemes were closed to future accrual with effect from 31 December 2013.

Contagion risks could disrupt the markets and adversely affect the Issuer's and the Group's financial condition

The risk of contagion in the markets in which the Issuer and the Group operate and dislocations caused by the interdependency of financial markets' participants and of members of currency and supranational economic associations is an on-going risk to the Issuer's and the Group's financial condition. Any change in membership of such associations or reductions in the perceived creditworthiness of one or more significant borrower or financial institution could lead to market-wide liquidity problems, losses and defaults, which could adversely affect the Issuer's and the Group's results, financial condition and future prospects.

In particular, although the severity of the European sovereign debt crisis has abated since 2012, the emergence of significant anti-austerity sentiment in some member countries, especially in Greece, may contribute to renewed instability in the European sovereign debt markets and in the economy more generally. In Greece, the recently elected government is focused on renegotiating its debt restructuring and this trend could occur in other countries in the Eurozone. Any political decision by Greece or other member countries to leave the Eurozone could lead to pressure on other member countries to also do so and could potentially lead to a deterioration in the sovereign debt market, especially if the exit does not result in the severe effects on the exiting country that many have predicted. If one or more members of the Eurozone defaults on their debt obligations or decides to leave the common currency, this would result in the reintroduction of one or more national currencies. Given the highly interconnected nature of the financial system within the Eurozone, this could result in dislocation across the financial markets and the Issuer's and the Group's ability to plan for such a contingency in a manner that would reduce their exposure may be limited.

The UK Government has committed to holding a referendum on continued UK membership of the EU before the end of 2017. The timing and outcome of such a referendum is uncertain. The impacts of a UK exit from the EU on the UK economy and trade is unknown but may have negative consequences for the Issuer and the Group both in terms of the Group's UK and Irish operations and impacts on the UK and Irish economies. Furthermore, the confirmation of the timing for a referendum could give rise to uncertainty that itself could have an adverse impact on market conditions.

The regulatory position of the Group's operations in the UK, with respect to which the Group has exercised its EU "passport" rights, may also become uncertain. Accordingly, if the UK were to exit the European Union, this could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Issuer and the Group may be adversely affected by further austerity and budget measures introduced by a Government

The current and future budgetary and taxation policy of Ireland and other measures adopted by the Irish or UK Government may have an adverse impact on borrowers' ability to repay their loans and, as a result, the Issuer's and the Group's business. Furthermore, some measures may directly impact the financial performance of the Issuer and the Group through the imposition of measures such as the bank levy introduced in Budget 2014. This bank levy imposes an additional taxation liability on the Issuer and the Group and applies during 2014, 2015 and 2016. The annual levy paid by the Issuer and the Group in 2014 amounted to €60 million. This bank levy may be extended and increased in the future, including so as to give effect to an Irish Government policy to encourage bank lenders to reduce standard variable interest rates ("**SVR**") on principal private residence ("**PPR**") mortgage lending.

The Group may be impacted by the outcome of the Banking Inquiry

The Terms of Reference proposed by the Joint Committee for the Inquiry into the Banking Crisis were agreed by Dáil Éireann and Seanad Éireann in November 2014. The purpose of the Inquiry is to inquire into the reasons why Ireland experienced a systemic banking crisis, including the political, economic, social, cultural, financial and behavioural factors and policies which impacted on or contributed to the crisis and the preventative reforms implemented in the wake of the crisis. The costs and potential implications (including reputational risk) for the Issuer and the Group of this inquiry are uncertain at this time.

The Group faces risks from the competitive environment in which it operates and competition may intensify as a result of changes in consumer demand, market participants, technological changes, consolidation, regulatory actions and other factors

The Irish and UK banking sectors are competitive, with several factors affecting the Group's ability to sell its products, including price, returns offered, range of product lines, product quality, brand, reputation and distribution strength. The Group primarily competes with Bank of Ireland and permanent tsb as well as several overseas banks operating in Ireland, including Ulster Bank, which is owned by the RBS Group, and KBC. In the UK, the Group primarily faces competition from established providers of financial services such as Lloyds, the RBS Group, Barclays, HSBC, Santander and TSB. The Group may also face competition due to the emergence of "challenger" banks, such as Aldermore, Metro Bank, OneSavings Bank and Shawbrook in the UK. The Group also faces increasing levels of competition from non-bank lenders in both Ireland and the UK. The key markets in which the Group competes are mature and are growing relatively slowly, which means that growth may require taking market share from competitors. the Group may therefore be affected by actions taken by its competitors, including reductions in interest rates charged on loans or increases in interest rates paid on customer accounts, either of which could adversely affect its net interest margin. Competition may increase in some or all of the key markets in which the Group operates. In particular, the Irish and UK banking sectors have been reshaped as a result of the financial crisis, with lenders increasingly concentrating on the highest quality customers based on credit scores and LTV ratios, and there is strong competition for these customers.

Competition may intensify further in response to changes in consumer demand, technological changes, the impact of consolidation by the Group's competitors, regulatory actions and other factors. For example, ready access to a network of properties and an existing customer base has enabled certain non-financial institutions to begin to offer financial products such as loans to customers. Technological changes have enabled other participants to act as virtual banks and offer savings and other products without traditional branch networks. The Group's business may also be adversely affected by the emergence of online payment enablers such as PayPal and Google Wallet.

The Group may also face heightened competition as a result of its commitments in connection with its restructuring plan (the "**Restructuring Plan"**). In particular, the Group has committed to introducing competition measures by 1 July 2017 to enhance competition in the Irish banking market, including a

"Services Package" (permitting certain of the Group's competitors to have access to certain of the Group's services and market information) and a "Customer Mobility Package" (permitting certain of the Group's competitors to advertise their services to the Group's customers). Thus far, no competitors have made an application under the Services Package and only KBC has made a successful application under the Customer Mobility Package. The Group's commitments in connection with the Restructuring Plan may result in the emergence of one or more new competitors and/or a material strengthening of one or more of the Group's existing competitors in the Irish banking market, which may impact the Group's competitive position.

The Group's financial performance and its ability to maintain or capture additional market share depend significantly upon the competitive environment and management's response thereto. Intervention by the Irish Government and/or European regulatory bodies and/or governments of other countries in which the Group operates, including in response to any perceived lack of competition within these markets by such regulatory authorities, may significantly impact the competitive position of the Group relative to its international competitors, which may be subject to different forms of government intervention, thus potentially putting the Group at a competitive disadvantage. For example, several consumer and business groups have recently stated that they believe the Competition and Consumer Protection Commission (the "**CCPC**") should examine the competitive landscape of banking services in Ireland.

Any failure by the Group to manage the competitive dynamics to which it is exposed in Ireland and the UK could have a material adverse effect on its business, results of operations, financial condition and prospects.

Regulatory and Legal risks

The Group is subject to increasing regulation and supervision following the introduction of the SSM and the new bank recovery and resolution framework, which may strain its resources

A significant number of new regulations have been issued by the various regulatory authorities in the recent past. The Eurozone's largest banks, including the Issuer as a member of the Group, came under the direct supervision of, and are deemed to be authorised by the ECB since the introduction on 4 November 2014 of the SSM.

The main aims of the SSM are to ensure the safety and soundness of the European banking system and to increase financial integration and stability in Europe. A Single Resolution Mechanism ("**SRM**") is being introduced including a single resolution board and a single fund for the resolution of banks. The requirements of the SRM are set out in the Banking Recovery and Resolution Directive ("**RRD**") which was transposed in Ireland on 15 July 2015 pursuant to the European Union (Bank Recovery and Resolution) Regulations 2015 (the "**RRD Regulations"**) and the Issuer and the Group are making preparations for the Single Resolution Authority ("**SRA**") which comes into effect in 2016. The establishment of the SRM is designed to ensure that supervision and resolution is exercised at the same level for countries that share the supervision of banks within the SSM. The single resolution fund will be financed by bank levies raised at national level and the SRM will come into force on 1 January 2016. The overarching goal of the new bank recovery and resolution framework is to break the linkages between national banking systems and sovereigns. The new framework is intended to enable resolution authorities to resolve failing banks with a lower risk of triggering contagion to the broader financial system, while sharing the costs of resolution with bank shareholders and creditors. Among other provisions, the RRD requires banks to produce a full recovery plan that sets out detailed measures to be taken in different scenarios when the viability of the institution is at risk. Furthermore, one or more of the Group's regulators may require the Group to make changes to the legal structure of the Group pursuant to its implementation of requirements under the RRD or other applicable law or regulation. In relation to the RRD, see also *The RRD contains resolution tools that may have a material adverse effect on the Group* below.

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

The RRD contains resolution tools that may have a material adverse effect on the Group

On 6 May 2014, the EU Council adopted the RRD, which establishes a framework for the recovery and resolution of credit institutions and investment firms. The RRD has been transposed in Ireland on 15 July 2015 pursuant to the RRD Regulations so as to come into operation on 15 July 2015, save for the provisions thereof providing for the General Bail-In Tool (as defined below) and certain related provisions, which come into operation on 1 January 2015. References below to the RRD encompass where relevant but subject to the foregoing, reference to the RRD as so transposed. The RRD establishes a European framework dealing with resolution mechanisms, loss absorbency and bail-in rules (with certain exceptions for certain covered bonds and certain cover pool swaps). The Single Resolution Mechanism Regulation (Regulation (EU) No. 806/2014 of 15 July 2014) (the "**SRM Regulation**") provides for a centralised power of resolution in the Eurozone and any other participating Member States. These new requirements will result in changes in the regulatory framework for capital and debt instruments of credit institutions. Amongst other provisions, the RRD introduces a statutory write-down and conversion power to write down or to convert into equity such credit institution's capital instruments if certain conditions are met (the "**Write-Down Tool**"). The Write-Down Tool would be applicable in particular if the competent authority determines that unless the Write-Down Tool is applied, the credit institution will no longer be viable or if a decision has been made to provide the credit institution with extraordinary public support without which the credit institution will no longer be viable. The RRD also equips the competent authority with the following resolution powers (the "**Resolution Tools**") in circumstances where the credit institution is failing or is likely to fail:

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

The competent authority has pursuant to the Write-Down Tool and will with effect from 1 January 2016, have pursuant to the General Bail-In Tool, as applicable, the power, upon certain trigger events, to cancel existing shares, to write down eligible liabilities (i.e. own funds instruments and, in the case of the General Bail-In Tool, other subordinated debt and even senior debt) of a failing credit institution or to convert such

eligible liabilities of a failing credit institution into equity at certain rates of conversion representing appropriate compensation to the affected holder for the loss incurred as a result of the write-down and conversion. This is subject to exceptions in respect of certain liabilities.

One such exception relates to certain covered bonds and certain cover pool swaps. The RRD requires Member States to ensure that secured assets relating to a covered bond pool remain unaffected, segregated, and with enough funding. However, the RRD provides that neither the above requirement nor the exclusion of certain covered bonds and cover pool swaps referred to above prevent resolution authorities, where appropriate, from exercising the relevant powers under the RRD in relation to any part of a secured or collateralised liability that exceeds the value of the assets, pledge, lien or collateral against which it is secured. This is reflected in the RRD Regulations.

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

Given that the RRD has only very recently been transposed in Ireland and parts thereof only come into operation on 1 January 2016, it is impossible to predict the financial obligations that may be imposed in relation to the RRD, the effect that the changes will have on the Issuer's and the Group's business, financial condition, result of operations or prospects or to determine conclusively all potential implications of the RRD Regulations on the ACS Code. However, depending on the specific nature of the requirements and how they are enforced, such changes could have a significant impact on the Issuer's and the Group's operations, structure, costs and/or capital requirements.

The Issuer and the Group are subject to substantial and changing conduct regulations

The Issuer and the Group are exposed to many forms of conduct risk (i.e. the risk that inappropriate actions or inactions cause poor or unfair customer outcomes or market instability), which may arise in a number of ways. In particular, the Issuer and the Group may be subject to allegations of mis-selling of financial products, including as a result of having sales practices and/or reward structures in place that are determined to have been inappropriate. This may result in adverse regulatory action (including significant fines) or requirements to amend sales processes, withdraw products or provide restitution to affected customers, any or all of which could result in the incurrence of significant costs, may require provisions to be recorded in the financial statements and could adversely impact future revenues from affected products. If the Issuer and the Group are unable to manage these risks, their business, result of operations, financial condition and prospects could be materially adversely affected.

The Issuer and the Group are subject to anti-money laundering, anti-bribery and sanctions regulations and if they fail to comply with these regulations, they may face sanctions, fines and reputational damage

The Issuer and the Group are subject to laws regarding money laundering and the financing of terrorism, as well as laws that prohibit the Issuer and the Group, their employees or intermediaries from making improper payments or offers of payment to foreign governments and their officials and political parties for the purpose of obtaining or retaining business, including the Criminal Justice (Money Laundering and Terrorist Financing) Acts 2010 and 2013 (the "**AML Acts**") and, in relation to Group business in the UK, the UK Bribery Act 2010. In relation to the Group business in the United States, the Group is subject to the Foreign Corrupt Practices Act 1977 as well as the Office of Foreign Assets Control regulations, in each case, of the United States. Monitoring compliance with anti-money laundering and anti-bribery rules can put a significant financial burden on banks and other financial institutions and requires significant technical capabilities. In recent years, failure to comply with these laws and regulations resulted in several landmark

fines against UK financial institutions. In addition, the Issuer and the Group cannot predict the nature, scope or effect of future regulatory requirements to which it might be subject or the manner in which existing laws might be administered or interpreted. Although the Issuer and the Group believe that their current policies and procedures are sufficient to comply with applicable anti-money laundering, anti-bribery and sanctions rules and regulations, they cannot guarantee that such policies completely prevent situations of money laundering or bribery, including actions by the Issuer's and the Group's employees, for which the Issuer and the Group might be held responsible. Any of such events may have severe consequences, including sanctions, fines and reputational consequences, which could have a material adverse effect on the Group's financial condition and results of operations.

The future of the Issuer's and the Group's business activities are subject to possible interventions by the Government or the disposal of the State's ownership and other interests in the Issuer and the Group

The Issuer and the Group are substantially owned by an agency of the Irish State and accordingly, subject to EU state aid rules, controlled by the Irish Government. Such ownership or control may affect the Issuer's or the Group's operations, financial condition and future prospects.

In order to comply with contractual commitments imposed on the Group in connection with its recapitalisation by the Irish State and with the requirements of EU state aid applicable in respect of that recapitalisation, a relationship framework (the **"Relationship Framework**") was agreed between the Minister for Finance and the Group in March 2012. The Relationship Framework provides the framework under which the relationship between the Minister for Finance and the Group is governed. Under the Relationship Framework, the authority and responsibility for strategy and commercial policies (including business plans and budgets) and conducting the Group's day-to-day operations rest with the board of AIB and its management team, but the appointment and removal of the chairman or chief executive officer of AIB are reserved for the Minister for Finance, and in respect of which the board of AIB may only engage with the prior consent of the Minister for Finance.

Nevertheless, for so long as ownership of the Group remains within Irish State control, there remains a risk of intervention by the Irish Government in relation to the operations and policies of the Group. Furthermore, changes in the political landscape following the next Irish general election, which must occur by April 2016, may lead to changes to the Irish Government's approach to its relationship with the Group. Any intervention by the Irish Government may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Irish Government may sell or otherwise dispose of its ownership and other economic interests in the Issuer and the Group to any private or public entity, including any intergovernmental institution. Any such sale or disposal, and any conditions attaching to it, may materially affect the Issuer's and the Group's operations, financial condition and future prospects.

The Issuer and the Group are subject to Government/European Commission supervision and oversight

As a result of the recapitalisation of AIB by the Irish Government, the Issuer and the Group are subject to various obligations under the Relationship Framework as agreed between the Minister for Finance and the Issuer and the Group in March 2012, and a number of Subscription and Placing Agreements impacting on the Issuer's and the Group's governance, remuneration, operations and lending activities. These obligations are in addition to certain commitments and restrictions on the operation of the Issuer's and the Group's business under the Credit Institutions (Financial Support) Scheme 2008 (the "**CIFS Scheme**") and the NAMA programme, all of which may serve to limit the Issuer's and the Group's operations and place significant demands on the reporting systems and resources of the Issuer and the Group.

As a result of the above mentioned supports by the Government, the Issuer and the Group are also subject to obligations in respect of the European Commission's approval in May 2014 of the Restructuring Plan. In

that respect, the Issuer and the Group have committed to a range of measures relating to customers in difficulty, costs caps and reductions, acquisitions and exposures, coupon payments, promoting competition and the repayment of aid to the State.

The Restructuring Plan commitments impose certain restrictions which restrict the Group's ability to operate its business as it would otherwise have done, which may have a negative impact on the Group's business, operations and competitive situation.

A failure to comply with the Restructuring Plan could lead to the need for further action by the European Commission, which in turn could lead to material and significant adverse outcomes for the Group.

The Issuer's and the Group's participation in the NAMA Programme gives rise to certain residual financial risks

As a participating institution under the NAMA Act, during 2010 and 2011 AIB transferred financial assets to NAMA with a net carrying value of €15.5 billion for which it received as consideration NAMA senior bonds and NAMA subordinated bonds.

Provisions of the NAMA Act provide for certain circumstances in which the Issuer and the Group could face additional liabilities in relation to assets transferred.

In addition, credit exposure to NAMA arises from the senior and subordinated NAMA bonds acquired by AIB in consideration for the transfer of assets to NAMA.

U.S. Foreign Account Tax Compliance Withholding

Whilst the Securities are in global form and held within Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* (together, the "**ICSDs**") in all but the most remote circumstances, it is not expected that the Foreign Account Tax Compliance Act of the United States ("**FATCA**") will affect the amount of any payment received by the ICSDs (see *Taxation – FATCA Withholding*). Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an "IGA") are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make on securities. However, if FATCA withholding were relevant with respect to payments on the Securities, FATCA could affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor, if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also could affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Any person (an "**Investor**") intending to acquire or acquiring any Securities should choose their custodians and intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Securities as a result of FATCA, none of the Issuer, any paying agent or any other person would, pursuant to the Terms and Conditions of the Securities be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

Risks related to business operations, governance and internal control systems

The Issuer and the Group are subject to credit risks in respect of customers and counterparties which could adversely affect the Issuer's and the Group's results, financial condition and future prospects

Risks arising from changes in credit quality and the recoverability of loans and other amounts due from customers and counterparties are inherent in a wide range of the Issuer's and the Group's businesses. In addition to the credit exposures arising from loans to individuals, small and medium size enterprises ("**SMEs**") and corporates, the Issuer and the Group also have exposure to credit risk arising from loans to financial institutions, their trading portfolio, AFS portfolio, derivatives and from off-balance sheet guarantees and commitments. As a result of deteriorating economic conditions in Ireland and the UK beginning in 2008, the Issuer's and the Group's asset quality was significantly impaired and its impairment provisions increased substantially. The Issuer and the Group have been exposed to increased counterparty risk as a result of the risk of financial institution failures during the global economic crisis. The Issuer and the Group are also exposed to credit risks relating to sovereign issuers. Concerns in respect of Ireland and other sovereign issuers, including other European Union Member States, have adversely affected and could continue to adversely affect the financial performance of the Issuer and the Group.

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

The Issuer and the Group have a high level of criticised loans, which are defined as loans requiring additional management attention over and above that normally required for the loan type. Criticised loans include "watch", "vulnerable" and "impaired" loans. As at 31 December 2014, the Group had €33,981 million (the Issuer had €8,340 million) in criticised loans on its statement of financial position, representing 45 per cent. of total loans (38 per cent. of the Issuer's total loans), of which €22,162 million (€4,578 million for the Issuer) were impaired loans, representing 29 per cent. of total loans (21 per cent. of the Issuer's total loans). The Issuer and the Group have been proactive in managing their criticised loans, in particular through restructuring activities and the development of a Mortgage Arrears Resolution Strategy ("**MARS**"), which built on and formalised the Mortgage Arrears Resolution Process ("**MARP**") they were required to introduce in order to comply with the Code of Conduct on Mortgage Arrears (the **"CCMA**"). The Issuer and the Group have reduced the level of criticised loans on their statement of financial position, with criticised loans having decreased by €0.9 billion and €7.8 billion respectively, or 10 per cent. and 19 per cent. respectively, in 2014.

The monitoring of such loans can be time consuming and typically requires case-by-case resolution, which may divert resources from other areas of the Issuer's and the Group's business. The Issuer's and the Group's ability to manage criticised loans may also be adversely affected by changes in regulatory regime or changes in government policy. If the Issuer and the Group are required to continue to devote significant resources to the monitoring of criticised loans, it could have a material adverse effect on the Issuer's and the Group's business, results of operations, financial condition and prospects.

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

Recently, new legislation and regulations have been introduced to the Irish mortgage market which may affect the attitudes of the Issuer's and the Group's customers' towards their debt obligations, and hence their interactions with the Issuer and the Group in relation to their mortgages.

In particular, on 1 July 2013, a revised CCMA came into force. The CCMA requires mortgage lenders to develop a MARP with specific procedures when dealing with borrowers experiencing arrears and financial difficulties. It applies only to mortgages on primary residences. The CCMA requires a lender to wait at least eight months from the date the arrears arose before commencing legal action against a co-operating borrower. Separately, a lender is required to give three months' notice to the borrower before it may commence legal proceedings where the lender is unwilling to offer an alternative repayment arrangement or the borrower is unwilling to accept an alternative repayment arrangement offered by the lender. Accordingly, under the CCMA, a lender is not permitted to commence legal proceedings until three months have passed from the date that such notice is issued (where the lender declines to offer an arrangement or where the borrower does not accept an arrangement offered) or eight months from the date the arrears arose, whichever date is later.

In addition, the Personal Insolvency Act 2012 (the **"Personal Insolvency Act"**) came into force on 26 December 2012. The Personal Insolvency Act introduced a personal insolvency arrangement for the agreed settlement of secured debt up to an amount of €3 million (subject to extension by agreement of all of the debtor's secured creditors) and for unsecured debt, with no limit. The Personal Insolvency Act also introduced an automatic discharge from bankruptcy, subject to certain conditions, after three years instead of 12 years, as had previously been the case. The inclusion of secured debt in the personal insolvency process was a new provision in Ireland's personal insolvency regime. On 13 May 2015 the Irish Government announced its intention to amend the Personal Insolvency Act so as to give the courts the power to review and, where appropriate, to approve personal insolvency arrangements ("**PIA**") which have been rejected by banks or other secured creditors.

The Issuer and the Group have been proactive in developing forbearance solutions for borrowers experiencing arrears and financial difficulties. In accordance with Central Bank requirements, it has developed a MARS, which builds on and formalises the MARP it was required to introduce in order to comply with the CCMA. Nonetheless, there is a risk that legislation and regulations such as the Personal Insolvency Act and the CCMA will result in changes in customers' attitudes towards their debt obligations. Customers may be more likely to default even when they have sufficient resources to continue making payments on their mortgages. This could result in delays in repayments in respect of the Issuer's and the Group's mortgage portfolio and increased impairments, which could have a material adverse effect on their business, results of operations, financial condition and prospects.

In instances where the Issuer or the Group seeks to enforce mortgages (in particular over 'primary residences' as such term is defined in the CCMA), it may encounter delays arising from judicial procedures, which often entail significant delays and legal costs. As a result, enforcement of mortgages in Ireland generally takes significantly longer as compared to certain other jurisdictions such as the UK.

Government policy in relation to mortgages is continuing to evolve and it is possible that further changes in legislation or regulation will be introduced, for example, the Government may seek to influence or regulate how credit institutions set interest rates on mortgages, may amend the Personal Insolvency Act to reduce the entitlements currently afforded to mortgage holders thereunder or may enact other legislation or introduce further regulation that affects the rights of lenders in other ways which could have a material adverse effect on the Issuer's and the Group's business, results of operations, financial condition and prospects.

LTV / loan-to-income ("LTI") related regulatory restrictions on residential mortgage lending may restrict the Issuer's and the Group's mortgage lending activities

The Central Bank has, under the Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Housing Loan Requirements) Regulations 2015 (the "**LTV/LTI Regulations**"), imposed restrictions on Irish residential mortgage lending by lenders that are regulated by the Central Bank (such as the Issuer and the Group). The restrictions impose limits on residential mortgage lending by reference to LTV and LTI ceilings.

The LTV/LTI Regulations impose different LTV limits for different categories of buyers. A limit of 80 per cent. LTV applies to new mortgage lending for non-first time buyers of a PPR. For first time buyers of PPRs, a limit of 90 per cent. LTV applies on the first €220,000 of the value of a residential property and a limit of 80 per cent. LTV applies on any excess thereafter. For non-PPR purchases (e.g., buy-to-let (**"*BTL*"**) properties) a limit of 70 per cent. LTV applies.

In relation to these LTV restrictions, the Issuer and the Group are required:

- in the case of a loan for the purpose of purchasing a PPR, to restrict lending beyond the prescribed LTV limits to no more than 15 per cent. of the aggregate value of all PPR loans advanced between 9 February 2015 and 31 December 2015, and on an annual basis thereafter; and
- in the case of loans other than PPR loans, to restrict lending above 70 per cent. LTV to 10 per cent. of the aggregate value of all such loans advanced during the same periods.

The Issuer and the Group are required to restrict lending above 3.5 times LTI to no more than 20 per cent. of the aggregate value of PPR loans advanced in the relevant period. Mortgages for non-PPR loans are exempt from the LTI limit. These restrictions may adversely affect the level of new mortgage lending the Issuer and the Group are able to undertake, and hence may have a material adverse effect on their business, results of operations, financial condition and prospects. Conversely, a risk also exists that, in seeking to utilise these allowable exceptions for risk-acceptable mortgage underwriting, the Group erroneously breaches the maximum thresholds, and is open to sanction by the Central Bank.

Each of the Issuer and the Group is exposed to risk in respect of the manner in which it determines and maintains interest rates on certain loans

In common with other residential mortgage lenders, each of the Issuer and the Group faces increased scrutiny and focus by the Irish Government, the Oireachtas (Irish legislature) and consumer protection regulators such as the Central Bank and the CCPC, in relation to the level of its interest rates on loans, in particular, its SVR (the rate where the lender has the ability to unilaterally vary the rate, unlike a fixed rate or a rate which tracks changes to an ECB official rate) on PPR mortgage lending.

The Irish Government has expressed concern as to the high level of SVR charged by lenders in the State as compared to those charged by lenders in other EU Member States and requested the main lenders in the State (including the Group and the Issuer) to review the level of their SVR and provide options to reduce monthly repayments to new and existing PPR borrowers such as lower SVR products, competitive fixed rate products and lower variable rates (taking into account LTV). Failing this, the Irish Government has indicated that it may significantly increase the bank levy which currently applies to those lenders or seek to give consumer protection regulators additional regulatory powers or these lenders may face investigation or intervention by those regulators, in relation to the setting and maintenance of SVR by those lenders in the case of PPR mortgage loans.

On 26 May 2015, a bill entitled Central Bank (Emergency Powers) (Variable Interest Rates) Bill 2015 was initiated in the Seanad (the upper house of the Irish legislature) which, if passed into law by both houses of

the Oireachtas, would specifically authorise the Central Bank to impose maximum interest rates on PPR mortgage loans made by certain lenders such as the Issuer and the Group.

In common with other mortgage lenders, the Issuer and the Group are at risk of a review or investigation by regulators such as the Central Bank and the CCPC, and potentially serious sanctions or penalties in respect of any perceived or actual failure to act appropriately when setting interest rates on their mortgage products. Any such review or investigation, and any related litigation or regulatory action, could adversely affect the Issuer's and the Group's business, financial condition, results of operations and profitability, and could result in negative public opinion towards the Issuer and the Group.

In addition, the Issuer's and the Group's mortgage or other interest rates may come under further pressure from competitors in the future.

Increasing competitive pressure or political or regulatory focus on an alignment of mortgage or other interest rates between those from new business and the SVR, or, on an alignment of interest rates with those charged by lenders in other euro area markets, may result in a reduction in the Issuer's and Group's SVR or other interest rates, and any such reduction in those rates could impact adversely the Issuer's and Group's net interest income and net interest margin, which in turn could have a material adverse effect on the Issuer's and the Group's business, financial condition, results of operations and prospects.

The Issuer and the Group face elevated operational risks

Operational risk is defined as risks arising from inadequate or failed internal processes, people and systems, or from external events. The Issuer and the Group face an elevated operational risk profile given the current economic environment and the on-going significant organisational changes.

One of the Issuer's and the Group's key operational risks is people risk. The Issuer's and the Group's efforts to restore and sustain the stability of their business on a long-term basis depend, in part, on the availability of skilled management and the continued service of key members of staff.

Under the terms of the recapitalisation of the Issuer and the Group by the Irish Government, the Issuer and the Group are required to comply with certain executive pay and compensation arrangements as well as a ban on performance-related compensation applicable to employees of Irish banks who have received financial support from the Irish Government. As a result of these restrictions, the Issuer and the Group cannot guarantee that they will be able to attract, retain and remunerate highly skilled and qualified personnel in a highly competitive market. Failure by the Issuer and the Group to staff their day-to-day operations appropriately or failure to attract and appropriately develop, motivate and retain highly skilled and qualified personnel could have an adverse effect on the Issuer's and the Group's results, financial condition and prospects.

The Issuer's and the Group's business is dependent on processing and reporting accurately and efficiently a high volume of complex transactions across numerous and diverse products and services, which often includes personal customer data. Any weakness in these systems or processes including failure of third party processes, infrastructure and services on which the Issuer and the Group rely could have an adverse effect on the Issuer's and the Group's results and on their ability to deliver appropriate customer outcomes during the affected period and/or expose the Issuer and the Group to investigative or enforcement actions by the relevant regulatory authorities. In addition, any breach in security of the Issuer's and the Group's systems (for example from increasingly sophisticated cybercrime attacks), could disrupt their business, result in the disclosure of confidential information or create significant financial and/or legal exposure and the possibility of damage to the Issuer's and the Group's reputation and/or brand.

Risk of litigation arising from the Issuer's and the Group's activities

The Issuer and the Group operate in a legal and regulatory environment that exposes them to potentially significant litigation and regulatory risks. Disputes and legal proceedings in which the Issuer and the Group may be involved are subject to many uncertainties, and the outcomes of such disputes are often difficult to predict, particularly in the early stages of a case or investigation. Adverse regulatory action or adverse judgments in litigation could result in a monetary fine or penalty, adverse monetary judgement or settlement and/or restrictions or limitations on the Issuer's and the Group's operations or result in a material adverse effect on the Issuer's and the Group's reputation.

The Issuer and the Group may be subject to the risk of having insufficient capital to meet increased minimum regulatory requirements

The Issuer and the Group are subject to minimum capital requirements as set out in CRD IV and implemented under the SSM. CRD IV is designed to strengthen the regulation of the banking sector and to implement the Basel III agreement in the EU legal framework. On 31 March 2014, the Minister for Finance signed into Irish law two regulations to give effect to CRD IV. The European Union (Capital Requirements) Regulations 2014 gave effect to CRD IV and the European Union (Capital Requirements) (No.2) Regulations 2014 gave effect to a number of technical requirements in order to ensure that the CRR can operate effectively in Irish law. CRD IV measures include:

- enhanced requirements for quality and quantity of capital. CRD IV also harmonises the deductions from own funds in order to determine the amount of regulatory capital that is prudent to recognise for regulatory purposes. Certain of the new provisions of CRD IV are being introduced on a phased basis from 2014, typically on the following basis: 20 per cent. in 2014, 40 per cent. in 2015, 60 per cent. in 2016, 80 per cent. in 2017 and 100 per cent. in 2018. The main exception to this relates to the deduction for the deferred tax asset which will be deducted at 10 per cent. per year commencing in 2015. The Issuer and the Group commenced reporting to its regulators under the transitional CRD IV rules during 2014;
- the LCR, which will require banks to have sufficient high quality liquid assets to withstand a 30-day stressed funding scenario that is specified by supervisors;
- the NSFR, which is a longer term structural ratio designed to address liquidity mismatches. The NSFR provides incentives for banks to use stable funding;
- a leverage ratio, which is designed to act as a non-risk sensitive back-stop measure to reduce the risk of build-up of excessive leverage in an individual bank and the financial system as a whole. The implications of the leverage ratio will be closely monitored prior to its possible move to a binding requirement on 1 January 2018;
- a single set of harmonised prudential rules which banks throughout the EU must respect. The new rules remove a large number of national options and discretions that were previously available; and
- certain other measures including enhanced governance, sanctions, capital buffers, remuneration controls and improved transparency.

As a result of these requirements banks in the EU have been, and will continue to be required to increase the quantity and the quality of their regulatory capital. Given this regulatory context, and the levels of uncertainty in the current economic environment, there is a possibility that the economic outturn over the Issuer's and the Group's capital planning period may be materially worse than expected and/or that losses in the Issuer's and the Group's credit portfolio may be above forecast levels. Were such losses to be significantly greater than currently forecast or capital requirements for other material risks to increase significantly, there is a risk that the Issuer's and the Group's capital position could be eroded in such a way that it would have insufficient capital to meet their regulatory requirements. In particular, capital levels

may be negatively affected by volatility arising from the pension schemes and the AFS portfolio values. The SSM's assessment of the Group's capital position may also change as a result of any assessment and supervisory review of the Group's capital model.

The Issuer and the Group are also subject to stress tests carried out by regulators. In particular, in October 2014, the results of the European wide Comprehensive Assessment, a stress-testing exercise conducted by the European Banking Authority (the "**EBA**") and the ECB in conjunction with the Central Bank, were published. The results of the Comprehensive Assessment confirmed that the Issuer and the Group had capital buffers comfortably above minimum requirements under all stress test assessment scenarios. The Issuer and the Group therefore did not require any additional capital as a result of the Comprehensive Assessment process. However, future assessments carried out by the relevant regulatory authorities may result in the Issuer and the Group being required to increase their capital or to take other appropriate actions to address matters raised in the assessments.

Furthermore, the €3.5 billion of non-cumulative redeemable preference shares AIB issued in 2009 (the "**2009 Preference Shares**") will cease to qualify as core tier 1 capital for CRD IV purposes ("**CET1**") after 31 December 2017. The Group may need to replace the 2009 Preference Shares prior to that date with further CET1 capital in order to maintain its capital ratios. There can be no assurance that it will be able to do so or if so, whether on favourable terms.

The Issuer's and the Group's deferred tax assets depend substantially on the generation of future profits over an extended number of years

The Issuer's and the Group's business performance may not reach the level assumed in the projections supporting the carrying value of the deferred tax assets. Lower than anticipated profitability within Ireland and the UK would lengthen the anticipated period over which the Issuer's Irish and the Group's Irish and UK, tax losses would be used. The value of the deferred tax assets relating to unused tax losses constitutes substantially all of the deferred tax assets recognised in the Issuer's and the Group's statement of financial position. A significant reduction in anticipated profit, or changes in tax legislation (such as legislation introduced in the UK restricting the proportion of a bank's taxable profit that can be offset by certain carried forward losses to 50 per cent.), regulatory requirements, accounting standards or relevant practices, could adversely affect the basis for recognition of the value of these losses, which would adversely affect the Issuer's and the Group's results and financial condition, including capital and future prospects.

The Issuer and the Group are also exposed to the risk of changes in tax legislation, interpretation or practices.

The new capital adequacy rules under CRD IV require the Issuer and the Group, inter alia, to deduct from their CET1 the value of most of the Issuer's and the Group's deferred tax assets, including all deferred tax assets arising from unused tax losses. This deduction from CET1 is to be phased in evenly over 10 years commencing in 2015.

The value of certain financial instruments recorded at fair value is determined using financial models incorporating assumptions, judgements, and estimates that may change over time, or may ultimately turn out to be inaccurate, and the value realised by the Issuer and the Group for these assets may be materially different from their current, or estimated, fair value

In accordance with International Financial Reporting Standards ("**IFRS**"), the Issuer and the Group recognise at fair value:

(i) derivative financial instruments; (ii) financial instruments at fair value through profit or loss; (iii) certain hedged financial assets and financial liabilities; and (iv) financial assets classified as AFS.

The best evidence of fair value is quoted prices in an active market. Disruption to quoted prices increases reliance on valuation techniques which requires the use of judgement in the estimation of fair value. This judgement includes, but is not limited to, evaluating available market information, determining the cash

flows for the instruments, identifying a risk free discount rate and applying an appropriate credit spread. Valuation techniques that rely to a greater extent on non-observable data require a higher level of management judgement to calculate fair value than those based on wholly observable credit spreads.

The choice of contributors, the quality of market data used for pricing, and the valuation techniques used are all subject to internal review and approval procedures. Given the uncertainty and subjective nature of valuing financial instruments at fair value, any change in these variables could give rise to the financial instruments being carried at a different value, with a consequent impact on the Issuer's and the Group's results, financial condition and future prospects.

The Issuer's and the Group's risk management strategies and techniques may be unsuccessful

The Issuer and the Group are exposed to a number of material risks, such as strategic risk, credit risk, capital risk, liquidity risk, market risk, operational risk and conduct risk. Although the Issuer and the Group invest substantially in their risk management strategies and techniques, there is a risk that these fail to fully mitigate the risks in some circumstances.

Furthermore, senior management are required to make complex judgements and there is a risk that the decisions made by senior management may not be appropriate or yield the results expected or that senior management may be unable to recognise emerging risks in order to take appropriate action in a timely manner.

The Issuer and the Group are subject to model risk

The Issuer and the Group develop and use models across a range of risks and activities including, but not limited to, capital management, credit grading, valuations, liquidity, pricing and stress testing. Where the Issuer and the Group use risk measurement techniques based on historical observations, there is a risk that these under or over-estimate exposure to the extent that future market conditions deviate from historic norms. As a result, the Issuer and the Group may experience material unexpected losses.

The Issuer and the Group may incur losses as a result of inaccuracies in these models, the data used to build them or decisions made based on incomplete understanding of these models.

If the Issuer's and the Group's models are not effective in estimating their exposure to various risks or their models prove to be inaccurate, their business, financial condition, results of operations and prospects would be materially adversely affected.

Negative impacts on the Issuer's and the Group's reputation may impact their financial performance

Damage to the Issuer's and the Group's reputation may adversely affect relationships with the Issuer's and the Group's stakeholders including customers, staff and supervisors. Such damage may lead to impacts on the Issuer's and the Group's capability to attract and retain customers, attract, motivate and retain staff and engage positively with supervisors. This may lead to impacts on the Issuer's and the Group's ability to conduct their affairs and, in turn, on the financial performance of the Issuer and the Group.

RISKS RELATING TO THE SECURITIES

Securities are obligations of the Issuer only

Securities will constitute unsubordinated obligations of the Issuer secured by a statutory preference under the ACS Act on the Pool maintained by the Issuer. An investment in Securities involves a reliance on the creditworthiness of the Issuer. The Securities are not guaranteed by AIB or by the Government or the State.

In addition, an investment in Securities involves the risk that subsequent changes in the actual or perceived creditworthiness of the Issuer or other entities (including AIB or the State) may adversely affect the market value of the relevant Securities.

Obligations under the Securities

The Securities will not represent an obligation or be the responsibility of any of the Arrangers or the Dealers or any person other than the Issuer. The Issuer will be liable solely in its corporate capacity for its obligations in respect of the Securities and such obligations will not be the obligations of its officers, members, directors, employees, security holders or incorporators. Although the Issuer is an unlimited company and AIB is a member of the Issuer, AIB will not be acting as a guarantor and Security holders will have no right of recourse against AIB. Only the liquidator of the Issuer or the courts may proceed against AIB to require it as a member of an unlimited company to make a contribution on the winding-up of the Issuer. No agency or organ of the State is a guarantor of the Securities.

Reliance on ACS Act

The Issuer is at the date of this Base Prospectus only one of three Institutions registered under the ACS Act, another of which (EBS Mortgage Finance) is also a member of the Group. The protection afforded to the Security holders by means of a preference on the Cover Assets included in the Issuer's Pool is based solely on the ACS Act. See *Insolvency of Institution*s.

Any amendments to, or repeal of, provisions of the ACS Act may have an adverse effect on the Securities.

It is not at the date of this Base Prospectus possible to determine conclusively all potential implications of the recently-introduced RRD Regulations on the ACS Act. See *The RRD contains resolution tools that may have a material adverse effect on the Group*.

Secondary market for Mortgage Covered Securities

No assurance can be given as to the existence, continuation or effectiveness of any market-making activity or as to whether any secondary market or liquidity may develop with respect to the Securities.

Although application has been made to list the Securities on the Official List of the ISE and to admit the Securities to trading on the regulated market of the ISE, Securities may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Securities easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Securities that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors or where Securities are issued for the purpose of the Group accessing funding or liquidity from central bank monetary policy operations. These types of Securities generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Securities.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Securities in the Specified Currency (as defined in the Terms and Conditions). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities

with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the equivalent yield on the Securities in the Investor's Currency, (ii) the equivalent value of the principal payable on the Securities in the Investor's Currency and (iii) the equivalent market value of the Securities in the Investor's Currency.

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

Credit rating risks

One or more independent credit rating agencies may assign credit ratings to an issue of Securities. The ratings may not reflect the potential impact of all risks related to structure, market, the additional factors discussed above, and other factors that may affect the value of the Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. A credit rating agency may lower or withdraw its rating in respect of the Securities and that action may reduce the market value of the Securities.

However, the rating methodology employed by a rating agency with respect to Securities may link the rating applicable to the Securities with the rating applicable to AIB. Such a methodology may, for example, include a ceiling on 'notching up' so that the Securities may not be assigned a rating higher than a specified number of notches above the rating applicable to AIB. The credit ratings of Securities may also be subject to a ceiling or otherwise linked by reference to a credit rating applicable to other entities, including the credit rating applicable to Irish sovereign debt.

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

Extended maturity of the Securities

If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of Securities and the Issuer fails to redeem at par all of those Securities in full on the Maturity Date, the maturity of the principal amount outstanding of the Securities will automatically be extended to the Extended Maturity Date, specified in the applicable Final Terms. In that event, the Issuer may redeem at par all or part of the principal amount outstanding of those Securities on an Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date. In that event also, the interest payable on the principal amount outstanding of those Securities will change as provided in the applicable Final Terms and such interest may apply on a fixed or floating basis. The extension of the maturity of the principal amount outstanding of those Securities from the Maturity Date up to the Extended Maturity Date will not result in any right of Security holders to accelerate payments on those Securities or constitute an event of default for any purpose and no payment will be payable to the Security holders in that event other than as set out in the terms and conditions of the Securities (the "**Conditions**") (see *Terms and Conditions of the Securities*) and the applicable Final Terms (see *Final Terms for Securities)*.

Increases in Overcollateralisation Percentage may be reversed

The Overcollateralisation Percentage is relevant to the level of Contractual Overcollateralisation applicable to a Series of Securities, see *Cover Assets Pool - The Pool maintained by the Issuer- Overcollateralisation*. The Conditions provide that the Overcollateralisation Percentage will be specified in the Final Terms for a Series of Securities and will not, for so long as the Securities are outstanding, be reduced by the Issuer below the percentage specified in the applicable Final Terms relating to that Series of Securities.

The Conditions contemplate that the Overcollateralisation Percentage may be increased by the Issuer from time to time. However, any such increase may be reversed by the Issuer in whole or part at any time subject to the provisions of Condition 11(c). Such a reversal may occur where the increased Overcollateralisation Percentage is no longer required (i) to support the then credit rating of the Securities by any credit rating agency then appointed by the Issuer in respect of the Securities or (ii) for the Securities to meet the requirements of level 1 assets or level 2 assets for the purposes of the LCR Commission Regulation (as defined under *Cover Assets*

Pool– Overcollateralisation). However, such a reversal is not permitted under the Conditions if to do so would result in any credit rating then applying to the Securities by any credit rating agency appointed by the Issuer in respect of the Securities being reduced, removed, suspended or placed on credit watch.

Accordingly, investors in the Securities should be aware that any increase in the Overcollateralisation Percentage subsequent to an issue of Securities may be reversed by the Issuer in whole or part at any time subject to the provisions of Condition 11(c).

Sharing of Pool

The Cover Assets included in the Pool benefit not only the holders of the Securities but also other preferred creditors of the Issuer. These preferred creditors are all other holders of the Issuer's Mortgage Covered Securities (whether outstanding at the date of this Base Prospectus or in the future), counterparties under cover assets hedge contracts at the date of this Base Prospectus or in the future (provided that such counterparties fulfil their financial obligations under the relevant cover assets hedge contracts), the Monitor, any manager appointed to the Issuer and, a Pool security trustee appointed by the Issuer, in each of the above cases, whether at the date of this Base Prospectus or in the future. None of the Cover Assets in the Pool are or will be exclusively available to meet the claims of the holders of the Securities ahead of such other preferred creditors of the Issuer at the date of this Base Prospectus or in the future. In addition, the claims of super-preferred creditors of the Issuer (being the Monitor, any such Pool security trustee and any manager appointed to the Issuer) rank ahead of those of other preferred creditors.

Dynamic nature of the Pool

The Pool may contain mortgage credit assets, substitution assets and cover assets hedge contracts, subject to the limitations provided for in the ACS Act. At the date of this Base Prospectus, the Pool contains mortgage credit assets, substitution assets and cover assets hedge contracts in accordance with the ACS Act. The ACS Act permits the composition of the Pool to be dynamic and does not require it to be static. Accordingly, the composition of mortgage credit assets (and other permitted assets) comprised in the Pool will change from time to time in accordance with the ACS Act. A mortgage credit asset, cover assets hedge contract or substitution asset may only be included in or removed from the Pool if the Monitor agrees to its inclusion or removal and it is permitted by the ACS Act. Accordingly, any changes to mortgage credit assets, cover assets hedge contracts, or substitution assets comprised in the Pool from time to time will require the Monitor's approval. See *Cover Assets Pool*.

Types of mortgage credit assets that may be included in the Pool

A mortgage credit asset includes a loan secured over commercial property as well as one secured over residential property. Under the ACS Act, a mortgage credit asset also includes a mortgage credit asset in securitised form ("**securitised mortgage credit assets**"); namely, residential mortgage backed securities ("**RMBS**") or commercial mortgage backed securities ("**CMBS**"). Accordingly, subject to the limits set out in the ACS Act, the Pool may include mortgage credit assets the related loans under which are secured over commercial property or certain CMBS or RMBS. At the date of this Base Prospectus, the Issuer has not included and does not propose to include CMBS or RMBS in the Pool or to acquire or make loans which are primarily secured over commercial property or accordingly, to include mortgage credit assets comprising such loans in the Pool, as permitted by the ACS Act. See *Restrictions on the Activities of an Institution* and *Cover Assets Pool.*

The financial performance and market value of any RMBS or CMBS may be adversely affected by, amongst other things, (i) financial deterioration of or other adverse factors affecting the originator, servicer or underlying borrowers, (ii) transactions being downgraded or placed on credit watch by rating agencies, (iii) adverse economic, environmental, climatic or other events in the countries, regions or areas where the underlying properties are situated, (iv) adverse changes in underlying property values, (v) adverse regulatory changes affecting investors or (vi) adverse conditions in the capital markets relating to the availability of credit, liquidity or otherwise.

Location of property related to mortgage credit assets

At the date of this Base Prospectus, the Pool consists of residential loans primarily secured on residential properties in Ireland with a significant degree of concentration on the Dublin area. The ACS Act permits (and

the Terms and Conditions of the Securities do not prohibit) the inclusion by the Issuer in the Pool of mortgage credit assets located in any Member State of the EEA and subject to certain limits and criteria, in the United States of America, Canada, Switzerland, Japan, Australia and New Zealand. See *Cover Assets Pool*.

The location (for the purposes of the ACS Act) of mortgage credit assets which are included in the Pool may change and no restriction will apply to the Issuer acquiring or making mortgage credit assets the related properties under which may be situated outside Ireland or to the inclusion of relevant mortgage credit assets in the Pool, other than those restrictions which apply under the ACS Act (see *Restrictions on the Activities of an Institution and Cover Assets Pool*).

Deposits / cover assets hedge contract counterparties

The ACS Act permits the inclusion in the Pool of substitution assets in the form of deposits and cover assets hedge contracts subject to certain restrictions under the ACS Act. In addition, the Issuer may from time to time hold Pool Hedge Collateral posted in cash which is protected under the ACS Act in a manner similar to Cover Assets.

At the date of this Base Prospectus: (i) the substitution assets comprised in the Pool are deposits with Barclays Bank PLC, a credit institution whose principal office in London is at One Churchill Place, Canary Wharf, London, E14 5HP, United Kingdom ("**Barclays**"); (ii) the cover assets hedge contract comprised in the Pool has been entered into by the Issuer with AIB on 29 March 2004 in the form of an International Swap Dealers Association master agreement and credit support annex (as supplemented by transaction confirmations, the "**Pool Hedge**") and (iii) Pool Hedge Collateral posted in cash with the Issuer is held on deposit at AIB.

Deposits or cover assets hedge contracts may be made by the Issuer with counterparties other than AIB or Barclays, subject to the restrictions in the ACS Act (see *Restrictions on the Activities of an Institution* and *Cover Assets Pool*).

The Issuer may from time to time enter into arrangements (including banking and standby banking arrangements) with one or more counterparties for the transfer of deposits to, and/or the making of deposits with, such counterparties, including in circumstances where a counterparty with which the Issuer holds deposits would no longer (i) be a suitable counterparty in respect of deposits having regard to the requirements of the ACS Act (see *Cover Assets Pool - The Pool maintained by the Issuer- Substitution Assets*) and/or (ii) meet the rating criteria of any rating agency appointed at the relevant time to provide credit ratings in respect of any of the Issuer's then outstanding Securities.

Cover assets hedge contracts

At the date of this Base Prospectus, the Pool Hedge only hedges the interest rate exposure with respect to mortgage credit assets located in Ireland for the purposes of the ACS Act and which are secured on Irish residential property, denominated in euro and included in the Pool and with respect to Mortgage Covered Securities which are primarily denominated in euro. If the Issuer includes in the Pool mortgage credit assets which are secured on commercial property, mortgage credit assets (whether secured on residential property or commercial property) which are located outside of Ireland for the purposes of the ACS Act, mortgage credit assets not denominated in euro, certain RMBS or CMBS, or issues Mortgage Covered Securities not denominated in euro, the Pool Hedge does not hedge any interest rate risk and/or, as applicable, currency risk, associated with those assets or as applicable, Mortgage Covered Securities unless further transactions are entered into under the Pool Hedge - see *Risk Management at the Issuer – Non-trading interest rate risk*. The Issuer is entitled but not required under the ACS Act to enter into cover assets hedge contracts.

Default of Issuer's Assets

A borrower under a residential loan may default on its obligation under that residential loan. Defaults under residential loans are subject to credit, liquidity interest rate, legal and regulatory risks and rental yield reduction (in the case of investment residential properties) and are often connected with negative changes in market interest rates, international, national or local economic conditions, the financial standing of borrowers, property values or with unemployment, death, illness or relationship breakdown affecting borrowers or similar factors to the above factors. See *Risk Factors– Irish housing/residential loan market.*

Default of the Issuer's assets (in particular of Cover Assets comprised in its Pool) could jeopardise the Issuer's ability to make payments in full or on a timely basis on the Securities. Risks attaching to the Securities as a result of default of Cover Assets in the Issuer's Pool are reduced by a number of features of the ACS Act, including overcollateralisation of the Pool and the Issuer's ability to substitute assets to and from its Pool. However, if a material amount of Cover Assets in the Issuer's Pool were to default, there is no guarantee that the required level of overcollateralisation could be maintained or that the Issuer would be in a position to substitute non-defaulting assets for the defaulting assets. The level of default of residential loans in Ireland, including those held by the Issuer, has been increasing until recently due to the deterioration in economic conditions in Ireland experienced in the recent past.

While the level of accounts over ninety days in arrears in Ireland has stabilised and started to decrease since the fourth quarter of 2013 heightened risk of default of the Issuer's assets remains, impacted by factors such as unemployment levels, increased levels of personal taxation and negative equity.

Payments by Borrowers and collection of residential loans

At the date of this Base Prospectus, payments of principal and interest by borrowers in respect of mortgage credit assets comprised in the Pool are usually made monthly in respect of the residential loans held by the Issuer. Such payments are collected by AIB as the Mortgage Servicer under the terms of the Outsourcing Agreement (both as defined at *Description of the Issuer Mortgage Servicing)* and are credited at least on a monthly basis into an account maintained by the Issuer with Barclays. Failure by AIB (including in circumstances where AIB is wound up) to remit to the Issuer funds received by AIB and to which the Issuer is entitled could adversely affect the Issuer's financial condition and its ability to make payments on the Securities. See *Irish Residential Loan Origination and Servicing – Mortgage Servicing.*

Value and realisation of security over residential property

The security for a residential loan included in the Pool consists of, amongst other things, the Issuer's interest in security over a residential property. The value of this security and accordingly, the level of recoveries on an enforcement of the security, may be affected by, among other things, a decline in the value of residential property, priority of the security, regulatory requirements applicable to enforcement of such security, changes in law, regulation or government policy and decisions of the courts relevant to a particular security or to such type of security generally. No assurance can be given that the values of relevant residential properties will not decline or since origination have not declined or whether other creditors may have a security interest senior to the Issuer's. However, in this regard, it should be noted that one of the lending criteria currently applied in respect of the Irish residential lending by the Issuer is that the security taken by the Issuer is a first legal mortgage/charge on the residential property (see further *Irish residential loan origination and servicing – Lending Criteria – Security*).

Where the Issuer enforces security over a residential property, realisation of that security is likely to involve sale of that residential property with vacant possession. The ability of the Issuer to dispose of a residential property without the consent of the borrower will depend on applicable law at the relevant time, regulatory requirements in respect of residential mortgage enforcement, a court granting vacant possession, the relevant property market conditions at the relevant time and the availability of buyers for the relevant residential property.

See *Certain Aspects of Regulation of Residential Lending in Ireland - Land and Conveyancing Law Reform Acts.*

Mortgage Arrears Regulatory Requirements

The CCMA is a code of practice relevant to the enforcement of residential mortgages by mortgage lenders (including the Issuer). The CCMA requires a lender to wait at least eight months from the date the arrears arose before commencing legal action against a co-operating borrower. Separately, a lender is required to give three months' notice to the borrower before a lender may commence legal proceedings where the lender is unwilling to offer an alternative repayment arrangement or the borrower is unwilling to accept an alternative repayment arrangement offered by the lender. Accordingly, under the CCMA a lender is not permitted to commence legal proceedings until three months have passed from the date that such notice is issued (where the lender declines to offer an arrangement or where the borrower does not accept an arrangement offered) or eight months from the date the arrears arose, whichever date is later.

The CCMA applies to the mortgage loan of a borrower which is secured on the borrower's primary residence. Lenders are required to establish a MARP as a framework for handling arrears and pre-arrears cases and where alternative repayment arrangements expire or are breached by the borrower. The CCMA affects the timeline and the procedure for the Issuer's enforcement of its security over a borrower's primary residence.

MART

In 2013, the Central Bank applied mortgage arrears resolution targets ("**MART**") which set performance targets for the main Irish mortgage credit institutions (including the Issuer) in relation to mortgages in arrears for proposing and concluding sustainable solutions for borrowers in arrears over 90 days. The first targets were for the quarter ending 30 June 2013 and applied to proposals only. Subsequent targets have become progressively more demanding as time passes. The targets apply to Irish mortgages in arrears whether in the nature of principal dwelling home/primary residence or BTL mortgages. The Central Bank stated that it would consider regulatory action, including the imposition of additional capital requirements, for Irish credit institutions that fail to meet targets or which demonstrate poor resolution strategies or poor execution of their strategies.

In September 2013 the Central Bank set targets for 'concluded' arrangements with mortgage arrears customers by Irish mortgage credit institutions (including the Issuer) expecting those institutions to have concluded arrangements with 15 per cent of their over 90-day mortgage arrears customers by end of December 2013. Effective from the first quarter of 2014, a new target was introduced for the percentage of concluded cases in respect of which terms are being met by the customer. This target for cases with terms being met was set at 75 per cent. of all cases concluded at the end of the relevant quarter. The last MART targets issued by the Central Bank were for the fourth quarter of 2014 with proposals set at 85 per cent, conclusions set at 45 per cent and terms met set at 75 per cent. The Group has met all Central Bank MART targets to date including the targets for the fourth quarter of 2014.

In March 2015, the Central Bank advised that MART reporting will continue and sustainable solutions should be concluded for the vast majority of distressed borrowers by the end of 2015 and that banks also should continue to meet the "terms being met" target of 75 per cent to the end of 2015 and beyond.

The Central Bank measures referred to above may adversely affect the Issuer's and the Group's businesses and the value of their respective assets, and hence the value of Securities and the Issuer's ability to meet its obligations in respect of the Securities.

Recent developments in case law relating to repossession of family homes

Recent case law in relation to the repossession of family homes may have an adverse impact on the enforceability of certain residential mortgages. In the two High Court decisions in *Stepstone Mortgage Funding Limited v Fitzell* [2012] IEHC 142 and *Irish life & Permanent v Duff & Anor* [2013] IEHC 43 the court refused to grant an order for repossession of a family home on the basis, amongst other things, that the mortgage lender had failed to comply with the CCMA.

Accordingly, there is a risk that an Irish court may refuse to grant a mortgage lender an order for repossession on the basis of a finding of non-compliance with regulatory requirements, in particular the requirements under the CCMA.

Consumer Protection Code 2012

A revised Consumer Protection Code which was published by the Central Bank became effective from 1 January 2012 (the "**Consumer Protection Code 2012**") - see *Certain Aspects of Regulation of Residential Lending in Ireland – Consumer Protection Code 2012*. The Consumer Protection Code 2012 sets out how regulated entities must deal with and treat personal consumers who are in arrears on a range of loans, including BTL mortgages. However, the Consumer Protection Code 2012 does not apply to the extent that the loan is a mortgage loan to which the CCMA applies.

The Consumer Protection Code 2012 affects the timeline and the procedure for the Issuer's enforcement of security over a residential property falling within its scope. Amongst other things, under the Consumer Protection Code 2012, the regulated entity is required to (i) make certain information available to the personal consumer within certain time periods, and (ii) seek to agree an approach which would assist the personal consumer in resolving the arrears, and explain any revised payment arrangement agreed with the personal

consumer. In particular, the regulated entity is required to notify the personal consumer of the potential for legal proceedings and proceedings for repossession of the property, and is prohibited from initiating more than three unsolicited communications to a personal consumer in respect of the arrears.

The Central Bank measures referred to above may adversely affect the Issuer's and the Group's businesses and the value of their respective assets, and hence the value of Securities and the Issuer's ability to meet its obligations in respect of the Securities.

Initiatives to deal with residential mortgage arrears

The Group (including the Issuer) has introduced a number of initiatives to deal with residential mortgage arrears. In addition to standard forbearance solutions, such as interest only and term extensions, advanced forbearance solutions such as split loans and negative equity trade down loans have been introduced.

The changes in the supervision and regulation of residential mortgage lenders dealing with residential mortgage arrears and the responses of residential mortgage lenders to these in terms of the management of residential mortgage arrears and debt settlement may materially affect the Issuer's and the Group's business (including its financial condition and results) and hence the Issuer's ability to meet its obligations in respect of the Securities. As the residential mortgage arrears position evolves, there is a risk that there will be additional supervision and regulation requirements imposed on the Issuer and the Group and further changes to the Personal Insolvency Act which may in turn affect the Issuer's and the Group's business (including their financial condition and results) and hence the Issuer's ability to meet its obligations in respect of the Securities.

Personal Insolvency Act

The Personal Insolvency Act provides for reforms to the Bankruptcy Act 1988, including, notably, a reduction of the duration of the period before which a bankruptcy is automatically discharged from 12 years to 3 years.

The Personal Insolvency Act also provides for three new insolvency processes, one of which is a PIA for the agreed settlement or restructuring of qualifying secured debts of up to €3 million (although this cap can be increased with the consent of all secured creditors) and the agreed settlement of qualifying unsecured debt, over a period of up to 6 years and subject to majority creditor approval, involving class approvals.

The PIA process involves the issuance of a protective certificate which, for so long as this protective certificate is in effect, precludes enforcement and related actions by creditors.

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

The Personal Insolvency Act provides that nothing in it affects the operation of the ACS Act.

A key risk arising from the introduction of the Personal Insolvency Act relates to potential changes in customer behaviour and attitude to debt obligations given that Personal Insolvency Act allows for the agreed settlement of unsecured debt and the settlement/restructuring of secured debts up to a limit of €3 million (or without limit, on the consent of all the secured creditors). The inclusion of secured debt in the non-judicial process is unprecedented, and therefore, it is difficult to assess the future impact on the Issuer's and the Group's business. While a borrower is required to have co-operated with the secured creditor's MARP in respect of his or her PPR before availing of a PIA, there is no such requirement to co-operate with a secured creditor in respect of non-principal private residences. These factors could impact on the potential number of customers availing of the new insolvency processes, with potential negative consequences for the Group and the Issuer in terms of resourcing, impairment provisions and capital adequacy.

The Personal Insolvency Act may adversely affect the Issuer's and the Group's businesses and the value of their respective assets, and hence the value of Securities and the Issuer's ability to meet its obligations in respect of the Securities.

According to the Insolvency Service of Ireland (the "**Insolvency Service**") published data (source: http://www.isi.gov.ie/en/ISI/Pages/Statistics), since the Insolvency Service began taking PIA applications in September 2013 there have been 1204 PIA applications made, in which the total secured debt relating to PPRs was €439 million. 748 of these applications have moved to the court issued protective certificate stage. Whilst the Insolvency Service acknowledges that the overall activity levels are lower than expected, numbers are starting to grow quarter on quarter as evidenced in the first quarter of 2015 where there was a 7% increase in PIA protective certificates issued. The published data also provides figures for bankruptcy adjudications: 668 as of the first quarter of 2015 representing a total debt of more than €705 million made up of 75% secured debt and 25% unsecured debt. This information has been accurately reproduced from the website of the Insolvency Service and as far as the Issuer is aware and is able to ascertain from information published by the Insolvency Service, no facts have been omitted which would render the information reproduced in this Base Prospectus inaccurate or misleading.

Further information in relation to the Personal Insolvency Act is set out below at *Certain Aspects of Regulation of Residential Lending in Ireland - Personal Insolvency Act.*

Status of the Securities in the event of insolvency of the Issuer

The ACS Act varies the general provisions of Irish insolvency law which would otherwise apply with respect to an Institution, Cover Assets, cover assets hedge contracts, Pool Hedge Collateral and Mortgage Covered Securities on the insolvency of the Institution and replaces them with a special insolvency regime applicable to Institutions. See further *Insolvency of Institutions*.

Part 7 of the ACS Act provides, amongst other things, that if an Institution (or where the Institution has a parent entity or a company that is related to the Institution, the parent entity or related company) becomes subject to an insolvency process (as defined in the ACS Act), all Mortgage Covered Securities issued by the Institution remain outstanding, subject to the terms and conditions specified in the security documents under which those Mortgage Covered Securities are created.

Accordingly, subject to the terms and conditions of the Securities, the ACS Act does not give the holders of the Securities or any other person the right to accelerate the obligations of the Issuer under the Securities in the event of insolvency of the Issuer, AIB (as the Issuer's parent entity) or any other company related to the Issuer. See *Insolvency of Institutions – Effect under the ACS Act of insolvency, potential insolvency or insolvency process with respect to an Institution* for further information.

The Terms and Conditions of the Securities contain no contractual events of default or right to accelerate the Securities on a failure to pay, insolvency of the Issuer or otherwise. If the Issuer fails to make a payment when due or becomes insolvent, then the Securities remain outstanding in accordance with their terms (including Final Terms) and the ACS Act.

Amortisation of mortgage credit assets

Loans comprised in mortgage credit assets which are included from time to time in the Pool are and will generally be subject to amortisation of principal on a monthly or other periodic basis. They are also subject to early repayment of principal at any time in whole or part by the relevant borrowers, subject in the case of loans carrying a fixed interest rate to the payment by the borrower of compensation related to the fixed interest rate. In addition, loans comprised in mortgage credit assets which are included in the Pool will generally have interest payable on a monthly basis. Payments of principal on mortgage credit assets as set out above results in the Issuer requiring to include further mortgage credit assets and/or substitution assets in the Pool on a regular and ongoing basis in order for the Issuer to comply with the financial matching and regulatory overcollateralisation requirements under the ACS Act and with contractual undertakings in respect of overcollateralisation (see *Cover Assets Pool*).

Risks related to the structure of a particular issue of Securities

A wide range of Securities may be issued under the Programme. Potential investors should consider the terms of Securities before investing.

Interest rate risks

Investment in Fixed Rate Securities involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Securities.

Investment in Floating Rate Securities involve the risk in a low interest rate environment that interest rates on such Securities may be nil.

Legal investment considerations may restrict certain investments

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

Clearing Systems

Securities issued under the Programme may be represented by one or more Global Securities. Such Global Securities will be deposited with a common depositary, or, as applicable, common safekeeper, for Euroclear and Clearstream, Luxembourg (the "**Clearing Systems**"). Except in the circumstances described in the relevant Global Security, investors will not be entitled to receive Securities in definitive form. The Clearing Systems will maintain records of the beneficial interests in the Global Securities. While Securities are represented by one or more Global Securities, investors will be able to trade their beneficial interests only through the Clearing Systems.

Because the Global Securities are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on the clearing system procedures for transfers, payments and communication with the Issuer.

In relation to any issue of Securities issued in global form which have a minimum denomination and are tradeable in the Clearing Systems in amounts above that minimum denomination, but those tradeable amounts are not integral multiples of that minimum denomination, those Securities may be traded in principal amounts which are not integral multiples of that minimum denomination. If those Securities are required to be exchanged into Securities in definitive form, a holder of Securities who, as a result of trading such amounts, holds a principal amount of Securities which is not an integral multiple of the minimum denomination will not receive a Security in definitive form in respect of the principal amount of Securities in excess of the principal amount equal to the nearest integral multiple of the minimum denomination held by that holder, unless that holder purchases a further principal amount of Securities such that the aggregate principal amount of its holding then becomes an integral multiple of the minimum denomination. The Issuer does not authorise in any circumstances the trading of Securities in a principal or nominal amount less than the applicable minimum denomination specified in the applicable Final Terms.

No due diligence

None of the Arrangers or the Dealers have or will undertake any investigations, searches or other actions in respect of any Cover Assets contained or to be contained in the Pool but will instead rely on representations and warranties provided by the Issuer in the Programme Agreement (see *Subscription and Sale, Transfer and Selling Restrictions and Secondary Market Arrangements*).

Interests of the Dealers

Certain of the Dealers (including AIB) and their affiliates have engaged, and may in the future, engage in investment banking, commercial banking, monetary policy and/or other financing transactions with, and may perform services for, the Issuer and its affiliates, or for clients in transactions which involve the Issuer and its affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such

investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Securities issued under the Programme. Any such short positions could adversely affect future trading prices of Securities issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Eurosystem eligibility

Though the new global note ("**NGN**") form and new safekeeping structure ("**NSS**") allow for the possibility of Securities being issued and held in a manner which will permit them to be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life, in any particular case, such recognition will depend upon satisfaction of the Eurosystem eligibility criteria at the relevant time.

Bearer or registered form Global Securities that are deposited with a common depositary on behalf of the ICSDs under the classical global note ("**CGN**") structure are not eligible as collateral for Eurosystem purposes. In addition, Securities in definitive form are not eligible as collateral for Eurosystem purposes.

OTHER RISKS

EU Savings Directive

EC Council Directive 2003/48/EC on taxation of savings income (the "**Savings Directive**") requires Member States to provide to the tax authorities of another Member State details of payments of interest (and other similar income) paid by a person within its jurisdiction to (or for the benefit of) an individual resident or certain other types of entity established in that other EU Member State, except that Luxembourg and Austria currently impose a withholding system and this is expected to last for a transitional period (subject to a procedure whereby on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise (the ending of such transitional period depending upon the conclusion of certain other agreements relating to information exchange with certain other non-Euro countries). Luxembourg has announced its intention to elect out of the withholding system in favour of an automatic exchange of information with effect from 1 January 2015. A number of non-EU countries and territories have adopted similar measures with effect from the same date.

The Council of the EU has adopted a Directive (2014/48/EU) (the "**Amending Directive**") which will, when implemented, amend and broaden the scope of the requirements of the Savings Directive described above. The Amending Directive will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or for the benefit of) (i) an entity or legal arrangement effectively managed in a Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the Savings Directive) which indirectly benefit an individual resident in a Member State may fall within the scope of the Savings Directive, as amended. The Amending Directive requires Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Securities as a result of the imposition of such withholding tax. Furthermore, once the Amending Directive is implemented and takes effect in Member States, such withholding may occur in a wider range of circumstances than at the date of this Base Prospectus as explained above.

The Issuer is required to maintain a Paying Agent with a specified office in a Member State that is not obliged to withhold or deduct tax pursuant to any law implementing the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive which may mitigate an element of this risk if the Security Holder is able to arrange for payment through such a Paying Agent. However, investors should choose their custodians and intermediaries with care, and provide each custodian and intermediary with any information that may be necessary to enable such persons to make payments free from withholding and in compliance with the Savings Directive, as amended.

Discussions are currently on-going at an EU level to replace the Savings Directive (and the Amending Directive) with an automatic exchange of information regime in compliance with the regime known as the "Common Reporting Standard" proposed by the Organisation for Economic Co-operation and Development. See section below entitled "OECD Common Reporting Standard". If these proposals are implemented, it would result in the abolishment of the Savings Directive and EU Member States would not be required to implement the Amending Directive. It is currently proposed that the Savings Directive would be abolished from 1 January 2016 (1 January 2017 in the case of Austria).

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

OECD Common Reporting Standard

The Council of the EU has recently adopted Directive 2014/107/EU, which amends Directive 2011/16/EU on administrative cooperation in the field of taxation. This 2014 directive provides for the implementation of the regime known as the "Common Reporting Standard" proposed by the Organisation for Economic Co-operation and Development and will, once enacted into national law, generalise the automatic exchange of information

within the European Union as of 1 January 2016, and as of 1 January 2017 in the case of Austria. Under these measures, the Issuer may be required to report information relating to Security Holders, including the identity and residence of Security Holders, and income, sale or redemption proceeds received by Security Holders in respect of the Securities. This information may be shared with tax authorities in other EU member states and jurisdictions which implement the OECD Common Reporting Standard.

Change of Law and Regulation

The Securities are governed by Irish law and the security in the Pool conferred on the Securities relies, on the date of this Base Prospectus, exclusively on the ACS Act. At the date of this Base Prospectus, the mortgage credit assets comprised in the Issuer's Cover Assets Pool and their related primary security are governed by Irish law. No assurance can be given as to the impact of any possible judicial decision or change to EU or Irish law (including in connection with the ACS Act or affecting the Issuer or the Group), regulation or administrative or regulatory practice after the date of this Base Prospectus.

U.S. Foreign Account Tax Compliance Withholding

Whilst the Securities are in global form and held within the Clearing Systems it is not expected that FATCA will affect the amount of any payment received by the ICSDs (see *Taxation – FATCA*). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Securities are discharged once it has paid the common depositary or common safekeeper for the Clearing Systems (as registered holder or, as applicable, bearer of the Securities) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the Clearing Systems and custodians or intermediaries.

Credit Institutions (Financial Support) Act 2008

Under the Credit Institutions (Financial Support) Act 2008 (the "**Financial Support Act**") the Minister for Finance has been given certain functions in relation to financial support for certain credit institutions and their subsidiaries (such as the Issuer). The Group has received significant levels of such financial support. Subject to the provisions of the Financial Support Act, the Minister for Finance's functions can be exercised in certain circumstances namely where: (i) there is a serious threat to the stability of credit institutions in the State generally, or would be such a threat if those functions were not performed; (ii) the performance of those functions is necessary, in the public interest, for maintaining the stability of the financial system in the State; and (iii) the performance of those functions is necessary to remedy a serious disturbance in the economy of the State. The functions are wide ranging and may entail the Minister for Finance subscribing for, taking an allotment of or purchasing shares and any other securities in a credit institution or subsidiary to which financial support is provided on such terms as the Minister for Finance sees fit. If the Minister for Finance were to exercise such a function it could have a material impact on the Issuer and its business.

Resolution Act

The Central Bank and Credit Institutions (Resolution) Act 2011 (the "**Resolution Act**") sets out a special resolution regime for a certain category of credit institution which, since the introduction of the RRD Regulations, does not encompass the Issuer. The provisions contained in Part 7 of the Resolution Act in respect of the winding up of certain credit institutions, and related powers of the Central Bank of Ireland, continue to apply to the Issuer.

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

The Securities may not be a suitable investment for all investors

Each potential investor in the Securities must determine the suitability of that investment in light of its, his or her own circumstances. In particular, each potential investor should:

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

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

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities including Securities with principal or interest payable in one or more currencies or where the currency for principal or interest payments is different from the potential investor's currency;

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

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

General Investment Risks

The past performance of Securities or other Mortgage Covered Securities issued by the Issuer may not be a reliable guide to future performance of Securities.

The Securities may fall as well as rise in value.

Income or gains from Securities may fluctuate in accordance with market conditions and taxation arrangements.

Where Securities are denominated in a currency other than the reference currency used by the investor, changes in currency exchange rates may have an adverse effect on the value, price or income of the Securities.

It may be difficult for investors in Securities to sell or realise the Securities and/or obtain reliable information about their value or the extent of the risks to which they are exposed (other than as set out in this Base Prospectus).

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have been filed with the Central Bank of Ireland shall be incorporated in, and form part of, this Base Prospectus and such documents are available electronically at the links set out below-

On the website of the Group:

(a) the audited financial statements of the Issuer for the financial year ended 31 December 2013 and the auditor's report dated 12 March 2014 by Deloitte & Touche thereon

http://investorrelations.aib.ie/content/dam/aib/investorrelations/docs/mortgagebank/director-report-december-2013.pdf

(b) the audited financial statements of the Issuer for the financial year ended 31 December 2014 and the auditor's report dated 18 March 2015 by Deloitte & Touche thereon

http://investorrelations.aib.ie/content/dam/aib/investorrelations/docs/mortgagebank/directors-report-and-financial-statement-2014.pdf

On the website of the ISE:

(a) terms and conditions of the Securities as contained in pages 36 to 54 of the base prospectus dated 23 March 2006 in respect of the Programme

http://www.ise.ie/debt_documents/AIB%20bankd_3315.pdf

(b) terms and conditions of the Securities as contained in pages 40 to 59 of the base prospectus dated 18 June 2007 in respect of the Programme

http://www.ise.ie/debt_documents/15000000000%20MORTGAGE%20COVERED%20SECURITIES%20PROGRAMME_9678.pdf

(c) terms and conditions of the Securities as contained in pages 39 to 58 of the base prospectus dated 30 June 2008 in respect of the Programme

http://www.ise.ie/debt_documents/FBaseProspectus%20300608_551.pdf

(d) terms and conditions of the Securities as contained in pages 54 to 81 of the base prospectus dated 14 September 2009 in respect of the Programme

http://www.ise.ie/debt_documents/1253_14205_BP_14092009_15729.pdf

(e) terms and conditions of the Securities as contained in pages 57 to 84 of the base prospectus dated 20 September 2010 in respect of the Programme

http://www.ise.ie/debt_documents/AIG_bp_20.07.2010_16426.pdf

(f) terms and conditions of the Securities as contained in pages 69 to 97 of the base prospectus dated 2 December 2011 in respect of the Programme.

http://www.ise.ie/debt_documents/Base%20Prospectus_e07a450d-958a-4800-8cd6-12f40ec79b67.pdf

(g) terms and conditions of the Securities as contained in pages 69 to 98 of the base prospectus dated 19 November 2012 in respect of the Programme

http://www.ise.ie/debt_documents/Base%20Prospectus_08fb0416-fd2c-46ae-89cd-ea598efe32cf.PDF

(h) terms and conditions of the Securities as contained in pages 72 to 101 of the base prospectus dated 20 December 2013 in respect of the Programme

http://www.ise.ie/debt_documents/Base%20Prospectus_bd149f56-19a3-453f-a468-79a1a8812f65.PDF

(i) terms and conditions of the Securities as contained in pages 59 to 84 of the base prospectus dated 18 December 2014 in respect of the Programme

http://www.ise.ie/debt_documents/Base%20Prospectus_76b630c5-f5c2-4e86-a591-d313ffd2ec8e.PDF?v=1342015

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any subsequent document which is deemed to be incorporated by reference herein by virtue of any supplement to this Base Prospectus modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Base Prospectus. Where documents incorporated by reference in this Base Prospectus contain information which is incorporated by reference in those documents, but which information is not expressly incorporated by reference in this Base Prospectus, that information does not form part of this Base Prospectus.

A copy of any or all of the documents deemed to be incorporated herein by reference (unless such documents have been modified or superseded as specified above) will be available in electronic form at www.aibgroup.com, access through 'Investor Relations' – AIB Mortgage Bank.

As regards information contained in the base prospectuses dated 23 March 2006, 18 June 2007, 30 June 2008, 14 September 2009, 20 September 2010, 2 December 2011, 19 November 2012, 20 December 2013 and 18 December 2014 which is not incorporated by reference in this Base Prospectus, such information is not relevant to investors in Securities to be issued on or after the date of this Base Prospectus or is covered elsewhere in this Base Prospectus.

FORM OF THE SECURITIES, ISSUE PROCEDURES AND CLEARING SYSTEMS

The Securities of each Series will be in bearer form ("**Bearer Securities**"), with or without interest coupons attached or registered form ("**Registered Securities**"), without interest coupons attached. The Securities have not been and will not be registered under the Securities Act and may not be offered or sold in the United States or to, or for the benefit of, US persons unless an exemption from the registration requirements of the Securities Act is available or in a transaction not subject to the registration requirements of the Securities Act (see *Subscription and Sale, Transfer and Selling Restrictions and Secondary Market Arrangements*). Accordingly, the Securities will only be issued outside the United States in reliance upon Regulation S under the Securities Act.

Bearer Securities

Each Tranche of Bearer Securities will be issued in the form of either a temporary bearer global security (a "**Temporary Bearer Global Security**") or a permanent bearer global security (a "**Permanent Bearer Global Security**") (each of which, along with a Registered Global Security (defined under Registered Securities below), is a "**Global Security**") as indicated in the applicable Final Terms, which, in either case, will:

(a) if the Bearer Securities are intended to be issued in NGN) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safe-keeper (the "**Common Safekeeper**") for Euroclear Bank S.A./N.V. (Euroclear) and Clearstream Banking, S.A. (Clearstream, Luxembourg); and

(b) if the Bearer Securities are not intended to be issued in NGN form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common depositary (the "**Common Depositary**") for Euroclear and Clearstream, Luxembourg.

Persons holding beneficial interests in a Permanent Bearer Global Security will be required, under the circumstances described below, to receive delivery of definitive Securities in bearer form.

Whilst any Bearer Security is represented by a Temporary Bearer Global Security, payment of principal, interest (if any) and any other amount payable in respect of such Security due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Bearer Global Security if the Temporary Bearer Global Security is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Security are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, have been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On or after the date (the "**Exchange Date**") which is 40 days after a Temporary Bearer Global Security is issued, interests in such Temporary Bearer Global Security will be exchangeable (free of charge) as described therein for interests in a Permanent Bearer Global Security of the same Series against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Bearer Global Security will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Security for an interest in a Permanent Bearer Global Security is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Security will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender, as the case may be, of the Permanent Bearer Global Security if the Permanent Bearer Global Security is not intended to be issued in NGN form) without any requirement for certification.

Interests in a Permanent Bearer Global Security will be exchangeable (free of charge), in whole but not in part, for definitive Securities in bearer form with, where applicable, receipts, interest coupons and talons attached only upon the occurrence of an Exchange Event.

"**Exchange Event**" means that the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available.

The Issuer will promptly give notice to holders of Securities in accordance with Condition 13 of the Terms and Conditions of the Securities, if an Exchange Event occurs. In the event of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Security or the Issuer) may give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Securities which have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Securities.

"**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 provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Securities, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of Securities, receipts or interest coupons.

Securities in global form will be transferable only in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Registered Securities

The Registered Securities may be represented by a global security in registered form (a "**Registered Global Security**"). Prior to the expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Securities, beneficial interests in a Registered Global Security may not be offered or sold within the United States or to, or for the account or benefit of, a U.S. person and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Registered Global Security will bear a legend regarding such restrictions on transfer.

In addition, Securities in definitive registered form may be privately placed to non-US persons outside the United States on a non-syndicated basis with professional investors only in reliance on Regulation S. Any such issue of Securities will be evidenced by a single security registered in the name of the holder thereof.

Registered Global Securities will be deposited with:

(a) in the case of Registered Global Securities issued under the NSS) and, as stated in the applicable Final Terms, intended to be held in a manner which would allow Eurosystem eligibility, a Common Safekeeper for Euroclear and Clearstream, Luxembourg and registered in the name of a nominee of that Common Safekeeper, and

(b) in the case of Registered Global Securities not issued under the NSS and, as stated in the applicable Final Terms, not intended to be held in a manner which would allow Eurosystem eligibility, a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg.

Persons holding beneficial interests in Registered Global Securities will be required, under the circumstances described below, to receive delivery of definitive Securities in registered form.

Payments of principal, interest and any other amount in respect of the Registered Global Securities will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 5 of the Terms and Conditions of the Securities) as the registered holder of the Registered Global Securities. None of the Issuer, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Securities or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Securities in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 5 of the Terms and Conditions of the Securities) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Security will be exchangeable (free of charge), in whole but not in part, for definitive Registered Securities without interest coupons or talons attached only upon the occurrence of an Exchange Event. The Issuer will promptly give notice to Security holders in accordance with Condition 13 of the Terms and Conditions of the Securities if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Security or the Issuer) may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests in Global Securities

Interests in a Global Security may, subject to compliance with all applicable restrictions and requirements, be transferred to a person who wishes to hold such interest in a Global Security. No beneficial owner of an interest in a Global Security will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. Registered Securities are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see *Subscription and Sale, Transfer and Selling Restrictions and Secondary Market Arrangements*. In relation to trading of Securities in the Clearing Systems, see *Risk Factors — Clearing Systems*.

Clearing Systems

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream, Luxembourg currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer, the Arrangers or any Dealer takes any responsibility for the accuracy thereof. The Issuer confirms that this information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by Euroclear or Clearstream, no facts have been omitted which would render the reproduced information inaccurate or misleading. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Arrangers or any of the Dealers will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, interests in the Securities held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such interests.

Euroclear and Clearstream, Luxembourg each holds securities for its participants and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective participants. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg participants are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions and persons that directly or indirectly through other institutions clear through or maintain a custodial relationship with a participant of either system.

The address of Euroclear is 1 Boulevard du Roi Albert II, 1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, 1855 Luxembourg, Luxembourg.

Pursuant to the Agency Agreement (as defined under *Terms and Conditions of the Securities*), the Issuer has authorised and instructed the Principal Paying Agent and, as applicable, the Registrar to elect Clearstream, Luxembourg as Common Safekeeper for Global Securities issued under the Programme which are intended to be held in a manner which would allow Eurosystem eligibility.

Transfers of Securities Represented by Global Securities

Interests in a Global Security may, subject to compliance with all applicable restrictions and requirements, be transferred to a person who wishes to hold such interest in a Global Security. No beneficial owner of an interest in a Global Security will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. Registered Securities are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see *Subscription and Sale, Transfer and Selling Restrictions and Secondary Market Arrangements*.

Transfers of any interests in Securities represented by a Global Security within Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system.

Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of interests in Global Securities among participants and accountholders of Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Arrangers or any Dealer will be responsible for any performance by Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of interests in the Securities represented by Global Securities or for maintaining, supervising or reviewing any records relating to such interests.

General

Pursuant to the Agency Agreement (as defined under *Terms and Conditions of the Securities*), the Principal Paying Agent shall arrange that, where a further Tranche of Securities is issued which is intended to form a single Series with an existing Tranche of Securities, the Securities of such further Tranche shall be assigned a common code and international securities identification number ("**ISIN**") which are different from the common code assigned to Securities of any other Tranches of the same Series until at least the expiry of the distribution compliance period applicable to the Securities of such Tranche.

For so long as any of the Securities is represented by a Global Security held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular nominal amount of such Securities (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Securities standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error or proven error) shall be treated by the Issuer and its agents as the holder of such nominal amount of such Securities for all purposes other than with respect to the payment of principal or interest on such nominal amount of Securities, for which purposes the bearer of the relevant Securities in bearer form or, as applicable, the registered holder of the relevant Securities in registered form shall be treated by the Issuer and its agents as the holder of such nominal amount of such Securities in accordance with and subject to the terms of the relevant Global Securities and the expressions "**Security holder**" and "**holder of Securities**" and related expressions shall be construed accordingly.

Any reference herein to Euroclear or Clearstream, Luxembourg shall, wherever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

Where any Security is represented by a Global Security and the Global Security (or any part thereof) has become due and repayable in accordance with the Conditions of such Securities and payment in full of the amount due has not been made in accordance with the provisions of the Global Security, then holders of interests in such Global Security credited to their accounts with Euroclear or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear or Clearstream, Luxembourg on and subject to the terms of the Securities.

FINAL TERMS FOR SECURITIES

Set out below is the form of Final Terms which will be completed for each Tranche of Securities issued under the Programme.

AIB MORTGAGE BANK

Issue of [Aggregate Nominal Amount of Tranche] [[•] per cent./Floating Rate/Zero Coupon] Mortgage Covered Securities due [•] under the €20,000,000,000 Mortgage Covered Securities Programme

THE SECURITIES (AS DESCRIBED HEREIN) ARE MORTGAGE COVERED SECURITIES ISSUED IN ACCORDANCE WITH THE ASSET COVERED SECURITIES ACT 2001 (AS AMENDED) OF IRELAND (THE "ACT"). THE ISSUER HAS BEEN REGISTERED BY THE CENTRAL BANK (AS DEFINED BELOW) AS A DESIGNATED MORTGAGE CREDIT INSTITUTION PURSUANT TO THE ACT. THE FINANCIAL OBLIGATIONS OF THE ISSUER UNDER THE SECURITIES ARE SECURED ON THE COVER ASSETS THAT COMPRISE A COVER ASSETS POOL MAINTAINED BY THE ISSUER IN ACCORDANCE WITH THE ACT.

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Securities (the "**Conditions**") set forth in the Base Prospectus dated 17 July 2015 (the "**Base Prospectus**") [and the supplement to the Base Prospectus dated [•]] which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, as amended (the "**Prospectus Directive**") and relevant Irish laws. The Central Bank of Ireland (reference to which includes, with respect to actions prior to the commencement of relevant sections of the Central Bank Reform Act 2010 on 1 October 2010, the Irish Financial Services Regulatory Authority, as part of the Central Bank and Financial Services Authority of Ireland) has approved the Base Prospectus under Part 7 of the Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (the "**Prospectus Regulations**") as having been drawn up in accordance with the Prospectus Regulations and Commission Regulation (EC) No. 809/2004, as amended (the "**EU Prospectus Regulation**").]

[This document ("**Final Terms**") [constitutes the final terms of the Securities described herein for the purposes of Article 5.4 of the Prospectus Directive and] must be read in conjunction with the Base Prospectus [as so supplemented].][1] Full information on the Issuer and the offer of the Securities is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplement[s] to the Base Prospectus] [is][are] available at [www.aibgroup.com, access through 'Investor Relations' – AIB Mortgage Bank.]

[The following alternative language applies if the first Tranche of an issue which is being increased was issued under a base prospectus with an earlier date. However, note that following amendments to the Prospectus Directive and the Prospectus Regulation, it may not be possible to issue Securities that are intended to be fungible with Securities issued before 1 July 2012]

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Securities incorporated by reference into the Base Prospectus dated 17 July 2015 (the "**Base Prospectus**") from the base prospectus dated [23 March 2006]/[18 June 2007]/[30 June 2008]/[14 September 2009]/[20 September 2010]/[2 December 2011]/[19 November 2012]/[20 December 2013]/[18 December 2014] (the "**Conditions**"). This document ("**Final Terms**") constitutes the final terms of the Securities described herein for the purposes of Article 5.4 of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (the "**Prospectus Directive**") and relevant Irish laws and must be read in conjunction with the Base Prospectus dated 17 July 2015 [and the supplement to the Base Prospectus dated [•]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive and relevant Irish laws, save in respect of the Conditions which are incorporated by reference extracted from the base prospectus dated [23 March 2006]/[18 June 2007]/[30 June 2008]/[14 September 2009]/[20 September 2010]/[2 December 2011]/[19 November 2012]/[20 December 2013]/[18 December 2014] [and the supplement to the Base Prospectus dated [•]] and are attached hereto. The Central Bank of Ireland (reference to which includes, with respect to actions prior to the

[1] This sentence to be removed in the case of Securities not listed and admitted to trading on a regulated market.

commencement of relevant sections of the Central Bank Reform Act 2010 on 1 October 2010, the Irish Financial Services Regulatory Authority, as part of the Central Bank and Financial Services Authority of Ireland) has approved the Base Prospectus under Part 7 of the Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (the "**Prospectus Regulations**") as having been drawn up in accordance with the Prospectus Regulations and Commission Regulation (EC) No. 809/2004, as amended (the "**EU Prospectus Regulation**"). Full information on the Issuer and the offer of the Securities is only available on the basis of the combination of these Final Terms, the Conditions, the Base Prospectus [and the supplement to the Base Prospectus dated [•]]. The Conditions and the Base Prospectus [and the supplement to the Base Prospectus dated [•]] [is][are] are available at [www.aibgroup.com, access through 'Investor Relations' – AIB Mortgage Bank.]

*[Include whichever of the following apply or specify as Not Applicable ("**N/A**"). Note that the numbering should remain as set out below, even if Not Applicable is indicated for individual paragraphs or subparagraphs. Italics denote and footnotes contain directions for completing the Final Terms]*.

*[When completing any final terms, consideration should be given as to whether "**significant new factors**" exist and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive]*.

1.	Issuer:		AIB Mortgage Bank
2.	(a)	Series Number:	[•]
	(b)	Tranche Number:	[•]
	(c)	Date on which Securities become fungible	Not applicable/[•]
3.	Specified Currency or Currencies:		[•]
4.	(a)	Aggregate Nominal Amount of Securities:	
		(i) Series:	[•]
		(ii) Tranche:	[•]
	(b)	Specify whether Securities to be admitted to trading:	[Yes – if so specify which Series/Tranche/No]
5.	(a)	Issue Price:	[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] *(in the case of fungible issues only, if applicable)*
	(b)	[Net proceeds (Required only for listed issues):	[•]]
	(c)	Specify whether expenses or taxes will be charged to investors:	[Yes – if so specify which expenses/taxes/No]
6.	Specified Denominations:		[•]
	(In the case of Registered Securities, this means the minimum integral amount in which transfers can be made)		*(Specified Denomination for Securities must be at least €100,000 (or other currency equivalent).* *If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording as follows: "€100,000 and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Securities in definitive form*

		will be issued with a denomination above [€199,000].)
7.	Issue Date:	[•]
8.	Maturity Date:	*[Fixed Rate/Zero Coupon – specify date/Floating Rate – Interest Payment Date falling in or nearest to [specify month and year]]*
9.	Extended Maturity Date	[Applicable/Not Applicable]
	(See Conditions 4(d) and 6(h))	[The Extended Maturity Date is [•][2].
10.	Interest Commencement Date:	
	(i) Period to Maturity Date:	[Specify date/Not Applicable]
	(ii) Period from Maturity Date up to Extended Maturity Date:	[Not Applicable] [Maturity Date][3]
11.	Interest Basis:	
	(i) Period to Maturity Date:	[[•] per cent. Fixed Rate] [[LIBOR/EURIBOR/] +/- [•] per cent. Floating Rate] [Zero Coupon] (further particulars specified below)
	(ii) Period from Maturity Date up to Extended Maturity Date:	[Not Applicable]/[[•] per cent. Fixed Rate] [[LIBOR/EURIBOR] +/- [•] per cent. Floating Rate] (further particulars specified below)[4]
12.	Redemption Basis:	[Redemption at par] [Instalment][5]
13.	Change of Interest Basis:	*[Applicable/Not Applicable]/[Specify the date when any fixed to floating rate change occurs or refer to paragraphs 17 or 18 below and identify there]*
14.	Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
15.	Listing/Admission to Regulated Market:	[Admission to the Official List of the Irish Stock Exchange and to trading on its regulated market/specify other/None]
16.	Method of Distribution:	[Syndicated/Non-Syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

17.	Fixed Rate Security Provisions:	
	(i) To Maturity Date:	[Applicable/Not Applicable] *(If not applicable, state "**Not Applicable**" in the*

[2] If Extended Maturity Date is applicable, insert the Maturity Date. If Extended maturity Date is not applicable, insert 'Not Applicable'.
[3] Insert `Not Applicable' only if Extended Maturity Date does not apply.
[4] State `Not Applicable' unless Extended Maturity Date applies and the Securities are Fixed Rate Securities after the Maturity Date.
[5] Securities which are not listed on a stock exchange or admitted to trading on a regulated market cannot be redeemed above par under the Programme.

		relevant subparagraphs below of this paragraph)
(ii)	From Maturity Date up to Extended Maturity Date:	[Applicable/Not Applicable] *(If sub-paragraphs (i) and (ii) not applicable, delete the remaining subparagraphs of this paragraph)*[6]
	(a) Rate(s) of Interest:	
	(i) To Maturity Date:	[•] per cent. per annum payable in arrear on each Interest Payment Date *(If payable other than annually, a supplement to the Base Prospectus will be required pursuant to Article 16 of the Prospectus Directive)*
	(ii) From Maturity Date up to Extended Maturity Date:	[Not Applicable]/[•] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear]. *(If payable other than annually, a supplement to the Base Prospectus will be required pursuant to Article 16 of the Prospectus Directive)*[7]
	(b) Interest Payment Date(s):	
	(i) To Maturity Date:	[[•] in each year up to and including the Maturity Date]
	(ii) From Maturity Date up to Extended Maturity Date:	[Not Applicable][8]/[[•] in each Interest Period up to and including the Extended Maturity Date] *(If payable other than monthly, a supplement to the Base Prospectus will be required pursuant to Article 16 of the Prospectus Directive)*
	(c) Fixed Coupon Amount(s):	
	(i) To Maturity Date:	[•] per [•] in nominal amount
	(ii) From Maturity Date up to Extended Maturity Date:	[Not Applicable][9]/[•]per [•] in nominal amount
	(d) Broken Amount(s):	
	(i) To Maturity Date:	*[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount(s)]*
	(ii) From Maturity Date up to Extended Maturity Date:	[Not Applicable]/[*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount(s)*][10]
	(e) Day Count Fraction:	
	(i) To Maturity Date:	[Actual/Actual (ICMA) or 30/360 or 30E/360 or Eurobond Basis or 30E/360 (ISDA)]
	(ii) From Maturity Date up to Extended Maturity	[Not Applicable]/[Actual/Actual (ICMA) or 30/360 or

6 State `Not Applicable' unless Extended Maturity Date applies and the Securities are Fixed Rate Securities after the Maturity Date.
7 State `Not Applicable' unless Extended Maturity Date applies and the Securities are Fixed Rate Securities after the Maturity Date.
8 State `Not Applicable' unless Extended Maturity Date applies and the Securities are Fixed Rate Securities after the Maturity Date.
9 State `Not Applicable' unless Extended Maturity Date applies and the Securities are Fixed Rate Securities after the Maturity Date.
10 State `Not Applicable' unless Extended Maturity Date applies and the Securities are Fixed Rate Securities after the Maturity Date.

	Date:	30E/360 or Eurobond Basis or 30E/360 (ISDA)]
(f)	Determination Date(s):	
(i)	To Maturity Date:	[•] in each year *[Insert regular interest payment dates, ignoring Issue Date or Maturity Date in the case of a long or short first or last Coupon* *NB – Only relevant where Day Count Fraction is Actual/Actual (ICMA)]*
(ii)	From Maturity Date up to Extended Maturity Date:	[Not Applicable]/[•] in each year *(Insert regular interest payment dates, ignoring Issue Date or Maturity Date in the case of a long or short first or last Coupon* *NB – This will need to be amended in the case of regular interest periods which are not of equal duration* *NB – Only relevant where Day Count Fraction is Actual/Actual (ICMA))*[11]

18. Floating Rate Security Provisions:

(i)	To Maturity Date:	[Applicable/Not Applicable] *(If not applicable, state "**Not Applicable**" in the relevant subparagraphs below of this paragraph)*
(ii)	From Maturity Date up to Extended Maturity Date:	[Applicable/Not Applicable] *(If sub-paragraphs (i) and (ii) not applicable, delete the remaining subparagraphs of this paragraph)*[12]
(a)	Interest Period(s)/Specified Interest Payment Dates:	
(i)	To Maturity Date:	[Interest Periods: [•] Specified Interest Payment Dates: [•]]
(ii)	From Maturity Date up to Extended Maturity Date:	[Not Applicable] [•][13] [Interest Periods: [•] Specified Interest Payment Dates: [•]]
(b)	Business Day Convention:	
(i)	To Maturity Date:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
(ii)	From Maturity Date up to Extended Maturity Date:	[Not Applicable]/[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention][14]
(c)	Additional Business Centre(s):	

[11] State `Not Applicable' unless Extended Maturity Date applies and the Securities are Fixed Rate Securities after the Maturity Date.
[12] State `Not Applicable' unless Extended Maturity Date applies and the Securities are Floating Rate Securities after the Maturity Date.
[13] State `Not Applicable' unless Extended Maturity Date applies and the Securities are Floating Rate Securities after the Maturity Date.
[14] State `Not Applicable' unless Extended Maturity Date applies and the Securities are Floating Rate Securities after the Maturity Date.

	(i)	To Maturity Date:	[•]
	(ii)	From Maturity Date up to Extended Maturity Date:	[Not Applicable]/[•][15]
(d)	Manner in which the Rate(s) of interest and Interest Amount(s) is to be determined:		
	(i)	To Maturity Date:	[Screen Rate Determination/ISDA Determination]
	(ii)	From Maturity Date up to Extended Maturity Date:	[Not Applicable]/[Screen Rate Determination/ISDA Determination][16]
(e)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Principal Paying Agent):		
	(i)	To Maturity Date:	[•]
	(ii)	From Maturity Date up to Extended Maturity Date:	[Not Applicable]/[•][17]
(f)	Screen Rate Determination:		
	(i)	To Maturity Date:	
		– Reference Rate:	*[•] (either LIBOR or EURIBOR or fallback provisions in Condition 4(b)(ii)(B). If other, a supplement to the Base Prospectus is required pursuant to Article 16 of the Prospectus Directive).*
		– Interest Determination Date(s):	*[•] (Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
		– Relevant Screen Page:	*[•] (In the case of EURIBOR, if not Telerate page 248 ensure it is a page which shows a composite rate. If it is not such a page, a supplement to the Base Prospectus is required pursuant to Article 16 of the Prospectus Directive)*
	(ii)	From Maturity Date up to Extended Maturity Date:	[Not Applicable][18]
		– Reference Rate:	*[•] (either LIBOR or EURIBOR (either LIBOR or EURIBOR or fallback provisions in Condition*

[15] State `Not Applicable' unless Extended Maturity Date applies and the Securities are Floating Rate Securities after the Maturity Date.
[16] State `Not Applicable' unless Extended Maturity Date applies and the Securities are Floating Rate Securities after the Maturity Date.
[17] State `Not Applicable' unless Extended Maturity Date applies and the Securities are Floating Rate Securities after the Maturity Date.
[18] State `Not Applicable' unless Extended Maturity Date applies and the Securities are Floating Rate Securities after the Maturity Date.

4(b)(ii)(B). If other, a supplement to the Base Prospectus is required pursuant to Article 16 of the Prospectus Directive).

– Interest Determination Date(s): *[•] (Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*

– Relevant Screen Page: *[•](In the case of EURIBOR, if not Telerate page 248 ensure it is a page which shows a composite rate. If it is not such a page, a supplement to the Base Prospectus is required pursuant to Article 16 of the Prospectus Directive)*

(g) ISDA Determination:

(i) To Maturity Date:

– Floating Rate Option: [•]

– Designated Maturity: [•]

– Reset Date: [•]

– ISDA Definitions [2006]

(ii) From Maturity Date up to Extended Maturity Date: [Not Applicable][19]

– Floating Rate Option: [•]

– Designated Maturity: [•]

– Reset Date: [•]

–-ISDA Definitions [2006]

(h) Margin(s):

(i) To Maturity Date: [+/-] [•] per cent. per annum

(ii) From Maturity Date up to Extended Maturity Date: [Not Applicable][20] [•] [•] per cent. per annum

(i) Minimum Rate of Interest:

(i) To Maturity Date: [Nil]/[[•] per cent. per annum]

(ii) From Maturity Date up to Extended Maturity Date: [Not Applicable]/[Nil]/[[•] per cent. per annum][21]

(j) Maximum Rate of Interest:

[19] State `Not Applicable' unless Extended Maturity Date applies and the Securities are Floating Rate Securities after the Maturity Date.
[20] State `Not Applicable' unless Extended Maturity Date applies and the Securities are Floating Rate Securities after the Maturity Date.
[21] State `Not Applicable' unless Extended Maturity Date applies and the Securities are Floating Rate Securities after the Maturity Date.

(i)	To Maturity Date:	[•] per cent. per annum
(ii)	From Maturity Date up to Extended Maturity Date:	[Not Applicable]/[[•] per cent. per annum[22]
(k)	Day Count Fraction:	
(i)	To Maturity Date:	[Actual/Actual (ISDA) Actual/Actual Actual/365 Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 360/360 Bond Basis 30E/360 Eurobond Basis 30E/360 (ISDA)] *(see Condition 4 for alternatives)*
(ii)	From Maturity Date up to Extended Maturity Date:	[Not Applicable][23] [Actual/Actual (ISDA) Actual/Actual Actual/365 Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 360/360 Bond Basis 30E/360 Eurobond Basis 30E/360 (ISDA)] *(see Condition 4 for alternatives)*
19. Zero Coupon Security Provisions:		[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
(a)	Accrual Yield:	[•] per cent. per annum
(b)	Reference Price:	[•]
(c)	Day Count Fraction in relation to	[Condition 6(g) applies] *(consider applicable day count fraction if not U.S. dollar*

[22] State `Not Applicable' unless Extended Maturity Date applies and the Securities are Floating Rate Securities after the Maturity Date.
[23] State `Not Applicable' unless Extended Maturity Date applies and the Securities are Floating Rate Securities after the Maturity Date.

	late payment:	*denominated)*

PROVISIONS RELATING TO REDEMPTION

20.	Issuer Call:	[Applicable/Not Applicable] *(if not applicable, delete the remaining subparagraphs of this paragraph)*
	(a) Optional Redemption Date(s):	[•]
	(b) Optional Redemption Amount of each Security:	[•] per Security of [•] Specified Denomination
	(c) If redeemable in part:	
	(i) Minimum Redemption Amount:	[•]
	(ii) Maximum Redemption Amount:	[•]
	(d) Notice period (if not set out in the Conditions):	*[•]* *(NB – where the Notice Period is to be set out in the Final Terms, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent)*
21.	Investor Put:	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a) Optional Redemption Date(s):	[•]
	(b) Optional Redemption Amount of each Security:	[•] per Security of [•] Specified Denomination
	(c) Notice period (if not set out in the Conditions):	[•] *(NB – where the Notice Period is to be set out in the Final Terms, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent)*
22.	Final Redemption Amount of each Security:	[•] per Security of [•] Specified Denomination

GENERAL PROVISIONS APPLICABLE TO THE SECURITIES

23.	Form of Securities, Issue Procedures and Clearing Systems:		[**Bearer Securities:** [Temporary Bearer Global Security exchangeable for a Permanent Bearer Global Security which is exchangeable for Definitive Bearer Securities only upon an Exchange Event] [Permanent Bearer Global Security exchangeable for Definitive Bearer Securities only upon an Exchange Event]] [**Registered Securities:** [Registered Global Security ([•] nominal amount) registered in the name of a nominee of, and deposited with, [a common depository for Euroclear and Clearstream, Luxembourg / a common safekeeper for Euroclear and Clearstream, Luxembourg] which is exchangeable for definitive Registered Securities only upon an Exchange Event.] [Registered Securities in definitive form] *(Specify nominal amounts)*]
24.	(a)	New Global Note:	[Yes/No][24]
	(b)	New Safekeeping Structure:	[Yes/No][25] [If yes to (b), include the following: **Record Date**: the relevant due date for payment minus one business day (being for this purpose a day on which each of Euroclear and Clearstream, Luxembourg (as applicable) is open for business). See Condition 5(d).]
25.	Additional Financial Centre(s):		[Not Applicable/give details] *(note that this item relates to the date and place of payment and not Interest Period end dates to which item 19(c) relates)*
26.	Talons for future Coupons to be attached to Definitive Bearer Securities (and dates on which such Talons mature):		[Yes/No. As the Securities have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are left.]
27.	Details relating to Instalment Securities:		
	(i) Instalment Amount(s):		[Not Applicable/[•]]
	(ii)	Instalment Date(s):	[Not Applicable/[•]]
28.	Whether Condition 5(h) applies:		[Condition 5(h) applicable/Condition 5(h) not applicable] *(Condition 5(h) relates to Registered Securities in definitive form only)*

[24] Bearer Global Securities intended to constitute eligible collateral for Eurosystem monetary operations must be issued in New Global Note form.

[25] Registered Global Securities intended to constitute eligible collateral for Eurosystem monetary operations must be issued under the New Safekeeping Structure.

29. Overcollateralisation Percentage for the purposes of Condition 11(c):	[Insert percentage, e.g. 105 per cent.]

DISTRIBUTION

30. (a) If syndicated, names of Dealers:	[Not applicable/*give names and addresses of relevant Dealers*]
(b) Date of Subscription Agreement:	[Not Applicable/[•]]
(c) Stabilising Dealer(s) (if any):	[Not applicable/*give name*]
31. If non-syndicated, name of relevant Dealer:	[[•] *(if relevant Dealer is not also a permanent Dealer under the Programme, include its address and description)*]
32. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable:	[TEFRA D/TEFRA C/TEFRA not applicable]]

[**LISTING AND ADMISSION TO TRADING APPLICATION**

These Final Terms comprise the final terms required to issue, list and admit to trading the Securities described herein pursuant to the €20,000,000,000 Mortgage Covered Securities Programme of AIB Mortgage Bank.]

RESPONSIBILITY

The Issuer accepts the responsibility for the information contained in these Final Terms. [[•] has been extracted from [•]. The Issuer confirms that such additional information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [•], no facts have been omitted which would render the reproduced information inaccurate or misleading].

Signed on behalf of the Issuer:

Duly authorised	Duly authorised
Date of Final Terms: [•]	

PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**

(i)	Listing:	[Irish Stock Exchange/other regulated market/None]
(ii)	Admission to trading:	[Application has been made to the Irish Stock Exchange for the Securities to be admitted to the Official List and trading on its regulated market with effect from [•]]/[Not Applicable.]
(iii)	Estimate of total expenses related to admission to trading:	[•]/[Not Applicable]

2. **RATINGS**

Ratings:	[The Securities to be issued [have been/are expected to be] rated] [The following ratings reflect the ratings allocated to Securities of this type issued under the €20,000,000,000 Mortgage Covered Securities Programme generally:] [Standard & Poor's Credit Market Services Europe Limited: [•]] [Moody's Investors Service Limited: [•]] [Fitch Ratings Limited: [•]] [*In accordance with Article 4(1) of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, include a statement as to whether the rating(s) have been issued by a credit rating agency that is established in the European Community and registered under that Regulation. E.g.: "Credit ratings included or referred to in these Final Terms [and the Base Prospectus] have been issued by [Standard & Poor's / Moody's / Fitch], [each of] which is established in the European Union and is registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.*] *(The above disclosure should reflect the rating allocated to Securities of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

3. **NOTIFICATION**

[The Central Bank of Ireland [has been requested to provide/has provided – include first alternative for an issue which is contemporaneous with the update of the Programme and the second alternative for subsequent issues] the [names of competent authorities of host member states of the European Economic Area] with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive and the EU Prospectus Regulation.]

4. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

[Save for any fees payable to the Dealers, so far as the Issuer is aware, no person involved in the issue of the Securities has an interest material to the offer.] *(Amend as appropriate if there are other interests including conflicting ones that are material to the issue, detailing the person involved and the nature of the interest. Consider whether such matters constitute 'significant new factors' and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive).*

5. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

(i)	Reasons for the offer:	[•] (See ["*Use of Proceeds*"] *wording in Base Prospectus – if reasons for offer different from making profit and/or hedging certain risks exist, will need to include those reasons here.)*
(ii)	Estimated net proceeds:	[•] *(If proceeds are intended for more than one use – will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses – state amount and sources of other funding.)*
(iii)	Estimated total expenses:	[•]

6. **YIELD** *(Fixed Rate Notes only)*

Indication of yield:	[•] [The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

7. **OPERATIONAL INFORMATION**

(i)	ISIN Code:	[•]
(ii)	Common Code:	[•]
(iii)	Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking S.A. and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
(iv)	Delivery:	Delivery [against/free of] payment
(v)	Name(s) and address(es) of initial Paying Agent(s):	[•]
(vi)	Names and addresses of additional Paying Agent(s) (if any):	[•]
(vii)	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Securities are intended upon issue to be deposited with one of the international central securities depositaries ("**ICSDs**") as common safekeeper [(and registered in the name of a nominee of one of the ICSDs

acting as common safekeeper,][include this text for registered Securities] and does not necessarily mean that the Securities will be recognized as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] /

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Securities are capable of meeting them the Securities may then be deposited with one of the international central securities depositaries ("**ICSDs**") as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,][include this text for registered securities] . Note that this does not necessarily mean that the Securities will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

TERMS AND CONDITIONS OF THE SECURITIES

*The following are the Terms and Conditions of the Securities which will be incorporated by reference into each Global Security (as defined below) and each definitive Security, in the latter case only if permitted by the relevant stock exchange (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Security will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Security and definitive Security. Reference should be made to "**Final Terms for the Securities**" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Securities.*

THE SECURITIES (AS DEFINED IN THESE TERMS AND CONDITIONS) ARE MORTGAGE COVERED SECURITIES ISSUED IN ACCORDANCE WITH THE ASSET COVERED SECURITIES ACT 2001 (AS AMENDED) OF IRELAND (THE "ACT"). THE ISSUER (AS DEFINED IN THESE TERMS AND CONDITIONS) HAS BEEN REGISTERED BY THE CENTRAL BANK OF IRELAND (THE "CENTRAL BANK") AS A DESIGNATED MORTGAGE CREDIT INSTITUTION PURSUANT TO THE ACT. THE FINANCIAL OBLIGATIONS OF THE ISSUER UNDER THE SECURITIES ARE SECURED ON THE COVER ASSETS THAT COMPRISE A COVER ASSETS POOL MAINTAINED BY THE ISSUER IN ACCORDANCE WITH THE ACT.

This Security is one of a Series (as defined below) of mortgage covered securities issued by AIB Mortgage Bank (the "**Issuer**") pursuant to the Agency Agreement (as defined below) and the Act.

References herein to the "**Securities**" shall be references to the Securities of this Series and shall mean:

(i) in relation to any Securities represented by a global Security (a "**Global Security**"), units of the lowest Specified Denomination in the Specified Currency;

(ii) any Global Security;

(iii) any definitive Securities in bearer form ("**Bearer Securities**") issued in exchange for a Global Security in bearer form; and

(iv) any definitive Securities in registered form ("**Registered Securities**") (whether or not issued in exchange for a Global Security in registered form).

The Securities and the Coupons (as defined below) have the benefit of an amended and restated agency agreement (such agency agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 17 July 2015 and made between the Issuer and The Bank of New York Mellon as issuing agent, principal paying agent and (if applicable) calculation agent (together with any successor principal paying agent, the "**Principal Paying Agent**" and together with any additional or successor paying agent, the "**Paying Agent**") and as transfer agent (the "**Transfer Agent**"), which expressions shall include any successor principal paying agent (including any successor issuing agent or calculation agent or, as applicable, any additional or successor transfer agent), and The Bank of New York Mellon as registrar (the "**Registrar**", which expression shall include any successor registrar).

Interest bearing definitive Bearer Securities have interest coupons ("**Coupons**") and, if indicated in the applicable Final Terms, talons for further Coupons ("**Talon**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Securities repayable in instalments have receipts ("**Receipts**") for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Securities and Global Securities do not have Coupons, Receipts or Talons attached on issue.

The Final Terms for this Security (or the relevant provisions thereof) is attached to or endorsed on this Security and completes these Terms and Conditions. References to the "**applicable Final Terms**" are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Security.

Any reference to "**Security holders**" or "**holders**" in relation to any Securities shall mean (in the case of Bearer Securities) the holders of the Securities and (in the case of Registered Securities) the persons in whose name the Securities are registered and shall, in relation to any Securities represented by a Global Security, be construed as

provided below. Any reference herein to "**Receiptholders**" shall mean the holders of Receipts. Any reference herein to "**Couponholders**" shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, "**Tranche**" means Securities which are identical in all respects (including as to listing) and "**Series**" means a Tranche of Securities together with any further Tranche or Tranches of Securities which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates, interest amounts/rates in respect of the first Interest Period and/or Issue Prices.

The Security holders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant (the "**Deed of Covenant**") dated 17 July 2015 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary or, as the case may be, the common service provider, for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified office of the Principal Paying Agent and the Registrar (such Paying Agent and the Registrar being together referred to as the "**Agents**"). Copies of the applicable Final Terms are obtainable during normal business hours at the specified office of each of the Agents save that, if this Security is an unlisted Security of any Series, the applicable Final Terms will only be obtainable by a Security holder holding one or more unlisted Securities of that Series and such Security holder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Securities and identity. The Security holders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

As used herein, "**outstanding**" means in relation to the Securities all the Securities issued other than:

(a) those Securities which have been redeemed and cancelled pursuant to these Terms and Conditions;

(b) those Securities in respect of which the date for redemption under these Terms and Conditions has occurred and the redemption moneys (including all interest (if any) accrued to the date for redemption and any interest (if any) payable under these Terms and Conditions after that date) have been duly paid to or to the order of the Principal Paying Agent in the manner provided in the Agency Agreement (and, where appropriate, notice to that effect has been given to the Security holders in accordance with these Terms and Conditions) and remain available for payment against presentation of the relevant Securities and/or Receipts and/or Coupons as applicable;

(c) those Securities which have been purchased (or otherwise acquired) and cancelled under these Terms and Conditions;

(d) those Securities which have become prescribed under these Terms and Conditions;

(e) those mutilated or defaced Securities which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to these Terms and Conditions;

(f) (for the purpose only of ascertaining the principal amount of the Securities outstanding and without prejudice to the status for any other purpose of the relevant Securities) those Securities which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued under these Terms and Conditions;

(g) a Temporary Global Security to the extent that it has been duly exchanged for the relevant Permanent Global Security and a Permanent Global Security to the extent that it has been exchanged for the Definitive Bearer Securities in each case under its provisions; and

(h) any Registered Global Security to the extent that it has been exchanged for definitive Registered Securities and any definitive Registered Security to the extent that it has been exchanged for an interest in a Registered Global Security.

1. FORM, DENOMINATION AND TITLE

The Securities are in bearer form or in registered form as specified in the applicable Final Terms and, in the case of definitive Securities, serially numbered, in the Specified Currency and the Specified Denomination(s). Securities of one Specified Denomination may not be exchanged for Securities of another Specified Denomination and Bearer Securities may not be exchanged for Registered Securities and vice versa.

Interests in a Permanent Bearer Global Security will be exchangeable (free of charge), in whole but not in part, for definitive Securities in bearer form with, where applicable, receipts, interest coupons and talons attached only upon the occurrence of an Exchange Event (as defined below). Interests in a Registered Global Security will be exchangeable (free of charge), in whole but not in part, for definitive Registered Securities without interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available.

In the case of a Security that is a Permanent Bearer Global Security, the Issuer will promptly give notice to holders of Securities in accordance with Condition 13 of the Terms and Conditions of the Securities if an Exchange Event occurs and Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Security or the Issuer) may give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

In the case of a Security that is a Registered Global Security, the Issuer will promptly give notice to holders of Securities in accordance with Condition 13 of the Terms and Conditions of the Securities if an Exchange Event occurs and Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Security or the Issuer) may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Securities that are to be admitted to trading on a regulated market for the purposes of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, as amended (the "**Prospectus Directive**") are subject to a minimum denomination of €100,000 (or the equivalent thereof in another currency).

Where the Securities are initially issued as Global Securities which have a minimum Specified Denomination (as specified in the applicable Final Terms) and are available in amounts above that minimum Specified Denomination (as specified in the applicable Final Terms) for trading in the Clearing Systems but those amounts are not integral multiples of that minimum Specified Denomination and those Securities are required to be exchanged into Securities in definitive form upon the occurrence of an Exchange Event, a holder of Securities who, as a result of holding such amounts holds on the relevant date for exchange a principal or nominal amount of the Securities which is not an integral multiple of the minimum Specified Denomination, shall not be entitled to receive a Security in definitive form in respect of the principal or nominal amount of Securities in excess of the principal or nominal amount equal to the nearest integral multiple of the minimum Specified Denomination held by that holder.

This Security may be a Fixed Rate Security, a Floating Rate Security, a Zero Coupon Security or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

Where the applicable Final Terms specifies that an Extended Maturity Date applies to a Series of Securities, those Securities may be Fixed Rate Securities or Floating Rate Securities in respect of the

period from the Issue Date up to and including the Maturity Date and Fixed Rate Securities or Floating Rate Securities in respect of the period from the Maturity Date up to and including the Extended Maturity Date, subject as specified in the applicable Final Terms.

This Security may be an Instalment Security depending upon the Redemption Basis shown in the applicable Final Terms.

Definitive Bearer Securities are issued with Coupons attached, unless they are Zero Coupon Securities and an Extended Maturity Date is not specified in the applicable Final Terms to the relevant Series of Securities, in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to the Bearer Securities, Receipts and Coupons will pass by delivery and title to the Registered Securities will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Security, Receipt or Coupon and the registered holder of any Registered Security as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Security, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Securities are represented by a Global Security held on behalf of Euroclear Bank S.A./N.V. ("**Euroclear**") and/or Clearstream Banking, S.A. ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Securities (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Securities standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest or proven error) shall be treated by the Issuer and the Agents as the holder of such nominal amount of such Securities for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Securities, for which purpose the bearer of the relevant Bearer Global Security or the registered holder of the relevant Registered Global Security shall be treated by the Issuer and any Agent as the holder of such nominal amount of such Securities in accordance with and subject to the terms of the relevant Global Security and the expressions "**Security holder**" and "**holder of Securities**" and related expressions shall be construed accordingly.

Securities which are represented by a Global Security will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

2. TRANSFERS OF REGISTERED SECURITIES

(a) Transfers of interests in Registered Global Securities

Transfers of beneficial interests in Registered Global Securities will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Security will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Securities in definitive form or for a beneficial interest in another Registered Global Security only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement.

(b) *Transfers of Registered Securities in definitive form*

Subject as provided in paragraphs (e) and (f) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Security in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (i) the holder or holders must (A) surrender the Registered Security for registration of the transfer of the Registered Security (or the relevant part of the Registered Security) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof and the transferee or transferees thereof or, in either case, his or their attorney or attorneys duly authorised in writing and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in schedule 7 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Security in definitive form of a like aggregate nominal amount to the Registered Security (or the relevant part of the Registered Security) transferred. In the case of the transfer of part only of a Registered Security in definitive form, a new Registered Security in definitive form in respect of the balance of the Registered Security not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

(c) *Registration of transfer upon partial redemption*

In the event of a partial redemption of Securities under Condition 6, the Issuer shall not be required to register the transfer of any Registered Security, or part of a Registered Security, called for partial redemption.

(d) *Costs of registration*

Security holders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

(e) *Transfers of interests in Registered Global Securities*

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Registered Global Security may not be made to a transferee in the United States or who is a U.S. person.

(f) *Exchanges and transfers of Registered Securities generally*

Holders of Registered Securities in definitive form may exchange such Securities for interests in a Registered Global Security of the same type at any time.

(g) *Definitions*

In this Condition, the following expressions shall have the following meanings:

"**Distribution Compliance Period**" means the period that ends 40 days after the completion of the distribution of each Tranche of Securities, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Dealer (in the case of a syndicated issue);

"**Regulation S**" means Regulation S under the Securities Act;

"**Registered Global Security**" means a Global Security in registered form representing Securities sold outside the United States in reliance on Regulation S; and

"**Securities Act**" means the United States Securities Act of 1933, as amended.

3. STATUS OF THE SECURITIES

The Securities and any related Coupons constitute the direct, unconditional and senior obligations of the Issuer and rank *pari passu* among themselves. The Securities are mortgage covered securities issued in accordance with the Asset Covered Securities Act 2001 (as amended) of Ireland, (the "**Act**"), are secured on cover assets that comprise a cover assets pool maintained by the Issuer in accordance with the terms of the Act, and rank *pari passu* with all other obligations of the Issuer under mortgage covered securities issued or to be issued by the Issuer pursuant to the Act.

4. INTEREST

(a) Interest on Fixed Rate Securities

Each Fixed Rate Security bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Subject as provided in Condition 4(d), interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

Except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in these Terms and Conditions, "**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest, in accordance with this Condition 4(a):

(i) if "**Actual/Actual (ICMA)**" is specified in the applicable Final Terms:

(a) in the case of Securities where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(b) in the case of Securities where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;

(ii) if "**30/360**" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

(iii) if **30E/360** or **Eurobond Basis** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D2 - D1)}{360}$$

where:

$\mathbf{Y_1}$ is the year, expressed as a number, in which the first day of the Interest Period falls;

$\mathbf{Y_2}$ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$\mathbf{M_1}$ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

$\mathbf{M_2}$ is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$\mathbf{D_1}$ is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

$\mathbf{D_2}$ is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30; and

(iv) if **30E/360** (**ISDA**) is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D2 - D1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

In these Terms and Conditions:

"**Determination Period**" means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

"**sub-unit**" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

(b) Interest on Floating Rate Securities

(i) Interest Payment Dates

Each Floating Rate Security bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall

on a day which is not a Business Day, then, if the Business Day Convention specified is:

(1) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, 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 (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Terms and Conditions, "**Business Day**" means a day which is both:

(A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the Additional Business Centre(s) specified in the applicable Final Terms; and

(B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than any Additional Business Centre(s) and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer payments system which utilises a single shared platform and which was launched on 19 November 2007 (the "**TARGET2 System**") is open.

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Securities will be determined in the manner specified in the applicable Final Terms.

(A) ISDA Determination for Floating Rate Securities

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the

Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Securities (the "**ISDA Definitions**") and under which:

(1) the Floating Rate Option is as specified in the applicable Final Terms;

(2) the Designated Maturity is a period specified in the applicable Final Terms; and

(3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (LIBOR) or on the Euro-zone inter-bank offered rate (EURIBOR), the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity and Reset Date have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Securities

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent so specified. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) or, as applicable the relevant Calculation Agent of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of clause (1) above, no offered quotation appears or, in the case of clause (2) above, fewer than three offered quotations appear, in each case as at the Specified Time, the Principal Paying Agent shall request each of the Reference Banks to provide the Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Principal Paying Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus

(as appropriate) the Margin (if any), all as determined by the Principal Paying Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Principal Paying Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Principal Paying Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Principal Paying Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Principal Paying Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Principal Paying Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

For the purposes of these provisions, "**Reference Banks**" means, in the case of a determination of LIBOR, the principal London Office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Principal Paying Agent.

(iii) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) Determination of Rate of Interest and calculation of Interest Amounts

The Principal Paying Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent so specified will at or as soon as

practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Principal Paying Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent so specified will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Securities in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

"**Day Count Fraction**"**"** means, in respect of the calculation of an amount of interest in accordance with this Condition 4(b):

(i) if "**Actual/365**" or "**Actual/Actual**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iii) if "**Actual/365 (Sterling)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "**Actual/360**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(v) if **30/360**, **360/360** or **Bond Basis** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D2 - D1)}{360}$$

where:

$\mathbf{Y_1}$ is the year, expressed as a number, in which the first day of the Interest Period falls;

$\mathbf{Y_2}$ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$\mathbf{M_1}$ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

$\mathbf{M_2}$ is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$\mathbf{D_1}$ is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(vi) if **30E/360** or **Eurobond Basis** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D2 - D1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30; and

(vii) if **30E/360 (ISDA)** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D2 - D1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of

February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

(v) Notification of Rate of Interest and Interest Amounts

The Principal Paying Agent, or where the applicable Final Terms specifies a Calculation Agent for this purpose, the Calculation Agent so specified will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any competent listing authority or stock exchange on which the relevant Floating Rate Securities are for the time being listed and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each competent listing authority or stock exchange on which the relevant Floating Rate Securities are for the time being listed and to the Security holders in accordance with Condition 13. For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(vi) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b), by the Principal Paying Agent or the Calculation Agent (if applicable) shall (in the absence of wilful default, bad faith or manifest or proven error) be binding on the Issuer, the Principal Paying Agent, any Calculation Agent, the other Agents and all Security holders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Security holders or the Couponholders shall attach to the Principal Paying Agent or any Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) Accrual of interest

Subject as provided in Condition 4(d), each Security (or in the case of the redemption of part only of a Security, that part only of such Security) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(1) the date on which all amounts due in respect of such Security have been paid; and

(2) five days after the date on which the full amount of the moneys payable in respect of such Security has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Security holders in accordance with Condition 13.

(d) Interest Rate and Payments from the Maturity Date in the event of extension of maturity of the Securities up to the Extended Maturity Date

(i) If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of Securities and the maturity of those Securities is extended beyond the Maturity Date in accordance with Condition 6(h), the Securities shall bear interest from (and including) the Maturity Date to (but excluding) the earlier of the relevant Interest Payment Date after the Maturity Date on which the Securities are redeemed in full or the Extended Maturity Date, subject to Condition 4(c). In that event, interest shall be payable on those Securities at the rate determined in accordance with

Condition 4(d) (ii) on the principal amount outstanding of the Securities in arrear on the Interest Payment Date in each month after the Maturity Date in respect of the Interest Period ending immediately prior to the relevant Interest Payment Date, subject as otherwise provided in the applicable Final Terms. The final Interest Payment Date shall fall no later than the Extended Maturity Date.

(ii) If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of Securities and the maturity of those Securities is extended beyond the Maturity Date in accordance with Condition 6(h), the rate of interest payable from time to time in respect of the principal amount outstanding of the Securities on each Interest Payment Date after the Maturity Date in respect of the Interest Period ending immediately prior to the relevant Interest Payment Date will be as specified in the applicable Final Terms and, where applicable, determined by the Principal Paying Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent so specified, two Business Days after the Maturity Date in respect of the first such Interest Period and thereafter as specified in the applicable Final Terms.

(iii) In the case of Securities which are Zero Coupon Securities up to (and including) the Maturity Date and for which an Extended Maturity Date is specified under the applicable Final Terms, for the purposes of this Condition 4(d) the principal amount outstanding shall be the total amount otherwise payable by the Issuer on the Maturity Date less any payments made by the Issuer in respect of such amount in accordance with these Conditions.

(iv) This Condition 4(d) shall only apply to Securities to which an Extended Maturity Date is specified in the applicable Final Terms and if the Issuer fails to redeem those Securities (in full) on the Maturity Date (or within two Business Days thereafter) and the maturity of those Securities is automatically extended up to the Extended Maturity Date in accordance with Condition 6(h).

5. PAYMENTS

(a) Method of payment

Subject as provided below:

(i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively);

(ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque; and

(iii) payments in US dollars will be made by a transfer to a US dollar account maintained by the payee with a bank outside the United States (which expression as used in this Condition 5, means the United States of America including the State, and District of Columbia, its territories, its possessions and other areas subject to its jurisdiction) or by cheque drawn on a US bank. In no event will payment be made by a cheque mailed to an address in the United States. All payments of interest will be made to accounts outside the United States except as may be permitted by United States tax law in effect at the time of such payment without detriment to the Issuer.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7.

(b) Presentation of definitive Bearer Securities and Coupons

Payments of principal in respect of definitive Bearer Securities will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Securities, and payments of interest in respect of definitive Bearer Securities will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments of principal (if any) in respect of definitive Bearer Securities, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Security in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Security to which it appertains. Receipts presented without the definitive Bearer Security to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Security becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Securities in definitive bearer form (other than Long Maturity Securities (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 12 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8).

Upon the date on which any Fixed Rate Security in definitive bearer form becomes due and repayable, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Security or Long Maturity Security in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Security**" is a Fixed Rate Security (other than a Fixed Rate Security which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Security shall cease to be a Long Maturity Security on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Security.

If the due date for redemption of any definitive Bearer Security is not an Interest Payment Date, interest (if any) accrued in respect of such Security from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Security.

(c) Payments in respect of Bearer Global Securities

Payments of principal and interest (if any) in respect of Securities represented by any Global Security in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Securities and otherwise in the manner specified in the relevant Global Security against presentation or surrender, as the case may be, of such Global Security at the specified office of any Paying Agent outside the United States. On the occasion of each payment:

(i) in the case of any Global Security in bearer form which is not issued in new global note ("**NGN**") form (as specified in the applicable Final Terms), a record of such payment made against presentation or surrender of such Global Security in bearer form, distinguishing between any payment of principal and any payment of interest, will be made on such Global Security by the Paying Agent to which it was presented and such record shall be prima facie evidence that the payment in question has been made; and

(ii) in the case of any Global Security in bearer form which is issued in NGN form (as specified in the applicable Final Terms), the Principal Paying Agent shall instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records to reflect such payment.

(d) Payments in respect of Registered Securities

Payments of principal in respect of each Registered Security (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Security at the specified office of the Registrar or any Paying Agent. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Security appearing in the register of holders of the Registered Securities maintained by the Registrar (the "**Register**") at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Securities held by a holder is less than euro €250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "**Designated Account**" means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest in respect of each Registered Security (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Security appearing in the Register at the close of business on the Record Date at his address shown in the Register on the Record Date and at his risk. For this purpose, (the "**Record Date**") means:

(i) where the Registered Security is in global form, the relevant due date for payment minus one business day (being for this purpose a day on which each of Euroclear and Clearstream, Luxembourg (as applicable) is open for business); and

(ii) where the Registered Security is in definitive form, the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date.

Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Security, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Securities which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Security on redemption will be made in the same manner as payment of the principal amount of such Registered Security.

Holders of Registered Securities will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Security as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Securities.

None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Securities or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) General provisions applicable to payments

The holder of a Global Security shall be the only person entitled to receive payments in respect of Securities represented by such Global Security and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Security in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Securities represented by such Global Security must look solely to Euroclear or Clearstream, Luxembourg as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Security.

(f) Payment Day

If the date for payment of any amount in respect of any Security or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 8) is:

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits):

(A) with respect only to Bearer Securities in definitive form, in the relevant place of presentation; or

(B) with respect to any form of Securities, in any Additional Financial Centre specified in the applicable Final Terms; and

(ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(g) *Interpretation of principal and interest*

Any reference in these Terms and Conditions to principal in respect of the Securities shall be deemed to include, as applicable:

(i) the Final Redemption Amount of the Securities;

(ii) the Optional Redemption Amount(s) (if any) of the Securities;

(iii) in relation to Securities redeemable in instalments, the Instalment Amounts (as specified in the applicable Final Terms); and

(iv) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Securities.

(h) *Payments on Registered Securities in definitive form*

In respect of payments on Registered Securities in definitive form, whether made or falling due before or during any insolvency or composition proceedings to which the Issuer may be subject, the Issuer, to the extent permitted by applicable law and if Condition 5(h) is specified to apply in the applicable Final Terms, hereby waives any right of set-off to which it may be entitled as well as the exercise of any pledge, right of retention or other rights through which the claims of the Security holder could be prejudiced to the extent that such rights belong to the reserved assets (*gebundenes Vermögen*) of an insurer within the meaning of § 54 Insurance Supervisory Act (*Verischerungsaufsichtsgesetz*) of the Federal Republic of Germany in connection with the Ordinance Relating to the Investment of the Committed Assets of Insurance Companies (*Verordnung über die Anlage des gebunden Vermögens von Versicherungsunternehmen*) of the Federal Republic of Germany or belong to funds covering the debt securities (*Deckungsmasse für Schuldverschreibungen*) of such insurer established pursuant to German law.

6. REDEMPTION AND PURCHASE

(a) *Redemption at maturity*

Subject to Condition 6(h), unless previously redeemed or purchased (or otherwise acquired) and cancelled or extended as specified below, each Security will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

(b) *Redemption at the option of the Issuer (Issuer Call)*

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having given:

(i) not less than 15 nor more than 30 days' notice to the Security holders in accordance with Condition 13; and

(ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Principal Paying Agent and, in the case of a redemption of Registered Securities, the Registrar;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem, as specified in the applicable Final Terms, all or some only of the Securities then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Securities, the Securities to be redeemed ("**Redeemed Securities**") will be selected individually by lot, in the case of

Redeemed Securities represented by definitive Securities, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Securities represented by a Global Security, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Securities represented by definitive Securities, a list of the serial numbers of such Redeemed Securities will be published in accordance with Condition 13 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Securities represented by definitive Securities shall bear the same proportion to the aggregate nominal amount of all Redeemed Securities as the aggregate nominal amount of definitive Securities outstanding bears to the aggregate nominal amount of the Securities outstanding, in each case on the Selection Date, provided that, such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination and the aggregate nominal amount of Redeemed Securities represented by a Global Security shall be equal to the balance of the Redeemed Securities. No exchange of the relevant Global Security will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (b) and notice to that effect shall be given by the Issuer to the Security holders in accordance with Condition 13 at least five days prior to the Selection Date.

(c) Redemption at the option of the Security holders (Investor Put)

If Investor Put is specified in the applicable Final Terms, upon the holder of any Security giving to the Issuer in accordance with Condition 13 not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Security on the Optional Redemption Date and at the Optional Redemption Amount as specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Securities may be redeemed under this Condition 6(c) in any multiple of their lowest Specified Denomination.

To exercise the right to require redemption of this Security the holder of this Security must deliver, at the specified office of any Paying Agent (in the case of Bearer Securities) or the Registrar (in the case of Registered Securities) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a "**Put Notice**") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition and, in the case of Registered Securities, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Securities so surrendered is to be redeemed, an address to which a new Registered Security in respect of the balance of such Registered Securities is to be sent subject to and in accordance with the provisions of Condition 2(b). If this Security is in definitive form, the Put Notice must be accompanied by this Security or evidence satisfactory to the Principal Paying Agent concerned that this Security will, following delivery of the Put Notice, be held to its order or under its control. If this Security is represented by a Global Security or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Security the holder of this Security must, within the notice period, give notice to the Principal Paying Agent or, as applicable, the Registrar of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or, as the case may be, the common safekeeper or common service provider, for them to the Principal Paying Agent or, as applicable, the Registrar by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Security is represented by a Global Security, at the same time present or procure the presentation of the relevant Global Security to the Principal Paying Agent or, as applicable, Registrar for notation accordingly.

Any Put Notice given by a holder of any Security pursuant to this paragraph shall be irrevocable.

(d) Instalments

Instalment Securities will be redeemed in the Instalment Amounts and on the Instalment Dates.

(e) Purchases

The Issuer may at any time purchase or otherwise acquire Securities (provided that, in the case of definitive Securities, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased, or acquired therewith) at any price and in any manner in the open market or otherwise. Such Securities may be held, reissued, resold or, at the option of the Issuer, surrendered to the Principal Paying Agent or, as applicable, the Registrar for cancellation.

(f) Cancellation

All Securities which are redeemed will forthwith be cancelled (together with all unmatured Coupons, Receipts and Talons attached thereto or surrendered therewith at the time of redemption). All Securities so cancelled and any Securities purchased (or otherwise acquired) and surrendered for cancellation pursuant to paragraph (e) above (together with all unmatured Coupons, Receipts and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent or, as applicable, the Registrar and cannot be reissued or resold.

(g) Late payment on Zero Coupon Securities

If the amount payable in respect of any Zero Coupon Security to which Condition 6(h) does not apply, upon redemption of such Zero Coupon Security pursuant to paragraph (a), (b) or (c) above is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Security shall be the amount calculated in accordance with the following formula:

RP x (1 + AY) y

where:

"**RP**" means the Reference Price; and

*"***AY**" means the Accrual Yield expressed as a decimal; and

*"***y**" is a fraction, the denominator of which is 360 and the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Securities to (but excluding) the date which is the earlier of:

(i) the date on which all amounts due in respect of such Zero Coupon Security have been paid; and

(ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Securities has been received by the Principal Paying Agent or the Registrar and notice to that effect has been given to the Security holders in accordance with Condition 13.

(h) Extension of Maturity up to Extended Maturity Date

(i) An Extended Maturity Date may be specified in the applicable Final Terms as applying to a Series of Securities.

(ii) If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of Securities and the Issuer fails to redeem all of those Securities in full on the Maturity Date or within two Business Days thereafter, the maturity of the Securities and the date on which such Securities will be due and repayable for the purposes of the Terms and Conditions will be automatically extended up to but no later than the Extended Maturity Date, as specified in the applicable Final Terms. In that event, the Issuer may redeem all or any part of the principal amount outstanding of the Securities on an Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date or as otherwise provided for in the applicable Final Terms. The Issuer shall give to the Security holders (in accordance with Condition 13), the Principal Paying Agent and any other Paying Agents, notice of its intention to redeem all or any of the principal amount outstanding of the Securities in full at least five Business Days prior to the relevant Interest Payment Date or, as applicable, the Extended Maturity Date. Any failure by the Issuer to notify such persons shall not affect the validity or effectiveness of any redemption by the Issuer on the relevant Interest Payment Date or as applicable, the Extended Maturity Date or give rise to rights in any such person.

(iii) In the case of Securities which are Zero Coupon Securities up to (and including) the Maturity Date to which an Extended Maturity Date is specified under the applicable Final Terms, for the purposes of this Condition 6(h) the principal amount outstanding shall be the total amount otherwise payable by the Issuer on the Maturity Date less any payments made by the Issuer in respect of such amount in accordance with these Conditions.

(iv) Any extension of the maturity of Securities under this Condition 6(h) shall be irrevocable. Where this Condition 6(h) applies, any failure to redeem the Securities on the Maturity Date or any extension of the maturity of Securities under this Condition 6(h) shall not constitute an event of default for any purpose or give any Security holder any right to receive any payment of interest, principal or otherwise on the relevant Securities other than as expressly set out in these Terms and Conditions.

(v) In the event of the extension of the maturity of Securities under this Condition 6(h), interest rates, interest periods and interest payment dates on the Securities from (and including) the Maturity Date to (but excluding) the Extended Maturity Date shall be determined and made in accordance with the applicable Final Terms and Condition 4(d).

(vi) If the Issuer redeems part and not all of the principal amount outstanding of Securities on an Interest Payment Date falling in any month after the Maturity Date, the redemption proceeds shall be applied rateably across the Securities and the principal amount outstanding on the Securities shall be reduced by the level of that redemption.

(vii) If the maturity of any Securities is extended up to the Extended Maturity Date in accordance with this Condition 6(h), subject to otherwise provided for in the applicable Final Terms, for so long as any of those Securities remains in issue, the Issuer shall not issue any further mortgage covered securities, unless the proceeds of issue of such further mortgage covered securities are applied by the Issuer on issue in redeeming in whole or in part the relevant Securities in accordance with the terms hereof.

(viii) This Condition 6(h) shall only apply to Securities to which an Extended Maturity Date is specified in the applicable Final Terms and if the Issuer fails to redeem those Securities in full on the Maturity Date (or within two Business Days thereafter).

7. TAXATION

All payments of principal and interest in respect of the Securities, Receipts and Coupons shall be made by or on behalf of the Issuer (including, without limitation, by any Paying Agent) without deduction or withholding for or on account of any present or future taxes or other duties of whatever nature levied

by or on behalf of any jurisdiction, unless the Issuer or such Paying Agent shall be obligated by any applicable law, or regulation, practice or agreements thereunder, or official interpretations thereof, or any law implementing an intergovernmental approach thereto, or by virtue of the relevant holder failing to satisfy any certification or other requirements in respect of the Securities, in which event, the Issuer or such Paying Agent (as applicable) shall make such payments after such withholding or deduction has been made and shall account to the relevant authorities for the amount(s) so withheld or deducted. Neither the Issuer nor any Paying Agent will be obliged to make any additional payments in respect of any such withholding or deduction imposed.

8. PRESCRIPTION

To the extent permitted by applicable law, the Bearer Securities, Receipts and Coupons will become void unless presented for payment within a period of 12 years from the Relevant Date in respect thereof and claims in respect of Registered Securities shall become prescribed unless made within a period of 12 years from the Relevant Date in respect thereof. Any monies paid by the Issuer to the Registrar or a Paying Agent, as the case may be, for the payment of principal or interest with respect to the Securities and remaining unclaimed when the Securities, Receipts or Coupons become void or claims in respect thereof become prescribed, as the case may be, shall be paid to the Issuer and all liability of the Issuer with respect thereto shall thereupon cease. As used in these Terms and Conditions, "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Security holders in accordance with Condition 13.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon which would be void, or the claim for payment in respect of which would be prescribed, pursuant to this Condition or Condition 5(b) or any Talon which would be void pursuant to Condition 5(b).

9. REPLACEMENT OF SECURITIES, COUPONS AND TALONS

Should any Security, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of any Paying Agent (in the case of Bearer Securities, Receipts, Coupons or Talons) or the Registrar (in the case of Registered Securities) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Securities, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

10. AGENTS

The names of the initial Agents and their initial specified offices are set out below.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

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

(b) so long as the Securities are listed on any stock exchange, there will at all times be a Paying Agent (in the case of Bearer Securities) and a Transfer Agent (in the case of Registered Securities) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority); and

(c) there will at all times be a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive 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.

Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Security holders in accordance with Condition 13.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Security holders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

11. OVERCOLLATERALISATION/PRUDENT MARKET DISCOUNT

(a) Maintenance of Overcollateralisation

For so long as the Securities are outstanding, the prudent market value (determined in accordance with the Act) of the cover assets pool maintained by the Issuer in accordance with the terms of the Act will not at any time be less than the then applicable Minimum Overcollateralisation Level.

(b) Minimum Pool Overcollateralisation Level

For the purposes of this Condition 11, the applicable "**Minimum Overcollateralisation Level**" at any time shall be an amount equal to the Overcollateralisation Percentage of the total aggregate outstanding principal amount of all Securities issued under the Programme and any other mortgage covered securities of the Issuer in issue at such time.

(c) Overcollateralisation Percentage

For the purposes of this Condition 11, the "**Overcollateralisation Percentage**" shall be the overcollateralisation percentage specified for the purposes of this Condition 11(c) in the applicable Final Terms as applying to the relevant Series of Securities or such other percentage as may be selected by the Issuer from time to time and notified to the Issuer's cover-assets monitor and the Security holders (in the case of the latter, in accordance with Condition 13) provided that:

(i) the Overcollateralisation Percentage shall not, for so long as the Securities are outstanding, be reduced by the Issuer below the overcollateralisation percentage specified for the purposes of this Condition 11(c) in the applicable Final Terms relating to that Series of Securities; and

(ii) without prejudice to (i), the Issuer shall not at any time reduce the then Overcollateralisation Percentage which applies for the purposes of this Condition 11(c) if to do so would result in any credit rating then applying to the Securities by any credit rating agency appointed by the Issuer in respect of the Securities being reduced, removed, suspended or placed on credit watch.

(d) Prudent Market Discount

For the purposes of the Asset Covered Securities Act 2001 Regulatory Notice (Sections 41(1) and 41A(7)) 2011 and the Asset Covered Securities Act 2001 (Sections 61(1), 61(2) and 61(3)) [Prudent Market Discount] Regulation 2004 (as either of them may be amended or replaced from time to time), the Prudent Market Discount applicable to the Issuer in the case of valuations within the scope of the above mentioned regulatory notice and regulation is 0.150 or such other figure as may be selected by the Issuer from time to time and notified to the Issuer's cover-assets monitor and the Security holders (in the case of the latter in accordance with Condition 13) provided that:

(i) such Prudent Market Discount shall not for so long as the Securities are outstanding be reduced by the Issuer below 0.150; and

(ii) without prejudice to (i) above, the Issuer shall not at any time reduce the then such Prudent Market Discount which applies for the purposes of this Condition 11 if to do so would result in any credit rating then applying to the Securities by any credit rating agency appointed by the Issuer in respect of the Securities being reduced, removed, suspended or placed on credit watch.

12. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Security to which it appertains) a further Talon, subject to the provisions of Condition 8.

13. NOTICES

All notices regarding Bearer Securities admitted to the Official List of the Irish Stock Exchange and/or admitted to trading on the regulated market of the Irish Stock Exchange will be deemed to be validly given if filed with the Companies Announcement Office of the Irish Stock Exchange or published in a leading English language daily newspaper of general circulation in Ireland and approved by the Irish Stock Exchange. It is expected that such publication will be made in The Irish Times. Any such notice will be deemed to have been given on the date of the first publication.

All notices regarding the Registered Securities will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the second day after mailing and, in addition, for so long as any Registered Securities are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Securities are issued, there may, so long as any Global Securities representing the Securities are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Securities and, in addition, for so long as any Securities are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Securities on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Security holder shall be in writing and given by lodging the same, together (in the case of any Security in definitive form) with the related Security or Securities, with the Principal Paying Agent (in the case of Bearer Securities) or the Registrar (in the case of Registered Securities). Whilst any of the Securities are represented by a Global Security, such notice may be given by any holder of a Security to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

14. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Security holders, the Receiptholders or the Couponholders to create and issue further mortgage covered securities in accordance with the Act having terms and conditions the same as the Securities or the same in all respects (including as to liability) save for their respective Issue Dates, Interest Commencement Dates, interest amounts/rates in respect of the First Interest Period and/or Issue Prices and so that the same shall be a Tranche of and consolidated and form a single Series with the outstanding Securities.

15. GOVERNING LAW, JURISDICTION AND PARTIAL INVALIDITY

(a) *Governing Law*

The Agency Agreement, the Deed of Covenant, the Securities, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with them are governed by and shall be construed in accordance with the laws of Ireland.

(b) *Jurisdiction*

Any action or other legal proceedings arising out of or in connection with the Securities shall be brought in the High Court of Ireland and the Issuer hereby submits to the exclusive jurisdiction of such court.

(c) *Partial Invalidity*

Should any provision hereof be or become illegal, invalid, void, unenforceable or inoperable in whole or in part, the other provisions shall remain in force.

USE OF PROCEEDS

The Issuer expects to use the net proceeds from the issue of Securities to support the business of the Issuer permitted by the ACS Act.

DESCRIPTION OF THE ISSUER

The Issuer

AIB Mortgage Bank

The Issuer was duly incorporated in Ireland on 11 July 2005 as a public limited company under the name AIB Mortgage Bank p.l.c. and stands registered under the Companies Act. It was subsequently re-registered on 19 December 2005 as a public unlimited company under the name AIB Mortgage Bank. The Issuer obtained a banking licence under the Central Bank Act 1971 and was registered as an Institution under the ACS Act on 8 February 2006. From 4 November 2014, the Issuer is deemed in accordance with the SSM Regulation to be authorised by the ECB under the SSM Regulation. The Issuer is a wholly-owned subsidiary of AIB. At the date of this Base Prospectus, the Issuer is operating in accordance with its constitutive documents, its Memorandum and Articles of Association.

The Issuer's principal purpose is to finance loans secured on residential property, in particular, through the issuance of Mortgage Covered Securities in accordance with the ACS Act. Such loans may be made directly by the Issuer or may be purchased from AIB and other members of the Group or third parties. Under the ACS Act, the Issuer may also hold (and issue Mortgage Covered Securities secured on) certain RMBS or CMBS. The Issuer's principal executive and registered offices are located at AIB Bankcentre, Ballsbridge, Dublin 4, Ireland. The telephone number of the Issuer is +353 1 660 0311.

The authorised share capital of the Issuer is €3,000,000,000 consisting of 3,000,000,000 ordinary shares of €1 each of which 1,745,000,000 ordinary shares of €1 each have been issued and are fully paid up as of the date of this Base Prospectus.

Ownership/Control

The Issuer is a 100 per cent. owned subsidiary and as such is under the control of AIB. AIB is effectively under the control of the State and, in particular, the Minister for Finance. At the date of this Base Prospectus, the Issuer is not aware of any arrangement the operation of which may at a date subsequent to the date of this Prospectus result in a change in control of the Issuer. The Issuer does not have any subsidiaries.

No specific measures have been put in place by the Issuer to ensure that AIB's control of the Issuer is not abused. However, the Issuer and AIB are both regulated and supervised by the Central Bank under laws and regulations applicable to general banking activities in Ireland (the "**Irish Banking Code**") and two of the Issuer's directors are not at the date of this Base Prospectus employees of any member of the Group (see *Board of Directors and Management and Administration of the Issuer*).

Unlimited Liability Status of the Issuer

The Issuer is an unlimited company. There is no limit on the liability of the then-current members (the "**registered shareholders of record**") of the Issuer (as an unlimited company under Irish law) to contribute to the Issuer in an insolvent liquidation of the Issuer to the extent that the Issuer's assets are insufficient to meet its liabilities. In that event, the liquidator of the Issuer or the court has the right to seek contribution from each of the members. AIB is a member of the Issuer. The Issuer's unlimited status does not confer on the creditors of the Issuer the right to seek payment of the Issuer's liabilities from the Issuer's members or to seek contribution for the Issuer from the members in the event of the Issuer becoming insolvent or otherwise. This right rests with the liquidator of the Issuer or the court on an insolvent winding-up. Therefore, AIB is not a guarantor of the Securities. See further *Insolvency of Institutions – Consequences of Issuer's Status as an Unlimited Company*.

Financial Year of the Issuer

The financial year end of the Issuer is 31 December.

Business of the Issuer

The Issuer is an Institution, whose business activities are restricted to dealing in and holding mortgage credit assets (which under the ACS Act may include certain RMBS or CMBS) and limited classes of other assets, engaging in activities connected with the financing and refinancing of such assets, entering into certain hedging

contracts and engaging in other activities which are incidental or ancillary to the above activities. The objects of the Issuer are set out in paragraph 2 of its Memorandum of Association which forms part of its constitutive documents. See *Restrictions on the Activities of an Institution – Permitted business activities in which an Institution may engage*.

Outsourcing Arrangements

Under an Outsourcing and Agency Agreement dated 8 February 2006 (as amended) between AIB and the Issuer (the "**Outsourcing Agreement**"), AIB has agreed to provide the Issuer with administration and agency services and assistance in relation to the origination, maintenance and enforcement of the Issuer's Irish residential loans and related treasury, funding and other activities including administration of customer accounts, customer relations, product development, market strategy, risk management, regulatory and company secretarial matters, human resources related matters, technology and other services. AIB may sub-contract or delegate its powers under the Outsourcing Agreement to other members of the Group but any such sub-contracting or delegation will not abrogate or relieve AIB of any of its obligations under the Outsourcing Agreement. See also *Irish Residential Loan Origination and Servicing – Mortgage Servicing.*

In addition, under a liquidity management agreement dated 29 January 2014 between AIB and certain of its subsidiaries (including the Issuer) (the "**Liquidity Sub-Group**"), AIB manages, and reports on, the liquidity of the Liquidity Sub-Group in accordance with the requirements of CRD IV.

The Issuer may from time to time outsource activities to AIB, other members of the Group or entities who are not members of the Group, subject to applicable legal and regulatory requirements.

Loan Portfolio acquisitions by the issuer

On 13 February 2006, AIB transferred substantially all of its branch originated Irish residential loans and related security held by it and of its Irish residential loan business to the Issuer. The aggregate principal amount outstanding of and accrued but unpaid interest on the Irish residential loans transferred by AIB to the Issuer on 13 February 2006 was approximately €13.6 billion. The transfer was effected pursuant to a statutory transfer mechanism provided for in the ACS Act. This statutory mechanism involved the putting in place of a scheme in accordance with the ACS Act between AIB and the Issuer on 8 February 2006 which permits the transfer of Irish residential loans and related security and/or Irish residential loan business between AIB and the Issuer. Transfers under that scheme were approved by order of the Central Bank on 8 February 2006 as required by the ACS Act. The scheme permits further transfers from AIB to the Issuer or from the Issuer to AIB in the future. See further *Transfers of a Business or Assets under the ACS Act involving an Institution.*

On 25 February 2011, AIB transferred substantially all of its mortgage intermediary originated Irish residential loans, related security and related business to the Issuer. The aggregate principal amount outstanding of, and accrued but unpaid interest on, the Irish residential loans transferred by AIB to the Issuer on 25 February 2011 was approximately €4.2 billion. The transfer was effected pursuant to the above mentioned statutory transfer mechanism provided for in the ACS Act.

Other loans secured on residential or commercial property may be acquired from other members of the Group or from entities which are not members of the Group. Such loans may be acquired under the above mentioned statutory transfer mechanism provided for in the ACS Act or in any other manner permitted by law.

Developments in the structure of the Group's residential mortgage business

During the course of 2013 the following two Group restructures, aimed at achieving efficiencies across the mortgage business, impacted on the business of the Issuer:

(a) With effect from 15 July 2013, substantially all new Group staff mortgage applications for Irish residential mortgage loans are being introduced through the Mortgages Direct Channel (telephone banking operation) and all related new residential mortgage loans are originated by the Issuer. The same interest rates and lending policy apply as to applications from customers who are not Group staff, i.e. no differentiation between interest rates and lending policy to Group staff versus other customers of the Issuer. No changes were made to the existing Irish residential mortgage loans to Group staff which remain, in the main, held by AIB.

(b) With effect from 1 September 2013, all new Irish residential mortgage loans introduced by mortgage intermediaries are originated by Haven Mortgages Limited, a subsidiary of EBS Limited which is in turn a subsidiary of AIB. No changes were made to the existing Irish residential mortgage loan book introduced by intermediaries, which remains held by the Issuer. As a result of this change to the Group's origination strategy, intermediary introduced Irish residential mortgage loans are not available as collateral to the Issuer from 1 September 2013. From 1 January 2013 to 31 August 2013, the Issuer originated €122 million of Irish residential mortgage loans through intermediaries.

Irish Housing/Residential Loan Market

Following regulatory changes in the late 1980's, AIB entered the Irish residential loan market actively in the mid 1990's and organically grew its market share to become one of the market leaders.

A period of considerable growth was experienced between 1995 and 2007 whereby total housing assets increased from an estimated €100 billion in 1995 to around €700 billion in 2007, and total Irish residential loan debt increased from less than €15 billion to over €125 billion over the same period. The annual rate of mortgage growth in outstanding loan balances (excluding securitisations, write-downs and reclassifications) slowed significantly since the end of 2006 and turned negative in March 2010. The level of outstanding loan balances has continued to fall on a year-on-year basis since then and stood at €114 billion at end April 2015. (Source: Central Bank of Ireland, Money and Banking tables, Table A.6 Loans to Irish Residents - Outstanding Amounts (Incl. Securitised Loans.)

The volume of new Irish mortgage lending in 2014 was significantly higher relative to 2013. A total of 22,119 mortgage loans were drawn down in 2014 with a value of approximately €3.9 billion. In the first quarter of 2015, the volumes continued to increase with circa €1.0 billion of drawdowns in the quarter (a 73% increase on the first quarter of 2014 at €0.6bn). This level of new business is still low versus normalised mortgage market expectations of €7 billion - €10 billion per annum. Homebuyers (including both first time buyers and those moving home) represented the largest segment of the loan market in terms of the value of loans completed at 92 per cent of the market. (Source: The Banking and Payment Federation of Ireland/ PwC Mortgage Market Profile published on the website of the Banking & Payments Federation Ireland (www.bpfi.ie).

Having risen sharply over most of the period from 1995 to mid-2007, house prices began to decline in the latter part of 2007. National residential property prices suffered a total cumulative peak to trough decline of 51 per cent between September 2007 and March 2013. However, more recent data confirms that the housing market is experiencing a recovery. Property prices nationally have increased by 13.8% in the 12 months to May 2015 and, as of May 2015, are 27% above their trough recorded in March 2013, with property prices in Dublin (as of May 2015) up 46% from their lows, while property prices outside Dublin are up 15% from their lowest point.

(Source: Central Statistics Office Residential Property Price Index.)

The latest available data on house completions indicates that house building is increasing with 11,555 properties completed over the 12 months to March 2015, recognising that this is still below a normalised level of approximately 25,000 new units per annum as per the Economic and Social Research Institute (ESRI). Housing registrations also continue to improve although they continue to remain at a very low level (3,344 over the 12 months to May 2015). Regardless of the relative increases in construction activity, there are on-going supply shortages in Dublin. (Source: AIB Treasury Economic Research Institute).

At the date of this Base Prospectus, mortgage arrears on residential properties are decreasing. Figures published by the Central Bank of Ireland on 4 June 2015 show that, at the end of March 2015, 74,395 or 9.8 per cent of total principal private residential mortgage accounts were in arrears for more than ninety days. This compares with 78,699 accounts, or 10.4 per cent of total principal private residential mortgages at the end of December 2014. The numbers of performing and non-performing principal private residential mortgage accounts which are subject to restructuring (forbearance) have increased to 117,263 at the end of March 2015. This compares with 114,674 at the end of December 2014 (Source: Central Bank of Ireland (www.centralbank.ie).

The above information on outstanding residential mortgage loan balances, new Irish mortgage lending, Irish residential property prices, house completions and registrations and residential mortgage arrears has been accurately reproduced and so far as the Issuer is aware and is able to ascertain from that information, no facts have been omitted which would render the above information inaccurate or misleading.

Irish Home Mortgage Origination

The AIB retail branch and business centres network in Ireland, with a presence in all major towns and cities in the country, is the cornerstone distribution channel for the Issuer, populated by experienced mortgage specialists and supported by AIB Direct Banking which includes a 24 hour direct telephone banking operation and through AIB Private Banking. AIB has also developed an industry leading digital and online origination proposition which delivers channel flexibility for our customers and supports the Group's existing distribution networks, including those of the Issuer.

A large proportion of the Issuer's mortgages, all of which are, at the date of this Base Prospectus, secured on properties located in Ireland, are for the purchase of the first or subsequent PPR of the customer.

See *Irish Residential Loan Origination and Servicing* for further information.

Other parts of the Group also engage in Irish residential mortgage lending. EBS Mortgage Finance, which is also part of the Group, has residential mortgage loans, which are originated by EBS Limited and transferred to EBS Mortgage Finance, and has been issuing Mortgage Covered Securities since 2008.

The Irish Competitive Landscape

There is competition among providers of banking services, based upon the quality and variety of products and services, customer relationship management, convenience of location, technological capability, and the level of interest rates and fees charged to borrowers and interest rates paid to depositors. The Issuer has committed itself to pursuing an integrated multi-channel strategy utilising branches, telephone, internet and other direct channels in a complementary manner, based on customer choice.

The Issuer is a major provider of residential mortgage loans in Ireland and competes in the Irish residential loan market, together with other parts of the Group, offering a broad product range and a competitive variable and fixed rate pricing strategy to meet the needs of the various market segments. It is subject to competition across the spectrum of its residential mortgage lending activities. While the major domestic competitor continues to be Bank of Ireland Mortgage Bank (a subsidiary of The Governor and Company of the Bank of Ireland), which like the Issuer has its headquarters in Dublin, the market continues to be highly competitive. Additional mortgage providers include EBS Limited (a subsidiary of AIB), KBC Bank Ireland plc, permanent tsb p.l.c. and Ulster Bank (Ireland) Limited. While the past year has seen a significant increase in mortgage activity and demand, with property prices stabilising, activity remains constrained by supply of suitable houses, particularly in the main urban areas. The introduction of the LTV/LTI Regulations has set revised rules around criteria for residential mortgage lending. See *Risk Factors – Risks related to business operations, governance and internal control procedures – LTV/ loan to income ("LTI") related regulatory restrictions on residential mortgage lending may restrict the Issuer's and the Group's mortgage lending activities.*

DESCRIPTION OF THE GROUP

General

AIB, originally named Allied Irish Banks Limited, was incorporated in Ireland in September 1966 as a result of the amalgamation of three long established banks: the Munster and Leinster Bank Limited (established 1885), the Provincial Bank of Ireland Limited (established 1825) and the Royal Bank of Ireland Limited (established 1836).

During the 1990's and early 2000's, the Group experienced considerable growth, expanding in the UK, the United States of America and Eastern Europe. However, as a result of the recent global financial crisis and the crisis in the Irish banking sector, the Group underwent significant deleveraging and today operates predominantly in the Republic of Ireland and the UK.

Between 2009 and 2011, in response to the crisis in the Irish banking sector, the Government invested circa. €20.7 billion in AIB, in the form of ordinary shares, preference shares and capital contributions. As a result, the State, through the National Pension Reserve Fund Commission ("**NPRFC**") owns 99.8% of the ordinary shares of AIB.

In July 2011, AIB completed the acquisition of EBS Limited, a significant mortgage provider in the Irish market, for a nominal cash amount. This transaction represented a significant consolidation within the Irish banking sector, resulting in the formation of one of the two pillar banks in Ireland.

The Group now provides a diverse range of banking, financial and related services, principally in Ireland and the UK.

Developments in recent years

In addition to the developments detailed above, the following notable events occurred during 2013, 2014 and 2015 (up to the date of this Base Prospectus).

Sale of Ark Life Assurance Company Limited ("Ark Life")

During March 2013, AIB concluded discussions with Aviva Group Ireland p.l.c and completed (i) the disposal of its 24.99 per cent. interest in Aviva Life Holdings and (ii) the acquisition of 100% of Ark Life. The investment in Ark Life was effectively acquired exclusively for resale. In May 2014, AIB disposed of its investment in Ark Life.

ECB Comprehensive Assessment 2014

The ECB has undertaken the ECB CA of the banking system significant banks in the Eurozone (including the Group) and announced the results on 26 October 2014. The ECB CA exercise entailed a supervisory risk assessment, an asset quality review and a stress test in order to provide a forward-looking view of banks' shock absorption capacity under stress. The results of the ECB CA confirmed that the Group has capital buffers comfortably above minimum requirements under all stress test assessment scenarios. The Group therefore does not require any additional capital as a result of the ECB CA process.

Funding transactions

The Group's access to the wholesale funding markets was restricted during the banking crisis, during which the Group relied on funding from monetary authorities. Since late 2012, the Group has returned to the public funding markets. In 2013, and during the first half of 2014, the Group completed market issuances of debt instruments amounting to €3 billion. These issuances included Mortgage Covered Securities of €1.5 billion from the Issuer, the first credit card securitisation in the Irish market for €0.5 billion and senior unsecured funding of €1.0 billion. The Group's funding from monetary authorities continues to reduce substantially and amounted to €3.4 billion at 31 December 2014.

Approval of AIB Restructuring Plan

On 7 May 2014, the European Commission approved under State Aid rules the Restructuring Plan which covers the period from 2014 to 2017. In arriving at its final decision, the European Commission acknowledged the significant number of restructuring measures already implemented by AIB comprising: business divestments; asset deleveraging; liability management exercises; and significant cost reduction actions. The Commission concluded that the Restructuring Plan sets out the path to restoring long term viability.

Restructuring Plan Commitments

AIB has committed the Group to a range of measures relating to customers in difficulty, cost caps and reductions, acquisitions and exposures, coupon payments, promoting competition, and the repayment of aid to the State. All of the commitments are aligned to AIB's operational plans and are supportive of the Group's return to viability.

Capital Structure

Resolutions to reorganise the share capital of the Group were passed at an extraordinary general meeting held on 19 June 2014. These included the renominalisation of the ordinary shares and a resolution to allow for the increase of distributable reserves by €5.0 billion. An application was made to the High Court in July 2014 for approval of that increase in distributable reserves. On 15 October 2014, the High Court granted an order permitting a share capital reduction which gave rise to additional distributive reserves totalling €5.0 billion which reduction was effected on 16 October 2014.

Operating Segments

The Group's internal structure is based on a customer centric model comprising the following key segments:

- Domestic Core Bank ("**DCB**");
- AIB UK; and
- Financial Solutions Group ("**FSG**").

In addition, a Group segment includes central control and support functions which include operations and technology, risk, audit, finance, general counsel, human resources and corporate affairs and strategy. Certain overheads related to these activities are managed and reported in this segment.

These segments reflect the internal reporting structure which is used by management to assess performance and allocate resources.

DCB services the personal, business and corporate customers of AIB in Ireland, in addition to wealth management services and has a strong presence in all key sectors including SMEs, mortgages, personal and corporate banking. All owner occupier mortgages in the Republic of Ireland are reported in DCB. This segment also includes the Group's treasury and capital markets functions.

AIB UK comprises retail and commercial banking operations in Great Britain operating under the trading name Allied Irish Bank (GB) and in Northern Ireland operating under the trading name First Trust Bank. UK Structured Lending Services deals with AIB UK customers in difficulty within one centre of expertise.

FSG segment is dedicated to supporting business and personal customers in financial difficulty on a case by case basis, excluding those in AIB UK, and third party servicing of NAMA loans. Non-impaired loans connected to customers in financial difficulty are also reported in this segment.

The Group has decided to implement a revised structure of operating segments in 2015. This will change the way the Group is to be organised with a view to further enhancing the Group's focus on the customer, simplify how it operates, grow its business and maintain the momentum already built in its financial performance.

The Group expects to continue its discussions with the Department of Finance regarding the appropriate capital structure of the Group in the context of regulatory and market requirements. These discussions are currently focused on:

- Options in relation to the €3.5 billion 2009 Preference Shares in AIB held by the Ireland Strategic Investment Fund, including the possible conversion into AIB ordinary shares of part or all of the 2009 Preference Shares.

- Options in relation to the €1.6 billion Contingent Capital Notes issued by AIB and held by the Minister for Finance which mature in July 2016.

- A possible significant consolidation in the number of AIB ordinary shares in issue given AIB currently has in excess of 523 billion ordinary shares in issue.

Any future actions in respect of the Group's capital structure will be subject to relevant regulatory and shareholder approvals where necessary. There is no definitive set of outcomes or completion date for these discussions.

CERTAIN ASPECTS OF REGULATION OF RESIDENTIAL LENDING IN IRELAND

Introduction

This section of the Base Prospectus outlines certain regulatory aspects of residential mortgage lending and certain legislative aspects of residential security in Ireland, which the Issuer considers are directly relevant to its Irish residential lending business activities. The outline below does not extend to prudential regulation of credit institutions authorised, or as being entitled to carry on business, in Ireland, or to regulation of other persons who engage in residential mortgage business activities in Ireland. In addition, the outline below is not to be read as comprehensive or complete in its description of regulation of residential lending or legislative aspects of residential security in Ireland but only as providing a general overview of the matters outlined.

Anti-Money Laundering

The AML Acts transpose Directive 2005/60/EC and the associated implementing Directive 2006/70/EC into Irish law. The AML Acts require designated bodies covered by the AML Acts (such as the Issuer) to identify customers, to report suspicious transactions to An Garda Síochána and the Revenue Commissioners and to have specific procedures in place to provide for the prevention of money laundering and terrorist financing.

Data Protection Acts

The Data Protection Acts 1988 and 2003 (the "**DPA**") regulate the retention and use of data relating to individual customers. The DPA also require certain 'data controllers' (including financial institutions which control personal data) to register with the Irish Data Protection Commissioner. The Issuer has registered under the DPA.

Credit Reporting Act 2013

The Credit Reporting Act 2013 provides for the establishment of a mandatory credit reporting and credit checking system regulated and operated by the Central Bank known as the Central Credit Register ("**CCR**").

The purpose of the CCR is to ensure that a credit provider has access to the most accurate and up-to-date information regarding a borrower's total exposure.

Key elements of the Credit Reporting Act 2013 are as follows:

- Available Information: the Credit Reporting Act 2013 prescribes the categories of information that the Central Bank may maintain on the CCR and the period for which such information may be held.

- Mandatory Reporting: the Credit Reporting Act 2013 requires a credit provider (which includes the Issuer) to report a comprehensive range of credit information. In doing so, a credit provider must meet specified reporting standards.

- Credit Checks: a credit provider must undertake mandatory credit checks with the CCR for every credit application above a threshold of €2,000. Information accessed as a result of such a check may be used by the credit provider for certain specified purposes only, as set out in more detail in the Credit Reporting Act 2013. Such a permitted use includes verification of information provided by the borrowing customer in connection with a credit application.

- Access to Information: the Credit Reporting Act 2013 provides for security controls in connection with access to information on the CCR.

- Data Protection: the Credit Reporting Act 2013 extends the role of the Data Protection Commissioner to deal with complaints from any individual or company with an annual turnover of less than €3 million in respect of the person's personal data that is held on the CCR.

- Fees: although fees may be charged for access to information held on the CCR, consumers are entitled to one free copy of their own record, once in every 12 months. The Central Bank may, with the consent

of the Minister for Finance, make regulations prescribing a levy to be paid by credit providers for the purposes of meeting expenses properly incurred by the Central Bank in maintaining the CCR.

Minimum Competency Requirements

The Central Bank applies minimum competency requirements to individuals who in their own right or on behalf of a regulated firm, arrange or offer to arrange retail financial products for consumers (as defined in the Consumer Protection Code 2012) and/or advise on same. The Issuer is a regulated firm and is obliged to comply with these requirements to the extent that they apply to its business.

Financial Services Ombudsman

The Central Bank and Financial Services Authority of Ireland Act 2004 provided for the establishment of the Financial Services Ombudsman (the "**FSO**") and the Financial Services Ombudsman Council. The FSO has, in respect of complaints regarding financial services provided to consumers, a range of powers to investigate complaints and to impose financial or other sanctions on a regulated financial service provider.

Section 72 of the Central Bank (Supervision and Enforcement) Act 2013 (the "**Central Bank Act 2013**") introduced new 'name and shame' powers for FSO with effect from 1 September 2013. Under these powers the FSO may publish the name of regulated financial services provider, or the group of which the regulated financial services provider is a member, where three complaints have been substantiated against the regulated financial services provider in the preceding financial year.

Consumer Credit Act 1995

The making of housing loans in Ireland is regulated by the Consumer Credit Act (the **"CCA"**), which imposes a range of obligations and restrictions on mortgage lenders and mortgage intermediaries. The relevant part of the CCA applicable to housing loans (Part IX) applies to loans made by mortgage lenders only, which includes the Issuer.

For the purposes of the CCA, a mortgage lender is an entity which carries on a business which consists of or includes making housing loans. A housing loan is an agreement for the provision of credit to a person on the security of a mortgage of a freehold or leasehold estate or interest in land for any of a number of purposes, including the purchase or construction of a house to be used as the person's principal residence or that of the person's dependents, or refinancing a loan that was made for any of those purposes, and any loan to a consumer where that loan is secured by a mortgage and on which a house is or is to be constructed.

Relevant obligations imposed by the CCA in respect of the making of housing loans include rules regulating advertising for housing loans; a requirement to furnish the borrower with a valuation report concerning the property; criteria for calculation of APR on housing loans; a requirement that specified warnings regarding the potential loss of the person's home be included in all key documentation relating to a housing loan and that key, prescribed information be displayed on the front page of a housing loan; obligations to provide prescribed documents and information to a borrower; disclosure of certain fees and charges; and to ensure that the borrower obtains mortgage protection insurance (life cover). Restrictions include prohibitions on the imposition of a redemption fee in the case of a variable rate housing loan; compelling a borrower to pay the lender's legal costs of investigating title and the linking of certain products.

A breach of obligations or restrictions imposed by the CCA may constitute a criminal offence. In respect of a regulated financial service provider (but not an entity that is a mortgage lender only), the Central Bank may, instead of a criminal prosecution, impose under its administrative sanctions regime a monetary penalty for breach of any of these obligations and restrictions.

Under section 149 of the CCA, credit institutions must apply to the Central Bank in order to either increase existing fees or introduce any new fee or charge. The Central Bank has the right to decline any such application. Section 149(12) entitles the Central Bank to require a credit institution to refrain from using any terms and conditions that the Central Bank considers to be unfair or likely to be regarded as unfair.

No breach of Part IX of the CCA in itself renders a housing loan unenforceable under the CCA against the borrower.

Consumer Protection Code 2012

The Consumer Protection Code 2012 applies to the Issuer and contains provisions that cover all aspects of a regulated entity's relationship with a consumer. These range from advertising and marketing, to knowing the consumer and offering suitable products, to ensuring that consumers are treated fairly. The general principles of the Consumer Protection Code 2012 apply to all customers of the Issuer.

Relevant obligations of the Consumer Protection Code 2012 include: a requirement to supply a written suitability statement before providing certain services or products; a strict time period for complaint handling; for consolidation mortgages, an obligation to supply a written comparison detailing the total cost of the consolidated facility on offer versus the cost of maintaining existing loans; and a requirement to advise customers how to mitigate/avoid fees and penalties in respect of the chosen product.

The Consumer Protection Code 2012 provides that in the case of all mortgage products provided to personal consumers (other than those where the interest rate is fixed for a period of five years or more) the Consumer Protection Code 2012 requires that a lender test the consumer's ability to repay the instalments on the basis of a 2 per cent. interest rate increase above the interest rate offered. Other relevant changes include more rigorous suitability requirements, an extension of disclosure and notice requirements, enhanced requirements in connection with complaints resolution and a further restriction of the circumstances in which unsolicited contact can be made with consumers.

The Consumer Protection Code 2012 also sets out how regulated entities must deal with and treat personal consumers who are in arrears on a range of loans, including BTL mortgages. Amongst other things, under the Consumer Protection Code 2012, the regulated entity is required to (i) make certain information available to the personal consumer within certain time periods, and (ii) seek to agree an approach which would assist the personal consumer in resolving the arrears, and explain any revised payment arrangement agreed with the personal consumer. In particular, the regulated entity is required to notify the personal consumer of the potential for legal proceedings and proceedings for repossession of the property, and is not permitted to initiate more than three unsolicited communications to a personal consumer in respect of the arrears. However, the provisions of the Consumer Protection Code 2012 in relation to arrears do not apply to the extent that the loan is a mortgage loan to which the CCMA applies.

CCMA

The CCMA sets out the procedures that must be adopted by every regulated entity operating in Ireland as regards mortgage lending to a consumer in respect of the consumer's primary residence in Ireland. As such, the CCMA applies to the Issuer.

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

(a) the residential property which the borrower occupies as his/her primary residence in Ireland; or

(b) a residential property in Ireland which is the only residential property owned by the borrower.

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

The CCMA requires a lender to wait at least eight months from the date the arrears arose before commencing legal action against a co-operating borrower. Separately, a lender is required to give three months' notice to the borrower before a lender may commence legal proceedings where the lender is unwilling to offer an alternative repayment arrangement or the borrower is unwilling to accept an alternative repayment arrangement offered by the lender. Accordingly, under the CCMA a lender is not permitted to commence legal proceedings until three months have passed from the date that such notice is issued (where the lender declines to offer an arrangement or where the borrower does not accept an arrangement offered) or eight months from the date the arrears arose, whichever date is later.

The CCMA was revised with effect from 1 July 2013 in a number of respects including the following:

- Where there is no other sustainable option available, lenders can offer an arrangement to distressed mortgage holders which provides for the removal of the tracker rate, but only as a last resort, where the only alternative option is repossession of the home. Lenders must be able to demonstrate that there is no other sustainable option that would allow the borrower to keep the tracker rate, and the arrangement offered must be a long-term, sustainable solution that is affordable for the borrower.

- Cooperating borrowers must be given at least eight months from the date arrears first arise before legal action can commence and at the end of the MARP process, lenders are required to provide a newly introduced three-month notice period to allow co-operating borrowers time to consider their options, such as voluntary surrender or an arrangement under the Personal Insolvency Act, before legal action can commence.

Lenders are required to establish a MARP as a framework for handling arrears and pre-arrears cases and where alternative repayment arrangements expire or are breached by the borrower. The MARP must incorporate the requirements of the CCMA regarding:

(a) communication with, and provision of information to, a borrower;

(b) the collection and assessment of financial information from a borrower; and

(c) resolution of cases by exploring alternative repayment arrangements.

Lenders also have to establish a centralised and dedicated Arrears Support Unit ("**ASU**"), which must be adequately staffed, to manage cases under the MARP. Each branch office must have at least one person with specific responsibility for dealing with arrears and pre-arrears cases and for liaising with the ASU in respect of these cases.

Where a borrower is in mortgage arrears, a lender is permitted to commence legal action for repossession of the property within the relevant moratorium period in the following circumstances:

(a) where the borrower does not co-operate with the lender;

(b) in the case of a fraud perpetrated on the lender by the borrower; or

(c) in the case of a breach of contract by the borrower other than the existence of arrears.

Lenders are restricted from imposing charges and/or surcharge interest on arrears arising on a mortgage account in arrears to which the CCMA applies and in respect of which a borrower is cooperating reasonably and honestly with the lender under the MARP.

Mortgage Arrears Resolution Strategy

The Central Bank has requested banks operating in the Irish residential mortgage loan market to put in place further longer term MARS to deal with borrowers in arrears or in pre-arrears.

Central Bank Mortgage Arrears Resolution Targets

In relation to MART, see *Risk Factors – Risks Relating to the Securities, MART*.

Consumer Protection Act 2007

The Consumer Protection Acts 2007 and 2014 (the "**Consumer Protection Acts**") apply the Directive on Unfair Commercial Practices (Directive 2005/29/EC) in Ireland and prohibit business-to-consumer commercial practices that are unfair, misleading, aggressive or which otherwise are prohibited by the Consumer Protection Acts. Principally, the Consumer Protection Acts (a) empower a consumer who is aggrieved by any of those proscribed varieties of commercial practice, and the CCPC, to apply to court for an order prohibiting the continued use of the proscribed practice, and (b) confer on every consumer who is aggrieved by a proscribed commercial practice a right of action to claim damages (including exemplary damages) against the person who

has provided the relevant good or service. For this purpose, a consumer would include certain borrowers of residential loans and a relevant service would include residential lending.

Regulatory LTV/Regulatory LTI restrictions on residential mortgage lending

The LTV/LTI Regulations impose restrictions on Irish residential mortgage lending by lenders which are regulated by the Central Bank (such as the Issuer). See *Risk Factors – Risks related to business operations, governance and internal control systems - LTV / loan-to-income ("LTI") related regulatory restrictions on residential mortgage lending may restrict the Issuer's and the Group's mortgage lending activities*.

Personal Insolvency Act

General

The Personal Insolvency Act provides for three new insolvency processes:

(a) a debt relief notice ("**DRN**") to allow for the write-off of qualifying debts up to €20,000, subject to a three year supervision period;

(b) a debt settlement arrangement ("**DSA**") for the settlement of qualifying unsecured debts over a period of up to 5 years and subject to majority creditor approval;

(c) a PIA.

The DSA and PIA processes involve the issuance of a protective certificate which precludes enforcement and related actions by creditors. The application for a DRN, DSA or PIA and protective certificates ultimately needs to be approved by a court (the Circuit Court for debts below €2.5 million, the High Court for debts above €2.5 million) before it can come into effect.

The Personal Insolvency Act also provides for reforms to the Bankruptcy Act 1988, including, notably, a reduction of the duration of the period before which a bankruptcy is automatically discharged from 12 years to 3 years.

The Personal Insolvency Act provides that nothing in it affects the operation of the ACS Act.

PIA

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

The PIA process facilitates the settlement of unsecured debts of any amount and the settlement and/or restructuring of secured debts of up to €3 million (which limit can be waived where all the secured creditors so consent) owed by a debtor meeting certain eligibility criteria over a period of up to 6 years (subject to a possible extension to 7 years). A personal insolvency practitioner formulates a proposal for an arrangement during a protective period of up to 110 days during which creditors cannot take enforcement action against the debtor. The proposal must be approved by the debtor and a qualified 65 per cent. majority of the creditors, with separate class approvals being required by secured and unsecured creditors representing (in each case) over 50 per cent., in each case, of numbers of creditors voting and of the value of the relevant debts. Upon successful completion of the PIA, the debtor is released from all of his qualifying unsecured debts but is not released from his secured debts except to the extent provided for under the terms of the PIA.

A PIA is capable of affecting the right of a secured creditor of the debtor to enforce or otherwise deal with his or her security. The Personal Insolvency Act provides that, subject to certain mandatory requirements set out in the Act, the terms of a PIA may provide for the manner in which the security is to be treated, which may include the sale or any other disposition of the property or asset the subject of the security, the surrender of the security to the debtor or the retention by the secured creditor of the security. In addition, the Personal Insolvency Act

provides that the PIA may vary the terms of the secured debt, including variations with respect to interest payments, the term to maturity, capitalisation of arrears or reduction of the principal sum to a specified amount.

The Personal Insolvency Act provides that where a PIA provides for the sale or other disposal of the property which is the subject of the security for a secured debt, and the realised value of that property is less than the amount due in respect of the secured debt, the balance due to the secured creditor will abate in equal proportion to the unsecured debts covered by the PIA and will be discharged with them on completion of the obligations specified in the PIA.

The Personal Insolvency Act provides for certain specific protections for secured creditors, including: (i) where there is a sale or other disposal of the property the subject of the security, the secured creditor is entitled to the sale/disposal proceeds to discharge the debt up to the value of the security; and (ii) where the security is retained by the secured creditor and the principal sum of the secured debt is reduced pursuant to the terms of the PIA, the principal cannot be reduced below the value of the security without the consent of the secured creditor and any such reduction of principal can be 'clawed back' in favour of the secured creditor where the debtor sells or otherwise disposes of the property the subject of the security within twenty years of the PIA coming into effect.

The Personal Insolvency Act also provides for certain specific protections for a debtor, including protection for the debtor's ownership and occupation of his or her PPR subject to certain limits such as where the personal insolvency practitioner forms the opinion that the costs of the debtor continuing to reside in that PPR are disproportionately large.

Proposed Amendments

The Personal Insolvency (Amendment) Bill 2014 contains proposals to amend the Personal Insolvency Act in relation to procedures for the approval of DSAs and PIAs and related matters. On 13 May 2015, the Irish Government announced its intention to amend the Personal Insolvency Act so as to give the courts the power to review and, where appropriate, approve a PIA which has been rejected by a bank or other secured creditor. It is anticipated that any such amendment will be made by amendments to the bill referred to above.

EU Legislation

Unfair Terms in Consumer Contracts Regulations

The European Communities (Unfair Terms in Consumer Contracts) Regulations 1995 to 2000 (the "**UTCCR**") implement Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts and apply in relation to mortgage loans taken out by consumers (natural persons acting for purposes outside their business) and their related security. A borrower may challenge a term in an agreement on the basis that it is 'unfair' within the meaning of the UTCCR and therefore not enforceable against the borrower. In addition, the CCPC or a consumer organisation (as defined in the UTCCR) may seek an injunction preventing the use of specific terms that are unfair.

Distance Marketing Regulations

The Distance Marketing of Financial Services Directive (Directive 2002/65/EC of 23 September 2002) is implemented in Ireland under the European Communities (Distance Marketing of Consumer Financial Services) Regulations 2004 (the "**DM Regulations**"). The DM Regulations apply to, inter alia, credit agreements entered into on or after 31 October 2004 by means of distance communication (i.e. without any substantive simultaneous physical presence of the originator and the borrower).

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

Unlike certain other distance contracts for the supply of financial services, a consumer does not have the right under the DM Regulations to cancel a housing loan (within the meaning of the CCA) within the 14 day cooling off period introduced by the DM Regulations, if originated by an Irish lender from an establishment in Ireland. However failure by the supplier to comply with certain obligations under the DM Regulations may result in the

distance contract being unenforceable against the consumer. The relevant obligations include (i) the provision of the prescribed pre-contractual information to the consumer (ii) keeping a copy of all information provided to a consumer in relation to a distance contract in durable and tamper-proof form, (iii) upon a request from the consumer, providing a hard paper copy of the distance contract, or (iv) changing the means of distance communication pursuant to a consumer request (unless to do so would be inconsistent with the contract or nature of the service). Failure to comply with such obligations may result in the distance contract being unenforceable against the consumer. The discretion as to enforceability, lies with the courts, who if satisfied that the supplier's non-compliance was not deliberate, the consumer has not been prejudiced by such non-compliance, and it is just and equitable to dispense with the relevant obligation, may decide that the contract is enforceable, subject to any conditions that the court sees fit to impose.

Mortgage Credit Directive

The Directive on Credit Agreements Relating to Residential Immovable Property (Directive 2014/17/EU) (the "**Mortgage Credit Directive**") came into force on 20 March 2014 and must be transposed by Member States by 21 March 2016. The Mortgage Credit Directive has at the date of this Base Prospectus not yet been transposed in Ireland.

The Mortgage Credit Directive aims to improve consumer protection measures at EU level by introducing new rules for residential mortgage lending. The Mortgage Credit Directive is designed to create an efficient and competitive single market for consumers, creditors and credit intermediaries with a high level of consumer protection and to promote financial stability by ensuring that mortgage credit markets operate in a responsible manner.

The Mortgage Credit Directive applies to credit agreements with consumers which are secured by a mortgage or other comparable security on residential immovable property and to credit agreements the purpose of which is to acquire or retain property rights in land or buildings. Member States are permitted to exclude certain credit agreements (such as bridging loans and credit agreements in respect of BTL properties) from the scope of the Mortgage Credit Directive where an appropriate national framework is in place to deal with such agreements.

The Mortgage Credit Directive applies to consumer mortgage lending by credit institutions and non-credit institutions and affects the activities of creditors (such as the Issuer), credit intermediaries and their appointed representatives. A 'consumer' for the purposes of the Mortgage Credit Directive is a natural person acting for purposes which are outside his or her trade, business or profession.

The key elements of the Mortgage Credit Directive are:

- Enhanced transparency: the Mortgage Credit Directive improves the information to be provided to a consumer at a pre-contractual stage to enable a consumer to choose the mortgage product which best meets his or her needs. A creditor will be required to provide a consumer with a European Standardised Information Sheet which will allow the consumer to shop around to identify the product that is most appropriate for him or her. A consumer must be given a minimum 7 day reflection period before the conclusion of the credit agreement or, alternatively, a minimum 7 day right of withdrawal after the conclusion of the credit agreement.

- Increased consumer safeguards: the Mortgage Credit Directive obliges a creditor to conduct a thorough creditworthiness assessment before granting credit to a consumer.

- Business conduct rules: the Mortgage Credit Directive requires a creditor and a credit intermediary to act in the consumer's interests and imposes high-level standards regarding their remuneration structure. Member States are also required to establish minimum knowledge and competence requirements for lenders and credit intermediaries in accordance with the principles set out in the Mortgage Credit Directive.

- Early repayment: the Mortgage Credit Directive grants a consumer a general right to repay a relevant mortgage loan early. Member States may, however, provide that a creditor is entitled to fair and objective compensation for potential costs directly linked to the early repayment. Where it is a fixed rate loan, early repayment can be subject to the existence of a legitimate interest on the part of the consumer, for example, in the event of divorce or unemployment.

- Arrears and foreclosures: the Mortgage Credit Directive requires Member States to adopt measures to encourage creditors to exercise reasonable forbearance before foreclosure proceedings are initiated. Member States must impose a cap on default charges. Where after foreclosure proceedings, outstanding debt remains, Member States must ensure that measures to facilitate repayment in order to protect consumers are put in place.

- Passport regime for credit intermediaries: The Mortgage Credit Directive includes principles for the authorisation and registration of credit intermediaries and establishes a passport regime for those intermediaries.

- Non-credit institutions: the Mortgage Credit Directive requires Member States to ensure that non-credit institutions engaged in mortgage lending covered by the Mortgage Credit Directive are subject to adequate admission processes (including entry in a register) and supervision arrangements by a competent authority.

- Amendment to Directive 2008/48/EC ("**Consumer Credit Directive**"): the Mortgage Credit Directive amends the Consumer Credit Directive by extending its application to an unsecured credit agreement which is provided for the purpose of renovating a residential immovable property involving a total amount of credit in excess of €75,000. The European Communities (Consumer Credit Agreements) Regulations 2010 transpose the Consumer Credit Directive in Ireland and provide for matters such as advertising to consumers, consumer rights of withdrawal from credit agreements and information to borrowers including interest rates and charges, pre-financing credit checks and consumers' rights to prepay loans.

Land and Conveyancing Law Reform Acts

Title to land in Ireland takes one of two forms: registered and unregistered. Both these systems of title include freehold and leasehold property. A freehold title is the closest title to absolute ownership which a property owner may hold. A leasehold title means that the property is held for a term of years. A long lease (generally for a term of in excess of 35 years) would normally reserve a nominal annual rent and is subject to covenants and conditions which are usually not onerous.

The Land and Conveyancing Law Reform Act 2009 (the "**LCLRA 2009**") comprehensively reformed Irish land law and conveyancing practice and also introduced some fundamental changes to the law of mortgages.

The LCLRA 2009 made significant changes to the law regarding the creation of mortgages and the powers and rights of holders of mortgage security. A mortgage by transfer of ownership of unregistered land (conveyance or demise) was effectively abolished by the LCLRA 2009. The LCLRA 2009 makes the method of creating mortgages over unregistered land consistent with that over registered land, that is, by way of charge. A legal charge only takes effect once it has been registered in the Land Registry in the case of registered land. A legal charge takes effect immediately once it is created in respect of unregistered land. In general, the register in the Land Registry governs priorities which are determined by the date of registration (save in the case of judgment mortgages), although there are certain burdens set out in Section 72 of the Registration of Title Act, 1964 which affect registered land without registration. Priorities of interests in unregistered land are complex and are determined by the date of registration of the documents in the Registry of Deeds and the doctrine of notice (save in the case of judgment mortgages). There is no change under the LCLRA 2009 to the creation of an equitable mortgage over unregistered land (for example, by deposit of title deeds).

Chapter 3 of Part 10 of the LCLRA 2009 addresses the obligations, powers and rights of holders of mortgage security. The provisions apply only to mortgages created by deed after 1 December 2009 and mortgages created before that date therefore continue to be governed by the old rules. It is not possible to contract out of the provisions of Chapter 3 of Part 10 in the case of housing loans. Chapter 3 of Part 10 of the LCLRA 2009 also deals with taking possession, power of sale, applications for court orders for possession and/or sale and conveyance on sale. A court order for taking possession, and a court order for sale must be obtained, unless the mortgagor has consented in writing not more than 7 days' prior to the taking of possession or the exercise of the power of sale respectively (an application for a court order for sale and possession may be heard together). In the case of an order for sale, 28 days prior notice must be given to the mortgagor in a prescribed form warning of the possibility of such sale. This notice requirement does not apply in the case of an order for possession. Chapter 3 of Part 10 of the LCLRA 2009 provides that the Circuit Court has exclusive jurisdiction in relation to

any application for an order for sale or order for possession which concerns property which is subject to a housing loan mortgage and any such application must be made in the circuit where the property is situated.

While these changes are significant from a conveyancing perspective, many of the provisions of the LCLRA 2009 consolidated and put on a statutory footing legal practice - for example, the non-exercise of the court's jurisdiction in relation to foreclosure and the court's equitable jurisdiction to order a sale of the mortgaged property at the request of the mortgagor.

The Land and Conveyancing Law Reform Act 2013 (the "**LCLRA 2013**") introduced a number of other changes to the procedural right to seek an order for possession of a PPR of a mortgagor or that of his or her spouse/partner. Notably, the LCLRA 2013 provides that the court may adjourn proceedings for a maximum of two months to enable a mortgagor to consider a PIA under the Personal Insolvency Act. The court in considering a mortgagor's application to adjourn must have regard to appropriate matters, including whether a mortgagor has participated in a mortgage arrears process, whether he has made any repayments within the previous 12 months (and if so, how much relative to the scheduled repayments and how often), previous adjournments requested by the mortgagor, the conduct of both parties to arrears resolution and whether the application by the mortgagor is an attempt to delay progress of the proceedings. If significant progress has been made on a proposal for a personal insolvency arrangement under the Personal Insolvency Act at the end of the two months, the proceedings may be adjourned further. See *Personal Insolvency Act* for further information on the Personal Insolvency Act.

BOARD OF DIRECTORS AND MANAGEMENT AND ADMINISTRATION OF THE ISSUER

Board of Directors

As of the date of this Base Prospectus, there are six members of the Board of Directors as set out below. Four members of the Board of Directors of the Issuer are currently employees of Group members. Two members of the Board of Directors are not at the date of this Base Prospectus and never have been employees of any Group member; one of these is a non-executive director of other members of the Group. Two of the six members of the Board of Directors of the Issuer are executive directors and the remaining four members of the Board of Directors are non-executive directors of the Issuer. This close tie between the Group and the directors of the Issuer is indicative of the high level of integration of the Issuer's business in the Group. However, the Issuer is independent in its decision-making capability as far as it is appropriate for a wholly-owned subsidiary bank of a banking group. It is expected that at least four board meetings of the Issuer will be held each year.

The names, business addresses and principal outside activities of the members of the Board of Directors of the Issuer are listed below.

Members	**Principal Outside Activities**
Dave Keenan (Chairperson – Group Non-Executive Director) Bankcentre, Ballsbridge, Dublin 4 , Ireland	Head of HR - Support & Control Functions, AIB
Eileen Kelliher (Independent Non-Executive Director) Bankcentre, Ballsbridge, Dublin 4, Ireland	Solicitor Various other directorships
Gerry Gaffney (Executive Director - Finance) Bankcentre, Ballsbridge, Dublin 4, Ireland	Accountant, Finance, AIB
James Murphy (Group Non-Executive Director) Bankcentre, Ballsbridge, Dublin 4, Ireland	Head of Finance Services, AIB
Jim O'Keeffe, (Managing Director) Bankcentre, Ballsbridge, Dublin 4, Ireland	Head of Mortgages, AIB
Catherine Woods (Independent Non-Executive Director) Bankcentre, Ballsbridge, Dublin 4, Ireland	Non-Executive Director, AIB Chairperson, EBS Ltd

The Company Secretary of the Issuer is Louise Cleary.

As far as is known to the Issuer, other than as may arise from an individual director's principal outside activities listed in each case above or, in the case of current or former employees of the Group, other roles within the Group, no potential conflicts of interest exist between any duties to the Issuer or the Board of Directors of the Issuer and their private interests or other duties in respect of their management roles.

Outsourcing Arrangements

Under the Outsourcing Agreement, AIB has agreed to provide the Issuer with administration and agency services and assistance in relation to the origination, maintenance and enforcement of the Issuer's Irish residential loans and related treasury, funding and other activities including administration of customer accounts, customer relations, product development, market strategy, risk management, regulatory and company secretarial matters, human resources related matters, technology and other services. AIB may sub-contract or delegate its powers under the Outsourcing Agreement to other members of the Group but any such sub-contracting or delegation will not abrogate or relieve AIB of any of its obligations under the Outsourcing Agreement. See also *Irish Residential Loan Origination and Servicing – Mortgage Servicing*.

In addition, under a liquidity management agreement dated 29 January 2014 between AIB and the Liquidity Sub-Group, AIB manages, and reports on, the liquidity of the Liquidity Sub-Group (which includes the Issuer) in accordance with the requirements of CRD IV.

The Issuer may from time to time outsource activities to AIB, other members of the Group or entities who are not members of the Group, subject to applicable legal and regulatory requirements.

IRISH RESIDENTIAL LOAN ORIGINATION AND SERVICING

Introduction

On 13 February 2006, AIB transferred approximately €13.6 billion of Irish residential loans and related security held by it to the Issuer. Those Irish residential loans were originated by AIB prior to 13 February 2006. They were transferred by AIB to the Issuer on 13 February 2006 pursuant to a scheme made under the ACS Act and the provisions of the ACS Act. On 25 February 2011, pursuant to that scheme and the provisions of the ACS Act, AIB transferred to the Issuer approximately €4.2 billion Irish residential loans and related security that had been originated through mortgage intermediaries. See *Description of the Issuer – Transfer of AIB Irish Residential Loan Book and Business to the Issuer*.

During the course of 2013, two Group restructures, aimed at achieving efficiencies across the mortgage business, impacted on the business of the Issuer (See *Description of the Issuer – Developments in the structure of the Group's residential mortgage business*).

The Lending Criteria (as defined below) and mortgage servicing arrangements described below (see – *Lending Criteria* and *Mortgage Servicing*) apply to all of the Issuer's current Irish residential mortgage lending, whether through the AIB branch network or through other origination channels.

The Lending Criteria have been impacted by the Central Bank's LTV/LTI Regulations (see *Risk Factors – Risks related to business operations, governance and internal control systems - LTV / loan-to-income ("LTI") related regulatory restrictions on residential mortgage lending*).

Lending Criteria

The following criteria (the "**Lending Criteria**") are applied at the date of this Base Prospectus in respect of the Irish residential lending by the Issuer:

Key Lending Criteria

(a) Maximum loan size is determined by reference to the Mortgage Service Ratio ("**MSR**"), Net Disposable Income ("**NDI**"), LTI and the following LTV conditions:

- **First Time Buyers**: Maximum LTV is 90% on the first €220k of the value of the property and 80% on any value thereafter.
- **Non-First Time Buyers**: Maximum LTV is 80%.
- **One Bedroom Apartments:** Maximum LTV is 75%.
- **Self-Builds**: The 'value' for purposes of calculating LTV should not exceed the aggregate of site cost and total build cost which includes full fit out but excludes legal fees, stamp duty etc. Finance for site purchase only is outside policy.
- **Switchers:** The maximum LTV for 'like for like' Switchers is 90 per cent (i.e. without advance of additional funds, the LTV/LTI Regulations are not applicable) and for Switcher propositions with a Top Up / Equity Release, all lending rules apply (i.e. LTV, LTI, MSR and NDI).

(b) The level of finance for residential investment property, whether a new standalone property or a new property that will become part of an existing portfolio (including holiday homes and second homes not dependent on rental income) may not exceed 70 per cent. of the lower of the purchase price (excluding costs) and professional valuation. The combined portfolio may not exceed a LTV of 75 per cent. following the addition of the new property.

(c) Maximum term 35 years, subject to clearance by the 66th birthday (or the 69th birthday, subject to documentary confirmation of retirement age of 68) or on retirement if earlier; and for self-employed customers by the 71st birthday. Residential investment property loans and loans for holiday homes and

second / other homes not dependent on rental income may be sanctioned for a maximum period of 25 years.

(d) Minimum loan €25,000, normally (€10,000 for top-ups on existing loans).

(e) Borrowers must have a minimum age of 18 years.

Negative Equity Trade Up and Negative Equity Trade Down non-forbearance mortgage products are available to existing customers of the Group who have their PPR mortgage with the Bank, who are in negative equity, who have sufficient repayment capacity and who wish to sell their existing PPR and to move to a new PPR the value of which is higher (Trade Up) or lower or equal to (Trade Down) the value of their existing PPR. The criteria as set out in the AIB PPR lending policy will apply in conjunction with the following additional criteria:

- The customer must provide an independent valuation from a member of the Group's valuer panel for the PPR being sold.
- A maximum of 175 per cent. LTV on the combined balance of residual debt and new mortgage facility.
- For a Negative Equity Trade Up mortgage product the combined balance of the residual debt and the new mortgage loan must be of a lower LTV than the LTV on the original property. For a Negative Equity Trade Down mortgage product the combined balance of the residual debt and the new mortgage loan must represent a reduction in the total mortgage debt outstanding.
- Maximum loan amount (including residual debt) €700,000.

Repayment Capacity

(a) The three key tests used in assessing an applicant's ability to repay a mortgage are the MSR, NDI and the LTI limit. These tests are interdependent and the applicant must satisfy all three tests.

(i) NDI is the sustainable, residual net monthly income after meeting the stressed mortgage payment and any other regular monthly outgoings.

(ii) The MSR is the monthly mortgage stressed repayment expressed as a percentage of the applicant's sustainable net monthly income (i.e. net of income tax, levies and PRSI).

(iii) For all new lending for PDH purposes, the maximum amount borrowed must be less than or equal to 3.5 times gross annual income.

(b) For stress testing purposes, when determining MSR and NDI, the Issuer assumes a mortgage repayment based on the current highest variable rate, plus 2.00 per cent, subject to a floor of 6.00 per cent. For BTL applications, an interest rate of 2.00 per cent. over the BTL SVR,, subject to a minimum stressed interest rate of 6.2 per cent. is assumed.

(c) For Group tracker interest rate customers, i.e. customers with mortgage loans on interest rates based on the ECB main refinancing rate plus an agreed margin over that rate, purchasing a new PPR and retaining existing PPR as a BTL, the Issuer stresses the mortgage repayment based on the ECB main refinancing rate plus the existing tracker margin plus 2 per cent, subject to a floor of 5 per cent. For customers with existing PPR tracker interest rate loans, where an existing PPR is being sold and applicants are purchasing a new PPR, the existing tracker rate loan amount being carried over will be stressed, over the term remaining on the existing tracker loan, at the ECB main refinancing rate plus the existing tracker margin plus 2 per cent. plus an additional 1 per cent., subject to a floor of 4.5 per cent.

Funding Balance of Purchase Price

Documentary evidence to verify the source of funding of the balance of the purchase price is obtained and retained on file.

Security

(a) First legal mortgage/charge on the residential property being purchased must be obtained.

(b) Life/fire cover to be put in place – the Issuer's interest noted/assignment taken only where required by security procedures.

Documentation

Evidence of income is submitted with each application. Independent professional property valuation reports from a member of the Group's valuer panel are required in all cases. The following documentary evidence is obtained and held on the home mortgage loan file of the sanctioning authority.

PAYE Employment:

For employees who pay taxes under the Pay As You Earn ("**PAYE**") system, verification of income must take the form of:

(a) Payslips: up to 3 months up to date consecutive pay-slips to confirm basic income,

(b) Completed and stamped Salary Certificate, and

(c) Most recent P60 (annual certificate of pay, tax, PRSI, universal social charge and local property tax issued by the Revenue Commissioners of Ireland (the "**Revenue Commissioners**") to PAYE employees).

The assessment should be made allowing for basic income only. However, some on-going allowances e.g. car/shift allowance can be included provided these are consistent each month and confirmed as guaranteed by the employer.

Net pay after all mandatory deductions (i.e. pension) at source is used as net monthly income to calculate NDI. Consideration can be given to adding back discretionary deductions e.g. annual voluntary contributions net of tax. If there is a difference between net pay and mandated amount, this should be clarified.

Self Employed Applicants:

Ideally, 3 years certified or audited accounts and three years' tax returns to be provided, to confirm the accuracy of net income stated in the accounts as well as details of any tax arrangements made with the Revenue Commissioners.

Contract Employment:

Given the current economic environment, contract employment has become an increasing feature of the employment market. Sustainability of income is a key factor when assessing applications and this is more difficult when income is derived from contract or temporary employment. In such cases sustainability is strongly linked to the education qualifications and skills of the applicant, the demand for such skills and the strength of their employer.

Normal credit assessment criteria will apply and the following additional items must be sought where an applicant is in contract employment and seeking mortgage approval:

- Standard CV style background and copy of current contract of employment,

- 3 years income confirmation,

- Benchmark salary against industry average, and

- Sustainability of income and track record are key in assessment.

Anti-Money Laundering

Full compliance with the AML Acts and related guidance notes is required (including obtaining documentary verification of identity and address).

Mortgage Top-Ups (Principal dwelling house) (expenditure on mortgaged property)

Applications for top ups will be subject to the normal assessment and approval process subject to the following additional criteria:

a) Maximum LTV to be calculated on the total amount of the borrowing i.e. existing balance plus the amount of the top up.

b) Valuation provided must not be more than 2 months old at time of drawdown and must be provided by a member of the Issuer's valuer panel.

c) Normal minimum amount €10,000. The only exception is in relation to applications for top ups for grant aided renewable energy and other energy efficient home improvements.

d) Up to date validated evidence of income is required in all cases.

e) Evidence of expenditure is required in all cases as appropriate, e.g. detailed costings for renovation works, demand for payment of education fees etc. The only exception is in relation to applications for top ups for grant aided renewable energy and other energy efficient home improvements for less than €10,000.

f) Check the status of the existing security held. If the legal charge is not held and approved by the Issuer the perfection of the security should be followed up as necessary as a condition of any top up sanction.

Applications for top-ups will be considered for the following purposes:

- Expenditure on the mortgaged property
- Expenditure on another unencumbered property
- Expenditure on another property mortgaged to the Issuer
- Education expenses
- Parental gift for dependent(s), into a house purchase
- Grant aided renewable energy and other energy efficient home improvements.

An independent professional property valuation in the Issuer's standard format will be required for all top-up cases.

Switcher Mortgages

"Switcher mortgage" (that is, a mortgage loan where the Issuer is refinancing or taking over an existing mortgage borrowing from another lender) propositions will be considered subject to the following considerations:

- Mortgage to be refinanced with the Issuer must be a PPR related borrowing and secured on a PPR property.
- The maximum LTV for 'like for like' Switchers is 90 per cent (i.e. Switcher mortgages without advance of additional funds, the LTV/LTI Regulations are not applicable).
- For Switcher mortgage propositions with a Top Up / Equity Release, all lending rules apply i.e. LTV, LTI, MSR and NDI.

- Normal credit assessment and process for PPR lending will apply.

- A panel valuation report will be required as part of the assessment.

Self-Build Mortgages:

Applications for self-build properties will be considered and repayment capacity is assessed for the amount sought as in the case for all mortgage applications. In the case of self-build property applications, an interest only option is available for the construction period up to a maximum of 12 months from initial stage drawdown. Where Interest only option is availed of, repayments must then be provided over the remaining years of the original term. Repayment capacity should be assessed taking into account any potential overruns and a 10 per cent. contingency should be included in the total build costs.

Renovations and Partially Complete Builds:

The Issuer will consider applications for renovations for the following reasons:

- Upgrade of an existing property mortgaged to the Issuer,

- Renovations as part of an application to purchase a second hand property in need of repair or upgrade,

- Purchase of a new property which is partially built and needs to be completed (such loans are not eligible for inclusion in the Pool until after the completion of the build).

The Issuer adopts a prudent approach to such applications and distinguishes between substantial renovation projects which can add significant value to a property and cosmetic refurbishments which may not add significant value to a property (e.g. new kitchen, bathrooms etc.).

On completion of the renovations, including those for partially complete builds, the LTV of the completed property must always remain within the Issuer's maximum LTV criteria.

Property Valuations

An independent professional property valuation must be provided by a member of the Issuer's valuer panel and must be signed and stamped for all new lending, including for all top-up cases. The independent valuation must be no more than 2 months old at the time of drawdown.

Changes to Lending Criteria and Exceptions

The Lending Criteria are subject to review and the Issuer has the right to change the Lending Criteria from time to time. The Issuer also has the right to vary or waive the Lending Criteria from time to time and at any time and may have so done in the case of individual Irish residential loans.

The LTV/LTI Regulations to which the Issuer and Group are subject allow for a certain level of exceptions to the required criteria as outlined below:

LTI limit exceptions – should not exceed 20% of the total aggregate monetary amount of loans advanced for PPR purposes between 9 February 2015 and 31 December 2015, and on an annual basis thereafter.

LTV limit exceptions – should not exceed 15% of the total aggregate monetary amount of loans advanced for PPR purposes and 10% of the total aggregate monetary amount of residential mortgage loans for non-PPR purposes advanced during the same periods.

The LTI and LTV policy exceptions will be reported internally on a monthly basis and will be reported half yearly to the Central Bank of Ireland.

Mortgage Servicing

Introduction

AIB has been appointed agent and servicer (the "**Mortgage Servicer**") by the Issuer under the Outsourcing Agreement to service and administer the Irish loans of the Issuer, their related security and certain other related matters. Under the terms of the Outsourcing Agreement, the Mortgage Servicer may at its own cost sub-contract or delegate its powers and obligations under the Outsourcing Agreement to the other members of the Group. Any such sub-contracting or delegation will not abrogate or relieve the Mortgage Servicer of any of its obligations under the Outsourcing Agreement.

AIB has agreed under the Outsourcing Agreement to service the Issuer's Irish residential loans with the same level of skill, care and diligence as it would in managing those Irish residential loans advanced by any Group member.

Mortgage Rates

The interest rates on the Issuer's Irish residential loans are kept under review in the context of competitive pricing in the market and the cost of and the availability of funds to the Issuer and AIB. Interest is calculated on the amount owing by a borrower (including, but not limited to, capitalised interest) and is adjusted daily to take account of principal repayments.

Payments from Borrowers

At the date of this Base Prospectus, payments of principal and interest by borrowers in respect of mortgage credit assets comprised in the Pool are usually made monthly in respect of the residential loans held by the Issuer. Such payments are collected by the Mortgage Servicer and are credited at least on a monthly basis into an account maintained by the Issuer with an appropriately rated bank.

Arrears, Default and Enforcement Procedures

AIB, as a Mortgage Servicer for the Issuer, has well established procedures for managing loans that are in arrears, including early contact with borrowers in order to find a solution to any financial difficulties they may be experiencing. These procedures, as from time to time varied in accordance with industry practice, are applied by the Mortgage Servicer under the terms of the Outsourcing Agreement (as defined above) in respect of arrears arising on the Issuer's Irish residential mortgage loans.

The Mortgage Servicer will endeavour to collect all payments due under or in connection with the mortgage loans, but having regard to the circumstances of the borrower in each case and in compliance with the CCMA and commitments by AIB to the Government referred to above. The procedures may include making arrangements whereby a borrower's payments may be varied and/or taking legal action for possession of the relevant residential property and the subsequent sale of that residential property, in each case in accordance with applicable legal requirements. An Irish court may exercise discretion as to whether, on application by the lender, it orders the borrower to vacate the property after a default and as to how long the borrower is given to vacate the property. A lender will usually apply for such an order so that it can sell the property with vacant possession. See *Certain Aspects of Regulation of Residential Lending in Ireland - Land and Conveyancing Law Reform Acts.*

The net proceeds of sale of the property (after payment of costs and expenses of the sale) together with any sums paid by a guarantor of the relevant borrower will be applied against the sums owing from the borrower to the extent necessary to discharge the loan. Where such funds are insufficient to redeem such loan in full, where appropriate, claims may be made against professional advisers (including against solicitors for breach of their undertakings) who advised in connection with the advance of the relevant loan. Such claims are in addition to any rights or remedies which the lender may have at law or in equity against a borrower for payment of the outstanding amount of the loan. Where the funds arising from application of the above procedures are insufficient to pay all amounts owing in respect of a loan, such funds will be applied first in paying principal owing and secondly in paying interest and costs in respect of such loan.

The Issuer is subject to the CCMA (see *Certain Aspects of Regulation of Residential Lending in Ireland – CCMA*), the Central Bank's requirements in respect of MART (see *Risk Factors - Risks relating to the*

Securities – MART) and the Central Bank's Consumer Protection Code 2012. See *Certain Aspects of Regulation of Residential Lending in Ireland – Consumer Protection Code 2012*.

See also *Risk Factors – Risks relating to the Securities - Value and Realisation of Security over Residential Property and Mortgage Arrears Regulatory Requirements*

Redemption

Under the Outsourcing Agreement, the Mortgage Servicer is responsible for handling the procedures connected with the redemption of Irish residential loans held by the Issuer.

RISK MANAGEMENT AT THE ISSUER

Introduction

Risk taking is inherent in the provision of financial services and the Issuer, as part of the Group, assumes a variety of risk in undertaking its business activities. Risk is defined as any event that could: damage the core earnings capacity of the Issuer, increase earnings or cash flow volatility, reduce capital, threaten business reputation or viability and/or breach regulatory or legal obligations.

Individual Risk Types

This section provides details of the exposure to, and risk management of, the following individual risk types which have been identified through the Group risk assessment process and which are relevant to the Issuer:

1. Credit risk

2. Liquidity risk

3. Operational risk

4. Regulatory compliance risk

5. Non-trading interest rate risk

The 5 applicable risk types are discussed below.

1. Credit risk

Credit risk is defined as the risk that a customer or counterparty will be unable or unwilling to meet a commitment that it has entered into and that pledged collateral does not fully cover amounts due to the Issuer. The most significant credit risks assumed by the Issuer arise from mortgage lending activities to customers in Ireland. Credit risk also arises on funds placed with other banks in respect of derivatives relating to interest rate risk management.

Credit risk management objectives are to:

- Establish and maintain a control framework to ensure credit risk taking is based on sound credit management principals;
- Control and plan credit risk taking in line with external stakeholder expectations;
- Identify, assess and measure credit risk clearly and accurately across the Issuer, from the level of individual facilities up to the total portfolio; and
- Monitor credit risk and adherence to agreed controls.

In relation to risk management at the Issuer, in addition to this section of the Base Prospectus, see further pages 9 to 36 of the financial statements for the year ended 31 December 2014 which are incorporated by reference in this Base Prospectus (see *Documents Incorporated by Reference* which contains further details on the risk management of credit risk).

Credit Risk Organisation and Structure

The Issuer's credit risk management systems operate through a hierarchy of lending authorities. All customer mortgage applications are subject to an individual credit assessment and underwriting process. In addition, credit risk is identified, assessed and measured through the use of credit rating and scoring tools for each borrower or transaction. The methodology used produces a quantitative estimate of the Probability of Default ("**PD**") for the borrower. This assessment is carried out at the level of the individual borrower or transaction and at portfolio level when relevant.

In the mortgage portfolio, which is characterised by a large number of customers with small individual exposures, risk assessment is largely informed through statistically based scoring techniques with particular reference to affordability. Depending on size of the exposure, some mortgage applications are assessed by the appropriate sanctioning authority. Both application scoring for new customers and behavioural scoring for existing customers are used to assess and measure risk as well as to facilitate the management of the portfolio.

Measurement of Credit Risk

One of the objectives of credit risk management is to accurately quantify the level of credit risk to which the Issuer is exposed. The use of internal credit rating models is fundamental in assessing the credit quality of loan exposures, with variants of these used for the calculation of regulatory capital.

The primary model measures used are:

- PD – the likelihood that a borrower is unable to repay his obligations;
- Exposure at default ("**EAD**") – the exposure to a borrower who is unable to repay his obligations at the point of default; and
- Loss given default ("**LGD**") – the loss associated with a defaulted loan or borrower.

To calculate PD, the Issuer assesses the credit quality of borrowers and other counterparties and assigns a credit grade or score to these. This grading is fundamental to the on-going credit risk management of loan portfolios.

Models generally use a combination of statistical analysis (using both financial and non-financial inputs) and expert judgement. For the purposes of calculating credit risk, each PD model segments counterparties into a number of rating grades, each representing a defined range of default probabilities. Exposures migrate between rating grades if the assessment of the counterparty PD changes. These individual rating models continue to be refined and recalibrated based on experience. In the Issuer's portfolio, which is characterised by a large number of customers with small individual exposures, risk assessment is largely automated through the use of statistically-based scoring models. Credit grading and scoring systems facilitate the early identification and management of any deterioration in loan quality. Changes in the objective information are reflected in the credit grade of the borrower with the resultant grade influencing the management of individual loans. Special attention is paid to lower quality performing loans or "criticised" loans.

Criticised loans include "watch", "vulnerable" and "impaired" loans which are defined as follows:

- **Watch:** The credit is exhibiting weakness but with the expectation that existing debt can be fully repaid from normal cash flows;
- **Vulnerable:** Credit where repayment is in jeopardy from normal cash flows and may be dependent on other sources; and
- **Impaired:** A loan is impaired if there is objective evidence of impairment as a result of one or more event(s) that occurred after the initial recognition of the asset (a "**loss event"**) and that loss event/events has an impact such that the present value of future cash flows is less than the current carrying value of the financial asset or group of assets and requires an impairment provision to be recognised in the income statement.

The Issuer's criticised loans are subject to more intense assessments and reviews because of the increased risk associated with them. Resourcing, structures, policies and processes are subjected to ongoing review in order to ensure that the Issuer is best placed to manage asset quality and assist borrowers in line with agreed treatment strategies.

Risk management and mitigation

The Group has established a credit process used by the Issuer with a framework of a mortgage credit policy and delegated authorities, based on skill and experience, for the management and control of credit risk. Credit grading, scoring and monitoring systems accommodate the early identification and management of any

deterioration in loan quality. The credit management system is underpinned by an independent system of credit review.

In addition the board of AIB review and approve the credit policy for residential property mortgage loans which is then considered and where appropriate adopted by the board of the Issuer.

Approval Process for Impairment Provisions

The Group operates an approval framework for impairment provisions which are approved, depending on amount, by various delegated authorities where the valuation/impairment is reviewed and challenged for appropriateness and adequacy. Impairments in excess of the segment authorities are approved by the Group Credit Committee and the board of the Group (where applicable). Segment impairments and provisions are ultimately reviewed by the Group Credit Committee as part of the quarterly process.

The valuation assumptions and approaches used in determining the impairment provisions required are documented and the resulting impairment provisions are reviewed and challenged as part of the approval process by segment and Group senior management.

2. Liquidity risk

Liquidity risk is the exposure to loss from not having sufficient funds available at an economic price to meet actual and contingent commitments. The objective of liquidity management is to ensure that, at all times, the Issuer holds sufficient funds to meet its contracted and contingent commitments and regulatory requirements, at an economic price.

The Issuer's liquidity risk is managed as part of the overall Group liquidity management. In line with Article 8 of the CRR, AIB applied to request derogations to the application of liquidity requirements under Part 6 of the CRR to the Issuer. Without this derogation the Issuer would have to comply with CRR liquidity management and reporting requirements in its own right.

The Issuer has a waiver from Central Bank having received:

- a signed copy of the liquidity management agreement between AIB and the Issuer that provides for free movement of funds to enable both entities meet their individual and joint obligations as they become due; and

- legal advisor confirmation that the liquidity management agreement satisfies the conditions of Article 8 of CRR.

The Issuer as a subsidiary of AIB has appointed AIB as liquidity manager to fulfil the following functions:

1. management of liquidity in accordance with the requirements of Part 6 of the CRR;

2. ensure the Issuer has sufficient liquidity to meet its obligations;

3. day to day cashflow management for the Issuer;

4. implementation and oversight of changes in liquidity reporting and management information reporting; and

5. management of funding transactions - loans/deposits/repos.

Funding and Liquidity

The funding and liquidity policy as approved by the board of directors of the Issuer sets out the forms of funding which can be used by the Issuer to meet its liquidity requirements – see below. It also sets out the outsourcing arrangements which have been established with AIB to source and manage the funding and liquidity requirements.

The policy also specifies reporting requirements with respect to funding and liquidity management.

Funding

The Issuer is authorised to fund the assets it holds through the following forms of funding:

(a) the issuance of Mortgage Covered Securities in accordance with the ACS Act;

(b) borrowing funds from AIB;

(c) borrowing from the Central Bank by a way of mortgage-backed promissory note facilities ("**MBPN Facilities**") as agreed between both parties from time to time;

(d) repoing the Issuer's self issued securities for value with AIB and/or the Central Bank of Ireland;

(e) wholesale and corporate market deposit taking; and

(f) capital funding to ensure at a minimum compliance with the capital adequacy requirements of the Central Bank.

The MBPN Facilities, where utilised, are secured by a floating charge over certain of the Issuer's home loans and related security which are held outside of the Pool maintained by the Issuer in accordance with the ACS Act.

Liquidity

CRD IV requires banks to meet liquidity requirements including targets set for Basel III ratios, NSFR and LCR.

The LCR is designed to promote short term resilience of a bank's liquidity risk profile by ensuring that it has sufficient high quality liquid resources to survive an acute stress scenario lasting for 30 days. The NSFR has a time horizon of one year and has been developed to promote a sustainable maturity structure of assets and liabilities.

The Central Bank requires credit institutions to comply with a cashflow maturity mismatch approach for the management of their liquidity. This involves credit institutions analysing their cash flows on a Group-wide basis under various headings and placing them in pre-determined time bands depending on when the cash is received or paid out. Limits are imposed on the Group on the first (0-8 days) and the second (over 8 days -1 month) time bands and monitoring ratios will be calculated for subsequent time bands. These requirements apply to the Group on a consolidated basis rather than to the Issuer on a solo basis.

The primary liquidity requirements of the Issuer are to have sufficient funds available at an economic price to meet its commitments to pay interest and principal to holders of the Issuer's Mortgage Covered Securities, to repay short term borrowings under the MBPN Facilities and to lend to mortgage customers in accordance with outstanding offer letters. The Issuer's liquidity risk is managed as part of the overall Group liquidity management.

3. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes legal risk, information technology risk, cyber crime risk, business continuity risk, outsourcing risk, health and safety risk and legal risk. As such, operational risk covers a broad range of potential sources of financial loss which the Issuer and the Group actively seek to mitigate against. The key people, systems and processes supporting the Issuer are provided by the Group and this relationship is governed by the Outsourcing Agreement. The Group operational risk framework applies across all areas of the Group including the Issuer and the Group Operational Risk function is responsible for overseeing the management of operational risk across the Group. A key focus of operational risk management at the Issuer is the oversight of outsourced service activities, in particular activities related to the requirements of the ACS Act, as well as the end-to-end mortgage origination and servicing processes. The Issuer undertakes an operational risk self-assessment which focuses on activities specific to the Issuer, for example, the Issuer's funding activities and its

compliance with the ACS Act. This process includes periodic assessments of relevant operational risks and the effectiveness of the related controls to address these risks. It complements the risk-based audit approach applied by internal audit in its role as independent assessor of management's control and risk management processes.

4. Regulatory compliance risk

Regulatory compliance risk is defined as the risk of regulatory sanctions, material financial loss or loss to reputation which the Issuer may suffer as a result of failure to comply with all applicable laws, regulations, rules, related self-regulatory standards and codes of conduct applicable to its activities.

The Issuer's regulatory compliance risk is managed as part of the overall Group regulatory compliance framework. This includes risk identification and assessment, risk management and mitigation, and risk monitoring and reporting processes.

5. Non-trading interest rate risk

Interest rate risk is the exposure of the Issuer's earnings to movements in market interest rates. The Issuer is exposed to risk of interest rate fluctuations to the extent that assets and liabilities mature or reprice at different times or in differing amounts.

The Issuer is exposed to interest-rate risk arising from mortgage lending activities and the issuance of Mortgage Covered Securities. Interest rate swaps, as explained in the paragraphs below, are used to manage this exposure.

After taking account of the effect of interest rate swaps, the Issuer's remaining interest rate exposure arises mainly from variable interest rate mortgage loans, where the interest rate for the majority of the loans is based on the ECB refinancing rate, whereas the related funding cost is based on EURIBOR rates.

Interest-rate risk arising from the issuance of fixed-rate Mortgage Covered Securities is managed through interest rate swaps with AIB which have the effect of transforming fixed-rate liability risk into floating-rate risk.

The interest rate exposure of the Issuer relating to its Irish residential lending is managed using two macro interest rate swaps with AIB one of which, the Pool Hedge, relates only to the Pool and Mortgage Covered Securities issued by the Issuer and the other of which (the Non-Pool Hedge) relates only to Irish residential loans which are not included in the Pool. This split is required by the ACS Act.

The Pool Hedge and the Non-Pool Hedge contracts entail the monthly payment of the average customer rate on these mortgages and in return, the receipt of 1 month EURIBOR plus the current margin being achieved on the mortgage portfolio. The contract is reset each month to reflect the outstanding mortgage balances at that time and to reflect updated customer rates, EURIBOR and margin levels. Settlements are made between the Issuer and AIB to reflect the net amount payable/receivable in each month.

Interest rate swaps are used solely for risk management and not trading purposes.

The nominal values of the swaps entered into by the Issuer as of the relevant reporting date are set out in note 8 to the financial statements.

The Issuer is not exposed to any other market risks, i.e. foreign exchange rates or equity prices.

Further details of the Group's liquidity risk, operational risk, regulatory compliance risk and non-trading interest rate risk frameworks are set out in the annual report of AIB.

RESTRICTIONS ON THE ACTIVITIES OF AN INSTITUTION

The ACS Act provides that an Institution may not carry on a business activity other than a permitted business activity (see below), although entities which hold more than one designation (relating to residential (and commercial) mortgage credit, commercial mortgage credit and/or public credit activities) may carry out the permitted activities in respect of the relevant designations.

Permitted business activities in which an Institution may engage

The list of permitted business activities in which an Institution may engage (subject to the restrictions described below) is set out in the ACS Act. These are:

(a) providing mortgage credit, dealing in and holding mortgage credit assets and providing group mortgage trust services;

(b) dealing in and holding substitution assets;

(c) dealing in and holding assets that the Central Bank requires it to hold for regulatory purposes;

(d) dealing in and holding credit transaction assets;

(e) engaging in activities connected with financing or refinancing the classes of assets and other activities referred to in (a) to (g);

(f) entering into certain hedging contracts for the purpose of hedging risks associated with the foregoing activities at (a) to (e) and dealing in and holding Pool Hedge Collateral; and

(g) engaging in activities that are incidental or ancillary to the foregoing activities at (a) to (f).

An explanation of certain of the categories of permitted business activities is set out below.

Permitted business activities – (a) providing mortgage credit and dealing in and holding mortgage credit assets and providing group mortgage trust services

The ACS Act defines "**mortgage credit**" as any kind of financial obligation in respect of money borrowed or raised that is secured by a mortgage, charge or other security on residential property (see below) or commercial property (see below), but only if the property is located in:

(a) Ireland;

(b) any EEA country;

(c) Australia, Canada, Japan, New Zealand, the Swiss Confederation, the United States of America, or a country specified in an order made by the Minister for Finance; or

(d) a country, other than a country to which paragraph (a), (b) or (c) relates, that is a full member of the Organisation for Economic Co-operation and Development, but only if it has not rescheduled its external debt during the immediately preceding 5 years.

The ACS Act provides that mortgage credit also includes mortgage credit in securitised form (as the term `securitisation' is used in CRD IV. The ACS Act also provides that for the purposes of the mortgage credit definition, "**other security**" in relation to residential or commercial property located outside Ireland, means a kind of security interest over that property that is recognised as a valid security interest under the *lex situs* of that property.

Under the ACS Act, mortgage credit also includes any kind of credit for the time being designated by an order of the Minister for Finance under the ACS Act. The ACS Act authorises the Minister for Finance by order to declare credit of a specified kind to be no longer mortgage credit for those purposes. As at the date of this Base

Prospectus, no orders have been made by the Minister for Finance under the ACS Act adding to or reducing the class of mortgage credits.

A "**residential property**" means a building or part of a building that is used or is suitable for use as a dwelling, and includes the land on which the building is constructed and premises that are used in connection with a dwelling, such as a garden, patio, garage or shed.

A "**commercial property**" means:

(a) subject to paragraph (b) below:

  (i) a building or part of a building fixed on land that is used, or is set aside to be used, primarily for the purpose of any industry, trade or other business undertaking, and

  (ii) includes the land on which such building or such part of a building, as the case may be, is located, and the fixtures that are used in conjunction with such building or such part of a building, as the case may be,

(b) but does not include:

  (i) a building or part of a building that is fixed on land that is used, or is set aside to be used, primarily for the purpose of any mine, quarry or agriculture, or

  (ii) subject to the exception referred to below, a building or part of a building that is residential property.

The exception referred to at paragraph (b)(ii) above is where a mortgage credit asset is secured on a single property asset that would otherwise constitute commercial property in part and residential property in part, then that mortgage credit asset is to be regarded for the purposes of the ACS Act as secured only on commercial property.

A "**mortgage credit asset**" is defined in the ACS Act with respect to Institutions as an asset or a property held or to be held by an Institution that comprises one or more mortgage credits and does not include Pool Hedge Collateral.

Under the ACS Act "**group mortgage trust services**" are, with respect to Institutions, services provided by an Institution to one or more of its other corporate group members:

(a) which involve the Institution holding mortgage security or if applicable, collateral security on trust for one or more of such members, and

(b) where, under that trust, the Institution holds an interest in that security for one or more such members and for its own behalf.

"**Mortgage security**" means a mortgage, charge or other security (for the purposes of the definition of mortgage credit) which secure assets that comprise one or more mortgage credits and "**collateral security**" means any security, guarantee, indemnity or insurance which secures, in addition to mortgage security, assets that comprise mortgage credit.

Where an Institution holds mortgage security and, if applicable, collateral security subject to a trust as a consequence of providing group mortgage trust services to other corporate group members, under the ACS Act:

(a) mortgage credit assets do not include group entity assets,

(b) for the purpose of determining what security held by the Institution is protected under Part 7 of the ACS Act as part of the Pool, only mortgage security and, if applicable, collateral security to the extent such security secures mortgage credit assets held by the Institution are protected as part of the Pool; and

(c) as regards recourse by the Institution or other group members to such security to satisfy their respective claims:

(i) such claims held by the Institution for its own benefit until they are discharged in full rank in priority to claims held by other group members; and

(ii) any terms of the trust or any agreement between the Institution or other group members purporting to provide for a different priority as between such claims is void.

For the purposes of the above, "**group entity assets**" means any assets that comprise one or more mortgage credits held by other group members where those assets are secured by mortgage security and if applicable, collateral security and that security is comprised in a trust constituted for the purposes of group mortgage trust services.

Permitted business activities – (b) dealing in and holding substitution assets

The ACS Act defines substitution assets as:

(a) deposits with an eligible financial institution ("**EFI**");

(b) any asset designated a substitution asset in an order made by the Minister for Finance under the ACS Act.

The ACS Act provides that any assets of the type referred to at (b) above must be an exposure to a credit or investment institution within the meaning of CRD IV. The Minister for Finance under the ACS Act may by order designate a specified kind of property to be a substitution asset for the purposes of the ACS Act or declare a specified kind of property to be no longer a substitution asset for those purposes. At the date of this Base Prospectus, no such order has been made by the Minister for Finance. The ACS Act also provides that substitution assets will not comprise Pool Hedge Collateral.

The ACS Act provides that regulations made by the Central Bank must provide for a financial institution or a class of financial institutions to be designated as an EFI for the purposes of (a) above.

The Asset Covered Securities Act 2001 (Section 6(2)) Regulations 2007 (S.I. No. 603 of 2007) (the "**Substitution Asset Deposit Regulations**") made by the Central Bank (which came into effect on 31 August 2007) provide that an EFI for the purposes of a deposit comprising a substitution asset is:

(a) (i) any credit institution which is authorised in Ireland or any EEA Member State, or

(ii) a bank which is authorised to receive deposits or other repayable funds from the public and is located in Australia, Canada, Japan, New Zealand, the Swiss Confederation or the United States of America, and

(b) which has, from an eligible external credit assessment institution ("**ECAI**"), a minimum credit quality assessment of Credit Quality Step 2 (within the meaning of CRD IV).

The Substitution Asset Deposit Regulations repeal the Asset Covered Securities Act 2001 (Section 6(2)) Regulations (S.I. No. 387 of 2002).

In addition, under the ACS Act, substitution assets which are included in the Pool are required to meet creditworthiness standards specified by the Central Bank in a regulatory notice, in addition to those creditworthiness standards which apply in respect of an EFI. The Asset Covered Securities Act 2001 Regulatory Notice (Section 35(9B)) 2014 ("**the Substitution Asset Pool Eligibility Notice**") made by the Central Bank (which came into operation on 4 July 2014) provides that the creditworthiness standards and criteria for inclusion of a substitution asset in a Pool are that the substitution asset concerned must have from an ECAI:

(a) a credit quality assessment of Credit Quality Step 1 (within the meaning of CRD IV); or

(b) for exposures within the EEA with maturity not exceeding 100 days, a minimum long or short term credit quality assessment of Credit Quality Step 2 (within the meaning of CRD IV).

The Substitution Assets Pool Eligibility Notice also provides that the Central Bank may, after consulting the EBA, allow Credit Quality Step 2 for up to 10% of the total exposure of the nominal value of outstanding covered bonds, provided that significant potential concentration problems have been identified in the State due to the application of the Credit Quality Step 1 requirement referred to in (a) above.

The Substitution Asset Pool Eligibility Notice repeals the Asset Covered Securities Act 2001 Regulatory Notice (Section 35(9B)) 2010 made by the Central Bank.

Permitted business activities – (d) dealing in and holding credit transaction assets

The ACS Act defines a "**credit transaction asset**" as an asset derived from having engaged in a credit transaction (not being a cover assets hedge contract (see *Cover Assets Pool – Cover assets hedge contracts) or Pool Hedge Collateral*), but does not include a mortgage credit asset, substitution asset, an asset required to be held for regulatory purposes or an asset arising from financing or refinancing activities. A "**credit transaction**" is defined in the ACS Act as:

(a) placing a deposit with a financial institution which has been or is of a class which has been designated as eligible for such purposes by regulations made by the Central Bank;

(b) dealing with or holding a financial asset; or

(c) any other kind of transaction designated as such by the Minister for Finance by order made under the ACS Act.

A "**financial asset**" for the purposes of (b) above is defined in section 3 of the ACS Act by reference to section 496 of the Taxes Consolidation Act 1997 and includes shares, gilts, bonds, derivatives and debt portfolios.

The Asset Covered Securities Act 2001 (Section 27(4)) Regulations 2007 (S.I. No. 601 of 2007) (the "**CTA Eligible Financial Institution Regulations**") made by the Central Bank which came into operation on 31 August 2007) designate the type of EFIs deposits with which qualify as credit transaction assets. EFIs for this purpose are the same as those that apply in respect of deposits comprising substitution assets under the Substitution Asset Deposit Regulations, (see *Restrictions on the Activities of an Institution – Permitted business activities in which an Institution may engage – (b) dealing in and holding substitution assets* above) save that such financial institutions are required under the CTA Eligible Financial Institution Regulations to have a credit quality assessment of Credit Quality Step 3 (as opposed to a minimum Credit Quality Step 2) (both having the meaning given to them in CRD IV). The CTA Eligible Financial Institution Regulations repeals the Asset Covered Securities Act 2001 (Section 27(4)) Regulation 2004 (S.I. No. 417 of 2004).

Permitted business activities – (e) engaging in activities connected with financing or refinancing of assets and other activities referred to in (a) to (g)

The ACS Act provides that these financing or refinancing activities include (but are not limited to):

(a) taking deposits or other repayable funds from the public; and

(b) issuing asset covered securities (which include Mortgage Covered Securities in the case of an Institution).

The ACS Act provides that an Institution may issue Mortgage Covered Securities, but only in accordance with the ACS Act.

An Institution that issues a Mortgage Covered Security must ensure that the relevant security documentation states:

(a) that the Mortgage Covered Security is a mortgage covered security; and

(b) that the financial obligations of the Institution under the Mortgage Covered Security are secured on the cover assets that comprise a cover assets pool maintained by the Institution in accordance with the ACS Act.

Permitted business activities – (f) entering into certain hedging contracts for the purpose of hedging risks associated with the foregoing activities/dealing in and holding Pool Hedge Collateral

An Institution may enter into one or more contracts ("**Hedging Contracts**") the purpose or effect of which is to reduce or minimise the risk of financial loss or exposure liable to arise from:

(a) fluctuations in interest rates or currency exchange rates;

(b) credit risks; or

(c) other risk factors that may adversely affect its permitted business activities.

The Central Bank may, by regulatory notice, specify requirements as to:

(a) the kind of Hedging Contracts that an Institution may enter into; and

(b) the terms and conditions under which those Hedging Contracts, or any class of those Hedging Contracts, may be entered into (including those relating to Pool Hedge Collateral).

As at the date of this Base Prospectus, no such regulatory notice has been published by the Central Bank.

The ACS Act makes special provision for Hedging Contracts which relate to the mortgage credit assets or substitution assets that are comprised in a Pool maintained, and Mortgage Covered Securities issued, by an Institution (for a description of the provisions of the ACS Act relating to the obligation of an Institution to maintain a Pool, see further below). Those hedging contracts when recorded in the Business Register (as to which see *Cover Assets Pool – Register of mortgage covered securities business*) are referred to in the ACS Act as cover assets hedge contracts. As to the provisions of the ACS Act relating to cover assets hedge contracts see *Cover Assets Pool – Cover assets hedge contracts and Insolvency of Institutions – Effect under the ACS Act of insolvency, potential insolvency or insolvency process with respect to an Institution*. For a description of the Hedging Contracts entered into by the Issuer at the date of this Base Prospectus with respect to interest rate exposure relating to the Issuer's Irish residential lending denominated in euro, see *Risk Management at the Issuer – Issuer Risk Management – Non-trading interest rate risk*.

In relation to Pool Hedge Collateral, see *Cover Assets Pool – Pool Hedge Collateral and Collateral Register*.

Location of assets for the purposes of the ACS Act

For the purposes of the ACS Act:

(a) the country in which a mortgage credit asset is located is the country in which the property asset that secures the relevant mortgage credit related to the mortgage credit asset is situated; and

(b) the country in which a substitution asset that is an exposure for the purposes of CRD IV (i.e. an asset or off-balance sheet item) is located is the country in which the place of business of the financial institution that is the subject of the exposure is situated.

In respect of (a) above, if the mortgage credit asset is an RMBS or CMBS, its location is to be determined by reference to the location of the property assets related to the mortgage credit assets which are securitised.

General restrictions on certain types of permitted business activities

The ACS Act and the Asset Covered Securities Act 2001 (Section 31(1)) Regulations 2012 provide that an Institution must ensure that the ratio of the total principal amounts of all mortgage credit assets that it holds to the total prudent market value of the related property assets does not exceed 100 per cent. (or such other percentage as may be prescribed by regulations made by the Central Bank). Those regulations increased the

applicable percentage from 80 per cent. to 100 per cent. with effect from 12 April 2012. Under the ACS Act, securitised mortgage credit assets are not subject to the above restriction. For a description of the method of determination under the ACS Act of the prudent market value of a property asset which is related to a mortgage credit asset, see *Cover Assets Pool – Valuation of assets held by an Institution*.

The ACS Act specifies limitations on the level of mortgage credit assets or substitution assets held by an Institution in the course of its general business activities which may be located in category B countries (for the definition of "**category B countries**" under the ACS Act, see *Cover Assets Pool – Location of assets that may be included in a Pool*). The total prudent market value of mortgage credit assets or substitution assets located in category B countries held by the Institution, expressed as a percentage of the total prudent market value of all the mortgage credit assets and substitution assets held by the Institution, may not exceed 10 per cent. (or such other percentage as may be specified by an order of the Minister for Finance) of the total prudent market value of all of the mortgage credit assets and substitution assets held by the Institution. For a description of the method of determination under the ACS Act of the prudent market value of a mortgage credit asset or a substitution asset held by an Institution, see *Cover Assets Pool – Valuation of assets held by an Institution*. The ACS Act provides that mortgage credit assets and substitution assets located in category B countries may not be included in the Pool.

An Institution is required to ensure that the total value of the credit transaction assets that it holds, expressed as a percentage of the total value of all of the Institution's assets, does not at any time exceed 10 per cent. (or such other percentage as may be specified by an order of the Minister for Finance) of the total value of all of the Institution's assets. For a description of the method of determination under the ACS Act of the value of credit transaction assets held by an Institution, see *Cover Assets Pool – Valuation of assets held by an Institution*.

The ACS Act empowers the Central Bank, by giving notice in writing to an Institution, to impose on such Institution or on any class of Institutions, requirements or restrictions as to the kinds of credit transaction assets that the Institution or Institutions may hold. At the date of this Base Prospectus, no such requirements or restrictions have been imposed on the Issuer.

COVER ASSETS POOL

Institutions Required to Maintain Cover Assets Pool

An Institution may issue Mortgage Covered Securities only if it maintains a related Pool in compliance with the ACS Act.

After an Institution is registered under the ACS Act, the Institution may, for the purpose of establishing a Pool and enabling it to make an initial issue of Mortgage Covered Securities, include in its register of mortgage covered securities business, mortgage credit assets or substitution assets in accordance with the ACS Act (for a description of the provisions of the ACS Act relating to the requirement for an Institution to maintain a register of mortgage covered securities business, see – *Register of mortgage covered securities business*).

If an Institution wishes at any time to issue further Mortgage Covered Securities, it may include in the relevant Pool mortgage credit assets or substitution assets as security for those Securities in accordance with relevant provisions of the ACS Act, as to which see below.

A mortgage credit asset or a substitution asset forms part of the relevant Pool only if its inclusion has been approved by the Monitor (for a description of the role of the Monitor, see – *The Cover-Assets Monitor*).

An Institution must, as soon as practicable after becoming aware that it has contravened the provisions of the ACS Act summarised in the first and fourth paragraphs under this heading, take all possible steps to prevent the contravention from continuing or being repeated. Under the ACS Act, an Institution is required as soon as practicable after becoming aware that a mortgage credit asset or substitution asset comprised in the Pool no longer meets any creditworthiness criteria specified by the Central Bank, to remove the relevant asset from the Pool and where required by the ACS Act, replace the asset in accordance with the ACS Act. Until those steps have been taken, the Institution may not issue further Mortgage Covered Securities.

Circumstances in which an asset may not be included in a Pool

The ACS Act provides that an Institution, when issuing Mortgage Covered Securities, may not include a mortgage credit asset or substitution asset in a Pool if:

(a) the mortgage credit asset or substitution asset is currently included in a different Pool maintained by the Institution;

(b) the mortgage credit asset or substitution asset is non-performing;

(c) the Institution is insolvent (for a description of the meaning of "**insolvent**" for the purposes of the ACS Act, see *Insolvency of Institutions - Meaning of `insolvent', `potentially insolvent' and `insolvency process' for the purposes of the ACS Act* below);

(d) the Central Bank has given the Institution a direction under certain provisions of legislation relevant to financial institutions, the effect of which is to prohibit the asset from being recorded in the Institution's register of mortgage covered securities business;

(e) the Central Bank has given the Institution a notice under the ACS Act informing the Institution that the Central Bank intends to seek the consent of the Minister for Finance to the revocation of the registration of the Institution as a designated mortgage credit institution (for a description of the circumstances in which the Central Bank may revoke the registration of an Institution as an Institution, see *Registration of Institutions/Revocation of Registration – Revocation of Registration*); or

(f) the Central Bank has given a direction under certain provisions of the ACS Act, the effect of which is to prohibit the asset from being recorded in the Institution's register of mortgage covered securities business (for a description of the circumstances in which the Central Bank may make such an order, see *Registration of Institutions/Revocation of Registration – Direction of the Central Bank requiring an Institution to suspend its business*).

In relation to (b) above, "**non-performing**" is defined under the ACS Act in the context of an Institution to mean that the relevant asset:

(i) is in the course of being foreclosed or otherwise enforced; or

(ii) in the case of mortgage credit assets for which the related mortgage credit is of a kind referred to in section 4(1) of the ACS Act, but excluding securitised mortgage credit assets) (see the first paragraph of *Restrictions on the Activities of an Institution – Permitted business activities (a) providing mortgage credit and dealing in and holding mortgage credit assets and providing group mortgage trust services*), has one or more payments of principal or interest payable on the related credit in arrears and those payments are referable to a period of 3 months or more; or

(iii) in relation to kinds of assets other than those referred to at (ii) above, has one or more payments of principal or interest payable on the related credit in arrears for 10 days or more.

The ACS Act provides that an Institution may not, without the consent of the Central Bank, include a mortgage credit asset or substitution asset in a Pool maintained by the Institution if:

(a) the Institution is potentially insolvent (for a description of the meaning of "**potentially insolvent**" for the purposes of the ACS Act, see *Insolvency of Institutions – Meaning of `insolvent', `potentially insolvent' and `insolvency process' for the purposes of the ACS Act*); or

(b) there is currently no Monitor appointed in respect of the Institution.

The Central Bank has under the Substitution Asset Pool Eligibility Notice imposed creditworthiness standards and criteria in respect of substitution assets which may be comprised in the Pool. The Substitution Asset Pool Eligibility Notice distinguishes between substitution assets which have a maximum maturity of 100 days and those which do not. See *Cover Assets Pool – Restrictions on inclusion of substitution assets in the Pool*.

The Central Bank has under the Asset Covered Securities Act 2001 Regulatory Notice (Section 41A(4), (5) and (7) 2011 imposed creditworthiness standards and criteria in respect of securitised mortgage credit assets which may be comprised in the Pool. See *Cover Assets Pool – Restrictions on inclusion of securitised mortgage credit assets in the Pool*.

An Institution must, as soon as practicable after becoming aware that it has contravened the provisions of the ACS Act summarised under this heading, take all possible steps to prevent the contravention from continuing or being repeated or, as applicable, remove from the Pool and where required, replace the relevant asset. Until those steps have been taken, the Institution may not issue further Mortgage Covered Securities.

Location of assets that may be included in a Pool

The ACS Act provides that any mortgage credit asset or substitution asset located within an EEA country or within one or more category A countries (see below) may be included in a Pool maintained by an Institution. In relation to the meaning of located for the purposes of the ACS Act, see *Restrictions on the activities of an Institution — Location of assets for the purposes of the ACS Act*. However, in relation to substitution assets, see further — *Restrictions on inclusion of substitution assets in a Pool*.

Mortgage credit assets or substitution assets that are located in one or more category B countries (see below) may not be included in a Pool maintained by an Institution under the ACS Act.

A "**category A**" country is Australia, Canada, Japan, New Zealand, the Swiss Confederation, the United States of America, or a country specified in an order made by the Minister for Finance.

A "**category B**" country is a country, other than a category A country or a member of the EEA, that is a full member of the Organisation for Economic Co-operation and Development, but only if it has not re-scheduled its external debt during the immediately preceding 5 years.

An Institution must, as soon as practicable after becoming aware that it has contravened the provisions of the ACS Act summarised above under this heading, take all possible steps to prevent the contravention from continuing or being repeated. Until those steps have been taken, the Institution may not issue any further Mortgage Covered Securities.

The Monitor must monitor the Institution's compliance with the requirements summarised under this heading and take reasonable steps to verify that the Institution will not be in contravention of the above restrictions before the Institution issues Mortgage Covered Securities or enters into a cover assets hedge contract.

Restrictions on inclusion of certain types of mortgage credit assets in a Pool

An Institution may not include in a Pool maintained by it a mortgage credit asset that is secured on commercial property if, after inclusion of the asset in the Pool, the total prudent market value of all mortgage credit assets so secured would exceed 10 per cent. (or such other percentage as may be prescribed by regulations made by the Central Bank) of the total prudent market value of all mortgage credit assets and substitution assets then comprised in the Pool.

The Monitor must monitor the Institution's compliance with this requirement and take reasonable steps to verify that the Institution will not be in contravention of the above restriction before the Institution issues Mortgage Covered Securities or enters into a cover assets hedge contract.

Under the ACS Act, an Institution may not include a mortgage credit asset in a Pool maintained by it if a building related to that mortgage credit asset is being or is to be constructed until the building is ready for occupation as a commercial or residential property (development property). Under the ACS Act, mortgage credit assets secured on development property can be included in the Pool if the relevant mortgage credit asset is attributed a nil value for relevant Cover Asset – Mortgage Covered Securities financial matching requirements, the Regulatory Overcollateralisation requirement and Contractual Overcollateralisation purposes or if the mortgage credit asset concerned is not required to satisfy those requirements because sufficient cover assets are comprised in the Pool which meet the requirements of the ACS Act. With respect to Regulatory Overcollateralisation and Contractual Overcollateralisation, see *The Pool maintained by the Issuer – Overcollateralisation*.

An Institution must, as soon as practicable after becoming aware that it has contravened the provisions of the ACS Act summarised above under this heading, take all possible steps to prevent the contravention from continuing or being repeated. Until those steps have been taken, the Institution may not issue any further Mortgage Covered Securities.

Restrictions on inclusion of securitised mortgage credit assets in the Pool

Under the ACS Act, securitised mortgage credit assets may be included in a Pool where they meet any creditworthiness criteria and limits as to percentage of the Pool specified by the Central Bank in regulatory notices. The Central Bank is required when making any such regulatory notice to have regard to any relevant standards or criteria applicable to covered bonds under CRD IV. Where a securitised mortgage credit asset comprised in the Pool ceases to meet any creditworthiness criteria specified by the Central Bank, the Institution concerned must, remove the asset from the Pool and where required by the ACS Act, replace the relevant asset.

The Asset Covered Securities Act 2001 Regulatory Notice (Section 41A(4), (5) and (7)) 2011 made by the Central Bank (which came into operation on 9 December 2011) provides that:

(a) securitised mortgage credit assets comprised in a Pool maintained by an Institution are required to have a credit quality assessment of Credit Quality Step 1 based on their long-term or, as applicable, short-term rating from an eligible ECAI and the ratings mapping process as set out in CRD IV. For the above purposes, Credit Quality Step 1 has the meaning given to it in CRD IV;

(b) the applicable percentage for the purposes of the provisions of the ACS Act which permit the Central Bank to restrict the level of securitised mortgage credit assets comprised in a Pool to a percentage, subject to (c) below, is 10 per cent. of the principal or nominal amount outstanding of the Mortgage Covered Securities issued by the Institution;

(c) prior to 31 December 2013, the restriction referred to at (b) above does not apply provided that (i) the securitised mortgage credit assets were originated by a member of the same consolidated group of which the Institution is also a member or by an entity affiliated to the same central body to which the Institution is also affiliated (that common group membership or affiliation to be determined at the time the securitised mortgage credit assets are made collateral for mortgage covered securities) and (ii) a member of the same consolidated group of which the Institution is also a member or an entity affiliated

to the same central body to which the Institution is also affiliated retains the whole first loss tranche supporting those securitised mortgage credit assets;

(d) any securitised mortgage credit asset held by an Institution outside a Pool must have a minimum credit quality assessment of Credit Quality Step 2 (within the meaning of CRD IV), based on the long-term or, as applicable, short-term rating from an eligible ECAI and the ratings mapping process as set out in CRD IV.

In addition to meeting any creditworthiness criteria and limits as to percentage of the Pool referred to above, in order to be included in the Pool securitised mortgage credit assets must also satisfy the following requirements:

(i) the securitisation entity which is the issuer of the securitised mortgage credit assets must be established under and be subject to the laws of an EEA country;

(ii) at least 90 per cent. of the assets held directly or indirectly by the securitisation entity must be assets comprising one or more mortgage credits (disregarding certain assets for that purpose); and

(iii) the securitised mortgage credit assets must meet prudent market value requirements specified in the ACS Act. Those requirements reflect valuation criteria with respect to securitised mortgage credit asset collateral for covered bonds under CRD IV and are expanded in the MCA Valuation Notice (see *Cover Assets Pool - Valuation of Assets held by an Institution – Valuation of Relevant Securitised Mortgage Credit Assets*).

Financial matching criteria for a Pool and related Mortgage Covered Securities/Regulatory Overcollateralisation

The ACS Act sets out certain financial matching criteria which are required to be met by an Institution in respect of its Pool and Mortgage Covered Securities. These criteria are that:

(a) the Pool maintained by an Institution has a duration (see below) of not less than that of the Mortgage Covered Securities that relate to the Pool;

(b) the prudent market value (see below) of the Pool is greater than the total of the principal amounts of those Mortgage Covered Securities;

(c) the total amount of interest payable in a given period of 12 months in respect of the Pool is during that 12 month period not less than the total amount of interest payable in respect of that period on those Mortgage Covered Securities; and

(d) the currency in which each mortgage credit asset and each substitution asset included in the Pool is denominated is the same as the currency in which those Mortgage Covered Securities are denominated,

in each case, after taking into account, in the case of paragraphs (b), (c) and (d) above, the effect of any cover assets hedge contract that the Institution has entered into in relation to the Pool and those Mortgage Covered Securities (but disregarding for these purposes the effect of any Pool Hedge Collateral) and in the case of (b) above, certain LTV restrictions.

In relation to paragraph (a) above and the meaning of "**duration**" under the ACS Act, see below – *Meaning of "**duration**" of a Pool or Mortgage Covered Securities*. In relation to paragraph (b) above and the meaning of "**prudent market value**" under the ACS Act, see – *Loan-to-value restrictions on the valuation of mortgage credit assets and related property assets and Valuation of assets held by an Institution*.

Under the ACS Act, for the purposes of (b) above, an Institution is required to maintain a minimum level of Regulatory Overcollateralisation of its Pool with respect to the Mortgage Covered Securities in issue which are secured on the Pool. The ACS Act confirms that the Regulatory Overcollateralisation requirement does not affect any Contractual Overcollateralisation undertakings made by an Institution requiring higher levels of overcollateralisation to be maintained. With respect to Regulatory Overcollateralisation and Contractual Overcollateralisation, see *The Pool maintained by the Issuer – Overcollateralisation.*

The Monitor must monitor the Institution's compliance with the above requirements and take reasonable steps to verify that the Institution will not be in contravention of the above requirements before the Institution issues Mortgage Covered Securities or enters into a cover assets hedge contract.

An Institution must, as soon as practicable after becoming aware that it has failed to comply with the provisions of the ACS Act summarised above under this heading, take all possible steps to comply with that provision. Until those steps have been taken, the Institution may not issue any further Mortgage Covered Securities.

*Meaning of "**duration**" of a Pool or Mortgage Covered Securities*

For the purposes of paragraph (a) under – *Financial matching criteria for a Pool and related Mortgage Covered Securities/Regulatory Overcollateralisation*, "**duration**" in the ACS Act means, in relation to a Pool or Mortgage Covered Securities secured on the Pool, a weighted average term to maturity of the relevant principal amount of the mortgage credit assets and substitution assets comprised in the Pool or those securities, as the case may be, determined in accordance with a formula or criteria specified in a regulatory notice by the Central Bank and taking into account the effect of any cover asset hedge contract entered into by the Institution in relation to the Pool or those securities, or both, as the case may be.

The Central Bank has made the Asset Covered Securities Act 2001 Regulatory Notice (Sections 32(10) and 47(10)) 2007 on 31 August 2007 (the **"Duration Regulatory Notice"**). The Duration Regulatory Notice sets out the formulae and criteria for the purpose of the definition of "**duration**" contained in ACS Act. The Duration Regulatory Notice repeals the Assets Covered Securities Act 2001 Regulatory Notice (Section 32(10)) 2004.

Loan-to-value restrictions on the valuation of mortgage credit assets and related property assets

For the purpose of paragraph (b) under – *Financial matching criteria for a Pool and related Mortgage Covered Securities/Regulatory Overcollateralisation*, if the principal amount of a mortgage credit asset comprised in a Pool represents more than the percentage specified below of the prudent market value of the related property assets, the amount by which the principal amount of the asset exceeds such percentage is to be disregarded.

The relevant LTV percentage is:

(a) 75 per cent. in the case of a mortgage credit asset that comprises residential property; and

(b) 60 per cent. in the case of a mortgage credit asset that comprises commercial property,

or, in each case, such other percentage as may be specified in an order made by the Minister for Finance. As at the date of this Base Prospectus, no other percentage has been specified in an order made by the Minister for Finance.

Under the ACS Act, the LTV rules referred to above do not apply in the case of securitised mortgage credit assets. However, under CRD IV, the value of CMBS or RMBS is only recognised for covered bond collateral purposes to a lesser of the three following amounts, namely, (i) the principal amount of the securitised mortgage credit asset, (ii) the principal amount of the underlying liens (or loans) or (iii) a maximum LTV with respect to the underlying loans of 60 per cent. in the case of CMBS or 80 per cent. in the case of RMBS.

The prudent market value requirements for securitised mortgage credit assets under the ACS Act reflect the above valuation limits under CRD IV for securitised mortgage credit assets which collateralises covered bonds. Under the ACS Act, when determining the LTV related property values or amount of the liens, an aggregate basis is to be used and regard is to be had to the proportion of the tranche of the relevant securitised mortgage credit assets held by an Institution and the seniority of such securitised mortgage credit assets. Under the ACS Act, the prudent market value of a property asset, which relates to mortgage credit assets (where relevant) is required to be calculated at such times as the Central Bank specifies in a regulatory notice (which at the date of this Base Prospectus is the MCA Valuation Notice), after having regard to the valuation requirements applicable to covered bonds under CRD IV. See *Valuation of assets held by an Institution – Valuation of Relevant Securitised Mortgage Credit Assets*.

Valuation of assets held by an Institution

The ACS Act empowers the Central Bank to specify, by regulatory notice, requirements in relation to the valuation basis and methodology, time of valuation and any other matter that it considers relevant for determining the prudent market value of mortgage credit assets or related property assets for the purposes of the ACS Act. The ACS Act also empowers the Central Bank to specify, by regulatory notice, requirements in relation to the valuation basis and methodology, time of valuation and any other matter that it considers relevant for determining the prudent market value of substitution assets, credit transaction assets, or the total assets held by an Institution for the purposes of the ACS Act.

Prudent Market Valuation of Irish Residential Property Assets, Irish Residential Loans and Relevant Securitised Mortgage Credit Assets

For the purposes of calculating prudent market value, the Central Bank has made the MCA Valuation Notice which came into operation on 9 December 2011 and lays down requirements in relation to the valuation basis and methodology, time of valuation and other matters related to determining the prudent market value of:

(a) a property asset which is residential property situated in Ireland and which secures a mortgage credit asset (other than a securitised mortgage credit asset) held by an Institution (an "**Irish Residential Property Asset**");

(b) a mortgage credit asset (other than a securitised mortgage credit asset) which is secured on an Irish Residential Property Asset (an "**Irish Residential Loan**"); and

(c) a securitised mortgage credit asset the related property assets of which indirectly comprise (in whole or in part) residential property (whether or not located in Ireland) (a "**Relevant Securitised Mortgage Credit Asset**")

and also specifies requirements and criteria with respect to certain matters required when determining the prudent market value of Relevant Securitised Mortgage Credit Assets.

The MCA Valuation notice repealed and replaced the 2007 Irish Residential Loan/Property Valuation Notice with effect from 9 December 2011.

The Monitor is required to monitor the Institution's compliance with the MCA Valuation Notice under the Asset Covered Securities Act 2001 (Section 61(3)) [Irish Residential Property Loan/Valuation] Regulation 2004 (S.I. No. 418 of 2004) (see *The Cover Assets Monitor — Continuing duties of a Monitor*).

The MCA Valuation Notice is only applicable to the valuation of Irish Residential Property Assets, Irish Residential Loans and Relevant Securitised Mortgage Credit Assets. The MCA Valuation Notice is not applicable to (and the Central Bank on the date of this Base Prospectus has not published any regulatory notice providing for) the valuation of property assets comprising residential property located outside Ireland or mortgage credit assets located in Ireland for the purposes of the ACS Act and secured on commercial property or of mortgage credit assets (whether secured on residential property or commercial property) which are located outside Ireland for the purposes of the ACS Act. See *Risk Factors*.

Prudent Market Discount

The "**Prudent Market Discount**" for the purposes of certain calculations which are to be made by Institutions in respect of Irish Residential Property Assets and Irish Residential Loans under the MCA Valuation Notice is that published by the Institution and monitored by the Monitor in accordance with the Asset Covered Securities Act 2001 (Sections 61(1), 61(2) and 61(3)) [Prudent Market Discount] Regulation 2004 (S.I. No. 420 of 2004) (the "**Prudent Market Discount Regulation**") (see *The Cover Assets Monitor – Continuing duties of a Monitor*). The Prudent Market Discount Regulation prescribes that a Monitor appointed in respect of any Institution when performing its responsibilities under the ACS Act must have regard to any contractual undertakings given by the Institution to apply a level of prudent market discount to certain calculations which are to be made by the Institution in respect of the MCA Valuation Notice. The Issuer adopted on 3 February 2006 a Prudent Market Discount for the purposes of the 2004 Irish Residential Loan/Property Valuation Notice of 0.150 (or in percentage terms, 15 per cent.) and this Prudent Market Discount continued to apply for the purposes of the 2007 Irish Residential Loan/Property Valuation Notice. The Prudent Market Discount continues

to apply for the purposes of the MCA Valuation Notice (which repealed and replaced the 2007 Irish Residential Loan/Property Valuation Notice) and is published on the Group's website (www.aibgroup.com, access through 'Investor Relations' – AIB Mortgage Bank).

Valuation of Irish Residential Property Assets

Under the MCA Valuation Notice, in order to value an Irish Residential Property Asset, an Institution is first required to determine the Origination Market Value (defined below) of that Irish Residential Property Asset. In general, an Irish Residential Property Asset for the purposes of the MCA Valuation Notice has a market value at the time of origination of the mortgage credit asset secured on that Irish Residential Property Asset (the "**Origination Market Value**" of that Irish Residential Property Asset) equal to the amount determined or accepted by the originator of that mortgage credit asset to have been the market value of that Irish Residential Property Asset at or about that time. Under the MCA Valuation Notice an Institution is also required to calculate the prudent market value of each Irish Residential Property Asset taking account of certain changes to the Origination Market Value by reference to changes under the applicable Irish residential property index specified in the MCA Valuation Notice (and in the case of an increase in value as reduced by reference to the Prudent Market Discount):

(a) where the related Irish Residential Loan is comprised in a Pool maintained by that Institution, at the time that the Institution includes that Irish Residential Loan in the Pool;

(b) where the related Irish Residential Loan is comprised in the Pool, at such intervals as are required to ensure that the Institution complies with the requirements of CRD IV with respect to collateral for covered bonds in the form of loans secured by residential real estate; and

(c) whether the related Irish Residential Loan is comprised in the Pool or not, at such intervals as may be specified by the Central Bank to that Institution from time to time so as to ensure that the Institution can demonstrate to the satisfaction of the Central Bank compliance by the Institution with the requirements of section 31(1) of the ACS Act and, if not so specified, then at intervals not exceeding 12 months.

See also, *Risk Factors – Risk relating to the Securities - Valuation of Irish residential property assets, Irish residential loans and relevant securitised mortgage credit assets/Prudent Market Discount.*

Valuation of Irish Residential Loans

The MCA Valuation Notice also contains requirements for determining the prudent market value of mortgage credit assets secured on Irish Residential Property Assets.

For the purposes of the principal matching requirements in respect of a Pool and Mortgage Covered Securities under the ACS Act (see – *Cover Assets Pool – Financial matching criteria for a Pool and related Mortgage Covered Securities/Regulatory Overcollateralisation*), the prudent market value at any time of an Irish Residential Loan which is included in the Pool of an Institution is an amount, denominated in the currency in which the related mortgage credit is denominated, equal to the lesser of (i) 100 per cent. of the principal or nominal amount of that Irish Residential Loan that is outstanding at that time and (ii) 75 per cent. (or such other percentage as may apply at the relevant time for the purposes of relevant provisions of the ACS Act) of the prudent market value of the related Irish Residential Property Asset(s) at that time, and in each case rounded to the nearest whole number (0.5 or above being rounded upwards and any number strictly less than 0.5 being rounded downwards).

Under the MCA Valuation Notice, an Institution is required to calculate the prudent market value of each Irish Residential Loan at such intervals as may be specified by the Monitor from time to time so as to ensure that the Institution can demonstrate to the satisfaction of the Monitor compliance by the Institution with the principal matching requirements with respect to the Pool and Mortgage Covered Securities, Regulatory Overcollateralisation requirements under the ACS Act and the Asset Covered Securities Act 2001 (Sections 61(1), 61(2) and 61(3)) [Overcollateralisation] Regulation 2004 (the "**Overcollateralisation Regulation**") (see – *Financial matching criteria for a Pool and related Mortgage Covered Securities/ Regulatory Overcollateralisation*) and, if not so specified by the Monitor, then at intervals not exceeding 3 months (see *The Cover Assets Monitor – Continuing duties of a Monitor*). With respect to Regulatory Overcollateralisation, see *The Pool maintained by the Issuer – Overcollateralisation*.

The Asset Covered Securities Act 2001 (Section 61(1), (2) and (3)) (Overcollateralisation) (Amendment) Regulations 2007 (S.I. No. 604 of 2007) made by the Central Bank (which came into operation on 31 August 2007) provide for technical amendments to the Overcollateralisation Regulation in relation to the meaning of prudent market value for the purposes of Overcollateralisation Regulation.

Valuation of Relevant Securitised Mortgage Credit Assets

The MCA Valuation Notice provides that the prudent market value of Relevant Securitised Mortgage Credit Assets is an amount equal to the lesser of the three amounts which are summarised below:

(i) the principal or nominal amount of the Relevant Securitised Mortgage Credit Assets,

(ii) the principal or nominal amount of the underlying liens (or loans) less any liens secured on the relevant property assets and which rank senior to that held by the securitisation entity which has issued the Relevant Securitised Mortgage Credit Assets,

(iii) a maximum LTV of 80 per cent. with respect to the loans underlying the Relevant Securitised Mortgage Credit Assets,

in the case of (ii) and (iii) above:

(i) determined on an aggregate basis having regard to the proportion which the nominal or principal amount of the Relevant Securitised Mortgage Credit Assets bear to the nominal or principal amount of the securitisation securities issued by the securitisation entity and secured on the same property assets as the Relevant Securitised Mortgage Credit Assets;

(ii) the ranking in terms of seniority of the Relevant Securitised Mortgage Credit Assets as against all such securitisation securities;

(iii) regard may be had to contracts, to which such securitisation entity is a party, the effect or purpose of which is to reduce the exposure of that securitisation entity in respect of the Relevant Securitised Mortgage Assets to fluctuations in the values of currencies concerned.

Under the MCA Valuation Notice, when determining the prudent market value of a Relevant Securitised Mortgage Credit Asset:

(a) the amount referred to at (i) above is the principal or nominal amount outstanding of the Relevant Securitised Mortgage Credit Assets concerned on the date such prudent market value is determined or to be determined under the MCA Valuation Notice;

(b) the amounts referred to at (ii) and (iii) above are to be determined by reference to the most recent information available to the Institution provided by or on behalf of the securitisation entity which is the issuer of the Relevant Securitised Mortgage Credit Asset and the most recent publicly available information relating to certain relevant matters.

An Institution is required under the MCA Valuation Notice to calculate the prudent market value of each Relevant Securitised Mortgage Credit Asset and the other relevant amounts for that purpose referred to at (i) to (iii) above at such intervals as may be specified by the Monitor from time to time so as to ensure that the Institution can demonstrate to the satisfaction of the Monitor compliance with the principal matching requirements with respect to the Pool and Mortgage Covered Securities, Regulatory Overcollateralisation requirements under the ACS Act and the Overcollateralisation Regulation (see – *Financial matching criteria for a Pool and related Mortgage Covered Securities/Regulatory Overcollateralisation*) and if not so specified by the Monitor, then at intervals not exceeding 3 months (see *The Cover-Assets Monitor – Continuing duties of a Monitor*). With respect to Regulatory Overcollateralisation, see *The Pool maintained by the Issuer – Overcollateralisation*.

Under the MCA Valuation Notice where any sum is to be converted from one currency to another currency, the Institution is required to base such conversion on an applicable rate available on the relevant date to the Institution in the interbank market for the sum concerned.

Under the MCA Valuation Notice, when determining:

(a) the prudent market value of Irish Residential Loans or Irish Residential Property Assets; or

(b) the prudent market value of Relevant Securitisation Mortgage Credit Assets or the other related amounts referred to at (i) to (iii) above,

an Institution is required to act in a manner consistent with requirements under CRD IV applicable to collateral for covered bonds in the form of loans secured on residential real estate and that Institution.

Valuations of substitution assets, credit transaction assets and total assets

The Section 41(3)/(5) Valuation Notice made by the Central Bank (which came into effect on 31 August 2007) specifies requirements in relation to the prudent market valuation of substitution assets and the value of credit transaction assets and total assets. The Section 41(3)/(5) Valuation Notice repealed the Asset Covered Securities Act 2001 Regulatory Notice (Section 41(3) and Section 41(5)) 2004.

In relation to substitution assets, the Section 41(3)/(5) Valuation Notice provides that where the relevant substitution assets constitute deposits with EFIs, the prudent market value of such deposits comprised in the Pool maintained by the Institution is equal to 100 per cent. of the principal or nominal amount of the deposit with the EFI.

In relation to credit transaction assets and total assets, the Section 41(3)/(5) Valuation Notice provides that the value of such credit transaction assets and total assets shall be determined in accordance with Irish GAAP as applied to banks.

Restrictions on replacement of underlying assets included in a Pool

A mortgage credit asset or substitution asset replaces an "**underlying asset**" (defined in relation to a Pool as a mortgage credit asset or substitution asset that is then comprised in a Pool) only if such replacement has been approved by the Monitor. The Monitor is required to monitor an Institution's compliance with this requirement.

The ACS Act requires an Institution to replace an underlying asset with a mortgage credit asset or substitution asset if the underlying asset when included in the Pool contravenes or fails to comply with a provision of the ACS Act, the regulations made by the Central Bank under the ACS Act or a requirement of the Central Bank or the Monitor made under the ACS Act.

The ACS Act permits an Institution in any other case to replace an underlying asset with a mortgage credit asset or substitution asset, provided that the replacement is not prohibited by a provision of the ACS Act, the regulations made by the Central Bank under the ACS Act or a requirement of the Central Bank or the Monitor made under the ACS Act.

The ACS Act provides that an Institution may not replace an underlying asset with a mortgage credit asset or a substitution asset if:

(a) the mortgage credit asset or substitution asset is currently contained in a different Pool maintained by the Institution;

(b) the mortgage credit asset or substitution asset is non-performing;

(c) the Institution is insolvent;

(d) the Central Bank has given to the Institution direction under certain provisions of legislation relevant to financial institutions, the effect of which is to prohibit the replacement from being made;

(e) a notice has been given to the Institution by the Central Bank under the ACS Act informing the Institution that it intends to seek the consent of the Minister for Finance to the revocation of the registration of the Institution as an Institution; or

(f) the Central Bank has given a direction under the ACS Act that prevents the replacement from being made.

In relation to the meaning of "**non-performing**" for the purposes of (b) above, see – *Circumstances in which an asset may not be included in a Pool*.

An Institution may not, without the consent of the Central Bank, replace an underlying asset with a mortgage credit asset or a substitution asset if:

(a) the Institution is potentially insolvent; or

(b) there is currently no Monitor appointed in respect of the Institution.

Restrictions on inclusion of substitution assets in a Pool

The ACS Act prescribes that an Institution may not at any time include a substitution asset in the Pool maintained by the Institution:

(a) unless the substitution asset concerned meets any creditworthiness standards or criteria which may be specified by the Central Bank in a regulatory notice; or

(b) if, after including the substitution asset concerned in the Pool, the total prudent market value of all substitution assets then comprised in the Pool would not exceed 15 per cent. of the aggregate nominal or principal amount of outstanding Mortgage Covered Securities secured on the Pool.

For the purpose of (a) above, the Central Bank may have regard to creditworthiness standards or criteria applicable to substitution assets as eligible collateral for covered bonds under CRD IV and may differentiate between substitution assets which have a maximum maturity of 100 days and those which have a longer maturity. The Substitution Asset Pool Eligibility Notice made by the Central Bank provides that the creditworthiness standards and criteria for inclusion of a substitution asset in a Pool are that the substitution asset concerned must have from an ECAI:

(a) a credit quality assessment of Credit Quality Step 1 (within the meaning of CRD IV); or

(b) for exposures within the EEA with a maturity not exceeding 100 days, a minimum long or short term credit quality assessment of Credit Quality Step 2 (within the meaning of CRD IV).

The Substitution Assets Pool Eligibility Notice also provides that the Central Bank may, after consulting the EBA, allow Credit Quality Step 2 for up to 10% of the total exposure of the nominal value of outstanding covered bonds, provided that significant potential concentration problems have been identified in the State due to the application of the Credit Quality Step 1 requirement referred to in (a) above.

In relation to (b) above, the restriction does not apply to any further substitution assets comprised or to be comprised from time to time in the Pool for so long as the Pool is comprised of Cover Assets which meet, with respect to the Pool and Mortgage Covered Securities, the financial matching and Regulatory Overcollateralisation requirements under the ACS Act, any Contractual Overcollateralisation undertaking and all other requirements of Part 4 of the ACS Act. With respect to Regulatory Overcollateralisation and Contractual Overcollateralisation, see *The Pool maintained by the Issuer – Overcollateralisation*.

The Issuer has entered into an agreement with Barclays Bank PLC dated 15 June 2010, as amended and restated on 30 November 2010, pursuant to which the Issuer may from time to time deposit monies into accounts maintained by the Issuer with Barclays. Such deposits may constitute substitution assets (whether or not comprised in the Pool) and/or Pool Hedge Collateral.

At the date of this Base Prospectus, (i) all deposits held by the Issuer with Barclays are substitution assets comprised in the Pool; and (ii) the Issuer does not hold substitution assets with any EFI other than Barclays (but the Issuer may from time to time do so, subject to the restrictions in the ACS Act).

When determining for the purposes of the ACS Act the total prudent value of substitution assets comprised in the Pool, any substitution assets represented by exposures caused by the transmission and management of payments of the obligors under, or liquidation proceeds in respect of, mortgage credit assets comprised in the Pool, are to be disregarded. Under the ACS Act, the Central Bank may, however, suspend the ratio requirement if it is satisfied that to do so would facilitate the discharge of secured claims (claims in respect of which the rights of a preferred creditor are secured under Part 7 of the ACS Act – see further *Insolvency of Institutions – Effect of insolvency, potential insolvency or insolvency process with respect to an Institution*) against the Institution.

The Monitor must monitor compliance by the Institution with the above requirements and take reasonable steps to verify that the Institution will not be in contravention of the above requirements before the Institution issues Mortgage Covered Securities or enters into a cover assets hedge contract.

The ACS Act empowers the Central Bank to make regulations for or with respect to any matter that by the ACS Act is required or permitted to be prescribed, or that is necessary or expedient to be prescribed, for the carrying out or giving effect to the ACS Act. The ACS Act provides that the regulations made by the Central Bank under this provision may prescribe kinds of substitution assets which may be included in a Pool. As at the date of this Base Prospectus, no such regulations have been made by the Central Bank in relation to Institutions.

Use of realised proceeds of Cover Assets

The ACS Act provides that money received by an Institution as the proceeds of realising a Cover Asset forms part of the relevant Pool, until it is used to create or acquire permitted mortgage credit assets or substitution assets for inclusion in the Pool, to discharge secured claims under the ACS Act (see further *Insolvency of Institutions – Effect under the ACS Act of insolvency, potential insolvency or insolvency process with respect to an Institution*), is released from the Pool as an underlying asset and is replaced by other mortgage credit assets or substitution assets, or is released from the Pool in accordance with the ACS Act as summarised in the next paragraph below. The Monitor is responsible for monitoring the Institution's compliance with this requirement.

Release of underlying assets from a Pool

An Institution may, with the prior consent of the Monitor concerned, release underlying assets (including money received by the Institution as the proceeds of a relevant Cover Asset) from the Pool if the assets are not required to be included in the Pool to secure secured claims. The Monitor is responsible for monitoring the Institution's compliance with this requirement.

Register of mortgage covered securities business

The ACS Act provides that for the purposes of the ACS Act an asset is, except as described under – *Use of realised proceedings of Cover Assets*, included in, or removed from, a Pool when the appropriate particulars are recorded in the register of mortgage covered securities business (Business Register) maintained by the Institution.

An Institution is required to establish and keep a Business Register in respect of:

(a) the Mortgage Covered Securities it has issued;

(b) the cover assets hedge contracts that it has entered into; and

(c) the mortgage credit assets and substitution assets that it holds as security for those Mortgage Covered Securities and contracts.

The Monitor must monitor compliance by the Institution with the above requirement and take reasonable steps to verify that the Institution will not be in contravention of the above requirement before the Institution issues Mortgage Covered Securities or enters into a cover assets hedge contract. The Central Bank may make regulations specifying other particulars which must be recorded by an Institution in its Business Register. As at the date of this Base Prospectus, no such regulations have been made by the Central Bank.

An Institution may make, delete or amend an entry in the Business Register only with the consent of the Monitor or the Central Bank, unless regulations made by the Central Bank provide otherwise (as at the date of

this Base Prospectus, no regulations made by the Central Bank provide otherwise). The Monitor must monitor compliance by the Institution with the above requirement and take reasonable steps to verify that the Institution will not be in contravention of the above requirement before the Institution issues Mortgage Covered Securities or enters into a cover assets hedge contract.

An Institution is required to keep the Business Register in such place as may be prescribed by the regulations made by the Central Bank. In the Asset Covered Securities Act, 2001 (Sections 38(6) and 53(6)) Regulations 2002 (S.I. No. 382 of 2002), the Central Bank prescribed the registered or head office of the Institution, or such other office as may be notified in writing to the Central Bank for such purposes, and which in each case must be in Ireland, as the place at which such Institution's Business Register must be kept.

The ACS Act provides that an Institution is required to at all times provide access to the Institution's Business Register to the Central Bank and the Monitor appointed in respect of such Institution, and to permit each such person to take copies of the Business Register or any entry in the Business Register at the Institution's expense.

Cover assets hedge contracts

The ACS Act provides that a cover assets hedge contract entered into by an Institution may relate only to:

(a) Mortgage Covered Securities issued by the Institution; and/or

(b) mortgage credit assets and/or substitution assets that are comprised in a Pool maintained by that Institution.

The ACS Act provides that a cover assets hedge contract must state, among other things, that it is a cover assets hedge contract entered into in accordance with the ACS Act and that the financial obligations of the Institution under the contract are secured on the Cover Assets comprised in the Pool. A cover assets hedge contract must comply with the requirements (if any) specified in any relevant regulatory notice published by the Central Bank. As at the date of this Base Prospectus, the Central Bank has not published a regulatory notice specifying any such requirements.

The ACS Act provides that as soon as practicable after entering into a cover assets hedge contract, an Institution is required to ensure that particulars of the contract are entered into its Business Register. An Institution must remove from its Business Register a cover assets hedge contract if the contract has been discharged or the counterparty has so agreed.

Pool Hedge Collateral and Collateral Register

The ACS Act recognises a new category of assets called Pool Hedge Collateral distinct from mortgage credit assets, substitution assets and other categories of assets under the ACS Act which an Institution may deal in or hold. Pool Hedge Collateral means assets or property provided to an Institution by or on behalf of any other contracting party to a cover assets hedge contract where the terms of the cover assets hedge contract:

(a) provide for the absolute transfer by way of collateral of the asset or property to the Institution (as opposed to by way of security); or

(b) provide for the transfer of the asset or property by way of security and gives the Institution the right to deal with the asset or property under the security as if the Institution were the absolute owner of that asset or property.

An Institution is required under the ACS Act to establish and maintain a register in respect of any Pool Hedge Collateral that it holds from time to time, called the register of pool hedge collateral (the "**Collateral Register**"), which is to be kept separate from the Business Register. An Institution is required to include in the Collateral Register, among other things particulars of the Pool Hedge Collateral it holds from each counterparty to a cover assets hedge contract and particulars of the cover assets hedge contracts that relate to the Pool Hedge Collateral. Unless the Central Bank otherwise requires (whether generally in respect of all Institutions or individually in respect of any given Institution) or the Institution is potentially insolvent or insolvent, the consent of the Monitor is not required for an Institution to make, amend or delete an entry in its Collateral Register.

The Central Bank may, by regulatory notice, specify requirements in relation to:

(a) the type of assets or property that qualify as Pool Hedge Collateral;

(b) the maintenance and operation of the Collateral Register;

(c) particulars that an Institution shall include in its Collateral Register;

(d) the circumstances in which the consent of the Monitor is required for an Institution to make, amend or delete an entry in the Collateral Register.

The Asset Covered Securities Act 2001 Regulatory Notice (Section 30(15) and 45(15)) 2007 made by the Central Bank (which came into operation on 31 August 2007) provides that:

(a) the Collateral Register must contain particulars detailing, in respect of any Pool Hedge Collateral, the cover assets hedge contract(s) for which such Pool Hedge Collateral has been provided; and

(b) an Institution must maintain the Collateral Register at the registered office or head office of the Institution or at such other office as has been notified to the Central Bank in writing, and in any event must maintain such register at an office located in Ireland.

Financial Statements

The ACS Act provides that an Institution shall include the following information in its annual financial statement, or in a document accompanying the statement, in respect of mortgage credit assets that are recorded in the Institution's Business Register (and, accordingly, its Pool):

(a) the number of mortgage credit assets, as at the date to which the statement is made up, with the amounts of principal outstanding in respect of the related credits being specified in tranches of:

  (i) €100,000 or less;

  (ii) more than €100,000 but not more than €200,000;

  (iii) more than €200,000 but not more than €500,000; and

  (iv) more than €500,000;

(b) the geographical areas in which the related property assets are located, and the number and percentage of those assets held in each of those areas;

(c) whether or not such mortgage credit assets are non-performing as at that date, and if they are:

  (i) the number of those assets as at that date; and

  (ii) the total amount of principal outstanding in respect of those assets at that date;

(d) whether or not any persons who owed money under mortgage credit assets had, during the immediately preceding financial year of the Institution (if any), defaulted in making payments in respect of those assets in excess of €1,000 (so as to render them non-performing for the purposes of the ACS Act) at any time during that year, and if any such persons had defaulted, the number of those assets that were held in the Pool at the date to which the financial statement for that year was made up;

(e) the number of cases in which the Institution has replaced mortgage credit assets with other assets because those mortgage credit assets were non-performing;

(f) the total amount of interest in arrears in respect of mortgage credit assets that has not been written off at that date;

(g) the total amount of payments of principal repaid and the total amount of interest paid in respect of mortgage credit assets;

(h) in relation to any related mortgage credits that are secured on commercial property (and not on residential property), the number and the total amounts of principal of those credits that are outstanding at that date; and

(i) any other information prescribed by the regulations made by the Central Bank.

In relation to (i) above, at the date of this Base Prospectus no such other information has been prescribed by regulations made by the Central Bank.

In addition, under the ACS Act, the above disclosure requirements do not apply in the case of securitised mortgage credit comprised in the Pool but in their place, an Institution is required to disclose in its annual financial statement or in a document accompanying the statement:

(a) the name of the securitisation entities which are the issuers of those assets and the principal or nominal amount and class or title of those assets, as at the date to which the statement is made up; and

(b) any information prescribed by regulations made by the Central Bank.

If an Institution has a parent entity, the parent entity is required under the ACS Act to include the following information in its annual consolidated financial statement or in a document accompanying the statement:

(a) the name of the Institution and any other particulars required by regulations made by the Central Bank with respect to the Institution;

(b) the total amounts of principal outstanding in respect of Mortgage Covered Securities issued by the Institution;

(c) the total amounts of principal outstanding in respect of mortgage credit assets and substitution assets comprised in the Pool that relates to those Mortgage Covered Securities issued by the Institution; and

(d) any other particulars prescribed by regulations made by the Central Bank.

In relation to (d) above, at the date of this Base Prospectus no such other particulars have been prescribed by regulations made by the Central Bank.

Surplus Cover Assets need not meet certain requirements of the ACS Act

Under the ACS Act, for as long as:

(a) the Pool is comprised in part of Cover Assets which meet the financial matching requirements and Regulatory Overcollateralisation requirement under the ACS Act and any contractual undertaking made by the Institution in respect of Contractual Overcollateralisation; and

(b) those Cover Assets meet the other provisions of Part 4 of the ACS Act,

then any provision of Part 4 of the ACS Act which restricts the proportion or percentage of the Pool which may be comprised of certain Cover Assets or criteria or standards applicable to Cover Assets does not apply to any further such Cover Assets comprised or to be comprised from time to time in the Pool. With respect to Regulatory Overcollateralisation and Contractual Overcollateralisation, see *The Pool maintained by the Issuer – Overcollateralisation*.

The Pool maintained by the Issuer

Introduction

The Pool contains on the date of this Base Prospectus mortgage credit assets, substitution assets and cover assets hedge contracts subject to the limitations provided for in the ACS Act. The ACS Act permits the composition of the Pool to be dynamic and does not require it to be static. Accordingly, the composition of mortgage credit assets (and other permitted assets) comprised and to be comprised in the Pool will change from time to time

after the date hereof in accordance with the ACS Act. A mortgage credit asset or substitution asset may only be included in or removed from the Pool if the Monitor agrees to its inclusion or removal and it is permitted by the ACS Act. Accordingly, any alterations to the composition of the Pool as described above will require the Monitor's approval. A mortgage credit asset includes a loan secured over commercial property as well as one secured over residential property. The ACS Act permits certain CMBS and RMBS to be included in the Pool, subject to creditworthiness standards or criteria and where applicable, certain limits. Accordingly, subject to the limits set out in the ACS Act, the Pool may include CMBS and RMBS and mortgage credit assets the related loans under which are secured over commercial property.

The Issuer does not intend to include in the Pool maintained by the Issuer either (i) mortgage credit assets the related loans under which have their primary security over commercial property, (ii) mortgage credit assets the related loans under which have their primary security located for the purposes of the ACS Act outside Ireland, (iii) mortgage credit assets the related loans under which are not denominated in euro or (iv) RMBS or CMBS, without, in each case, first obtaining from Moody's, Fitch and S&P (in each case, for so long as such rating agency is appointed by the Issuer to rate the Securities) a confirmation that any such action will not result in a downgrade of the rating then ascribed by such rating agency to the Securities.

The Issuer is required to maintain a Pool in relation to any Mortgage Covered Securities issued under the ACS Act. The Issuer has established and maintains a register of mortgage covered business and a Pool for the purposes of the ACS Act and to enable it to issue Mortgage Covered Securities.

The Issuer issues from time to time Mortgage Covered Securities and will include in the relevant Pool, additional mortgage credit assets or substitution assets as security for those securities in accordance with relevant provisions of the ACS Act.

The Issuer at the date of this Base Prospectus has included and intends to include in the Pool mortgage credit assets the related loans under which have their primary security located in Ireland and are secured primarily on residential property for the purposes of the ACS Act. Subject to further regulatory and legal approvals, consents and provisions of the ACS Act, the Issuer may include mortgage credit assets or substitution assets located for the purposes of the ACS Act in other jurisdictions permitted by the ACS Act, RMBS, CMBS or mortgage credit assets secured on commercial property for the purposes of the ACS Act, in each case to the extent permitted by the ACS Act (see *Risk Factors, Restrictions on the Activities of an Institution and Cover Assets Pool – Types of mortgage credit assets that may be included in the Pool and Location of assets that may be included in a Pool*).

Substitution Assets

The Issuer at the date of this Base Prospectus has included and intends to include in the Pool substitution assets which are located in the UK (i.e. as deposits with Barclays).

It is the policy of the Issuer in respect of the maintenance of substitution assets comprised in the Pool that, in each case for so long as S&P, Fitch or, as applicable, Moody's is appointed by the Issuer to provide credit ratings in respect of outstanding Securities issued by the Issuer under the Programme, at least one of the below criteria must remain accurate with respect to the EFI with which the Issuer holds those substitution assets:

(i) the EFI has a Minimum SA Rating (defined below) from S&P, Fitch or, as applicable, Moody's; or

(ii) the obligations of the EFI in respect of each relevant deposit are guaranteed by a guarantor who has a Minimum SA Rating (defined below) from S&P, Fitch or, as applicable, Moody's; or

(iii) if none of (i) or (ii) above apply, the EFI has such other rating, or whose obligations in respect of each relevant deposit are guaranteed by a guarantor who has such other rating, as may be confirmed by S&P, Fitch or, as applicable, Moody's will not result in any credit rating then applying at the relevant time to the Issuer's outstanding Securities being reduced, removed, suspended or placed on credit watch.

It is the policy of the Issuer that, if the Issuer becomes aware at any time that the relevant criteria set out in (i), (ii) or (iii) above are no longer satisfied in relation to the EFI and the Issuer continues, at the relevant time, to appoint S&P, Fitch or, as applicable, Moody's to rate any of its outstanding Securities, the Issuer will give notice thereof to S&P, Fitch or, as applicable, Moody's and, unless otherwise confirmed by S&P, Fitch or, as applicable, Moody's, the Issuer will, as soon as practicable, but in any event within 21 calendar days of such notice (in the case of a notice to S&P and Fitch) or, as applicable, 30 calendar days (in the case of a notice to

Moody's) procure a suitable replacement EFI. For such purpose, it is the policy of the Issuer to select a replacement EFI in respect of which at least one of the criteria set out in (i), (ii) or (iii) above is satisfied or, in the event that such criteria are not satisfied by any available EFI, in respect of which such criteria (in the opinion of S&P, Fitch or, as applicable, Moody's, failing which the Issuer) are closest to being satisfied.

For the purposes of the above description of the Issuer's policy in respect of the maintenance of substitution assets comprised in the Pool, the term "**Minimum SA Rating**", with respect to a person, means that the short term unsecured, unguaranteed and non-subordinated securities or debt of that person have a credit rating of at least:

- in the case of a rating from S&P, A-1 (short term) or, in the absence of any short term rating from S&P, A+ (long term);
- in the case of a rating from Fitch, F1 (short term) and A (long term); or, as applicable,
- in the case of a rating from Moody's, P-1 (short term) or, in the absence of any short term rating from Moody's, A3 long term.

In relation to substitution assets comprised in the Pool, see also *Risk Factors – Deposits /cover assets hedge contracts with counterparties*.

It is the Issuer's intention that for so long as Securities remain outstanding the Issuer will at all times maintain substitution assets in the Pool maintained by the Issuer in accordance with the terms of the ACS Act at a level not less than the total amount, for the immediately following three months, of:

(a) interest payable by the Issuer in respect of those Securities (after taking into account the effect of the cover assets hedge contract comprised in the Pool); and

(b) amounts payable (if any) by the Issuer in respect of the cover assets hedge contract comprised in the Pool, which relate to residential loans comprised in the Pool from time to time.

Maturity of Mortgage Covered Securities

It is the Issuer's intention that for so long as the Securities remain outstanding no more than €3 billion in aggregate principal amount of Mortgage Covered Securities issued by it should mature within any given period of six months, unless Moody's, Fitch and/or S&P (in each case, for as long as the Securities are rated by such rating agency) confirm that a deviation from this policy will not result in a downgrade of the rating then ascribed by such rating agency to the Securities.

Cover assets hedge contracts

The interest rate exposure of the Issuer relating to its mortgage credit assets located in Ireland and secured over residential property for the purposes of the ACS Act which are comprised in the Pool is managed is under the Pool Hedge. The Pool Hedge is a cover assets hedge contract for the purposes of the ACS Act (see *Cover Assets Pool – Cover assets hedge contracts*). Under the Pool Hedge, on a monthly basis the Issuer pays to AIB an amount related to a weighted average basket interest rate, determined by reference to interest rates payable on the residential loans held by the Issuer and which are included in the Pool on the relevant date, on a notional amount equal to the principal amount outstanding of those loans on the relevant date. In turn, on a monthly basis, AIB pays to the Issuer an amount related to one month EURIBOR on that notional amount. With respect to Mortgage Covered Securities, on an annual basis or such other basis referable to the relevant coupon period, AIB pays under the Pool Hedge an amount related to the interest rate payable on the relevant Mortgage Covered Securities on a notional amount equal to the principal amount outstanding of the relevant Mortgage Covered Securities and the Issuer pays to AIB an amount related to one month EURIBOR on that notional amount.

Under the terms of the Pool Hedge with AIB, in the event that the relevant rating of AIB is downgraded by a rating agency appointed by the Issuer in respect of the Securities below the rating(s) specified in the Pool Hedge, AIB is required, in accordance with the Pool Hedge, to take certain remedial measures which may include providing collateral for its obligations under the Pool Hedge, arranging for its obligations under the Pool Hedge to be transferred to an entity with the ratings required by the relevant rating agency, procuring another

entity with the ratings required by the relevant rating agency to become co-obligor in respect of its obligations under the Pool Hedge, or taking such other action as it may agree with the relevant rating agency. A failure to take such steps allows the Issuer to terminate the Pool Hedge.

If the Issuer includes in the Pool mortgage credit assets, located for the purposes of the ACS Act in Ireland and secured on commercial property, CMBS, RMBS or mortgage credit assets (whether secured on residential property or commercial property) which are located outside of Ireland for the purposes of the ACS Act, or mortgage credit assets or Mortgage Covered Securities which are not denominated in euro, the Pool Hedge referred to above does not hedge any interest rate or currency risks associated with those mortgage credit assets or, as applicable, Mortgage Covered Securities and any such risks would have to be addressed by amending the above hedging arrangements or putting in place new hedging arrangements which may be with counterparties other than AIB. See further *Risk Factors*.

Overcollateralisation

Condition 11 of the Securities requires the Issuer to maintain Contractual Overcollateralisation of the Pool with respect to a Series of Securities in issue at any time for so long as the Securities are outstanding at the minimum level specified as the Overcollateralisation Percentage in the Final Terms as applying to that Series of Securities (see *Terms and Conditions of the Securities*). An independent entity, Mazars (the "**Monitor appointed in respect of the Issuer**"), has agreed in the Cover-Assets Monitor Agreement to monitor compliance by the Issuer with its undertaking regarding the level of Contractual Overcollateralisation. See *The Cover-Assets Monitor – Monitor to the Issuer*. The Monitor is also required by regulations made by the Central Bank under the ACS Act to have regard to contractually agreed levels of Contractual Overcollateralisation in relation to the Securities and to monitor the relevant Institution's observance of those levels.

In this context, "**Contractual Overcollateralisation**" of the Pool with respect to Mortgage Covered Securities means the proportion (expressed as a percentage) of the prudent market value of the Pool (see *Cover Assets Pool – Valuation of Assets Held by an Institution*) to the total principal amount outstanding of Mortgage Covered Securities issued by the Issuer which are secured on the Pool. See *Cover Assets Pool – Financial matching criteria for a Pool and Mortgage Covered Securities*.

Since the Monitor must have regard to contractual undertakings with respect to Contractual Overcollateralisation when performing its functions under the ACS Act, the Monitor could not agree to the removal or substitution of mortgage credit assets or substitution assets from the Pool if the result of such removal or substitution was that the then required level of Contractual Overcollateralisation would not be satisfied. In addition, the Monitor is required to take reasonable steps to verify compliance by the Issuer with contractual undertakings in respect of Contractual Overcollateralisation before the issue of any Mortgage Covered Securities, including the Securities.

For further information regarding the Monitor, see *The Cover-Assets Monitor*.

In addition, having regard to the criteria of the rating agencies, it is the Issuer's intention to maintain Contractual Overcollateralisation of the Pool with respect to Mortgage Covered Securities in issue at any time for so long as the Securities are outstanding (to the extent that the level of Contractual Overcollateralisation referred to above or otherwise required by the Terms and Conditions of the Securities is not sufficient for this purpose) at a level sufficient to ensure that the Securities maintain the current ratings assigned to them by each of S&P, Fitch and/or, as applicable, Moody's (in each case for so long as such rating agency is appointed by the Issuer to rate the Securities), such level being that as determined by those rating agencies from time to time.

Under the ACS Act, an Institution is required to maintain a minimum level of Regulatory Overcollateralisation of its Pool with respect to Mortgage Covered Securities secured on the Pool. For this purpose, "**Regulatory Overcollateralisation**" means that the prudent market value of the mortgage credit assets and substitution assets comprised in the Pool, expressed as a percentage of the total nominal or principal amounts of the Mortgage Covered Securities in issue, is a minimum of 103 per cent. after taking into account the effect of any cover assets hedge contract comprised in the Pool. The ACS Act confirms that the Regulatory Overcollateralisation requirement does not affect undertakings made by an Institution in respect of Contractual Overcollateralisation requiring higher levels of overcollateralisation to be maintained.

The Issuer may from time to time maintain a higher level of overcollateralisation in the Pool in excess of the minimum levels required to satisfy the Issuer's obligations in respect of Regulatory Overcollateralisation or

Contractual Overcollateralisation. In determining the level of any such overcollateralisation at the relevant time, the Issuer may, in particular, have regard to the criteria of the rating agencies and the level of overcollateralisation necessary to ensure that the outstanding Mortgage Covered Securities maintain the current ratings then assigned to them by each of Fitch, S&P and/or, as applicable, Moody's (in each case, for so long as such rating agency is appointed by the Issuer to rate the Mortgage Covered Securities). The Issuer may from time to time publish statements, in the form of a voluntary public commitment, on the Group website (www.aibgroup.com, access through 'Investor Relations' – AIB Mortgage Bank) in respect of any such overcollateralisation.

For the purposes of the LCR Commission Regulation (as defined below), the Issuer will ensure that, in accordance with the principles set out in section 32(17) of the ACS Act, the prudent market value (determined in accordance with the ACS Act) of mortgage credit assets and substitution assets comprised at any time in the Pool (maintained by the Issuer and on which Securities will be secured under the ACS Act) expressed as a percentage of the total nominal or principal amounts of the Mortgage Covered Securities in issue and secured under the ACS Act on that Pool at the relevant time, will not be less than the applicable LCR Overcollateralisation Percentage after taking into account the effect of any cover assets hedge contract comprised in that Pool. The commitment of the Issuer set out in this paragraph (including the definitions set out below) may at the Issuer's sole initiative be amended, varied or replaced at any time to take account of any amendment to, or variation or replacement of, the provisions of the CRR or the LCR Commission Regulation applicable to level 1 assets or level 2A assets for the purposes of the LCR Commission Regulation or any amendment thereof or replacement thereto. Any such amendment to or variation or replacement of, such commitment will be published in a supplement to this Base Prospectus or in another prospectus in respect of the Programme.

For the above purposes:

"**LCR Commission Regulation**" means Commission Delegated Regulation (EU) of 10 October 2014 (reference number to be allocated upon publication in the Official Journal of the EU) to supplement Regulation (EU) 575/2013 with regard to liquidity coverage requirement for Credit Institutions;

"**LCR Overcollateralisation Percentage**" means, subject to any higher percentage specified in section 32(17) of the ACS Act:

(a) for so long as Mortgage Covered Securities issued under the Programme have a credit quality step 2 for the purposes of article 129(4) of the CRR (or the equivalent credit quality step in the event of a short term credit commitment), 107 per cent.; or

(b) if Mortgage Covered Securities issued under the Programme have a credit quality step 1 for the purposes of article 129(4) of the CRR (or the equivalent credit quality step in the event of a short term assessment), 102 per cent.

THE COVER-ASSETS MONITOR

Appointment of a cover-assets monitor

The ACS Act requires every Institution to appoint a qualified person to be a Monitor in respect of the Institution. The ACS Act provides that an appointment of a Monitor by an Institution does not take effect until it is approved in writing by the Central Bank. The Institution is responsible for paying any remuneration or other money payable to its Monitor in connection with the Monitor's responsibilities in respect of the Institution.

The ACS Act provides that if at any time an Institution has no Monitor appointed in respect of a Pool and the Central Bank reasonably believes that the Institution is unlikely to appoint such a Monitor, the Central Bank may appoint a suitably qualified person to be a Monitor in respect of such Institution. (For a general description of the obligation of an Institution to establish a Pool, see *Cover Assets Pool*). The appointment by the Central Bank in those circumstances may be on such terms and subject to such conditions as the Central Bank thinks fit. If the Central Bank has appointed a Monitor in accordance with the ACS Act, the Institution concerned is responsible for paying any remuneration or other money payable to the Monitor in connection with the performance of the Monitor's responsibilities in respect of the Institution.

Monitor to the Issuer

The Monitor appointed in respect of the Issuer at the date of this Base Prospectus is Mazars. The Central Bank has approved the appointment of Mazars as Monitor in respect of the Issuer. The terms on which Mazars has been appointed and acts as Monitor in respect of the Issuer are set out in an agreement entered into on 10 February 2006 (as amended and restated on 10 October 2007) between Mazars and the Issuer (as further amended, the "**Cover-Assets Monitor Agreement**"). The Cover-Assets Monitor Agreement reflects the requirements of the ACS Act and associated secondary legislation (as referred to in this Base Prospectus) in relation to the appointment and functions of a Monitor in respect of an Institution and provides for certain matters such as overcollateralisation (see *Cover Assets Pool- The Pool maintained by the Issuer – Overcollateralisation), Prudent Market Discount (see Cover Assets Pool – Valuation of assets held by an Institution – Prudent Market Discount*), the payment of fees and expenses by the Issuer to Mazars, the resignation of Mazars as Monitor to the Issuer (see *Resignation of a Monitor*) and the replacement by the Issuer of Mazars as its Monitor.

Mazars is a single integrated international partnership, with offices across 73 countries, a total headcount of 14,000 employees and a consolidated turnover from the integrated partnership of €1,081 million. Moreover, via the International Praxity Alliance, of which Mazars is a founding member, Mazars has correspondents and joint ventures in an additional 37 countries. The Mazars Group is currently engaged as auditors / advisors to over 15 per cent. of top European companies together with a large number of publicly funded and semi state organisations.

Mazars Ireland is a full member of the Mazars International Association with over 30 years' experience in the provision of professional services to local and international clients in the financial services, institutional and corporate sectors. Its professional services include audit, corporate finance, insolvency, consulting and corporate recovery. Based in Dublin and Galway, the firm has 17 partners and over 250 staff.

The above information on Mazars has been sourced from Mazars. Such information has been accurately reproduced and so far as the Issuer is aware and is able to ascertain from that information, no facts have been omitted which would render the above information inaccurate or misleading.

Qualifications of a Monitor

The ACS Act provides that the Central Bank may, by regulatory notice, specify, among other things, the qualifications required in order for a person to be appointed as a Monitor.

The Central Bank issued the Asset Covered Securities Act 2001 Amended Regulatory Notice (Section 59(6)) pursuant to the ACS Act on 12 November 2002. In this regulatory notice, the Central Bank stated that the qualifications for an appointment as a Monitor in respect of an Institution are:

(a) a Monitor must be a body corporate or partnership, comprising personnel and partners respectively who are members of a professional representative body. The Monitor must demonstrate to the satisfaction of the Central Bank that it is experienced and competent in the following areas:

(i) financial risk management techniques;

(ii) regulatory compliance reporting; and

(iii) capital markets, derivatives and mortgage credit business as applicable;

(b) a Monitor must demonstrate that it has sufficient resources at its disposal, and its personnel or partners must have sufficient academic or professional qualifications and experience in the financial services industry to satisfy firstly the designated credit institution ("**DCI**") and secondly the Central Bank, that it is capable of fulfilling this role;

(c) a Monitor should possess adequate professional indemnity insurance to the satisfaction of the Institution;

(d) the books and records of a Monitor must be held in Ireland;

(e) a Monitor must not be an affiliate of the Institution or of any affiliate of the Institution;

(f) a Monitor and its affiliates must not be engaged as auditor or legal advisor for the Institution or any affiliate of the Institution. Neither a Monitor nor any of its affiliates may provide any other services to the Institution nor any of its affiliates unless it is first established to the satisfaction of the Central Bank that the provision of such services does not and will not create any conflict of interest with the performance by the Monitor of its duties and responsibilities under the ACS Act and the regulatory notices;

(g) a Monitor must not hold any shares or similar interest in the Institution or in any affiliate of the Institution; and

(h) save as permitted by the ACS Act, the regulations and any regulatory notices or orders made under the ACS Act, a Monitor must not be involved in any decision-making function or directional activity of the Institution or any of its affiliates, which could unduly influence the judgement of management of the Institution or its affiliates.

Duties of a Monitor before an Institution issues Mortgage Covered Securities

The ACS Act provides that before an Institution issues Mortgage Covered Securities, or enters into a cover assets hedge contract the Monitor appointed in respect of it must take reasonable steps to verify:

(a) that the Institution will be in compliance with the financial matching requirements of the ACS Act with respect to the Pool and Mortgage Covered Securities (see *Cover Assets Pool – Financial matching criteria for a Pool and related Mortgage Covered Securities/Regulatory Overcollateralisation*) and will not be in contravention of certain provisions of the ACS Act restricting the location of assets that may be included in the Pool (see *Cover Assets Pool – Location of assets that may be included in a Pool – Restrictions on inclusion of certain types of mortgage credit assets in a Pool*) and the level of substitution assets that may be included in the Pool (see *Cover Assets Pool – Restrictions on inclusion of substitution assets in a Pool*), as a result of issuing the Mortgage Covered Securities or entering into the cover asset hedge contract;

(b) that the Institution will not be in contravention of certain provisions of the ACS Act relevant to the maintenance by the Institution of its Business Register (see *Cover Assets Pool – Register of mortgage covered securities business*); and

(c) such other matters relating to the business of Institutions as may be prescribed by regulations made by the Central Bank.

In regard to (a) above, the Central Bank has made the Asset Covered Securities Act 2001 (Section 61(2)) (Regulatory Overcollateralisation) Regulations 2007 (S.I. No. 606 of 2007) (which came into operation on 31 August 2007), under which, a Monitor appointed in respect of an Institution is required to take reasonable steps to verify that the Institution will be in compliance with its obligation to maintain Regulatory Overcollateralisation before the Institution issues Mortgage Covered Securities or enters into a cover assets hedge contract.

In regard to (c) above, the Central Bank has made the Overcollateralisation Regulation (see *Cover Assets Pool – Valuation of assets held by an Institution – Valuation of Irish Residential Loans*). Under the Overcollateralisation Regulation a Monitor appointed in respect of any Institution when performing its responsibilities under the ACS Act must have regard to any contractual undertakings given by the Institution to maintain a level of Contractual Overcollateralisation of Cover Assets as against Mortgage Covered Securities issued by that Institution and the Monitor is responsible for monitoring the Institution's compliance with those undertakings. With respect to the Issuer and its contractual undertaking to maintain a specified level of Contractual Overcollateralisation, see further *Cover Assets Pool - The Pool maintained by the Issuer – Overcollateralisation*. The Central Bank has also made the Prudent Market Discount Regulation. The Prudent Market Discount Regulation provides that the Monitor when performing its responsibilities under the ACS Act must have regard to any contractual undertakings given by the Institution to apply a level of prudent market discount to certain calculations which are to be made by the Institution in respect of the MCA Valuation Notice and the Monitor is responsible for monitoring the Institution's compliance with those undertakings. See *further Cover Assets Pool – Valuation of assets held by an Institution*.

Continuing duties of a Monitor

The ACS Act provides that the Monitor appointed in respect of an Institution is responsible for monitoring the Institution's compliance with the following provisions of the ACS Act:

(a) the matching requirements of the ACS Act with respect to the Pool and Mortgage Covered Securities (see *Cover Assets Pool – Financial matching criteria for a Pool and related Mortgage Covered Securities/Regulatory Overcollateralisation*) and certain provisions of the ACS Act restricting the location of assets that may be included in the Pool (see *Cover Assets Pool – Location of assets that may be included in a Pool and Restriction on inclusion of certain types of mortgage credit assets in a Pool*);

(b) the requirement that, except in certain cases specified in the ACS Act, a mortgage credit asset or substitution asset replacing another asset or a substitution asset replacing another asset in the Pool only forms part of the Pool if the replacement has been approved by the Monitor (see *Cover Assets Pool – Restrictions on replacement of underlying assets included in a Pool*);

(c) restrictions under the ACS Act on the level of substitution assets that may be included in the Pool (see *Cover Assets Pool – Restrictions on inclusion of substitution assets in a Pool*);

(d) the application by an Institution of realisations of mortgage credit assets or substitution assets comprised in a Pool under certain provisions of the ACS Act (see *Cover Assets Pool – Use of realised proceeds of Cover Assets and – Release of underlying assets from a Pool*);

(e) certain provisions of the ACS Act relevant to the maintenance by the Institution of its Business Register (see *Cover Assets Pool – Register of mortgage covered securities business*);

(f) the 3 per cent. Regulatory Overcollateralisation requirement in respect of the Pool and Mortgage Covered Securities imposed under the ACS Act (see *Cover Assets Pool - The Pool maintained by the Issuer- Overcollateralisation*);

(g) the requirements under the ACS Act in respect of securitised mortgage credit assets that can be included in the Pool (see *Cover Assets Pool – Restrictions on inclusion of securitised mortgage credit assets in the Pool*); and

(h) such other matters as may be prescribed by regulations made by the Central Bank.

The Asset Covered Securities Act 2001 (Section 61(1)) Regulations 2007 (S.I. No. 605 of 2007) made by the Central Bank (which came into operation on 31 August 2007) provide that a Monitor appointed in respect of an

Institution is responsible for monitoring the Institution's compliance with the obligation of the Institution under the ACS Act to include certain particulars in the Collateral Register.

The ACS Act provides that the Monitor is also responsible for performing such other responsibilities (if any) as are prescribed by regulations made by the Central Bank.

The Central Bank has made, on 2 July 2004, the Asset Covered Securities Act 2001 (Section 61(3)) [Interest Rate Sensitivity] Regulation 2004 (S.I. No. 415 of 2004) pursuant to which a Monitor appointed in respect of an Institution is made responsible for monitoring the Institution's compliance with the Asset Covered Securities Act, 2001 (Section 91(1)) (Sensitivity to Interest Rate Changes) Regulation, 2004 (S.I. No. 416 of 2004) as amended by the Asset Covered Securities Act 2001 (Section 91(1)) (Sensitivity to Interest Rate Changes – Mortgage Credit) (Amendment) Regulations 2007 (S.I. No. 612 of 2007) (which came into operation on 31 August 2007) (together, the "**Sensitivity to Interest Rate Changes Regulation**"). The Sensitivity to Interest Rate Changes Regulation provides that the net present value changes arising from any of the scenarios set forth in the regulation must not exceed 10 per cent. of an Institution's total own funds at any time. The scenarios set forth in the regulation are:

(a) one hundred basis point upward shift in the yield curve;

(b) one hundred basis point downward shift in the yield curve; and

(c) one hundred basis point twist in the yield curve.

All calculations of sensitivity to interest rate changes are to be carried out in accordance with formulae set out in the schedule to the Sensitivity to Interest Rate Changes Regulation. See further *Risk Management at the Issuer – Issuer Risk Management – Non-trading interest rate risk*.

The Central Bank has made, on 2 July 2004, the Asset Covered Securities Act 2001 (Section 61(3)) [Irish Residential Property Loan/Valuation] Regulation 2004 (S.I. No. 418 of 2004). That regulation provides that the Monitor appointed in respect of an Institution is responsible for monitoring that Institution's compliance with the MCA Valuation Notice. The MCA Valuation Notice makes provision for the prudent market valuation, valuation methodology and timing of valuation of Irish Residential Loans, Irish Residential Property Assets and Relevant Securitised Mortgage Credit Assets (together with related amounts) (see *Cover Assets Pool – Valuation of assets held by an Institution*). On 2 July 2004 the Central Bank also made the Prudent Market Discount Regulation. The Prudent Market Discount Regulation provides that the Monitor when performing its responsibilities under the ACS Act must have regard to any contractual undertakings given by the Institution to apply a level of prudent market discount to certain calculations which are to be made by the Institution in respect of the MCA Valuation Notice and the Monitor is responsible for monitoring the Institution's compliance with those undertakings.

On 2 July 2004 the Central Bank made the Overcollateralisation Regulation which was amended with effect from 31 August 2007 (see *Cover Assets Pool – Valuation of assets held by an Institution – Valuation of Irish Residential Loans*). Under the Overcollateralisation Regulation, a Monitor appointed in respect of any Institution when performing its responsibilities under the ACS Act must have regard to any contractual undertakings given by the Institution to maintain a level of Contractual Overcollateralisation of Cover Assets as against Mortgage Covered Securities issued by that Institution and the Monitor is responsible for monitoring the Institution's compliance with those undertakings (see *Cover Assets Pool - The Pool maintained by the Issuer-Overcollateralisation*).

Duty of a Monitor to inform the Central Bank of certain matters

As soon as practicable after the Monitor has become aware, or has formed a reasonable suspicion, that the Institution in respect of which it has been appointed has contravened or failed to comply with a provision of the ACS Act (which includes regulations made by the Central Bank under the ACS Act) that relates to the responsibilities of the Monitor, the Monitor is required to provide the Central Bank with a written report of the matter.

The Monitor is also required to provide the Central Bank with such reports and provide such information as the Central Bank notifies to it in writing from time to time with respect to:

(a) whether or not the Institution in respect of which it has been appointed is, in the opinion of the Monitor, complying with the provisions of the ACS Act that relate to the responsibilities of the Monitor; and

(b) if in the Monitor's opinion the Institution is not fully complying with any of those provisions, the extent of non-compliance.

Additional duties which may be imposed on a Monitor by the Central Bank

The Central Bank may, by notice in writing to the Monitor appointed in respect of an Institution, confer on that Monitor such additional responsibilities as it considers appropriate for the effective management of the affairs of the Institution if the relevant Institution:

(a) has become subject to an insolvency process (for a description of the meaning of "**insolvency process**" for the purposes of the ACS Act, see *Insolvency of Institutions – Meanings of "insolvent", "potentially insolvent" and "insolvency process" for the purposes of the ACS Act*);

(b) is formerly a DCI (for a description of when an Institution may cease to be designated for the purposes of the ACS Act, see *Registration of Institutions/Revocation of Registration – Revocation of Registration*);

(c) is an Institution to which the Central Bank, reasonably believing that there may be grounds for revoking the registration of the Institution under of the ACS Act, has given a direction under the ACS Act prohibiting the Institution from dealing in assets, engaging in transactions, or making payments, except with the Central Bank's permission (for a description of the circumstances in which the Central Bank can give such a direction, see *Registration of Institutions/Revocation of Registration – Direction of the Central Bank requiring an Institution to suspend its business*); or

(d) is an Institution in respect of which a manager has been appointed under the ACS Act (for a description of the circumstances in which a manager can be appointed to an Institution and the rights and powers of a manager, see *Supervision and Regulation of Institutions/Managers – Power of the Central Bank to appoint the NTMA or a recommended person as manager of an Institution*).

The ACS Act provides that if a liquidator, examiner, receiver or manager is appointed in respect of any such Institution, the Monitor appointed in respect of the Institution may enter into arrangements with respect to the management of the Institution on such matters as may be specified in the notice from the Central Bank referred to above. Those arrangements must include arrangements relating to the payment of the remuneration of, and the costs incurred by, the Monitor, and will be subject to such conditions (if any) as are specified in the Central Bank's notice, or as the Central Bank may subsequently notify to the Monitor in writing.

The powers of Monitors with respect to security trustees

The ACS Act makes provision for the holding by a security trustee of security (other than under the ACS Act) over assets comprised in the Pool which are located outside of Ireland in order to augment the security provided for under the ACS Act (see *Insolvency of Institutions – Security Interests on the Pool*). The Monitor may under the ACS Act enter into arrangements with the security trustee in connection with:

(a) their respective functions under the ACS Act and operations relating to Cover Assets which are also subject to such additional security arrangements; and

(b) their respective functions under the ACS Act and the enforcement or administration of Cover Assets which are also subject to such additional security arrangements.

Duty of a Monitor to provide reports to the Central Bank

If the Central Bank so directs by notice in writing, the Monitor appointed in respect of an Institution is required to:

(a) prepare for the Central Bank, or any other person specified by the Central Bank, such reports; and

(b) provide the Central Bank, or any such person, with such information,

at such times or intervals, in relation to the exercise or performance of the Monitor's responsibilities under the ACS Act and the performance by the relevant Institution of its obligations under the ACS Act in so far as the Monitor is responsible for monitoring the carrying out of those obligations, as the Central Bank specifies in the direction.

Power of a Monitor to enter an Institution's business premises

A Monitor may, upon giving the Institution in respect of which it has been appointed reasonable notice, enter at any reasonable time during ordinary business hours any place at which the Institution carries on its business for the purpose of carrying out the Monitor's responsibilities in relation to the Institution.

A Monitor who exercises its power to enter an Institution's place of business may do any of the following:

(a) inspect the place and examine any record found in the place that the Monitor reasonably believes to be relevant to the performance of its responsibilities in respect of the Institution;

(b) require the Institution or any person who is apparently a person concerned in the management of the Institution to answer any relevant questions or provide the Monitor with such assistance and facilities as is or are reasonably necessary to enable the Monitor to exercise or perform the Monitor's responsibilities;

(c) require any person in the place to produce for inspection records in so far as they relate to the responsibilities of the Monitor; and

(d) make copies of all or any part of those records.

Power of a Monitor to obtain information from an Institution

A Monitor may, by notice in writing to the relevant Institution, require it to give to the Monitor, within such period as may be specified in the notice, any specified information or record that relates to the responsibilities of the Monitor in respect of the Institution, but only if the information or record is in the possession, or under the control, of the Institution.

Duties of an Institution to inform its Monitor of certain matters

The ACS Act provides that an Institution is required to keep its Monitor informed of the following matters:

(a) such particulars of payments received by the Institution in respect of Cover Assets included in the relevant Pool, and at such times or intervals, as the Monitor requires;

(b) any failure of any person who has a financial obligation in respect of those assets to perform the obligation within a period of 10 or 60 days depending on the type of asset (or such other period as may be specified in a regulatory notice published by the Central Bank) after it was due to be performed; and

(c) any proceedings brought in relation to those assets against any such person by or on behalf of the Institution.

An Institution that, without reasonable excuse, fails to provide its Monitor with the above information commits an offence and is liable on summary conviction to a fine not exceeding €1,000.

Central Bank powers to require information regarding Pool Hedge Collateral to be given to the Monitor

Under the ACS Act, the Central Bank may require an Institution to provide the Monitor such information in relation to Pool Hedge Collateral held by the Institution and at such intervals as may be specified to the Institution by the Central Bank.

Remuneration of a Monitor

The appointing Institution is responsible for paying any remuneration to the Monitor in connection with the performance of the Monitor's duties.

Priority of a Monitor on an insolvency of the Institution

The Monitor of an Institution, along with any manager (and under the ACS Act, a Pool security trustee) that has been appointed to the Institution, constitute "super-preferred" creditors of the Institution. The ACS Act provides that the claims of super-preferred creditors rank ahead of those of any other preferred creditors, including the holders of Mortgage Covered Securities. For a description of the priority afforded to the claims of preferred creditors of an Institution on the insolvency of such Institution, see *Insolvency of Institutions – Effect of insolvency, potential insolvency or insolvency process with respect to an Institution*.

Termination of appointment of a Monitor

An Institution may terminate the appointment of its Monitor only with the written consent of the Central Bank. The Central Bank may direct an Institution to terminate the appointment of its Monitor and to appoint another qualified person in place of that Monitor. The notice issued by the Central Bank making that direction must specify the Central Bank's reasons.

Resignation of a Monitor

A Monitor may resign by giving at least 30 days' notice in writing to the Central Bank (unless the Central Bank agrees to a shorter notice period) and must include in such notice a statement of the reasons for its resignation. In the Cover-Assets Monitor Agreement, Mazars has agreed that it will not resign as Monitor in respect of the Issuer unless another entity has agreed to act as Monitor in respect of the Issuer and the Central Bank has approved the appointment of such other entity as Monitor in respect of the Issuer in place of Mazars; provided that if a replacement Monitor has not been appointed within six months of Mazars having given notice of its intention to resign as Monitor, then Mazars will be entitled to resign as Monitor notwithstanding that no replacement Monitor has been appointed.

Effect of the insolvency of an Institution on the appointment of its Monitor

The fact that an Institution, or its parent entity or any company related to the Institution, has become insolvent or potentially insolvent does not affect the appointment of the Monitor appointed in respect of it and the claims and rights of the Monitor in so far as those claims or rights relate to the appointment or arise under the ACS Act. For a description of the circumstances in which an Institution is regarded as insolvent or potentially insolvent for the purposes of the ACS Act, see *Insolvency of Institutions – Meanings of "insolvent", "potentially insolvent" and "insolvency process" for the purposes of the ACS Act*.

The ACS Act provides that the obligations of the Institution towards the Monitor continue to have effect in relation to the Institution, and be enforceable, despite the Institution, or its parent entity or a company related to the Institution, becoming subject to an insolvency process.

If an Institution, or where the Institution has a parent entity or a company is related to the Institution, the parent entity or related company, becomes subject to an insolvency process, the obligation of the Institution to appoint and maintain a Monitor continues to have effect until the claims of all preferred creditors have been fully satisfied and the functions of each Monitor and manager appointed in respect of the Institution have been fully discharged. In such circumstances, the Monitor continues to hold office in accordance with the terms and conditions applicable to the appointment. For a description of the circumstances in which an Institution is regarded as subject to an insolvency process for the purpose of the ACS Act, (see *Insolvency of Institutions – Meanings of "insolvent", "potentially insolvent" and "insolvency process" for the purposes of the ACS Act*).

Powers of the Central Bank in relation to a Monitor

Section 70 of the ACS Act provides that the Central Bank may at any reasonable time:

(a) enter any premises at which a Monitor carries on its business; and

(b) inspect and take copies of any records kept by the Monitor in connection with the Monitor's responsibilities under the ACS Act.

Section 26 of the Central Bank Act 2013 provides for a general power for an authorised officer to enter any premises other than, save with the consent of the occupier or a court warrant, a dwelling-

(a) which he or she has reasonable grounds to believe are or have been used for, or in relation to, the business of a person to whom Part 3 of the Central Bank Act 2013 applies; or

(b) at, on or in which the authorised officer has reasonable grounds to believe that records relating to the business of a person to whom Part 3 of the Central Bank Act 2013 applies are kept.

Part 3 of the Central Bank Act 2013 applies to, amongst others, a "regulated financial service provider" (which would include the Issuer) and "any person whom the Central Bank reasonably believes may possess information about a financial product or investment or investment admitted to trading under the rules and systems of a regulated market" (which would appear to include a person possessing information in relation to Securities).

Section 27 of the Central Bank Act 2013 empowers an authorised officer to, amongst other things, inspect and take copies of records found in the course of searching and inspecting premises.

Limitation on the civil liability of a Monitor

The ACS Act provides that the Monitor, officers and employees of the Monitor, and persons acting under the direction of the Monitor are not liable in any civil proceedings for any act done, or omitted to be done, by the person for the purposes of, or in connection with, performing or exercising any function or power imposed or conferred on the Monitor by or under the ACS Act if the act was done, or was omitted, in good faith for the purposes of the ACS Act.

INSOLVENCY OF INSTITUTIONS

Effect under the ACS Act of insolvency, potential insolvency or insolvency process with respect to an Institution

Part 7 of the ACS Act contains provisions dealing with the effect of an insolvency, potential insolvency or insolvency process on the rights and obligations of an Institution and other persons connected with an Institution.

Under the ACS Act, a reference in Part 7 of the ACS Act to Cover Assets or a Pool includes:

(a) in the case of mortgage credit assets and substitution assets which constitute Cover Assets, any security, guarantee, indemnity and insurance held by the Institution in respect of such assets; and

(b) in the case of cover assets hedge contracts, any security, guarantee, indemnity and insurance held by the Institution for, or Pool Hedge Collateral provided to the Institution under, such contracts.

In addition, under the ACS Act, any reference in Part 7 of the ACS Act to a cover assets hedge contract includes Pool Hedge Collateral or security provided to the Institution under or for that contract.

Part 7 of the ACS Act disapplies with respect to Institutions, the Companies Act, the Bankruptcy Acts 1988 and 2001, the Taxes Acts (as defined in section 811(1) (a) of the Taxes Consolidation Act 1997), legislation relating to the regulation of credit institutions in Ireland and any other enactments or rules of law relating to an insolvency process, except insofar as they are specified in relation to laws relevant to fraud and misrepresentation. Certain insolvency provisions relating to fraud continue to have effect with respect to Part 7 of the ACS Act, in addition to any enactment or rule of law that would render the security or contract void or unenforceable on the grounds of fraud or misrepresentation.

The ACS Act provides that the fact that an Institution or its parent entity or any company related to the Institution has become insolvent (as to which see the definition under the next heading below) or potentially insolvent (as to which see the definition under the next heading below) does not affect:

(a) the claims and rights of holders of Mortgage Covered Securities issued by the Institution;

(b) the claims and rights of a person (other than the holder of a Mortgage Covered Security issued by the Institution) who has rights under or in respect of any such Mortgage Covered Security by virtue of any legal relationship with the holder;

(c) the claims and rights that the other contracting party has under any cover assets hedge contract entered into by the Institution;

(d) the appointment of a Monitor and the relevant claims and rights of such Monitor in so far as those claims and rights relate to the appointment or arise under the ACS Act (for a description of the role of a Monitor see *The Cover-Assets Monitor*);

(e) the appointment of a manager in respect of the Institution and the relevant claims and rights of such manager in so far as those claims and rights relate to the appointment or arise under the ACS Act (for a description of the circumstances in which a manager may be appointed to an Institution, see *Supervision and Regulation of Institutions/Managers*); or

(f) the functions of the NTMA under Part 6 of the ACS Act and the relevant claims and rights of the NTMA in so far as those claims and rights relate to those functions (for a description of the role of the NTMA under Part 6 of the ACS Act, see *Supervision and Regulation of Institutions/Managers*).

Where an Institution, or its parent entity or any company related to the Institution becomes subject to an insolvency process (as to which see the definition under the next heading below), preferred creditors (see below) are, for the purpose of satisfying their claims and rights under Part 7 of the ACS Act, entitled to have recourse to the cover assets that are comprised in the Pool maintained by the Institution ahead of members of, and contributories to, the Institution and all other creditors of the Institution, its parent entity or company related to the Institution. This provision applies irrespective of whether the claims of creditors other than preferred

creditors are preferred under any other enactment or any rule of law and whether those claims are secured or unsecured.

"**Preferred creditors**" are defined in the ACS Act as all or any of the following persons:

(a) the holder of an outstanding Mortgage Covered Security issued by the Institution;

(b) a person (other than the holder) who has rights under or in respect of any such Mortgage Covered Security by virtue of any legal relationship with the holder;

(c) a person with whom the Institution has entered into a cover assets hedge contract, but only if the person is in compliance with the financial obligations imposed under the contract; and

(d) a person who is a super-preferred creditor (see below) in relation to the Institution.

The claims of super-preferred creditors rank ahead of those of the other preferred creditors. Super-preferred creditors are defined in the ACS Act in respect of an Institution as a Monitor or manager appointed in respect of that Institution. Super preferred creditors also include the claims (approved by a manager or where no manager is appointed, the Monitor) of a security trustee which holds security (other than under the ACS Act) over assets outside Ireland in order to augment the security under the ACS Act.

The ACS Act provides that the claims of the super-preferred creditors and the other preferred creditors have effect irrespective of when the Mortgage Covered Security, contract or appointment of the Monitor or manager giving rise to a claim was issued or made, of when a claim of a preferred creditor arose and of the terms of that security, contract or appointment.

To the extent that the claims of all preferred creditors are not fully satisfied from the proceeds of the disposal of the Cover Assets comprised in the Pool maintained by the relevant Institution, such creditors become unsecured creditors in the insolvency process relating to the Institution, the claims of the super-preferred creditors ranking above those of the other preferred creditors in this regard.

The following obligations of an Institution continue under Part 7 of the ACS Act to have effect in relation to the Institution, and are enforceable, despite the Institution, or its parent entity or a company related to the Institution, becoming subject to an insolvency process:

(a) obligations arising under or in respect of a Mortgage Covered Security issued by the Institution;

(b) obligations arising under or in respect of any cover assets hedge contract entered into by the Institution;

(c) obligations towards the Monitor appointed in respect of the Institution;

(d) obligations towards any manager appointed to manage affairs of the Institution; or

(e) obligations towards the NTMA under Part 6 of the ACS Act.

The ACS Act provides that in the event that an Institution or its parent or a related company becomes subject to an insolvency process, the obligation of the Institution to appoint a Monitor, and the powers of the Central Bank and the NTMA with respect to the appointment of a manager, continue to have effect until the claims of all preferred creditors have been fully satisfied and the functions of each Monitor and manager appointed in respect of the Institution have been fully discharged.

Part 7 of the ACS Act provides that if an Institution, or where the Institution has a parent entity or a company is related to the Institution, the parent entity or related company, becomes subject to an insolvency process:

(a) all Mortgage Covered Securities issued by the Institution remain outstanding, subject to the terms and conditions specified in the security documents under which those Mortgage Covered Securities are created;

(b) every cover assets hedge contract relating to those Mortgage Covered Securities continues to have effect, subject to the terms and conditions of the contract;

(c) each Monitor or manager appointed by or in respect of the Institution continues to hold office as such in accordance with the terms and conditions applicable to the appointment; and

(d) the Institution's obligations under those Mortgage Covered Securities, or any such contract or appointment, continue to be enforceable.

The ACS Act expressly excludes Cover Assets that are included in a Pool from forming part of the assets of an Institution, its parent or a related company, for the purposes of any insolvency process until the claims secured by Part 7 of the ACS Act are fully discharged.

The ACS Act provides that Cover Assets that are included in a Pool are not liable to attachment, sequestration or other form of seizure, or to set-off by any persons, that would otherwise be permitted by law so long as claims secured under Part 7 of the ACS Act remain unsatisfied.

The ACS Act provides that an Institution may not be dissolved under an insolvency process until the claims and rights of all preferred creditors have been fully satisfied. However, if the High Court is satisfied that the Institution has no assets capable of meeting the claims and rights of those creditors, it may make an order dissolving the Institution.

Security interests on the Pool

An Institution may not create a security interest in respect of any Cover Assets in a Pool if Mortgage Covered Securities are outstanding or if a cover assets hedge contract is in existence and if such security interest would, but for Part 7 of the ACS Act, adversely affect the priority conferred by Part 7 of the ACS Act on preferred creditors. If an Institution creates any such security interest, the interest is void and any money secured by it is repayable immediately. The ACS Act provides that, if a cover asset included in a Pool is subject to a security interest which would contravene the above provisions of the ACS Act, the relevant Institution is required to replace such cover asset in accordance with the relevant provisions of the ACS Act.

The ACS Act permits an Institution to create a security interest in respect of its Cover Assets if:

(a) the relevant assets are located outside of Ireland; and

(b) the person who (directly or indirectly) has the benefit of the interest is the same person as the person who is entitled to security over those assets in accordance with the order of priority prescribed by Part 7 of the ACS Act.

Under the ACS Act, for the purposes of (b) above, there may be disregarded claims over the relevant assets arising from mandatory laws in the relevant jurisdictions and any costs associated with administering the security interest and realising assets under the security interest.

Meanings of "insolvent", "potentially insolvent" and "insolvency process" for the purposes of the ACS Act

The ACS Act provides that an Institution becomes insolvent for the purposes of the ACS Act in any of the following circumstances:

(a) if the appointment of an examiner in respect of the Institution under the Companies (Amendment) Act 1990, is not terminated or stayed within 30 days after the date of the appointment;

(b) if the appointment of a liquidator in respect of the Institution is not terminated or stayed within 30 days after the date of the appointment;

(c) if the appointment of a receiver over any part of the property or undertaking of the Institution is not terminated or stayed within 30 days after the date of the appointment;

(d) if the Institution is a company and the company is deemed to be unable to pay its debts as provided by relevant provisions of the Companies Act;

(e) if the Institution is a building society and the High Court makes an order under the Building Societies Act 1989, directing the society to be wound up on the ground that it is unable to pay its debts;

(f) if the Institution is the holder of a banking licence issued under section 9 of the Central Bank Act 1971 and:

(i) the Institution is deemed to be unable to meet its obligations under that Act, or

(ii) the Institution is deemed to have committed an act of bankruptcy or to be unable to pay its debts under that Act;

or

(g) if the Institution has, in relation to a Mortgage Covered Security that it has issued, failed to pay an amount payable in respect of the Mortgage Covered Security within 30 days after the amount fell due (unless the failure is attributable to administrative difficulties arising from circumstances that are outside the control of the Institution).

The ACS Act provides that an Institution becomes potentially insolvent for the purposes of the ACS Act in any of the following circumstances:

(a) if a petition for the appointment of an examiner is presented in relation to the Institution under the Companies (Amendment) Act 1990;

(b) if a petition is presented, or an effective resolution is passed, for the appointment of a liquidator in relation to the Institution;

(c) if a receiver over any assets of the Institution is appointed; or

(d) if the Institution has, in relation to a Mortgage Covered Security that it has issued, failed to pay an amount payable in respect of the Mortgage Covered Security within 10 days after the amount fell due (unless the failure is attributable to administrative difficulties arising from circumstances that are outside the control of the Institution).

The ACS Act defines an 'insolvency process' with respect to an Institution as liquidation, examination, receivership, reorganisation, a moratorium, bankruptcy or any similar process related to the inability of persons to pay their debts, and, in relation to an Institution, includes any process relating to the insolvency or potential insolvency of the Institution.

European and Irish Insolvency Law relevant to Institutions

CIWUD Directive

Directive 2001/24/EC of the European Parliament and the Council of 4 April, 2001 on the reorganisation and winding up of credit institutions (the "**CIWUD Directive**") was required to be implemented into the national law of the Member States on 5 May 2004. It was first implemented in Ireland by the European Communities (Reorganisation and Winding-up of Credit Institutions) Regulations 2004 (the "**2004 Regulations**") with effect from 5 May 2004. With effect from 4 February 2011, the 2004 Regulations were revoked by the European Communities (Reorganisation and Winding-Up of Credit Institutions) Regulations 2011 (the "**2011 Regulations**") which are now the implementing regulations for the CIWUD Directive in Ireland.

The purpose of the CIWUD Directive is to create unified proceedings for EU credit institutions that are subject to the imposition of reorganisation measures or the commencement of winding-up proceedings (as such terms are defined in the CIWUD Directive and the 2011 Regulations). The CIWUD Directive provides that, with some exceptions and exclusions, the application of reorganisation measures to, or the winding-up of, a credit institution (including in respect of its branches in other Member States) will be effected in accordance with the

national law of its "home" Member State (the Member State in which it has been authorised as a credit institution). It also provides that only the administrative or judicial authorities in that home Member State can authorise the implementation of reorganisation measures or the opening of winding up proceedings in respect of the credit institution, including branches in other Member States.

To this end, the 2011 Regulations provide, among other things, that the "**relevant applicable enactment**" applies to and in relation to a reorganisation measure imposed, or to be imposed, in respect of an "authorised credit institution" (except as otherwise provided by the 2011 Regulations) and also applies to proceedings to wind up an "authorised credit institution".

An "**authorised credit institution**" is defined in the 2011 Regulations as including the holder of a licence under section 9 of the Irish Central Bank Act 1971 (now an ECB banking authorisation) which would include an Institution. The term "relevant applicable enactment" would in the context of an Institution include the ACS Act. Therefore, the 2011 Regulations confirm, subject as described below, that the ACS Act will apply to any reorganisation measure imposed or to be imposed, or any proceedings to wind up, an Institution.

Reflecting the provisions of the CI Insolvency Directive, the 2011 Regulations recognise that reorganisation measures or winding-up proceedings in respect of an Irish authorised credit institution should not affect certain rights in rem of its creditors to assets of the credit institution located in another Member State when the reorganisation measure is imposed or the winding-up proceedings commenced.

Again reflecting the provisions of the CIWUD Directive, the 2011 Regulations provide that reorganisation measures or winding-up proceedings, in respect of an Irish authorised credit institution should not affect certain set-off rights of its creditors where such set-off is permitted by the law that applies to the institution's claims. To the extent that such law is Irish law, a creditor of an Irish authorised credit institution which is subject to reorganisation measures or winding-up proceedings could only assert a right of set-off to the extent that Irish law would otherwise permit. With regard to the prohibition under the ACS Act of set-off against Cover Assets comprised in the Pool maintained by an Institution, see – *Effect under the ACS Act of insolvency, potential insolvency or insolvency process with respect to an Institution* above.

However, to the extent that the law that applies to any claim of a relevant credit institution, within the meaning of the 2011 Regulations, is a law other than Irish law, the 2011 Regulations, together with that law, may operate to displace provisions of Irish law prohibiting the exercise of a right of set-off by a creditor against the relevant credit institution, including, in the context of Cover Assets comprised in a Pool maintained by an Institution, the provisions of the ACS Act referred to above. It should be noted in this regard that neither the CIWUD Directive nor the 2011 Regulations provide any guidance on the meaning of the terms "the law applicable to the institution's claim" (CIWUD Directive) or "the law that applies to the institution's claim" (2011 Regulations) and so, in the absence of any Irish or EU judicial authority on the point, it is not possible to confirm, for example, whether this would comprise the governing law of the claim or, if different, the lex situs of the claim.

Single Resolution Mechanism

The European institutions have also agreed to establish the SRM under the SRM Regulation. The SRM will apply to banks covered by the SSM. See *Risk Factors – Risks relating to the Issuer, the Group and their Business – The RRD contains resolution tools that may have a material adverse effect on the Group*.

Recovery and Resolution Directive

On 6 May 2014, the EU Council adopted the RRD, establishing a framework for the recovery and resolution of credit institutions and investment firms. See *Risk Factors – Risks relating to the Issuer, the Group and their Business – The RRD contains resolution tools that may have a material adverse effect on the Group*.

Consequences of Issuer's Status as Unlimited Company

The Issuer is an unlimited company. Under the Companies Act, there is no limit on the liability of a then-current member (the "**registered shareholder of record**") of an unlimited company to contribute to that company in an insolvent liquidation of the company to the extent that the company's assets are insufficient to meet its liabilities. In that event, the liquidator of the unlimited company or the court seeks the contributions from each of the members. A company's unlimited status does not confer on the creditors of the company the right to seek payment of the company's liabilities from the company's members or to seek contributions for the company

from the members in the event of the unlimited company becoming insolvent or otherwise. This right rests with the liquidator or the court on an insolvent winding-up. If the persons who are the members of an unlimited company at the date of commencement of the winding-up cannot contribute sufficiently to the assets of the company, the liquidator or court may have recourse to persons who were members within one year before the winding up commenced, although these former members will only be liable to contribute in respect of liabilities contracted by the company while they were members.

At the date of this Base Prospectus, AIB is a member of the Issuer and the other members are all direct wholly owned subsidiaries of AIB. AIB beneficially owns the entire issued share capital of the Issuer. The Issuer is thus a wholly-owned subsidiary of AIB. The Issuer's liabilities under the Securities will be contracted by the Issuer on the date when the Securities are issued and their issue price is paid up in full. The members of the Issuer on the date on which the Securities are issued and the issue price is paid up in full will be liable to contribute in respect of the Issuer's liabilities in respect of the Securities on an insolvent winding-up of the Issuer (if the Issuer does not have sufficient resources to discharge its liabilities in respect of the Securities in full) if they are still members of the Issuer at the date of the commencement of such winding up, or if they were members of the Issuer within one year before such winding-up commenced.

AIB is not a guarantor of the Securities.

SUPERVISION AND REGULATION OF INSTITUTIONS/MANAGERS

Introduction

The Central Bank is primarily responsible for the supervision and regulation of Institutions. In certain circumstances (summarised below) the Central Bank may under the ACS Act appoint the NTMA or a person recommended by the NTMA as manager of an Institution.

In addition, each Institution is required by the ACS Act to appoint a Monitor. For a description of the obligations of an Institution towards the Monitor appointed by it, and the rights and duties of a Monitor, see *The Cover-Assets Monitor*.

Regulation of Institutions under banking legislation other than the ACS Act

As Irish incorporated credit institutions authorised by the Central Bank under legislation relating to banking activities in Ireland, Institutions are subject to regulation under the Irish banking legislation applicable to Irish banks generally in addition to regulation under the ACS Act in respect of the activities regulated thereby.

As regards the relationship between the Central Bank's powers and functions under the Irish Banking Code and those under the ACS Act, the ACS Act provides that the Central Bank has, in relation to Institutions and other persons to whom the ACS Act relates, the functions imposed and powers conferred on the Central Bank by or under the Irish Banking Code in relation to credit institutions within the scope of the Irish Banking Code, except as required or provided by the ACS Act and subject to such modifications to those functions and powers as are necessary in order to adopt those functions and powers for the purposes of the ACS Act.

General functions of the Central Bank under the ACS Act

The ACS Act provides that the functions of the Central Bank are as follows:

(a) to designate credit institutions for the purposes of the ACS Act;

(b) to administer the system of supervision and regulation of DCIs in accordance with the ACS Act in order to promote the maintenance of the proper and orderly regulation and supervision of those institutions; and

(c) to perform such other functions as are prescribed by or under the ACS Act.

The ACS Act provides that the Minister for Finance may, by order, impose on the Central Bank functions additional to those specified above. At the date of this Base Prospectus, no such order has been made by the Minister for Finance.

In addition, the Central Bank is given a general power pursuant to the ACS Act to do all things necessary or expedient to be done for or in connection with, or incidental to, the performance of its functions.

Various provisions of the ACS Act oblige, or confer on the Central Bank the power, to make regulations or publish regulatory notices to make provision for a range of matters arising from the operation of the ACS Act. In addition, the ACS Act confers on the Central Bank a general power to make regulations, not inconsistent with the ACS Act, for or with respect to any matter that by the ACS Act is required or permitted to be prescribed, or that is necessary or expedient to be prescribed, for carrying out or giving effect to the ACS Act.

Under the ACS Act, where the Central Bank makes an order, regulation, regulatory notice or other notice under the ACS Act, the Central Bank is required to have regard to the following principles and policies to the extent applicable:

(a) the facilitation of the establishment and operation in Ireland of DCIs (which include Institutions);

(b) the facilitation of the establishment and operation of a market in asset covered securities (which include Mortgage Covered Securities) so as to make available further sources of funds to those Institutions;

(c) the need to develop the business of one or more types of DCIs having regard to domestic or international markets in which the institutions operate or may propose to operate;

(d) the need to protect the interests of preferred creditors or other creditors of one or more types of DCIs;

(e) the need for proper and proportionate regulation of one or more types of DCIs; and

(f) CRD IV and any regulations and directives made by competent organs of the EU which have been implemented in Irish law relevant to among other types of securities, asset covered securities.

Power of the Central Bank to appoint the NTMA or a recommended person as manager of an Institution

The ACS Act sets out the circumstances in which the Central Bank may appoint the NTMA or a person recommended by the NTMA as manager of an Institution and the role and functions of the NTMA and a manager appointed under the ACS Act.

The ACS Act provides that the Central Bank may request the NTMA to attempt to locate persons who are suitably qualified for appointment to manage asset covered securities business activities (described below), or specified asset covered securities business activities, of an Institution in any of the following circumstances:

(a) if the Institution has become insolvent or potentially insolvent (for a description of the circumstances in which an Institution is regarded as insolvent or potentially insolvent for the purposes of the ACS Act, see *Insolvency of Institutions – Meanings of "insolvent", "potentially insolvent" and "insolvency process" for the purposes of the ACS Act*);

(b) if as a result of becoming aware of information provided to the Central Bank, it is of the opinion that a manager should be appointed in respect of the Institution in order to safeguard the interests of:

  (i) holders of Mortgage Covered Securities issued by the Institution; or

  (ii) persons who have rights under cover assets hedge contracts entered into by the Institution (for a general description of the circumstances in which an Institution may enter into cover assets hedge contracts and the rights and obligations attaching thereto, see *Permitted Business activities – (f) entering into certain hedging contracts for the purposes of hedging risks associated with the foregoing activities/dealing in and holding Pool Hedge Collateral*); or

  (iii) other creditors of the Institution; or

(c) if the registration of the Institution as a DCI is revoked under the ACS Act or the Institution is subject to a direction given under certain provisions of the ACS Act (for a description of the relevant provisions see Registration of Institutions/Revocation of Registration – Revocation of registration as an Institution and – Direction of the Central Bank requiring an Institution to suspend its business).

The ACS Act defines "**asset covered securities business activities**" in relation to an Institution or former Institution, for the purposes of Part 6 of the ACS Act, as:

(a) issuing Mortgage Covered Securities and otherwise financing or refinancing the activities referred to in (b) to (d) below;

(b) entering into cover assets hedge contracts;

(c) dealing with mortgage credit assets or substitution assets;

(d) holding Cover Assets and maintaining the related Pool;

(e) the keeping of the Business Register (for a description of the provisions of the ACS Act requiring an Institution to maintain a Business Register, see *Cover Assets Pool – Register of mortgage covered securities business*); and

(f) administering and servicing those activities.

Under the ACS Act, the Central Bank may by notice in writing given to a manager appointed in respect of an Institution, confer on that manager such additional responsibilities or powers as it considers appropriate for the effective management of the asset covered securities business activities of the Institution.

Under the ACS Act, if a liquidator, examiner or receiver is appointed in respect of an Institution to which a manager has been appointed, the manager may enter into arrangements with respect to the management of the Institution, including such matters as may be specified in a notice of the kind referred to in the paragraph immediately above. Those arrangements must include payment of the manager's costs and remuneration and are subject to any conditions specified in such a notice or as the Central Bank may notify the manager in writing.

Where an Institution, in respect of which a manager has been appointed, has property or assets located for the purposes of the ACS Act outside Ireland and those assets or property are relevant to the manager's functions under the ACS Act, under the ACS Act, the manager may, with the prior written consent of the Central Bank, appoint agents with such powers of the manager and on such terms as the manager considers are required to enable the manager to carry out the manager's functions under the ACS Act and the claims of any such agent are deemed to be claims of the manager for the purposes of the ACS Act.

The ACS Act also contains provisions in relation to nominations by the NTMA to the Central Bank of prospective candidates for manager to an Institution, selection and appointment of the manager by the Central Bank and publication of that appointment.

In the event that such a person cannot be located, the NTMA will then attempt to find an appropriate body corporate to become the parent entity of the Institution concerned in place of the existing parent (if any).

The ACS Act provides that in the event that the NTMA cannot locate a suitable appointee as manager or replacement parent entity, the Central Bank is required to appoint the NTMA as manager to manage the asset covered securities business activities of the Institution concerned, or such of those activities as are specified by the Central Bank.

The ACS Act provides that the Central Bank may, while the NTMA is attempting to locate a suitably qualified person for appointment as manager or an appropriate body corporate to become the parent entity of the Institution concerned, appoint the NTMA as a temporary manager to manage the asset covered securities business activities of the Institution concerned, or such of those activities as are specified by the Central Bank.

The ACS Act provides that, on appointment, a manager becomes responsible for managing the asset covered securities business of the relevant Institution, or such of those activities as are specified in the manager's notice of appointment, and performing the functions, and exercising the powers, of the relevant Institution insofar as they relate to those activities.

The ACS Act provides that the manager is required to assume control of the assets of the Institution that relate to the Institution's asset covered securities business activities, or such of those assets that relate to the asset covered securities business activities specified in the manager's notice of appointment. The manager is required to carry on that business in such manner as appears to the manager to be in the commercial interest of the holders of Mortgage Covered Securities issued by the relevant Institution and of persons with whom the Institution has entered into cover assets hedge contracts, subject to and in accordance with any directions of the Central Bank.

The ACS Act provides that the provisions set out in schedule 1 to the ACS Act are applicable to a manager appointed in respect of an Institution. Schedule 1 includes provisions relating to the replacement of managers in certain circumstances, the vacation of the office of manager in certain circumstances and the fees and expenses payable to a manager.

Limitations on the civil liability of the Central Bank/the NTMA/any manager

The ACS Act provides that the Central Bank, members and employees of the Central Bank, and persons acting under the direction of the Central Bank are not liable in any civil proceedings for any act done, or omitted to be done, by the person for the purposes of, or in connection with, performing or exercising any function or power

imposed or conferred on the Central Bank by or under the ACS Act if the act was done, or was omitted, in good faith for the purposes of the ACS Act.

The NTMA and any manager, the chief executive of the NTMA, officers of a manager and employees of the NTMA or a manager, and persons acting under the direction of the NTMA or a manager are not liable in any civil proceedings for any act done, or omitted to be done, by the person for the purposes of, or in connection with, performing or exercising any function or power imposed or conferred on the NTMA or, as applicable, the manager by or under the ACS Act if the act was done, or was omitted, in good faith for the purposes of the ACS Act.

The powers of managers with respect to security trustees

The ACS Act makes provisions for the holding by a security trustee of security (other than under the ACS Act) over assets comprised in the Pool which are located outside of Ireland in order to augment the security provided for under the ACS Act (see *Insolvency of Institutions – Security interests on the Pool*). A manager may under the ACS Act enter into arrangements with the security trustee in connection with:

(a) their respective functions under the ACS Act and operations relating to Cover Assets which are also subject to such additional security arrangements; and

(b) their respective functions under the ACS Act and the enforcement or administration of Cover Assets which are also subject to such additional security arrangements.

TRANSFERS OF A BUSINESS OR ASSETS UNDER THE ACS ACT INVOLVING AN INSTITUTION

Transfer to be effected by means of a statutory scheme

The ACS Act contains a statutory mechanism for effecting a transfer of a business or assets from a credit institution which is not an Institution to a credit institution which is an Institution. The ACS Act also contains a statutory mechanism for effecting a transfer of a business or assets from an Institution to another credit institution (which may be another Institution). A transfer is effected by means of a scheme which must be approved by the appropriate relevant person. The ACS Act provides that the transferor credit institution and transferee credit institution are required to jointly submit to the relevant person (see – *Approval of the Minister for Finance or the Central Bank required*) for approval a scheme for the proposed transfer of the business or assets concerned. The scheme must contain such details as the relevant person may require with respect to that business or those assets and must specify the date or dates on which the transfer is to take place or how that date or those dates are to be ascertained.

Transfer may be subject to conditions

As a prerequisite to giving approval, the relevant person may impose on the parties to the proposed transfer such conditions relating to the scheme as that person thinks necessary for the purpose of:

(a) safeguarding the interests of the parties to the transfer and of persons who have financial obligations in respect of the business or assets concerned;

(b) ensuring an orderly transfer of that business or those assets; and

(c) providing for publication of the proposed transfer.

Transfer scheme to be approved by order

On being satisfied that a scheme submitted to the relevant person will achieve the purpose referred to in *Transfer may be subject to conditions* above and that the conditions (if any) imposed by that person in respect of the scheme have been or will be complied with, the relevant person:

(a) must, by order, approve a transfer of the business or assets concerned; and

(b) must publish a notice giving particulars of the transfer in one or more daily newspapers circulating in Ireland.

The relevant person may, by further order, vary an initial approval. If such an approval is varied, the relevant person must publish a notice giving particulars of the variation in one or more daily newspapers circulating in Ireland.

Effect of a transfer scheme

The ACS Act provides that a transfer of a business or assets under the ACS Act takes effect:

(a) subject to any conditions imposed on the approval of the transfer; and

(b) on the date or dates specified in the scheme.

On the transfer of a business or assets under the ACS Act:

(a) the transferee credit institution has the same rights (including priorities) and obligations in respect of that business or those assets as the transferor credit institution had immediately before the transfer took effect; and

(b) the transferor ceases to have those rights and obligations.

The ACS Act exempts a transfer of an asset under the ACS Act, whether specifically or as part of a transfer of a business, from any requirement to be registered under the Registration of Deeds Act 1707 (which has been repealed and replaced by the Registration of Deeds and Title Act 2006), the Bills of Sale (Ireland) Acts 1879 and 1883, the Companies Act 1963, the Registration of Title Act 1964, and any other Act that provides for the registration of assets or details of them.

If legal proceedings are pending immediately before the time when a transfer under the ACS Act takes effect, those proceedings are to continue. At that time, the transferee credit institution:

(a) replaces the transferor credit institution as a party to the proceedings; and

(b) assumes the same rights and obligations in relation to those proceedings as the transferor credit institution had immediately before that time.

Approval of the Minister for Finance or the Central Bank required

For the purposes of the transfer mechanism under the ACS Act, the "**relevant person**" is the Minister for Finance, if the relevant credit institutions are not associated, or the Central Bank, if the relevant credit institutions are associated.

If the approval of the Minister for Finance is required for a transfer of a business or assets under the relevant provision of the ACS Act (i.e. because the relevant credit institutions are not associated), the Minister for Finance is required to consult the Central Bank before approving the transfer.

For the purposes of the relevant provision of the ACS Act, a transferor credit institution is "associated" with the transferee credit institution if:

(a) either of the institutions is the beneficial owner of not less than 90 per cent. of the issued share capital of the other institution (whether directly or indirectly through any other person or persons); or

(b) a body corporate (other than the transferor or transferee credit institution) is the beneficial owner of not less than 90 per cent. of the issued share capital of each of the institutions (whether directly or indirectly through any other person or persons).

Transfer of AIB's Irish Residential Loan Book and Business to the Issuer

On 13 February 2006, AIB transferred to the Issuer the Irish residential loans and related security held by its home mortgage department and the home mortgage business related to that department of AIB. The aggregate principal amount outstanding of and accrued but unpaid interest on, the Irish residential loans transferred by AIB to the Issuer on 13 February 2006 was approximately €13.6 billion. The transfer was effected pursuant to the statutory transfer mechanism provided for in the ACS Act described above. This statutory mechanism involved the putting in place of a scheme in accordance with the ACS Act between AIB and the Issuer on 8 February 2006 which permits the transfer of Irish residential loans and related security and/or Irish residential loan business between AIB and the Issuer. Transfers under that scheme were approved by order of the Central Bank on 8 February 2006 as required by the ACS Act. The scheme permits further transfers from AIB to the Issuer or from the Issuer to AIB.

On 25 February 2011, AIB transferred substantially all of its mortgage intermediary originated Irish residential loans, related security and related business to the Issuer. The aggregate principal amount outstanding of, and accrued but unpaid interest on, the Irish residential loans transferred by AIB to the Issuer on 25 February 2011 was approximately €4.2 billion. The transfer was effected pursuant to the above mentioned statutory transfer mechanism provided for in the ACS Act.

REGISTRATION OF INSTITUTIONS/REVOCATION OF REGISTRATION

Registration of an eligible credit institution as an Institution

A person may not purport to issue Mortgage Covered Securities in accordance with the ACS Act unless the person is registered as an Institution in accordance the ACS Act.

An eligible person may apply to the Central Bank to be registered as an Institution. A person is an eligible person for the purposes of the ACS Act only if it is a credit institution incorporated or formed in Ireland that holds an authorisation issued by the Central Bank authorising it to carry on business as a credit institution.

A "**credit institution**" is defined in the ACS Act to include the holder of a banking licence under section 9 of the Central Bank Act 1971 (now an ECB banking authorisation).

The ACS Act provides that the Central Bank may register an applicant as an Institution only if it is satisfied that the applicant:

(a) is or will be able to carry out, in a proper manner, the responsibilities that an Institution is required by the ACS Act to carry out; and

(b) complies with, or will be able to comply with, such requirements (if any) relating to an Institution as are prescribed by the regulations made and regulatory notices published by the Central Bank under the ACS Act.

The ACS Act provides that in granting an application, the Central Bank may impose conditions on the applicant with respect to the orderly and proper regulation of the applicant's business which it considers appropriate.

The ACS Act provides for the recording of the particulars of successful applicants for registration in the register of Institutions as an Institution (see further below) and the issuance of certificates of registration to registered Institutions.

Registration authorises the Institution named in the certificate to carry on the business of an Institution. An Institution is required to comply with the conditions contained in its certificate of registration or in any document issued with the certificate. A registration of an Institution remains in force until it is revoked.

The Central Bank may from time to time vary a condition of an Institution's registration or impose on the Institution a new condition, but only after giving to the Institution concerned notice in writing of its intention to do so and after giving the Institution an opportunity to make written representations to the Central Bank in relation to the proposed variation or proposed new condition.

Register of Institutions maintained by the Central Bank

The Central Bank is required to establish and maintain a register of designated mortgage credit institutions (the "**Register of Institutions**"). The Register of Institutions must contain the name and address of the principal place of business of each Institution and such other information as the Central Bank determines. The Issuer is registered in the Register of Institutions on the date of this Base Prospectus as an Institution.

Members of the public are entitled, without charge, to inspect the Register of Institutions during the ordinary business hours of the Central Bank. The Central Bank must, not less frequently than once every 12 months, publish a list of Institutions. If regulations made by the Central Bank so require, the list must contain such other particulars as are prescribed by such regulations. As at the date of this Base Prospectus, no such regulations have been made by the Central Bank.

Revocation of Registration

The ACS Act provides for the revocation by the Central Bank of the registration of an Institution at the request of the Institution, but only if the Central Bank is of the opinion that the Institution has fully satisfied all claims and liabilities that are secured in respect of the Institution as provided by Part 7 of the ACS Act (see *Insolvency*

of Institutions – Effect under the ACS Act of insolvency, potential insolvency or insolvency process with respect to an Institution).

The Central Bank may, with the consent of the Minister for Finance, revoke the registration of an Institution in circumstances where the revocation is not requested by the Institution. These circumstances arise when the Central Bank is satisfied on reasonable grounds that:

(a) the Institution has not begun to carry on any business of a designated mortgage credit institution within 12 months after the date on which the registration was notified to the Institution;

(b) the Institution has not carried on any of that business within the immediately preceding 6 months;

(c) the registration was obtained by means of a false or misleading representation;

(d) the Institution has contravened or is contravening, or has failed or is failing to comply, with a provision of the ACS Act or a regulatory notice published by the Central Bank;

(e) the Institution has become subject to an insolvency process (for a description of the meaning of "insolvency process" for the purposes of the ACS Act, see *Insolvency of Institutions – Meaning of `insolvent', `potentially insolvent' and `insolvency process' for the purposes of the ACS Act*);

(f) the Institution no longer has sufficient "own funds" (as referred to in CRD IV);

(g) the Cover Assets comprised in a Pool maintained by the Institution do not comply with any provision of Part 4 of the ACS Act (for a description of the provisions of the ACS Act governing the composition of a Pool, see Cover Assets Pool);

(h) the business of, or the corporate structure of, the Institution has been so organised to such an extent that the Institution can no longer be supervised to the satisfaction of the Central Bank;

(i) the Institution has come under the control of any other entity that is not supervised by the Central Bank to such an extent that the Institution can no longer be supervised to the satisfaction of the Central Bank;

(j) since the Institution was registered as a designated mortgage credit institution, the circumstances under which the registration was given have changed to the extent that an application for registration would be refused had it been made in the changed circumstances; or

(k) the Institution, or any of its officers, is convicted on indictment of:

  (i) an offence under the ACS Act or under any other enactment prescribed by regulations made by the Central Bank for the purpose of section 19 of the ACS Act (as at the date of this Base Prospectus, no such regulations have been made by the Central Bank); or

  (ii) an offence involving fraud, dishonesty or breach of trust.

In the case of an Institution whose registration has been revoked under the ACS Act, but which is not a company or building society, or, being a company or building society, is not being wound up, the Institution is required to continue to carry out the financial obligations of the Institution that are secured under Part 7 of the ACS Act (see *Insolvency of Institutions – Effect of insolvency, potential insolvency or insolvency process with respect to an Institution* below) until all those obligations have been fully discharged to the satisfaction of the Central Bank. In relation to such an Institution which is being wound up and the position of the liquidator under the ACS Act, see Position of a Liquidator below.

Direction of the Central Bank requiring an Institution to suspend its business

The ACS Act provides that if the Central Bank reasonably believes that there may be grounds for revoking the registration of an Institution under the ACS Act, it may, subject to Part 7 of the ACS Act (see *Insolvency of Institutions – Effect under the ACS Act of insolvency, potential insolvency or insolvency process with respect to*

an Institution), give to the Institution a direction in writing prohibiting it from engaging in the following specified activities except with the permission of the Central Bank:

(a) dealing with the Institution's assets generally or dealing with any specified class of assets or any specified asset;

(b) engaging in transactions generally or engaging in any specified class of transactions or any specified transaction; or

(c) making payments generally or making any specified class of payments or any specified payment.

If such a direction is in effect:

(a) winding up or bankruptcy proceedings may be initiated in respect of the Institution concerned;

(b) a receiver over the assets of that Institution may be appointed; and

(c) the assets of that Institution may be attached, sequestered or otherwise distributed,

only if the prior approval of the High Court has been obtained.

The ACS Act also confers on the Central Bank a power in certain circumstances to give an Institution, whose registration has been revoked and which is not a company or a building society, or, being a company or a building society, is not being wound up, a direction to a similar effect as one described above.

A direction given by the Central Bank under the ACS Act must include a statement of the Central Bank's reason for giving the direction and its duration (not exceeding six months). The Central Bank may by notice in writing to the relevant Institution amend or revoke a direction and extend the duration of a direction by a further period not exceeding six months.

Position of a liquidator

In the case of an Institution whose registration is revoked under the ACS Act and that (being a company or a building society) is being wound up, the ACS Act provides that, except as otherwise provided by the ACS Act, the liquidator of the Institution has a duty to ensure that the Institution performs the obligations of an Institution under the ACS Act. The Central Bank may, by notice in writing given to the liquidator, substitute the liquidator's obligations referred to above with other obligations referred to above of a similar nature as specified in that notice.

TAXATION

The following summary of the anticipated tax treatment in Ireland in relation to the payments on the Securities is based on Irish taxation law and the practices of the Revenue Commissioners in force at the date of this Base Prospectus. It does not constitute tax or legal advice and it does not purport to be, and is not, a complete description of all of the tax considerations that may be relevant to a decision to subscribe for, buy, hold, sell, redeem or dispose of the Securities. The summary relates only to the position of persons who are the absolute beneficial owners of the Securities and the interest payable on them (in this Taxation section referred to as "**Security Holders**"). Particular rules not discussed below may apply to certain classes of taxpayers holding Securities, such as dealers in securities, investment funds etc. Prospective investors should consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Securities and the receipt of interest or discount on the Securities under the laws of the jurisdictions in which they may be liable to taxation.

Withholding Tax on Interest

In general, withholding tax at the standard rate of income tax (currently 20 per cent.) must be deducted from Irish source yearly interest payments made by an Irish company. However, no withholding for or on account of Irish income tax is required to be made from such interest in certain circumstances, including those set out below.

This withholding tax does not apply to interest payments made by a company in the ordinary course of an Irish banking business. The Revenue Commissioners have previously confirmed that interest payments made by an Institution on mortgage covered securities issued by that Institution will be regarded as interest paid by such Institution in the ordinary course of its banking business in Ireland. In the case of the Issuer and the Securities, this exemption would cease to apply if the Issuer at any time ceased to be the holder of an ECB banking authorisation to be a DCI under the ACS Act, or to carry on business in Ireland.

Separately, section 64 of the Taxes Consolidation Act 1997 (the "**TCA**") provides for the payment of interest on a quoted Eurobond (as defined by that section) without the deduction of tax in certain circumstances.

Also, any requirement to operate Irish withholding tax on interest may be obviated or reduced pursuant to the terms of an applicable double taxation agreement.

Withholding tax on Discount

Discounts arising on the Securities will not be subject to the withholding tax on interest mentioned above.

*Deposit Interest Retention Tax ("**DIRT**")*

A relevant deposit taker (as defined by section 256 of the TCA) such as the Issuer is obliged to withhold tax currently at a rate of 41 per cent. from certain interest payments or other returns on a relevant deposit. The term 'deposit' is widely defined and would include a Security. There are a number of exemptions to the requirement to withhold this tax, of which the most relevant to the Securities are set out below:

(a) The interest or discount is paid on a debt on a security issued by a relevant deposit taker within the meaning of section 256 of the TCA (which would include a Security) which is listed on a stock exchange (which includes the ISE).

(b) The interest or discount is paid on a Wholesale Debt Instrument (as defined in section 246A of the TCA) and either:

(I) the Wholesale Debt Instrument has a minimum denomination of €500,000, or US$500,000 or if denominated in a currency other than euro or United States dollars, the equivalent of €500,000 at the date that programme was first publicised, and is held in Euroclear or Clearstream, Luxembourg or any other clearing system recognised from time to time by the Revenue Commissioners; or

(II) (A) the person by whom the payment is made; or

(B) the person through whom the payment is made,

is Irish tax resident or the payment is made either by or through, a branch or agency in Ireland of a company that is not Irish tax resident;

and

(i) the person who is beneficially entitled to the interest is Irish tax resident and has provided their Irish tax reference number to the payer; or

(ii) the person who is the beneficial owner of the security and who is beneficially entitled to the interest thereon is not Irish tax resident and has made a declaration to that effect in the prescribed form.

(c) The person beneficially entitled to interest or discount on the Securities is not Irish tax resident and a declaration to that effect has been made to the Issuer by the payee of interest or discount in the form prescribed by the Revenue Commissioners for this purpose.

(d) The person beneficially entitled to interest or discount on the Securities is a company within the charge to corporation tax on such interest or a pension scheme and has in each case provided an Irish tax reference number to the Issuer.

Reporting Requirements

The Issuer, in respect of interest payments made by it to a person who is Irish tax resident, is required by the Revenue Commissioners, to provide the names, addresses and tax reference numbers of the persons to whom interest was paid or credited and the amount of interest paid or credited.

Encashment Tax

A paying agent outside Ireland is not obliged to deduct Irish encashment tax from interest on the Securities. A collecting agent in Ireland acting on behalf of the holder of the Securities that obtains payment of interest in respect of a Security that is quoted on a recognised stock exchange (the ISE is recognised for this purpose) may be required to withhold tax at the standard rate of income tax (currently 20 per cent.) unless it is proved, on a claim made in the required manner to the Revenue Commissioners, that the person owning the Securities and beneficially entitled to such interest is not Irish tax resident. For this purpose, it is necessary that such interest is not deemed under the provisions of Irish tax legislation to be income of another person that is Irish tax resident. No encashment tax will apply where a bank's only role is the clearing of a cheque, or the arranging for the clearing of a cheque, by the bank.

Liability of Security Holders to Irish Income Tax

In general, persons who are tax resident and domiciled in Ireland are liable to Irish taxation on their world-wide income whereas persons who are not resident or ordinarily resident in Ireland for tax purposes are only liable to Irish taxation on their Irish source income. All persons are under a statutory obligation to account for Irish tax on a self-assessment basis and there is no requirement for the Revenue Commissioners to issue or raise an assessment.

Where a Security Holder is a company that is not Irish tax resident and the interest or discount, as the case may be, is not attributable to a branch or agency or other permanent establishment of that company in Ireland (in each case whereby Irish corporation tax would apply), then unless an exemption applies, Irish income tax applies to the interest or discount, as the case may be, at the standard rate of Irish income tax (currently 20 per cent.)

Where a Security Holder is a natural person, unless an exemption applies, Irish income tax applies to the interest or discount, as the case may be, at the person's marginal rate of Irish income tax (currently up to 40 per cent.) and PRSI and the universal social charge, if applicable.

Credit is available for any Irish tax withheld from income on account of the related income tax liability.

Notwithstanding that a Security Holder may receive interest payments or discount, as the case may be, on the Securities free of withholding tax, the Security Holder will technically be liable for Irish tax (and, if applicable, PRSI and universal social charge if an individual recipient) in respect of such interest payments or discount, as the case may be, unless an exemption applies. There is an exemption from Irish income tax on interest or discount, as the case may be, under section 198 of the TCA that applies in certain circumstances.

These circumstances include:

(a) where the interest is paid on an asset covered security within the meaning of section 3 of the ACS Act (which includes the Securities) and the recipient is either:

  (i) a person who is regarded as being resident in an EU Member State (other than Ireland) under the law of that EU Member State, or is a resident of a territory with which Ireland has signed a double taxation agreement under the terms of that agreement; or

  (ii) a company which is not resident in Ireland and which is controlled, either directly or indirectly, by persons resident in an EU Member State (other than Ireland) under the law of that EU Member State, or resident in a territory with which Ireland has signed a double taxation agreement under the law of that territory, and who are not under the control, whether directly or indirectly, of a person who is, or persons who are not so resident; or

  (iii) a company the principal class of shares of which is substantially and regularly traded on a stock exchange in Ireland, on a recognised stock exchange in an EU Member State or in a territory with which Ireland has signed a double taxation agreement or on such other stock exchange as is approved by the Minister for Finance; or

(b) where discount arises on Securities to a person that is not Irish tax resident and is regarded as being resident in an EU Member State (other than Ireland) under the law of that EU Member State, or is a resident of a territory with which Ireland has signed a double taxation agreement under the terms of that agreement.

Security Holders receiving interest on the Securities that does not fall within the above exemptions may be liable to Irish income tax and, where applicable, PRSI and universal social charge on such interest.

Capital Gains Tax

Where the Securities are listed on a stock exchange (which would include the ISE), or do not derive the greater part of their value directly or indirectly from Irish land or certain Irish mineral rights, a Security Holder will not be subject to Irish tax on capital gains in respect of the Securities unless that Security Holder is either resident or ordinarily resident in Ireland for tax purposes or that Security Holder has an enterprise, or an interest in an enterprise, which carries on business in Ireland through a branch or agency, or a permanent establishment, to which or to whom the Securities are attributable.

The rate of capital gains tax is currently 33 per cent.

Capital Acquisitions Tax

If the Securities are comprised in a gift or inheritance taken from a disponer that is resident or ordinarily resident in Ireland for tax purposes or, in the case of certain settlements, an Irish domiciled disponer, or if the recipient is resident or ordinarily resident in Ireland for tax purposes, or the Securities are regarded as property situate in Ireland, the recipient (or, in certain cases, the disponer) may be liable for Irish capital acquisitions tax.

Bearer Securities would be regarded as property situate in Ireland if the Securities are physically kept or located in Ireland with a depository or otherwise at the relevant time. Accordingly, if Bearer Securities are comprised in a gift or inheritance, the recipient and the disponer may be liable to Irish capital acquisitions tax, even though the disponer may not be domiciled in Ireland, resident or ordinarily resident in Ireland for tax purposes, if the Bearer Securities are physically located in Ireland at the date of the gift or inheritance.

Registered Securities would be regarded as property situate in Ireland if the register of the Securities is maintained in Ireland. At the date of this Base Prospectus, the register of Registered Securities is maintained outside of Ireland. It is possible that the location of the register of Securities may change.

The rate of capital acquisitions tax is currently 33 per cent.

Stamp Duty

No Irish stamp duty is payable on the issue or transfer of the Securities.

EU Taxation of Savings Income Directive

On 3rd June, 2003, the European Council of Economics and Finance Ministers adopted the Savings Directive under which EU Member States and certain other territories including Switzerland (see *Risk Factors – EU Savings Directive*) are required to provide to the tax authorities of another EU Member State or those other territories, details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other EU Member State or territory.

The Savings Directive has been enacted into Irish legislation. Where any person in the course of a business or profession carried on in Ireland makes an interest payment to, or secures an interest payment for the immediate benefit of, the beneficial owner of that interest, that person must, in certain circumstances, establish the identity and residence of that beneficial owner, and report certain details in relation to the interest payment to the Revenue Commissioners.

The Issuer and its agents shall be entitled to require a Security Holder to provide any information regarding their identity, status and residency required by the Issuer or its agents in order to satisfy the disclosure requirements of the Savings Directive and a Security Holder will be deemed by their subscription for Securities to have authorised the disclosure of such information by the Issuer and its agents to the relevant tax authorities.

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

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

FATCA

Pursuant to FATCA, non-U.S. financial institutions that become subject to provisions of local law intended to implement an intergovernmental agreement ("**IGA legislation**") entered into pursuant to FATCA may be required to identify "financial accounts" held by U.S. persons or entities with substantial U.S. ownership, as well as accounts of other financial institutions that are not themselves participating in (or otherwise exempt from) the FATCA reporting regime. IGA legislation has been entered into between the United States and Ireland and Irish domestic legislation, the Financial Accounts Reporting (United States of America) Regulations 2014, has been implemented to give effect to the Ireland-US IGA legislation. Failure by the Issuer to report certain information on its U.S. account holders to the Revenue Commissioners could result in the Issuer becoming

subject to FATCA withholdings on payments it receives. In certain limited circumstances, the Issuer could also be required to withhold 30 per cent. from all, or a portion, of certain payments.

The Securities are expected to be held in bearer or registered global form and held within the Clearing Systems. It is generally expected by market participants that FATCA should not affect the amount of any payments made under, or in respect of, debt securities issued by regulated banks (such as the Securities) by the Issuer, any Paying Agent and the common depository/common safekeeper, given that each of the entities in the payment chain beginning with the issuer and ending with the Clearing Systems will generally be a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement should be unlikely to negatively affect the FATCA treatment of such debt securities. However, the Conditions expressly contemplate the possibility that the Securities may go into definitive form and therefore that they may be taken out of the Clearing Systems. If this were to happen, then a non-FATCA compliant holder could be subject to withholding in limited circumstances. However, definitive Securities will only be issued in exchange for Securities held in global form in the event of an Exchange Event.

If an amount were to be deducted or withheld from interest, principal or other payments on the Securities as a result of FATCA, none of the Issuer, any Paying Agent or any other person would, pursuant to the Conditions of the Securities be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may receive less interest or principal than expected.

SUBSCRIPTION AND SALE, TRANSFER AND SELLING RESTRICTIONS AND SECONDARY MARKET ARRANGEMENTS

Subscription and Sale: Programme Agreement

The Dealers have, in an amended and restated programme agreement (the "**Programme Agreement**") dated 17 July 2015 agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Securities. Any such agreement will extend to those matters stated under *Form of the Securities, Issue Procedures and Clearing Systems and Terms and Conditions of the Securities*. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Securities under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith. The Issuer may pay the Dealers commission from time to time in connection with the sale of Securities. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with any future update of the Programme and the issue of Securities under the Programme. The Dealers are entitled to be released and discharged from their obligations in relation to any agreement to issue and purchase Securities under the Programme Agreement in certain circumstances prior to payment to the Issuer.

The names and address of the initial Dealers are set out at the end of this Base Prospectus. The name and address of any additional Dealer appointed after the date of this Base Prospectus will be disclosed in the applicable Final Terms and notified to the ISE/Central Bank of Ireland.

Transfer Restrictions

Each purchaser of Registered Securities (other than a person purchasing an interest in a Registered Global Security with a view to holding it in the form of an interest in the same Global Security) or person wishing to transfer an interest from one Registered Global Security to another or from global to definitive form or *vice versa*, will be required to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Regulation S are used herein as defined therein):

(i) that it is outside the United States and is not a U.S. person;

(ii) that the Securities are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Securities have not been and will not be registered under the Securities Act or any other applicable U.S. State securities law and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(iii) that, unless it holds an interest in a Registered Global Security and either is a person located outside the United States or is not a U.S. person, if in future it decides to resell, pledge or otherwise transfer the Securities or any beneficial interests in the Securities, it will do so, prior to the date which is two years after the later of the last Issue Date for the Series and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Securities, only (a) to the Issuer or any affiliate thereof; (b) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;

(iv) it will, and will require each subsequent holder to, notify any purchaser of the Securities from it of the resale restriction referred to in paragraph (iii) above, as applicable;

(v) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Securities prior to the expiration of the distribution compliance period (defined as 40 days after the completion of the distribution of the Securities following the original issuance of the Securities, as certified by the Dealers in accordance with the Agency Agreement), it will do so only (a) outside the United States in compliance with Rule 903 or 904 under the Securities Act or (b) in accordance with all applicable U.S. States securities laws; and it acknowledges that the Registered Global Securities will bear a legend to the following effect unless otherwise agreed to by the Issuer.

> "THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (the "**SECURITIES ACT**") AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO U.S PERSONS (AS THOSE TERMS ARE

DEFINED IN REGULATION S UNDER THE SECURITIES ACT) UNLESS AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE."; and

(vi) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representation or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Securities as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Selling Restrictions

United States

The Securities have not been and will not be registered under the Securities Act, and may not be offered, sold or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from the registration requirements of the Securities Act. The Securities are initially being offered and sold only outside the United States in reliance on Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S.

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

Each Dealer has agreed (and each further Dealer named in a Final Terms will be required to agree) that it will not offer, sell or deliver Securities (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Tranche of which such Securities are part, as determined and certified to the Agent by such Dealer (in the case of a non-syndicated issue) or the relevant Lead Dealer (in the case of a syndicated issue) (the "**Distribution Compliance Period**") within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Securities during the Distribution Compliance Period a confirmation or other notice setting out the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have meanings given to them by Regulation S.

In addition, until 40 days after the completion of the distribution of all Securities of the Tranche of which such Securities are a part, an offer or sale of the Securities within the United States by any dealer whether or not participating in the offering of such Tranche may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

European Economic Area

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Securities which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Securities to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer;

(c) at any time if the denomination per Security being offered amounts to at least €100,000 (or equivalent); or

(d) at any time in any other circumstances falling within article 3(2) of the Prospectus Directive.

provided that no such offer of Securities referred to in (a) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of the above, the expression "**an offer of Securities to the public**" in relation to any Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(1) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 of the UK (the "**FSMA**")) received by it in connection with the issue or sale of any Securities in circumstances in which Section 21(1) of the FSMA would not, if the Issuer was not an authorised person, apply to the Issuer; and

(2) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Securities in, from or otherwise involving the UK.

Japan

The Securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948) (the "**Financial Instruments and Exchange Law**") and, accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it will not, directly or indirectly, offer or sell any Securities in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Act (Law No. 228 of 1949), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and all other applicable laws, regulations and ministerial guidelines of Japan. As used in the paragraph, "resident of Japan" means any person resident in Japan, including any corporation or entity organised under the laws of Japan.

Republic of Italy

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the offering of the Securities has not been registered pursuant to Italian securities legislation and, accordingly, the Securities may not be offered, sold or delivered, nor may copies of this Base Prospectus or any other document relating to the Securities be distributed in the Republic of Italy, except:

(a) to qualified investors (*investitori qualificati*), as defined in Article 100 of Legislative Decree No. 58 of 24 February 1998 (the "**Financial Services Act**") and the relevant implementing regulations of Italian Securities Exchange Commission ("**CONSOB**"); or

(b) in other circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of the Financial Services Act and Article 34, first paragraph, of CONSOB Regulation No. 11971 of 14 May 1999 ("**Regulation No. 11991**").

Furthermore, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer, sale or delivery of the Securities or distribution of copies of this Base Prospectus or any other document relating to the Securities in the Republic of Italy under (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 and Legislative Decree No. 385 of 1 September 1993 (the "**Italian Banking Act**");

(ii) in compliance with Article 129 of the Italian Banking Act and the implementing guidelines of the Bank of Italy from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and

(iii) in accordance with any other applicable laws and regulations including those imposed by CONSOB or other Italian authority.

Ireland

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(1) it has not offered, sold, underwritten or placed and will not offer, sell, underwrite or place any Securities otherwise than in conformity with the provisions of (i) the Companies Act, the Central Bank Acts 1942 to 2014 and any codes of conduct rules made under Section 117(a) of the Central Bank Act 1989; (ii) the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) including, without limitation, Regulations 7 and 152 thereof and any codes of conduct issued in connection therewith and the provisions of the Investor Compensation Act 1998;

(2) in respect of any Securities that are not listed on any recognised stock exchange and that do not mature within two years:

  (a) its action in any jurisdiction will comply with the then applicable laws and regulations of that jurisdiction;

  (b) it will not knowingly offer to sell such Securities to an Irish resident, or to persons whose usual place of abode is Ireland, and it will not knowingly distribute or cause to be distributed in Ireland any offering material in connection with such Securities;

  (c) it will not offer, sell or deliver any such Securities to any person in a denomination of less than €500,000 or its equivalent; and

  (d) such Securities will be held in a recognised clearing system;

(3) in respect of any Securities that are not listed on any recognised stock exchange and that mature within two years, it will not offer, sell or deliver any such Securities in Ireland or elsewhere to any person in a denomination of less than €500,000 if the relevant Securities are denominated in euro, U.S.$500,000 if the relevant Securities are denominated in U.S. dollars, or if the relevant Securities are denominated in a currency other than euro or U.S. dollars, the equivalent of €500,000 at the date the Programme is first publicised and that such Securities will be held in a recognised clearing system; and

(4) it will not underwrite or place any Securities in or involving Ireland other than in compliance with the Market Abuse (Directive 2003/6/EC) Regulations 2005 of Ireland and any Market Abuse Rules made by the Central Bank of Ireland thereunder or under Section 1370 of the Companies Act.

General

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Securities or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Securities under

the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer nor any of the Dealers has represented that Securities may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

None of the Dealers will be liable to the Issuer or any other parties as a result of any breach by any other Dealer of the restrictions set out in the Programme Agreement.

With regard to each Tranche, the Relevant Dealer(s) will be required to comply with such other restrictions as the Issuer and the relevant Dealer(s) shall agree as a term of the issue and purchase of the Securities as indicated in the applicable Final Terms.

Secondary Market Arrangements

The Issuer may enter agreements with Dealers or other persons in relation to a Tranche or Series of Securities whereby such Dealers may agree to provide liquidity in those Securities through bid and offer rate arrangements. The relevant Dealers or relevant persons in such agreements may agree to quote bid and offer prices for the relevant Securities at such rates and in such sizes as are specified in the relevant agreement and the provision of such quotes may be subject to other conditions as set out in the relevant agreement. Not all issues of Securities under the Programme will necessarily benefit from such agreements. A description of the main terms of any such agreements and the names and addresses of the relevant Dealers or other persons who are party to such will be disclosed in the applicable Final Terms for the relevant Securities.

GENERAL INFORMATION

1. The Board of Directors of the Issuer authorised the establishment of the Programme and the creation and issue of the Securities on 28 February 2006. The update of the Programme and the issue of Securities within a period of 12 months from the date of this Base Prospectus have been duly authorised by resolutions of the Board of Directors of the Issuer on 30 June 2015.

2. For so long as Securities are capable of being issued under the Programme, copies of the following documents may be inspected physically at the registered office of the Issuer during business hours:

   (a) the Memorandum and Articles of Association of the Issuer;

   (b) the audited financial statements of the Issuer for the financial year ended 31 December 2013 and the auditor's report dated 12 March 2014 by Deloitte & Touche thereon;

   (c) the audited financial statements of the Issuer for the financial year ended 31 December 2014 and the auditor's report dated 18 March 2015 by Deloitte & Touche thereon;

   (d) terms and conditions of the Securities as contained in the base prospectuses dated 23 March 2006, 18 June 2007, 30 June 2008, 14 September 2009, 20 September 2010, 2 December 2011, 19 November 2012, 20 December 2013 and 18 December 2014, as incorporated by reference in this Base Prospectus in respect of the Programme.

3. No governmental, legal or arbitration proceedings which may have or have had a significant effect on the Issuer's financial position or profitability have been held against the Issuer in the 12 months preceding the date of this Base Prospectus and the Issuer is not aware of any such proceedings which are pending or threatened.

4. Agency Agreement/Deed of Covenant

   The following provides a brief description of the contents of each of the Agency Agreement and the Deed of Covenant. A description of the contents of the Programme Agreement is set out in the first paragraph under Subscription and Sale, Transfer and Selling Restrictions and Secondary Market Arrangements above. A description of the hedging contractual arrangements entered into by the Issuer are set out at *Risk Management at the Issuer – Non trading interest rate risk (market risk)* above.

   (a) Agency Agreement

   In the amended and restated agency agreement dated 17 July 2015 and made between the Issuer and The Bank of New York Mellon (the "**Agency Agreement**") the Issuer has agreed the terms of the appointment of the principal paying agent, registrar and the other agents specified therein. In particular, the Agency Agreement sets out terms governing the issue of Securities, the duties of the agents, provisions relating to the payment of the agents' commissions and expenses, an indemnity from the Issuer in favour of the agents and provisions governing changes to the identity of the agents. The Agency Agreement also contains in a number of schedules, the forms of the Securities and the form of the Deed of Covenant.

   (b) Deed of Covenant

   Under a deed of covenant dated 17 July 2015 (the "**Deed of Covenant**") the Issuer has agreed, subject to the terms thereof, to grant certain direct contractual rights to Relevant Account Holders (as defined in the Deed of Covenant) in respect of Securities that are issued initially in global form and where a Global Security becomes void in accordance with its terms provides for such contractual rights to arise.

5. Save as otherwise disclosed in this Base Prospectus, there has been no significant change in the financial or trading position and no material adverse change in the prospects of the Issuer since 31 December 2014, the date of the Issuer's last published audited financial statements.

6. The Bearer Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Bearer Securities allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Securities are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

7. No website referred to in this Base Prospectus forms part of this Base Prospectus, other than those website links at which the documents incorporated by reference in this Base Prospectus are stated to be available.

8. Following a competitive open tender process at Group level, Deloitte & Touche were appointed on 20 June 2013 as auditors of the Issuer to replace the previous auditors, KPMG. Deloitte & Touche are a member of the Institute of Chartered Accountants in Ireland.

9. Where information in this Base Prospectus is identified as having been sourced by the Issuer from a third party or otherwise attributed to a third party such information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the information reproduced in this Base Prospectus inaccurate or misleading.

10. The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

11. Credit ratings included or referred to in this Base Prospectus have been or, as applicable, may be, issued by Fitch, Moody's and/or S&P each of which is established in the EU and is registered under the CRA Regulation.

REGISTERED OFFICE OF THE ISSUER

AIB Mortgage Bank
Bankcentre
Ballsbridge
Dublin 4
Ireland

COVER-ASSETS MONITOR

Mazars
Harcourt Centre
Block 3
Harcourt Road
Dublin 2
Ireland

DEALERS

Allied Irish Banks, p.l.c.
Bankcentre
Ballsbridge
Dublin 4
Ireland

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

Deutsche Bank Aktiengesellschaft
Grosse Gallusstrasse 10-14
D-60272 Frankfurt am Main
Germany

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

PRINCIPAL PAYING AGENT, ISSUING AGENT, TRANSFER AGENT, REGISTRAR AND (IF APPLICABLE) CALCULATION AGENT

The Bank of New York Mellon
One Canada Square
London E14 5AL
United Kingdom

IRISH LISTING AGENT

Arthur Cox Listing Services Limited
Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland

LEGAL ADVISORS TO THE ISSUER

As to Irish Law

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Riverside One
Sir John Rogerson's Quay
Dublin 2
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LEGAL ADVISORS TO THE ARRANGERS AND THE DEALERS

As to Irish Law

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AUDITORS TO THE ISSUER

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